THE WATERMARK
AT EAST HILL

Disclosure Statement

The Watermark at East Hill
611 East Hill Road
Southbury, Connecticut 06488

May 31, 2014

This community, like all other continuing care retirement communities in the State of Connecticut, is subject to the provisions of Section 17b-520 et seq. of the Connecticut General Statutes as amended to date and from time to time. Registration under such provisions does not constitute approval, recommendation or endorsement of the community by the Department of Social Services of the State of Connecticut, nor does such registration evidence the accuracy or completeness of the information in this Disclosure Statement.

Disclosure Statement
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The Watermark at East Hill

Introduction

The Watermark at East Hill ("The Watermark at East Hill" or the "Community") was established in 1983 and originally named East Hill Woods. It is a continuing care retirement community providing a retirement option known as "life care".

The purpose of this Disclosure Statement is to explain to prospective Residents, their families and advisors about the operation and management of the Community. This Disclosure Statement was prepared on the basis of information available at the time of its publication and assumptions are 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.

Although this Disclosure Statement has been prepared carefully and does not use technical language, it is possible that there may be some differences between the text in this Disclosure Statement and the Continuing Care Contract which is attached as Attachment A. In the event of any differences, the provisions of the Contract shall govern.

Description of the Community

Location and Overview

The Watermark at East Hill is located in a beautifully landscaped park setting on 55 acres at 611 East Hill Road in Southbury, Connecticut. It is adjacent to Heritage Village and the Heritage Golf Course.

The Watermark at East Hill is a continuing care retirement community serving persons 65 years of age or older in an independent lifestyle. Each Resident is provided with a private independent living apartment ("Apartment"), a wide array of personal services, and the security of the availability of an assisted living suite, memory care program and nursing home services in the on-site Health Care Center (all important components of life care).

Description of the Community

There are six buildings at the Community, four of which contain independent living apartments. The four residence buildings are referred to as: Applewood, Birchwood, Cherrywood and Dogwood. The fifth building is referred to as the "Commons Building." The sixth building is the memory care residence referred to as The Villa.

Administrative offices, the skilled nursing (the "Health Care Center" or "The Springs") and extensive common areas are in the Commons Building. Common areas include the dining room and the many lounges and activities rooms, such as a library and communications center, mail room, art studio, theater, beauty/spa salon, game room, fitness center, indoor pool, billiards room, an auditorium and, in addition a large central lounge with a fireplace.

Two wings of the Cherrywood building have been converted into assisted living and are referred to as “Cherrywood Lodge” or “The “Inn.” This portion of the community offers 18 private suites, 6 private apartments, a dining room and a common living and activity center.

The community opened a new 14-unit Memory Care residence called The Villa in September 2012. This portion of the community includes 14 suites, a great room, kitchen, dining area and activity center geared for those diagnosed with memory care issues and needing assisted living services.

The 34-bed Health Care Center, The Springs, houses 17 semi-private rooms and one private room, a dining room, recreation room, TV lounge, physical therapy room, clinic, examination room, two sitting areas and a fresh air porch. Emphasis is on restorative care in order to return each Resident to independent living, as appropriate.

There are a total of 157 one and two bedroom Independent Living Apartments in six styles located in the four residence buildings. All of the buildings are connected with heated/air conditioned walkways or bridges as well as elevators. Each of the four residence buildings has a guest room, personal laundry and Resident storage areas.

Structure and Governance

Organization

The Watermark at East Hill is owned by Watermark East Hill Woods, L.L.C. (“Watermark LLC”), a Delaware limited liability company, of which FSPP II East Hill Woods, L.L.C. and Watermark EHW Investments, L.L.C. are sole members. A management committee of owners’ representatives oversees Watermark LLC. David Freshwater, Matthew Reidy and Keiri Custodio comprise the committee. David Freshwater has close to 25 years experience in senior’s housing. Matthew Reidy and Keiri Custodio both have backgrounds in real estate investing. David Barnes, the president of WRC, the management company has worked in senior’s housing for close to two decades.

Watermark LLC has entered into a management agreement with Watermark Retirement Communities of Connecticut, L.L.C., an affiliate of Watermark Retirement Communities, Inc. (“WRC”) for the day-to-day operations of the Community. WRC has over twenty (20) years of experience in operating senior living communities across the nation. Founded in 1985 and originally called The Fountains, WRC has developed, owned and operated a wide range of seniors housing communities recognized as innovative and successful. WRC currently operates a portfolio of more than twenty communities from large-scale CCRCs to independent living/assisted living communities, in addition to several home care agencies. WRC is committed to a new paradigm for addressing the housing, hospitality and healthcare needs of America’s aging population. This new model integrates the best of technology, forward-thinking service and care strategies, along with innovative building design. Please visit the following for more information:

www.watermarkcommunities.com and thefreshwatergroup.com.

Watermark ALSA II, LLC ("Watermark ALSA") is the licensed operator of the assisted living program at The Watermark at East Hill. Watermark ALSA provides assisted living services in Cherrywood Lodge as well as home care services in the Apartments.

Neither Watermark LLC nor WRC nor any of the entities in the organizational structure of Watermark LLC or WRC are a religious, charitable or nonprofit organization or affiliated with any other religious, charitable or nonprofit organization.

Judicial Proceedings

Neither Watermark LLC nor WRC, nor any officer or director of either Watermark LLC or WRC has been convicted of a felony or pleaded nolo contendere to a felony charge, or has been held liable or enjoined in a civil action by final judgment, if the felony or civil action involved fraud, embezzlement, fraudulent conversion or misappropriation of property; nor is subject to a currently effective injunction or restrictive or remedial order of a court of record; nor within the past five (5) years has had any state or federal license or permit suspended or revoked as a result of an action brought by a governmental agency or department, arising out of or relating to business activity or health care, including but not limited to actions affecting the operation of a foster care facility, nursing home, retirement home, home for the aged, or any facility subject to sections 17b-520 to 17b-535 (inclusive) of the Connecticut General Statutes, or a similar statute in another state or country.

No actions have been initiated by the State of Connecticut, Office of the Attorney General, against Watermark LLC in regard to non-compliance with Chapter 319hh of the General Statutes or regulations promulgated pursuant to that Chapter.

Auditor

In order to comply with requirements of the State of Connecticut, the certified public accounting firm of PricewaterhouseCoopers has been retained as Watermark LLC's auditor. A copy of the most current Annual Financial Statement is included as Attachment B.

Escrows

To provide financial security to enable Watermark LLC to fulfill its obligations, the following reserve accounts have been established and funded:

Statutory Operating Reserve Fund

Watermark LLC has established and will maintain a statutorily required operating reserve account of one month's operating expenses. The reserve, totaling approximately $747,000 is held at Wells Fargo Bank, with an office at 229 Main Street South, Southbury, Connecticut 06488. A copy of the Escrow Agreement is on file with the Department of Social Services.

Statutory Debt Service Reserve Fund

Watermark LLC has established and will maintain a statutorily required operating reserve account of one year's debt service payments. The reserve, totaling approximately $1,980,000 is held at Wells Fargo Bank, with an office at 229 Main Street South, Southbury, Connecticut 06488. A copy of the Escrow Agreement is on file with the Department of Social Services.

Entrance Fee Deposit Escrow Account

The Watermark LLC has established and will maintain an Entrance Fee Deposit Escrow Account with Wells Fargo Bank, with an office at 229 Main Street South, Southbury, Connecticut 06488. All Entrance Fee deposits will be deposited in this account and remain there until the later of the expiration of the Resident's 30-day right of rescission period or until occupancy of the Apartment. Interest earned on the deposit will not be paid to the prospective Resident. A copy of the Escrow Agreement is on file with the Department of Social Services.

Documents Filed with Department of Social Services

All materials required to be filed with the Connecticut Department of Social Services have been submitted and are on file at the Department of Social Services, 25 Sigourney Street, Hartford, Connecticut 06106. The material on file includes the following:

- A current Disclosure Statement (this document).
- Financial information as required by Section 17b-527 of Chapter 319hh of the Connecticut General Statutes (Attachments B and C).
- Statutory Operating Reserve Fund and Entrance Fee Deposit Escrow Agreements.
- The statutory filing fee of $24 per unit has been paid to the Department of Social Services.

Watermark LLC makes all the above information available for review by its Residents by placing the material in the Residents' library and, if requested, Watermark LLC will also provide current Residents with a complete copy of this Disclosure Statement. In addition, Watermark LLC notifies each Resident annually of the Residents' right to review and obtain a copy of its most recent annual filing with the Department of Social Services.

Prepaid Health Care Obligation

The total present value of prepaid healthcare of present Residents of the Community as of 2004 has been calculated to be $35,827,352 over a 30-year period. The calculation is based upon certain actuarial assumptions and methodology using mortality and morbidity rates taken from Milliman & Robertson's actuarial reports. This calculated figure is not a current obligation, but will be incurred over 30 years as the Residents incur healthcare costs. It is funded from entry fees and monthly service fees over the same period of time as the healthcare costs are incurred.

Overview of the Continuing Care Contract

General Description of Contracts

Each Resident holds a continuing care contract ("Continuing Care Contract" or "Contract") with Watermark East Hill Woods, L.L.C. ("Watermark LLC"), the owner of The Watermark at East Hill. The Contract provides the Resident with the right to live in an apartment for as long as that Resident is able to live there safely and independently and meets the standards established by Watermark LLC. It also has provisions regarding the availability and costs related to additional levels of care at the Community (e.g., assisted living at The Inn and skilled nursing at The Springs), if those services are needed. Additional provisions regarding services and related costs are included in an addendum to the Continuing Care Contract that a Resident signs upon transfer to The Inn or The Springs.

Each Resident pays Watermark LLC an entrance fee (the "Entrance Fee") which varies in amount based on the overall features, size, and location of the apartment and on the type of Continuing Care Contract chosen by the Resident. The Resident also pays a monthly service fee (the "Monthly Service Fee") which varies in amount based on the size of the apartment and the number of Residents living in the apartment. Certain items and services that are not included in the Monthly Service Fee are available for an additional charge. The services that Watermark LLC provides under its Continuing Care Contracts, and the related charges, are described later in this section and in the Contract itself, included as Attachment A.

Prospective Residents are urged to review the details of the Contract very carefully before signing and are reminded that the Contract is personal in nature and does not give any person who is not a party to the Contract any right to reside in the Community or to receive any services provided under the Contract. The Contract contains, among other things, the terms governing termination and rescission rights, rights to the use of the Apartment, rights to the use of The Springs and The Inn, reimbursement of the Entrance Fee, rights of a surviving spouse, the effect of a Resident's marriage or remarriage, the policy regarding Resident's personal property and services provided to Residents. Please take the time to read and understand the Contract. The Contract is available in larger type upon request.

Entrance into the Independent Living Program at The Watermark at East Hill

Upon deciding to become a Resident of the Community, a prospective Resident completes an Application for Residency and signs a Continuing Care Contract (either Life Care or Fee for Service) to reserve the Apartment selected. At the time the Contract is signed, the prospective Resident will pay an amount equal to ten percent (10%) of the total Entrance Fee (the "Entrance Fee Deposit") for the apartment selected.

After completing and signing the Application for Residency and the Contract and paying the Entrance Fee Deposit to reserve the selected apartment, a physical health review form must be completed and returned by the prospective Resident's physician. A brief interview with the Director of Health Services and Social Services associate then follows.

The Contract is subject to acceptance by the Community. At the time a prospective Resident executes the Contract as well as when the Resident moves in, his or her health must permit independent living. After payment of the Entrance Fee, the Resident must have sufficient financial resources to pay the Monthly Service Fees, plus other personal expenses, which may reasonably be expected, and to meet anticipated increases in the Monthly Service Fee and any additional fees for services received.

All Applications for Residency will be considered equally without regard to the individual's race, religion, national origin or ancestry.

Once accepted, a move-in date is scheduled with the Resident and plans are made to coordinate the move to the independent living apartment at the Community.

Entrance Fee and Monthly Service Fees

Entrance Fees

The Entrance Fee is paid in two parts – an initial deposit of ten percent (10%) upon execution of the Contract and the balance on the date when the Apartment is ready for occupancy. The total amount of the Entrance Fee in effect at the time the Contract is executed will be clearly stated in the Contract. The amount of the fee varies according to the size and type of Apartment selected as well as the financial option chosen.

There are two financial plans offered at the Community. Each new Resident chooses between the options described below:

80% Refundable Plan
This plan offers a return of 80% of the Entrance Fee paid upon the maturation of the Resident's refund claim. The maturation of a refund claim is described later in this section.

Traditional Declining Plan
This plan provides for the reduction of the Entrance Fee refund at the rate of 10% for the first month or partial month of residency and 2% per month thereafter. The Entrance Fee will be fully reduced after 46 months. If the Resident moves out or passes away prior to the full reduction, the remainder of the Entrance Fee will be refunded upon the maturation of the Resident's refund claim as described below.

Please note that payment of an Entrance Fee, or other transfer of assets pursuant to a Continuing Care Contract may have significant tax consequences and that prospective Residents are urged to consult a qualified advisor.

Attachment E contains the current schedule of the Community's Entrance Fees.

Refund Claim Maturation

Two things must occur to consider a claim "mature" and be paid: (1) The Resident must have either moved out of the Community or passed away, and (2) The next apartment of similar style (e.g., one bedroom deluxe) must have been occupied and a new Entrance Fee received by

Watermark LLC. Please note that if there are multiple refund claims awaiting the occupancy of a similar style apartment the Resident with the earliest move out date will be paid the refund at the time of the first reoccupancy and the next Resident will be paid at the time of a subsequent reoccupany of a similar style apartment.

Monthly Fees

A Resident also begins to pay a Monthly Service Fee on the first day of residency. The Monthly Service Fee is due on the fifteenth (15) of each month. If the Monthly Service Fee for any month is not paid when due, the Community may collect a late fee, as set forth in the Contract, until the Monthly Service Fee and all late fees are fully paid.

The following items and services are covered by the Monthly Service Fee and are provided at no extra charge:

- One meal per day;
- Bi-weekly housekeeping service for the Apartments and assisted living suites;
- Weekly flat linen service;
- Utilities, including heating, air conditioning, water, sewer, electricity and basic cable television services;
- Scheduled transportation to local shopping, medical appointments, recreational areas, community facilities and places of worship;
- Maintenance of the Apartments and assisted living suites, including all Watermark-provided appliances, carpets and fixtures;
- Emergency call system in each Apartment and assisted living suite and response on a 24-hour per day basis;
- Temporary tray service to Apartments and assisted living suites, when approved for medical reasons;
- Scheduled recreational activities for those Residents interested in participating;
- Access to and use of the common areas of the Community;
- Building and grounds maintenance;
- Additional storage facilities for each Resident's personal belongings;
- Smoke detection and sprinklers in all areas of the buildings; and
- Uncovered parking.

Monthly Service Fees may be adjusted by the Community in its sole discretion, following thirty (30) days written notice to the Residents, in order to meet the financial needs of operation or to provide the required services to the Residents.

Payment in The Inn and The Springs

There are two health care plans offered at the Community. Each new Resident chooses between the two options described below:

Lifecare Plan

A Resident who transfers to The Springs or to an assisted living suite in The Inn will continue

to pay the independent living Monthly Service Fee, as may be modified from time to time upon thirty (30) days prior written notice to the Resident. If there are two Residents residing in an independent living apartment and only one Resident transfers to The Springs or The Inn, either temporarily or permanently, there will be no reduction in the Monthly Service Fee for the remaining Resident. The Monthly Service Fee covers up to seven (7) hours per week of assisted living services in The Inn. Watermark may modify the units per week of assisted living services included in the Monthly Service Fee at any time upon thirty days prior written notice to the Resident.

In addition to the Monthly Service Fee, a Resident who transfers to The Springs or The Inn, either temporarily or permanently, must also pay the following extra charges:

- A "Meal and Miscellaneous Ancillary Charge," which covers two additional meals and two snacks per day, referral services and wellness education. The current amount of the Meal and Miscellaneous Charge is set forth in Exhibit B of the Continuing Care Contract ("Schedule of Additional Fees"). The Continuing Care Contract is attached to this Disclosure Statement as Attachment A;
- Charges for any medical services and supplies that the Resident requires, including but not limited to, physician services, physical therapy, and medications; and
- The Inn only: Charges for assisted living services in excess of seven (7) hours per week. The charge amount for such additional assisted living services is based on the level (or "Tier") of additional assisted living services that the Resident requires, which shall be determined based on a functional assessment of the Resident. The current charge amounts for each Tier are outlined in Exhibit B of the Continuing Care Contract ("Schedule of Additional Fees").

Watermark may modify the extra charges and services provided and offer new or differed tiered pricing or other pricing programs at any time upon thirty days prior written notice to the Resident.

Attachment D contains historic information about the Monthly Service Fee, and the Community's current Monthly Service Fees are shown in Attachment E.

Fee for Service Plan

A Resident who transfers to The Springs or to an assisted living suite in The Inn will pay the then-current market rates for The Springs or The Inn. If the transfer is temporary and the Resident still maintains an independent living apartment the service fees for both levels of care will apply. If there are two Residents residing in an independent living apartment and only one Resident transfers to The Springs or The Inn, either temporarily or permanently, there will be no reduction in the Monthly Service Fee for the remaining Resident.

In addition to the Monthly Service Fee, a Resident who transfers to The Springs or The Inn, either temporarily or permanently, must also pay for charges for any medical services and supplies that the Resident requires, including but not limited to, physician services, physical therapy, and medications. Also, in The Inn, charges for assisted living services in

excess of the base level of care included in the then-current market rates. The charge amount for such additional assisted living services is based on the level (or "Tier") of additional assisted living services that the Resident requires, which shall be determined based on a functional assessment of the Resident.

The current market rates amounts for The Spring and Inn, including Tiers are outlined in Exhibit B of the Continuing Care Contract ("Schedule of Additional Fees") as reference, but may be different at the time the Resident transfers into those programs. Additionally, Attachment D contains historic information about the Monthly Service Fee, and the Community's current Monthly Service Fees are shown in Attachment E.

Payment in The Villa

A Resident who transfers to The Villa will pay the then-market daily Villa service fee as may be modified from time to time upon thirty (30) days prior written notice to the Resident as well as additional meals and services. Residents in The Villa also pay for any medical services and supplies that the Resident requires, including but not limited to, physician services, physical therapy, and medications; and for services based on the level (or "Tier") of additional services that the Resident requires, which shall be determined based on a functional assessment of the Resident. The current charge amounts for each Tier are outlined in Exhibit B of the Continuing Care Contract ("Schedule of Additional Fees"). If the transfer is temporary, payment in The Villas is in addition to the cost of the Independent Living apartment.

If there are two Residents residing in an independent living apartment and only one Resident transfers to The Villa, either temporarily or permanently, there will be no reduction in the Monthly Service Fee for the remaining independent living Resident. The Second Occupant Monthly Service Fee will be increased to the same as the First Person living in the independent living apartment.

Watermark may modify the extra charges and services provided and offer new or differed tiered pricing or other pricing programs at any time upon thirty days prior written notice to the Resident.

Terminating the Contract

Any monies paid toward the Entrance Fee are held in escrow, as described earlier in this Disclosure Statement, until thirty (30) days after the Contract has been signed (the "Rescission Period"). During the Rescission Period, the Resident may cancel the Contract and a full refund of the Entrance Fee, less an administrative and processing fee not to exceed the greater of two percent (2%) of the Entrance Fee or One Thousand Dollars ($1,000) will be made. Should the Resident terminate the Contract after the Rescission Period, the timing and amount refunded will depend upon the circumstances surrounding the termination as set forth in the Contract.

In order to rescind or terminate the Contract, the prospective Resident or their legal representative must send notification in writing to Watermark LLC at the address listed below by registered or certified mail in accordance with the notice periods stated in the Contract.

The Watermark at East Hill
c/o Executive Director
611 East Hill Road
Southbury, CT 06488

Watermark LLC may terminate the Contract only for the following reasons, as described in the Contract:

- The Resident has failed to pay the Monthly Service Fee and is in default two months or more and does not qualify for, has not applied for in good faith, or is not granted special financial assistance;
- Information was falsified or material facts affecting Watermark's decision to accept Resident were not reflected in the Application for Residency;
- The Resident fails to comply with the policies of Watermark and/or is creating a disturbance which is detrimental to the health, safety, or peaceful lodging of other Residents;
- The Resident is or becomes infected with a dangerous or contagious disease; or
- The Resident becomes mentally or emotionally disordered to the degree that the health, safety, or peaceful lodging of other Residents is adversely affected and permanent transfer of the Resident to an appropriate off-site facility is determined to be necessary by Watermark in consultation with the Resident's family or guardian and physician.

