STATE OF MAINE
KENNEBEC, SS.

SUPERIOR COURT
CIVIL ACTION
DOCKET NO.

AUTUMN HEALTH SERVICES OF KENNEBUNK, INC. AND AUTUMN HEALTH SERVICES OF KENNEBUNK II, INC. Plaintiff v. ATTORNEY GENERAL Defendant	)	PETITION FOR APPROVAL OF SALE OF ASSETS OF AUTUMN HEALTH SERVICES OF KENNEBUNK, INC. AND AUTUMN HEALTH SERVICES OF KENNEBUNK II, INC. TO SUNRISE KENNEBUNK ME SENIOR LIVING, LLC AND ESTABLISHMENT OF A CHARITABLE FUND

Pursuant to 5 M.R.S.A. § 194-F, Autumn Health Services of Kennebunk, Inc. and Autumn Health Services of Kennebunk II, Inc. ("Autumn Health"), hereby petition this Court for approval of the sale of assets of Autumn Health to Sunrise Kennebunk ME Senior Living, LLC, and the charitable distribution of the proceeds from the sale. In support of its petition, Autumn Health states as follows:

INTRODUCTION

Autumn Health is comprised of two nonprofit corporations: Autumn Health Services of Kennebunk, Inc. ("Autumn I") and Autumn Health Services of Kennebunk II, Inc. ("Autumn II"). Autumn I and Autumn II have identical boards of directors and management, and both nonprofit corporations have charitable status because they engage in activities designed to meet the housing, healthcare, and other needs of the elderly in the community. Autumn I owns Huntington Common, a retirement community located in Kennebunk, Maine, which contains

various independent and assisted living units and a Commons Building offering dining and activities rooms. Autumn II owns an adjacent tract of land containing residential cottages, known as "The River Cottages at Huntington Common," that house people who desire independent living within a retirement community. The facilities operated by Autumn I and the cottages owned by Autumn II function as a single integrated retirement community.

The acquisition and development of the facilities operated by Autumn I were financed with 501(c)(3) bonds issued by the Finance Authority of Maine ("Autumn I Bonds"). Autumn II financed the acquisition of the land and development of the cottages with tax-exempt and taxable bonds issued by the Town of Kennebunk, Maine ("Autumn II Bonds"). Despite several attempts to fashion workout arrangements, Autumn I defaulted on payment of the Autumn I Bonds on several occasions and currently is in default of its payment obligations. Autumn II is not in default of its obligations under the Autumn II Bonds. In May of 2005, the holders of the majority of the Autumn I Bonds and the Autumn II Bonds demanded that Autumn Health find a way to cure the existing defaults or the bondholders would foreclose.

In June 2005, the Board of Autumn Health hired an experienced consultant, Ziegler Capital Markets Group ("Ziegler"), to investigate and analyze the options for curing the default status of Autumn Health. Ziegler considered whether it was better for Autumn Health to refinance the bonds, enter into a joint venture with another nonprofit, or sell the facilities and repay all outstanding debt. Based upon Ziegler's recommendations, the Board voted to explore its options to pursue both a joint venture merger with another nonprofit organization and to offer the facilities for sale to prospective for-profit entities. The Board entertained acquisition and merger offers from nonprofit organizations and acquisition offers from for-profit entities, and

conducted a rigorous interview process of the entities that presented the six best offers. At the conclusion of its investigation, the Board selected Sunrise Kennebunk ME Senior Living, LLC ("Purchaser"), a for-profit entity, as the purchaser of the Autumn Health assets. Purchaser is an affiliate of Sunrise Senior Living, Inc., a company that is publicly traded on the New York Stock Exchange.

Maine statutory law requires court approval of the conversion of a public charity to a for-profit entity when the fair market value of the charitable assets is equal to or greater than $500,000. 5 M.R.S.A. § 194-F(1). Maine Revised Statutes Title 5, Section 194-F(2) provides that this Court "shall approve a proposed conversion transaction . . . if the court finds by a preponderance of the evidence that the criteria set forth in section 194-G have been satisfied." The criteria set forth in section 194-G require that the following conditions have been met prior to court approval of the proposed conversion transaction: (1) the public charity will receive fair market value for its charitable assets; (2) the proposed distribution of proceeds of the transaction complies with section 194-H; and (3) the public charity considered the proposed conversion as the best alternative in carrying out its mission and purpose. 5 M.R.S.A. § 194-G. Section 194-G also lists other considerations that the Court may consider when appropriate. In the interest of brevity, those considerations will be addressed in the context of the required elements.

JURISDICTION

1. This Court has jurisdiction pursuant to 4 M.R.S.A. § 105 and 5 M.R.S.A. § 194-F.

PARTIES

2. Autumn Health brings this action pursuant to 5 M.R.S.A. §§ 194-C and 194-F.

3. The Attorney General is a party to this action pursuant to 5 M.R.S.A. § 194-F(1).

FACTS

4. Under the Purchase Agreement dated November 7, 2005, the Purchaser will pay Autumn Health $38,775,000 for the assets of Autumn I and Autumn II, with $29,347,208 allocated to Autumn I and $9,427,792 allocated to Autumn II. *See* November 7, 2005 Purchase Agreement as amended, attached hereto as Attachment 1.

5. The projected closing date of the proposed conversion transaction outlined in the Purchase Agreement is December 20, 2005. *See* November 7, 2005 Purchase Agreement as amended, attached hereto as Attachment 1.

6. Pursuant to 5 M.R.S.A. § 194-G, an appraisal of the fair market value of the assets of Autumn Health was conducted on November 17, 2005 to value the Autumn Health assets as of the projected closing date of the conversion transaction. *See* Appraisal, attached hereto as Attachment 2.

7. The appraised fair market value of the Autumn Health assets as of December 20, 2005 is $26,210,000 for Autumn I and $8,420,000 for Autumn II. *See* Appraisal, attached hereto as Attachment 2.

8. The $29,347,208 purchase price for the assets of Autumn I and $9,427,792 purchase price for the assets of Autumn II contained in the Purchase Agreement both are greater than the fair market value of the assets of Autumn I and Autumn II, as is reflected in the Appraisal. *Compare* Appraisal, attached hereto as Attachment 2, *with* November 7, 2005 Purchase Agreement as amended, attached hereto as Attachment 1.

9. Pursuant to 5 M.R.S.A. § 194-G(3)(D), the appraisal was conducted by Mark Tracy, an independent appraiser employed by the appraisal firm of Tellatin, Short & Hansen, Inc.

Mr. Tracy has extensive experience valuing real estate, including retirement living facilities and nursing homes. *See Curriculum Vitae* of Mark Tracy, attached hereto as Attachment 3.

10. Pursuant to 5 M.R.S.A. § 194-G(3)(E), neither the appraiser, nor an affiliate of the appraiser, have acted as an underwriter or selling agent under the proposed conversion plan.

11. Pursuant to 5 M.R.S.A. § 194-H(1)(A), the proceeds of the conversion transaction remaining after satisfaction of debts and closing obligations of Autumn I and Autumn II will be distributed to the Kennebunk Savings Bank Foundation ("Foundation"), a Maine nonprofit corporation exempt from federal income tax as described in section 501(c)(3). The Foundation operates in accordance with the restrictions and limitations applicable to private foundations pursuant to 26 U.S.C. §§ 4941-4945. *See* Charitable Distribution Plan, attached hereto as Attachment 4.

12. The Foundation will hold the conversion proceeds as the HUNTINGTON COMMON CHARITABLE FUND FOR SENIORS OF THE KENNEBUNK SAVINGS BANK FOUNDATION (the "Fund"). The income and principal of the Fund shall be distributed and/or used for charitable purpose to benefit senior citizens in York County, Maine. *See* Charitable Distribution Agreement, attached hereto as Attachment 5.

13. Pursuant to 5 M.R.S.A. § 194-H(1)(B), the directors, officers and staff of the Foundation will remain independent of the Purchaser and its affiliates. *See* Charitable Distribution Agreement, attached hereto as Attachment 5.

14. Pursuant to 5 M.R.S.A. § 194-H(1)(B), no person who is an officer, director or staff member of Autumn Health with influence over the Conversion Plan at the time the Plan is submitted, at the time of the closing of the Conversion Transaction, or within five years

thereafter, will be an officer, director or paid staff member of the Foundation. *See* Charitable Distribution Agreement, attached hereto as Attachment 5.

15. Pursuant to 5 M.R.S.A. § 194-H(1)(B), no directors, officers, agents or employees of Autumn Health or the Foundation may benefit directly or indirectly from the conversion transaction. *See* Charitable Distribution Agreement, attached hereto as Attachment 5.

16. Pursuant to 5 M.R.S.A. § 194-H(1)(C), the Foundation has adopted a formal mechanism to avoid conflicts of interest. *See* Charitable Distribution Plan, attached hereto as Attachment 4; Charitable Distribution Agreement, attached hereto as Attachment 5.

17. Pursuant to 5 M.R.S.A. § 194-H(1)(C), grants or distributions from the Fund may not benefit the Purchaser or members of the board of directors or management of the Purchaser. *See* Charitable Distribution Agreement, attached hereto as Attachment 5.

18. Additionally, the Fund may not make a distribution to any organization employing for compensation any officer, director, or staff member of Autumn Health who had influence over the Conversion Transaction. *See* Charitable Distribution Agreement, attached hereto as Attachment 5.

19. Autumn Health, with the assistance of Ziegler, conducted an extensive analysis of its options to cure Autumn Health's default of its payment obligations. As a result of this process, which is described in detail in the Conversion Plan, attached hereto as Attachment 6, the Board of Autumn Health determined that the best alternative for carrying out Autumn Health's mission and purposes was to convert Autumn Health's assets pursuant to the Purchase and Sale Agreement with Sunrise Kennebunk ME Senior Living, LLC, and to distribute the proceeds from the sale of the assets to the HUNTINGTON COMMON CHARITABLE FUND FOR SENIORS

OF THE KENNEBUNK SAVINGS BANK FOUNDATION. *See* Conversion Plan, attached hereto as Attachment 6; Charitable Distribution Plan, attached hereto as Attachment 4.

20. The terms and conditions of the Purchase Agreement with the Purchaser, the Conversion Plan, the Charitable Distribution Plan, and the Charitable Distribution Agreement are fair and reasonable to Autumn Health. *See* November 7, 2005 Purchase Agreement as amended, attached hereto as Attachment 1; Conversion Plan, attached hereto as Attachment 6; Charitable Distribution Plan, attached hereto as Attachment 4; Charitable Distribution Agreement, attached hereto as Attachment 5.

21. Autumn Health has commissioned an independent appraisal of the assets to be transferred under the Conversion Plan to ensure that the fair market value of the assets of Autumn Health has not been manipulated by the parties in a manner that causes the fair market value of the assets to decrease. *See* Appraisal, attached hereto as Attachment 2.

22. To ensure that the conversion transaction will not result in inurement to any private person or entity, the Charitable Distribution Plan and the Charitable Distribution Agreement set forth provisions addressing conflicts of interest and prohibiting directors, officers, agents, or employees of Autumn Health, the Foundation, or the Purchaser from benefiting from the conversion transaction. *See* Charitable Distribution Plan, attached hereto as Attachment 4; Charitable Distribution Agreement, attached hereto as Attachment 5.

23. The Charitable Distribution Plan and the Charitable Distribution Agreement set forth provisions addressing conflicts of interest and prohibiting directors, officers, agents, or employees of Autumn Health, the Foundation, or the Purchaser from benefiting from the conversion transaction to ensure that the conversion transaction will be in the best interest of the

mission and purpose of Autumn Health, and that the conversion transaction will not result in a breach of fiduciary duty or violate any statutory duty or common-law duty or obligation on the part of the directors, trustees, or other parties involved in the conversion transaction or charitable distribution of the conversion proceeds. *See* Charitable Distribution Plan, attached hereto as Attachment 4; Charitable Distribution Agreement, attached hereto as Attachment 5.

24. The Board, as governing body of Autumn Health, exercised due diligence in deciding to dispose of the public charity's assets, selecting the acquiring entity, and negotiating the terms and conditions of the disposition. The decision making process is described in detail in the Conversion Plan, attached hereto as Attachment 6.

25. Autumn Health will notify the public of the proposed conversion transaction, as required by 5 M.R.S.A. § 194-F(3), by publishing its intent to enter into a conversion transaction in the York County Coast Star newspaper one day each week for three consecutive weeks, commencing within five days of the filing date of this Petition. The notice will be published in English only because there is no significant number or percentage of the population of York County eligible to be served or likely to be directly affected that needs information in a language other than English to communicate effectively.

26. The Attorney General has been provided with sufficient information and data by Autumn Health to adequately evaluate the Conversion Plan and the effects of the conversion transaction on the public.

27. The Attorney General has reviewed the Conversion Plan, the Charitable Distribution Plan, and the Charitable Distribution Agreement.

28. The proceeds of the proposed conversion transaction will be used in accordance with the terms of the Charitable Distribution Agreement and will be distributed to the Kennebunk Savings Bank Foundation, a charitable organization independent of the Purchaser.

29. Autumn Health engaged its advisor, Ziegler Capital Markets Group, to assist it to evaluate the viability of potential acquirers or merger partners, and Autumn Health also conducted an extensive interview process of the Purchaser, Sunrise Kennebunk ME Senior Living, LLC, to ensure that the Purchaser will be financially viable and will competently manage the assets of Autumn Health consistent with Autumn Health's mission. This interview process was conducted with the assistance of an experienced consultant, Ziegler, and the process is described in detail in the Conversion Plan, attached hereto as Attachment 6.

30. The conversion transaction will increase the availability and accessibility of services to the community because the Purchaser will continue to operate the senior living facilities and the proceeds from the sale of the assets of Autumn Health will benefit seniors in York County through grants from the HUNTINGTON COMMON CHARITABLE FUND FOR SENIORS OF THE KENNEBUNK SAVINGS BANK FOUNDATION. *See* Charitable Distribution Plan, attached hereto as Attachment 4; Charitable Distribution Agreement, attached hereto as Attachment 5.

31. The conversion plan and transaction complies with all applicable laws including the Maine Nonprofit Corporation Act and state code provisions.

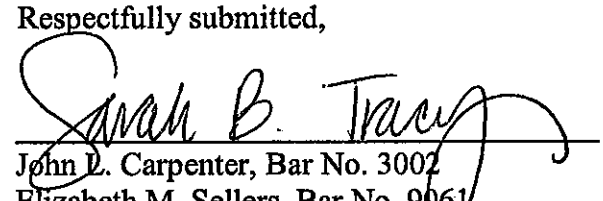
WHEREFORE, Autumn Health requests that this Court:

1. Approve the Conversion Plan and the Charitable Distribution Plan; and

2. Issue such other and further relief as this Court deems appropriate.

Respectfully submitted,

Dated: November 18, 2005



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ATTACHMENT

1

AGREEMENT OF PURCHASE AND SALE

BETWEEN

AUTUMN HEALTH SERVICES OF KENNEBUNK, INC. AND AUTUMN HEALTH SERVICES OF KENNEBUNK II, INC.

AND

SUNRISE KENNEBUNK ME SENIOR LIVING, LLC

AGREEMENT OF PURCHASE AND SALE

THIS AGREEMENT OF PURCHASE AND SALE (the "Agreement"), dated effective the 7th day of November, 2005, is made and entered into by Autumn Health Services of Kennebunk, Inc., a Maine not for profit corporation with a place of business in Kennebunk, Maine ("Autumn I"), Autumn Health Services of Kennebunk II, Inc., a Maine not for profit corporation with a place of business in Kennebunk, Maine ("Autumn II"), and Sunrise Kennebunk ME Senior Living, LLC, a Delaware limited liability company ("Buyer"). (Autumn I and Autumn II are each collectively referred to as "Sellers" and individually as a "Seller" and Buyer and Sellers are collectively referred to as the "Parties.")

WHEREAS, Autumn I is the owner in fee simple of the land and improvements upon which it operates independent and assisted care senior living facilities known as "Huntington Common", "Bradford on the Common" and "Bradford Court" and Autumn II is the owner in fee simple of the land and improvements upon which it operates senior housing units known as the "River Cottages at Huntington Common", all of which are hereinafter collectively referred to as the "Real Property" and are more particularly described on Schedule 1.01(a);

WHEREAS, each Seller desires to sell to Buyer its right, title and interest in and to the Property (defined in Section 1.01, below) owned by it, and Buyer desires to purchase the right title and interest of Seller in the Property from each Seller pursuant to the terms and conditions of this Agreement;

WHEREAS, each Seller desires to assign to Buyer its rights and obligations under the certain contracts and agreements described below, and Buyer desires to assume Seller's rights and obligations therein pursuant to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the covenants, agreements, and representations and warranties hereinafter set forth, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Parties hereto agree as follows.

Article 1. Purchase and Sale of Assets.

1.01 Description of Assets Purchased. Subject to the terms and conditions of this Agreement, as of the Closing Date, each Seller agrees to sell, convey, assign and transfer to Buyer, and Buyer agrees to purchase, from each Seller at the Closing, all of the Real Property as set forth and described on Schedule 1.01(a), including, without limitation, all structures, buildings, fixtures, paving, surfacing and improvements, together with any appurtenant rights and easements thereto of the Real Property, subject to the Permitted Exceptions (as hereinafter defined), and, with respect to the businesses operated as independent and assisted care senior living facilities and senior housing units in all of the buildings located on the Real Property, (the "Facilities"), all of the Sellers' personal property, assets, goodwill and other intangible property, and any and all other tangible and intangible property associated with the Facilities or the Real Property (collectively the "Property"), including, without limitation, any and all of the following assets of Sellers as they relate to the Facilities or the Real Property:

(a) All fixtures, furniture, appliances, furnishings, equipment, machinery, computers, and all other tangible and intangible personal property owned by Sellers and located at the Real Property, whether or not on the books or financial statements of the Facilities, including without limitation, those items set forth on Schedule 1.01(b) attached hereto and incorporated herein (collectively, the "FF&E");

(b) All inventories, including, without limitation, all drugs and medicines, if allowed by law, foods, food products, linens, housekeeping supplies, utensils, paper goods, dishes, disposable equipment, office supplies, and other supplies used or useful in connection with the operation of the Facilities and owned by Seller (the "Supplies");

(c) To the extent assignable, all of Sellers' right, title and interest in and to equipment leases and certain maintenance contracts, provider agreements, service contracts, license agreements, and other written agreements, contracts or commitments relating to the Property set forth and described in Schedule 1.01(c) attached hereto and incorporated herein (collectively, the "Contracts");

(d) To the extent owned or leased by the applicable Seller and assignable, all patient records and agreements, permits, supplier lists, records of inspection of the Property by governmental agencies, all records of construction, architectural plans and specifications and "As Built" plans and specifications, surveys, construction contracts (as such presently may exist), all other data pertaining to the services being performed by the Property, and all other books and records including policy manuals used in the day-to-day management of the Property;

(e) All rights associated with the goodwill of the Facilities, such as the rights to use all telephone listings and post office boxes for the Facilities, as such may be assignable by each Seller, all rights to logos or other trademarks, including, any right to use the name "Huntington Common";

(f) All warranties and guarantees of manufacturers, contractors, suppliers, sellers and others that relate to the Property, to the extent such may be assignable by each Seller;

(g) All of Sellers' interest as lessor, licensor or otherwise pursuant to all leases, concessions, license agreements, residency agreements, occupancy agreements and any other agreements for the use or occupancy of the Property or any part thereof that are in effect on the Closing Date (collectively, the " Residency Agreements"); and

(h) All deposits and prepaid expenses relating to obligations or periods arising after the Closing Date. All of the items set forth in this Section 1.01 (a) through (h) shall hereinafter be referred to collectively as the "Personal Property"

1.02 Assets and Liabilities Excluded. Notwithstanding anything to the contrary contained in this Agreement, the following assets and liabilities of Sellers ("Retained Assets and Liabilities") relating to the Property (regardless of whether such assets or liabilities are in the name of a Seller or the Property, or any one or more of them), existing as of the Closing Date, are being retained by Seller and are expressly excluded from the Property being purchased by, or transferred or assigned to, Buyer:

(a) All cash, investments, warrants, notes receivable, accounts receivable, bequests, donations, and payments (retroactive or otherwise) due from the State of Maine or any other person, entity or state or federal governmental agency or authority for periods prior to the Closing Date;

(b) All or any prepaid insurance premiums of a Seller for which refunds may be paid;

(c) Any past, present or future claims, expenses or liabilities of Sellers of any type whatsoever related to the operation of the Facilities or the Property by Sellers prior to the Closing Date, whether accrued or contingent, known or unknown (including, without limiting the same, accounts payable, liabilities covered by insurance, direct liabilities of Sellers not related to the business of the Facilities, any other obligations to third party payors, vendors, or employees of either of the Sellers and Medicare and Medicaid liabilities relating to staff enhancement programs);

(d) All financial books and records of Sellers; provided however, that Buyer shall, upon request and during normal business hours, be afforded access to such records relating to the Property as may be required from time to time; and

(e) All other liabilities of Sellers or the Property not expressly assumed by Buyer pursuant to this Agreement.

1.03 Inspection Period. Buyer acknowledges that, prior to the execution and delivery of this Agreement, Buyer has had the opportunity to initiate its due diligence investigation of the Property. Buyer shall be entitled to continue its due diligence from the date of this Agreement through November 11, 2005 (the "Inspection Period"), subject to the terms of this Agreement. The Buyer's Inspection Period shall be governed by the following:

(a) Inspection Period. Buyer shall have the right during the Inspection Period to inspect the Property. Inspections may include, but are not limited to: (i) physical property inspections, (ii) economic feasibility studies, (iii) survey of the Real Property, (iv) obtaining title commitments for title policies, and (v) any type of environmental assessment or engineering study including, without limitation, the performance of tests such as soils tests or air sampling. Buyer agrees to bear all costs and expenses of its inspections (including any expenses incurred by Seller in connection therewith) except for costs and expenses incurred by Buyer as a result of Sellers failure to comply with the terms of this Agreement or incurred as a result of Seller's willful misconduct or negligence. Seller shall permit Buyer and Buyer's inspector's access to the Property for inspections. If Buyer, in Buyer's sole discretion, decides to terminate this Agreement at any time prior to the expiration date of the Inspection Period for any reason or for no reason whatsoever, Buyer may, by written notice delivered to Seller prior to the expiration of the Inspection Period, terminate this Agreement in which event the Initial Deposit (as defined in Section 2.02 hereof) shall be returned to Buyer together with all interest earned thereon, and neither party shall have any further rights, duties or obligations hereunder, except those obligations expressly set out herein that specifically survive termination of this Agreement. If Buyer fails to so terminate this Agreement prior to the end of the Inspection Period, then application of the Earnest Money Deposit will thereafter be governed by Section 10.02(b) of the Agreement; provided, however, that if Buyer is unable to obtain the survey within five Business Days of the expiration of the Inspection Period, Buyer shall be entitled to an additional inspection period until the earlier of (i) five (5) days after such time as Buyer receives the survey from its surveyor or (ii) December 5, 2005 ("Inspection

Period II"). If Buyer shall discover and notify Sellers not later than three (3) days prior to the expiration of Inspection Period II of a condition revealed in the survey that was not disclosed to or known by Buyer prior to the expiration of the Inspection Period, and such condition is not one Sellers, then, Buyer, in its sole discretion, may terminate this Agreement at any time prior to the expiration date of Inspection Period II by giving written notice to Sellers, subject to Sellers' cure rights referenced in Section 11.01. Upon such termination, the Deposit (as defined in Section 2.02 hereof) shall be returned to Buyer together with all interest earned thereon, and neither party shall have any further rights, duties or obligations hereunder, except those obligations expressly set out herein that specifically survive termination of this Agreement. If Buyer fails to so terminate this Agreement prior to the end of the Inspection Period II, then application of the Deposit will thereafter be governed by Section 10.02(b) of the Agreement..

(b) Document Inspection. To facilitate Buyer's inspection of the Property, Sellers shall cooperate with Buyer and provide or deliver to Buyer, provide access to or otherwise make available to Buyer at the Facilities, as Buyer and Sellers shall agree, copies of reports and studies, Contracts, Residency Agreements, all other records and related documentation concerning the residents of the Property, and all other books and records of Seller with respect to (i) its Real Property (ii) the condition of its Property and (iii) the operation of the Facilities in the possession or control of Sellers ("Due Diligence Materials"). Except as otherwise set forth in this Agreement, each Seller provides the foregoing information without representation or warranty of any kind except as provided in Article 3 hereof. Buyer hereby releases and holds each Seller harmless from any and all claims incident to the delivery of the foregoing materials except as otherwise set forth in this Agreement.

(c) Return of Materials. Buyer agrees that if for any reason the Closing is not consummated as contemplated by this Agreement, Buyer will return to Seller all Due Diligence Materials, and any other materials furnished to Buyer, and provide Seller with copies of all materials and reports Buyer obtained during the Inspection Period.

(d) Expenses of Due Diligence. Buyer agrees that it shall pay all costs and expenses of its due diligence investigation and that Seller shall not be liable therefor.

Article 2. Purchase Price.

2.01 Purchase Price. In consideration for the sale or assignment, as the case may be, of the Property, Buyer agrees to pay Sellers an aggregate purchase price of Thirty-nine Million Dollars ($39,000,000) (the "Purchase Price"). The Purchase Price shall be allocated to each Seller and the Property related thereto as determined by Sellers, which determination shall be, in all material respects, consistent with industry practices and good faith estimates of fair market value. Sellers have commissioned independent third party appraisals of the assets to be transferred by each Seller ("Appraisals"). Upon receipt of the Appraisals, Sellers shall notify Buyer of the Sellers' allocation to be attached hereto as Schedule 2.01. Notwithstanding the foregoing, the allocation of the Purchase Price attributable to each Seller for tax purposes shall be allocated in a manner that is satisfactory to each of the Seller and Buyer, in the exercise of each party's reasonable discretion.

2.02 Deposit. At the time of the execution and delivery of this Agreement, Buyer shall make an earnest money deposit with First American Title Insurance Company ("Title Company"), located at 1801 K Street, N.W., Suite 200K, Washington, D.C. 20006, Attn: Craig

A. Johnson, as "Escrow Agent" in an amount equal to Five Hundred Thousand Dollars ($500,000) as an initial earnest money deposit (the "Initial Deposit"). Not later than the expiration of the Inspection Period, Buyer shall make an additional deposit of Two Hundred Fifty Thousand Dollars ($250,000) with the Title Company as an additional earnest money deposit (collectively with the Initial Deposit, the "Deposit" or "Earnest Money Deposit"). The Deposit shall be allocated to each Seller as provided in Schedule 2.01.

2.03 Closing Payment. At the closing of the purchase of the Property by Buyer (the "Closing"), Buyer shall deliver to each Seller:

(a) The Purchase Price less the amount of the Deposit adjusted by a debit or a credit for the amount of the Net Adjustment Amount set forth in Section 2.04 of this Agreement and a debit for the Closing costs to be paid by Buyer pursuant to this Agreement by cashiers check, or by wire transfer less the sum of, (i) the Sellers' Professional Fees (as hereinafter defined) which are to be paid as provided in Section 9.05, and (ii) the Holdback (as hereinafter defined), allocated to each Seller in accordance with the amounts set forth on Schedule 2.01;

(b) Documents evidencing Buyer's assumption as of the Closing Date of the Contracts and the Residency Agreements.

(c) At Closing, Buyer will hold back the sum of One Million Dollars ($1,000,000) (the "Holdback Amount") from the Purchase Price at Closing. The Holdback Amount shall be deposited at Closing with Escrow Agent in two interest bearing accounts in an FDIC Insured bank, as further described in Section 13.07. The Holdback Amount shall be allocated between the two accounts (one for each Seller) pro rata with the allocation of the Purchase Price set forth on Schedule 2.01 ("Holdback Account"), and held for the benefit of Buyer and the applicable Seller pursuant to an Escrow Agreement between the Escrow Agent, Buyer and the applicable Seller, all as more particularly described in Section 13.07.

2.04 Closing Adjustments. Subject to the provisions of Section 2.05 below, the following items shall be separately apportioned and adjusted between each of the Sellers and Buyer as of 11:59 p.m. of the date prior to the Closing Date (the "Adjustment Date") with the net amount (the "Net Adjustment Amount") shown to be payable to each Seller, or to Buyer, as the case may be, to be paid at the Closing:

(a) Water and sewer charges and rents and charges for electricity, gas and telephone accrued through the Adjustment Date;

(b) Fees for customary annual or other periodic licenses and permits that are assignable and assigned to Buyer at the Closing,

(c) Charges on all Contracts assigned to and assumed by Buyer hereunder and any such other agreements hereinafter entered into prior to the Closing in the normal course of the business of Seller on commercially reasonable terms and consistent with Seller's past practices in the operation of the Property;

(d) Current assessments, including but not limited to association dues/assessments, and any rents, or other charges for the use or occupancy of all or any part of the Property. If the amount of the ad valorem taxes for the year in which the Closing occurs is not available on the Adjustment

Date, proration of ad valorem taxes shall be made on the basis of such taxes assessed in the previous year, with an adjustment to be made between the parties upon receipt of the current tax invoice;

(e) Consistent with 36 M.R.S.A. §4641-A, Buyer shall pay fifty percent the transfer tax due in accordance with the conveyance of the Property and each Seller shall pay fifty percent of the transfer tax due on the Property to be conveyed by such Seller in accordance with this Agreement. The recording fee for the deed of conveyance will be paid by Buyer.

The provisions of this Section 2.04 shall survive the Closing.

2.05 Final Readings. Sellers will endeavor to obtain final cut-off readings of fuel, telephone, electricity, water, sewer and gas as of the Adjustment Date, and Buyer agrees to cooperate with Sellers in the transfer of such utilities. If any such reading is obtained, Sellers shall pay the bill based upon such reading promptly after the same is rendered and provide proof of such final reading at the Closing. If arrangements cannot be made for any such cut-off reading, the Parties shall apportion the charges for such services for the month in which Closing occurs on the basis of the bill therefor for the most recent billing period prior to the Adjustment Date. When bills are finally rendered through the Adjustment Date, each Seller and Buyer promptly, and in any event no later than 60 days after the date of Closing, shall readjust the apportionments in accordance with the last bills rendered; or if any such final bill encompasses periods both through the Adjustment Date and, thereafter, the parties shall first apportion such bill as between those two time periods and shall then promptly adjust the apportionment previously made. Buyer and Sellers agree that any payment adjustment required pursuant to the terms of this Section shall be made within 10 Business Days (as defined in section 13.13 of this Agreement) after receipt of notification by either party that such adjustment is necessary. The provisions of this Section 2.05 shall survive the Closing. Further, Buyer and Sellers agree that any resident fees, payments and reimbursements and charges accrued and unpaid prior to and including the Adjustment Date that are received by Buyer after the date of Closing shall be paid to Sellers within ten Business Days of receipt by Buyer provided that all amounts due to Buyer subsequent to the Adjustment Date from such resident or occupant have been paid in full.

2.06 Post-Closing Adjustments. To the extent that any of the prorations made on the Closing Date pursuant to this Article 2 are based upon estimates of payments to be made to and/or expenses to be paid by Buyer or Sellers subsequent to the Closing Date which later prove inaccurate or otherwise are determined by either Party to have been erroneously made, and the aggrieved Party has notified the other Party hereto of the specific inaccuracy or other error on or before that date which is one year after the Closing Date, Sellers and Buyer agree to adjust such prorations promptly upon receipt by Sellers or Buyer, as the case may be, of bills or other documentation setting forth the actual and/or correct amount of such payments or expenses. Notwithstanding the foregoing, the Sellers and Buyer agree to cooperate in good faith to determine any pre-closing estimates as close as possible to their expectations about the actual items, with a view toward minimizing as much as practical the need for post-Closing adjustments.

Article 3. Representations and Warranties of Seller.

Buyer acknowledges that the following representations and warranties of Sellers are made by each of the corporations listed on Schedule 1.01(a) individually and not jointly, and only with respect to the assets, properties, status, obligations, etc. of the individual Seller making

such representation and warranties and not to the assets, properties, status, obligations of the other Seller. Each Seller represents and warrants to Buyer as follows:

3.01 Organization. Each of the Sellers is, and will be on the Closing Date, a non-profit corporation duly organized, validly existing, and in good standing under the laws of the State of Maine. Each of the Sellers has full corporate power and authority to own its Property to carry on its business and to enter into this Agreement and is fully licensed to carry on its business as presently conducted.