In the event that a situation arises which requires that Watermark LLC terminate a Resident's Contract, the Resident or their designated representative will be notified by the appropriate representative of Watermark LLC during a personal conference in which grounds for the termination will be discussed. No other members of the Resident population will be involved in this or any other similar personal matter.

Business Plan

Funding

Watermark LLC purchased the Community in November 2007 and embarked on a comprehensive improvement program including the addition of numerous new facilities and amenities for our residents. Watermark LLC invested $41 million at the time of the initial acquisition of the Community and to date has invested an additional $12.6 million in the improvement program, bringing our total investment funding up to $53.6 million as of May 2013.

The funding of $53.6 million was provided entirely by the two members of Watermark LLC, namely FSPP II EHW, L.L.C. and Watermark EHW Investments, LLC, and their affiliates. There are no unrelated third-party lenders, mortgage holders or financial investors. Watermark LLC was entirely funded by its owners and their affiliates in this manner in order to create a strong and secure financial foundation for the Community.
This funding from the two members is structured as a combination of debt and equity. As of May 2013, the remaining amount of capital committed by the owners and their affiliates but not yet drawn is $13.7 million. This undrawn balance represents a source of funding for

ongoing improvement and expansion initiatives at the Community.

Business Plan Initiatives

Since becoming the owner of the Community, Watermark LLC has carried out numerous capital improvement initiatives intended to enhance the lives and well-being of our residents. Some of the initiatives that have been completed to date are as follows:

- Renovation and modernization of all common areas in the Community;
- Addition of the indoor salt-water pool;
- Addition of state-of-the-art fitness center & spa facilities;
- Renovation and redecoration of main dining venue and bar dining venue;
- Addition of "The Café," a third, separate dining venue for lighter fare;
- Upgrades and renovations to numerous individual apartments;
- Renovated the skilled nursing center, including a new resident/family kitchen area, more open style great room, and renovated resident rooms and bathrooms, and attained Medicare certification for the facility;
- Upgraded all computer software in skilled nursing and business office functions;
- Constructed the "Villa," our new memory care program facility and program;
- Upgraded and modernized the "Inn," our assisted living facility and program.

Additional improvements are planned for the future, including the addition of 28 new independent living cottages in certain locations on our beautiful 50-acre site. This new construction would be contingent on financing, zoning, and other approvals.

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Disclosure Statement
Notice to Prospective Residents

In accordance with Section 17b-522(a) of the Connecticut General Statutes, the Community is required to give this Notice to a prospective Resident, or his or her legal representative, before (i) signing The Watermark at East Hill Continuing Care Contract, or (ii) transferring any money or other property to Watermark LLC, whichever is first to occur.

Prospective Residents of The Watermark at East Hill, or their legal representatives, should be aware of the following:

1. A Continuing Care Contract is a financial investment and your investment may be at risk.
2. The Community's ability to meet the contractual obligations under such Contract depends upon the Community's 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 the Contract or the transfer of any money or other property to Watermark LLC.

_____
Printed Name of Prospective Resident(s)

_____ _____
Signature of Prospective Resident Date

_____ _____
Signature of Prospective Resident, if two Date

_____ _____
Signature of Legal Representative, if applicable Date

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Disclosure Statement
Acknowledgement of Receipt

In accordance with Sections 17b-522(b) and (c) of the Connecticut General Statutes, Watermark LLC is required to deliver to a prospective Resident, or his or her legal representative, a current Disclosure Statement not more than sixty (60) days nor less than ten (10) days before the execution of a Continuing Care Contract or the transfer of any money or other property to Watermark LLC, by or on behalf of the prospective Resident. In addition, not more than sixty (60) days nor less than ten (10) days before a prospective Resident actually occupies an apartment pursuant to the Contract, Watermark LLC must deliver a revised and up-to-date Disclosure Statement to the prospective Resident or his or her legal representative, but if there have been no revisions to the Disclosure Statement previously furnished to the prospective Resident as provided for in the immediately preceding sentence, Watermark LLC must deliver to that prospective Resident or his or her legal representative a statement to that effect at the time of the apartment's occupancy.

Acknowledgment:
I, or my legal representative, do hereby acknowledge that I, or he or she, have reviewed the above and also have received and reviewed a copy of the current Disclosure Statement and a copy of the Continuing Care Contract for Watermark LLC, prior to the execution of the Contract or the transfer of any money or other property to Watermark LLC.

_____
Printed Name of Prospective Resident(s)

_____ _____
Signature of Prospective Resident Date

_____ _____
Signature of Prospective Resident, if two Date

_____ _____
Signature of Legal Representative, if applicable Date

THE WATERMARK
AT EAST HILL

Disclosure Statement

Attachment A

Continuing Care Contracts

THE WATERMARK
AT EAST HILL

Continuing Care Contract
Life Care
Residency Agreement

This is a Continuing Care Contract ("Agreement") between Watermark East Hill Woods, L.L.C., d/b/a The Watermark at East Hill, a Delaware limited liability company ("Watermark") and _____ (the "Resident"). It will be referred to herein as "this Agreement." The effective date of this Contract is _____ _____, _____.

BACKGROUND

A. Watermark owns and operates a continuing care retirement community located at 611 East Hill Road, Southbury, Connecticut 06488 (the "Community"). Watermark provides continuing care (as described in this Agreement) to Residents at costs commensurate with the services and facilities contemplated by this Agreement. It is the goal of Watermark to allow Residents to continue an independent lifestyle and to provide the peace of mind associated with knowing that certain additional attention and care is available if ever needed.

B. The person or persons who sign this Agreement on the signature page are referred to throughout this document as "Resident", "you" or "your", and this Agreement shall apply to both of them and to the survivor. Each Resident, having decided to move to Watermark to enjoy the facilities and services contemplated by this Agreement, agrees to comply with the policies and procedures of Watermark and, further, understands that such residency shall be subject to the terms and conditions set forth in this Agreement. The facilities of Watermark include independent living apartments, assisted living suites in The Inn at Cherrywood ("The Inn"), nursing beds in the Health Care Center ("The Springs"), and related common areas.

C. Subject to the Resident's performance of his or her duties and obligations under this Agreement, Watermark agrees to provide the services described in this

Agreement to the Resident for life. Watermark also agrees to make the independent living apartment identified on Exhibit A ("the Apartment") available to the Resident for the Resident's use for life or until permanent transfer to an assisted living suite in The Inn or The Springs , or until termination of this Agreement in accordance with Section VIII hereof.

D. THIS AGREEMENT IS NOT A LEASE and does not create any interest in the real estate and property owned by Watermark and the right of use thereof shall not inure to the use or benefit of the heirs, next of kin, assignees or representatives of a Resident or of a Resident's estate.

In consideration of the mutual promises contained in this Agreement, and intending to be legally bound, Watermark and Resident agree as follows:

I. THE APARTMENT

Substitution of Apartment. Watermark reserves the right to substitute the Apartment with another comparable apartment at Watermark, at no additional expense to you, if it is necessary to meet any requirement of law or the lawful order or direction of the Fire Marshal or another authorized public official, or for any other reasonable purpose, as determined by Watermark in writing. A comparable apartment means an apartment that has the same number of bedrooms and bathrooms and that is approximately the same size as your Apartment. Effective the date the occupancy transfers to the substituted apartment, the substituted apartment will be your Apartment as defined in this Agreement and shall be subject to all the same terms and conditions.

Date of Occupancy. The Resident may move into the Apartment on the date indicated on Exhibit A. In this Agreement, this date will be referred to as the "Date of Occupancy," which is the date the Apartment will be ready for occupancy, even if the Resident is not ready to move into the Apartment. The Resident may continue to occupy the Apartment for the remainder of their lifetime, unless this Agreement is cancelled before the death of the Resident, or the Resident is relocated to another comparable apartment pursuant to this Section or removed from the Apartment pursuant to Section II(c)(1) hereof so as not to jeopardize the

Resident's health safety or welfare, or the health, safety or welfare of others. If this Agreement is signed by two persons, occupancy of the Apartment may continue until the last surviving person dies, unless this Agreement is cancelled before then.

II. DESCRIPTION OF SERVICES

(a) Items and Services Included in the Monthly Service Fee

Watermark will provide to the Resident, as long as the Resident resides in the Community, the services described below:

- A choice of lunch or dinner in one of the three dining venues each day. Residents who eat additional meals beyond the meal allowance, will pay for those meals and will be billed for them monthly. Each Resident will pay for guest meals if they exceed their monthly meal allowance and will be billed for them monthly. The Monthly Service Fee will not be reduced for meals not taken unless the Resident is absent for more than twenty-one (21) consecutive days, with prior notification. If such notification is given, the Resident will be credited with the approximate raw food costs of meals not eaten.

- Coffee and homemade muffins and/or coffee cake are available each morning in the Gallery Café.

- Bi-weekly Apartment housekeeping service; more frequent service available at extra charge. This cleaning will include vacuuming, dusting, cleaning of bathroom fixtures, bathroom and kitchen floors, kitchen counters, appliance faces and kitchen sink. The cleaning service will handle heavier cleaning such as window washing and oven cleaning on a periodic scheduled basis. Additional housecleaning services are available at an extra charge.

- Weekly flat linen service. Residents shall provide their own flat linens, which Watermark will wash and fold. Linens will be provided to Residents who transfer to The Springs.

- Washers and dryers are available for the Resident's use in each building without charge.

- Utilities, including heating, air conditioning, water, sewer, electricity and basic cable television services, and wiring for telephone. The Resident must contract with the telephone company and pay for all telephone services and with the cable company and pay for any service secured beyond that supplied by Watermark.

- Insurance. Watermark is insured against all reasonable and customary losses and liabilities. This does not include personal liability insurance on coverage of articles owned by the Residents and each Resident is required to purchase such insurance for his or her personal property. See Section IX(h) for additional information.

- Scheduled transportation to local shopping, medical appointments, recreational areas, community facilities and places of worship.

- Maintenance of the Apartments and Assisted Living Suites, including all Watermark-provided appliances, carpets and fixtures. Each Resident is responsible for the cost of repairing damage to any property or equipment caused by the Resident's misuse or neglect.

- Kitchens in each Apartment.

- Real estate, property and other taxes due on the facility and its property will be paid by Watermark.

- Emergency call system in each Apartment and Assisted Living Suite and response on a 24-hour per day basis.

- Tray service to Independent Living Apartments will be provided for short periods when it has been approved for medical reasons. In case of longer periods or non-medical reasons there is an additional charge.

- Activities as scheduled and planned for those Residents interested in participating. Watermark employs a Program Director to help Residents plan and carry out activities and special events.

- Access to and use of the common areas and facilities provided for the use and enjoyment of all Residents. Common areas include central dining area, a private dining room for parties and special events, lounge areas, library and communications center, game room, billiards room, creative arts studio, theater and auditorium, fitness center, indoor pool, walking paths and administrative areas. Rules and regulations with respect to the use of common areas will be established by Watermark from time to time and provided to each Resident.

- Building and grounds maintenance.

- Additional storage facilities for each Resident's personal belongings.

- Smoke detection and sprinklers in all areas of the buildings.

- Uncovered parking. The Resident may rent a garage space, if available, for an additional fee. In order to park or operate a motor vehicle on the premises the Resident must maintain automobile liability insurance with your own insurance agent to cover liability and medical expenses arising from injuries to yourself or others. Resident use of any motor vehicle, electric cart or power operated vehicle is subject to the rules and polices of Watermark, including but not limited to, speed limits and safe driving procedures and practices. Watermark reserves the right to revoke your operating and parking privileges on the premises if the Resident does not abide by the applicable rules, regulations, policies, and procedures.

(b) Items and Services Available for an Additional Charge

Watermark will provide or make available certain additional items and services to Residents for an additional charge ("Additional Fee") pursuant to the terms of this Agreement. The Additional Fees as of the Effective Date are outlined in Exhibit B of this Agreement ("Schedule of Additional Fees"). Watermark may change the nature and scope of additional services offered and/or increase the Additional Fees from time to time by giving the Resident thirty (30) days prior written notice of a change.

(c) Health Care Services – Life Care Program

In addition to the services described in Section II(a) and (b) of this Agreement, certain health care services shall be provided on the following basis, if the Resident has selected the Life Care Agreement ("Life Care"):

(1) The Life Care benefit for a Resident pursuant to this Agreement includes the ability, upon written order of Watermark's Medical Director or the Resident's Primary Physician, to transfer to an Assisted Living Suite in The Inn or to receive nursing care in a semi-private room in The Springs for an unlimited period of time. In the event a nursing bed is not available in The Springs, the Resident will be admitted temporarily to a comparable facility at Watermark's discretion and will be put on a priority list at The Springs. Upon transfer to The Inn or The Springs, the Resident agrees to sign a separate Assisted Living or The Springs Health Center Addendum to this Agreement, as appropriate. The Resident shall continue to be responsible for payment of the Monthly Service Fee and shall also be responsible for (a) a "Meal and Miscellaneous Ancillary Charge," which covers two additional meals and two snacks per day, referral services and wellness education; plus (b) all "Non-covered Costs" as defined in Section II(c)(2) below. The Resident will continue to receive the services outlined in Section II(a) above, except as otherwise provided therein.

(2) The Resident shall be responsible for payment for any and all additional required or requested medical and related services ("Non-covered Costs"), which are not covered by the Monthly Service Fee, including, but not limited to, the following:

(i) Personal physician services, dental care, physical and occupational therapy, special nurses, and drugs and medication;

(ii) All medical, therapeutic, and non-medical extras, including an individual telephone or occupancy, at the Resident's request, in a private room;

(iii) The Inn only: Assisted living services beyond seven (7) hours per week. The Monthly Service Fee covers up to seven (7) hours per week of assisted living services. Additional services beyond seven (7) hours per week require payment of an Additional Fee. If the Resident is transferred to The Inn , the Resident shall be responsible for payment for assisted living services beyond seven (7) hours per week as follows:

(A) The Additional Fee amount for assisted living services beyond seven (7) hours per week is based on the level (or "Tier") of additional services that the Resident requires. Additional Fees for each Tier as of the Effective Date of this Agreement are outlined in Exhibit B. Watermark may modify such fees at any time upon thirty (30) days prior written notice to the Resident.

(B) To determine whether and to what extent the Resident requires additional assisted living services, Watermark will conduct a baseline functional assessment of the Resident prior to or upon admission to The Inn , and periodically thereafter (e.g., when the Resident exhibits a change in condition). The Resident's needs, and the appropriate Tier, if applicable, will be documented in an Individualized

Service Plan that the Resident and his or her family or responsible party will sign.

(C) Watermark will update the Resident's Individualized Service Plan and Tier designation as necessary to reflect changes in the Resident's condition as determined by subsequent functional assessments of the Resident;

(D) Watermark may modify the Tier program for assisted living services, and may introduce new programs for such services and the payment for such services at any time upon thirty (30) days prior written notice to the Resident.

(iv) Any other ancillary items and services. Watermark may from time to time identify additional Non-covered Costs, whether of a medical/health nature or otherwise, for which the Resident will be financially responsible. Watermark will notify the Resident in writing at least thirty (30) days in advance of any such additional Non-covered Cost becoming effective.

(3) If the Resident is admitted to The Inn or to The Springs, Watermark will receive (either directly or by payment by the Resident if the Resident receives the payment) any applicable payments made under Medicare or any other health insurance plan. The Resident will be required to pay for any health services not covered by this Agreement, by Medicare, or by other insurance.

(4) The Resident is required to arrange for a local personal physician who will attend the Resident in The Inn or in The Springs as necessary. The Resident will pay all charges for such care including the charges for an emergency physician, paramedic, ambulance, etc.

(5) If the Resident requires the exclusive use of a wheelchair, walker, or gerichair, there will be a rental charge. Residents may obtain such equipment from outside sources. If such special equipment is required

for long-term use, Residents are usually advised to purchase the equipment. Watermark will assist in the arrangements for the purchase of such equipment if the Resident desires.

(6) If the Resident needs home care services, the Resident is responsible for the cost of such services. The Resident has the option to select a home health care agency of his or her choice. If requested, Watermark will assist the Resident in choosing an appropriate agency.

(7) Watermark will offer an Alzheimer's special care program at The Villa. Watermark will market the Community as providing specialized care and services for those persons suffering from Alzheimer's disease, dementia and similar disorders and will provide the appropriate disclosures as required by Connecticut law. The Resident will be responsible for the cost of such services and the Alzheimer's program will not be part of the life care benefit outlined in Section II(c)(1) of this Agreement.

III. SELECTION OF APARTMENT, REQUIRED FEES AND REFUND CALCULATION

(a) Selection of Apartment and Refund Option

(1) The Resident has selected the Apartment identified on Exhibit A hereof.

(2) The Resident has selected either the 80% or Traditional plan as the refundable option as indicated on Exhibit A hereof.

(b) Required Fees

For the right to use the Apartment at Watermark and to receive the services described in this Agreement, the Resident agrees to pay to Watermark the following fees, which are due and payable as described below:

(1) The Entrance Fee payable for the Apartment for the chosen Refund Option is set forth on Exhibit A hereof and due as follows:

(i) A deposit of 10% (ten percent) (the "Down Payment") due upon the signing of this Agreement.

(ii) The remaining amount of the Entrance Fee (the "Balance") must be paid in full with a certified check on the Date of Occupancy, even if the Resident does not move in to the Apartment at that time.

(2) Second Person Non-Refundable Entrance Fee. This fee is not refundable and is due on the Date of Occupancy.

(3) Monthly Service Fee

(i) The Monthly Service Fees for the Apartment for one person and for the second person, if any, are set forth on Exhibit A hereof. The Monthly Service Fee for the first month will be prorated to reflect the number of days of occupancy that month. The prorated amount is due prior to occupancy.

(ii) The Monthly Service Fee shall be paid by the Resident and is payable in advance on the first day of each month during the term of this Agreement. Watermark may increase the Monthly Service Fee by giving the Resident thirty (30) days prior written notice of a change, if Watermark, in its sole discretion, deems the increased fee to be necessary to meet the financial needs of Watermark. Watermark reserves the right to charge a late fee and/or an ACH fee as outlined in Exhibit A.

(iii) A first-person Monthly Service Fee must be paid for each Apartment. If two Apartments are combined, the applicable Monthly Service Fee for the combined apartments shall be a total of the first-person rate for each Apartment.

(c) Entrance Fee Refund Calculation

Any applicable Entrance Fee Refund will be paid as outlined in Section VIII and will be calculated, less any charges as outlined in Section VIII, after the expiration of the Rescission Period and after the Date of Occupancy, whichever is later, as follows:

(1) 80% Refundable Plan. The Resident is eligible for an Entrance Fee Refund of 80% (eighty percent) of the Entrance Fee.

(2) Traditional Declining Plan. The Resident is eligible for an Entrance Fee Refund that declines to a zero balance over 46 (forty-six) months. It declines by 10% after the first full or partial month of occupancy and declines by an additional 2% (two percent) each month thereafter.

IV. RESIDENT ACCEPTANCE POLICY

(a) The Application and Review Procedure

The Resident must complete an Application for Residency and Residency Agreement prior to the Date of Occupancy which will be reviewed by the authorized officer or representative of Watermark in accordance with established acceptance policies. Special considerations or cases not meeting all of the admission criteria will be referred to the Executive Director of Watermark for consideration and action.

(b) Physical Requirements for Residency

To be accepted for residency, the Resident must meet the following conditions:

(1) The Resident must be 65 years of age or more at the time of establishing residency, except where more than one Resident occupies

an Apartment, in which case at least one Resident must be 65 years of age or more at the time of establishing residency.

(2) The Resident must be free from communicable diseases and must be in sufficiently good health to live without assistance in the selected Apartment and be able to function independently.

(3) The Resident must disclose any severe or chronic disorders. A physician's report is required for all Residents prior to the Date of Occupancy.

(c) Financial Requirements for Residency

To be accepted for residency the Resident must meet the following conditions:

(1) Have financial assets adequate to pay the contracted Entrance Fee, plus an amount sufficient to provide for the Resident's personal financial requirements after residency.

(2) Have sufficient income to meet the anticipated Monthly Service Fee and any other applicable fees for items and services not covered by the Monthly Service Fee.

(3) Have coverage under Medicare parts A and B (basic and supplemental coverage) if eligible, and one supplementary health insurance policy. Parts of this qualification may be waived or modified for certain groups of people such as retired Civil Service employees and those with comparable coverage with a Health Maintenance Organization or other private insurance.

(4) If a Life Care Resident becomes unable to pay the Monthly Service Fee due to conditions beyond his or her control, the Resident may apply for special financial consideration and establish a subsidy need to the satisfaction of Watermark. A subsidy may be granted to the Resident provided it does not impair the ability of Watermark to

operate on a sound financial basis. In the event such subsidy is granted by Watermark, any deficiency amount owing to Watermark plus interest shall be due and payable at such time as the Resident has sufficient funds therefore. Otherwise the amount of such financial assistance so provided plus interest shall be deducted from the amount of the refund due at the time this Agreement is terminated. Such subsidy shall be granted at the sole discretion of Watermark. Section VIII(d)(1) of this Agreement contains additional details related to the granting of such financial assistance.