3.02 Authority. This Agreement is the valid and binding obligation of each of the Sellers and all other agreements, documents, and instruments executed by each Seller pursuant to this Agreement will be the valid and binding obligations of each of the Sellers, enforceable in accordance with their terms, except (i) as limited by applicable laws relating to bankruptcy, insolvency, reorganization, liquidation, moratorium or other similar laws of general application relating to or affecting creditors' rights, and (ii) that the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding may be brought; and the execution, delivery and performance of this Agreement has been duly and validly authorized by each of the Sellers, and such other agreements, documents and instruments and the transactions contemplated pursuant to this Agreement, will be duly and validly authorized by each of the Sellers, and each of the Sellers will deliver to Buyer at the Closing copies (or originals, as may be required for recording of documents) of the resolution authorizing the transaction described in this Agreement.

3.03 Financial Statements. Each of the Sellers has provided Buyer with copies of its audited financial statements for the 2003 fiscal year and the 2004 fiscal year through December 31, 2004, and the financial statements prepared internally by the Manager (as hereinafter defined) of the Facilities for the period ending September 30, 2005 (collectively, the "Financial Statements"). The Financial Statements (i) present fairly and accurately, in all material respects, the financial position of the Sellers at the date indicated and (ii) were prepared on a consistent basis in accordance with generally accepted accounting principles.

Except as reflected on the balance sheets as of September 30, 2005 (the "Interim Balance Sheet Date"), no material liabilities of either Seller existed as of the date thereof, whether contingent or absolute, matured or unmatured, except for (i) those liabilities set forth and described in Schedule 3.03 and (ii) those liabilities not required under generally accepted accounting principles to be reflected on a balance sheet.

3.04 No Conflicting Instruments or Decrees. Except as set forth on Schedule 3.04, the execution and delivery of this Agreement, and the performance of the transactions contemplated hereby do not and will not, (i) conflict with, or result in a breach of, or constitute a default under, any agreement or instrument to which either of the Sellers are or may become bound or affected, (ii) violate any provision of any law, regulation, order, ruling or, to the knowledge of each of the Sellers, any interpretation of any law or regulation, or any decree or order of any court or governmental agency (all as in effect and applicable to the respective Seller), (iii) require any waiver, consent or approval by any creditor or trustee for any creditor of either of the Sellers, or (iv) conflict with, or result in a breach of, or constitute a default under, or result in the creation of any mortgage, lien or other encumbrance of any kind upon, any of the assets of either of the

Sellers under any agreement, note, debenture, bond, trust deed, indenture, mortgage or other instrument by which such Seller is bound or affected.

3.05 Consents. Except as set forth of Schedule 3.05, neither Seller has any knowledge of any consents required to be obtained from any federal, state or local governmental authority or third party in connection with the execution and delivery of this Agreement by the Sellers or the consummation by Sellers of the transactions contemplated hereby.

3.06 Condemnation. Neither Seller has received any written notice of any pending or threatened condemnation, eminent domain or similar proceeding which would affect the Property owned by such Seller or any part thereof.

3.07 Litigation. There is no action, suit, investigation, claim, arbitration or litigation at law or in equity, or before or by any court, arbitrator or governmental authority pending or, to the knowledge of either Seller, threatened against, affecting or involving either Seller, the Property, the business of the Facilities, or the transactions contemplated by this Agreement. Neither Seller is operating under or subject to any order, award, judgment, writ, decree, determination or injunction of any court, arbitrator or governmental authority.

3.08 Law Compliance. Neither Seller has received any written notice from any federal, state or local governmental authority that all or any part of the Property owned by such Seller is in violation of any applicable building codes or any applicable environmental law, zoning law or land use law, or any other applicable federal, state or local law or regulation relating to such Property which violation has not been cured or remedied in accordance with applicable law or that the operation of the Property is in violation of any applicable federal, state or local law, rule ordinance, order or regulation applicable to the ownership and operation of the Property.

3.9 No Bankruptcy. Neither Seller has (i) made a general assignment for the benefit of creditors, (ii) filed any voluntary petition in bankruptcy or suffered the filing of any involuntary petition by such Seller's creditors, (iii) suffered the appointment of a receiver to take possession of all, or substantially all, of such Seller's assets, (iv) suffered the attachment or other judicial seizure of all, or substantially all, of such Seller's assets, (v) admitted in writing its inability to pay its debts as they come due, or (vi) made an offer of settlement, extension or composition to its creditors generally. Notwithstanding the foregoing, the Sellers have entered into certain Memoranda of Understanding with the Bond Trustee with respect to the bonds issued to finance the Facilities and the holders of such bonds which provides for an alternate flow of funds to ease cash flow pressures on the Facilities and their operations.

3.10 Environmental Conditions. To the knowledge of each Seller, the Property owned by such Seller does not contain, and there is not located on, in or under any part of the Property, any of the following: "toxic substances," "toxic materials," "hazardous waste," "hazardous substances," "pollutants," or "contaminants" [as those terms are defined in the Resource, Conservation and Recovery Act of 1976, as amended (42 U.S.C. § 6901 et. seq.), the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act (42 U.S.C. § 9601 et. seq.), the Hazardous Materials Transportation Act, as amended (49 U.S.C. § 1801 et. seq.), the Toxic Substances Control Act of 1976, as amended (15 U.S.C. § 2601 et. seq.), the Clean Air Act, as amended (42 U.S.C. § 1251 et. seq.), the Maine Uncontrolled Hazardous Sites law and any other

federal, state or local law, statute, ordinance, rule, regulation, code, order, approval, policy and authorization relating to health, safety or the environment (said laws being hereafter referred to collectively as "Environmental Laws"); asbestos or asbestos-containing materials; lead or lead-containing materials; oils; petroleum-derived compounds; pesticides; or polychlorinated biphenyls (all of which are hereafter collectively referred to as "Hazardous Materials"). No part of the Property owned by such Seller has been previously used by such Seller, or to the knowledge of each Seller by any other person or entity, for the storage, manufacture or disposal of Hazardous Materials, except for the storage and use of Hazardous Materials for cleaning, maintenance and fuel purposes, maintained and used in accordance with applicable law. Neither Seller has received from any governmental body having authority any written complaint, order, citation or notice with regard to air emissions, water discharges, noise emissions and Hazardous Materials, if any, or any other environmental, health or safety matters affecting the Property or any part thereof. To the knowledge of Sellers, there are no underground storage tanks of any nature located on any of the Property.

3.11 Personal Property. Sellers each have good title to all the Personal Property owned by such Seller and the execution by Sellers and delivery to Buyer of the Bill of Sale required by Section 9.04(b) shall vest good title to all of the Personal Property in Buyer, free and clear of all liens, encumbrances and adverse claims, excepting, however, Personal Property which is subject to an equipment or finance lease, and disclosed as an assumed Contract, and which Personal Property will be transferred subject to such rights.

3.12 Insurance. Neither Seller has received from any insurance company which carries insurance on the Property owned by such Seller, or any Board of Fire Underwriters, any notice of any defect or inadequacy in connection with such Property, or its operation.

3.13 No Other Agreements. Except for the Permitted Exceptions, the Contracts, the Licenses and the Residency Agreements, Sellers are not a parties to, and (except for recorded title matters existing on the date of this Contract) none of the Property is subject to, any other contracts, agreements or instruments which will be binding on the Property or the Buyer on or after the Closing Date.

3.14 Not Foreign Person. Each of the Sellers is not a "foreign person" as defined in Section 1445(f) (3) of the Code.

3.15 Title and Sufficiency of Property. The Sellers each own title to, the Real Property as set forth in the Policies of Title Insurance attached hereto as Schedule 3.14 ("Title Policies"). As of the Closing Date, the Real Property will be free and clear of any and all encumbrances, except for the Permitted Exceptions (as hereinafter defined)

3.16 Books and Records. The books and records of the Sellers taken as a whole, are complete and correct in all material respects and the Sellers have made available to the Buyer for examination the originals or true and correct copies of all documents material to the business of the Seller and all other documents which the Buyer has reasonably requested in connection with the transaction contemplated by this Agreement.

3.17 Medicare and Medicaid. Neither of the Sellers participate in the Title XVIII of the Social Security Act ("Medicare") and Title XIX of the Social Security Act ("Medicaid") programs in connection with the operation of the Facilities and neither of the Sellers has a Medicare or Medicaid provider agreement or provider number for the Facilities with the federal Medicare or State of Maine Medicaid programs.

3.18 Due Diligence Materials. To each Seller's respective knowledge, the Due Diligence Materials for each Seller contain copies all of the Due Diligence Materials in the possession or control of of such Seller and to the knowledge of each of the Sellers, there are not any other documents or materials not in the possession or control of such Seller would make the Due Diligence Materials in Sellers' possession or control materially inaccurate or incomplete.

3.19 Survival. This Article 3 shall survive the Closing.

Article 4. Representations and Warranties of the Buyer.

Buyer represents and warrants to Seller as follows:

4.01 Organization. Buyer is a duly organized and validly existing corporation in good standing under the laws of the State of Delaware, and as of the Closing Date will be duly qualified to conduct business in the State of Maine. Buyer has, and will have on the Closing Date, full power and authority to own and lease its properties and to carry on its business as presently conducted.

4.02 Authority. This Agreement is and all other agreements, documents, and instruments executed pursuant hereto are and will be the valid and binding obligations of Buyer, enforceable in accordance with their terms, except as limited by applicable laws relating to bankruptcy, insolvency, reorganization, liquidation, moratorium or other similar laws of general application relating to or affecting creditors' rights, and the execution, delivery and performance of this Agreement, and such other agreements, documents and instruments and the transactions contemplated hereunder, have been and will be duly and validly authorized by Buyer and Buyer will deliver to Seller at the Closing a copy (or originals, as may be required for recording of documents) of the resolution authorizing the transaction described in this Agreement.

4.03 No Conflicting Instruments or Decrees. The execution and delivery of this Agreement, and the performance of the transactions contemplated hereby do not and will not, except as set out herein, (i) conflict with, or result in a breach of, or constitute a default under, any agreement or instrument to which Buyer is or may become bound or affected, (ii) violate any provision of any law, regulation, order, ruling or, to the knowledge of Buyer, any interpretation of any law or regulation, or any decree or order of any court or governmental agency (all as in effect and applicable to Buyer), (iii) require any waiver, consent or approval by any creditor or trustee for any creditor of Buyer, or (iv) conflict with, or result in a breach of, or constitute a default under, or result in the creation of any mortgage, lien or other encumbrance of any kind upon, any of the assets of Buyer under any agreement, note, debenture, bond, trust deed, indenture, mortgage or other instrument by which Buyer is bound or affected.

4.04 Regulatory Compliance. Buyer and its affiliates are not and have never been debarred, suspended, excluded, or otherwise been found ineligible to participate in any state or federal health care programs and have not been convicted of any criminal offense related to the

provision of healthcare items or services. Buyer and its affiliates have not been denied licensure in any state in which Buyer, or its affiliates, have sought licensing to operate senior living facilities or provide health, nursing or personal care services.

4.05 Due Diligence Materials. Buyer and its affiliates acknowledge and agree that in addition to cooperating with Buyer and providing copies of certain Due Diligence Materials, Sellers also shall provide access to Due Diligence Materials contained in the Facilities' business records and offices and that provided that Sellers have delivered access to all of the Due Diligence Materials located at the Facilities, Sellers shall not be responsible for identifying any specific item of the Due Diligence Materials or directing Buyer and its affiliates in their review of, the Due Diligence Materials located at and in the business records and offices of the Facility.

4.06 Buyer is owned and controlled (directly or indirectly) by Sunrise Senior Living, Inc.

4.07 Survival. This Article 4 shall survive the Closing.

Article 5. Covenants of Sellers.

Each Seller hereby covenants and agrees with Buyer severally, and not jointly, as follows:

5.01 Maintenance of Business, etc. Between the date of execution of this Agreement and the Closing Date, each Seller agrees that the operations of its respective Facilities shall be governed by the terms and conditions of the Management Agreement between Autumn I, Autumn II, Brookdale Management of Maine-HC, LLC, and Rollins Management Group, Inc. (collectively, the "Manager"), a New Hampshire corporation ("Management Agreement") and the operation of the Facilities (including, without limitation, the entering into of Residency Agreements) shall be operated in the ordinary course of business in the manner that is consistent with the manner that Sellers have previously managed the Facilities.

5.02 Sellers' Cooperation. Each Seller shall cooperate with Buyer in Buyer's undertaking to obtain approval of the transfer of ownership of the Property from agencies or entities having jurisdiction.

5.03 Sellers' Employees. At the Closing, each Seller shall satisfy all of its obligations to pay compensation (including, without limitation, current and accrued employees' wages, bonuses, commissions, and other forms of compensation or benefits earned by and due and owing to employees as of the Adjustment Date, together with F.I.C.A., unemployment and other taxes and benefits due from any employer of such employees, one hundred percent of earned but unpaid vacation pay, sick pay and/or paid time off, to the extent required by contract or by law) through the Adjustment Date or shall cause the Manager to satisfy such obligations if the employees are employees of the Manager.

5.04 Solicitation of Employees. For one (1) year after the date of this Agreement, none of the Sellers or their affiliates shall solicit for employment any employees of a Seller or the manager hired by Buyer, or any of its affiliates.

5.05 Contracts. After the date of this Agreement, neither Seller shall cancel, amend or waive any of the provisions of the Contracts or Residency Agreements or otherwise compromise their rights pursuant thereto (except in the ordinary course of Sellers' operation of the Facilities) without the prior written consent of Buyer. Notwithstanding the foregoing, it is expressly agreed that Sellers may negotiate a termination of the Management Agreement on such terms as Sellers determine in their sole judgment. Sellers shall terminate or otherwise provide for (in a manner reasonably acceptable to Buyer) all Contracts not being assumed by Buyer or for which Sellers have been unable to obtain any required consent, notwithstanding the cooperation of Buyer as required by Section 6.01 of this Agreement.

5.06 Charitable Conversion Law Compliance. Each Seller shall file in compliance with Maine law with respect to so-called "conversion transactions" set forth in 5 M.R.S.A. §194 et. seq. ("Charitable Conversion Law") including filing a conversion plan with the Maine Attorney General and with the Superior Court pursuant to the Charitable Conversion Law.

5.07 Resident Medical Records. Provided that the Closing occurs and to the extent allowed by applicable law, Sellers will transfer all of Sellers' medical records and all other records pertaining to residents of the Facilities (including those historic records required to be maintained under the applicable laws) to Buyer.

5.08 Status of Title. Between the date of this Agreement and the Closing Date, each Seller agrees that, without Buyer's prior written consent in each case which may be given or withheld in Buyer's sole discretion, they will not voluntarily grant, create, assume or permit to be created any mortgage, lien, lease, encumbrance, easement, covenant, condition, right-of-way or restriction upon the Property or voluntarily take or permit any action adversely affecting the title to the Property as it exists on the date of this Agreement.

5.9 Status of Personal Property. Between the date of this Agreement and the Closing Date, the Seller will not remove any Personal Property from the Property except in the ordinary course of business and provided, if material to the operations of the Property, such Personal Property is replaced with items of the same or better quality.

Article 6. Covenants of Buyer.

Buyer hereby covenants and agrees as follows:

6.01 Assumption of Contracts and Commitments. At Closing, Buyer shall assume all liabilities and obligations under the Contracts and the Residency Agreements being assigned by each Seller and shall be responsible for all obligations thereunder which arise or relate to periods after the Closing Date and Seller shall be liable to Buyer for any liabilities and obligations relating to periods prior to the Closing Date. Notwithstanding the foregoing, Buyer shall not assume the Management Agreement and, if Buyer shall choose not to assume Sellers' medical plan (which choice shall be at the sole discretion of Buyer), Sellers shall agree to assume Sellers' obligations under COBRA. Where consent is required to assign any of the Contracts, Sellers shall be responsible for obtaining such consent and Buyer shall cooperate with Sellers to assist Sellers in obtaining such consent prior to the Closing Date, but such cooperation shall not be deemed to require Buyer to incur any costs or expenses with respect thereto.

6.02 Regulatory Authorizations; Inspections; Surveys. Buyer shall pursue with reasonable diligence obtaining the provisional licenses by the Department of Human Services of the State of Maine issued pending final licensure of Buyer to operate the Facilities (collectively, the "Approvals"). Buyer shall be responsible for the payment of all costs and expenses with respect to the filing for, processing and issuing of the Approvals and for any requirements arising from inspections of the Facilities conducted by applicable regulatory authorities and Buyer's application for licensure to operate the Facilities other than the payment of all costs and expenses required in such licensure process which arise out of the Facilities non-compliance with the State of Maine assisted living regulations applicable to the Facilities as of date of the expiration of the Inspection Period and Sellers shall be responsible for the payment of all costs and expenses required in such licensure process which arise out of the Facilities non-compliance with the State of Maine assisted living regulations applicable to the Facilities as of date of the expiration of the Inspection Period. Buyer shall use its reasonable diligence to comply with all requirements of the review of Buyer conducted by the State of Maine, with respect to obtaining the Approvals. Consistent with the foregoing, Buyer agrees to promptly apply for the licenses necessary to obtain the Approvals no later than five (5) Business Days after the expiration of the Inspection Period. Buyer shall promptly furnish to Sellers copies of filings and financial and other information regarding Buyer as Buyer shall provide to any public licensing or other regulatory agencies in connection with any filings provided that such information is in the public record required to be made with said agencies in accordance with this Agreement after its submission of such documents to the applicable governmental authority.

6.03 Resident Trust Accounts. Provided that the Closing occurs, Buyer recognizes that Seller will, at the Closing, transfer to Buyer all resident trust accounts presently held by Sellers. With respect to such resident trust accounts, Buyer agrees to assume custody of such accounts and deal with them in the fiduciary capacity required by law.

6.04 Resident Medical Records. With respect to all medical records, and all other records transferred to Buyer hereunder, including financial records, Buyer will allow Seller, or its agents or representatives, to examine from time to time upon reasonable prior notice and to Buyer and during Buyer's normal business hours such records relating to the period of each Seller's operation of the Facilities and to make copies thereof at Seller's expense, subject to applicable laws and solely for Seller's reasonable business purposes for a period of twelve (12) months after the Closing Date. The foregoing provision shall survive the Closing.

6.05. Title. Buyer agrees that it shall obtain title insurance and conduct its title investigation, at its own expense, subject to the requirements of Section 11.02 of this Agreement.

6.06. Employees. Except as hereinafter provided, Buyer and each Seller acknowledge and agree that Buyer has no obligation to employ or retain any employees currently employed by either Seller at any one or more of the Facilities (the "Current Employees"). Buyer shall, in good faith, consider for employment all Current Employees determined to be qualified by Buyer, in its sole discretion, based upon their references and qualifications and, in any event, employ not less than fifty percent (50%) of the Current Employees.

6.07. Charitable Conversion Law. Buyer shall cooperate with each Seller in such Seller's compliance with the Charitable Conversion Law, including each Seller seeking approval of the Maine Attorney General and Superior Court to the conversion transactions contemplated

by this Agreement, provided that Buyer's cooperation shall be without out of pocket cost to Buyer.

6.08 Sellers' Inaccurate Representation. Buyer agrees to promptly provide notice to Sellers if Buyer becomes aware that any representation or warranty of Sellers contained in this Agreement is false, incomplete or incorrect.

Article 7. Conditions Precedent to Buyer's Performance.

The obligations of Buyer under this Agreement are subject to the satisfaction, by the Closing Date (or by the earlier date specified below for a particular condition, if any) of all the conditions set out below in this Article. Buyer may waive any or all of these conditions in whole or in part without prior notice; provided, however, that any such waiver of a condition shall constitute a waiver by Buyer of any of its other rights or remedies, at law or in equity, with respect to the waived condition.

7.01 Accuracy of Representations and Warranties. All representations and warranties of each Seller in this Agreement shall be true in all material respects on the date this Agreement and at Closing as though made at that time. The provisions of this Section shall be self-executing, and each Seller, by having sold the Property, shall be deemed conclusively to have certified at the Closing that all such representations and warranties were true on and as of the Closing Date.

7.02 Sellers' Compliance. This Agreement shall be in full force and effect on the Closing Date. Seller shall have performed, satisfied and complied with all covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by Seller prior to the Closing.

7.03 Resident Trust Accounts. Buyer shall have reviewed and found accurate and in accordance with the requirements of law all resident trust accounts or resident personal needs accounts in place as of the effective date of the Agreement.

7.04 Approvals. Buyer shall have received all Approvals, provided that so long as Buyer has received provisional licenses adequate to operate the Facilities, final licensure shall not be required for Closing and any other approvals that Buyer may determine are required pursuant to any local, state or federal law, rule, ordinance, regulation or order applicable to the operation of the Facilities.

7.05 Actions, Suits, Proceedings. No action, suit or proceeding pertaining to the transactions contemplated by this Agreement shall have been instituted or threatened against either of the Sellers or the Property on or before the Closing Date.

7.06 Title. The Title Company shall have issued or shall be prepared to issue, upon payment of the applicable premiums therefor by Buyer, an owners title insurance policy with extended coverage with respect to the Real Property, showing title to the Real Property vested in Buyer, subject only to the Permitted Exceptions (the "Title Policy").

7.07 Management Agreement. Sellers shall have provided Buyer with evidence satisfactory to Buyer that Sellers have terminated the Management Agreement as of the Closing

Date and the Manager of the Property shall have surrendered possession and control of the Property on the Closing Date.

7.08 No Material Adverse Change. There shall have been no material adverse change in the financial condition of either of the Sellers or the Property prior to the Closing Date.

7.09 Commercial General Liability Insurance. Written evidence satisfactory to Buyer that Sellers have extended that expiration date of their existing "claims made" Commercial General Liability Insurance Policy to a date that is two years from the date of the occurrence of the Closing.

Article 8. Conditions Precedent to Seller's Performance.

The obligations of Sellers under this Agreement are subject to the satisfaction, by the Closing Date (or by the earlier date specified below for a particular condition, if any) of all the conditions set out below in this Article 8. Sellers may waive any or all of these conditions in whole or in part without prior notice; provided, however, that any such waiver of a condition shall constitute a waiver by Sellers of any of its other rights or remedies, at law or in equity, with respect to the subject matter of the waived condition.

8.01 Accuracy of Representations and Warranties. All representations and warranties of Buyer in this Agreement shall be true in all respects at Closing and as of the Closing Date as though made at that time, except as otherwise provided in this Agreement. The provisions of this Section shall be self-executing, and Buyer, by having purchased the Property, shall be deemed conclusively to have certified at the Closing that all such representations and warranties were true on and as of the Closing Date.

8.02 Good Standing and Legal Existence Certificates. At the Closing, Buyer shall have delivered to Seller a certificate of Buyer's good standing issued by the Secretary of State of the State of Maine and Delaware.

8.03 Buyer's Compliance. Buyer shall have performed, satisfied and complied in all respects with all covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by Buyer.

8.04 Buyer's Approvals. Buyer shall have received all Approvals, provided that so long as Buyer has received provisional licenses adequate to operate the Facilities, final licensure shall not be required for Closing.

Article 9. Closing.

9.01 Closing. Provided that all of the terms and conditions of this Agreement have been satisfied by the Parties, the Closing shall occur on December 20, 2005 (the "Closing Date"); provided, however, that in the event the State of Maine has not issued the Approvals as of such date, then the Closing Date shall be automatically postponed, on a day-by-day basis up to but not later than January 31, 2006, until the Approvals are issued and for no other reason. Notwithstanding the foregoing, Sellers may, at their sole option, extend the Closing to a date not later than January 31, 2006.

9.02 Time and Place of Closing. The Closing shall take place at 10:00 AM at the offices of Bernstein Shur at 100 Middle Street, Portland, Maine, and shall be conducted by the Escrow Agent as an "escrow closing" pursuant to the Closing instructions provided to the Escrow Agent by each of the Parties.

9.03 [intentionally deleted]

9.04 Sellers' Obligations at Closing. At the Closing, in addition to having satisfied the conditions precedent as provided in Article 7 herein, Sellers shall deliver or cause to be delivered to Escrow Agent the following, properly executed and acknowledged as appropriate, to effect the transfers referred to in Section 1.01:

(a) Full undisturbed possession of and title to the Real Property (subject to the Residency Agreements) as evidenced by Maine Quitclaim Deeds with Covenant in the form set forth on Schedule 9.04(a), attached hereto and incorporated herein, conveying title to Buyer;

(b) Full undisturbed possession of and title to the Personal Property as evidenced by a Bill of Sale for Personal Property and Supplies in the form set forth as Schedule 9.04(b) attached hereto and incorporated herein;

(c) For the Contracts and Residency Agreements (to the extent assignable), the Assignment and Assumption of Contracts in the form set forth as Schedule 9.04(c) attached hereto and incorporated herein;

(d) For the Property, each Seller's affidavits on the customary forms provided by the Title Company and reasonably acceptable to Sellers;

(e) Certificates of legal existence and good standing from the Secretary of State of the State of Maine;

(f) Certified votes of each Seller and any entity having relevant authority over Sellers authorizing, approving and directing the execution, delivery and performance by Sellers of this Agreement and the transactions contemplated hereby;

(g) Certified Copy of the Order of the Superior Court approving the sale of the Facilities to Buyer;

(h) Certificate of each Seller certifying the due fulfillment of all of the conditions referred to in Article 7 herein;

(i) A so-called "FIRPTA Affidavit" executed by Sellers certifying that each Seller is not a foreign person for tax purposes;

(j) A certification of information necessary to complete and file with the Internal Revenue Service a Form 1099-S in connection with the conveyance of the Property;

(k) Written payoff instructions, sufficient to permit Escrow Agent to file all UCC-3 Financing Statement Termination Statements with respect to all financing statements encumbering the Property; and

(l) Such other and further documents, instruments and certificates not inconsistent with the provisions of this Agreement, executed by Sellers as Buyer shall reasonably require to carry out and effectuate the purposes and terms of this Agreement and all previously undelivered items, if any, required to be delivered by Seller before Closing.

9.05 Buyer's Obligations at Closing. At the Closing, in addition to having satisfied the conditions precedent as provided in Article 8, herein Buyer shall deliver or cause to be delivered to Escrow Agent, or for the Seller's benefit, the following, properly executed and acknowledged, as appropriate:

(a) An amount equal to Purchase Price less the Deposit, the Closing costs to be paid by Buyer pursuant to this Agreement and the Sellers' Professional Fees to be paid by Buyer and with a debit or credit adjustment for the Net Adjustment Amount (all accrued interest on the Deposit shall be distributed to Buyer at the Closing by Escrow Agent).

(b) An amount equal to the Sellers' Professional Fees, payable to the Sellers' Advisors, which shall be deducted from the Purchase Price (as provided in 9.05(a)) and paid by Buyer to Sellers' Advisors on behalf of Sellers. For the purpose of the foregoing, the "Sellers' Professional Fees" shall mean an amount which is equal to the costs incurred by Sellers for its counsel, accountants, appraisers, financial advisors and other professionals ("Sellers' Advisors") up to and through the Closing and to perform authorized services related to the Closing (e.g. tax reporting) for Sellers after the Closing, The Sellers' Professional Fees will be allocated to each Seller pro rata in accordance with the allocation of the Purchase Price set forth in Schedule 2.01.

(c) For the Contracts (to the extent assignable) the Assignment and Assumption of Contracts in the form set forth on Schedule 9.04(c) attached hereto and incorporated herein;

(d) The Title Policy or Policies, which shall be delivered to Buyer at Buyer's own expense;

(e) A certificate of legal existence and good standing from the state of Buyer's organization and, to the extent applicable, a good standing certificate from the Secretary of State of the State of Maine;

(f) A copy of the resolution of Buyer authorizing, approving and directing the execution, delivery and performance by Buyer of this Agreement and the transactions contemplated hereby;

(g) Certificate of Buyer certifying the due fulfillment of all of the conditions referred to in Article 8 herein; and

(h) Such other and further documents, instruments and certificates not inconsistent with the provisions of this Agreement, executed by Buyer as Seller shall reasonably require to carry out and effectuate the purposes and terms of this Agreement and all previously undelivered items, if any, required to be delivered by Buyer before Closing.

9.06 Further Assurances. Each Party hereto agrees to use all reasonable efforts and to proceed with due diligence to cause the conditions to its obligations herein set forth to be satisfied at or prior to the Closing. Each Party will promptly notify the other Party of any information delivered to or obtained by such Party that would prevent or delay the consummation of the transactions contemplated by this Agreement, or would indicate a breach of

the representations or warranties of any of the Parties to this Agreement. Each Party hereto agrees to execute and deliver, at any time before and after the Closing, any and all further agreements, documents or instruments reasonably necessary to effectuate this Agreement, and do other acts or things that may be necessary or requested by the other Party hereto to further perfect the rights and interests contemplated hereunder provided that such requirements do not increase the obligations of any Party or diminish the rights of any Party.

9.07 Time. Time is of the essence for all dates and times as used herein.

Article 10. Termination.

10.01 Termination

(a) If any of the conditions precedent to Sellers' obligations hereunder are not satisfied and Buyer shall not cure such deficiency within ten (10) Business Days after notice thereof by Buyer, or such conditions are not waived by each Seller on or prior to the Closing Date, either Seller may terminate this Agreement at its option by written notice to the Buyer and such termination shall be binding upon the other Seller.

(b) If any of the conditions precedent to Buyer's obligation hereunder are not satisfied and Sellers shall not cure such deficiency within ten (10) Business Days after notice thereof by Buyer (other than with respect to a condition that is not satisfied pursuant to Section 11.02 of this Agreement, the cure of which shall be subject to the provisions of Section 11.02 of this Agreement), or such conditions are not waived by Buyer on or prior to the Closing Date, Buyer may terminate this Agreement at its option by written notice to the Seller.

(c) Buyer shall have the right to terminate this Agreement by written notice to Sellers at any time prior to the expiration of the Inspection Period under Section 1.03 for any reason or for no reason whatsoever.

10.02. Effect of Termination.

(a) Any termination pursuant to this Agreement shall be effective immediately. The Parties shall have no further obligations under this Agreement to each other except those that expressly survive or take effect in connection with such termination.

(b) In the event of any termination by Sellers of this Agreement due to the breach of this Agreement by Buyer, Sellers shall be entitled to retain the Deposit as liquidated damages and such remedy shall be the sole remedy of Sellers for a breach of this Agreement by Buyer. If the Closing does not occur for any reason other than a breach of this Agreement by Buyer, Buyer will be entitled to retain the Deposit.

(c) In the event that either Seller breaches this Agreement, Buyer will have any rights or remedies against the Sellers available to Buyer at law or in equity, including the right to terminate this Agreement and seek damages, as well as the right to seek specific performance by the Sellers of the terms of this Agreement.

Article 11. Title to the Real Property

11.01 Title to the Real Property. Attached to this Agreement as Exhibits 11.01(a) and 11.01(b) are each Seller's current policies of title insurance for the Real Property (the "Existing Title Policies")setting forth exceptions to title for each Seller's parcel of Real Property (the "Existing Title Exceptions"). Sellers shall provide Buyer with a copy of Sellers' existing surveys of the Real Property (the "Existing Survey") on or before November 8, 2005. If Buyer does not terminate this Agreement by the end of the Inspection Period, all matters disclosed by or set forth in (i) the Existing Title Exceptions, (ii) Buyer's Commitments for Title Insurance obtained for the Closing of this transaction, (iii) in the Existing Survey and (iv) in the new Survey commissioned by Buyer, if not (with respect to the new Survey) objected to by the end of Inspection Period II, and encumbering the Real Property up to the date of this Agreement shall constitute "Permitted Exceptions" unless Buyer objects to any of the Permitted Exceptions prior to the end of the Inspection Period or prior to end of Inspection Period II with respect to any Permitted Exception which is first disclosed on the new survey of the Real Property. In the event that Buyer gives written notice to Seller of its objection to any of the Permitted Exceptions prior to end of the Inspection Period or prior to end of Inspection Period II with respect to any Permitted Encumbrance which is first disclosed on the new survey of the Real Property, Seller shall have five (5) Business Days from its receipt of the written objection notice to inform Buyer of its approval of, or its denial of Buyer's objections to the Permitted Exceptions. If Seller gives Buyer written notice that it has approved Buyer's objections to the Permitted Exceptions, the Permitted Exceptions objected to by Buyer shall no longer be Permitted Exceptions and Seller shall be obligated to remove such encumbrances from the Property prior to the Closing Date. In the event that Seller does not give Buyer written notice that it has approved the Buyer's objections to the Permitted Exceptions within the five Business Day notice period from the date of Seller's receipt of Buyer's objection notice or either does not reply to Buyer's notice or gives Buyer written notice of its denial of Buyer's objections to the Permitted Exceptions within such five Business Day period, this Agreement shall terminate without any other action on the part of Buyer, the Deposit and all interest accrued thereon shall be returned promptly to Buyer by the Escrow Agent and neither Buyer or either of the Sellers shall have any further liability to the other except for the provisions that survive the termination of this Agreement.

11.02 Title Defects.

(a) New Exceptions to Title. To the extent the Property is encumbered after the date of this Agreement and prior to the Closing without the approval of Buyer, (a "New Exception"), upon receipt of written notice of any such New Exception that cannot be cured by the payment of a liquidated sum of money, Buyer shall have five (5) Business Days (but not later than the Closing Date for any New Exceptions disclosed within five (5) Business Days of the Closing) to review such New Exception and provide written notice to Seller with any objections to such New Exception that have not been approved by Buyer, in its sole discretion (the "Buyer Objections"). Any New Exception(s) that can be cured by the payment of a liquidated sum of money shall be deducted by the Escrow Agent from the Purchase Price paid by Buyer at Closing after adjustment for the Closing costs to be paid by Buyer pursuant to this Agreement, the Sellers' Professional Fees and the Net Apportionment Amount and shall be applied by the Escrow Agent at Closing to the payment such New Exception(s) or, alternatively, such Seller may either bond off the exception or take actions with the Title Company to insure over any such New Exception.

(b) Not later than five (5) Business Days after receipt of the Buyer Objections, but in any event prior to the Closing Date, Sellers shall in their sole discretion, either: (i) notify Buyer of their intention (the "Sellers' Response") to attempt to remove, as defined herein, the New Exceptions that cannot be cured by the payment of a liquidated sum of money listed in the Buyer Objections or (ii) notify Buyer that Sellers do not intend to attempt to remove any such matter. If Seller does not provide Sellers' Response to Buyer within such time period, Sellers shall be deemed to have elected not to attempt to cure Buyer's Objections that cannot be cured by the payment of a liquidated sum of money. If Seller elects (or is deemed to have elected) not to remove one or more of the New Exceptions that cannot be cured by the payment of a liquidated sum of money, then not more than five (5) Business Days after receipt of Sellers' Response (but in any event not later than the Closing Date), Buyer shall by written notice to Sellers either: (A) terminate this Agreement, or (B) waive the existence of such matter. If Sellers elect to attempt to remove any New Exception that cannot be cured by the payment of a liquidated sum of money, then Sellers shall use reasonable efforts to attempt to cure any such New Exception on or before the Closing Date. If at any time Sellers notify Buyer that Sellers will be unable or are unwilling to cure any such New Exception that cannot be cured by the payment of a liquidated sum of money, then Buyer shall, within five (5) Business Days after receipt of such notification, either terminate this Agreement or waive any such New Exception. In any case where this Agreement is terminated as permitted in this Section 11.02 (b), the Deposit and any interest thereon will be paid over to Buyer, and all rights, obligations and liabilities of the Parties hereunder shall be released and discharged except for those obligations and rights which by their terms survive termination of this Agreement.

11.03 Casualty. All risk of loss prior to the Closing Date shall be an obligation of the Sellers. Sellers shall maintain its current policy of casualty insurance up to and through the Closing. Sellers shall give Buyer written notice of any fire or casualty to the Property no later than two (2) Business Days subsequent to the date of the occurrence of a fire or casualty to the Property. If, prior to the Closing Date, any of the Property shall be damaged by fire or other casualty, and if either (i) the costs estimated by Seller's insurance company to restore the Property exceed $250,000 or (ii) the costs estimated by Seller's insurance company to restore the Property do not exceed $250,000 but the insurance proceeds from Sellers' current casualty insurance will not cover the full amount of such damage when added to the amount of any deductible or self insured retention paid by the applicable Seller or (iii) the casualty is likely to cause a material loss of income for greater than six (6) months which will not be substantially compensated by insurance ("Casualty Permitting Termination"), Buyer shall be entitled to terminate this Agreement by providing written notice to Sellers within five (5) Business Days of such casualty, the Deposit and all interest earned thereon shall be returned to Buyer and neither party shall thereafter have any further obligations under this Agreement except for the provisions of this Agreement that survive the termination of this Agreement. If the casualty is not a Casualty Permitting Termination or if Buyer elects to continue with the purchase of the Property after receiving notice of a Casualty Permitting Termination, all of the proceeds of the fire and casualty and business interruption insurance policies (and with respect to business interruption proceeds, only for periods after the Closing) shall be delivered to Seller at Closing and Seller shall pay the amount of any deductible or self insured retention to Buyer at Closing.

11.04 Condemnation. Sellers shall give Buyer written notice of any threatened or commenced condemnation of the Property no later than two Business Days subsequent to the date of Sellers receipt of written notice of a threatened or commenced proceeding to condemn the Property. If prior to the Closing Date, any proceedings to condemn any of the Property (or a

portion thereof) are threatened in writing or commenced other than a proceeding that does not cause (i) a loss of income at the Property, (ii) a loss or impairment of access to the Property, (iii) a loss of parking spaces at the Property, (iv) an adverse change in the zoning applicable to the Property or (v) otherwise have an adverse effect on the Property, then Buyer shall be entitled to terminate this Agreement, the Deposit and all interest earned thereon shall be returned to Buyer and neither party shall thereafter have any further obligations under this Agreement except for the provisions of this Agreement that survive the termination of this Agreement. If Buyer shall elect to proceed with the purchase of the Property upon the occurrence of a threatened or commenced condemnation proceeding or any proceeding to condemn any of the Property (or a portion thereof) is threatened in writing or commenced that does not cause (i) a loss of income at the Property, (ii) a loss or impairment of access to the Property, (iii) a loss of parking spaces at the Property, (iv) an adverse change in the zoning applicable to the Property or (v) otherwise have an adverse effect on the Property, then each Seller shall deliver to Buyer at Closing any applicable condemnation award that it has received or shall assign at Closing all of its rights to pursue and obtain any applicable condemnation award with respect thereto.

Article 12. Disclaimer by Sellers

12.01 DISCLAIMER OF WARRANTIES; PROPERTY CONVEYED "AS IS". BUYER ACKNOWLEDGES AND AGREES THAT THE DISCLAIMERS AND OTHER AGREEMENTS SET FORTH BELOW ARE AN INTEGRAL PART OF THIS AGREEMENT AND THAT SELLERS WOULD NOT HAVE AGREED TO SELL THE FACILITIES TO BUYER WITHOUT THE DISCLAIMERS AND OTHER AGREEMENTS SET FORTH BELOW:

(A) THAT EXCEPT FOR THE LIMITED WARRANTY OF TITLE TO BE CONTAINED IN THE DEEDS TO BE DELIVERED AT CLOSING AND THE REPRESENTATIONS AND WARRANTIES CONTAINED IN THIS AGREEMENT AND THE CLOSING DOCUMENTS, NEITHER OF THE SELLERS NOR ANY AGENT, EMPLOYEE, ATTORNEY, CONTRACTOR OR REPRESENTATIVE OF THE SELLERS HAS MADE ANY, AND EACH SELLER SPECIFICALLY DISCLAIMS, ANY REPRESENTATION, WARRANTY, ASSERTION, AND NON-ASSERTION, STATUTORY, EXPRESS OR IMPLIED, REGARDING THE SUBJECT MATTER OF THIS AGREEMENT OR ANY PART HEREOF, INCLUDING WITHOUT LIMITATION, ANY REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE PHYSICAL NATURE OR CONDITION, ACCESS, SIZE, , ZONING, PERMITS, UTILITY SERVICES, WATER, SANITARY OR STORM SEWER CAPACITY OR WASTEWATER CAPACITY OF THE PROPERTY, OR FACILITIES OR THE VALUE, CONDITION, MERCHANTABILITY, MARKETABILITY, SUITABILITY, OR FITNESS FOR A PARTICULAR PURPOSE OF THE PROPERTY OR FACILITIES.

(B) THAT IN EXECUTING, DELIVERING OR PERFORMING UNDER THIS AGREEMENT, BUYER IS NOT RELYING UPON ANY STATEMENT OR INFORMATION TO WHOMEVER GIVEN, DIRECTLY OR INDIRECTLY, VERBALLY OR IN WRITING, BY EITHER OF THE SELLERS OR ANY AGENT, BROKER, EMPLOYEE, ATTORNEY, CONTRACTOR OR OTHER REPRESENTATIVE OF THE SELLERS EXCEPT AS OTHERWISE SET FORTH IN THIS AGREEMENT OR THE CLSOING DOCUMENTS, AND THAT ANY INFORMATION PROVIDED OR TO BE PROVIDED WITH RESPECT TO THE PROPERTY OR FACILITIES IS OBTAINED FROM A VARIETY OF SOURCES

AND THAT THE SELLERS HAVE NOT MADE ANY INDEPENDENT VERIFICATION TO THE ACCURACY OR COMPLETENESS OF, AND DISCLAIM ANY REPRESENTATION OR WARRANTY WITH RESPECT TO SUCH INFORMATION OTHER THAN AS SET FORTH IN THIS AGREEMENT OR THE CLOSING DOCUMENTS.

(C) THAT THE INSPECTION PERIOD PROVIDED PURSUANT TO THIS AGREEMENT GIVES BUYER THE OPPORTUNITY TO CONDUCT ALL INSPECTIONS, ENGINEERING STUDIES, REPORTS, FEASIBILITY STUDIES, REVIEWS AND EXAMINATIONS OF THE PROPERTY AND FACILITIES AND OTHER MATTERS RELEVANT TO THE PROPERTY AND FACILITIES AS DEEMED NECESSARY OR DESIRABLE BY BUYER.

(D) THAT EXCEPT FOR THE LIMITED WARRANTY OF TITLE TO BE CONTAINED IN THE DEEDS TO BE DELIVERED AT CLOSING AND THE REPRESENTATIONS AND WARRANTIES CONTAINED IN THIS AGREEMENT AND THE CLOSING DOCUMENTS, BUYER WILL RELY SOLELY UPON ITS OWN INSPECTIONS, ENGINEERING STUDIES, REPORTS, FEASIBILITY STUDIES, REVIEW AND EXAMINATIONS OF THE PROPERTY AND FACILITIES AND OTHER MATTERS RELEVANT TO THE PROPERTYAND FACILITIES IN MAKING ITS DECISION TO PURCHASE THE PROPERTY AND FACILITIES.

(E) BUYER ACKNOWLEDGES, THAT PRIOR TO THE CLOSING DATE, BUYER SHALL HAVE THE OPTION AS IT DETERMINES IN ITS SOLE DISCRETION TO CONDUCT APPROPRIATE ENVIRONMENTAL AND SOILS TESTS WITH RESPECT TO THE PROPERTY FACILITIES. EXCEPT FOR ANY FRAUD, MISREPRESENTATION, OR BREACH BY A SELLER PURSUANT TO SECTION 3.10, BUYER HEREBY RELEASES EACH SELLER NOW AND FOREVER, FROM ANY AND ALL CAUSES OF ACTION, CLAIMS, DEMANDS, OR LIABILITIES, WHETHER DIRECT OR INDIRECT, RELATING TO, OR ARISING FROM THE EXISTENCE OF TOXIC OR HAZARDOUS MATERIALS OF ANY KIND ON THE PROPERTY OR FACILITIES ARISING FROM ANY USE OF THE PROPERTY OR FACILITIES OR ARISING FROM THE VIOLATION OF ANY ENVIRONMENTAL LAWS WITH RESPECT TO THE PROPERTY OR FACILITIES,.

(F) THAT THE PROVISIONS OF THIS ARTICLE 12 SHALL SURVIVE THE CLOSING OR ANY TERMINATION OF THIS AGREEMENT AND THAT, AT CLOSING, THE DEEDS AND ANY BILLS OF SALE OR OTHER ASSIGNMENT DOCUMENTS DELIVERED BY SELLERS TO BUYER SHALL CONTAIN THE FOREGOING RECITALS.

Article 13. Indemnification Procedures.

13.01 Indemnification.

(a) Sellers' Indemnification. Each Seller, severally and not jointly, shall indemnify, defend and hold harmless Buyer and its members, managers, officers, employees and representatives (collectively, the "Buyer Indemnified Parties") for, and will pay to the Buyer Indemnified Parties, the amount of, any loss, liability, claim, damage and expense (including costs of investigation and defense and reasonable attorneys' fees) which arises subsequent to the occurrence of the Closing directly or indirectly, from or in connection with: (a) the operation of

the Property owned by such Seller through the Closing Date, (b) the failure of Seller to satisfy all of its liabilities and obligations including its liabilities and obligations to third parties or otherwise under any contract, agreement or arrangement of a Seller (other than liabilities with respect to periods of time after the Closing under Contracts and Residency Agreements assumed by Buyer hereunder), whether or not the rights thereunder are assigned to the Buyer hereunder ((a)and (b), collectively, the "Seller Indemnified Liabilities") and; (c) any fraud, misrepresentation, breach, non-performance or non-fulfillment of any representations, warranties, covenants or other agreements made or to be performed by such Seller under this Agreement (the "Seller Covenant Claims"); and

(b) Buyer's Indemnification. Buyer will indemnify and hold harmless Seller and its officers, employees and representatives (collectively, the "Seller Indemnified Parties") for, and will pay to the Seller Indemnified Parties, the amount of, any loss, liability, claim, damage and expense (including costs of investigation and defense and reasonable attorneys' fees) which arises subsequent to the occurrence of the Closing Date directly or indirectly, from or in connection with: (a) the operation of the Property after the Closing Date provided that such liabilities, claims, damages and expenses do not arise or result from actions taken by Sellers prior to the Closing; (b) the failure of Buyer to satisfy all of the Buyer's liabilities and obligations under this Agreement, including liabilities under Contracts assumed by Buyer hereunder ((a)and (b), collectively, the "Buyer Indemnified Liabilities") and (c) any fraud, misrepresentation, breach, non-performance or non-fulfillment of any representations, warranties, covenants or other agreements made or to be performed by Buyer under this Agreement (a "Buyer Covenant Claim"). The Buyer and Seller Covenant Claims are hereinafter referred to collectively as the "Covenant Claims"

13.02 Notice of Asserting Claims. In the event that any written claim or demand for which a Seller or Buyer would be liable to any Indemnified Party hereunder (an "Indemnifying Party") is asserted against or sought to be collected from any Indemnified Party by a third party for claims arising subsequent to the Closing, such Indemnified Party shall, following such Indemnified Party's receipt of such claim or demand, notify the Indemnifying Party of such claim or demand and the amount or the estimated amount thereof to the extent then feasible (which estimate shall not be conclusive of the final amount of such claim and demand) and shall give a written notice of any Covenant Claim or Special Covenant Claim to the Indemnified Party after it has acquired knowledge of such claim (collectively, a "Claim Notice"). Any notice of a Covenant Claim shall state specifically the representation, warranty, or covenant or other provision of this Agreement with respect to which a Covenant Claim is made, the facts giving rise to an alleged basis for the claim, and the amount of the liability asserted against the Indemnifying Party by reason of the claim. Prior to the filing of any pleadings with respect to a Covenant Claim, the Sellers and Buyer will attempt in good faith to resolve by negotiation during a period of fifteen (15) days after receipt of notice of a Covenant Claim any legal controversy or claim arising out of or relating to this Agreement.

13.03 Procedures for Indemnified Liability Claims. All Buyer Indemnified Liabilities by a Buyer Indemnified Party or Seller Indemnified Liabilities by a Seller Indemnified Party under this Article 13 for claims arising subsequent to the occurrence of the Closing shall be asserted and resolved as set forth in this Section 13.03 of this Agreement. All costs and expenses incurred by the Indemnifying Party in defending such claim or demand shall be a liability of, and shall be paid by, the Indemnifying Party, provided however, that each Seller and Buyer be

entitled to draw upon the Holdback Account maintained with respect to such Seller for the payment of attorney's fees pursuant to Section 13.06 of this Agreement. If any Indemnified Party desires to participate in any defense or settlement by the Indemnifying Party or to allow its designee (or to require its insurer or any other party contractually obligated to such Indemnifying Party (a "Permitted Designee") to participate in the defense or conduct actions to remediate or cure the defect or otherwise resolve the claim or demand ("Remedial Action"), as the case may be, the Indemnified Party may do so at its sole cost and expense, unless such party is required to retain separate counsel because of the nature of the claim, in which event such costs and expenses shall be paid by the Indemnifying Party. The Indemnified Party shall not settle a claim or demand without the consent of the Indemnifying Party, which shall not be unreasonably withheld. The Indemnifying Party shall not, without the prior written consent of the Indemnified Party, which shall not be unreasonably withheld, settle, compromise or offer to settle or compromise any such claim or demand on a basis which would result in the imposition of a consent order, injunction or decree that would restrict the future activity or conduct of the Indemnified Party or any subsidiary or affiliate thereof the Indemnified Party will give the Indemnifying Party, its counsel and any Permitted Designee (with respect to any liability for which the Indemnifying Party may have an indemnity claim pursuant to any agreement it had made with such Permitted Designee as in effect as of the date hereof), access to, during Buyer's normal business hours and after reasonable prior notice to Buyer, the Property and relevant business records and other documents, and shall permit them to consult with the employees and counsel of the Indemnified Party after reasonable prior notice to Buyer. The Indemnified Party shall use its good faith, diligent and reasonable efforts in the defense of all such claims.

13.04 Seller Indemnification Liabilities. Buyer acknowledges that Sellers have retained insurance coverage for certain Seller Indemnified Liabilities and any Seller Covenants for which a Seller may be insured under the policy occurring prior to Closing and that Buyer intends to permit Sellers' insurer to defend and satisfy such liabilities prior to asserting a claim against the Holdback Amount provided that (i) such insurer's defense is promptly and diligently pursued and (ii) the insurance policy remains in full force and effect at all times (subject, however, to payment of any applicable retainage or deductible amount, any amount to which the insurer has a valid defense or amounts in excess of the amount of the policy by Seller) during the two (2) year period subsequent to the occurrence of the Closing. Prior to closing, Sellers shall make good faith diligent efforts to secure the agreement of Sellers' insurers that Sellers' insurance policy shall provide that such insurance shall be primary with respect to any Claim for a Seller Indemnified Liability or insured Covenant Claim, over any insurance maintained by Buyer. If the insurance policy is cancelled prior to two years after the Closing Date and shall not provide coverage for any claim for a Seller Indemnified Liability, then, Buyer may proceed directly against the Holdback Amount for all Seller IndemnifiedLiabilities not covered by such insurance. Sellers will seek to have Buyer named as an additional insured under such policy and shall require the insurer to provide Buyer within ten (10) days prior written notice of any cancellation of the insurance policy or any material change therein. Buyer must provide Sellers' insurer with written notice of any Seller Indemnified Liability and any Seller Covenants for which a Seller may be insured under the policy under Section 13.01 on or before the date that is two full calendar years subsequent to the occurrence of the Closing. However, Buyer shall be entitled to recover insurance proceeds, to the extent available from Sellers' insurers, for any Seller Indemnified Liabilities and any Seller Covenants for which a Seller may be insured under the Sellers' insurance policy for as long as such insurance shall be available to Sellers and/or Buyer, even if such claim arises after the fifteen month limitation with respect to claims against the Holdback Accounts of Sellers. .

13.05 Exclusive Remedy. Except as otherwise expressly provided in this Agreement, the parties hereto acknowledge and agree that the remedies and the dispute resolution process provided for in this Article 13 shall be the parties' sole and exclusive remedy with respect to all matters that arise under this Agreement and are asserted by a party subsequent to the occurrence of the Closing. In furtherance of the foregoing, the parties hereby waive and release, to the fullest extent permitted by applicable law, any and all other rights, claims and causes of action (including rights of contributions, if any) known or unknown, foreseen or unforeseen, which exist or may arise in the future, that it may have against Sellers or any of its affiliates, or Buyer or any of its affiliates, as the case may be, arising under or based upon any federal, state or local statute, law, ordinance, rule, regulation or judicial decision (including, without limitation, any such statute, law, ordinance, rule, regulation or judicial decision relating to Environmental Laws or Hazardous Materials or arising under or based upon any securities law, common law or otherwise) with respect to all matters that arise under this Agreement and are asserted by a party subsequent to the occurrence of the Closing except as otherwise set forth in this Agreement.

13.06 Limitation of Liability for Covenant Claims.

(a) Buyer acknowledges and agrees that, after Closing, each Seller's liability under this Agreement including, without limitation, for Seller Covenant Claims, Seller Indemnified Liabilities (unless such claim is paid by Sellers' insurance policy as set forth above), claims

pursuant to Sections 2.04, 2.05, 2.06 or 14.03 of this Agreement (the "Specific Covenant Claims") and all costs and expenses to be paid or incurred by a Seller incident to the foregoing, shall be limited to an amount equal to the Holdback Account for such Seller. Further, for the avoidance of doubt, each Seller shall be entitled to draw upon its Holdback Account not more than once per calendar month to fund its attorney fees actually incurred in connection with any dispute with Buyer with respect to defending any Seller Covenant Claims, Seller Indemnified Liabilities or Specific Covenant Claims. Likewise, Buyer may fund its attorney's fees actually incurred not more than once per calendar month from the Holdback Account of a Seller in connection with any dispute with a Seller with respect to a Seller Covenant Claim or a Specific Covenant Claim.

(b) Buyer will be entitled to indemnification from the Holdback Amount to the extent that a Seller Indemnified Liability is not satisfied by insurance proceeds or other cash receipts or sources of reimbursement received as an offset against such loss (it being understood and agreed that Buyer will look first to recover from the policies of liability insurance maintained by Sellers with respect to Seller Indemnified Liabilities and Covenant Claims, to the extent covered by insurance). Neither Seller shall have liability under Section 13.01 with respect to Seller Covenant Claims until the aggregate amount of claims resulting from an indemnified claim with respect to its Property shall exceed $25,000 and Buyer shall have no liability under Section 13.01 of this Agreement with respect to Buyer Covenant Claims until the aggregate amount of claims resulting from an indemnified claim with respect to it shall exceed $25,000 (the "Basket Amount"). Notwithstanding the foregoing provisions of this Section 13.06, the Basket Amount shall not apply to any loss, liability, claim, damage or expense which is a Specific Covenant Claim.

(c) Buyer must provide Seller with a Claim Notice of any Seller Indemnified Liability, Special Covenant Claim or Covenant Claim under Section 13.01 on or before the date that is fifteen full calendar months subsequent to the Closing Date to be entitled to recover any such claim from the Holdback Account.

13.07 Holdback. The Holdback Amount shall be maintained by Escrow Agent for the benefit of each Seller, respectively, and Buyer, in two interest bearing Holdback Accounts in an FDIC insured bank, with one account for each Seller, and each Holdback Account held by Escrow Agent shall have an amount equal to the Holdback Amount, multiplied by a fraction, the numerator of which is the Purchase Price allocated to such Seller in Schedule 2.1 and the denominator of which is the total Purchase Price for the Property. The Holdback Account shall be the sole source (other than Seller's insurance) of all Seller liabilities to Buyer under this Agreement, including, any and all Seller Indemnified Liabilities (other than a claim that Sellers' insurance policy is obligated to pay as set forth above), Covenant Claims and Specific Covenant Claims by Buyer against a Seller arising under this Article 13. Upon resolution of a claim to be satisfied from a Seller's Holdback Account under this Article 13, the Buyer may give the Escrow Agent instructions to distribute funds from the applicable Seller's Holdback Account in the amount of the claim to Buyer, subject to the limitations herein. On the date that is fifteen full calendar months subsequent to date of the occurrence of the Closing, (i) if there are no pending claims against a Seller, Buyer and Seller shall authorize the return to such Seller of the funds in the Holdback Account of such Seller, or (ii) if there are pending disputes or claims for which a Seller or Buyer would receive payments from a Holdback Account, Buyer and the applicable Seller shall agree upon a reasonable amount to satisfy such claims or pending disputes if the

pending claims are less than the funds in the Holdback Account and authorize a return of any excess funds to such Seller until such claims or disputes are resolved, at which time, Buyer and the applicable Seller shall authorize the return to the Seller of any amount remaining in such Holdback Account.

13.08 Reimbursement. In the event that it is ultimately determined that the Indemnifying Party is not obligated to indemnify, defend or hold the Indemnified Party harmless from and against any third party claim, the Indemnified Party shall reimburse the Indemnifying for any and all costs and expenses (including, without limitation, reasonable attorney's fees and court costs) incurred by the Indemnifying Party in its defense of the third party claim.

Article 14. Miscellaneous.

14.01 Expenses. Each of the Parties shall pay all of their respective costs and expenses incurred or to be incurred by them in negotiating and preparing this Agreement and in Closing and carrying out the transactions contemplated herein, except as may otherwise be provided in this Agreement. In furtherance of the foregoing, Buyer shall bear all costs of its due diligence investigation (including any expenses incurred by Seller in connection therewith other than expenses incurred in connection therewith resulting from Seller's failure to comply with this Agreement or from Seller's willful misconduct or negligence), title policy and recordation fees and other Closing costs to be paid by Buyer pursuant to this Agreement and shall have no obligation to pay any costs other than the payment of Sellers' Professional Fees from funds that would otherwise be paid to Seller as part of the Purchase Price.

14.02 Notices. Any notice, request, instruction or other document given hereunder by any party to the other shall be in writing and delivered personally, by mail (certified mail, postage prepaid, return receipt requested), by commercially recognized same day or overnight courier, by telex or facsimile transmission (to be effective when receipt acknowledged and provided that notice is given and received on the next Business Day by overnight courier), as set forth below or at such other address as any party may by like notice designate to the other in writing.

To Sellers:

Autumn Health Services of Kennebunk, Inc.
Autumn Health Services of Kennebunk II, Inc.
3 Huntington Common Drive
Kennebunk, ME 04043
Attn: Dr. David McConnell

with a copy to:

Bernstein, Shur, Sawyer & Nelson, P.A.
100 Middle Street, PO Box 9729
Portland, Maine 04104-5029
Attn: John L. Carpenter, Esq.

To Buyer:

Sunrise Kennebunk ME Senior Living, LLC
Sunrise Senior Living, Inc.
7902 Westpark Drive
McLean, Virginia 22102
Attention: Brad Rush

with a copy to:

Arent Fox PLLC
1050 Connecticut Avenue, N.W.
Washington, D.C. 20036
ATTN: Kimberly A. Wachen, Esq.

Any notice shall be effective only upon receipt unless such notice is refused by the Party to which it is to be delivered or because such notice cannot be delivered because of failure to provide written notice to the other Party to this Agreement of a change of address in which event notice shall be deemed to be given on the date of such refusal in the case of a refusal to accept delivery of notice or the date of the attempted delivery in the case of a change of address, provided, however, notices, demands, requests and other communications sent by telecopy after 5 p.m. local time at the location to which the same is sent shall be deemed received on the next succeeding Business Day. Notices, demands, requests and other communications given by an attorney named above on behalf of its client and sent to the other Party in the manner set forth in this paragraph shall have the same effect as if given by a Party.

14.03 Broker Fees. Buyer and Sellers acknowledge that Ziegler Capital Markets Group ("Ziegler") has been involved in advising Sellers with regard to the matters referred to herein and that Ziegler fees pursuant to the agreement between Ziegler and Sellers with respect to Ziegler's representation of Sellers in connection with this sale of the Property shall be included in the Sellers' Professional Fees to be paid at Closing hereunder. Each of the Sellers and Buyer represents and warrants to the other that it has not dealt with any other broker in this transaction and each agrees to hold harmless the other and indemnify the other from and against any and all damages, costs or expenses (including, without limitation, reasonable attorneys' fees and disbursements) suffered by the indemnified Party as a result of acts of the indemnifying Party that would constitute a breach of its representation and warranty in this Section. The provisions of this Section 14.03 shall survive the Closing.

14.04 Applicable Law. This Agreement shall be construed and enforced in accordance with the laws of the State of Maine, without regard to its conflicts of laws principles. The Parties agree and consent to the jurisdiction of the Federal District Court located in Maine, and the Superior Court located in York County, Maine, and acknowledge that such courts shall constitute proper and convenient forums for the resolution of any actions among the parties with respect to the subject matter hereof, and agree that such courts shall be the sole and exclusive forums for the resolution of any actions among the Parties with respect to the subject matter hereof.

14.05 Counterparts. This Agreement may be executed simultaneously in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

14.06 Effect of Captions. The captions of sections and sub-sections of this Agreement have been inserted solely for convenience of reference, and shall not control or affect the meaning or construction of any of the provisions of this Agreement.

14.07 Incorporation by Reference. All Schedules referred to in this Agreement shall be incorporated by reference into this Agreement and shall be deemed a part of this Agreement as if fully set forth in this Agreement.

14.08 Entire Agreement; Modification, Waiver. This Agreement and the Schedules hereto constitute the entire agreement between Seller and Buyer pertaining to the subject matter contained therein and supersedes all prior and contemporaneous agreements, representations and all understandings of the parties, whether oral or written. No supplement, modification or amendment of this Agreement shall be binding unless expressed as such and executed in writing by Buyer and each of the Sellers. No waiver of any of the provisions of this Agreement shall be deemed to be or shall constitute a waiver of any other provision hereof, whether or not similar, nor shall any such waiver constitute a continuing waiver. No waiver shall be binding unless expressed as such in a document executed by the Party making the waiver.

14.09 Publicity. Prior to the Closing, all publicity concerning the transactions contemplated by this Agreement and all notices respecting publicity shall be jointly planned, coordinated and released by and between Buyer and Seller. Prior to the Closing, none of the Parties or their representatives shall act unilaterally with respect to publicity concerning the transaction without prior notice to and the prior written consent of the other Parties.

14.10 Confidentiality. Sellers agree not to divulge, communicate or disclose, except as may be required by law or for the performance of this Agreement, or use to the detriment of Buyer, or for the benefit of any other person or persons or misuse in any way, any confidential information or trade secrets of Buyer concerning the subject matter hereof or any information with respect to this Agreement or the transaction described in the Agreement. Sellers acknowledge and agree that any information or data it has acquired on any of these matters or items was received in confidence prior to the Closing. The requirements described in the immediately preceding two sentences shall survive the Closing or the termination of this Agreement. The terms of the Confidentiality Agreement dated August 9, 2005 other than paragraph 4 which shall be of no further force and effect after the date of this agreement executed by Buyer and Sellers shall have continuing force and effect prior to the Closing notwithstanding the execution or any termination of this Agreement until the occurrence of the Closing Date, on which date the Confidentiality Agreement shall terminate notwithstanding anything set forth therein to the contrary.

14.11 Non-Assignability. This Agreement may not be assigned by a Party without the express written consent of the other Parties. Notwithstanding the foregoing, Buyer may assign this Agreement to Sunrise Senior Living, Inc., or an entity owned and controlled (directly or indirectly) by Sunrise Senior Living, Inc. without the consent of Sellers.

14.12 Attorney's Fees. In the event of any suit, action, or arbitration proceedings (whether based on contract, tort, or any other theory of liability) to enforce any provision of this Agreement, to recover damages for a breach hereof, or to secure or preserve the rights of any Party against any other Party to any property which is the subject of this Agreement, the prevailing Party will be entitled to recover reasonable attorneys fees (other than fees computed

on a contingency fee basis), court costs and expenses of arbitration and litigation expended in the prosecution or defense thereof.

14.13 Business Days. Any day that is not a Sunday, Saturday or a day that is a federal holiday shall be referred to in this Agreement as a "Business Day". If the date on which, or time period by which, any right, option or election provided under this Agreement must be exercised, or by which any act required hereunder must be performed, or by which the Closing occurs, falls or expires on a day that is not a Business Day, then such date or time period shall be automatically deferred or extended until the close of business on the next Business Day.