(d) Joint Residency - Unrelated Persons

When two or more unrelated persons intend to live in one Independent Living Apartment, the following conditions will apply:

(1) Evidence of prior long-term compatibility of the Residents must be shown to Watermark.

(2) All persons living in an Apartment shall sign a Residency Agreement and qualify as a Resident.

(3) Cancellation rights and surviving Resident rights are the same as outlined in Section VIII, Cancellation of this Agreement and Refunds.

(e) Non-participating Occupant

The Resident may apply for the right to have a non-participating occupant live in the Apartment without the protection of the life care program. A Non-participating Occupant may apply for and be accepted for life care residency provided all qualifications are met and the applicable Entrance Fee is paid. Such right may be granted on the following conditions:

(1) A Non-participating Occupant Application and Agreement is executed and approved by Watermark.

(2) A Monthly Service Fee is paid for the second person.

(3) The Non-participating Occupant agrees: (a) to abide by Watermark's Resident Policies and Procedures; (b) that Watermark will not provide assisted living or nursing care under the non-participating arrangement; and (c) to vacate the Apartment within thirty (30) days after termination of residency in the Apartment by the Resident.

V. JOINT OCCUPANCY

(a) Separation, Divorce Or Death Of Joint Residents

(1) If, after becoming Residents, the joint Residents become separated or divorced, the following possibilities could occur:

(i) Each party desires separate Apartment and one remains in the contracted Apartment. In this event, no refund is given and a new Residency Agreement must be submitted for Watermark's approval, accompanied by the current Entrance Fee for the second Apartment. The first person Monthly Service Fee for each Apartment is charged to the respective Residents.

(ii) One party of the separated or divorced couple desires to terminate residency and move from Watermark. In this event, the remaining party retains full rights as a Resident. The second person Monthly Service Fee is discontinued, but there is no refund of the Entrance Fee to either party.

(iii) Both of the Residents desire to cancel this Agreement following the separation or divorce. In this event, the normal refund provisions of this Agreement shall apply.

(2) In the case of the death of one of the joint Residents after establishing residency, the surviving Resident retains all rights as a Resident, with the privilege of residing in the same Apartment. The second person Monthly Service Fee is discontinued, but there is no refund of any

part of the Entrance Fee. If the surviving Resident desires to move out of Watermark, the refund provisions of this Agreement shall apply.

(b) Joint Occupancy.

(1) If the Resident and non-resident marry and desire to reside in the Resident's Apartment, a second-person Monthly Service Fee will be charged. A new Residency Agreement documenting the change, together with an Application for Residency for the new Resident, must be submitted to Watermark for approval. If the non-Resident spouse does not qualify under the guidelines established by Watermark for life-care residency, the non-Resident spouse may apply and be considered for residency under the non-Participating Occupant guidelines. The Residents will be charged the applicable first and second-person Monthly Service Fees.

(2) If two Residents residing in separate Apartments wish to marry, they may either release one Apartment and reside together in the other or release both Apartments and move into another larger Apartment.

If they elect to release one Apartment and reside together in the other Apartment, a new Residency Agreement must be executed naming both persons as Residents. The agreed upon refund for the vacated Apartment will be made at such time as a similar style Apartment has been reoccupied and a new Entrance Fee has been received by Watermark.

If they elect to release both Apartments and move into another Apartment, a new Residency Agreement for the new Apartment must be executed naming both persons on the Residency Agreement. The current Entrance Fee for the new living Apartment will be charged. The Entrance Fee paid for the released apartments will be credited against the new Entrance Fee. Any deficit will be paid prior to occupancy and any excess will be refunded when the refund claim matures.

In any case, the Residents will be charged the applicable first and second-person Monthly Service Fees upon joint Residency in the single Apartment.

VI. RELOCATION FROM INDEPENDENT LIVING APARTMENT

(a) Moving To A Different Apartment

Residents who elect to move to a different Apartment are required to have the approval of Watermark and pay a transfer charge to offset the redecorating expense of the vacated Apartment. If the move is to a less expensive Apartment, no refund of the Entrance Fee is made at that time. Any refund due at the time the Resident cancels their Agreement will be calculated based on the original Entrance Fee. If a move is made to a more expensive Apartment, however, an additional Entrance Fee will be charged which is equal to the difference between the Entrance Fee originally paid for the vacated Apartment and the current Entrance Fee of the new Apartment. If the Resident moves to a smaller apartment, the Resident's Monthly Service Fee will be the current fee applicable to the original Apartment. If the Resident moves to a larger apartment, the Resident's Monthly Service Fee will be the current fee applicable to the newly-occupied Apartment. Any moving expenses will be the responsibility of the Resident.

(b) Reassigning Of An Apartment By Watermark

A Resident's Apartment may be reassigned by Watermark upon any of the following conditions:

(1) Fifteen (15) days following the death of the Resident(s).

(2) Receipt of the Resident's written notice canceling this Agreement and the subsequent vacancy of the Apartment within thirty (30) days.

(3) Cancellation of this Agreement by Watermark.

(4) Permanent admission of the Resident to The Inn or The Springs. The permanent status of such a move is normally determined only after a stay in The Inn or The Springs has exceeded fifteen (15) days and is based on the judgment of Watermark, in consultation with the Resident's family and physician that the Resident is unable to live independently in the Apartment. The Resident's Apartment shall be vacated within fifteen (15) days after permanent status in The Inn or The Springs is determined. If the Resident should recover sufficiently to resume independent living at a later date, a similar or alternate Apartment will be provided to the Resident.

(c) Removal of Property

All personal property of the Resident must be removed from the Apartment and storage areas, if applicable, within thirty (30) days following the termination of this Agreement for any reason, including the Resident's death, or the permanent transfer of the Resident to The Inn or The Springs. The Resident (or the Resident's estate) shall be obligated to continue to pay the Monthly Service Fee until all such property is removed; provided, however, that in the event of the Resident's death, the Resident's estate or family will only be responsible for payment of the Monthly Service Fee for a period of time not to exceed fifteen (15) days following the date of death as long as the Resident's Apartment has been vacated.

If the Resident's personal property is not removed within the time-frames stated within this paragraph, Watermark may, in its sole discretion, remove and store all of the Resident's personal property and effects, at the expense of the Resident or the Resident's estate.

VII. OBLIGATIONS OF RESIDENTS

(a) Furnishings and Pets

(1) In the Apartment, all furnishings, decorations, utensils and supplies, other than major appliances and standard painting, carpeting and sheer curtains provided by Watermark, are at the Resident's expense. The Resident agrees not to make any alterations to the Apartment without Watermark's approval.

(2) Watermark prohibits excessively heavy items to be taken into the Apartments of multiple story structures. This includes, but is not limited to, pianos, safes and waterbeds.

(3) Watermark reserves the right to monitor and, if necessary, to require changes in the furnishings, carpeting, appliances, etc. in any Apartment consistent with the health or safety of the Resident or the health, safety, and general welfare of other Residents.

(4) Pets will be allowed in designated areas of Watermark upon approval by Watermark. Residents owning pets will be required to sign an addendum to their Residency Agreements agreeing that they will adhere to and abide by the policies and guidelines established by Watermark governing the accommodation of pets.

(b) Apartment Alterations By Resident

(1) Alteration or renovation of, or addition to, any Apartment, building or grounds owned by Watermark shall be initiated in conformity with policies of Watermark. All alterations to Apartments by the Resident must meet the following conditions:

(i) Proposed alterations and the names of persons or companies doing work in Apartments must be submitted in writing to Watermark for approval.

(ii) Costs of alterations to be done by Watermark's staff are to be paid by the Resident before work commences and may include the cost of restoration to the original state.

(iii) All modifications, alterations, or additions to Apartments on behalf of Residents are considered permanent and become the property of Watermark. Costs of such alterations are not refundable.

(2) Enlarged Apartments created by combining two or more standard Apartments shall be considered a single Apartment and may be normally occupied by no more than two persons. Costs of this type of conversion must be approved in writing by Watermark and must be paid before work commences. Such payments are not refundable.

(c) Watermark and emergency personnel must have access at all times to all Independent and Assisted Living Apartments. Except in the event of an emergency, unauthorized persons may not enter the Apartment unless the Resident has signed a release form providing access.

Watermark and its agents, employees and contractors may enter the Apartment during reasonable hours (or, in an emergency, at any hour) upon such notice as is required by law or as is determined to be reasonable in order to inspect, clean, repair or alter the Apartment or perform services for the Resident as Watermark deems necessary. Watermark may require you to eliminate any unsafe or unsanitary conditions.

(c) The Resident is responsible for any damage that they or their guests or their vendors may cause to the community or its furnishings, equipment or property, except for ordinary wear and tear. Resident must not do, or cause to be done, any act which would violate the Fire Code or Health Code. This includes excessive clutter in the Apartment. Watermark may take immediate action to correct any violations of the Fire Code or Health Code. The Resident must pay the cost of correcting such violations.

VIII. CANCELLATION OF THIS AGREEMENT AND REFUNDS

(a) <u>Refund Rights During Rescission Period</u>

The thirty (30) day period after signing this Agreement will be referred to as the "Rescission Period". The Resident may cancel this Agreement at any time during the Rescission Period. In order to cancel this Agreement, the Resident must send notice to Watermark's Executive Director by registered or certified mail before the end of the Rescission Period. In the event of such cancellation, all deposits paid or all property transferred by the Resident to Watermark shall be fully refunded by Watermark to the Resident less the fee in the following paragraph. No interest on the deposit will be paid. No Resident shall be required to move into Watermark until after the expiration of the Rescission Period.

Watermark is allowed to deduct a reasonable administrative and processing fee not to exceed the greater of one thousand dollars ($1,000) or two percent (2%) of the Entrance Fee from the Resident refund ("Administrative Fee"), plus any costs specifically incurred by Watermark at the request of the Resident which have been set forth in an exhibit to this Agreement.

(b) Refund Rights After Rescission Period and Prior to Date of Occupancy

After the expiration of the Rescission Period and prior to the Date of Occupancy, if the Resident dies or, due to illness, injury or incapacity, is precluded from residency under the terms of this Agreement, this Agreement shall be canceled and Watermark shall refund to the Resident or his or her legal representative the Entrance Fee deposit, less the Administrative Fee, described above in subsection (a) without interest. If the Resident is a couple, this Residency Agreement shall be canceled only for the deceased, ill, injured or incapacitated Resident and the remaining Resident may cancel this Agreement at his or her option without penalty or elect to continue this Agreement.

(c) Cancellation of This Agreement By Resident After Date of Occupancy

The Resident shall have the right to cancel this Agreement after establishing residency upon fulfilling the following terms and conditions:

(1) The Resident must give ninety (90) days written notice of cancellation to Watermark's Executive Director; and

(2) The Resident must pay the Monthly Service Fee in full until the end of the ninety (90) day notice period. If a new Resident establishes residency in the terminating Resident's Apartment during the ninety (90) day period, the terminating Resident will be reimbursed for the proportionate overlap period.

(d) Cancellation of This Agreement By Watermark After Date of Occupancy

Watermark may terminate this Agreement and thereby the residency of a Resident upon thirty (30) days written notice under the following conditions:

(1) The Resident has failed to pay the Monthly Service Fee and is in default two months or more and does not qualify for, has not applied for in good faith, or is not granted special financial assistance;

(2) Information was falsified or material facts affecting Watermark's decision to accept Resident were not reflected in the Application for Residency;

(3) Upon a showing of good cause that the Resident is not complying with the policies of Watermark and/or is creating a disturbance which is detrimental to the health, safety, or peaceful lodging of other Residents;

(4) The Resident is or becomes infected with a dangerous or contagious disease; or

(5) The Resident becomes mentally or emotionally disordered to the degree that the health, safety, or peaceful lodging of other Residents is adversely affected and permanent transfer of the Resident to an appropriate off-site facility is determined to be necessary by Watermark in consultation with the Resident's family or guardian and physician.

(e) Refund Rights After Date of Occupancy

(1) In the event of cancellation of this Agreement after the Date of Occupancy, Watermark shall refund the amount of the Entrance Fee as outlined in Section VIII ("Entrance Fee Refund"). The Entrance Fee Refund will be paid to the Resident within 30 (thirty) days of the following:

(i) Resident is no longer residing in an Apartment, The Inn Suite or The Springs; and

(ii) The next apartment of similar style, (e.g., one bedroom deluxe), has been occupied and the full balance of a new entrance fee received. If there is more that one Resident who meets the first criteria, the Resident with the earliest date of cancellation will be paid first. The Resident with the next earliest date of cancellation will be paid within 30 days of the subsequent apartment of a similar style having been occupied and a full balance of a new entrance fee received.

(2) The amount of the refund shall be reduced by (i) any amounts due Watermark for unpaid monthly fees, other fees and interest thereon and (2) at Watermark's option, nursing expenses incurred for care in The Springs, calculated on the basis of the semi-private daily rate for a non-resident patient current at the date of cancellation and (3) any additional unpaid expenses incurred by the Resident.

(3) At the time of receiving the refund, the terminating Resident must sign a receipt supplied by Watermark terminating this Agreement and releasing Watermark from all further obligations.

(f) Death of A Resident After Date of Occupancy

If a Resident dies after establishing residency, Watermark shall refund the Entrance Fee as outlined in Section VIII(e). Any refund shall be paid to the Resident's estate.

IX. GENERAL MATTERS

(a) Guardianship

If a Resident should become mentally or emotionally incapacitated and is unable to handle personal or financial affairs, Watermark may petition a court of competent jurisdiction to appoint an independent conservator or guardian, if such arrangements have not previously been made by the Resident or Resident's family.

(b) Watermark Staff

All staff members are selected and trained to provide to the Resident the services and assistance set forth in this Residency Agreement. No employee of Watermark may act as an agent for or accept Power of Attorney for the personal affairs of any Resident. No employee of Watermark may be named as Executor of a Resident's estate unless such arrangements were made prior to employment of the employee by Watermark.

(c) Guest Policy

Guests are welcome in the Resident's Apartment. There will be no charge for lodging for a limited number of nights. If lodging needs should exceed the limit set by Watermark, the second-person Monthly Service Fee applicable to the Apartment will be billed to the Resident. A limited number of guest rooms may also be available as occupancy of Watermark permits. Details on the availability and charge for these rooms will be provided by Watermark.

(d) Resident Group Participation

Residents have the right to self governance and to organize and operate a resident organization at Watermark and to meet privately to conduct business. Any Resident group organized pursuant to this Section shall have the following rights:

(1) The right to engage in group activities, including for the purpose of keeping informed of the daily happenings of Watermark.

(2) The right to use Watermark's facilities to conduct meetings.

(3) The right to obtain current copies of the Disclosure Statement and Annual Financial Report.

(e) Private Employees

All outside caregivers, companions, aides, housekeepers, maintenance workers, subcontractors and other personnel ("Private Employees") hired directly by the Resident, or contracted by the Resident through any agency, including a licensed home health agency, to render services to the Resident shall be subject to Watermark's policies for employment of Private Employees.

(1) Resident acknowledges that Watermark is not, and will not be, responsible for (i) the quality or quantity of any services rendered by Private Employees to the Resident; (ii) claims made for breach of any obligation by the Resident to provide compensation, workers' compensation or other insurance; and (iii) claims related to the breach of any statutory or regulatory obligations respecting employment and the withholding and payment of income taxes. The provisions of this indemnification, including this paragraph, shall apply even if the Private Employees are employees of Watermark, its affiliates or its related parties, who are providing such services on their own time.

(2) The Resident acknowledges that this indemnification is given for the express benefit of Watermark, its affiliates and its related parties, and the officers, directors, employees, agents, and representatives of

Watermark, its affiliates or its related parties, each of whom shall be indemnified pursuant to Section IX(h).

(f) Access to Resident Health Information

For purposes of determining the Resident's qualification for admission and the Resident's eligibility to remain in residence at Watermark, The Resident hereby consents that pertinent health and wellness records will be furnished if and when requested by Watermark. The Resident further consents that their attending physician or other health care provider shall furnish any additional information concerning the Resident's health or physical condition requested by Watermark. Watermark will keep all such records confidential unless disclosure of such records is required law. When requesting access to Resident health information, Watermark shall comply with the Health Insurance Portability and Accountability Act (HIPAA), which regulations are codified at 45 C.F.R. Parts 160, 162 and 164, as such regulations may be amended from time to time, including without limitation, obtaining a HIPAA authorization from the Resident, which the Resident agrees to sign, prior to accessing health information.

(g) Tax Implications

Tax code changes enacted by Congress in June 1984 (Public Law 98-369) may affect a Resident's taxable income. The Internal Revenue Service may interpret section 172 of this law, pertaining to below-market interest rate loans, as imposing an income tax liability on the refundable portion of the Entrance Fee. The IRS might treat the refundable portion of this fee as a loan from the Resident to Watermark and attribute to the Resident receipt of interest income on the outstanding balance of such fee, even though the Resident will not receive interest payments. The Resident should consult with his or her accountant or attorney to determine how section 172 might be applied to the Resident.

(h) Indemnification

Watermark shall not be responsible for the loss of any personal property of the Resident due to any cause. The Resident agrees to indemnify and hold

harmless Watermark from and against any injury to persons or to the property of Watermark or of others resulting from the negligence of the Resident. Each Resident should have personal liability insurance which specifically covers this indemnification obligation. Each Resident should also maintain personal property insurance to cover the Resident's personal property.

(i) Subordination

Watermark may have mortgages and other obligations relating to its property. The Resident's rights under this Agreement will be subordinate to those mortgages and obligations, and to any extension, modification, renewal or replacement of those mortgages and obligations.

Notwithstanding the foregoing, the Entrance Fee Escrow Account shall not be subordinated to any other loans or obligations of Watermark or pledged as collateral, invested in any building or healthcare facility of any kind, used for capital contribution or improvements or for the purchase of real estate or removed from the State of Connecticut.

(j) Rights Granted

The rights and privileges granted to the Resident by this Agreement do not include any right, title, or interest in any part of the personal property, land, buildings, and improvements owned or administered by Watermark. The Resident's rights are primarily for services, with a contractual right of residency. Any rights, privileges, or benefits under this Agreement or any interest or contractual rights of any nature in Watermark, including the right to any refund of the Entrance Fee or other payments hereunder, are and shall be subordinate in priority, right, claim, and interest to the lien, charge, or security interest of any mortgage, deed of trust or security agreement now or hereafter placed on or affecting any of Watermark or any interest in the real property or personal property of Watermark, and to any amendment, modification, replacement, or refunding of any mortgage, deed of trust or security agreement. The Resident agrees that upon request, the Resident will execute and deliver any document which is required by Watermark or by the

holder of any such mortgage, deed of trust, or security agreement to effect such subordination or to evidence the same.

The Community will comply with all municipal, state and federal laws and regulations regarding consumer protection and protection from financial exploitation and will afford the Resident all rights and privileges under Conn. Gen. Stat. § 17b-520 et seq. and any other applicable laws.

Additional rights are outlined in Exhibit C of this Agreement.

(k) Grievance Procedure; Community Rules and Regulations

Watermark has adopted certain rules and regulations designed to promote the health, safety and welfare of residents of the Community. The current rules and regulations are contained in the Resident Handbook, incorporated into this Agreement as Exhibit D. Watermark may amend its rules and regulations from time to time as it deems appropriate. The Resident agrees to comply with Watermark's rules and regulations and any amendments thereto.

Watermark encourages residents and their family members and responsible parties to communicate any concerns or grievances they may have. Exhibit D of this Agreement sets forth the Community's resident grievance policy.

(l) Entire Agreement

This Agreement, together with the attached Exhibits, contains the entire agreement between the parties hereto with respect to the services to and the obligations of the Resident and no amendment or addendum is to be recognized unless in writing executed by both parties hereto.

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

[signatures appear on following page]

By signing this Agreement, the Resident agrees to all the terms that are contained in it.

WATERMARK EAST HILL WOODS L.L.C.
By:

_____ _____
Its Authorized Agent (Executive Director) Date

RESIDENT

_____ _____
Resident's Printed Name Second Resident's Printed Name

_____ _____
Resident's Signature Second Resident's Signature

_____ _____
Date Date

_____
Address

_____
City/State/Zip

_____
Telephone Number

THE WATERMARK
AT EAST HILL

Exhibit A - Schedule of Fees

Independent Living

Resident Name(s): _____ Apartment: _____

Date of Occupancy: _____/_____/_____ Physical Move In Date: _____/_____/_____

Health Care Option Selected: ☐ Life Care ☐ Fee for Service

One-time Fees	Amount
❒ 80% Refundable Entrance Fee Reservation Deposit: $_____ Down Payment: $_____due when Agreement is signed Balance: $_____ due on Date of Occupancy	$
❒ Traditional Declining Entrance Fee Reservation Deposit: $_____ Down Payment: $_____due when Agreement Balance: $_____due on Date of Occupancy	$
❒ Second Person Entrance Fee (0% Refundable) due on Date of Occupancy	$
Non-refundable Pet Fee	$
Monthly Fees	**Amount**
Monthly Service Fee	$
Monthly Second Person Fee	$
Garage Parking	$
Other:	$
Other:	$

Change in Fees. Watermark shall have the right to add, delete and modify the services below at its sole discretion; provided however, Watermark shall give you at least thirty (30) days prior written notice of any such addition, deletion or modification.

Late Fees. If the Monthly Service Fee for any month is not paid by the fifteenth (15th) day of the month, Watermark shall collect a late charge of twenty-five dollars ($25.00) on the sixteenth (16th) day of the month in which the Monthly Service Fee is due and five dollars ($5.00) for each day thereafter until the Monthly Service Fee and all late charges are fully paid. If your check is not honored, Watermark shall collect a twenty-five dollar ($25.00) fee.

ACH. Watermark utilizes an ACH (Automated Clearing House) service for the payment of Monthly Service Fees. This service generates a monthly authorized electronic payment from Resident's bank account after Resident has provided the bank with written authorization. The payment will be withdrawn from Resident's bank account on the fifteenth (15th) day of the month. Should a Resident choose not to use the ACH service, a monthly service charge of twenty-five dollars ($25.00) will be added to Resident's statement.

Resident Signature: _____ Date: _____/_____/_____

Resident Signature: _____ Date: _____/_____/_____

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Exhibit B – Schedule of Additional Fees

THE WATERMARK
AT EAST HILL

Dining Services

Item or Service	Charge	Notes
Additional meals	$8.00 per meal	
Guest meals	$17.00 per meal	
Meal delivery/pick up service	$5.00 meal	
Boxed Meal Paper Goods	$3.00 per box	
A La Carte Items Entree Salad Soup-cup/bowl Dessert Coffee or tea Juice – small/large Sandwich Fruit Cup	 $12.50 $2.50 $2.50/$3.00 $3.00 $1.50 $1.50/$ 1.75 $8.00 $2.50	
W Lounge	Priced per market	See menu for pricing
Mark of Elegance – Specialty Items	Priced per market	See menu for pricing
Parties or Special Events	Priced per market	See menu for pricing

Ancillary Charges – Independent Living

Item or Service	Charge	Billed
Additional services such as medication management and assurance checks are available through Watermark at Home, a licensed Assisted Living Services Agency (ALSA)		
Item or Service	**Charge**	**Billed**
INDEPENDENT LIVING: Miscellaneous Fees		
Nurse Visit	$70.00 per visit	15 minute increments
Dressing Supplies	$6.50 per supply	In addition to Nurse Visit
One-time charge to start ongoing care or services	$100.00	One-time
Certified Nurses Assistant	$25.00 per hour	15 minute increments
Medication Management by Nurse	$400.00	Per month
Medication Reminder – phone call or visit from Certified Nursing Assistant	$525.00 per month	Once a Day
Medication Reminder – phone call or visit from Certified Nursing Assistant	$670.00 per month	Twice a Day
Vitamin B-12 injections	$15.00	Per injection
Registered Dietician Assessment and Consultation	$60.00	Per hour
Wheel chair or scooter rental	$5.00	Per day
Pet Fee - non-refundable	$750.00	Two pet limit

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Exhibit B – Schedule of Additional Fees

THE WATERMARK
AT EAST HILL

Ancillary Charges – Independent Living, cont.

Item or Service	Charge	Billed
INDEPENDENT LIVING: ALSA PACKAGES All packages include R.N. management of care plan, which will be reviewed at regular intervals		
ALSA 1 Basic: Aide will visit twice weekly Assist with bathing, dressing, apartment tidying, assist as needed with care, laundry once weekly (as needed), meal management (if needed)	$360.00	Per month
ALSA 1 with Medications: Aide will visit twice weekly Assist with bathing twice weekly Assist with dressing, apartment tidying, assist as needed with care, laundry once weekly (as needed), meal management (if needed) Medication visit once weekly, resident will take own meds. R.N. will manage all aspects of medications i.e. doctor's orders and updates, ordering refills, implementing new orders.	$600.00	Per month
ALSA 2 Basic: Aide will visit daily Assist with bathing twice a week Assist with dressing, apartment tidying, assist as needed with care, laundry once weekly (as needed), meal management (if needed)	$850.00	Per month
ALSA 2 with Medications: Aide will visit daily Assist with bathing twice a week. Assist with dressing, apartment tidying, assist as needed with care, laundry once weekly (as needed), meal management (if needed) Medication visit once weekly, ALSA will assist with administration once a day. R.N. will manage all aspects of medications i.e. doctor's orders and updates, ordering refills, implementing new orders	$1,085.00	Per month

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Exhibit B – Schedule of Additional Fees

ALSA 2 with Evening Med Visit: Aide will visit daily Assist with bathing twice a week Assist with dressing, apartment tidying, assist as needed with care, laundry once weekly (as needed), meal management (if needed) Medication pre poured once weekly Morning and evening visits will assist with medication administration R.N. will manage all aspects of medications i.e. doctor's orders and updates, ordering refills, implementing new orders	$1,340.00	Per month
ALSA 3 Basic: Aide will visit daily Assist with dressing, apartment tidying, assist as needed with care, laundry once weekly (as needed), meal management (if needed) Assist with bathing twice a week ALSA will visit every evening to assist with evening care, i.e.. getting ready for bed, washing, etc.	$1,370.00	Per month
ALSA 3 with Medication: Aide will visit every morning Assist with dressing, apartment tidying, assist as needed with care, laundry once weekly (as needed), meal management (if needed) Assist with bathing twice a week ALSA will visit every evening to assist with evening care, i.e. getting ready for bed, washing, etc. Medications will be pre poured weekly and administered twice daily R.N. Will manage all aspects of medications i.e. doctor's orders and updates, ordering refills, implementing new orders	$1,610.00	Per month
INDEPENDENT LIVING MEDICATION PLANS. All Medication Plans include the following: • Assessments: Initial assessment upon admission; quarterly assessments thereafter • Plan of Care development with revision as indicated • Bi-weekly pre pour of medication • Prescription renewals and/or refills • Consultations with physicians, pharmacists, and families		
Medication Plan A Medication set-up (pre pour)	$400.00	Bi-weekly

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Medication Plan B Medication set-up (pre pour) Medication administration or reminder	$525.00	Bi-weekly Once daily
Medication Plan C Independent Living & Assisted Living Medication set-up (pre pour) Medication administration or reminder	$670.00	Bi-weekly Twice daily
Note: *Medication Plan charges do not apply to residents with ALSA 1 with Medications, ALSA 2 with Medications, or ALSA 3 with Medications described above.*		

Private Duty (Independent Living and Assisted Living)

Item or Service	Charge	Notes
Note: *For residents with any of the ALSA packages described above, the following private duty charges apply only to the extent the resident requests services beyond those covered by the package.*		
CNA to provide assistance with bathing, dressing, grooming, other ADL's, meal management, laundry, light tidying	$25.00 per hour	Two hour minimum
Companion/Escort to provide assistance with short shopping trips and doctor's visit	$30.00 per trip plus mileage	One hour maximum

Ancillary Services – Assisted Living at The Inn at Cherrywood

Item or Service	Charge	Notes
Non-refundable Entrance Fee If not moving from Independent Living	Monthly Service Fee for selected suite	Upon move in, per person
Meal and Miscellaneous Charge Covers two additional meals per day, two snacks per day, referral services, wellness education, dietician, daily housekeeping, social services, laundry and maintenance	$35.00	Per day, applicable only to Life Care Contract
Additional assisted living services beyond seven (7) hours per week. Available through a tiered system. The tiered rates are based on individual needs and determined through a personal assessment by Watermark staff		
Tier One	$600.00 per person	Per month
Tier Two	$1,200.00 per person	Per month
Tier Three	$1,800.00 per person	Per month
Tier Four	$2,400.00 per person	Per month
Tier Five	$3,000.00 per person	Per month
Custom Tier	Custom	Per month

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Exhibit B – Schedule of Additional Fees

Respite Stay at The Inn at Cherrywood for Life Care Residents	$150.00 per person	Per day basis
Respite Stay at The Inn at Cherrywood for Non-Life Care Residents	$175.00 per person	Per day basis
Market Rate for The Inn at Cherrywood	$4,200 per month	Not Applicable to Life Care Contract
Private Apartment- Non Suite	$1,050.00	Per month

Ancillary Services –Memory Care at The Villa

Item or Service	Charge	Notes
Non-refundable Community Fee If not moving from Independent Living	Monthly Service Fee for selected suite	Upon move in, per person
Second Occupant Fee	Second Occupant Monthly Service Fee	Applicable only to life care contract, effective 9/1/13
Additional Rate for Specific Rooms Villa Rooms 4, 5, 6, 7, 8, 9 Villa Rooms 10,11	$95.00 $195.00	Per Month, applicable only to Life Care Contract
Miscellaneous Charge Covers two additional meals per day, two snacks per day, referral services, wellness education, dietician, daily housekeeping, social services, laundry and maintenance	$33.00	Per day, applicable only to life care contract
Additional Villa Services. Available through a tiered system. The tiered rates are based on individual needs and determined through a personal assessment by Watermark staff		
Tier One	$750.00 per person	Per month
Tier Two	$1,500.00 per person	Per month
Tier Three	$2,250.00 per person	Per month
Custom Tier	Custom per point	Per month
Respite Stay at The Villa	$200.00	Per day
Market Rate for The Villa (varies per room)	$6,235-$6,443	Per Month

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THE WATERMARK
AT EAST HILL

Exhibit B – Schedule of Additional Fees

Ancillary Services – Skilled Nursing

Item or Service	Charge	Notes
Meal and Miscellaneous Charge Covers two additional meals per day, two snacks per day, referral services, wellness education, dietician, daily housekeeping, social services, laundry and maintenance	$35.00	Per day, applicable only to Life Care Contract
Health Care Supplies – Bundled Packages (non-Medicare Residents)		
Admission Kit	$20.00	Per admission
Daily Hygiene	$15.00	Per month
Gloves	$20.00	Per month
Incontinent Supplies: Briefs/liners, Frequent Use (6-10 briefs daily)	$217.00	Per month
Incontinent Supplies: Briefs/liners, Occasional Use (1-5 briefs daily)	$115.00	Per month
Incontinent Supplies: Pull-Ups, Frequent Use (6-10 pull-ups daily)	$235.00	Per month
Incontinent Supplies: Pull Ups, Occasional Use (1-5 pull-ups daily)	$145.00	Per month
Incontinent Care Products	$45.00	Per month
Fingerstick Glucose Testing	$180.00	Per month
Pulse Oximetry	$8.00	Per day
IV Start Supplies	$33.00	Per IV start
IV Maintenance Supplies (not including fluids and medications)	$28.00	Per day
Dietary Supplement Program: Fortified Shake/Ice Cream	$45.00	Per month
Dietary Supplement: Standard	$1.50	Per can
Dietary Supplement: Enhanced	$1.75	Per can
Isolation Supplies	$15.00	Per day
Urological Supplies	$38.00	Per month
Wound Care – General	$6.50	Per treatment
Wound Care – Specialty (per designated supplies)	Varies	Per treatment
Escort to Appointment	$30.00 + mileage	One hour maximum
Safety Items		
Bed Mats	$25.00	Per month
Bed Alarm	$25.00	Per month
Chair Alarm	$25.00	Per month
Wander Alert System	$35.00	Per month
Pressure Relieving Cushion	Varies	Per type
Alarming Seatbelt	$25.00	Per month
Ambulation/Positioning		

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THE WATERMARK
AT EAST HILL

Exhibit B – Schedule of Additional Fees

Wheelchair	$30.00	Per month
Foot Cradle/Heels Up Cushion	$10.00	Per month
Geri Chair	$30.00	Per month
Mechanical Sling-Lift	$30.00	Per month
Specialty Beds/Mattresses		
Air Mattress	Per mattress type	Per order
Air/gel Overlay Mattress Pad	Per type of overlay	Per order
Miscellaneous		
Foot pillows (pair)	$25.00 pair	Per order
Geri gloves/ Geri legs	$18.00 pair	Per order
Thermometer rectal plus probe covers	$15.00 each	Per order
Over-the-counter Medications/Items	Varies	Per order/Per use
Ready Bath Body/ Shampoo (Bath in a Bag)	$5.00	Per order
Glucose Testing Strips	Market	Per box
Miscellaneous Items per special order	Varies	Per order
Market Rate for The Springs (semi-private room)	$425 per day	Not applicable to Life Care Contract only to Fee for
Market Rate for The Springs (private room)	$475 per day	Not applicable to Life Care Contract only to Fee for

Parking and Transportation (Independent Living, Assisted Living and Memory Care)

Item or Service	Charge	Notes
To medical facilities within a local radius of the community on scheduled medical appointment days	No charge	
To medical facilities within a local radius of the community that are NOT on scheduled medical appointment days	$0.60 plus $30.00 Associate Time	Per mile Per hour
To medical facilities in Waterbury or Danbury	$0.60 plus $25.00 Associate Time	Per mile Per hour
Daily transportation to/from meals	$150.00	Per month
Garage Parking	$55.00	Per month
Mileage for trips to Danbury or Waterbury	$0.60	Per mile
Mileage for local transportation	$0.60	Per mile

Plant Operations/Maintenance

Item or Service	Charge	Notes
Additional basic maintenance services	$27.00 per hour	Per associate
Moving furniture	$27.00 per hour	Per associate

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Exhibit B – Schedule of Additional Fees

Replacement keys	$8.00	Per key
Life Line • Supply and Install • Transfer Life Line to another location • Replacement- Pendant or Bracelet	$400.00 $100.00 $75.00	Per occurrence

Housekeeping and Laundry

Item or Service	Charge	Notes
Additional basic housekeeping services	$27.00 per hour	30 minute minimum
Additional trash/newspaper pickup	$5.50 per pickup	
Additional specific housekeeping services, including: mattress turning, bed making, dish washing, carpet cleaning/extraction	$27.00 per hour	30 minute minimum
Personal laundry: wash, dry and folding Half Load (1-15 items) One Load (15-20 items) Bedspreads Blankets Electric Blankets	 $7.50 per load $10.50 per load $10.00 each $6.50 each $8.50 each	
Personal laundry: wash, dry and ironing Pants, Shirts, Skirts Dresses Sheet sets	 $6.00 each $6.00 each $6.00 per set	

Miscellaneous

Item or Service	Charge	Notes
Fuel Surcharge	$1.00	Per day
Late Payment of Monthly Service Fee: Must be paid by fifteenth (15th) day of the month	$25.00 $5.00	First day late Each subsequent day
Long Term Care Insurance Assistance	$25.00	Per hour 15 minute minimum
ACH Payment Decline	$25.00	Per occurrence
Guest Suite: Single or Double Occupancy Rollaway Cot or Crib	 $100.00 per night $10.00 per night	
Faxes, sending and receiving: Domestic International	$0.50 per page $2.50 per page	$5.00 maximum for domestic faxes

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Exhibit B – Schedule of Additional Fees

Copies	$0.10 per page	
Typing	$2.50 per page	
Beauty/Barber services	Prices vary – see posting	
Telephone	Based on usage	
Admission to off-site events/outings	Prices vary – see calendar	
Internal move fee to a different apartment with the same program	$6,000.00	In addition to outside mover costs, etc
Parking Fines for private duty caregivers parking in designated visitor, resident and/or handicapped spaces	$10.00	Per day
Clean up canine feces	$10.00	Per incident

Watermark shall have the right to add, delete and modify the services and corresponding charges above at its sole discretion; provided however, Watermark shall give you at least thirty (30) days prior written notice of any such addition, deletion or modification.

Resident Name:_____ Apartment:_____

Resident Signature: _____ Date: ___ /___/____

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THE WATERMARK
AT EAST HILL

Continuing Care Contract
Exhibit C – Resident's Bill of Rights

Watermark supports your rights to:

- Live in a clean, safe and habitable private apartment;
- Be treated with consideration, respect and due recognition of your personal dignity, individuality, and the need for privacy;
- Privacy within your private apartment, subject to the Community's rules reasonably designed to promote your health, safety and welfare;
- Keep and use your personal property within your apartment 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 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 apartment, or in such other space in the Community as may be made available to residents for such purposes;
- Manage your own financial affairs;
- Exercise civil and religious liberties;
- Present grievances and recommend changes in policy, procedures, and services to the 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 names of the service coordinator or anyone else responsible for resident care or coordination of resident care;
- Confidential treatment of all records and communications to the extent required by state and federal law;
- Have 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 and regulations of the Community;
- Privacy when receiving medical treatment within the Community's capacity

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- 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 apartment, 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 associates. However, you also have the right to contact the following state agencies regarding complaints or concerns:

Department of Public Health
Facility Licensing and Investigations
410 Capitol Ave., P.O. Box 340308
MS#1 2HSR
Hartford, CT 06134-0308
860-509-7400
General: Loan Nguyen, R.N. (Supervising Nurse Consultant)
Complaints: Janet Williams, R.N. (Public Health Services Manager)

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

Dan Lerman, Regional Ombudsman
Region V/North West Regional Office
249 Thomaston Avenue
Waterbury, CT 06702
Work: 203-597-4181
Fax: 203-597-4048

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.

COMMUNITY RULES AND REGULATIONS

See Resident Handbook.

GRIEVANCE POLICY

Policy

It is the policy of Watermark that all concerns/grievances be addressed promptly, documented, investigated, replied to, reported on and reviewed in an effort to improve satisfaction. Concerns and grievances are defined as either **verbal or written** perceptions of discontent or injustice pertaining to the care provided in or condition of Independent Living, Assisted Living, Memory Care or Skilled Nursing programs which are expressed by residents, family members or associates and are not immediately resolvable on the spot by the individual hearing a concern expressed verbally. *This policy excludes those verbal comments or concerns that are immediately resolvable, but associates should bring these to the attention of department directors promptly.*

If the concern or grievance is expressed in writing (email or letter) or by phone, this policy applies. The concern or grievance requires either written response or documentation of personal discussion with the individual raising it. We are in a service business and will do all possible to ensure a satisfied individual.

Procedure

I. Action and Time Frames
   A. Immediate steps are to be taken to assure that the respective resident, family member and/or associate is free from harm.
   B. The applicable department head or designee is to conduct an investigation.
   C. It may be appropriate to reply to the individual raising the issue to indicate an investigation is occurring.
   D. The time frame for an offer of an acceptable resolution to the individual will be seven (7) days.
   E. There may be times where additional discussions are required to reach a resolution, but that time frame goal would be within thirty (30) days.

II. Documentation

A. The associate receiving the complaint/grievance is to complete a Concern/Grievance Report and submit it to their immediate supervisor by the end of the shift. If the immediate supervisor is not the department head, they will forward the Concern/Grievance Report to the appropriate department head or designee.

B. The department head is to document the concern/grievance on the Concern/Grievance Log. They are also to document the results of all applicable investigations on the Concern/Grievance Report and forward this report to the Executive Director.

C. There should be either a written reply or documentation of the verbal reply to the individual raising the issue.

D. The Executive Director is to review and sign the Concern/Grievance Report and return it to the applicable department head or designee. There will be times where it is more appropriate for the Executive Director to respond or meet personally with the individuals raising a concern.

E. A copy of each resident-related Concern/Grievance Report is to be maintained by the Executive Director, in a central, secured area. All original Concern/Grievance Reports are to be maintained in a single location by the department head along with documentation of response.

III. Review

A. A review of concerns/grievances is to be conducted quarterly or per state regulations, whichever is more frequent.

B. Any trends or patterns found in this review are to have action plans in place to prevent recurrence. Action plans which require additional training are to be documented in the associate file on the Associate Training Record. The Executive Director should be informed of action plans and ensure completion.

THE WATERMARK
AT EAST HILL

Continuing Care Contract
Fee for Service
Residency Agreement

This is a Continuing Care Contract ("Agreement") between Watermark East Hill Woods, L.L.C., d/b/a The Watermark at East Hill, a Delaware limited liability company ("Watermark") and _____ (the "Resident"). It will be referred to herein as "this Agreement." The effective date of this Contract is _____ _____, _____.

BACKGROUND

A. Watermark owns and operates a continuing care retirement community located at 611 East Hill Road, Southbury, Connecticut 06488 (the "Community"). Watermark provides continuing care (as described in this Agreement) to Residents at costs commensurate with the services and facilities contemplated by this Agreement. It is the goal of Watermark to allow Residents to continue an independent lifestyle and to provide the peace of mind associated with knowing that certain additional attention and care is available if ever needed.