14.14 Knowledge of Seller defined. Any representation hereunder made to the "knowledge" or "best knowledge" of a Seller shall mean the actual knowledge, after due inquiry, of Samuel Checovich or Douglas Stockbridge, principals of Rollins Management Group, a Manager.

[Remainder of page intentionally left blank. Next Page is Signature Page]

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement of Purchase and Sale to be duly executed on their respective behalf, by their respective officers being duly authorized, all effective as of the day and year first written above.

SELLERS:

AUTUMN HEALTH SERVICES OF KENNEBUNK, INC.

By: Joseph J. Chapin
Its: Secretary

AUTUMN HEALTH SERVICES OF KENNEBUNK II, INC.

By: Joseph J. Chapin
Its: Secretary

BUYER:
SUNRISE KENNEBUNK ME SENIOR LIVING, LLC

By: _____
Its: _____

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement of Purchase and Sale to be duly executed on their respective behalf, by their respective officers being duly authorized, all effective as of the day and year first written above.

SELLERS:

AUTUMN HEALTH SERVICES OF KENNEBUNK, INC.

By: _____
Its: _____

AUTUMN HEALTH SERVICES OF KENNEBUNK II, INC.

By: _____
Its: _____

BUYER:
SUNRISE KENNEBUNK ME SENIOR LIVING, LLC

By: R Adams
Its: Vice President

RECEIPT BY ESCROW AGENT

This Agreement, fully executed by Sellers and Purchaser, has been received by Escrow Agent this 28th day of November, 2005, and by its execution hereof, Escrow Agent hereby covenants and agrees to be bound by of this Agreement that are applicable to Escrow Agent in its role as Escrow Agent pursuant to this Agreement.

ESCROW AGENT:
FIRST AMERICAN TITLE INSURANCE COMPANY

By: _____
Name: Craig A. Johnson
Title: Vice President

ESCROW AGREEMENT (continued)

ESCROW AGENT:

FIRST AMERICAN TITLE INSURANCE COMPANY

By: Craig A. Johnson, V.P.

Address: 1801 K Street, N.W.
Suite K-200
Washington, D.C. 20006
Phone: 202-530-1200
Fax: 202-530-1433

SCHEDULES

Schedules 1.01(a)
Schedules 1.01(b)
Schedules 1.01(c)
Schedules 1.01(e)
Schedules 2.01
Schedules 3.03
Schedules 3.05
Schedules 3.15
Schedules 9.04(a)
Schedules 9.04(b)
Schedules 9.04(c)
Schedules 9.04(d)

Schedule 1.01(a)

Real Property Description

1. Attached hereto as Exhibit A is the legal description for the Autumn I Real Property.

2. Attached hereto as Exhibit B is the legal description for the Autumn II Real Property.

EXHIBIT A

DEED
L & R to AUTUMN HEALTH

n lot or parcel of land situated in the Town of Kennebunk, County of York and e on the northerly side of Ross Road, so called, further described as a portion of Lot n of Kennebunk Tax Assessor's Map No. 47 and bounded and described as t:

an iron rod set on the northerly side of Ross Road at the southwesterly corner of formerly of William F. and Mabel M. Pick; thence, running N 39°47'03" W, 89.43 e northerly side of said Ross Road to an iron rod set at the southeasterly corner of formerly of Vincent A. and Helen L. Corsaro; thence, turning and running N 200.00 feet along land of said Corsaro to an iron rod set; thence, turning and 9°47'03" W, 206.00 feet along land of said Corsaro and along land now or formerly ght Cummings to a point at the northeasterly corner of land now or formerly of urse and the southeasterly corner of land now or formerly of Alton F. and Marguerite ence, turning and running N 49°54'41" E, 404.00 feet along land now or formerly of n to an iron pipe in a concrete bound found; thence, turning and running N W, 527.67 feet along land now or formerly of said Goodson and land now or formerly nd Christine Frank to a concrete bound found at other land now or formerly of said L ties (herein called "L & R"); thence, turning and running N 48°22'00" E, 91.84 feet now or formerly of said L & R to a point of curvature (not tangent); thence, turning g along land now or formerly of said L & R and a curve to the right with a radius of and a central angle of 03°15'16", 10.62 feet to a point of tangency; thence, turning g N 21°55'00" E, 83.29 feet along land now or formerly of said L & R to a point of thence, turning and running along land now or formerly of said L & R and a curve to h a radius of 113.00 feet and a central angle of 17°00'00", 33.53 feet to a point of thence, turning and running N 04°55'00" E, 43.56 feet along land now or formerly of R to a point; thence, turning and running N 26°39'49" E, 63.11 feet along land now or f said L & R to a point of curvature (not tangent); thence, turning and running along or formerly of said L & R and a curve to the left with a radius of 114.00 feet and a gle of 22°22'30", 44.52 feet to a point of tangency; thence, turning and running S E, 73.69 feet along land now or formerly of said L & R to a point ; thence S E , a distance of 3.60 feet to a point; thence S 76°39'12" E, a distance of 89.15 feet to hence N 86°32'09" E, a distance of 35.05 feet to a point; thence N 64°17'12" E, a of 21.47 feet to a point; thence on a course of S 85°42'41" E, a distance of 44.41 feet to hence, turning and running along land now or formerly of said L & R on a curve to the a radius of 211.00 feet and a central angle of 21°00'00", 77.34 feet to a point of e; thence, turning and running S 64°42'41" E, 190.19 feet along land now or formerly of R to a point of curvature; thence, turning and running along land now or formerly of R and a curve to the right with a radius of 236.00 feet and a central angle of 31°12'42", eet to a point of tangency; thence, turning and running S 33°29'59" E, 22.25 feet along W or formerly of said L & R to a point of curvature; thence, turning and running on a long land now or formerly of L & R on a curve to the left with a radius of 89.00 feet

gle of 33°00'21", 51.27 feet to a point of tangency; thence, turning and running S
.44 feet along land now or formerly of said L & R to a point of curvature; thence,
ning along land now or formerly of said L & R on a curve to the right with a
) feet and a central angle of 11°49'22", 43.54 feet to a point; thence S 54°40'58"
nce S 38°04'14" E, 61.04 feet; thence S 33°24'13", 77.93 feet to a point; thence
a distance of 66.26 feet, to a point at land now or formerly of Common Care, Inc.;
and running S 53°45'40" W, 119.32 feet along land now or formerly of said
Inc. to an iron rod set; thence, turning and running along land now or formerly of
Care, Inc. and a curve to the left with a radius of 1962.39 feet and a central angle
13.95 feet to an iron rod; thence, turning and running S 47°05'00" E, 30.00 feet
or formerly of said Common Care, Inc. to an iron rod; thence, turning and
7'12" W, 133.86 feet along land now or formerly of said Common Care, Inc. to a
urning and running S 38°41'14" W, 249.20 feet along land now or formerly of
Care, Inc. to a point; thence, turning and running S 35°58'57" W, 181.17 feet
or formerly of said Common Care, Inc. to a point at land now or formerly of
Diane L. Reynolds; thence, turning and running N 39°47'03" W, 177.83 feet along
rmerly of said Reynolds and land nor or formerly of said Pick to an iron rod set;
g and running S 49°16'14" W, 200.02 feet along land now or formerly of said Pick
set being the point of beginning.

g premises are shown as "Phase I" on a plan entitled: "PLAN OF LAND
FROM A STANDARD BOUNDARY SURVEY OF TAX ASSESSOR'S MAP
1 ROSS ROAD, TOWN OF KENNEBUNK, MAINE, COUNY OF YORK"; dated
vised 5/12/97; scale: 1" = 100'; by: CIVILWORKS, INC. recorded in the York
stry of Deeds, Plan Book 237, Page 5-6; but excluding therefrom the portion of the
bed premises shown as "Conservation Easement" on said Plan and described in the
& R Properties to Douglas R, Stockbridge Sr. and Samuel L. Checovich, dated
4, 1997 and recorded herewith.

premises are conveyed together with the benefit of (i) rights for the laying,
e and repair of utility lines, pipes, cables and other conduits as set forth originally in a
ed in the York County Registry of Deeds, Book 4843, Page 233, said area being
"50' UTILITY EASEMENT" on the plan hereinatfer referred to; and (ii) a
ve easement for access over the area shown as "50' ACCESS EASEMENT,"
rom U.S. Route One to the above premises, over land now or formerly of Common
nd being shown on a plan by Civilworks entitled: "PLAN OF LAND RESULTING
STANDARD BOUNDARY SURVEY OF TAX ASSESSOR'S MAP 47, LOT 3A,
ND ROAD, TOWN OF KENNEBUNK, MAINE, COUNTY OF YORK", dated March
d recorded with the York County Registry of Deeds in Plan Book 237, Page 24, all as
cularly described in a deed from Common Care, Inc. to L & R recorded herewith.

l of land is conveyed subject to all matters depicted or described on the above
Plans, as well as any other easements, rights, or restrictions appearing of record.

ING AND RESERVING unto the Grantor herein, its successors in interest and assigns,
ghts and easements for access together with transmission of utilities to and from Ross

1, so-called. These easements shall be located over the existing drive from Ross
posed extension in a northwesterly and northerly direction to Grantor's Retained
ase II as shown on said Plan recorded in Plan Book 237, Pages 5 and 5) and over
ive extending near the northerly boundary of the premises conveyed herein from
minus of the 50' ACCESS EASEMENT extending in a generally westerly
easterly boundary of Grantor's Retained Land (said "Phase II"). The Grantor
ve the right to utilize those portions of the existing roadways as are located within
ell as future roadways constructed therein solely for the purpose and in
th the plans on file with the York County Registry of Deeds in Plan Book 237 at
but in any event such use is limited to direct roadway and sidewalk access running
oute 1 and Ross Road for Phase II (Grantor's Retained Land) and the Conservation
n on said Plans. Grantor also reserves the right, at its option, to construct and
adway and sidewalk areas and install utilities in accordance with said Plans at
cost and expense; provided that any such construction shall be undertaken in a
not to unreasonably interfere with grantee's use of its premises and shall be done in
orkmanlike manner

e is made to Deed from Samuel L. Checovich and Douglas R. Stockbridge to L &
dated December 16, 1988 and recorded in the York County Registry of Deeds in
page 309, and a deed from Common Care, Inc. to L & R Properties of even or
be recorded herewith.

EXHIBIT B

certain lot or parcel of land situated in the Town of Kennebunk, County of York and Maine on the northerly side of Ross Road, so called, further described as a portion of Lot e Town of Kennebunk Tax Assessor's Map No. 47 and bounded and described as to wit:

ing at a three-quarter (3/4) inch iron road found at the southwesterly corner of the subject es as same abuts land now or formerly of John D. and Christine Frank to the south and w or formerly of Sherman E. and Mary Huff to the west; thence, running N 41° 37'28" 6.93 feet along land now or formerly of said Huff to a one-half (1/2) inch iron rod found at w or formerly of the Heirs of Robert E. Louis; thence, turning and running N 39°27'02" 4 feet along land now or formerly of said Heirs of Louis to a one (1) inch iron pipe found; turning and running N 29°24'57" E, 278.00 feet along land now or formerly of said Heirs is to a point at land now or formerly of the Kennebunk Land Trust; thence, turning and g N 52°09'18" E, 435.51 feet along land now or formerly of said Trust to a point; thence, and running S 39°38'23" E, 77.89 feet along land now or formerly of said Trust to a thence, turning and running S 29°21'22" E, 28.33 feet along land now or formerly of said to a point; thence, turning and running S 24°18'12" E, 86.86 feet along land now or ly of said Trust to a point; thence, turning and running S 36°53'36" E, 109.01 feet along w or formerly of said Trust to a point; thence, turning and running S 33°41'22" E, 114.75 ng land now or formerly of said Trust to a point; thence, turning and running S 42°08'12" 4 feet along land now or formerly of said Trust to a point; thence, turning and running S 20" E, 86.61 feet along land now or formerly of said Trust to a point; thence, turning and g S 62°14'53" E, 73.94 feet along land now or formerly of said Trust to a point at land formerly of Autumn Health Services of Kennebunk, Inc.; thence, turning and running N 41" W, 73.69 feet along land now or formerly of said Autumn to a point of curvature; turning and running along land now formerly of said Autumn and a curve to the right radius of 114.00 feet and a central angle of 22°22'30", 44.52 feet to a point (not tangent); turning and running S 26°39'49" W, 63.11 feet along land now or formerly of said n to a point; thence, turning and running S 04°55'00" W, 43.56 feet along land now or ly of said Autumn to a point of curvature; thence, turning and running along land now or rly of said Autumn and a curve to the right with a radius of 113.00 feet and a central angle 00'00", 33.53 feet to a point of tangency; thence, turning and running S 21°55'00" W, feet along land now or formerly of said Autumn to a point of curvature; thence, turning nning along land now or formerly of said Autumn and a curve to the left with a radius of 0 feet and a central angle of 03°15'16", 10.62 feet to a point (not tangent); thence, turning nning S 48°22'00" W, 91.84 feet along land now or formerly of said Autumn to a six (6) by six (6) inch concrete bound found at land now or formerly of John D. and Christine k; thence, turning and running S 48°22'00" W, 199.92 feet along land now or formerly of Frank to a three-quarter (3/4) inch iron rod found at the point of beginning.

parcel containing 7.66 acres of land, more or less.

hin premises are conveyed together with the benefit of (i) rights for the laying, nance and repair of utility lines, pipes, cables and other conduits as set forth originally in a corded in the York County Registry of Deeds, Book 4843, Page 233, said area being as "50' UTILITY EASEMENT" on the plan hereinafter referred to; and (ii) a clusive easement for access over the area shown as "50' ACCESS EASEMENT," ing from U.S. Route One to the above premises, over land now or formerly of Common nc. and being shown on a plan by Civilworks entitled: "PLAN OF LAND RESULTING A STANDARD BOUNDARY SURVEY OF TAX ASSESSOR'S MAP 47, LOT 3A, LAND ROAD, TOWN OF KENNEBUNK, MAINE, COUNTY OF YORK", dated March 7 and recorded with the York County Registry of Deeds in Plan Book 237, Page 24, all as particularly described in a deed from Common Care, Inc. to L & R herewith in the York Registry of Deeds.

arcel of land is conveyed subject to all matters depicted or described on the above iced Plans, as well as any other easements, rights, or restrictions appearing of record.

her with and also conveying to Grantee herein, its successors in interest and assigns, certain and easements for access together with transmission of utilities to and from Ross Road and 1, so-called. These easements shall be located over the existing drive from Ross Road and posed extension in a northwesterly and northerly direction to Grantee's Land (being Phase hown on said Plan recorded in Plan Book 237, Pages 5 and 5) and over the proposed drive ding near the southerly boundary of the premises conveyed herein from the westerly nus of the 50' ACCESS EASEMENT extending in a generally westerly direction to the ly boundary of Grantee's Land (said "Phase II"). The Grantee herein shall have the right to those portions of the existing roadways as are located within such areas as well as future ays constructed therein solely for the purpose and in accordance with the plans on file with ork County Registry of Deeds in Plan Book 237 at pages 5 and 6. but in any event such use ited to direct roadway and sidewalk access running to and from Route 1 and Ross Road for II and the Conservation Land as shown on said Plans. Grantee also shall have the right, at tion, to construct and extend such roadway and sidewalk areas and install utilities in dance with said Plans at Grantee's sole cost and expense; provided that any such uction shall be undertaken in a manner so as not to unreasonably interfere with Grantee's f its premises and shall be done in a good and workmanlike manner.

reference is made to deed of L & R Properties to Douglas R. Stockbridge, Sr. and Samuel ecovich dated December 31, 1998 and recorded in the York County Registry of Deeds, 9241, Page 191. Further reference is made to deed of Samuel L. Checovich to Douglas R. kbridge, Sr. dated December 31, 1998 and recorded in said Registry, Book 9241, Page 194.

Schedule 1.01(b)

FF&E

See depreciation schedules attached hereto for each of Autumn I and Autumn II.

34755 Autumn Health Services of Kennebunk, Inc
22-7326891
FYE: 12/31/2004

Book Future Depreciation FYE: 12/31/05

Asset	Property Description	Date In Service	Book Cost	Book Sec 179 Exp	Book Sal Value	Book Prior Depreciation	Book Current Depreciation	Book End Depr	Book Net Book Value	Book Method	Book Period
Group: 01 - Land											
1	Land	9/24/97	800,000.00	0.00	0.00	0.00	0.00	0.00	800,000.00	Land	0.0
		01 - Land	800,000.00	0.00	0.00	0.00	0.00	0.00	800,000.00		
Group: 02 - Buildings											
2	Original Buildings - Common	9/24/97	5,000,000.00	0.00	0.00	1,450,000.00	200,000.00	1,650,000.00	3,350,000.00	S/L	25.0
26	Bradford Court Addition	4/15/98	1,997,765.00	0.00	0.00	337,122.87	49,944.13	387,067.00	1,610,698.00	S/L	40.0
27	Bradford on the Common - Alzheim	11/17/98	2,063,801.00	0.00	0.00	313,869.77	51,595.03	365,464.80	1,698,336.20	S/L	40.0
28	Bradford on the Common - AL port	12/18/98	4,119,348.00	0.00	0.00	617,902.20	102,983.70	720,885.90	3,398,462.10	S/L	40.0
29	Carpet replacement	3/05/99	589.29	0.00	0.00	491.05	84.18	575.23	14.06	S/L	7.0
30	Carpet replacement	3/25/99	969.00	0.00	0.00	795.97	138.43	934.40	34.60	S/L	7.0
31	Shower	5/25/99	1,317.00	0.00	0.00	1,050.45	188.14	1,238.59	78.41	S/L	7.0
32	Shower	6/16/99	1,299.00	0.00	0.00	1,020.64	185.57	1,206.21	92.79	S/L	7.0
33	Carpet replacement	8/02/99	1,253.39	0.00	0.00	969.91	179.06	1,148.97	104.42	S/L	7.0
34	Carpet replacement	9/30/99	4,985.68	0.00	0.00	3,739.26	712.24	4,451.50	534.18	S/L	7.0
45	Bradford House Renovations	3/30/99	560,226.00	0.00	0.00	80,532.49	14,005.65	94,538.14	465,687.86	S/L	40.0
48	Improvement-Vinyl Floor	1/01/00	238.19	0.00	0.00	170.15	34.03	204.18	34.01	S/L	7.0
49	Carpet Replacement	1/11/00	826.93	0.00	0.00	590.65	118.13	708.78	118.15	S/L	7.0
50	Carpet replacement	1/15/00	1,366.23	0.00	0.00	975.90	195.18	1,171.08	195.15	S/L	7.0
51	Carpet Replacement	2/15/00	1,366.23	0.00	0.00	959.63	195.18	1,154.81	211.42	S/L	7.0
52	Carpet Replacement	2/19/00	826.93	0.00	0.00	570.96	118.13	689.09	137.84	S/L	7.0
53	Carpet replacement	4/18/00	1,479.69	0.00	0.00	986.44	211.38	1,197.82	281.87	S/L	7.0
67	BOC/BC building overhang	2/09/01	14,852.60	0.00	0.00	1,454.33	371.32	1,825.65	13,026.95	S/L	40.0
74	BOC & BC Grounds Work	11/01/02	10,000.00	0.00	0.00	1,083.33	500.00	1,583.33	8,416.67	S/L	20.0
89	Exterior Paint - Bradford	8/31/04	7,500.00	0.00	0.00	250.00	750.00	1,000.00	6,500.00	S/L	10.0
90	Exterior Paint - Bradford	9/30/04	3,950.00	0.00	0.00	98.75	395.00	493.75	3,456.25	S/L	10.0
91	Exterior Paint - Huntington	9/30/04	24,150.00	0.00	0.00	603.75	2,415.00	3,018.75	21,131.25	S/L	10.0
92	Trim Repairs	9/30/04	1,052.03	0.00	0.00	21.92	87.67	109.59	942.44	S/L	12.0
93	Landscaping - HC	9/30/04	12,978.00	0.00	0.00	324.45	1,297.80	1,622.25	11,355.75	S/L	10.0
94	Trim Repairs	10/31/04	5,288.05	0.00	0.00	88.13	528.81	616.94	4,671.11	S/L	10.0
95	Hallway Carpeting	10/31/04	4,504.00	0.00	0.00	107.24	643.43	750.67	3,753.33	S/L	7.0
96	Laundry Room Flooring	10/31/04	2,987.29	0.00	0.00	71.13	426.76	497.89	2,489.40	S/L	7.0
97	Exterior Painting - Huntington	11/30/04	8,050.00	0.00	0.00	67.08	805.00	872.08	7,177.92	S/L	10.0
98	Trim Repair	11/30/04	4,596.25	0.00	0.00	38.30	459.63	497.93	4,098.32	S/L	10.0
99	Trim Repair	11/30/04	1,235.00	0.00	0.00	10.29	123.50	133.79	1,101.21	S/L	10.0
100	Landscaping	11/30/04	10,202.45	0.00	0.00	85.02	1,020.25	1,105.27	9,097.18	S/L	10.0
101	Exterior Painting - Huntington	11/30/04	8,050.00	0.00	0.00	67.08	805.00	872.08	7,177.92	S/L	10.0
102	Exterior Signage	12/31/04	11,400.00	0.00	0.00	0.00	1,140.00	1,140.00	10,260.00	S/L	10.0
103	Trim Repairs	12/31/04	2,363.15	0.00	0.00	0.00	236.32	236.32	2,126.83	S/L	10.0
104	Roof Repair	12/31/04	1,880.00	0.00	0.00	0.00	188.00	188.00	1,692.00	S/L	10.0
105	Exterior Painting	12/31/04	8,050.00	0.00	0.00	0.00	805.00	805.00	7,245.00	S/L	10.0
106	Exterior Painting	12/31/04	16,695.00	0.00	0.00	0.00	1,669.50	1,669.50	15,025.50	S/L	10.0
107	Exterior Painting	12/31/04	22,432.00	0.00	0.00	0.00	2,243.20	2,243.20	20,188.80	S/L	10.0
		02 - Buildings	13,939,873.38	0.00	0.00	2,816,119.14	437,799.35	3,253,918.49	10,685,954.89		

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Asset	Property Description	Date In Service	Book Cost	Book Sec 179 Exp	Book Sal Value	Book Prior Depreciation	Book Current Depreciation	Book End Depr	Book Net Book Value	Book Method	Book Period
Group: 03 - Facilities Equipment											
3	Facility Equipment (Orig)	9/24/97	88,500.00	0.00	0.00	88,500.00	0.00	88,500.00	0.00	S/L	5.0
9	Carpet Machine	12/31/97	3,064.71	0.00	0.00	3,064.71	0.00	3,064.71	0.00	S/L	5.0
19	Cleaning(housekeeping) Supplies	1/31/98	1,460.39	0.00	0.00	1,460.39	0.00	1,460.39	0.00	S/L	5.0
20	Cleaning (housekeeping) Supplies	2/27/98	1,421.02	0.00	0.00	1,421.02	0.00	1,421.02	0.00	S/L	5.0
21	Various Parking Signs	9/30/98	5,108.84	0.00	0.00	5,108.84	0.00	5,108.84	0.00	S/L	5.0
22	Entrance Sign	10/09/98	1,219.18	0.00	0.00	1,219.18	0.00	1,219.18	0.00	S/L	5.0
23	Seacoast	12/31/98	1,495.00	0.00	0.00	1,495.00	0.00	1,495.00	0.00	S/L	5.0
24	Cleaning (housekeeping) Supplies	12/31/98	2,584.98	0.00	0.00	2,584.98	0.00	2,584.98	0.00	S/L	5.0
25	Radios	12/31/98	911.52	0.00	0.00	911.52	0.00	911.52	0.00	S/L	5.0
57	Gas fired fryer	1/18/00	1,211.14	0.00	0.00	1,190.96	20.18	1,211.14	0.00	S/L	5.0
58	Magikitchen Charbroiler	1/21/00	1,987.62	0.00	0.00	1,954.48	33.14	1,987.62	0.00	S/L	5.0
59	Vulcan 36" gas range	1/21/00	3,257.84	0.00	0.00	3,203.55	54.29	3,257.84	0.00	S/L	5.0
60	Fence around propane tank	2/03/00	1,200.00	0.00	0.00	1,180.00	20.00	1,200.00	0.00	S/L	5.0
61	Lawnboy 2C 6.5H	6/08/00	451.48	0.00	0.00	413.87	37.61	451.48	0.00	S/L	5.0
62	Bow Flex Equipment	10/10/00	600.00	0.00	0.00	510.00	90.00	600.00	0.00	S/L	5.0
63	Vaccum cleaner-ORECK	11/01/00	317.36	0.00	0.00	264.46	52.90	317.36	0.00	S/L	5.0
64	Lawn/Snowblower	7/07/00	12,900.54	0.00	0.00	11,610.49	1,290.05	12,900.54	0.00	S/L	5.0
68	Walker Commercial Mower	6/15/01	9,342.90	0.00	0.00	6,695.75	1,868.58	8,564.33	778.57	S/L	5.0
70	Duratherm tray delivery cart and lift	3/12/01	2,532.08	0.00	0.00	1,941.27	506.42	2,447.69	84.39	S/L	5.0
71	Vacuum cleaner	5/30/01	262.45	0.00	0.00	188.09	52.49	240.58	21.87	S/L	5.0
72	Laser printer for Huntington	9/21/01	2,199.19	0.00	0.00	1,429.48	439.84	1,869.32	329.87	S/L	5.0
75	Powerone 12" Vacuum	8/07/02	313.95	0.00	0.00	151.74	62.79	214.53	99.42	S/L	5.0
76	Powerone 12" Vacuum	8/26/02	313.95	0.00	0.00	146.51	62.79	209.30	104.65	S/L	5.0
77	Powerone 12" Vacuum	9/26/02	627.90	0.00	0.00	282.56	125.58	408.14	219.76	S/L	5.0
78	Vacuums	11/01/02	1,360.80	0.00	0.00	589.68	272.16	861.84	498.96	S/L	5.0
88	Elevator Renovations & Improveme	2/01/04	14,812.00	0.00	0.00	1,357.77	1,481.20	2,838.97	11,973.03	S/L	10.0
108	Building Flood Lights Replacement	12/31/04	980.70	0.00	0.00	0.00	196.14	196.14	784.56	S/L	5.0
112	Laundry Iron Mangler	10/31/04	10,235.00	0.00	0.00	170.58	1,023.50	1,194.08	9,040.92	S/L	10.0
114	Steamer Table Installed	11/30/04	6,060.97	0.00	0.00	50.51	606.10	656.61	5,404.36	S/L	10.0
116	Connect Gas Line for 3Electric Trar	12/31/04	605.50	0.00	0.00	0.00	86.50	86.50	519.00	S/L	7.0
	03 - Facilities Equipment		177,339.01	0.00	0.00	139,097.39	8,382.26	147,479.65	29,859.36		
Group: 04 - Furniture & Fixtures											
4	Furniture & Fixtures (Orig)	9/24/97	340,000.00	0.00	0.00	246,500.00	34,000.00	280,500.00	59,500.00	S/L	10.0
5	Improvements - Carpet	10/16/97	737.70	0.00	0.00	737.70	0.00	737.70	0.00	S/L	7.0
6	Improvements - Carpet	10/31/97	1,008.20	0.00	0.00	1,008.20	0.00	1,008.20	0.00	S/L	7.0
7	Improvements - Carpet	11/30/97	1,160.44	0.00	0.00	1,160.44	0.00	1,160.44	0.00	S/L	7.0
8	Improvements - Carpet	12/31/97	2,900.77	0.00	0.00	2,900.77	0.00	2,900.77	0.00	S/L	7.0
10	Carpet	3/04/98	740.00	0.00	0.00	722.36	17.64	740.00	0.00	S/L	7.0
11	Carpet	4/17/98	700.00	0.00	0.00	666.67	33.33	700.00	0.00	S/L	7.0
12	Supplies	4/30/98	1,950.00	0.00	0.00	1,857.13	92.87	1,950.00	0.00	S/L	7.0
13	Carpet	5/07/98	936.50	0.00	0.00	891.93	44.57	936.50	0.00	S/L	7.0
14	Various Supplies	5/27/98	759.76	0.00	0.00	714.55	45.21	759.76	0.00	S/L	7.0
15	Compaq 300mhz	7/31/98	1,637.94	0.00	0.00	1,637.94	0.00	1,637.94	0.00	S/L	5.0
16	Computer - Presario	7/31/98	2,140.91	0.00	0.00	2,140.91	0.00	2,140.91	0.00	S/L	5.0
17	Canopy	7/31/98	780.00	0.00	0.00	780.00	0.00	780.00	0.00	S/L	5.0
18	Front Door	8/31/98	1,360.00	0.00	0.00	1,230.50	129.50	1,360.00	0.00	S/L	7.0

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Asset	Property Description	Date In Service	Book Cost	Book Sec 179 Exp	Book Sal Value	Book Prior Depreciation	Book Current Depreciation	Book End Depr	Book Net Book Value	Book Method	Book Period
Group: 04 - Furniture & Fixtures (continued)											
35	Miscellaneous	1/21/99	730.00	0.00	0.00	730.00	0.00	730.00	0.00	S/L	5.0
36	Furniture	3/06/99	3,407.25	0.00	0.00	2,839.38	486.75	3,326.13	81.12	S/L	7.0
37	Shower caddies	4/09/99	740.36	0.00	0.00	608.17	105.77	713.94	26.42	S/L	7.0
38	Computer Equipment	4/22/99	2,464.27	0.00	0.00	2,464.27	0.00	2,464.27	0.00	S/L	5.0
39	Laptop	6/10/99	1,349.96	0.00	0.00	1,349.96	0.00	1,349.96	0.00	S/L	5.0
40	Carpeting	6/24/99	1,758.01	0.00	0.00	1,381.27	251.14	1,632.41	125.60	S/L	7.0
41	Washing Machine	6/30/99	1,631.03	0.00	0.00	1,281.50	233.00	1,514.50	116.53	S/L	7.0
42	Software Upgrade	10/27/99	1,424.25	0.00	0.00	1,424.25	0.00	1,424.25	0.00	S/L	3.0
46	Furniture and fixtures - All	3/30/99	318,801.00	0.00	0.00	139,964.65	18,824.88	158,789.53	160,011.47	150DB	15.0
54	Air Conditioning units	5/26/00	421.96	0.00	0.00	193.41	42.20	235.61	186.35	S/L	10.0
55	Air Conditioner unit	6/19/00	484.98	0.00	0.00	218.25	48.50	266.75	218.23	S/L	10.0
56	Washing Machine and 2 AC	9/19/00	450.45	0.00	0.00	191.46	45.05	236.51	213.94	S/L	10.0
65	Kentco equipment	4/11/00	7,660.81	0.00	0.00	3,638.88	766.08	4,404.96	3,255.85	S/L	10.0
69	Refrigerators	8/21/01	1,047.90	0.00	0.00	484.03	149.70	633.73	414.17	S/L	7.0
79	Big Screen TV	1/25/02	1,299.99	0.00	0.00	541.66	185.71	727.37	572.62	S/L	7.0
80	Plate Heater	3/25/02	3,376.98	0.00	0.00	1,326.68	482.43	1,809.11	1,567.87	S/L	7.0
81	Dryer	5/16/02	387.45	0.00	0.00	142.99	55.35	198.34	189.11	S/L	7.0
82	New Beds	6/17/02	3,709.00	0.00	0.00	1,324.65	529.86	1,854.51	1,854.49	S/L	7.0
83	Tub	7/01/02	9,400.00	0.00	0.00	3,357.15	1,342.86	4,700.01	4,699.99	S/L	7.0
84	Computer Equipment	9/20/02	2,119.97	0.00	0.00	953.98	423.99	1,377.97	742.00	S/L	5.0
85	Dell computer (Mktg)	6/07/03	1,017.39	0.00	0.00	536.96	339.13	876.09	141.30	S/L	3.0
86	Dell computers	8/15/03	4,236.12	0.00	0.00	2,000.39	1,412.04	3,412.43	823.69	S/L	3.0
111	Create/Furnish Model Unit	10/31/04	10,618.65	0.00	0.00	176.98	1,061.87	1,238.85	9,379.80	S/L	10.0
115	Furniture Common Areas	11/30/04	31,634.70	0.00	0.00	263.62	3,163.47	3,427.09	28,207.61	S/L	10.0
117	New (Initial) Linens	12/31/04	2,111.04	0.00	0.00	0.00	422.21	422.21	1,688.83	S/L	5.0
	04 - Furniture & Fixtures		769,095.74	0.00	0.00	430,343.64	64,735.11	495,078.75	274,016.99		
Group: 05 - Vehicles											
43	1999 Ford Champion Shuttle Bus	6/29/99	51,088.38	0.00	0.00	51,088.38	0.00	51,088.38	0.00	S/L	5.0
73	2001 Lincoln Town Car	11/01/02	26,367.00	0.00	0.00	11,425.70	5,273.40	16,699.10	9,667.90	S/L	5.0
	05 - Vehicles		77,455.38	0.00	0.00	62,514.08	5,273.40	67,787.48	9,667.90		
Group: 06 - Office Equipment											
47	Network Fiber Installation	4/21/00	10,389.76	0.00	0.00	9,697.10	692.66	10,389.76	0.00	S/L	5.0
66	WinXnet - network installation	2/01/01	465.00	0.00	0.00	364.25	93.00	457.25	7.75	S/L	5.0
109	AED Program	6/30/04	1,941.45	0.00	0.00	194.15	388.29	582.44	1,359.01	S/L	5.0
110	Computer- OptiPlex GX 270	7/31/04	2,641.86	0.00	0.00	220.16	528.37	748.53	1,893.33	S/L	5.0
113	Computer-OptiPlex GX 270/softwa:	11/30/04	2,575.00	0.00	0.00	21.46	257.50	278.96	2,296.04	S/L	10.0
118	MZI*MAC Zone (Brookdale)	1/01/04	1,065.77	0.00	0.00	355.26	355.26	710.52	355.25	S/L	3.0
119	Dell Computer (Brookdale	1/01/04	3,926.35	0.00	0.00	1,308.78	1,308.78	2,617.56	1,308.79	S/L	3.0
120	Dell Computer (Brookdale	1/01/04	3,577.10	0.00	0.00	1,192.37	1,192.37	2,384.74	1,192.36	S/L	3.0
	06 - Office Equipment		26,582.29	0.00	0.00	13,353.53	4,816.23	18,169.76	8,412.53		