B. The person or persons who sign this Agreement on the signature page are referred to throughout this document as "Resident", "you" or "your", and this Agreement shall apply to both of them and to the survivor. Each Resident, having decided to move to Watermark to enjoy the facilities and services contemplated by this Agreement, agrees to comply with the policies and procedures of Watermark and, further, understands that such residency shall be subject to the terms and conditions set forth in this Agreement. The facilities of Watermark include independent living apartments, assisted living suites in The Inn at Cherrywood ("The Inn"), nursing beds in the Health Care Center ("The Springs"), and related common areas.

C. Subject to the Resident's performance of his or her duties and obligations under this Agreement, Watermark agrees to provide the services described in this

Agreement to the Resident for life. Watermark also agrees to make the independent living apartment identified on Exhibit A ("the Apartment") available to the Resident for the Resident's use for life or until permanent transfer to an assisted living suite in The Inn or The Springs , or until termination of this Agreement in accordance with Section VIII hereof.

D. THIS AGREEMENT IS NOT A LEASE and does not create any interest in the real estate and property owned by Watermark and the right of use thereof shall not inure to the use or benefit of the heirs, next of kin, assignees or representatives of a Resident or of a Resident's estate.

In consideration of the mutual promises contained in this Agreement, and intending to be legally bound, Watermark and Resident agree as follows:

I. THE APARTMENT

Substitution of Apartment. Watermark reserves the right to substitute the Apartment with another comparable apartment at Watermark, at no additional expense to you, if it is necessary to meet any requirement of law or the lawful order or direction of the Fire Marshal or another authorized public official, or for any other reasonable purpose, as determined by Watermark in writing. A comparable apartment means an apartment that has the same number of bedrooms and bathrooms and that is approximately the same size as your Apartment. Effective the date the occupancy transfers to the substituted apartment, the substituted apartment will be your Apartment as defined in this Agreement and shall be subject to all the same terms and conditions.

Date of Occupancy. The Resident may move into the Apartment on the date indicated on Exhibit A. In this Agreement, this date will be referred to as the "Date of Occupancy," which is the date the Apartment will be ready for occupancy, even if the Resident is not ready to move into the Apartment. The Resident may continue to occupy the Apartment for the remainder of their lifetime, unless this Agreement is cancelled before the death of the Resident, or the Resident is relocated to another comparable apartment pursuant to this Section or removed from the Apartment pursuant to Section II(c)(1) hereof so as not to jeopardize the

Resident's health safety or welfare, or the health, safety or welfare of others. If this Agreement is signed by two persons, occupancy of the Apartment may continue until the last surviving person dies, unless this Agreement is cancelled before then.

II. DESCRIPTION OF SERVICES

(a) Items and Services Included in the Monthly Service Fee

Watermark will provide to the Resident, as long as the Resident resides in the Community, the services described below:

- A choice of lunch or dinner in one of the three dining venues each day. Residents who eat additional meals beyond the meal allowance, will pay for those meals and will be billed for them monthly. Each Resident will pay for guest meals if they exceed their monthly meal allowance and will be billed for them monthly. The Monthly Service Fee will not be reduced for meals not taken unless the Resident is absent for more than twenty-one (21) consecutive days, with prior notification. If such notification is given, the Resident will be credited with the approximate raw food costs of meals not eaten.

- Coffee and homemade muffins and/or coffee cake are available each morning in the Gallery Café.

- Bi-weekly Apartment housekeeping service; more frequent service available at extra charge. This cleaning will include vacuuming, dusting, cleaning of bathroom fixtures, bathroom and kitchen floors, kitchen counters, appliance faces and kitchen sink. The cleaning service will handle heavier cleaning such as window washing and oven cleaning on a periodic scheduled basis. Additional housecleaning services are available at an extra charge.

- Weekly flat linen service. Residents shall provide their own flat linens, which Watermark will wash and fold. Linens will be provided to Residents who transfer to The Springs.

- Washers and dryers are available for the Resident's use in each building without charge.

- Utilities, including heating, air conditioning, water, sewer, electricity and basic cable television services, and wiring for telephone. The Resident must contract with the telephone company and pay for all telephone services and with the cable company and pay for any service secured beyond that supplied by Watermark.

- Insurance. Watermark is insured against all reasonable and customary losses and liabilities. This does not include personal liability insurance on coverage of articles owned by the Residents and each Resident is required to purchase such insurance for his or her personal property. See Section IX(h) for additional information.

- Scheduled transportation to local shopping, medical appointments, recreational areas, community facilities and places of worship.

- Maintenance of the Apartments and Assisted Living Suites, including all Watermark-provided appliances, carpets and fixtures. Each Resident is responsible for the cost of repairing damage to any property or equipment caused by the Resident's misuse or neglect.

- Kitchens in each Apartment.

- Real estate, property and other taxes due on the facility and its property will be paid by Watermark.

- Emergency call system in each Apartment and Assisted Living Suite and response on a 24-hour per day basis.

- Tray service to Independent Living Apartments will be provided for short periods when it has been approved for medical reasons. In case of longer periods or non-medical reasons there is an additional charge.

- Activities as scheduled and planned for those Residents interested in participating. Watermark employs a Program Director to help Residents plan and carry out activities and special events.

- Access to and use of the common areas and facilities provided for the use and enjoyment of all Residents. Common areas include central dining area, a private dining room for parties and special events, lounge areas, library and communications center, game room, billiards room, creative arts studio, theater and auditorium, fitness center, indoor pool, walking paths and administrative areas. Rules and regulations with respect to the use of common areas will be established by Watermark from time to time and provided to each Resident.

- Building and grounds maintenance.

- Additional storage facilities for each Resident's personal belongings.

- Smoke detection and sprinklers in all areas of the buildings.

- Uncovered parking. The Resident may rent a garage space, if available, for an additional fee. In order to park or operate a motor vehicle on the premises the Resident must maintain automobile liability insurance with your own insurance agent to cover liability and medical expenses arising from injuries to yourself or others. Resident use of any motor vehicle, electric cart or power operated vehicle is subject to the rules and polices of Watermark, including but not limited to, speed limits and safe driving procedures and practices. Watermark reserves the right to revoke your operating and parking privileges on the premises if the Resident does not abide by the applicable rules, regulations, policies, and procedures.

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(b) Items and Services Available for an Additional Charge

Watermark will provide or make available certain additional items and services to Residents for an additional charge ("Additional Fee") pursuant to the terms of this Agreement. The Additional Fees as of the Effective Date are outlined in Exhibit B of this Agreement ("Schedule of Additional Fees"). Watermark may change the nature and scope of additional services offered and/or increase the Additional Fees from time to time by giving the Resident thirty (30) days prior written notice of a change.

(c) Health Care Services – Fee for Service Program

In addition to the services described in Section II(a) and (b) of this Agreement, certain health care services shall be provided on the following basis, if the Resident has selected the Fee for Service Agreement ("Fee for Service"):

(1) If the Resident needs, upon written order of Watermark's Medical Director or the Resident's Primary Physician, to transfer to an Assisted Living Suite in The Inn or to receive nursing care in The Springs, the Resident is responsible for the cost of such services. Upon transfer to The Inn or The Springs, the Resident agrees to sign a separate Assisted Living or The Springs Health Center Addendum to this Agreement, as appropriate. All costs associated with residency in The Inn and/or Springs shall be at the then-current market rates and will be the responsibility of the Resident. Current market rates as of the Effective Date of this Agreement are provided in Exhibit B for illustrative purposes.

(2) The Resident shall also be responsible for payment for any and all additional required or requested medical and related services including, but not limited to: personal physician services, dental care, physical and occupational therapy, special nurses, and drugs and medications, emergency physician, paramedic, ambulance, medical equipment and supplies,

(3) If the Resident is transferred to The Inn, the Resident shall be responsible for payment for assisted living services including additional services that the Resident requires ("Tiers"). Additional Fees for each Tier as of the Effective Date of this Agreement are outlined in Exhibit B for illustrative purposes. Watermark may modify such fees at any time upon thirty (30) days prior written notice to the Resident.

(A) To determine whether and to what extent the Resident requires additional assisted living services, Watermark will conduct a baseline functional assessment of the Resident prior to or upon admission to The Inn , and periodically thereafter (e.g., when the Resident exhibits a change in condition). The Resident's needs, and the appropriate Tier, if applicable, will be documented in an Individualized Service Plan that the Resident and his or her family or responsible party will sign.

(B) Watermark will update the Resident's Individualized Service Plan and Tier designation as necessary to reflect changes in the Resident's condition as determined by subsequent functional assessments of the Resident;

(C) Watermark may modify the Tier program for assisted living services, and may introduce new programs for such services and the payment for such services at any time upon thirty (30) days prior written notice to the Resident.

(4) If the Resident is transferred to The Springs for short term rehabilitation, Watermark will receive (either directly or by payment by the Resident if the Resident receives the payment) any applicable payments made under Medicare or any other health insurance plan. The Resident will be required to pay for any health services not covered by this Agreement, by Medicare, or by other insurance.

(5) Any other ancillary items and services. Watermark may from time to time identify additional costs, whether of a medical/health nature or otherwise, for which the Resident will be financially responsible. Watermark will notify the Resident in writing at least thirty (30) days in advance of any such additional costs becoming effective.

(6) If the Resident needs home care services, the Resident is responsible for the cost of such services. The Resident has the option to select a home health care agency of his or her choice. If requested, Watermark will assist the Resident in choosing an appropriate agency.

(7) Watermark will offer an Alzheimer's special care program in the Villa. Watermark will market the Community as providing specialized care and services for those persons suffering from Alzheimer's disease, dementia and similar disorders and will provide the appropriate disclosures as required by Connecticut law. The Resident will be responsible for the then-current cost of such services.

(8) The Resident shall continue to be responsible for the Monthly Service Fee in addition to the costs in this Section II(d) until such time as the Apartment is vacated as outlined in Section VI(c) of this Agreement.

III. SELECTION OF APARTMENT, REQUIRED FEES AND REFUND CALCULATION

(a) Selection of Apartment and Refund Option

(1) The Resident has selected the Apartment identified on Exhibit A hereof.

(2) The Resident has selected either the 80% or Traditional plan as the refundable option as indicated on Exhibit A hereof.

(b) Required Fees

For the right to use the Apartment at Watermark and to receive the services described in this Agreement, the Resident agrees to pay to Watermark the following fees, which are due and payable as described below:

(1) The Entrance Fee payable for the Apartment for the chosen Refund Option is set forth on Exhibit A hereof and due as follows:

(i) A deposit of 10% (ten percent) (the "Down Payment") due upon the signing of this Agreement.

(ii) The remaining amount of the Entrance Fee (the "Balance") must be paid in full with a certified check on the Date of Occupancy, even if the Resident does not move in to the Apartment at that time.

(2) Second Person Non-Refundable Entrance Fee. This fee is not refundable and is due on the Date of Occupancy.

(3) Monthly Service Fee

(i) The Monthly Service Fees for the Apartment for one person and for the second person, if any, are set forth on Exhibit A hereof. The Monthly Service Fee for the first month will be prorated to reflect the number of days of occupancy that month. The prorated amount is due prior to occupancy.

(ii) The Monthly Service Fee shall be paid by the Resident and is payable in advance on the first day of each month during the term of this Agreement. Watermark may increase the Monthly Service Fee by giving the Resident thirty (30) days prior written notice of a change, if Watermark, in its sole discretion, deems the increased fee to be necessary to meet the financial needs of Watermark. Watermark reserves the right to charge a late fee and/or an ACH fee as outlined in Exhibit A.

(iii) A first-person Monthly Service Fee must be paid for each Apartment. If two Apartments are combined, the applicable Monthly Service Fee for the combined apartments shall be a total of the first-person rate for each Apartment.

(c) Entrance Fee Refund Calculation

Any applicable Entrance Fee Refund will be paid as outlined in Section VIII and will be calculated, less any charges as outlined in Section VIII, after the expiration of the Rescission Period and after the Date of Occupancy, whichever is later, as follows:

(1) 80% Refundable Plan. The Resident is eligible for an Entrance Fee Refund of 80% (eighty percent) of the Entrance Fee.

(2) Traditional Declining Plan. The Resident is eligible for an Entrance Fee Refund that declines to a zero balance over 46 (forty-six) months. It declines by 10% after the first full or partial month of occupancy and declines by an additional 2% (two percent) each month thereafter.

IV. RESIDENT ACCEPTANCE POLICY

(a) The Application and Review Procedure

The Resident must complete an Application for Residency and Residency Agreement prior to the Date of Occupancy which will be reviewed by the authorized officer or representative of Watermark in accordance with established acceptance policies. Special considerations or cases not meeting all of the admission criteria will be referred to the Executive Director of Watermark for consideration and action.

(b) Physical Requirements for Residency

To be accepted for residency, the Resident must meet the following conditions:

(1) The Resident must be 65 years of age or more at the time of establishing residency, except where more than one Resident occupies an Apartment, in which case at least one Resident must be 65 years of age or more at the time of establishing residency.

(2) The Resident must be free from communicable diseases and must be in sufficiently good health to live without assistance in the selected Apartment and be able to function independently.

(3) The Resident must disclose any severe or chronic disorders. A physician's report is required for all Residents prior to the Date of Occupancy.

(c) Financial Requirements for Residency

To be accepted for residency the Resident must meet the following conditions:

(1) Have financial assets adequate to pay the contracted Entrance Fee, plus an amount sufficient to provide for the Resident's personal financial requirements after residency.

(2) Have sufficient income to meet the anticipated Monthly Service Fee and any other applicable fees for items and services not covered by the Monthly Service Fee.

(3) Have coverage under Medicare parts A and B (basic and supplemental coverage) if eligible, and one supplementary health insurance policy. Parts of this qualification may be waived or modified for Residents selecting the Fee for Service health care option and certain groups of people such as retired Civil Service employees and those with comparable coverage with a Health Maintenance Organization or other private insurance.

(d) Joint Residency - Unrelated Persons

When two or more unrelated persons intend to live in one Independent Living Apartment, the following conditions will apply:

(1) Evidence of prior long-term compatibility of the Residents must be shown to Watermark.

(2) All persons living in an Apartment shall sign a Residency Agreement and qualify as a Resident.

(3) Cancellation rights and surviving Resident rights are the same as outlined in Section VIII, Cancellation of this Agreement and Refunds.

(e) Non-participating Occupant

The Resident may apply for the right to have a non-participating occupant live in the Apartment. Such right may be granted on the following conditions:

(1) A Non-participating Occupant Application and Agreement is executed and approved by Watermark.

(2) A Monthly Service Fee is paid for the second person.

(3) The Non-participating Occupant agrees: (a) to abide by Watermark's Resident Policies and Procedures; (b) that Watermark will not provide assisted living or nursing care under the non-participating arrangement; and (c) to vacate the Apartment within thirty (30) days after termination of residency in the Apartment by the Resident.

V. JOINT OCCUPANCY

(a) Separation, Divorce Or Death Of Joint Residents

(1) If, after becoming Residents, the joint Residents become separated or divorced, the following possibilities could occur:

(i) Each party desires separate Apartment and one remains in the contracted Apartment. In this event, no refund is given and a new Residency Agreement must be submitted for Watermark's approval, accompanied by the current Entrance Fee for the second Apartment. The first person Monthly Service Fee for each Apartment is charged to the respective Residents.

(ii) One party of the separated or divorced couple desires to terminate residency and move from Watermark. In this event, the remaining party retains full rights as a Resident. The second person Monthly Service Fee is discontinued, but there is no refund of the Entrance Fee to either party.

(iii) Both of the Residents desire to cancel this Agreement following the separation or divorce. In this event, the normal refund provisions of this Agreement shall apply.

(2) In the case of the death of one of the joint Residents after establishing residency, the surviving Resident retains all rights as a Resident, with the privilege of residing in the same Apartment. The second person Monthly Service Fee is discontinued, but there is no refund of any part of the Entrance Fee. If the surviving Resident desires to move out of Watermark, the refund provisions of this Agreement shall apply.

(b) Joint Occupancy.

(1) If the Resident and non-resident marry and desire to reside in the Resident's Apartment, a second-person Monthly Service Fee will be charged. A new Residency Agreement documenting the change, together with an Application for Residency for the new Resident, must

be submitted to Watermark for approval. If the non-Resident spouse does not qualify under the guidelines established by Watermark for life-care residency, the non-Resident spouse may apply and be considered for residency under the non-Participating Occupant guidelines. The Residents will be charged the applicable first and second-person Monthly Service Fees.

(2) If two Residents residing in separate Apartments wish to marry, they may either release one Apartment and reside together in the other or release both Apartments and move into another larger Apartment.

If they elect to release one Apartment and reside together in the other Apartment, a new Residency Agreement must be executed naming both persons as Residents. The agreed upon refund for the vacated Apartment will be made at such time as a similar style Apartment has been reoccupied and a new Entrance Fee has been received by Watermark.

If they elect to release both Apartments and move into another Apartment, a new Residency Agreement for the new Apartment must be executed naming both persons on the Residency Agreement. The current Entrance Fee for the new living Apartment will be charged. The Entrance Fee paid for the released apartments will be credited against the new Entrance Fee. Any deficit will be paid prior to occupancy and any excess will be refunded when the refund claim matures.

In any case, the Residents will be charged the applicable first and second-person Monthly Service Fees upon joint Residency in the single Apartment.

VI. RELOCATION FROM INDEPENDENT LIVING APARTMENT

(a) <u>Moving To A Different Apartment</u>

Residents who elect to move to a different Apartment are required to have the approval of Watermark and pay a transfer charge to offset the redecorating expense of the vacated Apartment. If the move is to a less expensive Apartment, no refund of the Entrance Fee is made at that time. Any refund due at the time the Resident cancels their Agreement will be calculated based on the original Entrance Fee. If a move is made to a more expensive Apartment, however, an additional Entrance Fee will be charged which is equal to the difference between the Entrance Fee originally paid for the vacated Apartment and the current Entrance Fee of the new Apartment. In all cases, the Resident's Monthly Service Fee will be the current fee applicable to the newly-occupied Apartment. Any moving expenses will be the responsibility of the Resident. If the Resident moves to a smaller apartment, the Resident's Monthly Service Fee will be the current fee applicable to the original Apartment. If the Resident moves to a larger apartment, the Resident's Monthly Service Fee will be the current fee applicable to the newly-occupied Apartment. Any moving expenses will be the responsibility of the Resident.

(b) Reassigning Of An Apartment By Watermark

A Resident's Apartment may be reassigned by Watermark upon any of the following conditions:

(1) Fifteen (15) days following the death of the Resident(s).

(2) Receipt of the Resident's written notice canceling this Agreement and the subsequent vacancy of the Apartment within thirty (30) days.

(3) Cancellation of this Agreement by Watermark.

(4) Permanent admission of the Resident to The Inn or The Springs. The permanent status of such a move is normally determined only after a stay in The Inn or The Springs has exceeded fifteen (15) days and is based on the judgment of Watermark, in consultation with the Resident's family and physician that the Resident is unable to live independently in the Apartment. The Resident's Apartment shall be

vacated within fifteen (15) days after permanent status in The Inn or The Springs is determined. If the Resident should recover sufficiently to resume independent living at a later date, a similar or alternate Apartment will be provided to the Resident.

(c) Removal of Property

All personal property of the Resident must be removed from the Apartment and storage areas, if applicable, within thirty (30) days following the termination of this Agreement for any reason, including the Resident's death, or the permanent transfer of the Resident to The Inn or The Springs. The Resident (or the Resident's estate) shall be obligated to continue to pay the Monthly Service Fee until all such property is removed; provided, however, that in the event of the Resident's death, the Resident's estate or family will only be responsible for payment of the Monthly Service Fee for a period of time not to exceed fifteen (15) days following the date of death as long as the Resident's Apartment has been vacated.

If the Resident's personal property is not removed within the time-frames stated within this paragraph, Watermark may, in its sole discretion, remove and store all of the Resident's personal property and effects, at the expense of the Resident or the Resident's estate.

VII. OBLIGATIONS OF RESIDENTS

(a) Furnishings and Pets

(1) In the Apartment, all furnishings, decorations, utensils and supplies, other than major appliances and standard painting, carpeting and sheer curtains provided by Watermark, are at the Resident's expense. The Resident agrees not to make any alterations to the Apartment without Watermark's approval.

(2) Watermark prohibits excessively heavy items to be taken into the Apartments of multiple story structures. This includes, but is not limited to, pianos, safes and waterbeds.

(3) Watermark reserves the right to monitor and, if necessary, to require changes in the furnishings, carpeting, appliances, etc. in any Apartment consistent with the health or safety of the Resident or the health, safety, and general welfare of other Residents.

(4) Pets will be allowed in designated areas of Watermark upon approval by Watermark. Residents owning pets will be required to sign an addendum to their Residency Agreements agreeing that they will adhere to and abide by the policies and guidelines established by Watermark governing the accommodation of pets.

(b) Apartment Alterations By Resident

(1) Alteration or renovation of, or addition to, any Apartment, building or grounds owned by Watermark shall be initiated in conformity with policies of Watermark. All alterations to Apartments by the Resident must meet the following conditions:

(i) Proposed alterations and the names of persons or companies doing work in Apartments must be submitted in writing to Watermark for approval.

(ii) Costs of alterations to be done by Watermark's staff are to be paid by the Resident before work commences and may include the cost of restoration to the original state.

(iii) All modifications, alterations, or additions to Apartments on behalf of Residents are considered permanent and become the property of Watermark. Costs of such alterations are not refundable.

(2) Enlarged Apartments created by combining two or more standard Apartments shall be considered a single Apartment and may be normally occupied by no more than two persons. Costs of this type of conversion must be approved in writing by Watermark and must be paid before work commences. Such payments are not refundable.

(c) Watermark and emergency personnel must have access at all times to all Independent and Assisted Living Apartments. Except in the event of an emergency, unauthorized persons may not enter the Apartment unless the Resident has signed a release form providing access.

Watermark and its agents, employees and contractors may enter the Apartment during reasonable hours (or, in an emergency, at any hour) upon such notice as is required by law or as is determined to be reasonable in order to inspect, clean, repair or alter the Apartment or perform services for the Resident as Watermark deems necessary. Watermark may require you to eliminate any unsafe or unsanitary conditions.

(c) The Resident is responsible for any damage that they or their guests or their vendors may cause to the community or its furnishings, equipment or property, except for ordinary wear and tear. Resident must not do, or cause to be done, any act which would violate the Fire Code or Health Code. This includes excessive clutter in the Apartment. Watermark may take immediate action to correct any violations of the Fire Code or Health Code. The Resident must pay the cost of correcting such violations.

VIII. CANCELLATION OF THIS AGREEMENT AND REFUNDS

(a) <u>Refund Rights During Rescission Period</u>

The thirty (30) day period after signing this Agreement will be referred to as the "Rescission Period". The Resident may cancel this Agreement at any time during the Rescission Period. In order to cancel this Agreement, the Resident must send notice to Watermark's Executive Director by registered or certified mail before the end of the Rescission Period. In the event of such

cancellation, all deposits paid or all property transferred by the Resident to Watermark shall be fully refunded by Watermark to the Resident less the fee in the following paragraph. No interest on the deposit will be paid. No Resident shall be required to move into Watermark until after the expiration of the Rescission Period.

Watermark is allowed to deduct a reasonable administrative and processing fee not to exceed the greater of one thousand dollars ($1,000) or two percent (2%) of the Entrance Fee from the Resident refund ("Administrative Fee"), plus any costs specifically incurred by Watermark at the request of the Resident which have been set forth in an exhibit to this Agreement.

(b) Refund Rights After Rescission Period and Prior to Date of Occupancy

After the expiration of the Rescission Period and prior to the Date of Occupancy, if the Resident dies or, due to illness, injury or incapacity, is precluded from residency under the terms of this Agreement, this Agreement shall be canceled and Watermark shall refund to the Resident or his or her legal representative the Entrance Fee deposit, less the Administrative Fee, described above in subsection (a) without interest. If the Resident is a couple, this Residency Agreement shall be canceled only for the deceased, ill, injured or incapacitated Resident and the remaining Resident may cancel this Agreement at his or her option without penalty or elect to continue this Agreement.

(c) Cancellation of This Agreement By Resident After Date of Occupancy

The Resident shall have the right to cancel this Agreement after establishing residency upon fulfilling the following terms and conditions:

(1) The Resident must give ninety (90) days written notice of cancellation to Watermark's Executive Director; and

(2) The Resident must pay the Monthly Service Fee in full until the end of the ninety (90) day notice period. If a new Resident establishes residency in the terminating Resident's Apartment during the ninety

(90) day period, the terminating Resident will be reimbursed for the proportionate overlap period.

(d) Cancellation of This Agreement By Watermark After Date of Occupancy

Watermark may terminate this Agreement and thereby the residency of a Resident upon thirty (30) days written notice under the following conditions:

(1) The Resident has failed to pay the Monthly Service Fee and is in default two months or more and does not qualify for, has not applied for in good faith, or is not granted special financial assistance;

(2) Information was falsified or material facts affecting Watermark's decision to accept Resident were not reflected in the Application for Residency;

(3) Upon a showing of good cause that the Resident is not complying with the policies of Watermark and/or is creating a disturbance which is detrimental to the health, safety, or peaceful lodging of other Residents;

(4) The Resident is or becomes infected with a dangerous or contagious disease; or

(5) The Resident becomes mentally or emotionally disordered to the degree that the health, safety, or peaceful lodging of other Residents is adversely affected and permanent transfer of the Resident to an appropriate off-site facility is determined to be necessary by Watermark in consultation with the Resident's family or guardian and physician.

(e) Refund Rights After Date of Occupancy

(1) In the event of cancellation of this Agreement after the Date of Occupancy, Watermark shall refund the amount of the Entrance Fee as outlined in Section VIII ("Entrance Fee Refund"). The Entrance

Fee Refund will be paid to the Resident within 30 (thirty) days of the following:

(i) Resident is no longer residing in an Apartment, The Inn Suite or The Springs; and

(ii) The next apartment of similar style, (e.g., one bedroom deluxe), has been occupied and the full balance of a new entrance fee received. If there is more that one Resident who meets the first criteria, the Resident with the earliest date of cancellation will be paid first. The Resident with the next earliest date of cancellation will be paid within 30 days of the subsequent apartment of a similar style having been occupied and a full balance of a new entrance fee received.

(2) The amount of the refund shall be reduced by (i) any amounts due Watermark for unpaid monthly fees, other fees and interest thereon and (2) at Watermark's option, nursing expenses incurred for care in The Springs, calculated on the basis of the semi-private daily rate for a non-resident patient current at the date of cancellation and (3) any additional unpaid expenses incurred by the Resident.

(3) At the time of receiving the refund, the terminating Resident must sign a receipt supplied by Watermark terminating this Agreement and releasing Watermark from all further obligations.

(f) Death of A Resident After Date of Occupancy

If a Resident dies after establishing residency, Watermark shall refund the Entrance Fee as outlined in Section VIII(e). Any refund shall be paid to the Resident's estate.

IX. GENERAL MATTERS

(a) Guardianship

If a Resident should become mentally or emotionally incapacitated and is unable to handle personal or financial affairs, Watermark may petition a court of competent jurisdiction to appoint an independent conservator or guardian, if such arrangements have not previously been made by the Resident or Resident's family.

(b) Watermark Staff

All staff members are selected and trained to provide to the Resident the services and assistance set forth in this Residency Agreement. No employee of Watermark may act as an agent for or accept Power of Attorney for the personal affairs of any Resident. No employee of Watermark may be named as Executor of a Resident's estate unless such arrangements were made prior to employment of the employee by Watermark.

(c) Guest Policy

Guests are welcome in the Resident's Apartment. There will be no charge for lodging for a limited number of nights. If lodging needs should exceed the limit set by Watermark, the second-person Monthly Service Fee applicable to the Apartment will be billed to the Resident. A limited number of guest rooms may also be available as occupancy of Watermark permits. Details on the availability and charge for these rooms will be provided by Watermark.

(d) Resident Group Participation

Residents have the right to self governance and to organize and operate a resident organization at Watermark and to meet privately to conduct business. Any Resident group organized pursuant to this Section shall have the following rights:

(1) The right to engage in group activities, including for the purpose of keeping informed of the daily happenings of Watermark.

(2) The right to use Watermark's facilities to conduct meetings.

(3) The right to obtain current copies of the Disclosure Statement and Annual Financial Report.

(e) Private Employees

All outside caregivers, companions, aides, housekeepers, maintenance workers, subcontractors and other personnel ("Private Employees") hired directly by the Resident, or contracted by the Resident through any agency, including a licensed home health agency, to render services to the Resident shall be subject to Watermark's policies for employment of Private Employees.

(1) Resident acknowledges that Watermark is not, and will not be, responsible for (i) the quality or quantity of any services rendered by Private Employees to the Resident; (ii) claims made for breach of any obligation by the Resident to provide compensation, workers' compensation or other insurance; and (iii) claims related to the breach of any statutory or regulatory obligations respecting employment and the withholding and payment of income taxes. The provisions of this indemnification, including this paragraph, shall apply even if the Private Employees are employees of Watermark, its affiliates or its related parties, who are providing such services on their own time.

(2) The Resident acknowledges that this indemnification is given for the express benefit of Watermark, its affiliates and its related parties, and the officers, directors, employees, agents, and representatives of Watermark, its affiliates or its related parties, each of whom shall be indemnified pursuant to Section IX(h).

(f) Access to Resident Health Information

For purposes of determining the Resident's qualification for admission and the Resident's eligibility to remain in residence at Watermark, The Resident hereby consents that pertinent health and wellness records will be furnished

if and when requested by Watermark. The Resident further consents that their attending physician or other health care provider shall furnish any additional information concerning the Resident's health or physical condition requested by Watermark. Watermark will keep all such records confidential unless disclosure of such records is required law. When requesting access to Resident health information, Watermark shall comply with the Health Insurance Portability and Accountability Act (HIPAA), which regulations are codified at 45 C.F.R. Parts 160, 162 and 164, as such regulations may be amended from time to time, including without limitation, obtaining a HIPAA authorization from the Resident, which the Resident agrees to sign, prior to accessing health information.

(g) Tax Implications

Tax code changes enacted by Congress in June 1984 (Public Law 98-369) may affect a Resident's taxable income. The Internal Revenue Service may interpret section 172 of this law, pertaining to below-market interest rate loans, as imposing an income tax liability on the refundable portion of the Entrance Fee. The IRS might treat the refundable portion of this fee as a loan from the Resident to Watermark and attribute to the Resident receipt of interest income on the outstanding balance of such fee, even though the Resident will not receive interest payments. The Resident should consult with his or her accountant or attorney to determine how section 172 might be applied to the Resident.

(h) Indemnification

Watermark shall not be responsible for the loss of any personal property of the Resident due to any cause. The Resident agrees to indemnify and hold harmless Watermark from and against any injury to persons or to the property of Watermark or of others resulting from the negligence of the Resident. Each Resident should have personal liability insurance which specifically covers this indemnification obligation. Each Resident should also maintain personal property insurance to cover the Resident's personal property.

(i) Subordination

Watermark may have mortgages and other obligations relating to its property. The Resident's rights under this Agreement will be subordinate to those mortgages and obligations, and to any extension, modification, renewal or replacement of those mortgages and obligations.

Notwithstanding the foregoing, the Entrance Fee Escrow Account shall not be subordinated to any other loans or obligations of Watermark or pledged as collateral, invested in any building or healthcare facility of any kind, used for capital contribution or improvements or for the purchase of real estate or removed from the State of Connecticut.

(j) Rights Granted

The rights and privileges granted to the Resident by this Agreement do not include any right, title, or interest in any part of the personal property, land, buildings, and improvements owned or administered by Watermark. The Resident's rights are primarily for services, with a contractual right of residency. Any rights, privileges, or benefits under this Agreement or any interest or contractual rights of any nature in Watermark, including the right to any refund of the Entrance Fee or other payments hereunder, are and shall be subordinate in priority, right, claim, and interest to the lien, charge, or security interest of any mortgage, deed of trust or security agreement now or hereafter placed on or affecting any of Watermark or any interest in the real property or personal property of Watermark, and to any amendment, modification, replacement, or refunding of any mortgage, deed of trust or security agreement. The Resident agrees that upon request, the Resident will execute and deliver any document which is required by Watermark or by the holder of any such mortgage, deed of trust, or security agreement to effect such subordination or to evidence the same.

The Community will comply with all municipal, state and federal laws and regulations regarding consumer protection and protection from financial exploitation and will afford the Resident all rights and privileges under Conn. Gen. Stat. § 17b-520 et seq. and any other applicable laws.

Additional rights are outlined in Exhibit C of this Agreement.

(k) Grievance Procedure; Community Rules and Regulations

Watermark has adopted certain rules and regulations designed to promote the health, safety and welfare of residents of the Community. The current rules and regulations are contained in the Resident Handbook, incorporated into this Agreement as Exhibit D. Watermark may amend its rules and regulations from time to time as it deems appropriate. The Resident agrees to comply with Watermark's rules and regulations and any amendments thereto.

Watermark encourages residents and their family members and responsible parties to communicate any concerns or grievances they may have. Exhibit D of this Agreement sets forth the Community's resident grievance policy.

(l) Entire Agreement

This Agreement, together with the attached Exhibits, contains the entire agreement between the parties hereto with respect to the services to and the obligations of the Resident and no amendment or addendum is to be recognized unless in writing executed by both parties hereto.

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

[signatures appear on following page]

By signing this Agreement, the Resident agrees to all the terms that are contained in it.

WATERMARK EAST HILL WOODS L.L.C.
By:

_____ _____
Its Authorized Agent (Executive Director) Date

RESIDENT

_____ _____
Resident's Printed Name Second Resident's Printed Name

_____ _____
Resident's Signature Second Resident's Signature

_____ _____
Date Date

_____
Address

_____
City/State/Zip

_____
Telephone Number

THE WATERMARK
AT EAST HILL

Exhibit A - Schedule of Fees

Independent Living

Resident Name(s): _____ Apartment: _____

Date of Occupancy: _____/_____/_____ Physical Move In Date: _____/_____/_____

Health Care Option Selected: ☐ Life Care ☐ Fee for Service

One-time Fees	Amount
❒ 80% Refundable Entrance Fee Reservation Deposit: $_____ Down Payment: $_____due when Agreement is signed Balance: $_____ due on Date of Occupancy	$
❒ Traditional Declining Entrance Fee Reservation Deposit: $_____ Down Payment: $_____due when Agreement Balance: $_____due on Date of Occupancy	$
❒ Second Person Entrance Fee (0% Refundable) due on Date of Occupancy	$
Non-refundable Pet Fee	$
Monthly Fees	**Amount**
Monthly Service Fee	$
Monthly Second Person Fee	$
Garage Parking	$
Other:	$
Other:	$

Change in Fees. Watermark shall have the right to add, delete and modify the services below at its sole discretion; provided however, Watermark shall give you at least thirty (30) days prior written notice of any such addition, deletion or modification.

Late Fees. If the Monthly Service Fee for any month is not paid by the fifteenth (15th) day of the month, Watermark shall collect a late charge of twenty-five dollars ($25.00) on the sixteenth (16th) day of the month in which the Monthly Service Fee is due and five dollars ($5.00) for each day thereafter until the Monthly Service Fee and all late charges are fully paid. If your check is not honored, Watermark shall collect a twenty-five dollar ($25.00) fee.

ACH. Watermark utilizes an ACH (Automated Clearing House) service for the payment of Monthly Service Fees. This service generates a monthly authorized electronic payment from Resident's bank account after Resident has provided the bank with written authorization. The payment will be withdrawn from Resident's bank account on the fifteenth (15th) day of the month. Should a Resident choose not to use the ACH service, a monthly service charge of twenty-five dollars ($25.00) will be added to Resident's statement.

Resident Signature: _____ Date: _____/_____/_____

Resident Signature: _____ Date: _____/_____/_____

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Exhibit B – Schedule of Additional Fees

THE WATERMARK
AT EAST HILL

Dining Services

Item or Service	Charge	Notes
Additional meals	$8.00 per meal	
Guest meals	$17.00 per meal	
Meal delivery/pick up service	$5.00 meal	
Boxed Meal Paper Goods	$3.00 per box	
A La Carte Items Entree Salad Soup-cup/bowl Dessert Coffee or tea Juice – small/large Sandwich Fruit Cup	 $12.50 $2.50 $2.50/$3.00 $3.00 $1.50 $1.50/$ 1.75 $8.00 $2.50	
W Lounge	Priced per market	See menu for pricing
Mark of Elegance – Specialty Items	Priced per market	See menu for pricing
Parties or Special Events	Priced per market	See menu for pricing

Ancillary Charges – Independent Living

Item or Service	Charge	Billed
Additional services such as medication management and assurance checks are available through Watermark at Home, a licensed Assisted Living Services Agency (ALSA)		
Item or Service	**Charge**	**Billed**
INDEPENDENT LIVING: Miscellaneous Fees		
Nurse Visit	$70.00 per visit	15 minute increments
Dressing Supplies	$6.50 per supply	In addition to Nurse Visit
One-time charge to start ongoing care or services	$100.00	One-time
Certified Nurses Assistant	$25.00 per hour	15 minute increments
Medication Management by Nurse	$400.00	Per month
Medication Reminder – phone call or visit from Certified Nursing Assistant	$525.00 per month	Once a Day
Medication Reminder – phone call or visit from Certified Nursing Assistant	$670.00 per month	Twice a Day
Vitamin B-12 injections	$15.00	Per injection
Registered Dietician Assessment and Consultation	$60.00	Per hour
Wheel chair or scooter rental	$5.00	Per day
Pet Fee - non-refundable	$750.00	Two pet limit

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Exhibit B – Schedule of Additional Fees

THE WATERMARK
AT EAST HILL

Ancillary Charges – Independent Living, cont.

Item or Service	Charge	Billed
INDEPENDENT LIVING: ALSA PACKAGES All packages include R.N. management of care plan, which will be reviewed at regular intervals		
ALSA 1 Basic: Aide will visit twice weekly Assist with bathing, dressing, apartment tidying, assist as needed with care, laundry once weekly (as needed), meal management (if needed)	$360.00	Per month
ALSA 1 with Medications: Aide will visit twice weekly Assist with bathing twice weekly Assist with dressing, apartment tidying, assist as needed with care, laundry once weekly (as needed), meal management (if needed) Medication visit once weekly, resident will take own meds. R.N. will manage all aspects of medications i.e. doctor's orders and updates, ordering refills, implementing new orders.	$600.00	Per month
ALSA 2 Basic: Aide will visit daily Assist with bathing twice a week Assist with dressing, apartment tidying, assist as needed with care, laundry once weekly (as needed), meal management (if needed)	$850.00	Per month
ALSA 2 with Medications: Aide will visit daily Assist with bathing twice a week. Assist with dressing, apartment tidying, assist as needed with care, laundry once weekly (as needed), meal management (if needed) Medication visit once weekly, ALSA will assist with administration once a day. R.N. will manage all aspects of medications i.e. doctor's orders and updates, ordering refills, implementing new orders	$1,085.00	Per month

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AT EAST HILL

Exhibit B – Schedule of Additional Fees

ALSA 2 with Evening Med Visit: Aide will visit daily Assist with bathing twice a week Assist with dressing, apartment tidying, assist as needed with care, laundry once weekly (as needed), meal management (if needed) Medication pre poured once weekly Morning and evening visits will assist with medication administration R.N. will manage all aspects of medications i.e. doctor's orders and updates, ordering refills, implementing new orders	$1,340.00	Per month
ALSA 3 Basic: Aide will visit daily Assist with dressing, apartment tidying, assist as needed with care, laundry once weekly (as needed), meal management (if needed) Assist with bathing twice a week ALSA will visit every evening to assist with evening care, i.e.. getting ready for bed, washing, etc.	$1,370.00	Per month
ALSA 3 with Medication: Aide will visit every morning Assist with dressing, apartment tidying, assist as needed with care, laundry once weekly (as needed), meal management (if needed) Assist with bathing twice a week ALSA will visit every evening to assist with evening care, i.e. getting ready for bed, washing, etc. Medications will be pre poured weekly and administered twice daily R.N. Will manage all aspects of medications i.e. doctor's orders and updates, ordering refills, implementing new orders	$1,610.00	Per month
INDEPENDENT LIVING MEDICATION PLANS. All Medication Plans include the following: • Assessments: Initial assessment upon admission; quarterly assessments thereafter • Plan of Care development with revision as indicated • Bi-weekly pre pour of medication • Prescription renewals and/or refills • Consultations with physicians, pharmacists, and families		
Medication Plan A Medication set-up (pre pour)	$400.00	Bi-weekly

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Medication Plan B Medication set-up (pre pour) Medication administration or reminder	$525.00	Bi-weekly Once daily
Medication Plan C Independent Living & Assisted Living Medication set-up (pre pour) Medication administration or reminder	$670.00	Bi-weekly Twice daily
Note: *Medication Plan charges do not apply to residents with ALSA 1 with Medications, ALSA 2 with Medications, or ALSA 3 with Medications described above.*		

Private Duty (Independent Living and Assisted Living)