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Asset	Property Description	Date In Service	Book Cost	Book Sec 179 Exp	Book Sal Value	Book Prior Depreciation	Book Current Depreciation	Book End Depr	Book Net Book Value	Book Method	Book Period
Group: 07 - Leased Equipment											
87	GE Cap - Telephone system	9/01/03	23,209.43	0.00	0.00	3,094.59	2,320.94	5,415.53	17,793.90	S/L	10.0
	07 - Leased Equipment		23,209.43	0.00	0.00	3,094.59	2,320.94	5,415.53	17,793.90		
	Grand Total		15,813,555.23	0.00	0.00	3,464,522.37	523,327.29	3,987,849.66	11,825,705.57		

Book Future Depreciation FYE: 12/31/05

FYE: 12/31/2004

Asset	Property Description	Date In Service	Book Cost	Book Sec 179 Exp	Book Sal Value	Book Prior Depreciation	Book Current Depreciation	Book End Depr	Book Net Book Value	Book Method	Book Period
Group: 150000 Land											
1	Land	8/01/99	235,000.00	0.00	0.00	0.00	0.00	0.00	235,000.00	Land	0.0
	150000 Land		235,000.00	0.00	0.00	0.00	0.00	0.00	235,000.00		
Group: 150100 Land improvements											
6	Turf and landscaping	9/30/99	8,500.00	0.00	0.00	2,231.25	425.00	2,656.25	5,843.75	S/L	20.0
7	Stone walls	11/30/99	20,820.10	0.00	0.00	5,291.75	1,041.00	6,332.75	14,487.35	S/L	20.0
8	Irrigation/sprinklers	11/30/99	15,931.45	0.00	0.00	5,399.01	1,062.10	6,461.11	9,470.34	S/L	15.0
9	Jeffrey Toomey Landscape	7/26/00	12,681.00	0.00	0.00	2,800.39	634.05	3,434.44	9,246.56	S/L	20.0
10	Jeffrey Toomey Landsape	11/06/00	21,500.00	0.00	0.00	4,479.17	1,075.00	5,554.17	15,945.83	S/L	20.0
11	Fencing	1/31/00	1,750.00	0.00	0.00	430.21	87.50	517.71	1,232.29	S/L	20.0
12	Doria Masonry Service	2/09/00	14,424.25	0.00	0.00	3,545.95	721.21	4,267.16	10,157.09	S/L	20.0
13	Doria Masonry Service	3/09/00	6,509.04	0.00	0.00	1,573.01	325.45	1,898.46	4,610.58	S/L	20.0
14	Civilworks Inc./Landscaping	3/09/00	1,395.82	0.00	0.00	337.32	69.79	407.11	988.71	S/L	20.0
15	York County SWCD/Landscaping	3/09/00	267.50	0.00	0.00	64.67	13.38	78.05	189.45	S/L	20.0
18	drainage project	8/01/01	48,500.00	0.00	0.00	11,047.21	3,233.33	14,280.54	34,219.46	S/L	15.0
21	Landscaping	5/30/02	29,000.00	0.00	0.00	3,745.83	1,450.00	5,195.83	23,804.17	S/L	20.0
22	Landscaping	10/09/02	29,000.00	0.00	0.00	3,262.50	1,450.00	4,712.50	24,287.50	S/L	20.0
26	Landscaping	8/30/03	18,514.77	0.00	0.00	1,234.32	925.74	2,160.06	16,354.71	S/L	20.0
31	Landscaping	8/31/04	17,069.27	0.00	0.00	379.32	1,137.95	1,517.27	15,552.00	S/L	15.0
	150100 Land improvements		245,863.20	0.00	0.00	45,821.91	13,651.50	59,473.41	186,389.79		
Group: 151000 Bldgs & improv											
2	6 Cottages	8/15/99	834,942.00	0.00	0.00	113,065.06	20,873.55	133,938.61	701,003.39	S/L	40.0
3	3 Cottages	9/15/99	417,471.00	0.00	0.00	55,662.83	10,436.78	66,099.61	351,371.39	S/L	40.0
4	11 Cottages	11/15/99	1,530,727.00	0.00	0.00	197,718.93	38,268.18	235,987.11	1,294,739.89	S/L	40.0
5	6 Cottages	12/31/99	834,943.00	0.00	0.00	104,367.90	20,873.58	125,241.48	709,701.52	S/L	40.0
17	Remainder - Development fee	6/30/00	175,000.00	0.00	0.00	19,687.50	4,375.00	24,062.50	150,937.50	S/L	40.0
27	Door and lean rail	6/21/03	1,850.00	0.00	0.00	185.00	123.33	308.33	1,541.67	S/L	15.0
28	Steps and rails	9/19/03	3,200.00	0.00	0.00	266.66	213.33	479.99	2,720.01	S/L	15.0
32	Exterior Painting/Washing	11/15/04	30,000.00	0.00	0.00	625.00	3,750.00	4,375.00	25,625.00	S/L	8.0
	151000 Bldgs & improv		3,828,133.00	0.00	0.00	491,578.88	98,913.75	590,492.63	3,237,640.37		
Group: 153000 Furniture/fixtures											
19	appliance for cottage 1	1/04/01	492.45	0.00	0.00	393.96	98.49	492.45	0.00	S/L	5.0
20	Benches	5/21/01	2,940.00	0.00	0.00	1,053.50	294.00	1,347.50	1,592.50	S/L	10.0
23	Washer for Cottage # 61	3/05/02	492.45	0.00	0.00	279.06	98.49	377.55	114.90	S/L	5.0
24	Washer for Cottage # 56	6/28/02	492.45	0.00	0.00	246.23	98.49	344.72	147.73	S/L	5.0
25	Vacuum	10/29/02	314.00	0.00	0.00	136.07	62.80	198.87	115.13	S/L	5.0
29	Wellness Ctr Door Canopy	11/21/03	1,220.00	0.00	0.00	132.17	122.00	254.17	965.83	S/L	10.0
30	Telephone system	9/30/03	1,500.00	0.00	0.00	187.50	150.00	337.50	1,162.50	S/L	10.0
	153000 Furniture/fixtures		7,451.35	0.00	0.00	2,428.49	924.27	3,352.76	4,098.59		

Book Future Depreciation FYE: 12/31/05

Asset	Property Description	Date In Service	Book Cost	Book Sec 179 Exp	Book Sal Value	Book Prior Depreciation	Book Current Depreciation	Book End Depr	Book Net Book Value	Book Method	Book Period
Group: 156000 Equipment											
16	Emergency Generator	11/28/00	4,000.00	0.00	0.00	1,088.90	266.67	1,355.57	2,644.43	S/L	15.0
		156000 Equipment	4,000.00	0.00	0.00	1,088.90	266.67	1,355.57	2,644.43		
		Grand Total	4,320,447.55	0.00	0.00	540,918.18	113,756.19	654,674.37	3,665,773.18		

Schedule 1.01(c)

All contracts set forth on Schedule 3.04 except:

- Management Agreement
- All insurance policies set forth on Schedule 3.04 unless agreed to by Buyer and Seller

Schedule 1.01(d)

Contracts

1. Snow Removal Contract between Charles S. Stevens Snowplowing and Autumn Health Services of Kennebunk, Inc. dated November 1, 2005

2. Pest Control Service Agreement between Advantage Pest Control Inc. and Autumn Health Services of Kennebunk, Inc. dated January 1, 2005

3. Elevator Monitoring Services Agreement between Eastern New England Security and Autumn Health Services of Kennebunk, Inc. dated March 21, 2005

4. Agreement For Elevator Inspection(s) between Gene E. Crow and Associates, Inc. and Autumn Health Services of Kennebunk, Inc. dated October 18, 2004

5. Service Agreement for 2 photocopiers between Seacoast Business Machines of Maine, Inc. and Autumn Health Services of Kennebunk, Inc. dated May 10, 2005

6. Property & Liability Insurance Coverage for 2 photocopiers between US Express Leasing Inc. and Autumn Health Services of Kennebunk, Inc. dated June 23, 2005

7. Lease Agreement for 2 photocopiers between Seacoast Business Machines and Autumn Health Services of Kennebunk, Inc. dated June 1, 2005

8. Postal Meter & Scale Single Sided Lease Agreement between Ascom Leasing and Autumn Health Services of Kennebunk, Inc. dated November 9, 2001

9. Phone System Equipment Lease Agreement between Direct Capital Corporation and Autumn Health Services of Kennebunk, Inc. dated July 27, 2003

10. AT&T Wireless Business Advantage Program Agreement between AT&T Wireless Services and Autumn Health Services of Kennebunk, Inc. pursuant to Online Program Registration And Fulfillment Process and as set forth in the email between Linda Howard and AT&T Wireless dated December 21, 2004

11. Commercial Installment Sale Contract And Security Agreement between Arundel Ford (assigned to Bangor Savings Bank) and Autumn Health Services of Kennebunk, Inc. datedApril 28, 2005 for Ford F350

12. Maine Simple Interest Vehicle Retail Installment Contract for Lincoln Town Car between Arundel Ford and Autumn Health Services of Kennebunk, Inc. dated October 28, 2002

13. National Yellow Pages Advertising Program between Autumn Health Services of Kennebunk, Inc. and Verizon as set forth in the email between Andrea Durren, Account Manager of Cramer-Krasselt and Linda Hahsk (?) dated September 10, 2004

14. Oral Agreement for provision of nursing services (on an as needed basis) between Staffers of Maine and Autumn Health Services of Kennebunk, Inc. (Autumn Health Services of Kennebunk, Inc. has received rate quotes and can utilize nursing services as needed)

15. Interim HealthCare Staffing Agreement between Interim HealthCare Staffing and Autumn Health Services of Kennebunk, Inc. dated March 10, 2005

16. Exclusive Property Management And Leasing Agreement between Brookdale Management of Maine-HC, LLC, Rollins Management Group, Inc., and Autumn Health Services of Kennebunk, Inc. and Autumn Health Services of Kennebunk II, Inc. [Note – Management Agreement not to be assumed by Buyer]

17. Web Hosting Agreement between Customized Computer Design and Autumn Health Services of Kennebunk, Inc. with terms as set forth on Invoice # 5649 dated October 2, 2005

18. Lawn Services Agreement between The Lawn Dawg Maine and Autumn Health Services of Kennebunk, Inc. dated November 19, 2004

19. Waste Management Agreement between Waste Management of Portland Maine and Autumn Health Services of Kennebunk, Inc. with terms as set forth on Invoice # 0660542-2080-2 dated October 1, 2005

20. Residency Agreements for the individuals listed on the rent roll attached hereto as Exhibit A

21. Insurance Policies set forth below which Sellers and Buyer shall discuss to determine whether assignment and assumption is possible or desirable:

Autumn Health Services of Kennebunk, Inc.

1. Work Comp Ins.: 1810044266 / Memic / 9/24/05-06
2. Bond Renewal: DP-1687801 / Hanover / 11/15/02-05
3. Directors/Officers: NDO2005670C / Mt. Vernon / 9/30/05-06
4. Business Auto: CAA0070922 / Acadia / 9/24/05-06
5. Property Insurance: CNA0070908 / Acadia / 9/24/05-06

Autumn Health Services of Kennebunk II

6. Property Insurance: CNA0070908 / Acadia / 9/24/05-06
7. Directors/Officers: NDO2007707 / Mt. Vernon / 7/27/05-06
8. Business Owners Package: Includes Property AND Liability (2,000,000 per occurrence limit)

- We kept this policy in force because if we deleted the liability, it would be property only and the premium would have gone up. ODP-5947741-07 7/29/05-06

Health Insurance/Life/Dental/Vision Insurance (for Autumn Health Services of Kennebunk, Inc.)

9. Aetna Medical and Dental Plans Health ME Small Group HMO Plan effective 01/01/2004
10. Aetna Life ME Small Group PPO Plan effective 04/01/2005
11. Aetna Dental Maine Option 3 / Indemnity 1000 / w/Ortho
12. Aetna Vision One Discount Plan

EXHIBIT A

Brookdale Living Communities, Inc.
Rent Roll
00910 - Huntington Common
10/26/2005

Units	180	Avg Mkt Rent	3,679
Units Occ	158	Avg In-Place	3,576
Occ %	87.78%		

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
two	t0041836	3,630	3,325	0	900	11/1/1997	9/1/2005	8/31/2006	0	2,000	2
studio	t0041951	4,170	2,307	1,988	370	9/1/2002	9/1/2005	8/31/2006	0	0	1
two	VACANT	3,630	0	0	900				0	0	0
studio	t0053977 -	4,170	2,240	1,930	370	4/12/2005	4/12/2005	4/12/2006	0	2,000	1
one	t0042644 -	3,270	2,240	0	700	2/1/2004	8/1/2005	7/31/2006	0	2,000	1
studio	t0041992 -	4,170	2,240	1,930	370	6/1/1998	8/1/2005	7/31/2006	0	0	1
one	t0041828 -	3,270	2,770	0	700	6/30/1999	8/1/2005	7/31/2006	0	2,000	1
studio	t0053009 -	4,170	2,240	1,930	370	2/11/2005	2/11/2005	2/11/2006	0	2,000	1
one	t0041833 -	3,270	3,295	0	700	8/1/2001	8/1/2005	7/31/2006	0	0	1
studio	t0050045 -	4,170	2,307	1,988	370	7/31/2004	9/1/2005	8/31/2006	0	0	1
one	t0057408 -	3,270	3,270	0	700	8/30/2005	8/30/2005	8/30/2006	0	2,000	1
studio	t0042699 -	4,170	2,240	1,930	370	2/1/2004	8/22/2005	8/22/2006	0	2,000	1
one	t0057407 -	3,270	3,630	0	700	8/28/2005	8/28/2005	7/31/2006	0	2,000	1
studio	t0048938 -	4,170	2,307	1,988	370	7/7/2004	8/1/2005	7/31/2006	0	0	1
two	t0041808 -	3,630	3,740	0	900	5/1/2003	9/1/2005	8/31/2006	0	2,000	1
studio	t0057576 -	4,170	2,240	1,930	370	8/29/2005	8/29/2005	8/29/2006	0	2,000	1
two	t0041814 -	3,630	3,740	0	900	9/1/2000	9/1/2005	8/31/2006	0	2,000	1
studio	t0046070 -	4,170	2,240	1,930	370	6/30/2004	8/1/2005	7/31/2006	0	0	2
two	VACANT	3,630	0	0	900				0	0	0
studio	t0041827 -	4,170	2,307	1,988	370	7/18/2003	10/1/2005	9/30/2006	0	0	1
one	t0056325 -	3,270	3,270	0	700	7/31/2005	7/31/2005	7/31/2006	0	2,000	1
studio	t0050245 -	4,170	2,307	1,988	370	8/23/2004	9/1/2005	8/31/2006	0	2,000	1
one	t0041873 -	3,270	3,365	0	700	10/6/2001	8/1/2005	7/31/2006	0	2,000	1
studio	t0054655 -	4,170	2,240	1,930	370	5/16/2005	6/30/2005	6/30/2006	0	2,000	1
studio	t0057318 -	4,170	2,240	1,930	370	9/30/2005	9/30/2005	9/30/2006	0	2,000	1
studio	t0044514 -	4,170	2,240	1,930	370	3/22/2004	8/1/2005	7/31/2006	0	0	1
one	t0041865 -	3,270	3,365	0	700	12/1/2001	8/1/2005	7/31/2006	0	2,000	1
studio	t0053248 -	4,170	2,240	1,930	370	2/25/2005	2/25/2005	2/25/2006	0	2,000	1
one	t0050770 -	3,270	3,270	0	700	11/8/2004	11/1/2005	10/31/2006	0	2,000	1
studio	t0041990 -	4,170	2,307	1,988	667	8/19/1999	9/1/2005	8/31/2006	0	0	1
two	t0041863 -	3,630	3,440	0	900	5/1/2001	8/1/2005	7/31/2006	0	0	1
one	t0041917 -	4,530	2,307	1,988	667	3/28/2003	8/1/2005	7/31/2006	0	2,000	1
two	VACANT	3,630	0	0	900				0	0	0
one	t0041958 -	4,530	2,920	1,930	667	4/1/1999	8/1/2005	7/31/2006	0	2,000	1
two	t0044240 -	3,630	3,740	0	900	3/1/2004	8/1/2005	7/31/2006	0	2,000	2
studio	t0054416 -	4,170	2,240	1,930	370	4/29/2005	4/29/2005	4/29/2006	0	2,000	1
two	VACANT	3,630	0	0	900				0	0	0

Brookdale Living Communities, Inc.
Rent Roll
00910 - Huntington Common
10/26/2005

Units	180	Avg Mkt Rent	3,679
Units Occ	158	Avg In-Place	3,576
Occ %	87.78%		

[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
studio	t0051834 -	4,170	2,240	1,930	370	11/20/2004	11/20/2004	11/20/2005	0	2,000	1
one	t0041817 -	3,270	2,185	0	700	9/1/1999	8/1/2005	7/31/2006	0	2,000	2
studio	t0044995 -	4,170	2,240	1,930	370	4/8/2004	8/1/2005	7/31/2006	0	0	1
two	t0051025 -	3,630	3,270	0	900	11/30/2004	11/30/2005	11/30/2006	0	2,000	1
studio	t0046475 -	4,170	385	1,930	370	6/18/2004	8/1/2005	7/31/2006	0	0	1
one	t0041768 -	3,270	3,235	0	700	11/13/2000	8/1/2005	7/31/2006	0	2,000	1
studio	t0054839 -	4,170	2,240	1,930	370	5/26/2005	5/26/2005	5/26/2006	0	2,000	1
one	t0044516 -	3,270	3,270	0	700	4/1/2004	8/1/2005	7/31/2006	0	0	1
studio	t0051386 -	4,170	2,240	1,930	370	10/15/2004	11/1/2005	10/31/2006	0	2,000	1
two	t0041797 -	3,630	3,605	0	900	3/14/2001	8/1/2005	7/31/2006	0	0	1
two	t0042813 -	3,630	3,630	0	900	12/1/2000	8/1/2005	7/31/2006	0	2,000	1
two	t0041834 -	3,630	3,740	0	900	8/17/2002	8/1/2005	7/31/2006	0	2,000	1
two	t0041802 -	3,630	3,630	0	900	9/10/2003	8/1/2005	7/31/2006	0	2,000	2
one	t0041782 -	3,270	3,365	0	700	6/1/2003	8/1/2005	7/31/2006	0	0	1
one	t0041849 -	3,270	3,180	0	700	9/1/2000	8/1/2005	7/31/2006	0	0	1
one	t0041880 -	3,270	3,270	0	675	9/22/2003	8/1/2005	7/31/2006	0	2,250	1
one	t0041877 -	3,270	3,365	0	675	7/17/2001	9/1/2005	8/31/2006	0	0	1
one	t0054340 -	3,270	3,270	0	675	4/27/2005	4/27/2005	4/27/2006	0	0	2
one	t0042933 -	3,270	2,675	0	675	2/9/2004	8/1/2005	7/31/2006	0	0	1
one	t0041853 -	3,270	3,040	0	865	7/1/1999	8/1/2005	7/31/2006	0	2,000	1
one	t0056207 -	3,475	3,270	0	675	8/31/2005	8/31/2005	8/31/2006	0	2,000	1
one	VACANT	3,270	0	0	725				0	0	0
one	t0041791 -	3,270	2,770	0	725	4/1/1999	8/1/2005	7/31/2006	0	2,000	1
studio	t0041798 -	2,240	2,240	0	425	11/1/1994	8/1/2005	7/31/2006	0	2,000	1
studio	t0041807 -	2,240	2,285	0	425	6/29/2000	8/1/2005	7/31/2006	0	2,000	1
studio	t0041771 -	2,240	2,305	0	425	11/1/2002	9/1/2005	8/31/2006	0	2,000	1
one	t0042167 -	3,270	3,270	0	725	12/1/2003	8/1/2005	7/31/2006	0	2,000	1
studio	t0042162 -	2,240	2,240	0	425	12/1/2003	8/1/2005	7/31/2006	0	2,000	1
studio	t0054774 -	2,240	2,240	0	425	5/22/2005	5/22/2005	5/22/2006	0	2,000	1
one	t0041874 -	3,270	3,365	0	725	6/1/2002	9/1/2005	8/31/2006	0	0	1
studio	VACANT	2,240	0	0	425				0	0	0
studio	VACANT	2,240	0	0	425				0	0	0
studio	t0047472 -	2,240	2,305	0	425	8/31/2004	9/1/2005	8/31/2006	0	2,000	1
one	t0057953 -	3,270	3,280	0	725	9/17/2005	9/17/2005	9/17/2006	0	2,000	1
one	t0041866 -	3,270	3,270	0	725	4/1/2003	8/1/2005	7/31/2006	0	2,000	1
two	t0052655 -	3,630	3,630	0	900	2/25/2005	2/25/2005	2/26/2006	0	2,000	2

Brookdale Living Communities, Inc.
Rent Roll
00910 - Huntington Common
10/26/2005

Units	180	Avg Mkt Rent	3,679
Units Occ	158	Avg In-Place	3,576
Occ %	87.78%		

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
studio	t0041770 -	4,170	2,809	1,988	370	9/1/1999	9/1/2005	8/31/2006	0	2,000	1
two	t0054966 -	3,630	3,630	0	900	8/31/2005	8/31/2005	8/31/2006	0	2,000	1
studio	VACANT	4,170	0	0	370				0	0	0
one	t0051487 -	3,270	3,270	0	700	10/25/2004	10/25/2005	10/25/2006	0	2,000	1
studio	t0042643 -	4,170	2,307	1,988	370	1/14/2004	8/1/2005	7/31/2006	0	0	1
one	t0045818 -	3,270	3,365	0	700	5/28/2004	9/1/2005	8/31/2006	0	0	1
studio	t0058483 -	4,170	2,307	1,988	370	10/26/2005	10/26/2005	10/26/2006	0	2,000	1
one	VACANT	3,270	0	0	700				0	0	0
studio	t0042218 -	4,170	2,307	1,988	370	12/1/2003	8/1/2005	7/31/2006	0	2,000	1
one	t0041810 -	3,270	2,830	0	700	5/1/1999	8/1/2005	7/31/2006	0	2,000	1
studio	t0051781 -	4,170	2,240	1,930	370	11/21/2004	11/1/2005	10/31/2006	0	2,000	1
two	t0041870 -	3,630	3,530	0	900	12/1/2003	8/1/2005	7/31/2006	0	2,000	1
studio	VACANT	4,170	0	0	370				0	0	0
two	t0041857 -	3,630	3,470	0	900	6/14/2003	8/1/2005	7/31/2006	0	2,000	1
studio	t0042030 -	4,170	2,307	1,988	370	6/24/2002	8/1/2005	7/31/2006	0	0	1
two	t0041790 -	3,630	3,708	0	900	12/1/2000	8/1/2005	7/31/2006	0	2,250	2
studio	t0044146 -	4,170	2,240	1,930	370	3/1/2004	8/9/2005	8/9/2006	2,000	0	1
two	t0041847 -	3,630	3,365	0	900	6/1/2003	8/1/2005	7/31/2006	0	2,250	1
studio	t0054222 -	4,170	2,240	1,930	370	6/30/2005	6/30/2005	6/30/2006	0	2,000	1
one	VACANT	3,270	0	0	700				0	0	0
studio	t0041980 -	4,170	2,307	1,988	370	5/30/2000	8/1/2005	7/31/2006	0	0	1
one	t0042624 -	3,270	3,270	0	700	1/20/2004	8/1/2005	7/31/2006	0	2,000	1
studio	t0045780 -	4,170	2,307	1,988	370	5/19/2004	8/1/2005	7/31/2006	0	0	2
studio	t0051489 -	4,170	970	1,930	370	10/31/2004	11/1/2005	10/31/2006	0	2,000	1
studio	VACANT	4,170	0	0	370				0	0	0
one	t0042698 -	3,270	3,270	0	700	1/27/2004	8/1/2005	7/31/2006	0	2,000	1
studio	t0041962 -	4,170	785	785	370	7/1/1999	8/1/2005	7/31/2006	0	0	1
one	t0041861 -	3,270	3,070	0	700	6/1/1997	8/1/2005	7/31/2006	0	2,000	1
studio	t0041858 -	4,170	2,307	1,988	370	8/29/2003	9/1/2005	8/31/2006	0	0	1
two	VACANT	3,630	0	0	900				0	0	0
one	t0050920 -	4,530	2,677	1,988	667	9/30/2004	10/1/2004	10/1/2005	0	2,000	1
two	t0041789 -	3,630	4,070	0	900	5/1/2002	8/1/2005	7/31/2006	0	2,250	1
one	t0043896 -	4,530	2,600	1,930	667	3/16/2004	5/3/2005	5/3/2006	2,000	0	1
two	t0050872 -	3,630	3,740	0	900	9/30/2004	9/30/2005	9/30/2006	0	2,000	2
studio	t0051133 -	4,170	2,240	1,930	370	10/19/2004	11/1/2005	10/31/2006	0	2,000	1
two	t0057696 -	3,630	3,630	0	900	9/30/2005	10/1/2005	9/30/2006	0	2,000	2

Brookdale Living Communities, Inc.
Rent Roll
00910 - Huntington Common
10/26/2005

Units	180	Avg Mkt Rent	3,679
Units Occ	158	Avg In-Place	3,576
Occ %	87.78%		

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
studio	t0054296 -	4,170	2,240	1,930	370	4/23/2005	4/23/2005	4/23/2006	0	2,000	1
one	t0050810	3,270	3,365	0	700	10/15/2004	10/15/2005	10/15/2006	0	2,000	1
studio	VACANT	4,170	0	0	370				0	0	0
one	t0056449 -	3,270	3,270	0	700	6/27/2005	6/27/2005	6/27/2006	0	2,000	1
studio	t0057120 -	4,170	2,240	1,930	370	7/31/2005	9/12/2005	9/12/2006	0	0	1
one	VACANT	3,270	0	0	700				0	0	0
studio	t0058484 -	4,170	0	0	370	10/21/2005	10/21/2005	11/4/2005	0	0	1
one	t0050771 -	3,270	3,350	0	700	9/20/2004	9/20/2005	9/20/2006	0	2,000	1
studio	t0041851 -	4,170	2,240	1,930	370	11/1/2001	6/1/2005	6/1/2006	0	2,000	1
two	VACANT	3,630	0	0	900				0	0	0
two	VACANT	3,630	0	0	900				0	0	0
two	VACANT	3,630	0	0	900				0	0	0
one	VACANT	3,270	0	0	700				0	0	0
one	t0042641 -	3,270	3,270	0	700	1/23/2004	8/1/2005	7/31/2006	0	2,000	1
one	VACANT	3,270	0	0	700				0	0	0
one	t0057565 -	3,270	3,270	0	675	9/30/2005	9/30/2005	9/30/2006	0	2,000	1
one	t0041773 -	3,270	2,710	0	675	3/1/1999	8/1/2005	7/31/2006	0	2,000	1
one	VACANT	3,270	0	0	700				0	0	0
one	t0041783 -	3,270	2,890	0	675	8/1/2000	8/1/2005	7/31/2006	0	0	1
one	t0053830 -	3,270	3,450	0	865	9/30/2005	10/1/2005	9/30/2006	0	2,000	1
one	t0050769 -	3,475	3,270	0	700	7/11/2005	7/11/2005	7/10/2006	0	2,000	1
one	t0042828 -	2,835	2,800	0	1400	11/1/2001	1/1/2005	12/31/2005	0	2,000	1
one	t0042787 -	2,835	2,800	0	1400	4/1/2003	1/1/2005	12/31/2005	0	0	1
one	t0042803 -	2,835	750	0	1400	11/25/2003	1/1/2005	12/31/2005	0	2,000	1
one	t0051026 -	2,835	2,750	0	1400	11/1/2004	11/1/2004	10/31/2005	0	2,000	1
studio	t0042015 -	4,870	2,306	2,709	370	9/16/2002	9/1/2005	8/31/2006	0	0	1
studio	t0042171 -	4,870	2,240	2,630	370	1/1/2004	8/1/2005	7/31/2006	0	0	1
studio	t0048416 -	4,870	2,306	2,709	370	7/23/2004	8/1/2005	7/31/2006	0	0	1
studio	t0056331 -	4,870	2,240	2,630	370	6/30/2005	6/30/2005	6/30/2006	0	2,000	1
studio	t0054071 -	4,870	260	2,240	370	4/18/2005	4/18/2005	4/18/2006	0	2,000	1
studio	t0054203 -	4,870	2,240	2,630	370	4/21/2005	4/21/2005	4/21/2006	0	2,000	1
studio	t0051782 -	4,870	2,240	2,630	370	11/29/2004	11/29/2004	11/29/2005	0	2,000	1
studio	t0042019 -	4,870	2,306	2,709	370	11/9/2001	9/1/2005	8/31/2006	0	0	1
studio	t0045332 -	4,870	1,040	2,630	370	4/13/2004	8/1/2005	7/31/2006	0	0	1
studio	t0042008 -	4,870	2,306	2,709	370	1/3/1993	9/1/2005	8/31/2006	0	0	1
studio	t0042041 -	4,870	2,306	2,709	370	11/16/1998	9/1/2005	8/31/2006	0	0	1

Brookdale Living Communities, Inc.
Rent Roll
00910 - Huntington Common
10/26/2005

Units	180	Avg Mkt Rent	3,679
Units Occ	158	Avg In-Place	3,576
Occ %	87.78%		

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
studio	t0056336 -	4,870	2,240	2,630	370	8/1/2005	8/1/2005	7/31/2006	0	2,000	1
studio	t0058300 -	4,870	2,311	2,714	370	10/7/2005	10/7/2005	10/7/2006	0	2,000	1
studio	t0054418 -	4,870	2,240	2,630	370	4/29/2005	4/29/2005	4/29/2006	0	2,000	1
studio	t0041998 -	4,870	2,306	2,709	370	5/1/2002	9/1/2005	8/31/2006	0	0	1
studio	t0041818 -	4,870	411	2,714	370	4/14/2003	8/1/2005	7/31/2006	0	2,000	1
studio	t0044512 -	4,870	2,240	2,630	370	4/1/2004	8/1/2005	7/31/2006	0	0	1
studio	t0042920 -	4,870	2,240	2,630	370	2/7/2004	8/1/2005	7/31/2006	0	0	1
studio	t0053749 -	4,870	2,240	2,630	370	3/25/2005	3/25/2005	3/25/2006	0	2,000	1
studio	t0043900 -	4,870	2,240	2,630	370	2/14/2004	8/1/2005	7/31/2006	0	0	1
studio	t0042027	4,870	1,925	2,630	370	9/1/1999	8/1/2005	7/31/2006	0	0	1
studio	t0041982	4,870	2,306	2,709	370	5/7/2002	9/1/2005	8/31/2006	0	0	1
studio	t0052470	4,870	2,240	2,630	370	12/31/2004	4/22/2005	4/22/2006	0	2,000	1
studio	t0042021	4,870	2,306	2,709	370	4/30/2003	9/1/2005	8/31/2006	0	0	1
one	t0042820	2,835	2,835	0	1400	9/1/1999	1/1/2005	12/31/2005	0	2,000	1
one	t0045409 -	2,835	2,750	0	1400	5/1/2004	5/1/2005	4/30/2006	0	2,000	1
one	t0042806 -	2,835	2,835	0	1400	5/1/2003	1/1/2005	12/31/2005	0	2,000	2
one	VACANT	2,835	0	0	1400				0	0	0
one	t0050178 -	2,835	2,750	0	1400	9/30/2004	9/30/2004	9/30/2005	0	2,000	1
one	t0042823 -	2,835	2,835	0	1400	1/2/2000	1/1/2005	12/31/2005	0	2,000	1
one	t0042815 -	2,835	2,835	0	1400	9/1/1999	1/1/2005	12/31/2005	0	2,000	1
one	t0042817 -	2,835	2,750	0	1400	9/1/1999	1/1/2005	12/31/2005	0	2,000	1
one	t0042827 -	2,835	2,835	0	1400	5/1/2002	1/1/2005	12/31/2005	0	2,000	2
one	t0042826 -	2,835	2,800	0	1400	11/10/2003	1/1/2005	12/31/2005	0	2,000	2
one	t0042805 -	2,835	2,750	0	1400	11/1/2003	1/1/2005	12/31/2005	0	2,000	2
one	t0056324 -	2,835	2,835	0	1400	9/19/2005	9/19/2005	9/19/2006	0	2,000	2
one	t0042789 -	2,835	2,835	0	1400	9/18/2002	1/1/2005	12/31/2005	0	2,000	2
one	t0042822 -	2,835	2,835	0	1400	5/1/2000	1/1/2005	12/31/2005	0	2,000	1
one	t0042809 -	2,835	2,835	0	1400	11/1/2001	1/1/2005	12/31/2005	0	2,000	1
one	t0050046 -	2,835	2,750	0	1400	8/31/2004	8/31/2004	8/31/2005	0	2,000	1
one	t0042802 -	2,835	2,835	0	1400	1/1/2000	1/1/2005	12/31/2005	0	2,000	1
one	t0041855 -	2,835	2,835	0	1400	4/15/2003	4/30/2005	3/31/2006	0	2,000	1
one	t0053746 -	2,835	2,835	0	1400	3/26/2005	5/4/2005	5/4/2006	0	2,000	1
one	t0051486 -	2,835	725	0	1400	7/31/2005	7/31/2005	7/31/2006	0	2,000	1
one	t0057456 -	2,835	2,835	0	1400	8/31/2005	8/31/2005	8/31/2006	0	2,000	1
one	t0042810 -	2,835	3,025	0	1400	12/1/2000	1/1/2005	12/31/2005	0	2,000	1
		662,220	418,737	146,303	125,405				4,000	223,000	175

Schedule 2.01

Allocation of Purchase Price

SELLER	PROPERTY	ALLOCATION OF PURCHASE PRICE
Autumn Health Services of Kennebunk, Inc.	Huntington Common Bradford on the Common Bradford Court	$29,347,208
Autumn Health Services of Kennebunk II, Inc.	River Cottages	$9,427,792

Schedule 3.03

Liabilities of Sellers Not Contained in Interim Financials

None.