Item or Service	Charge	Notes
Note: *For residents with any of the ALSA packages described above, the following private duty charges apply only to the extent the resident requests services beyond those covered by the package.*		
CNA to provide assistance with bathing, dressing, grooming, other ADL's, meal management, laundry, light tidying	$25.00 per hour	Two hour minimum
Companion/Escort to provide assistance with short shopping trips and doctor's visit	$30.00 per trip plus mileage	One hour maximum

Ancillary Services – Assisted Living at The Inn at Cherrywood

Item or Service	Charge	Notes
Non-refundable Entrance Fee If not moving from Independent Living	Monthly Service Fee for selected suite	Upon move in, per person
Meal and Miscellaneous Charge Covers two additional meals per day, two snacks per day, referral services, wellness education, dietician, daily housekeeping, social services, laundry and maintenance	$35.00	Per day, applicable only to Life Care Contract
Additional assisted living services beyond seven (7) hours per week. Available through a tiered system. The tiered rates are based on individual needs and determined through a personal assessment by Watermark staff		
Tier One	$600.00 per person	Per month
Tier Two	$1,200.00 per person	Per month
Tier Three	$1,800.00 per person	Per month
Tier Four	$2,400.00 per person	Per month
Tier Five	$3,000.00 per person	Per month
Custom Tier	Custom	Per month

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Exhibit B – Schedule of Additional Fees

Respite Stay at The Inn at Cherrywood for Life Care Residents	$150.00 per person	Per day basis
Respite Stay at The Inn at Cherrywood for Non-Life Care Residents	$175.00 per person	Per day basis
Market Rate for The Inn at Cherrywood	$4,200 per month	Not Applicable to Life Care Contract
Private Apartment- Non Suite	$1,050.00	Per month

Ancillary Services –Memory Care at The Villa

Item or Service	Charge	Notes
Non-refundable Community Fee If not moving from Independent Living	Monthly Service Fee for selected suite	Upon move in, per person
Second Occupant Fee	Second Occupant Monthly Service Fee	Applicable only to life care contract, effective 9/1/13
Additional Rate for Specific Rooms Villa Rooms 4, 5, 6, 7, 8, 9 Villa Rooms 10,11	$95.00 $195.00	Per Month, applicable only to Life Care Contract
Miscellaneous Charge Covers two additional meals per day, two snacks per day, referral services, wellness education, dietician, daily housekeeping, social services, laundry and maintenance	$33.00	Per day, applicable only to life care contract
Additional Villa Services. Available through a tiered system. The tiered rates are based on individual needs and determined through a personal assessment by Watermark staff		
Tier One	$750.00 per person	Per month
Tier Two	$1,500.00 per person	Per month
Tier Three	$2,250.00 per person	Per month
Custom Tier	Custom per point	Per month
Respite Stay at The Villa	$200.00	Per day
Market Rate for The Villa (varies per room)	$6,235-$6,443	Per Month

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THE WATERMARK
AT EAST HILL

Exhibit B – Schedule of Additional Fees

Ancillary Services – Skilled Nursing

Item or Service	Charge	Notes
Meal and Miscellaneous Charge Covers two additional meals per day, two snacks per day, referral services, wellness education, dietician, daily housekeeping, social services, laundry and maintenance	$35.00	Per day, applicable only to Life Care Contract
Health Care Supplies – Bundled Packages (non-Medicare Residents)		
Admission Kit	$20.00	Per admission
Daily Hygiene	$15.00	Per month
Gloves	$20.00	Per month
Incontinent Supplies: Briefs/liners, Frequent Use (6-10 briefs daily)	$217.00	Per month
Incontinent Supplies: Briefs/liners, Occasional Use (1-5 briefs daily)	$115.00	Per month
Incontinent Supplies: Pull-Ups, Frequent Use (6-10 pull-ups daily)	$235.00	Per month
Incontinent Supplies: Pull Ups, Occasional Use (1-5 pull-ups daily)	$145.00	Per month
Incontinent Care Products	$45.00	Per month
Fingerstick Glucose Testing	$180.00	Per month
Pulse Oximetry	$8.00	Per day
IV Start Supplies	$33.00	Per IV start
IV Maintenance Supplies (not including fluids and medications)	$28.00	Per day
Dietary Supplement Program: Fortified Shake/Ice Cream	$45.00	Per month
Dietary Supplement: Standard	$1.50	Per can
Dietary Supplement: Enhanced	$1.75	Per can
Isolation Supplies	$15.00	Per day
Urological Supplies	$38.00	Per month
Wound Care – General	$6.50	Per treatment
Wound Care – Specialty (per designated supplies)	Varies	Per treatment
Escort to Appointment	$30.00 + mileage	One hour maximum
Safety Items		
Bed Mats	$25.00	Per month
Bed Alarm	$25.00	Per month
Chair Alarm	$25.00	Per month
Wander Alert System	$35.00	Per month
Pressure Relieving Cushion	Varies	Per type
Alarming Seatbelt	$25.00	Per month
Ambulation/Positioning		

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THE WATERMARK
AT EAST HILL

Exhibit B – Schedule of Additional Fees

Wheelchair	$30.00	Per month
Foot Cradle/Heels Up Cushion	$10.00	Per month
Geri Chair	$30.00	Per month
Mechanical Sling-Lift	$30.00	Per month
Specialty Beds/Mattresses		
Air Mattress	Per mattress type	Per order
Air/gel Overlay Mattress Pad	Per type of overlay	Per order
Miscellaneous		
Foot pillows (pair)	$25.00 pair	Per order
Geri gloves/ Geri legs	$18.00 pair	Per order
Thermometer rectal plus probe covers	$15.00 each	Per order
Over-the-counter Medications/Items	Varies	Per order/Per use
Ready Bath Body/ Shampoo (Bath in a Bag)	$5.00	Per order
Glucose Testing Strips	Market	Per box
Miscellaneous Items per special order	Varies	Per order
Market Rate for The Springs (semi-private room)	$425 per day	Not applicable to Life Care Contract only to Fee for
Market Rate for The Springs (private room)	$475 per day	Not applicable to Life Care Contract only to Fee for

Parking and Transportation (Independent Living, Assisted Living and Memory Care)

Item or Service	Charge	Notes
To medical facilities within a local radius of the community on scheduled medical appointment days	No charge	
To medical facilities within a local radius of the community that are NOT on scheduled medical appointment days	$0.60 plus $30.00 Associate Time	Per mile Per hour
To medical facilities in Waterbury or Danbury	$0.60 plus $25.00 Associate Time	Per mile Per hour
Daily transportation to/from meals	$150.00	Per month
Garage Parking	$55.00	Per month
Mileage for trips to Danbury or Waterbury	$0.60	Per mile
Mileage for local transportation	$0.60	Per mile

Plant Operations/Maintenance

Item or Service	Charge	Notes
Additional basic maintenance services	$27.00 per hour	Per associate
Moving furniture	$27.00 per hour	Per associate

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Exhibit B – Schedule of Additional Fees

Replacement keys	$8.00	Per key
Life Line • Supply and Install • Transfer Life Line to another location • Replacement- Pendant or Bracelet	$400.00 $100.00 $75.00	Per occurrence

Housekeeping and Laundry

Item or Service	Charge	Notes
Additional basic housekeeping services	$27.00 per hour	30 minute minimum
Additional trash/newspaper pickup	$5.50 per pickup	
Additional specific housekeeping services, including: mattress turning, bed making, dish washing, carpet cleaning/extraction	$27.00 per hour	30 minute minimum
Personal laundry: wash, dry and folding Half Load (1-15 items) One Load (15-20 items) Bedspreads Blankets Electric Blankets	 $7.50 per load $10.50 per load $10.00 each $6.50 each $8.50 each	
Personal laundry: wash, dry and ironing Pants, Shirts, Skirts Dresses Sheet sets	 $6.00 each $6.00 each $6.00 per set	

Miscellaneous

Item or Service	Charge	Notes
Fuel Surcharge	$1.00	Per day
Late Payment of Monthly Service Fee: Must be paid by fifteenth (15th) day of the month	$25.00 $5.00	First day late Each subsequent day
Long Term Care Insurance Assistance	$25.00	Per hour 15 minute minimum
ACH Payment Decline	$25.00	Per occurrence
Guest Suite: Single or Double Occupancy Rollaway Cot or Crib	 $100.00 per night $10.00 per night	
Faxes, sending and receiving: Domestic International	$0.50 per page $2.50 per page	$5.00 maximum for domestic faxes

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Exhibit B – Schedule of Additional Fees

Copies	$0.10 per page	
Typing	$2.50 per page	
Beauty/Barber services	Prices vary – see posting	
Telephone	Based on usage	
Admission to off-site events/outings	Prices vary – see calendar	
Internal move fee to a different apartment with the same program	$6,000.00	In addition to outside mover costs, etc
Parking Fines for private duty caregivers parking in designated visitor, resident and/or handicapped spaces	$10.00	Per day
Clean up canine feces	$10.00	Per incident

Watermark shall have the right to add, delete and modify the services and corresponding charges above at its sole discretion; provided however, Watermark shall give you at least thirty (30) days prior written notice of any such addition, deletion or modification.

Resident Name:_____ Apartment:_____

Resident Signature: _____ Date: ___ /___/____

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THE WATERMARK
AT EAST HILL

Continuing Care Contract
Exhibit C – Resident's Bill of Rights

Watermark supports your rights to:

- Live in a clean, safe and habitable private apartment;
- Be treated with consideration, respect and due recognition of your personal dignity, individuality, and the need for privacy;
- Privacy within your private apartment, subject to the Community's rules reasonably designed to promote your health, safety and welfare;
- Keep and use your personal property within your apartment 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 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 apartment, or in such other space in the Community as may be made available to residents for such purposes;
- Manage your own financial affairs;
- Exercise civil and religious liberties;
- Present grievances and recommend changes in policy, procedures, and services to the 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 names of the service coordinator or anyone else responsible for resident care or coordination of resident care;
- Confidential treatment of all records and communications to the extent required by state and federal law;
- Have 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 and regulations of the Community;
- Privacy when receiving medical treatment within the Community's capacity

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- 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 apartment, 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 associates. However, you also have the right to contact the following state agencies regarding complaints or concerns:

Department of Public Health
Facility Licensing and Investigations
410 Capitol Ave., P.O. Box 340308
MS#1 2HSR
Hartford, CT 06134-0308
860-509-7400
General: Loan Nguyen, R.N. (Supervising Nurse Consultant)
Complaints: Janet Williams, R.N. (Public Health Services Manager)

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

Dan Lerman, Regional Ombudsman
Region V/North West Regional Office
249 Thomaston Avenue
Waterbury, CT 06702
Work: 203-597-4181
Fax: 203-597-4048

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.

COMMUNITY RULES AND REGULATIONS

See Resident Handbook.

GRIEVANCE POLICY

Policy

It is the policy of Watermark that all concerns/grievances be addressed promptly, documented, investigated, replied to, reported on and reviewed in an effort to improve satisfaction. Concerns and grievances are defined as either **verbal or written** perceptions of discontent or injustice pertaining to the care provided in or condition of Independent Living, Assisted Living, Memory Care or Skilled Nursing programs which are expressed by residents, family members or associates and are not immediately resolvable on the spot by the individual hearing a concern expressed verbally. *This policy excludes those verbal comments or concerns that are immediately resolvable, but associates should bring these to the attention of department directors promptly.*

If the concern or grievance is expressed in writing (email or letter) or by phone, this policy applies. The concern or grievance requires either written response or documentation of personal discussion with the individual raising it. We are in a service business and will do all possible to ensure a satisfied individual.

Procedure

I. Action and Time Frames
   A. Immediate steps are to be taken to assure that the respective resident, family member and/or associate is free from harm.
   B. The applicable department head or designee is to conduct an investigation.
   C. It may be appropriate to reply to the individual raising the issue to indicate an investigation is occurring.
   D. The time frame for an offer of an acceptable resolution to the individual will be seven (7) days.
   E. There may be times where additional discussions are required to reach a resolution, but that time frame goal would be within thirty (30) days.

II. Documentation

A. The associate receiving the complaint/grievance is to complete a Concern/Grievance Report and submit it to their immediate supervisor by the end of the shift. If the immediate supervisor is not the department head, they will forward the Concern/Grievance Report to the appropriate department head or designee.

B. The department head is to document the concern/grievance on the Concern/Grievance Log. They are also to document the results of all applicable investigations on the Concern/Grievance Report and forward this report to the Executive Director.

C. There should be either a written reply or documentation of the verbal reply to the individual raising the issue.

D. The Executive Director is to review and sign the Concern/Grievance Report and return it to the applicable department head or designee. There will be times where it is more appropriate for the Executive Director to respond or meet personally with the individuals raising a concern.

E. A copy of each resident-related Concern/Grievance Report is to be maintained by the Executive Director, in a central, secured area. All original Concern/Grievance Reports are to be maintained in a single location by the department head along with documentation of response.

III. Review

A. A review of concerns/grievances is to be conducted quarterly or per state regulations, whichever is more frequent.

B. Any trends or patterns found in this review are to have action plans in place to prevent recurrence. Action plans which require additional training are to be documented in the associate file on the Associate Training Record. The Executive Director should be informed of action plans and ensure completion.

THE WATERMARK
AT EAST HILL

Disclosure Statement
Attachment B
Audited Financial Statements

Watermark East Hill Woods, LLC

Financial Statements
(Income Tax Basis)
December 31, 2013 and 2012

Watermark East Hill Woods, LLC
Index
(Income Tax Basis)
December 31, 2013 and 2012

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Independent Auditor's Report

To Management of
Watermark East Hill Woods, LLC

We have audited the accompanying financial statements of Watermark East Hill Woods, LLC (the "Company"), which comprise the statements of assets, liabilities, and members' deficit (income tax basis) as of December 31, 2013 and 2012, and the related statements of revenue and expenses (income tax basis), members' deficit (income tax basis) and of cash flows (income tax basis) for the years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the basis of accounting the Company uses for income tax purposes as described in Note 2; this includes determining that the income tax basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider internal control relevant to the Company'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 Company'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.

PricewaterhouseCoopers LLP, 601 South Figueroa, Los Angeles, CA 90017
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and members' deficit of Watermark East Hill Woods, LLC as of December 31, 2013 and 2012, its revenue and expenses, members' deficit and its cash flows for the years then ended, in accordance with the basis of accounting the Company uses for income tax purposes as described in Note 2.

Emphasis of Matter

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the basis of accounting the Company uses for federal income tax purposes, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

PricewaterhouseCoopers LLP

March 31, 2014

Watermark East Hill Woods, LLC
Statements of Assets, Liabilities and Members' Deficit
(Income Tax Basis)
December 31, 2013 and 2012

	2013	2012
Assets		
Property and equipment, net	$ 36,308,548	$ 37,388,904
Cash	1,721,835	1,129,247
Restricted cash	5,079,763	4,860,174
Accounts receivable	485,787	911,163
Prepaid expenses and other	173,046	259,360
Goodwill, net	6,678,881	7,434,981
Total assets	$ 50,447,860	$ 51,983,829
Liabilities and Members' Deficit		
Accounts payable and accrued expenses	$ 1,148,335	$ 1,289,479
Notes payable, related party	56,479,166	55,984,820
Unearned entry fees	1,254,756	1,260,608
Resident refund liabilities	18,668,611	16,657,609
Refundable deposits	27,750	148,357
Total liabilities	77,578,618	75,340,873
Commitments and contingencies (note 9)		
Total members' deficit	(27,130,758)	(23,357,044)
Total liabilities and members' deficit	$ 50,447,860	$ 51,983,829

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

Watermark East Hill Woods, LLC
Statements of Revenues and Expenses
(Income Tax Basis)
Years Ended December 31, 2013 and 2012

	2013	2012
Revenue		
Resident	$ 8,081,707	$ 7,519,675
Healthcare	4,139,128	3,279,730
Amortization of resident refund and entry fees	1,669,697	1,365,376
Other	104,176	170,811
Total revenue	13,994,708	12,335,592
Operating expenses		
Wages and benefits	5,006,431	4,641,850
Management fee	744,169	655,760
General and administrative	229,869	267,254
Professional services	642,120	787,766
Repairs and maintenance	605,001	534,400
Occupancy costs	1,716,708	1,837,220
Supplies	565,036	509,307
Ancillaries/therapies	1,089,341	743,844
Amortization	756,100	756,100
Depreciation	1,963,506	2,359,267
Total operating expenses	13,318,281	13,092,768
Excess of revenue over operating expenses (operating expenses over revenue)	676,427	(757,176)
Other (expense) income		
Interest expense	(4,455,874)	(4,295,410)
Interest income	5,733	8,738
Gain on sale of assets	-	1,500
Total other (expense) income	(4,450,141)	(4,285,172)
Excess of expenses over revenue	$ (3,773,714)	$ (5,042,348)

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

Watermark East Hill Woods, LLC
Statements of Members' Deficit
(Income Tax Basis)
Years Ended December 31, 2013 and 2012

	FSPPII East Hill, LLC	Watermark East Hill Investments, LLC	Total
Balances at December 31, 2011	$ (12,820,289)	$ (5,494,407)	$ (18,314,696)
Excess of expenses over revenue	(3,529,644)	(1,512,704)	(5,042,348)
Reallocation of excess expenses over revenue	(1,200,296)	1,200,296	-
Balances at December 31, 2012	(17,550,229)	(5,806,815)	(23,357,044)
Excess of expenses over revenue	(3,249,307)	(524,407)	(3,773,714)
Balances at December 31, 2013	$ (20,799,536)	$ (6,331,222)	$ (27,130,758)

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

Watermark East Hill Woods, LLC
Statements of Cash Flows
(Income Tax Basis)
Years Ended December 31, 2013 and 2012

	2013	2012
Cash flows from operating activities		
Excess of expenses over revenue	$ (3,773,714)	$ (5,042,348)
Adjustments to reconcile excess of expenses over revenue to net cash provided by (used in) operating activities		
Amortization of resident refund and entry fees	(1,669,697)	(1,365,376)
Amortization	756,100	756,100
Depreciation	1,963,506	2,359,267
Gain on sale of assets	-	(1,500)
Amortization of deferred financing fees	-	129,646
Change in operating assets and liabilities		
Accounts receivable	371,667	(237,625)
Prepaid expenses and other	86,314	(9,231)
Accounts payable and accrued expenses	(120,893)	143,575
Resident refund and entry fees received	5,530,385	2,995,140
Resident refund and entry fees refunded	(1,801,829)	(2,401,369)
Refundable deposits	(120,607)	(128,063)
Accrued interest, notes payable related party	2,235,840	2,047,641
Net cash flows provided by (used in) operating activities	3,457,072	(754,143)
Cash flows from investing activities		
Property and equipment additions	(903,401)	(2,290,660)
Proceeds from the sale of assets	-	1,500
Changes in restricted cash	(216,948)	332,211
Net cash flows used in investing activities	(1,120,349)	(1,956,949)
Cash flows from financing activities		
Changes in restricted cash for debt service	(2,641)	(34,094)
Proceeds from notes payable, related party	758,506	2,045,559
Principal payments on notes payable, related party	(2,500,000)	-
Net cash flows (used in) provided by financing activities	(1,744,135)	2,011,465
Net increase (decrease) in cash	592,588	(699,627)
Cash		
Beginning of year	1,129,247	1,828,874
End of year	$ 1,721,835	$ 1,129,247
Supplemental cash flow information		
Interest paid	$ 2,239,594	$ 2,172,247
Noncash investing activity		
Property and equipment additions included in accounts payable and accrued expenses	8,796	29,047
Noncash financing activity		
Refundable entry fees applied to accounts receivable	53,709	115,636

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

1. Organization and Business

Watermark East Hill Woods, LLC (the "Company" or "East Hill Woods") was organized on May 8, 2007 as a limited liability company ("LLC") pursuant to the laws of the State of Delaware. The purpose of the Company was to acquire, own and operate a residential retirement community in Southbury, Connecticut (the "Community"). The purchase was consummated on November 8, 2007 for total consideration of approximately $34 million subject to liabilities assumed of approximately $17 million. The Company is 70% owned by FSPP II East Hill Woods, LLC ("FSPP II), a Delaware limited liability company and is 30% owned by Watermark East Hill Woods Investment, LLC ("Investments"), a Delaware limited liability company (collectively, the "Members").

Taxable income or loss generated by the Company shall be allocated in accordance with the Amended and Restated Limited Liability Company Agreement of the Company (the "LLC Agreement") which states that special allocations as defined in the LLC Agreement shall take effect, then allocations of net income or losses shall be allocated prior to reducing capital accounts for any distributions for that year. Special allocations include an allocation to the extent of member nonrecourse deductions, and a limitation of losses to the extent a member is in a negative members' deficit position. Thereafter, net income or loss shall be allocated among the Members to cause the adjusted capital account of each Member to equal the amounts that would be distributed to such Member if the Company distributed all net cash flows plus the amount that would be distributed if the Company liquidated its assets for their adjusted tax basis. The allocation of excess of expenses over revenue at December 31, 2012 has been corrected to properly account for special allocations, resulting in the allocation of additional excess of expenses over revenue in the amount of $1,200,296 to FSPP II, resulting in a $0 net impact to total members' deficit.