Schedule 3.04

Conflicting Instruments or Decrees

1. Sellers must file a conversion plan with the Maine Attorney General and the Maine Superior Court detailing the terms of the sale of the Property and the Superior Court must approve the conversion plan pursuant to the Charitable Conversion Law.

2. The Bond financing effected pursuant to the Bond Indenture dated September 1, 1997 between the Finance Authority of Maine and Peoples Heritage Savings Bank, as Bond Trustee, including the various loan and collateral documents executed in connection therewith, as the same have been modified, amended and supplemented, prohibit the transfer of the Autumn I Property.

3. The Bond financing effected pursuant to the Bond Indenture dated July 1, 1999 between the Town of Kennebunk and Peoples Heritage Savings Bank, as Bond Trustee, including the various loan and collateral documents executed in connection therewith, as the same have been modified, amended and supplemented, prohibit the transfer of the Autumn II Property.

4. See Schedule 3.05 for Consents of Contracts.

Schedule 3.05

Consents

1. Consent from Eastern New England Security for assignment of Elevator Monitoring Services Agreement between Eastern New England Security and Autumn Health Services of Kennebunk, Inc. dated March 21, 2005

2. Consent from Seacoast Business Machines for assignment of Lease Agreement for 2 photocopiers between Seacoast Business Machines and Autumn Health Services of Kennebunk, Inc. dated June 1, 2005

3. Consent from Ascom Leasing for assignment of Postal Meter & Scale Single Sided Lease Agreement between Ascom Leasing and Autumn Health Services of Kennebunk, Inc. dated November 9, 2001

4. Consent from Direct Capital Corporation for assignment of Phone System Equipment Lease Agreement between Direct Capital Corporation and Autumn Health Services of Kennebunk, Inc. dated July 27, 2003

5. Consent from Bangor Savings Bank for the assignment of Commercial Installment Sale Contract And Security Agreement between Bangor Savings Bank, Arundel Ford and Autumn Health Services of Kennebunk, Inc. dated April 28, 2005

6. Consent from Interim HealthCare Staffing for the assignment of Interim HealthCare Staffing Agreement between Interim HealthCare Staffing and Autumn Health Services of Kennebunk, Inc. dated March 10, 2005

7. Consent from Brookdale Management of Maine-HC, LLC and Rollins Management Group, Inc. for the assignment of Exclusive Property Management And Leasing Agreement between Brookdale Management of Maine-HC, LLC, Rollins Management Group, Inc., and Autumn Health Services of Kennebunk, Inc. and Autumn Health Services of Kennebunk II, Inc.

8. Approval of Superior Court to the conversion plan to be submitted by Sellers pursuant to the Charitable Conversion Law providing for the sale of the Property as described herein

9. Approval by the holders of the Autumn I bonds and the holders of the Autumn II bonds

10. Consent from Maine Employers' Mutual Insurance Company for the assignment of Workers' Compensation and Employers' Liability Policy # 1810044266 9/24/05-06

11. Consent from Hanover Insurance Company for the assignment of Bond Renewal DP-1687801 11/15/02-05

12. Consent from Mount Vernon Fire Insurance Company for the assignment of Non Profit Professional Liability Policy # NDO2005670C 9/30/05-06

13. Consent from Acadia Insurance for the assignment of Business Auto Insurance Policy # CAA0070922 9/24/05-06

14. Consent from Acadia Insurance for the assignment of Property Insurance Policy # CNA0070908 9/24/05-06

15. Consent from Mount Vernon Fire Insurance Company for the assignment of Non Profit Professional Liability Policy # NDO200707 7/27/05-06

16. Consent from Massachusetts Bay Insurance Company for the assignment of Business Owners Insurance Policy # ODP5947741-07 7/29/05-0617. Consent from Aetna Health, Inc. for the assignment of Aetna Health ME Small Group HMO Plan effective 01/01/2004

18. Consent from Aetna Life Insurance Company for the assignment of Aetna Life ME Small Group PPO Plan effective 04/01/2005

19. Consent from Aetna Dental for the assignment of Aetna Dental Plan Maine Option 3 / Indemnity 1000 / w/Ortho

20. Consent from Aetna Inc. for the assignment of Aetna Vision One Discount Plan

Schedule 3.15

Title Policies

1. Attached hereto as Exhibit A is the Loan Policy of Title Insurance of Autumn Health Services of Kennebunk, Inc.

2. Attached hereto as Exhibit B is the Loan Policy of Title Insurance of Autumn Health Services of Kennebunk II, Inc.

EXHIBIT A

Form 4125

Issued By
Commonwealth Land Title Insurance Company

Commonwealth

Loan Policy Of Title Insurance

553-176985

SUBJECT TO THE EXCLUSIONS FROM COVERAGE, THE EXCEPTIONS FROM COVERAGE CONTAINED IN SCHEDULE B AND THE CONDITIONS AND STIPULATIONS, COMMONWEALTH LAND TITLE INSURANCE COMPANY, a Pennsylvania corporation, herein called the Company, insures, as of Date of Policy shown in Schedule A, against loss or damage, not exceeding the Amount of Insurance stated in Schedule A, sustained or incurred by the insured by reason of:

1. Title to the estate or interest described in Schedule A being vested other than as stated therein;
2. Any defect in or lien or encumbrance on the title;
3. Unmarketability of the title;
4. Lack of a right of access to and from the land;
5. The invalidity or unenforceability of the lien of the insured mortgage upon the title;
6. The priority of any lien or encumbrance over the lien of the insured mortgage;
7. Lack of priority of the lien of the insured mortgage over any statutory lien for services, labor or material: (a) arising from an improvement or work related to the land which is contracted for or commenced prior to Date of Policy; or (b) arising from an improvement or work related to the land which is contracted for or commenced subsequent to Date of Policy and which is financed in whole or in part by proceeds of the indebtedness secured by the insured mortgage which at Date of Policy the insured has advanced or is obligated to advance;
8. The invalidity or unenforceability of any assignment of the insured mortgage, provided the assignment is shown in Schedule A, or the failure of the assignment shown in Schedule A to vest title to the insured mortgage in the named insured assignee free and clear of all liens.

The Company will also pay the costs, attorneys' fees and expenses incurred in defense of the title or the lien of the insured mortgage, as insured, but only to the extent provided in the Conditions and Stipulations.

IN WITNESS WHEREOF, COMMONWEALTH LAND TITLE INSURANCE COMPANY has caused its corporate name and seal to be hereunto affixed by its duly authorized officers, the Policy to become valid when countersigned by an authorized officer or agent of the Company.

COMMONWEALTH LAND TITLE INSURANCE COMPANY

Attest: James J. D. Lynch Jr. Secretary

By: President

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy. (b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
3. Defects, liens, encumbrances, adverse claims or other matters: (a) created, suffered, assumed or agreed to by the insured claimant; (b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy; (c) resulting in no loss or damage to the insured claimant; (d) attaching or created subsequent to Date of Policy (except to the extent that this policy insures the priority of the lien of the insured mortgage over any statutory lien for services, labor or material); or (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the insured mortgage.
4. Unenforceability of the lien of the insured mortgage because of the inability or failure of the insured at Date of Policy, or the inability or failure of any subsequent owner of the indebtedness, to comply with applicable doing business laws of the state in which the land is situated.
5. Invalidity or unenforceability of the lien of the insured mortgage, or claim thereof, which arises out of the transaction evidenced by the insured mortgage and is based upon usury or any consumer credit protection or truth in lending law.
6. Any statutory lien for services, labor or materials (or the claim of priority of any statutory lien for services, labor or materials over the lien of the insured mortgage) arising from an improvement or work related to the land which is contracted for and commenced subsequent to Date of Policy and is not financed in whole or in part by proceeds of the indebtedness secured by the insured mortgage which at Date of Policy the insured has advanced or is obligated to advance.
7. Any claim, which arises out of the transaction creating the interest of the mortgagee insured by this policy, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that is based on:
   (a) the transaction creating the interest of the insured mortgagee being deemed a fraudulent conveyance or fraudulent transfer; or
   (b) the subordination of the interest of the insured mortgagee as a result of the application of the doctrine of equitable subordination; or
   (c) the transaction creating the interest of the insured mortgagee being deemed a preferential transfer except where the preferential transfer results from the failure:
      (i) to timely record the instrument of transfer; or
      (ii) of such recordation to impart notice to a purchaser for value or a judgment or lien creditor.

Commonwealth®
Land Title Insurance Company

LOAN FORM

SCHEDULE A

Policy Number	Date of Policy	Amount of Insurance
553-176985	September 24, 1997 at 11:33 a.m.	$29,815,000.00

File Number N/A

1. Name of Insured:

   Peoples Heritage Savings Bank, as Bond Trustee under a Bond Indenture dated as of September 1, 1997, between Finance Authority of Maine and the Bond Trustee, its successors and assigns as their interests may appear.

2. The estate or interest in the land described in this Schedule and which is encumbered by the insured mortgage is FEE SIMPLE and is at Date of Policy vested in:

   Autumn Health Services of Kennebunk, Inc, a Maine corporation

3. The mortgage, herein referred to as the insured mortgage, and the assignments thereof, if any, are described as follows:

   Loan Agreement and Mortgage from Autumn Health Services of Kennebunk, Inc. to Finance Authority of Maine, in the original principal amount of $ 29,815,000.00 dated as of September 1, 1997, and recorded in the York County Registry of Deeds on September 24, 1997, in Book 8446, Page 209.

4. The land referred to in this policy is located at Ross Road in the Town of Kennebunk, County of York, State of Maine, and more particularly described in the **Loan Agreement and Mortgage** insured in Item No. 3 above.

COMMONWEALTH LAND TITLE INSURANCE COMPANY

By: [signature]
Richard W Smith, State Counsel
Authorized Signature

This policy is valid only if Schedule B is attached.

Form 4100

Commonwealth
Land Title Insurance Company

LOAN FORM

SCHEDULE B
PART I

Policy Number _____
Owners: 207-819498

Policy Number _____
Loan: 553-176985

File Number: N/A _____

This policy does not insure against loss or damage by reason of the following:

1. Rights or claims of parties other than Mortgagor in actual possession of any or all of the property.

2. Unrecorded easements, discrepancies or conflicts in boundary lines, shortage in area and encroachments which an accurate and complete survey would disclose.

3. Unfiled mechanics' or materialmen's liens.

   Exceptions Numbered 2 and 3 are hereby deleted.

4. Taxes assessed as of April 1, 1997, and for subsequent years which are not yet due and payable.

   NOTE: This policy insures that taxes are paid through June 30, 1997.

5. Site Location of Development, Natural Resources Protections Water Quality Certification Findings of Fact and Order (and restrictions and conditions set forth therein) dated May 16, 1997, and recorded in the York County Registry of Deeds, Book 8283, Page 212, and as affected by a Site Location of Development, Partial Transfer Findings of Fact and Order dated July 29, 1997, recorded in Book 8389, Page 29.

6. Rights and easements taken by the State of Maine Department of Transportation Bureau of Highways in Notice of Layout and Taking, dated August 18, 1981, and recorded in said Registry, Book 2835, Page 122.

   Note: This policy affirmatively insures that the forgoing exception numbered 6 does not adversely affect the proposed improvements or the existing improvements to the insured premises as reflected by the approved plans for "Huntington Commons."

Form 4100

Commonwealth®
Land Title Insurance Company

Schedule B, Part I (continued).

7. Utility easement from L & R Properties to Kennebunk Light and Power District and New England Telephone and Telegraph Company, dated March 2, 1989, and recorded in Book 5064, Page 240.

8. Utility easement from Robert W. Bartlett to the Kennebunk – Kennebunkport & Wells Water District, dated May 18, 1979, and recorded in Book 2509, Page 156.

9. The following matters set forth on a survey and surveyor's report entitled "Plan of Land, 11 Ross Road, Town of Kennebunk, Maine, County of York, as prepared for L & R Properties" by Civilworks, dated March 7, 1997 as revised on May 12, 1997, recorded in the York County Registry of Deeds in Plan Book 237, Pages 5 and 6:

a. Slope easement and drainage structure easement along Route 1 **(note: affect the appurtenant easements for access and utilities only, and is the same as item 6, above).**
b. Easement to Kennebunk, Kennebunkport and Wells Water District along Route 1 **(note: affects the appurtenant easement for access only and is the same as item 8, above).**
c. Wooden fence encroachment from land of Casara along southwesterly boundary of insured premises.
d. Wire fence encroachment from land of Frank along westerly boundary of insured premises.

10. Rights and easements reserved by L & R Properties in a deed to Autumn Health Services of Kennebunk, Inc. dated September 23, 1997, recorded in the York County Registry of Deeds in Book 8446, Page 205 .

Note: The policy affirmatively insures that the forgoing exception 10 does not adversely affect the proposed building improvements to the insured premises.

11. Rights of Common Care Inc., in common with the insured, in and to the use of the appurtenant utility easement and access easement, recorded in Book 8446, Page 202.

12. Rights of others, in common with the insured, to a fifty (50) foot wide utility easement as set forth in a deed from Barlett's Mills Associates to Douglas R. Stockbridge, et al., dated September 16, 1988, recorded in said Registry in Book 4843, Page 233.

13. Terms and conditions of subdivision and site plan approval as evidenced by a Certification of Mark Jacobsen, Code Enforcement Officer of the Town of Kennebunk, recorded in York County Registry of Deeds, Book 8446, Page 204 and Findings of Fact, recorded at 8390, Page 70.

Commonwealth
Land Title Insurance Company

Schedule B, Part I (continued).

13. Pending disbursement of the full proceeds of the loan secured by the mortgage set forth under Schedule A hereof, this policy insures only to the extent of the amount actually disbursed, plus lawful interest accrued thereon, but increases up to the face amount of the policy as each disbursement is made in good faith and without knowledge of any defects in, or objections to, the title; other than exceptions set forth on this Schedule B. At the time of each disbursement to the proceeds of the loan, the title must be continued down to such time for possible liens or objections intervening between the date hereof and the date of such disbursement.

Liability of the Company for loss of priority of the lien of the insured mortgage over any statutory lien for labor or material shall extend only to that portion of the proceeds of the loan disbursement pursuant to a legal obligation to disburse, and in accordance with the provisions of the construction loan disbursement agreement between the Owner and the Mortgagee.

NOTE: **Unless Schedule B Part II is attached there are no subordinate matters that affect the title to the estate or interest referred to in Schedule A.**

EXHIBIT B

PRIOR POLICY CREDIT INFO
Liability Cr. $
Premium Cr. $
Policy No.

POLICY NUMBER

G32-127394

Commonwealth

LOAN POLICY OF TITLE INSURANCE

STATISTICAL STATES ONLY

Policy Type

Title Source

Property Type

Escrow Charge

Work Type

Work Charge

STATISTICAL STATES ONLY

SUBJECT TO THE EXCLUSIONS FROM COVERAGE, THE EXCEPTIONS FROM COVERAGE CONTAINED IN SCHEDULE B AND THE CONDITIONS AND STIPULATIONS, COMMONWEALTH LAND TITLE INSURANCE COMPANY, a Pennsylvania corporation, herein called the Company, insures, as of Date of Policy shown in Schedule A, against loss or damage, not exceeding the Amount of Insurance stated in Schedule A, sustained or incurred by the insured by reason of:

1. Title to the estate or interest described in Schedule A being vested other than as stated therein;
2. Any defect in or lien or encumbrance on the title;
3. Unmarketability of the title;
4. Lack of a right of access to and from the land;
5. The invalidity or unenforceability of the lien of the insured mortgage upon the title;
6. The priority of any lien or encumbrance over the lien of the insured mortgage;
7. Lack of priority of the lien of the insured mortgage over any statutory lien for services, labor or material: (a) arising from an improvement or work related to the land which is contracted for or commenced prior to Date of Policy; or (b) arising from an improvement or work related to the land which is contracted for or commenced subsequent to Date of Policy and which is financed in whole or in part by proceeds of the indebtedness secured by the insured mortgage which at Date of Policy the insured has advanced or is obligated to advance;
8. The invalidity or unenforceability of any assignment of the insured mortgage, provided the assignment is shown in Schedule A, or the failure of the assignment shown in Schedule A to vest title to the insured mortgage in the named insured assignee free and clear of all liens.

The Company will also pay the costs, attorneys' fees and expenses incurred in defense of the title or the lien of the insured mortgage, as insured, but only to the extent provided in the Conditions and Stipulations.

IN WITNESS WHEREOF, COMMONWEALTH LAND TITLE INSURANCE COMPANY has caused its corporate name and seal to be hereunto affixed by its duly authorized officers, the Policy to become valid when countersigned by an authorized officer or agent of the Company.

COMMONWEALTH LAND TITLE INSURANCE COMPANY

Attest: David E. Manley
Secretary

By:
Chairman and Chief Executive Officer

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy. (b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
3. Defects, liens, encumbrances, adverse claims or other matters: (a) created, suffered, assumed or agreed to by the insured claimant; (b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy; (c) resulting in no loss or damage to the insured claimant; (d) attaching or created subsequent to Date of Policy (except to the extent that this policy insures the priority of the lien of the insured mortgage over any statutory lien for services, labor or material); or (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the insured mortgage.
4. Unenforceability of the lien of the insured mortgage because of the inability or failure of the insured at Date of Policy, or the inability or failure of any subsequent owner of the indebtedness, to comply with applicable doing business laws of the state in which the land is situated.
5. Invalidity or unenforceability of the lien of the insured mortgage, or claim thereof, which arises out of the transaction evidenced by the insured mortgage and is based upon usury or any consumer credit protection or truth in lending law.
6. Any statutory lien for services, labor or materials (or the claim of priority of any statutory lien for services, labor or materials over the lien of the insured mortgage) arising from an improvement or work related to the land which is contracted for and commenced subsequent to Date of Policy and is not financed in whole or in part by proceeds of the indebtedness secured by the insured mortgage which at Date of Policy the insured has advanced or is obligated to advance.
7. Any claim, which arises out of the transaction creating the interest of the mortgagee insured by this policy, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that is based on:
   (a) the transaction creating the interest of the insured mortgagee being deemed a fraudulent conveyance or fraudulent transfer; or
   (b) the subordination of the interest of the insured mortgagee as a result of the application of the doctrine of equitable subordination; or
   (c) the transaction creating the interest of the insured mortgagee being deemed a preferential transfer except where the preferential transfer results from the failure:
      (i) to timely record the instrument of transfer; or
      (ii) of such recordation to impart notice to a purchaser for value or a judgment or lien creditor.

Valid Only If Schedules A and B and Cover Are Attached

CLT COPY

JENSEN BAIRD GARDNER & HENRY

ATTORNEYS AT LAW

TEN FREE STREET
P.O. BOX 4510
PORTLAND, MAINE 04112
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WILLIAM H. DALE
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F. BRUCE SLEEPER
DEBORAH M. MANN
LESLIE E. LOWRY III
PATRICIA MCDONOUGH DUNN
MICHAEL J. QUINLAN
R. LEE IVY
NATALIE L. BURNS
SALLY J. DAGGETT
BRENDAN P. RIELLY
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M. DONALD GARDNER
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JAMES E. KAPLAN
OF COUNSEL

KENNETH BAIRD
(1914-1997)

YORK COUNTY
OFFICE

11 MAIN STREET, SUITE 4
KENNEBUNK, MAINE 04043
(207) 985-4476
TELECOPIER (207) 985-4933

August 11, 1999

Ms. Cindy Collins, Agent Manager
Commonwealth Land Title Insurance. Co.
477 Congress Street, 8th Floor
Portland, ME 04101

RE: <u>Title Policy and Premium</u>
Policy Number: G32-127394
Insured: Peoples Heritage Bank
Our File Number: 13594/1

Dear Cindy:

Enclosed please find a check in the amount of $1,485.00, which represents Commonwealth Title's portion of the premium for the above Lender's Policy that was issued in the amount of $4,925,000.

If there are any questions or anything further is needed concerning the policy, please let us know.

Very truly yours,

Denice M. Vermette
Legal Secretary to
Leslie E. Lowry III

Enclosures

MS

Commonwealth

COMMONWEALTH LAND TITLE INSURANCE COMPANY

LOAN FORM

SCHEDULE A

Policy Number	Date of Policy	Amount of Insurance
G32-127394	**July 29, 1999 at 9:00 p.m.**	**$4,925,000**

File Number **N/A**

1 Name of Insured:

Peoples Heritage Savings Bank, as Bond Trustee under a Bond Indenture dated as of July 1, 1999, between Town of Kennebunk and the Bond Trustee, its successors and assigns as their interests may appear.

2. The estate or interest in the land described in this Schedule and which is encumbered by the insured mortgage is FEE SIMPLE and is at Date of Policy vested in:

Autumn Health Services of Kennebunk II, Inc, a Maine non-profit corporation

3. The mortgage, herein referred to as the insured mortgage, and the assignments thereof, if any, are described as follows:

Loan Agreement and Mortgage from Autumn Health Services of Kennebunk II, Inc. to Town of Kennebunk, dated as of July 1, 1999, and recorded in the York County Registry of Deeds on July 28, 1999, in Book 9602, Page 248, and assigned to Peoples Heritage Savings Bank, as Bond Trustee pursuant to the Bond Indenture, dated as of July 1, 1999 from the Town of Kennebunk and recorded in said Registry, Book 9603, Page 1.

4. The land referred to in this policy is located at Ross Road in the Town of Kennebunk, County of York, State of Maine, and more particularly described in the **Loan Agreement and Mortgage** insured in Item No. 3 above.

COMMONWEALTH LAND TITLE INSURANCE COMPANY

By: Suzanne R. Scott

Suzanne R. Scott

Authorized Signature, Agent #23-57946

This policy is valid only if Schedule B is attached.

Commonwealth

COMMONWEALTH LAND TITLE INSURANCE COMPANY

LOAN FORM
SCHEDULE B
PART I

Policy Number _____
Owners:

Policy Number _____
Loan: G32-127394

File Number: N/A _____

This policy does not insure against loss or damage by reason of the following:

1. Rights or claims of parties other than Mortgagor in actual possession of any or all of the property.

2. Unrecorded easements, discrepancies or conflicts in boundary lines, shortage in area and encroachments which an accurate and complete survey would disclose.

3. Unfiled mechanics' or materialmen's liens.

Exceptions Numbered 1, 2 and 3 are hereby deleted.

4. Taxes assessed as of April 1, 1999, and for subsequent years which are not yet due and payable.

NOTE: This policy insures that taxes are paid through June 30, 1999.

5. Title to and rights of the public and others entitled thereto in and to those portions of the insured premises lying within the bounds of Ross Road, Huntington Common Drive and U.S. Route 1.

6. Site Location of Development, Natural Resources Protections Water Quality Certification Findings of Fact and Order (and restrictions and conditions set forth therein) dated May 16, 1997, and recorded in the York County Registry of Deeds, Book 8283, Page 212, and as affected by a Site Location of Development, Partial Transfer Findings of Fact and Order dated July 29, 1997, recorded in Book 8389, Page 29, and Site Location of Development Order, dated October 8, 1998, and recorded in said Registry, Book 9133, Page 128.

SCHEDULE B -PART I
(continued)

Note: This policy affirmatively insures that the forgoing exception numbered 6 does not adversely affect the proposed improvements or the existing improvements to the insured premises as reflected by the approved plans for "Huntington Commons."

7. Rights and easements taken by the State of Maine Department of Transportation Bureau of Highways in Notice of Layout and Taking, dated August 18, 1981, and recorded in said Registry, Book 2835, Page 122.

8. Utility easement from L & R Properties to Kennebunk Light and Power District and New England Telephone and Telegraph Company, dated March 2, 1989, and recorded in Book 5064, Page 240.

9. Utility easement from Robert W. Bartlett to the Kennebunk – Kennebunkport & Wells Water District, dated May 18, 1979, and recorded in Book 2509, Page 156.

10. Such state of facts, notes, conditions and restrictions set forth on the surveys and surveyor's reports entitled "Plan of Land, 11 Ross Road, Town of Kennebunk, Maine, County of York, as prepared for L & R Properties" by Civilworks, dated March 7, 1997 as revised on May 12, 1997, recorded in the York County Registry of Deeds in Plan Book 237, Pages 5 and 6, and dated October 28, 1998, and recorded in said Registry, Plan Book 245, Page 21 et. seq.

11. Rights and easements reserved by L & R Properties in a deed to Autumn Health Services of Kennebunk, Inc. dated September 23, 1997, recorded in the York County Registry of Deeds in Book 8446, Page 205, and by Douglas R. Stockbridge in his deed to Autumn Health Services of Kennebunk II, Inc. dated July 29, 1999, and recorded in said Registry, Book 9602, Page 243 and by Samuel L. Checovich in his deed to Douglas R. Stockbridge, Sr. dated December 31, 1998, and recorded in Book 9241, Page 194.

Note: The policy affirmatively insures that the forgoing exception 11 does not adversely affect the proposed building improvements to the insured premises.

12. Rights of Common Care Inc., in common with the insured, in and to the use of the appurtenant utility easement and access easement, recorded in Book 8446, Page 202.

LOAN FORM
SCHEDULE B -PART I
(continued)

13. Rights of others, in common with the insured, to a fifty (50) foot wide utility easement as set forth in a deed from Barlett's Mills Associates to Douglas R. Stockbridge, et al., dated September 16, 1988, recorded in said Registry in Book 4843, Page 233.

14. Terms and conditions of subdivision and site plan approval as evidenced by a Certification of Mark Jacobsen, Code Enforcement Officer of the Town of Kennebunk, recorded In York County Registry of Deeds, Book 8446, Page 204 and Findings of Fact, recorded at 8390, Page 70 and as set forth on the Plan recorded in Plan Book 245, Page 21.

15. Huntington Common Expansion and/or Management Plan for Phase I and Phase II, dated November 17, 1998, and recorded in Book 9177, Page 74.

16. Rights and easements granted by L & R Properties to Douglas R. Stockbridge, Sr. et al., dated December 26, 1997, and recorded in Book 8586, Page 95, as modified in Book 9241, Page 199.

17. Subject to the terms and conditions of an Agreement Regarding Property Tax by and among Autumn Health Services of Kennebunk II, Inc., Autumn Health Services of Kennebunk, Inc. and the Town of Kennebunk, dated July 29, 1999, recorded in the York County Registry of Deeds, Book 9602, Page 243.

18. Pending disbursement of the full proceeds of the loan secured by the mortgage set forth under Schedule A hereof, this policy insures only to the extent of the amount actually disbursed, plus lawful interest accrued thereon, but increases up to the face amount of the policy as each disbursement is made in good faith and without knowledge of any defects in, or objections to, the title, other than exceptions set forth on this Schedule B. At the time of each disbursement to the proceeds of the loan, the title must be continued down to such time for possible liens or objections intervening between the date hereof and the date of such disbursement.

    Liability of the Company for loss of priority of the lien of the insured mortgage over any statutory lien for labor or material shall extend only to that portion of the proceeds of the loan disbursement pursuant to a legal obligation to disburse, and in accordance with the provisions of the construction loan disbursement agreement between the Owner and the Mortgagee.

NOTE: **Unless Schedule B Part II is attached there are no subordinate matters that affect the title to the estate or interest referred to in Schedule A.**

End of Schedule B, Part I

Schedule 9.04(a)

Form of Maine Quitclaim Deed with Covenant

See Exhibit A attached hereto.

EXHIBIT A

SHORT FORM QUITCLAIM DEED WITH COVENANT

[Autumn Health Services of Kennebunk, Inc.], a Maine not for profit corporation with a place of business at Kennebunk, Maine, FOR CONSIDERATION PAID, grants to Sunrise Kennebunk ME Senior Living, LLC, whose mailing address is _____, with QUITCLAIM COVENANT certain real property, together with any improvements thereon, located at , County, Maine and more particularly described on Exhibit A attached hereto and made a part hereof.

IN WITNESS WHEREOF, has caused this instrument to be executed by _____ , its _____ thereunto duly authorized, this day of , 2005.

WITNESSETH:

[Autumn Health Services of Kennebunk, Inc.]

_____
Name:

By: _____
Name:
Title:

State of Maine
County of , ss.

, 19__

PERSONALLY APPEARED the above-named , , of as aforesaid, and acknowledged the foregoing instrument to be h free act and deed in h said capacity and the free act and deed of said corporation.

Before me,

_____
Name:
Title:

Schedule 9.04(b)

Bill of Sale for Personal Property and Supplies

See Exhibit A attached hereto.

EXHIBIT A

GENERAL ASSIGNMENT AND BILL OF SALE

THIS GENERAL ASSIGNMENT AND BILL OF SALE, dated as of _____, 2005 (this "Bill of Sale"), is being executed and delivered in connection with the closing of the transactions contemplated by an Agreement of Purchase and Sale dated October __, 2005 (the "Purchase Agreement"), among Sunrise Kennebunk ME Senior Living, LLC, a Delaware limited liability company ("Sunrise" or "Buyer"), Autumn Health Services of Kennebunk II, Inc., a Maine not for profit corporation ("Autumn II") and Autumn Health Services of Kennebunk, Inc., a Maine not for profit corporation ("Autumn I"). Autumn I and Autumn II are sometimes referred to individually as a "Seller" and collectively as "Sellers". Unless otherwise defined herein, each of the defined terms used in this Bill of Sale has the meaning given to it in the Purchase Agreement.

For the consideration set forth in the Purchase Agreement, Sellers hereby jointly and severally transfer and assign to Sunrise, its successors and assigns forever, all of its right, title, and interest in and to the Personal Property, including the following assets and rights:

a) the FF&E;

(b) the Supplies;

(c) All patient records and agreements, permits, supplier lists, records of inspection of the Property by governmental agencies, all records of construction, architectural plans and specifications and "As Built" plans and specifications, surveys, construction contracts (as such presently may exist), all other data pertaining to the services being performed by the Property, and all other books and records including policy manuals used in the day-to-day management of the Property

(d) All rights associated with the goodwill of the Facilities, such as the rights to use all telephone listings and post office boxes for the Facilities, as such may be assignable by a Seller, all rights to logos or other trademarks, including, any right to use the name "Huntington Common";

(e) All warranties and guarantees of manufacturers, contractors, suppliers, sellers and others that relate to the Property; and

(f) All deposits and prepaid expenses relating to obligations or periods arising after the Closing Date.

Notwithstanding the foregoing, Sellers each will retain, and Sunrise will not purchase, the Retained Assets and Liabilities.

Seller warrants to Buyer that it is the lawful owner of the Personal Property, that Seller has the good and lawful right to sell and convey the Personal Property, that the Personal Property is free from encumbrances or rightful claims of others, and that it will defend Buyer's title to the Personal Property against the claims of third parties.

IN WITNESS WHEREOF, Sellers have executed and delivered this Bill of Sale as of the date first above written.

Autumn Health Services of Kennebunk, Inc.

By:_____
Name:
Title:

Autumn Health Services of Kennebunk II, Inc.

By:_____
Name:
Title:

Schedule 9.04(c)

Assignment and Assumption of Contracts

(for Contracts and Residency Agreements)

See Exhibit A attached hereto.

EXHIBIT A

ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT, dated as of _____, 2005 (this "Agreement"), is being executed and delivered in connection with the closing of the transactions contemplated by an Agreement of Purchase and Sale dated October __, 2005 (the "Purchase Agreement"), among Sunrise Kennebunk ME Senior Living, LLC, a Delaware limited liability company ("Sunrise" or "Buyer"), Autumn Health Services of Kennebunk II, Inc., a Maine not for profit corporation ("Autumn II") and Autumn Health Services of Kennebunk, Inc., a Maine not for profit corporation ("Autumn I") for the purchase of all of the property described in the Purchase Agreement (the "Property"). Autumn I and Autumn II are sometimes referred to individually as a "Seller" and collectively as "Sellers". Unless otherwise defined herein, each of the defined terms used in this Agreement has the meaning given to it in the Purchase Agreement.

For the consideration set forth in the Purchase Agreement, Sellers hereby jointly and severally assign to Sunrise, and Sunrise hereby assumes and agrees to perform, the following rights, liabilities and obligations of each Seller with respect to the Property as of the Adjustment Date (the "Assumed Liabilities"):

(a) Rights and Obligations under Contracts. All rights and obligations to be performed by a Seller after the Adjustment Date under each of the Contracts set forth on Schedule A attached hereto;

(b) Rights and Obligations under Residency Agreements. All rights and obligations to be performed by a Seller after the Adjustment Date under each of the Residency Agreements set forth on Schedule B attached hereto; and

(c) Accounts Payable. All trade accounts payable incurred in the ordinary course of the Seller's business, as set forth on schedule C attached hereto, subject to the rights of the parties under Section 2.04 of the Purchase Agreement.

Other than the Assumed Liabilities specifically identified above, Sunrise does not assume any obligations or liabilities of and Seller.

IN WITNESS WHEREOF, Sellers, jointly and severally, have executed and delivered this Agreement as of the date first above written.

Autumn Health Services of Kennebunk, Inc.

By:_____
Name:
Title:

Autumn Health Services of Kennebunk, Inc.

By:_____
Name:
Title:

Sunrise Kennebunk ME Senior Living, LLC

By:_____
Name:
Title:

FIRST AMENDMENT TO AGREEMENT OF PURCHASE AND SALE AGREEMENT

THIS FIRST AMENDMENT TO AGREEMENT OF PURCHASE AND SALE AGREEMENT (this "First Amendment") is dated as of November 11, 2005 (the "First Amendment Effective Date"), by and among Autumn Health Services of Kennebunk, Inc., a Maine not for profit corporation with a place of business in Kennebunk, Maine ("Autumn I"), Autumn Health Services of Kennebunk II, Inc., a Maine not for profit corporation with a place of business in Kennebunk, Maine ("Autumn II"), (collectively, "Seller") and Sunrise Kennebunk ME Senior Living, LLC, a Delaware limited liability company ("Buyer").

RECITALS:

A. Effective November 7, 2005 Seller and Buyer entered into that certain Agreement of Purchase and Sale Agreement (herein the "Original Agreement") pursuant to the terms and conditions of which Seller agreed to sell and Buyer agreed to purchase from Seller certain real property situated in Kennebunk, Maine which is more fully described therein; and

B. Seller and Buyer now desire to amend the Original Agreement to set forth their agreement to extend the inspection period described in the Original Agreement (the Original Agreement as amended by this First Amendment shall be herein referred to as the "Agreement").

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller and Buyer do hereby agree as follows:

1. Inspection Period. The second sentence of Section 1.03 of the Original Agreement is deleted in the entirety and the following text is inserted in place thereof, "Buyer shall be entitled to continue its due diligence from the date of this Agreement through and including November 14, 2005 (the "Inspection Period"), subject to the terms of this Agreement."

2. Definitions. Unless otherwise defined in this First Amendment or the context otherwise requires, each term used in this First Amendment with its initial letter capitalized which has been defined in the Original Agreement shall have the same meaning herein as given to such term in the Original Agreement.

3. Continuing Effect. Except as expressly modified by the terms and provisions of this First Amendment, each and every of the terms and provisions of the Original Agreement are ratified and affirmed and are in full force and effect.

4. Parties Bound. This First Amendment shall be binding upon the parties hereto and their respective successors and assigns.

5. Counterparts. To facilitate execution, this First Amendment may be executed in as many counterparts as may be convenient or required. It shall not be necessary that the signature or acknowledgment of, or on behalf of, each party, or that the signature of all persons required to bind any party, or the acknowledgment of such party, appear on each counterpart. All counterparts shall collectively constitute a single instrument. It shall not be necessary in making proof of this First Amendment to produce or account for more than a single counterpart containing the respective signatures of, or on behalf of, and the respective acknowledgments of,

each of the parties hereto. Any signature or acknowledgment page to any counterpart may be detached from such counterpart without impairing the legal effect of the signatures or acknowledgments thereon and thereafter attached to another counterpart identical thereto except having attached to it additional signature or acknowledgment pages. Delivery of an executed counterpart of this First Amendment by facsimile shall be binding upon the party so delivering.

IN WITNESS WHEREOF, Seller and Buyer have executed this First Amendment as of the day and year set forth above.

SELLER:

AUTUMN HEALTH SERVICES OF KENNEBUNK, INC.

By: _____
Name _____
Title: _____

AUTUMN HEALTH SERVICES OF KENNEBUNK II, INC.

By: _____
Name: _____
Title: _____

BUYER:

SUNRISE KENNEBUNK ME SENIOR LIVING, LLC

By: _____
Name: Carl Adams
Title: Vice President

207-774-1127

each of the parties hereto. Any signature or acknowledgment page to any counterpart may be detached from such counterpart without impairing the legal effect of the signatures or acknowledgments thereon and thereafter attached to another counterpart identical thereto except having attached to it additional signature or acknowledgment pages. Delivery of an executed counterpart of this First Amendment by facsimile shall be binding upon the party so delivering.

IN WITNESS WHEREOF, Seller and Buyer have executed this First Amendment as of the day and year set forth above.

SELLER:

AUTUMN HEALTH SERVICES OF KENNEBUNK, INC.

By: _____
Name: Dr. David McConnell
Title: President / Chairman

AUTUMN HEALTH SERVICES OF KENNEBUNK II, INC.

By: _____
Name: Dr. David McConnell
Title: President / Chairman

BUYER:

SUNRISE KENNEBUNK ME SENIOR LIVING, LLC

By: _____
Name: _____
Title: _____

RECEIPT BY ESCROW AGENT

This First Amendment, fully executed by both Seller and Buyer, has been received by Escrow Agent this ___ day of November, 2005, and by its execution hereof, Escrow Agent hereby reaffirms, ratifies and agrees to be bound by the terms and provisions of this Agreement that are applicable to Escrow Agent in its role as Escrow Agent pursuant to this Agreement.

ESCROW AGENT:

FIRST AMERICAN TITLE INSURANCE COMPANY

RECEIPT BY ESCROW AGENT

This First Amendment, fully executed by both Seller and Buyer, has been received by Escrow Agent this 17 day of November, 2005, and by its execution hereof, Escrow Agent hereby reaffirms, ratifies and agrees to be bound by the terms and provisions of this Agreement that are applicable to Escrow Agent in its role as Escrow Agent pursuant to this Agreement.

ESCROW AGENT:

FIRST AMERICAN TITLE INSURANCE COMPANY

By: _____
Name: Craig A. Johnson
Title: Vice President

SECOND AMENDMENT TO AGREEMENT OF PURCHASE AND SALE

THIS SECOND AMENDMENT TO AGREEMENT OF PURCHASE AND SALE (this "Second Amendment") is dated as of November 14, 2005 (the "Second Amendment Effective Date"), by and among Autumn Health Services of Kennebunk, Inc., a Maine not for profit corporation with a place of business in Kennebunk, Maine ("Autumn I"), Autumn Health Services of Kennebunk II, Inc., a Maine not for profit corporation with a place of business in Kennebunk, Maine ("Autumn II"), (collectively, "Seller") and Sunrise Kennebunk ME Senior Living, LLC, a Delaware limited liability company ("Buyer").

RECITALS:

A. Effective November 7, 2005 Seller and Buyer entered into that certain Agreement of Purchase and Sale Agreement (herein the "Agreement") pursuant to the terms and conditions of which Seller agreed to sell and Buyer agreed to purchase from Seller certain real property situated in Kennebunk, Maine which is more fully described therein; and

B. Buyer and Seller entered into that certain First Amendment to Agreement of Purchase and Sale Agreement dated November 11, 2005 extending the date of the expiration of the Inspection Period (the "First Amendment") (the Agreement and the first Amendment are herein after referred to collectively as the "Original Agreement");

C. Seller and Buyer now desire to amend the Original Agreement to set forth their agreement to reduce the amounts Purchase Price and the Holdback and make other amendments to the Original Agreement (the Original Agreement as amended by this Second Amendment shall be herein referred to as the "Revised Agreement").

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller and Buyer do hereby agree as follows:

1. Purchase Price. The first sentence of Section 2.01 of the Original Agreement is deleted in the entirety and the following text is inserted in place thereof, "In consideration for the sale or assignment, as the case may be, of the Property, Buyer agrees to pay Sellers an aggregate purchase price of Thirty-Eight Million Seven Hundred Seventy-five Thousand Dollars ($38,775,000) (the "Purchase Price")."

2. Holdback Amount. The first sentence of Section 2.03(c) of the Original Agreement is deleted in the entirety and the following text is inserted in place thereof, "At Closing, Buyer will hold back the sum of Eight Hundred Thousand Dollars ($800,000) (the "Holdback Amount") from the Purchase Price."

3. Seller's Identity. Section 4.06 is deleted from the Original Agreement in the entirety and the following is inserted in place thereof, "After the Closing Date, Sunrise Senior Living Management, Inc., a wholly-owned subsidiary of Sunrise Senior Living, Inc., will manage the Property pursuant to a long term management agreement by and between Buyer and Sunrise Senior Living Management, Inc."

4. Zoning Compliance. The following is added to the Original Agreement as new Section 7.10, "Buyer shall have either (i) received a letter from the Code Enforcement Officer of the Town of Kennebunk, Maine stating that the Town has no record of violations of the zoning laws and Town ordinances, rules, regulations applicable to the Real Property or (ii) obtained confirmation from an engineer, attorney or surveyor of the Real Property regarding the absence of such violations. .

5. Definitions. Unless otherwise defined in this Second Amendment or the context otherwise requires, each term used in this Second Amendment with its initial letter capitalized which has been defined in the Original Agreement shall have the same meaning herein as given to such term in the Original Agreement.

6. Continuing Effect. Except as expressly modified by the terms and provisions of this Second Amendment, each and every of the terms and provisions of the Original Agreement are ratified and affirmed and are in full force and effect.

7. Parties Bound. This Second Amendment shall be binding upon the parties hereto and their respective successors and assigns.

8. Counterparts. To facilitate execution, this Second Amendment may be executed in as many counterparts as may be convenient or required. It shall not be necessary that the signature or acknowledgment of, or on behalf of, each party, or that the signature of all persons required to bind any party, or the acknowledgment of such party, appear on each counterpart. All counterparts shall collectively constitute a single instrument. It shall not be necessary in making proof of this Second Amendment to produce or account for more than a single counterpart containing the respective signatures of, or on behalf of, and the respective acknowledgments of, each of the parties hereto. Any signature or acknowledgment page to any counterpart may be detached from such counterpart without impairing the legal effect of the signatures or acknowledgments thereon and thereafter attached to another counterpart identical thereto except having attached to it additional signature or acknowledgment pages. Delivery of an executed counterpart of this Second Amendment by facsimile shall be binding upon the party so delivering.

IN WITNESS WHEREOF, Seller and Buyer have executed this Second Amendment as of the day and year set forth above.

SELLER:

AUTUMN HEALTH SERVICES OF KENNEBUNK, INC.

By: _____
Name Dr. David McConnell
Title: President / Chairman

AUTUMN HEALTH SERVICES OF KENNEBUNK II, INC.

By: _____
Name: Dr. David McConnell
Title: President / Chairman

BUYER:

SUNRISE KENNEBUNK ME SENIOR LIVING, LLC

By: _____
Name: _____
Title: _____

RECEIPT BY ESCROW AGENT

This Second Amendment, fully executed by both Seller and Buyer, has been received by Escrow Agent this ___ day of November, 2005, and by its execution hereof, Escrow Agent hereby reaffirms, ratifies and agrees to be bound by the terms and provisions of the Revised Agreement that are applicable to Escrow Agent in its role as Escrow Agent pursuant to the Revised Agreement.

ESCROW AGENT:

FIRST AMERICAN TITLE INSURANCE COMPANY

By: _____
Name: _____
Title: _____

IN WITNESS WHEREOF, Seller and Buyer have executed this Second Amendment as of the day and year set forth above.

SELLER:

AUTUMN HEALTH SERVICES OF KENNEBUNK, INC.

By: _____
Name _____
Title: _____

AUTUMN HEALTH SERVICES OF KENNEBUNK II, INC.

By: _____
Name: _____
Title: _____

BUYER:

SUNRISE KENNEBUNK ME SENIOR LIVING, LLC

By: Carl Adams
Name: Carl Adams
Title: Vice President

RECEIPT BY ESCROW AGENT

This Second Amendment, fully executed by both Seller and Buyer, has been received by Escrow Agent this ___ day of November, 2005, and by its execution hereof, Escrow Agent hereby reaffirms, ratifies and agrees to be bound by the terms and provisions of the Revised Agreement that are applicable to Escrow Agent in its role as Escrow Agent pursuant to the Revised Agreement.

ESCROW AGENT:

SECOND AMERICAN TITLE INSURANCE COMPANY

By: _____
Name: _____
Title: _____

IN WITNESS WHEREOF, Seller and Buyer have executed this Second Amendment as of the day and year set forth above.

SELLER:

AUTUMN HEALTH SERVICES OF KENNEBUNK, INC.

By: _____
Name _____
Title: _____

AUTUMN HEALTH SERVICES OF KENNEBUNK II, INC.

By: _____
Name: _____
Title: _____

BUYER:

SUNRISE KENNEBUNK ME SENIOR LIVING, LLC

By: _____
Name: _____
Title: _____

RECEIPT BY ESCROW AGENT

This Second Amendment, fully executed by both Seller and Buyer, has been received by Escrow Agent this 15th day of November, 2005, and by its execution hereof, Escrow Agent hereby reaffirms, ratifies and agrees to be bound by the terms and provisions of the Revised Agreement that are applicable to Escrow Agent in its role as Escrow Agent pursuant to the Revised Agreement.

ESCROW AGENT:

SECOND AMERICAN TITLE INSURANCE COMPANY

By: _____
Name: Gary A. Johnson
Title: Vice President

ATTACHMENT

2

A Complete Appraisal
Presented in a
Self-Contained Report

Huntington Commons

1 Huntington Common Drive
Kennebunk, York County, Maine

Valuation Date
December 20, 2005

Prepared for
John Carpenter
Bernstein Shur

Copyright 2005

Tellatin, Short & Hansen, Inc.

West Coast
C. Mark Hansen, CGA, Principal
130 Salem Heights Avenue
Salem, Oregon 97302
Telephone: (503) 485-5118
Facsimile: (503) 485-5120

Main Office
James K. Tellatin, MAI, Principal
Sterling E. Short, MAI, Principal
15455 Conway Road, Suite 355
Chesterfield, Missouri 63017
Telephone: (636) 530-0009
Facsimile: (636) 530-0046

Melanie J. Kosich
Massachusetts (508) 358-7387
Pauline Clark
New York (585) 872-0558
Russell L. Hughes
Illinois (618) 692-6571
A. Chantay Betts
Illinois (618) 655-1292

November 17, 2005

File Reference: 1055833

Mr. John Carpenter
Bernstein Shur
100 Middle Street, PO Box 9729
Portland, Maine 04104-5029

RE: A **Complete** Appraisal presented in a **Self-Contained** Report
Huntington Commons
1 Huntington Common Drive
Kennebunk, York County, Maine 4043
Bernstein Shur

Dear Mr. Carpenter:

In accordance with the signed engagement contract dated October 9, 2005 (shown as Exhibit A in this report), we have appraised Huntington Commons I and II, an existing 180-unit, independent living, assisted living, and special care facility, consisting of: 82 independent living apartment units, 48 assisted living units, and 24 special care units within the Huntington Commons I complex and 26 cottage residences comprising Huntington Commons II.

The purpose of the appraisal is to estimate the "as is" market value for the business enterprise including the fee simple interest in the real estate. A description of the property, together with information providing a basis for estimates, is presented in the accompanying report.

The value conclusions in this report are based on the extraordinary assumption that if Autumn I and Autumn II were sold and operated separately, the two separate entities would establish a mutually beneficial arrangement where the independent and assisted living facility (Autumn I) would continue to provide administrative, management, dietary and housekeeping services to the River Cottages (Autumn II).

It is our understanding that the intended use of this appraisal is to support Bernstein Shur in determining the reasonableness of a purchase offer and to allocate value between Huntington Commons I and II , as there are separate debt obligations on the two properties. This report and its contents are solely for the intended use, and it should not be relied upon for any other purpose. Otherwise, neither the whole nor any part of this appraisal or any reference thereto may be included in any document, statement, appraisal, or circular without our explicit, prior written approval of the form and context in which it appears.

This appraisal is subject to the definitions, assumptions, conditions and certification contained in the attached report. We believe that this appraisal has been prepared in compliance with: the Code of Professional Ethics, and the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation.

This appraisal is not based upon a requested minimum valuation, a specific valuation, or the approval of a loan. In the course of our fieldwork, we have determined that the appraised property has no natural, cultural, scientific or recreational value.

Based on the data, analyses and conclusions presented in the attached report, it is our opinion that the "as is" market value of the business enterprise of Huntington Commons I is:

$26,210,000 as of December 20, 2005

Based on the data, analyses and conclusions presented in the attached report, it is our opinion that the "as is" market value of the business enterprise of Huntington Commons II is:

$8,420,000 as of December 20, 2005

The accompanying prospective financial analysis is based on assumptions and opinions developed in connection with the appraisal. However, some assumptions inevitably will not materialize, and unanticipated events and circumstances will occur. The actual results achieved during the holding period will vary from our forecasts, and these variations may be material. We have not been engaged to evaluate the effectiveness of management, and we are not responsible for management's actions such as the quality of care or marketing efforts.

A copy of this report, together with the field data from which it was prepared, is retained in our files. These data are available for your inspection upon request.

James K. Tellatin, MAI, is a certified appraiser for Maine.

Respectfully submitted,
TELLATIN, SHORT & HANSEN, INC.

By: James K. Tellatin, MAI
Principal

Mark Tracy
Assistant Appraiser

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- Exhibit A -- Engagement Letter
- Exhibit B -- Legal Description
- Exhibit C -- Photographs of the Subject Facility
- Exhibit D -- Supplemental Data
  - Site Plan
  - Flood Plain Map
  - Standard Flood Hazard Determination (FEMA Form 81-93)
- Exhibit E -- Photographs of the Competitive Facilities
- Exhibit G -- Qualifications
-

Assumptions

Definition: "that which is taken to be true." (USPAP)

The following subsections are considered as assumptions.

Title to Real Estate

No investigation of legal title has been made, and we render no opinion as to ownership of the property or condition of the title. We assume that:

- The title of the property is marketable;
- Unless otherwise indicated in this report, the property is free and clear of all liens, encumbrances, easements and restrictions;
- The property does not exist in violation of any applicable codes, ordinances, statutes or other government regulations;
- The property is under responsible ownership and competent management, and is available for its highest and best use.

Sketches and Maps

Sketches and maps in this report are for aiding the reader in visualizing the property and are based on field investigations made by the appraiser. Dimensions and descriptions are based on public records and information furnished by others. These sketches and maps are not intended for use as references in matters of survey.

Information and Data

Information supplied by others that is considered in this valuation is from sources believed to be reliable and is considered to be reasonable, but no further responsibility is assumed for its accuracy. We reserve the right to make such adjustments to the value reported as may be required by a consideration of additional or more reliable data that may become available.

Unexpected Conditions

We assume that there are no hidden or unexpected conditions of the property that would adversely affect value.

Distribution of Value

The distribution of total value between land and improvements applies only under the stated program of utilization. Separate values for land and improvements may not be used in conjunction with any other appraisal and are invalid if so used.

Legal or Specialized Expertise

We make no intent to express an opinion regarding matters requiring legal expertise, specialized investigation or knowledge beyond that customarily used by appraisers.

Sale or Purchase

All opinions of value are presented as Tellatin, Short & Hansen, Inc.'s considered opinion, based on the facts and data appearing in the report. We assume no responsibility for changes in market conditions or for the inability of the owner to locate a purchaser at the appraised value.

Limitations on Marketability Due to Status of License

The value of the subject assumes that the license for the facility is in good status with the Maine Department of Public Health, and that the license is transferable to a qualified buyer. While the Maine Department of Public Health scrutinizes potential buyers, this appraisal maintains that the number of potential buyers is sufficient enough to impose no limitation on marketability. Additionally, it is assumed that the license will remain as a part of the subject business enterprise along with the real estate, equipment, assembled work force, etc.

Advertising

Neither all nor any part of the contents of this appraisal report shall be conveyed to the public through advertising, public relations, news, sales or other media without the written consent and approval of Tellatin, Short & Hansen, Inc.

Plagiarism

Neither all nor any part of the contents of this appraisal report shall be plagiarized for any purpose by the client or anyone else who obtains a copy of the report directly, or indirectly without the written approval of an officer of Tellatin, Short & Hansen, Inc.

Court Testimony

Testimony or attendance in court by reason of this appraisal shall not be required unless arrangements for such services are subsequently made.

Effective date of the Appraisal

The effective date of the appraisal to which the conclusions and opinions expressed in this report apply is set forth in the letter of transmittal. The dollar amount of any value opinion herein rendered is based on the purchasing power of the U.S. dollar as of that date. Our value conclusions reflect consideration of typical financing conditions as of the effective date of the appraisal. The appraiser assumes no responsibility for economic or physical factors occurring subsequent to the effective date of the appraisal that may affect the opinions stated herein.

Title Report

No title report has been made available. We assume no responsibility for such items of record not disclosed by our customary investigation.

Mineral Rights

The value of mineral rights, if any, has not been considered in this appraisal unless otherwise noted.

Structural Deficiencies

The appraiser found no obvious evidence of structural deficiencies. However, no responsibility for structural soundness or conformity to city or county building and safety codes can be assumed without an independent structural engineering report.

Termite Damage

The appraiser found no obvious evidence of termite damage or infestation. However, a thorough inspection by a competent termite inspector has not been performed for the appraiser.

Mold and Mildew

Neither the appraiser nor Tellatin, Short & Hansen have expertise in environmental inspections. The appraiser has provided an opinion of value but does not guarantee that the property is free of defects or environmental problems. The appraiser performs a limited inspection of visible and accessible area only. Attic and crawl space areas were not inspected unless otherwise noted. Mold may be present in areas that are not visible or that were not inspected by the appraiser. The presence or absence of mold can only be accurately determined by an inspection by persons with specific expertise in such services.

Soil Conditions

No detailed soil studies of the subject property are available to the appraiser. Therefore, statements in this report regarding soil qualities are not conclusive, but are considered consistent with information available to us.

Financial Information

The report and the final estimate of value and prospective financial analyses included in it are intended for the information of the person or persons to whom they are addressed, solely for the purposes stated therein, and should not be relied upon for any other purpose. Neither our report, nor its contents, nor any reference to the appraisers or Tellatin, Short & Hansen, Inc. may be included or quoted in any offering circular or registration statement, prospectus, sales brochure, other appraisal, loan, or other agreement or document without our prior written permission. Permission will be granted only upon meeting certain conditions.

Public Dissemination

Neither the report nor any portions thereof (especially any conclusions as to value, the identity of the appraisers or Tellatin, Short & Hansen, Inc.) or any reference to the Appraisal Institute, American Society of Appraisers or their relative professional designations, shall be disseminated to the public through public relations media, news media, sales media or any other public means of communication without the prior written consent and approval of the appraisers and Tellatin, Short & Hansen, Inc.

Any prospective mortgagee should specifically note that the appraisal assumes the property will be competently managed, leased, and maintained by financially sound owners over the expected period of ownership. This appraisal engagement does not entail an evaluation of management's or ownership's effectiveness, nor are we responsible for the future marketing efforts and other management or ownership actions upon which actual results will depend.

Financial Data Limitation

Tellatin, Short & Hansen, Inc. does not, as part of this valuation, perform an audit, review or examination (as defined by the AICPA) of any of the historical or prospective financial information used, and therefore does not express any opinion with regard to that information.

Tax Law Changes

Unless otherwise stated, Tellatin, Short & Hansen, Inc. assumes that there will be no changes in tax regulations.

Hazardous Substances

Hazardous substances, if present in the property, can introduce an actual or potential liability that will adversely affect its marketability and value. Such liabilities may be in the form of immediate recognition of existing hazardous conditions. Future liability could stem from the release of contaminants such as asbestos fibers, toxic vapors from urea formaldehyde foam insulation, or radon gases, through aging or building renovations.

In the development of our opinion of value, it is not known if the property is free of environmental contamination, and no consideration has been given to such a potential liability or its impact on value. The professional staff of Tellatin, Short & Hansen, Inc. is not qualified to make an investigation to determine the possible presence of toxic materials requiring either immediate or future correction. There are experts in this special field who can conduct such investigations and provide guidance regarding the impact of toxic materials that may be present in the subject property.

The Americans with Disabilities Act (ADA)

The Americans with Disabilities Act (ADA) essentially requires public properties to be accessible to handicapped persons. While ADA regulations have forced some real estate properties to be changed and upgraded for greater accessibility, most independent living, assisted living, and special care facilities already complied with ADA regulations at the time of its enactment since their patients/residents typically suffer from handicaps. It is not known if the property is in compliance with the ADA, and Tellatin, Short & Hansen, Inc., has no expertise in determining compliance. Therefore, we express no independent opinion as to compliance.

Forward-looking Statements

Forward-looking statements involve known and unknown risks and uncertainties that may cause the actual results in future periods to differ materially from our forecasted results. These risks and uncertainties include: national and local economic conditions, including their effect on the availability and cost of labor, utilities and materials; the effect of government regulations and changes in regulations governing the healthcare industry, including the compliance with such regulations; changes in government payment levels and methodologies and the application of such methodologies by the; the effects of adopting new accounting standards; liabilities and other claims asserted against the facility or its ownership, including resident care liabilities, as well as the resolution of lawsuits brought about by the announcement or settlement of government investigations and increases in the reserves for resident care liabilities; the ability to predict future reserves related to resident care and workers' compensation liabilities; the ownership's ability to obtain adequate insurance coverage with financially viable insurance carriers, as well as the ability of ownership's insurance carriers to fulfill their obligations; the ability to replace or refinance debt obligations and realize accretions from any such replacement or refinancing; the ability to reduce overhead costs, obtain pricing concessions from suppliers, improve the effectiveness of fundamental business processes and develop new sources of profitable revenues; the ability to attract and retain qualified personnel; the availability and terms of capital to fund capital improvements and on-going operations; the competitive environment in which the company operates; the ability to maintain and increase census levels; and demographic changes.

Extraordinary Assumptions

Definition: "an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions." (USPAP)

Comment: "Extraordinary assumptions **presume as fact otherwise uncertain information** about physical, legal, or economic characteristics of the subject property or about conditions external to the property, such as market conditions or trends, or the integrity of data used in an analysis."

The following subsections are considered as extraordinary assumptions.

Continuation of the Business Enterprise and the Allocation of Value

While the continuation of the subject business enterprise is probable, the allocation of value is invalid if the business enterprise were to discontinue operations. The **Dictionary of Real Estate Appraisal** defines two important concepts that are essential to the market value of a business enterprise: "going-concern value" and "value in place." "Going-concern value" is defined as, "the value created by a proven property operation; considered as a separate entity to be valued with a specific business establishment." "Value in place" is defined as, "the amount a prudent purchaser would pay for an item, e.g., equipment, fixtures, in place; determined by the use the item contributes to the whole." Accordingly, it is important to realize that the allocation of value is meaningful only if the business enterprise continues operating with all of the assets in place. The individual assets identified in the allocation of value are dependent on the assemblage of all the assets. If any one of the assets is removed from the business enterprise, the remaining assets are likely to be worth less. Specifically, if for any reason, the subject independent living, assisted living, and special care discontinued operating, then the real estate value, as an alternative use, as well as the furniture, fixtures and equipment, and intangible assets, would probably be much less than the value allocated to each component. The appraisal assumes the continuation of the business enterprise.

Single Business Enterprise

The 26 unit, independent living River Cottages are located on a separate legal parcel (known as Autumn II) than 82 unit, independent living apartments, Huntington Common, the 48 unit assisted living apartments, Bradford on the Common, and the 24 unit special care apartments, Bradford Court (known as Autumn I), but Autumn I and Autumn II are operated as a single business enterprise commonly known as Huntington Common. Administrative, management, dietary and housekeeping services will be provided by the adjacent assisted living facility. Together as a 180-unit facility, substantial economies to scale will be realized by both properties versus two separate 152-unit and 26-unit operations. In addition, Autumn II will not contain the necessary common areas, such as a commercial kitchen, to function as a stand-alone operation.

The value conclusions in this report are based on the extraordinary assumption that if Autumn I and Autumn II were sold and operated separately, the two separate entities would establish a mutually beneficial arrangement where the independent and assisted living facility (Autumn I) would continue to provide administrative, management, dietary and housekeeping services to the River Cottages (Autumn II).