Distributions, as defined in the LLC Agreement, are made as follows:

(1) First, to repay Protective Contributions, pro rata, based on total Protective Contributions, including, without limitation, a 20% Contribution Return thereon;

(2) Second, (i) 70% to FSPP II and (ii) 30% to Investments, until the balance of their respective Contribution Accounts has been reduced to zero;

(3) (i) 70% to FSPP II and (ii) 30% to Investments, until FSPP II shall have received distributions equal to FSPP II's accrued and unpaid 12% Contribution Return;

(4) Fourth, (i) 60% to FSPP II and (ii) 40% to Investments, until FSPP II shall have received distributions equal to FSPP II's accrued and unpaid 16% Contribution Return; and

(5) Last, (i) 50% to FSPP II and (i) 50% to Investments.

2. Significant Accounting Policies

Basis of Presentation

The Company's policy is to present its financial statements on the same basis of accounting used for federal income tax purposes in the United States of America; consequently, the accompanying financial statements are not intended to present the Company's financial position and results of operations in conformity with accounting principles generally accepted in the United States of America ("GAAP"). For purpose of the financial statements, the principal differences between the income tax basis of accounting and GAAP relate to the timing of the recognition of certain revenue

and expenses, the depreciation of property and equipment, the recognition of long lived asset impairments, the valuation of assets acquired and liabilities assumed in a business combination, amortization of goodwill and capitalization of interest expense.

The Company recognizes residential income as paid or due, whichever is earlier, under the terms of the related residency agreement. GAAP would require the Company to recognize minimum rent increases on a straight-line basis over the original term of the respective residency agreement.

The Company recognizes certain expenses and the related liability are recognized when they become fixed and determinable for income tax purposes whereas such amounts are recognized when incurred under GAAP.

The Company uses an accelerated depreciation method for rental property as set forth in the Internal Revenue Code ("IRC"). GAAP would require the Company to depreciate rental property on a straight-line basis over the useful life of the asset.

The Company does not assess their long-lived assets for impairment. GAAP would require the Company to review its long-lived assets for impairment whenever an event or changes in circumstances indicate the carrying value of the asset may not be recoverable. When an impairment is identified, the Company would be required to record an estimated impairment loss for the amount by which the carrying amount of the asset exceeds its fair value. For income tax purposes, any impairment of long-lived assets is disallowed.

The Company does not record assets acquired and liabilities assumed in a business combination at their fair values using the purchase method of accounting. GAAP would require the Company to recognize these amounts at their fair values using the purchase method of accounting.

The Company amortizes goodwill over a period of 15 years. GAAP would require the Company to assess the fair value of the reported amount of goodwill at each reporting date for impairment or earlier if events or circumstances indicate that the carrying amount may be impaired.

These accounting methods are subject to review and examination by taxing authorities. Because the application of tax laws and regulations to many types of transactions is susceptible to varying interpretations, amounts reported in the financial statements could be changed at a later date upon final determinations by taxing authorities.

Use of Estimates
The preparation of financial statements requires management to make estimates and assumptions that affect the carrying value of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Property and Equipment, net
Property and equipment, obtained as part of the acquisition, is stated at the value determined by the allocation of the purchase price in the purchase agreement at the acquisition date. Property and equipment acquisitions from the date the Community was acquired are recorded at cost less accumulated depreciation. Depreciation is computed using the MACRS method over the tax determined lives of the assets. The tax useful lives are 27.5 years for buildings and improvements, seven years for furniture and five years for equipment.

Routine maintenance and repairs are charged against operations as incurred. Expenditures that significantly change capacities or extend useful lives are capitalized and depreciated over their tax determined useful lives.

In connection with the Company's renovation projects, the Company capitalizes all related expenditures including capitalized interest to construction in progress. Capitalized costs are placed into service based on the date the work is substantially complete and available for use.

Cash
The Company invests its cash with high quality credit institutions. At times, such deposits may be in excess of the FDIC insurance limit; however, management does not believe it is exposed to any significant credit risk on cash.

Restricted Cash
Restricted cash consists of funds required by state regulations for continuing care retirement communities and amounts segregated for future capital improvements. The refurbishment/construction fund represents amounts funded from the Company's related party note payable which can only be used for the renovation project. The debt service reserve, the minimum liquid reserve and the escrow deposits were required to be established per the Connecticut Continuing Care Retirement Community regulations. The interest reserve was established at acquisition to fund unanticipated shortfalls and is currently designated to meet the Connecticut statutory reserve requirements of Watermark 3030 Park, LLC which is under common ownership. Entry fee deposits made by prospective residents are deposited into the escrow deposits account. Once the resident moves into the community, the funds are transferred into the operating account.

Accounts Receivable
Generally, accounts receivable are considered to be past due after 30 days. The Company does not provide for an allowance for doubtful accounts, rather uncollectible accounts are recognized as bad debt when actually written off. Doubtful accounts are periodically reviewed for collectibility and are written off when all collection efforts have been exhausted.

Goodwill, net
In connection with the acquisition of the Community, East Hill Woods recorded goodwill of $11,341,497. In accordance with IRC section 197, goodwill is being amortized ratably over 15 years.

Unearned Entry Fees
Fees paid by a resident upon entering into a continuing care contract, net of the portion thereof that is refundable to the resident, are recorded as unearned entry fees and are amortized to revenue as amounts become nonrefundable using the straight-line method over the period specified in the declining entry fee resident contract.

Resident Refund Liabilities
Refundable entry fees are contingent upon re-occupancy, and are recorded as resident refund liabilities and are not amortized. In conjunction with the acquisition of the Community, East Hill Woods assumed certain resident refund liabilities which will be required to be repaid to the residents vacating the units, based on the terms of the resident agreement. As these liabilities are fully refundable, East Hill Woods has recorded these liabilities to the residents as a resident refund liability.

Resident and Healthcare Revenue
Resident revenue generally includes the amounts due from residents based on residency days provided at the Company's independent and assisted living care centers and the rates established for the type of apartment or unit. Healthcare revenue includes the amounts due from patients or other third party payers based on the patient days and level of care provided to the patients at the Company's skilled nursing facility. The resident and healthcare revenue are reported at the contracted amounts due from the residents, Medicare or other third party payers based on the rates established for the level of care provided.

Laws and regulations governing the Medicare program are complex and subject to interpretation. The Company believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegation of potential wrongdoing. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare program.

Deferred Financing Fees
Deferred financing fees consist of 1.5% of the total loan commitment for the Mezzanine loan and 0.75% of the total loan commitment for the Senior loan. The fees were funded net of the initial loan proceeds. Deferred financing fees also include a fee of $107,800 paid by the Company to enter into an interest rate swap to fix the interest rate relating to the Senior loan. The deferred financing fees were amortized using the straight-line method over five years, which are the terms of the notes. The fees were fully amortized in 2012.

Income Taxes
The Company is a limited liability company and is not subject to federal income tax. The Members are taxed on their share of the Company's taxable income, whether or not distributed, and are entitled to deduct their share of net losses to the extent of their tax basis. Accordingly, no provision for income taxes is provided in the accompanying financial statements.

Reclassification
Certain amounts in the financial statements and notes have been reclassified to conform to current year presentation.

3. Property and Equipment, net

Property and equipment, net at December 31, 2013 and 2012 consists of the following:

	2013	2012
Land	$ 8,928,000	$ 8,928,000
Buildings and improvements	35,042,327	34,488,129
Furniture and equipment	9,455,253	9,172,276
	53,425,580	52,588,405
Less: Accumulated depreciation	(17,380,217)	(15,416,711)
Construction in progress	263,185	217,210
	$ 36,308,548	$ 37,388,904

Interest capitalized to construction in progress totaled $20,175 and $95,249 for the years ended December 31, 2013 and 2012, respectively.

4. Restricted Cash

Restricted cash at December 31, 2013 and 2012 consists of the following:

	2013	2012
Refurbishment/construction fund	$ 125,121	$ 115,684
Debt service reserve	2,203,865	2,201,224
Interest reserve	1,592,115	1,590,148
Minimum liquid reserve	961,413	819,961
Escrow deposits	197,249	133,157
	$ 5,079,763	$ 4,860,174

5. Prepaid Expenses and Other

Prepaid expenses and other consists of the following as of December 31, 2013 and 2012:

	2013	2012
Prepaid insurance	$ 90,430	$ 192,774
Oil inventory	67,661	51,941
Other prepaid amounts	14,955	14,645
	$ 173,046	$ 259,360

6. Goodwill, net

Goodwill, net consists of the following as of December 31, 2013 and 2012:

	2013	2012
Goodwill	$ 11,341,497	$ 11,341,497
Less: Accumulated amortization	(4,662,616)	(3,906,516)
	$ 6,678,881	$ 7,434,981

Amortization expense was $756,100 for the years ended December 31, 2013 and 2012.

The annual estimated amortization expense for future years is as follows:

Years ending December 31,	
2014	$ 756,100
2015	756,100
2016	756,100
2017	756,100
2018	756,100
Thereafter	2,898,381
	$ 6,678,881

7. Notes Payable, Related Party

Notes payable, related party at December 31, 2013 and 2012 consists of the following:

	2013	**2012**
Senior loan	$ 29,713,963	$ 29,296,784
Mezzanine loan	19,311,425	18,970,097
Accrued interest on Mezzanine loan	7,453,778	7,717,939
	$ 56,479,166	$ 55,984,820

The Company has a Senior loan agreement with FSPP II EHW Senior Lender, LLC for up to $35,500,000. Interest at 30 days LIBOR plus 2.5% (minimum of 7.5%) on a 360 day basis (rate at December 31, 2013 of 7.5%) is paid monthly. The loan is collateralized by the Community. The financing arrangement was to fund the purchase price and certain future capital expenditures to renovate the buildings. The loan contained an initial maturity date of November 7, 2012. On August 7, 2012, the loan agreement was amended to extend the maturity date to December 31, 2014. In February 2014, the loan was amended to extend the maturity date to May 1, 2015 at which time all remaining unpaid principal and accrued interest are due and payable.

The Company has a Mezzanine loan with FSPP II East Hill Woods Mezz Lender, LLC for up to $26,800,000 with an interest rate of 8% compounded monthly, and accruing on any outstanding balance and unpaid interest. No interest or principal payments were scheduled to be paid during the initial loan term of five years, which was scheduled to mature on November 8, 2012. The note is collateralized by the Community. The financing arrangement was to fund the purchase price and certain future capital expenditures to renovate the buildings. FSPP II EHW Senior Lender, LLC and FSPP II East Hill Woods Mezz Lender, LLC are wholly owned subsidiaries of the parent of FSPP II East Hills Woods, LLC, which is the 70% entity member of the Company. In conjunction with the Senior loan amendments noted above, an amendment to the Mezzanine loan was executed August 7, 2012 to extend the maturity date to December 31, 2014 and in February 2014 to extend the maturity date to May 1, 2015 at which time all remaining unpaid principal and accrued interest are due and payable.

The Company entered into an agreement in 2008 with the Royal Bank of Canada to cap the variable interest rate on the Senior loan to 6% over a period of five years increasing by 0.5% each year after the first two years. This agreement expired in 2012.

8. Related Party Transactions

Management fees of $744,169 and $655,760 for the years ended December 31, 2013 and 2012, respectively, were charged to the Company by an affiliate of Watermark East Hill Woods Investment, LLC, Watermark Retirement Communities, Inc. ("WRC"), which plays an integral role in the management of the day-to-day operations. The management agreement provides for a monthly fee to be charged at a rate of 5% of total net revenue with a minimum monthly fee of $45,000. In addition to the management fee charged by WRC, the Company reimbursed WRC $211,483 and $113,274 for travel, marketing services and direct costs incurred by WRC on behalf of the Company during the years ended December 31, 2013 and 2012, respectively.

The Company entered into a Development Services Agreement ("DSA") ending September 2012, with The Freshwater Group (which is wholly owned by the single member of Watermark East Hill Investments, LLC which is the 30% equity partner of the Company) to provide certain services as defined in the DSA specific to deferred maintenance, to carry out targeted capital improvements and to stabilize the property as a full service continuing care retirement community. The total development fee to be paid over the course of the DSA was estimated to be $1.9 million to be paid as the specified phases are completed. Development fees capitalized in construction in progress per this agreement were $0 and $54,091 during the years ended December 31, 2013 and 2012, respectively.

9. Commitments and Contingencies

Risk of Uninsured Losses

The Company carries comprehensive liability, environmental, fire, extended coverage and rental loss insurance with policy specifications, limits or deductibles customarily carried for similar properties. Should an uninsured loss occur, the Company could lose its investments in and anticipated profits and cash flows from the Community.

Litigation

The Company is party to various legal proceedings incidental to the normal course of business. Management does not expect the outcome of such litigation to have a material adverse effect on the financial position, results of operations or cash flows of the Company.

Construction Projects

At December 31, 2013 the Company has entered into approximately $195,000 in firm commitments for the completion of construction projects.

10. Subsequent Events

Management of the Company has evaluated events occurring from December 31, 2013 through March 31, 2014, determining that no material subsequent events other than those referenced below have transpired requiring recognition and/or disclosure in the financial statements as of or for the year then ended December 31, 2013.

As referenced in Notes Payable, Related Party (Note 7) the maturity dates for both the Mezzanine and Senior loans were extended to May 1, 2015.

THE WATERMARK
AT EAST HILL

Disclosure Statement

Attachment C

Cash Flow and Income Statement Projections

ASSUMPTIONS USED IN PROJECTIONS

Fees
All Entry Fees and Monthly Fees are based on projected occupancy and a 4.5% increase each year starting in 2014.

Amortization of Life Care Fees
Amortization of Life Care Fees is projected based on occupancy, Continuing Care Contract type, and the actuarially determined remaining lifespan of the Residents holding Continuing Care Contracts dated prior to October 31, 2007.

Other Income
Other Income includes laundry, housekeeping, additional meals, ancillary services, and Assisted Living Services Agency (ALSA) revenue. Other Income is forecasted based on the Community's historical three-year average adjusted for the elimination of extraordinary items, trended by an annual 4.5% inflation rate.

Operating Expenses
Operating expenses and benefits are projected to increase 4.5% per annum.

Interest
Interest expenses are based on senior debt as anticipated by the Proposed Plan.

The Watermark at East Hill

Cash Flow Statement

Projections

	2013	2014	2015	2016	2017	2018
Operating Revenues						
Entry Fee Amortization	2,028,604	2,089,462	2,152,146	2,216,710	2,283,212	2,351,708
Independent Living Revenues	6,358,878	7,477,239	7,857,994	8,166,729	8,488,367	8,823,370
AL/ALZ Revenues	2,914,402	3,087,864	3,228,430	3,367,328	3,509,171	3,655,952
Health Center Revenues	3,236,379	3,400,511	3,510,638	3,614,768	3,703,778	3,804,793
Other Revenues	517,165	548,746	581,215	614,607	648,960	674,918
Total Operating Revenue	**15,055,427**	**16,603,823**	**17,330,424**	**17,980,142**	**18,633,487**	**19,310,742**
Operating Expenses						
Administration	3,062,188	3,100,809	3,183,469	3,272,569	3,362,734	3,454,260
Maintenance	1,708,975	1,730,529	1,776,661	1,826,387	1,876,707	1,927,786
Housekeeping/Laundry	390,561	395,486	406,029	417,393	428,893	440,567
Community Service	318,014	322,025	330,609	339,862	349,226	358,731
Transportation	59,935	60,691	62,309	64,053	65,818	67,609
Food Service	1,543,199	1,869,046	2,023,148	2,165,715	2,318,540	2,482,345
Nursing	3,159,538	3,199,386	3,284,674	3,376,607	3,469,639	3,564,074
Marketing/Sales	802,540	812,662	834,326	857,677	881,308	905,295
Operating Expenses Before Interest	**11,044,950**	**11,490,634**	**11,901,224**	**12,320,264**	**12,752,864**	**13,200,666**
Tax NOI	**4,010,477**	**5,113,189**	**5,429,200**	**5,659,878**	**5,880,623**	**6,110,075**
Less Amortized Entry Fees	(2,028,604)	(2,089,462)	(2,152,146)	(2,216,710)	(2,283,212)	(2,351,708)
Plus Net Entry Fees	3,364,044	4,235,964	3,948,944	4,087,157	4,230,208	4,378,265
Less Routine Capex	(111,370)	(114,711)	(118,152)	(121,697)	(125,348)	(129,108)
Cash NOI Before Debt Service	**5,234,547**	**7,144,980**	**7,107,846**	**7,408,628**	**7,702,271**	**8,007,524**
Less Debt Service	(2,308,627)	(2,308,627)	(2,308,627)	(2,308,627)	(2,308,627)	(2,308,627)
Net Increase in Cash	**2,925,920**	**4,836,352**	**4,799,219**	**5,100,001**	**5,393,644**	**5,698,897**

THE WATERMARK
AT EAST HILL

Disclosure Statement
Attachment D

Monthly Service Fees – Historical

Apartment Type	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*	*2013*
One Bedroom Standard	$ 2,485	$2,364	$2,790	$2,940	$3,055	$3,177	$3,304	$3,304
One Bedroom Deluxe	$ 2,890	$ 3,063	$ 3,245	$3,420	$3,553	$3,695	$3,843	$3,843
One Bedroom with Den	$ 3,015	$ 3,196	$ 3,385	$3,570	$3,709	$3,857	$4,136	$4,136
Two Bedroom Deluxe	$ 3,440	$ 3,646	$ 3,865	$4,075	$4,234	$4,403	$4,579	$4,579
Two Bedroom Combo	$ 4,150	$ 4,399	$ 4,665	$4,920	$4,500	$4,680	$4,867	$4,867

Entrance Fees – Historical

Based on 80% Refund Option

Apartment Type	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*	*2013*
One Bedroom Standard	$ 190,000	$ 190,000	$ 190,000	$190,000	$ 206,250	$ 239,850	$239,850	$135,442
One Bedroom Deluxe	$ 250,000	$ 250,000	$ 250,000	$250,000	$ 266,250	$ 290,250	$209,385	$186,250
One Bedroom with Den	$ 340,000	$ 340,000	$ 340,000	$340,000	$ 345,000	$ 322,250	$274,400	$259,504
Two Bedroom Deluxe	$ 400,000	$ 400,000	$ 400,000	$400,000	$ 423,750	$ 479,750	$479,250	$427,950
Two Bedroom Combo	$ 415,000	$ 415,000	$ 415,000	$415,000	$ 491,250	$ 543,750	$543,750	$520,625

Disclosure Statement

Attachment E

Monthly Fees and Entrance Fees - Current

Entrance Fees

Pricing is based upon the size of the apartment selected, the number of occupants and the type of refund plan selected. The two refund plans offered by the Community are an 80% Refund Contract Plan and Traditional Declining Refund Contract Plan. The Declining Refund Contract Plan amortizes to zero refund at the rate of ten percent (10%) for the first month or partial month of residency and two percent (2%) per month thereafter.

Apartment Type	***80% Refundable Plan***	***Traditional Declining Plan***
One Bedroom Standard	Starting at $149,850	Starting at $99,900
One Bedroom Deluxe	Starting at $225,000	Starting at $150,000
One Bedroom with Den	Starting at $283,500	Starting at $189,000
Two Bedroom Deluxe	Starting at $475,000	Starting at $316,500
Two Bedroom Combo	Starting at $525,000	Starting at $350,000

The Entrance Fee for a second occupant is $13,000 for the Life Care plan (non-refundable).

Monthly Service Fee

Pricing is based upon the size of the apartment selected, the number of occupants and the type of health care plan selected. The two health care plans offered by the Community are a Life Care plan and a Fee for Service. The Monthly Service Fee includes choice of one meal per day, utilities (excluding telephone and cable service), twice-monthly housekeeping, weekly bed linen laundry, scheduled transportation, and use of all common recreational facilities.

Apartment Type	***Life Care First Person Monthly Service Fee***	***Fee for Service First Person Monthly Service Fee***
One Bedroom Standard	$3,495	$2,295
One Bedroom Deluxe	$3,895	$2,695
One Bedroom with Den	$4,450	$3,250
Two Bedroom Deluxe	$4,625	$3,425
Two Bedroom Combo	$5,195	$3,995

The Monthly Service Fee for a second occupant is $1,637 for Life Care or $1,237 for Fee for

Service.
Rates effective 4/1/14

* All fees are subject to change as necessary to maintain the viability of the Community.