Hypothetical Conditions

Definition: "that which is contrary to what exists, but is supposed for the purpose of the appraisal." (USPAP)

Comment: "Hypothetical conditions **assume conditions contrary to known facts** about the physical, legal, or economic characteristics of the subject property or about conditions external to the property, such as market conditions or trends, or the integrity of data used in an analysis." (USPAP)

There are no hypothetical conditions considered within this appraisal report.

Profile of Salient Data

General Information

Name	Huntington Commons
Address	1 Huntington Common Drive Kennebunk, York County, Maine
Current Title Holder	Autumn health Services of Kennebunk, Inc.
Ownership Interest Appraised	The tangible and intangible assets of the business enterprise including the fee simple ownership in the real estate
Property Type	Independent living, assisted living, and special care
Land Area	24.93 acres, or 1,085,951 square feet 17.01 acres allocated to Autumn I and 7.92 acres allocated to Autumn II
Building Improvements	
General Description	The principal improvements consist of a two-story, 82-unit, wood-frame independent living apartment structure containing 93,000 square feet of gross building area (Autumn I), a one- and part two-story, 55,000-square foot, wood frame assisted living and special care facility containing 72 total units known as the Bradford complex, and 13, two-family, single-story, wood-frame cottages (26 units), containing 36,400 square foot (Autumn). The buildings were erected in 1989, 1997 and 1999.
Construction Quality	Good
Condition	Good
Estimated Deferred Maintenance	N/A
Estimated Effective Age	10 years
Estimated Remaining Economic Life	50 years
Inspected By	Mark Tracy on November 1, 2005
Client	Bernstein Shur John Carpenter
Intended User	Bernstein Shur
Intended Use	To support Bernstein Shur in determining the reasonableness of a purchase offer and to allocate value between Huntington Commons
Purpose of the Appraisal	To estimate the "as is" market value for the business enterprise
Highest and Best Use	
As if Vacant	Residential
As Improved	Present Use -- IL/AL/SC Facility
Conclusion	Present Use -- IL/AL/SC Facility

Value Information

As-Is Fee Simple Market Value of Huntington Commons I	Conclusion	$ Per TFO Bed	$ Per Unit	Comparable Sales Data Average	Comparable Sales Data Low
Sales Comparison Approach					
Unadjusted Sale Prices Per Bed				$146,045	$60,882
Adjusted Sale Prices Per Bed				$168,297	$114,583
Conclusion	$25,918,000	$168,299	$168,299		
Income Capitalization Approach					
Direct Capitalization Technique					
Capitalization Rate	8.30%			9.5%	8.7%
Conclusion	$27,475,000	$178,409	$178,409		
Discounted Cash Flow Technique					
Terminal Capitalization Rate	8.80%				
Discount Rate	12.00%			15.7%	9.7%
Conclusion	$25,330,000	$164,481	$164,481		
As-Is Fee Simple Market Value of Huntington Commons I Conclusion	**$26,210,000**	**$170,195**	$170,195		
As-Is Fee Simple Market Value of Huntington Commons (Autumn II) (Sales Comparison and DCF Not Applied)					
Income Capitalization Approach					
Direct Capitalization Technique					
Capitalization Rate	7.0%				
Conclusion	$8,420,000	$323,846			
Effective Date of the Appraisal					
As Is	December 20, 2005				

Executive Summary

Senior housing facilities are complex business enterprises. The valuation necessitates coverage of many areas such as varying care levels, supply and demand analysis as well as detailed wage and expense analysis. The following summary highlights influential valuation issues, and in general, we have identified on unique or extraordinary issues.

- The facility is operated as Huntington Common and contains a total of 180 units. As requested by the client, John Carpenter of Bernstein Shur, this appraisal will provide two separate values.
- The first value is for the land and improvements owned in Fee Simple by Autumn Health Services of Kennebunk, Inc. which is referred to in this report as "Autumn I". This property includes a 82 unit independent living facility known as Huntington Common, a 48 unit assisted living facility known as Bradford on the Common, and a 24 unit special care facility known as Bradford Court. The improvements set on 17.01 acres of land.
- The second value is for the land and improvements owned in Fee Simple by Autumn Health Services of Kennebunk II, Inc. which is referred to as "Autumn II." This property includes 13 structures containing 26 independent living cottages. These improvements set on 7.92 acres.

Perspective of Value

Identification of the Business Enterprise

The facility is known as Huntington Commons, and it is located at 1 Huntington Common Drive, Kennebunk, York County, Maine.

The business enterprise, known as Autumn I, is an existing, 154-unit, independent living, assisted living, and special care facility, consisting of: 82 independent living units, 48 assisted living units, and 24 special care units.

The business enterprise, known as Autumn II, is an existing, 26-unit, independent living facility, consisting of 26 cottages.

Title in the real property is vested in Autumn Health Services of Kennebunk, Inc., and Autumn Health Services of Kennebunk II, Inc. and the appraisal will value the fee simple interest of both entities.

Ownership History and Pending Transactions

The facility is currently under contract for sale at a price of $38,775,000 to Sunrise Kennebunk ME Senior Living, LLC. We understand that there has been no price allocation made between the two ownership interests. There have been no transactions involving the subject in the past three years.

Management

The current management company, Rollins Management Group, has operated the facility for two years.

Sam Checovich, the executive director, has worked in the seniors housing industry for 1 years as an executive director, plus 30 years of additional experience. He has served as the administrator at the subject for 1 year. The typical management structure at a seniors housing facility level is best described as a "rake and pole." The executive director maintains control over the entire operation, with all the major departments (dietary, marketing, maintenance etc.) reporting to the executive director. The executive director answers to the regional management contact or management company. Certain operating functions are centralized at the management company including accounting and payroll, reimbursement reporting, human resource management, purchasing and other functions.

Property Inspection

The subject facility was inspected by Mark Tracy on November 1, 2005. James K. Tellatin, MAI did not inspect the subject facility.

During the inspection, Sam Checovich, the executive director, was interviewed regarding the operational and physical aspects of the independent living, assisted living, and special care facility, and he guided a tour.

Client

Bernstein Shur is the client; specifically, the appraisal assignment was engaged by Mr. John Carpenter.

Intended Use of the Appraisal

It is our understanding that the appraisal will be used to support Bernstein Shur in determining the reasonableness of a purchase offer and to allocate value between Huntington Commons I and II , as there are separate debt obligations on the two properties.

Intended User(s) of the Appraisal

The intended user of the appraisal is Bernstein Shur, the existing bond holders and the Attorney General of Maine.

Type of Value

The type of value for this assignment is market value.

In accordance with ***Federal Reserve System 12 CFR Part 225, Federal Deposit Insurance Corporation (12 CFR Part 323), The Office of the Comptroller Of Currency (12 CFR Part 34)***, "Market Value" is defined as follows:

Regulatory Definition: The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well-informed or well-advised and each is acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents a normal consideration for the property sold unaffected by special, or creative financing, or sales concessions granted by anyone associated with the sale.

Assets Comprising the Business Enterprise

The property appraised is best described as a real estate intensive business enterprise. The interest appraised incorporates all tangible and intangible assets including the fee simple interest in the real estate, personal property, licenses and approvals, assembled work force, and other assets held together and controlled by a single ownership, free and clear of all encumbrances.

Business enterprise, as defined by the ***Uniform Standards of Professional Appraisal Practice (USPAP)*** of the Appraisal Foundation, is "a commercial, industrial or service organization pursuing an economic activity."

The underlying assets of this business enterprise are defined as follows.

> ***The Dictionary of Real Estate Appraisal***, Appraisal Foundation, defines fee simple estate as "absolute ownership unencumbered by any other interest or estate; subject only to the limitations of eminent domain, escheat, police power, and taxation."

> ***The Dictionary of Real Estate Appraisal***, Appraisal Foundation, defines personal property as "identifiable, portable and tangible objects, which are considered by the general public as being "personal," e.g., furnishings, artwork, antiques, gems, jewelry, collectibles, machinery and equipment."
>
> Business assets are defined by the ***USPAP*** as "tangible and intangible resources other than personal property and real estate that are employed by a business enterprise in its operations."

An allocation of the market value for the enterprise is performed to meet reporting requirements of the engagement. The allocated values include going-concern value, which is defined in ***The Dictionary of Real Estate Appraisal*** as:

> The value created by a proven property operation; considered a separate entity to be valued with an established business.

This going-concern concept is a subset of the previous value and asset definitions.

The allocation reflects the market value of the underlying assets as part of the operating enterprise. If the enterprise terminates, the individual asset values would typically be something less than the concluded market value presented in the report.

Scope of the Appraisal

The scope of the appraisal has included a personal inspection of the facility, as well as the collecting, analyzing and reporting of geographic, legal, social and economic factors pertaining to the valuation of the facility. These factors and analyses include the following.

- Social, political, economic and physical factors and trends of the region and neighborhood as they impact the seniors housing facility appraised.
- An inspection of the subject property and review of local taxation and zoning as they relate to the subject.
- A survey and analysis of local competitive market conditions as they relate to census, revenue and expense characteristics in the operation of the senior living facility.
- Gathering, confirming and analyzing comparable seniors housing facility revenues, expenses and sale data relevant to developing a well-substantiated estimate of value by the application of the income capitalization and direct sales comparison approaches.

In the course of our fieldwork, interviews were conducted concerning other properties located within the primary market. Information was obtained and verified to determine the degree of competitiveness of these properties. Sources include executive directors, property managers, grantors, grantees, and other related parties.

Research for the appraisal included interviewing the subject property owners or their representatives concerning specific aspects of the assisted living facility operation. In this instance, representatives of the owners were helpful and provided data. In addition,

some conclusions and estimates were made based upon input from representatives of properties considered, by the appraiser, to be competitive with the subject. This information is deemed to be pertinent, reliable and unbiased.

The scope of this appraisal is believed to be in conformance with the Code of Professional Ethics and the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation; the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA); and the appraisal guidelines of Bernstein Shur.

Exposure Time

Exposure time is the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal -- a retrospective estimate based upon an analysis of past events assuming a competitive and open market. This reasonable exposure time, intrinsic to the value estimate, is presumed to precede the effective date of the appraisal.

To estimate the reasonable exposure time for a property, three primary information sources provide the foundation of the analysis and conclusion.

1. Statistical information about days on the market for similar property types.

2. Information gathered through the sales verification process, assuming typical buyers and sellers of this property type.

3. Interviews of market participants involved with the marketing, management, buying and selling of the particular property category.

We have surveyed the following real estate brokers to determine a reasonable exposure time for the subject facility at the concluded market value. All survey participants specialize in marketing and selling senior housing facilities and all have years of experience in this industry. The result of this survey is presented below.

Exposure Time Survey
(Third Quarter of 2005)

Broker	Company	Phone Number	Exposure Time IL & AL
Jeff Binder	Senior Living Investment Brokerage, Inc.	314.961.0070	6 - 7 Months
Mike Pardoll	Marcus & Millichap	704.896.5800	5 - 6 Months
David Rothschild	CB Richard Ellis	619.696.8303	6 - 8 Months
Jerry M. Walker	Marcus & Millichap	503.220.2333	6 - 9 Months

All respondents reported that the time to transfer the license is a significant issue usually taking 90 days. Based on this survey, an exposure period of nine months or less would be highly probable at the concluded market value.

Descriptive Section

Micro-Economic Analysis

Regional Analysis

The regional analysis focuses primarily on the socioeconomic trends. Population data best explain current socioeconomic conditions. Demographic factors most relevant to the valuation analysis include changes in the elderly population, levels of income and poverty, and employment composition. The optimum market area for an independent living, assisted living, and special care facility has a growing number of elderly persons with high levels of income and wealth, and also contains sufficient labor at reasonable wages. Income and wealth levels directly relate to the current and historical economic conditions of the region. Conversely, independent living, assisted living, and special care facilities that serve market areas with declining population, low income levels, and low housing values will generally achieve lower resident rates and private-pay mix; in addition to greater difficulty attracting qualified staff members.

Physical Data

Huntington Commons is located in Kennebunk, York County, Maine in the southeast portion of the state – 20 miles south of Portland Maine, 75 miles north of Boston Massachusetts, and 50 miles east of Concord New Hampshire.

The region is situated in Coastal Lowlands of the Maine coast. The Coastal Lowlands start at the Atlantic Ocean and extend from ten to forty miles inland. This area is characterized by flat, sandy beaches in the south and small sandy beaches in small inlets between higher cliffs in the north. To the west of the coast and the beaches, the Coastal Lowlands are characterized by salt marshes and tidal creeks. The region has a humid coastal climate with cold winters and warm, humid summers.

Major highways servicing the area include: Interstate 95 (the Maine Turnpike), U.S. Highway 1, and State Routes 35, 99, and 9A.

Demographic Data

The trends for the total population are profiled as follows.

Table R-1 Region, Total Population Trends

	National	Maine	York County
Total Population 1990	248,709,873	1,227,928	164,587
Total Population 2000	281,421,906	1,274,923	186,742
Total Population 2003	290,647,163	1,300,832	197,514
Total Population 2008	305,918,071	1,344,883	214,784
Annualized Total Population Growth Rate			
1990 to 2003	1.21%	0.44%	1.41%
2003 to 2008	1.03%	0.67%	1.69%

Source: Claritas, 2003

The national population increased 1.21 percent annually from 1990 to 2003, and it is forecasted to continue increasing 1.03 percent annually from 2003 to 2008. The Maine demographic trend lagged behind the national trend from 1990 to 2003; it is forecasted to increase slightly at 0.67 percent annually from 2003 to 2008 -- still lagging behind the

national trend. The population within York County increased at an annual rate of 1.41 percent from 1990 to 2003, and it is forecasted to increase at 1.69 percent annually from 2003 to 2008.

Table R-2 Region, Population Trends By Age Group

	National	Maine	York County
Total Population Ages 25 to 34			
2003	38,662,888	145,621	21,712
2008	38,871,265	147,404	22,464
Annual Change	0.11%	0.24%	0.68%
Total Population Ages 35 to 44			
2003	44,487,561	203,229	32,312
2008	42,312,458	178,554	29,008
Annual Change	-1.00%	-2.56%	-2.13%
Total Population Ages 45 to 54			
2003	40,863,982	206,419	32,021
2008	45,339,670	221,630	36,852
Annual Change	2.10%	1.43%	2.85%
Total Population Ages 55 to 64			
2003	27,822,847	141,644	21,371
2008	34,353,478	177,919	28,608
Annual Change	4.31%	4.67%	6.01%
Total Population Ages 65 to 74			
2003	18,630,154	96,214	14,233
2008	20,852,633	104,101	16,448
Annual Change	2.28%	1.59%	2.94%
Total Population Ages 75 to 84			
2003	13,126,944	67,606	9,603
2008	13,407,220	68,547	10,306
Annual Change	0.42%	0.28%	1.42%
Total Population 85 and Over			
2003	5,329,511	29,336	3,950
2008	6,271,572	33,475	4,749
Annual Change	3.31%	2.67%	3.75%
Total Population 75 and Over			
1990	16,600,767	87,206	11,806
2003	18,456,455	96,942	13,553
2008	19,678,792	102,022	15,055
Annual Change -- 1990 to 2003	0.82%	0.82%	1.07%
Annual Change -- 2003 to 2008	1.29%	1.03%	2.12%

Source: Claritas, 2003

The focus of this analysis is the 75-plus-age group – the greatest users of independent living, assisted living, and special care facilities. The national annual growth rate forecasted for the 75-plus-age group is 1.29 percent. The 75-plus-age group within Maine is forecasted to increase at an annual rate of 1.03 percent. More specifically, the 75-plus-age group within York County is forecasted to increase 2.12 percent annually – relatively high compared to national growth. The increasing trend for the overall population of York County will influence the elderly population trend. The "graying of America" is a trend that will not start to boom until 2010 when the first "baby boomers" reach age 65; boomers are still 40 to 59 years old. The boomers will not start turning 75 years of age until 2020.

Since independent living, assisted living, and special care facilities garner higher profit margins from private-pay revenue sources, the level of wealth for the community, and specifically the market area of the subject facility, warrants closer examination. While there is no demographic figures available indicating net worth averages for any geographic area, wealth levels can be inferred through the following demographic data.

- Household and/or per capita income levels
- Home values
- Percentage of owner-occupied dwelling units
- Educational attainment

Typically, the cost of a single-year stay in an independent living, assisted living, and special care facility ranges from $25,000 to $40,000 for private-pay residents. Funding a lengthy stay by all but the wealthiest persons usually necessitates the use of all regular income sources including social security, pensions, interest, rents, dividends and other income. Additional dollars are often obtained through the sale of assets, including principal residences, other real and personal property, and liquidation of investments. All other things equal, facilities located in market areas that have high-income levels and property values typically achieve higher rental rates and are less dependent on supplemental sources of income, such as pensions and social security.

Demographic data providing insight as to the socioeconomic status of the region are profiled as follows.

Table R-3 Region, Socioeconomic Indicators

	National	Maine	York County
Average Household Income, 2003	$63,207	$52,281	$58,882
Per Capita Income, 2003	$24,079	$21,884	$24,062
Number of Households with Income Between			
$0 and $14,999	16,466,679	86,704	9,685
$15,000 and $24,999	12,595,409	72,817	9,017
$25,000 and $34,999	12,789,669	71,593	9,728
$35,000 and $49,999	17,528,231	95,441	13,474
$50,000 and $74,999	21,028,811	108,360	18,440
$75,000 and $99,999	12,379,351	51,997	9,917
$100,000 and $149,999	11,138,165	36,585	6,972
$150,000 and Over	6,513,744	16,955	3,040
Percent of Households with Income Between			
$0 and $14,999	14.1%	16.1%	12.1%
$15,000 and $24,999	11.5%	13.5%	11.2%
$25,000 and $34,999	11.7%	13.3%	12.1%
$35,000 and $49,999	16.0%	17.7%	16.8%
$50,000 and $74,999	19.2%	19.8%	23.0%
$75,000 and $99,999	11.3%	9.7%	12.4%
$100,000 and $149,999	10.2%	6.8%	8.7%
$150,000 and Over	6.0%	3.1%	3.8%
Median Home Value, 2003	$135,807	$99,861	$127,495
Adult Population with Bachelor Degree or Higher	24.5%	22.9%	22.8%

Source: Claritas, 2003

The average household income for York County is 112.6 percent of the state average indicative of a high standard of living. York County has a lower percentage of low-income households (under $15,000), and correspondingly, a higher percentage of high-income households (over $100,000). Real estate values play an important role in measuring the level of wealth in an area because many potential independent living, assisted living, and special care facility residents own their residences and are often forced to sell this major asset in order to fund the cost of their stay. Thus, home values and historical appreciation are important considerations. In York County, home values are relatively high indicating a median value of $127,495 (national median = $135,807); the average home value in the county is higher than the average for the state. The county population attains a comparable level of educational achievement as the state based on college graduates. Most of these demographic data suggest that the regional population has a moderate level of affluence as compared to the statewide population, and local independent living, assisted living, and special care facilities should achieve comparable private-pay rates and a comparable ratio of private-pay residents relative to the statewide mix.

Economic Data

The following table provides a breakdown of employment by industry sectors.

Table R-4 Region, Employment By Industry

Employment Sector	National	Maine	York County
Farming, Forestry, Fishing, Mining	1.9%	2.6%	1.0%
Construction	6.8%	6.9%	7.5%
Manufacturing	14.1%	14.3%	18.6%
Transportation, Warehousing, Utilities	5.2%	4.3%	4.2%
Wholesale	3.6%	3.5%	4.0%
Retail	11.7%	13.5%	12.7%
Finance, Insurance & Real Estate (FIRE)	6.9%	6.2%	6.7%
Information	3.1%	2.4%	2.1%
Professional, Scientific and Technical Services	5.9%	4.2%	4.4%
Management of Companies and Enterprises	0.1%	0.1%	0.0%
Administrative & Support and Waste Mgmt Servi	3.4%	2.6%	2.4%
Educational Services	8.8%	9.8%	8.7%
Health Care and Social Assistance	11.1%	13.4%	11.9%
Arts, Entertainment, and Recreation	1.8%	1.2%	1.2%
Accommodation and Food Services	6.1%	6.0%	6.6%
Other Services (Except Public Administration)	4.9%	4.7%	4.5%
Public Administration	4.8%	4.5%	3.4%

Source: Claritas, 2003

Within York County, the only employment sector with a ratio of employment exceeding 125.0 percent of the national average is: manufacturing. The greatest concentration is within manufacturing.

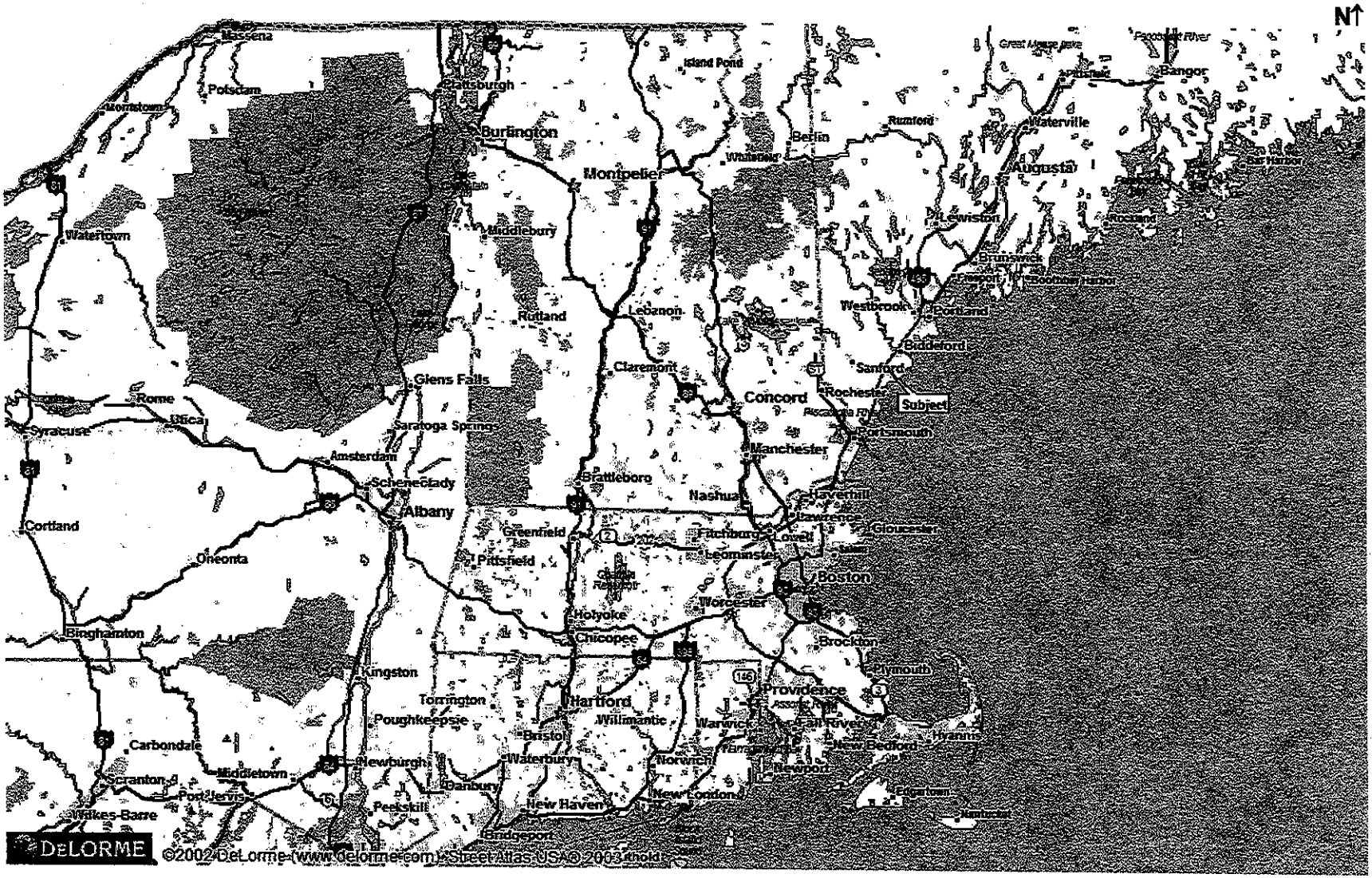
The regional economy has been stable for the last 5 years influenced by the general trends of the national economy. As of January 2005, the unemployment rate in York County was 3.8 percent -- representing an increase over the January 2004 unemployment rate, which was 3.2 percent (National unemployment rate is 5.1 percent, Maine rate is 4.7 percent). Staffing all positions in independent living, assisted living, and special care facilities becomes problematic during periods of low unemployment. When unemployment rates drop, employees become more difficult to find and wages escalate.

Unemployment rates in York County are moderate indicating the potential for stable employment conditions to exist for seniors housing facilities.

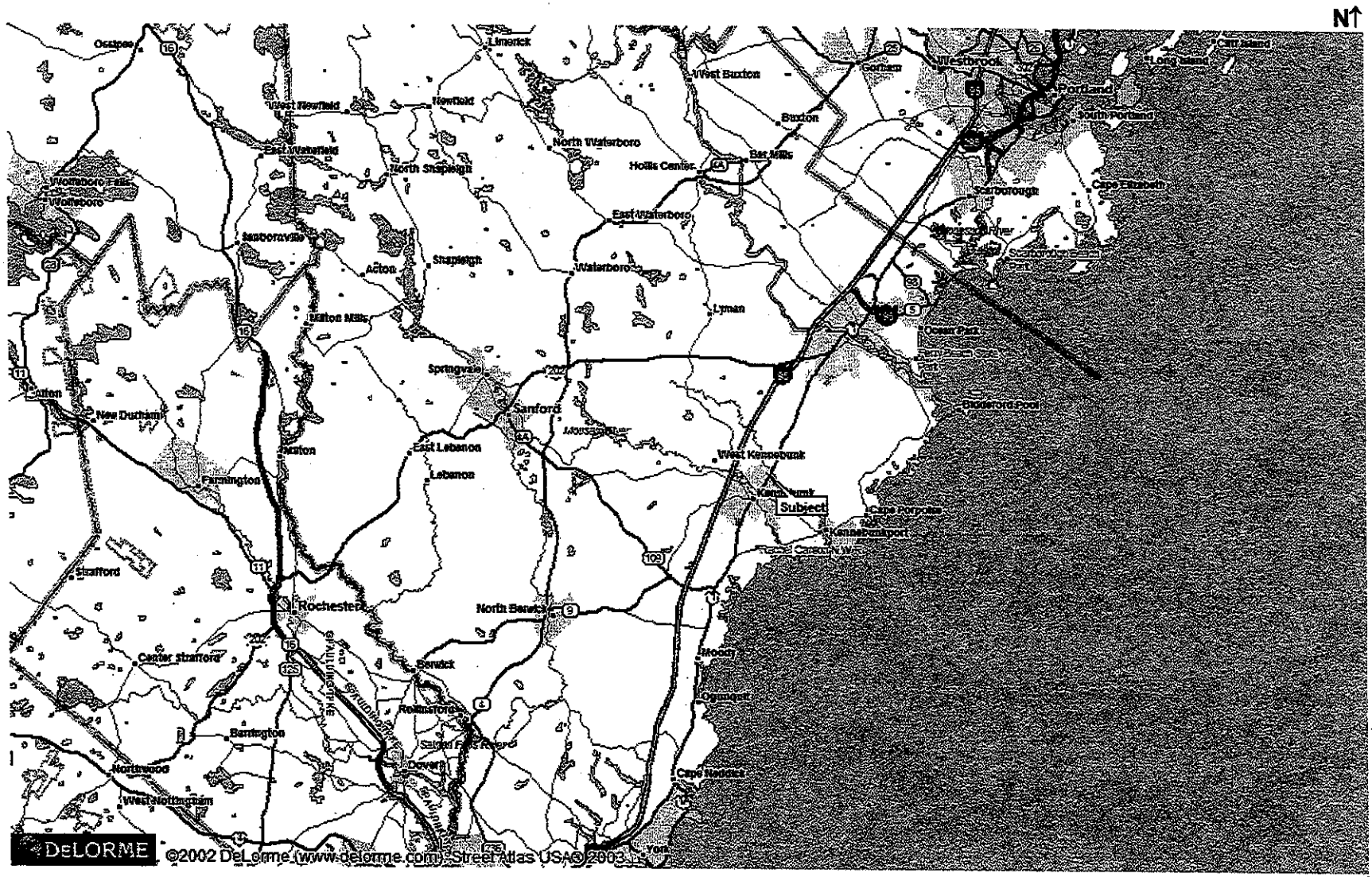
Conclusion

In summary, population within York County increased at an annual rate of 1.41 percent from 1990 to 2003, and it is forecasted to increase at 1.69 percent annually from 2003 to 2008. The 75-plus-age group within York County is forecasted to increase at a rate of 2.12 percent – relatively high compared to national growth. The average household income for York County is 112.6 percent of the state average indicative of a high standard of living. Overall, the regional population has a moderate level of affluence as compared to the statewide population, and local independent living, assisted living, and special care facilities should achieve a comparable ratio of private-pay residents and comparable private-pay rates relative to the statewide mix. Based on these main demographic indicators, the region should provide average economic prospects for independent living, assisted living, and special care facility operations.

REGIONAL MAP



REGIONAL MAP



Neighborhood Analysis

The neighborhood analysis identifies an area of surrounding properties that are influenced by the same or similar market forces. A neighborhood analysis determines the principal characteristics of an area and provides insight into land use and value trends.

Physical Data

The subject is located in the central portion of Kennebunk. The following analysis also presents the demographic data for two ZIP codes (04046, and the primary ZIP code -- 04043) in aggregate as the "combined ZIP codes." The neighborhood is characterized as small rural community.

Access to the neighborhood is easily achieved via the nearby highways – Interstate 95 and U.S. Highway 1. These routes allow the subject to draw potential patients from beyond the immediate neighborhood. Huntington Common Drive is a local neighborhood street that connects with Ross Road and U.S. Highway 1. The subject is approximately 1.5 miles northeast of the Kennebunk central business district.

Proximity to public transportation is an important aspect in the operations of seniors housing facilities. Independent living, assisted living, and special care facilities rely heavily on low-wage staff to fill the CNA, dietary, housekeeping and laundry positions, and many of these employees depend on public transportation or carpooling for their work commute. The current employment market is seasonal and labor shortages are one of the chief day-to-day concerns of all seniors housing facilities. There is no Public transportation within York County other than some local tourist type transportation alternatives. Since there is no public transportation, the subject is equal to the competitive independent living, assisted living, and special care facilities.

Demographic Data

The following table presents population data.

Table N-1 Neighborhood, Total Population Trends

	York County	Primary ZIP Code 04043	Combined ZIP Codes
Total Population 1990	164,587	8,001	13,941
Total Population 2000	186,742	10,461	17,623
Total Population 2003	197,514	11,374	19,039
Total Population 2008	214,784	12,816	21,282
Annualized Total Population Growth Rate			
1990 to 2003	1.41%	2.74%	2.43%
2003 to 2008	1.69%	2.42%	2.25%

Source: Claritas, 2003

The population within the 04043 ZIP code increased at an annual rate of 2.74 percent from 1990 to 2003, and it is forecasted to increase at 2.42 percent annually from 2003 to 2008 -- a higher growth rate compared to the county. For the combined ZIP codes, the population increased at an annual rate of 2.43 from 1990 to 2003, and it is forecasted to increase at 2.25 percent annually from 2003 to 2008. Overall, these trends are anticipated to continue.

The population trends, according to age group, are profiled as follows.

Table N-2 Neighborhood, Population Trends By Age Group

	York County	Primary ZIP Code 04043	Combined ZIP Codes
Total Population Ages 25 to 34			
2003	21,712	908	1,567
2008	22,464	1,009	1,745
Annual Change	0.68%	2.13%	2.18%
Total Population Ages 35 to 44			
2003	32,312	1,762	2,994
2008	29,008	1,510	2,554
Annual Change	-2.13%	-3.04%	-3.13%
Total Population Ages 45 to 54			
2003	32,021	1,903	3,260
2008	36,852	2,241	3,732
Annual Change	2.85%	3.32%	2.74%
Total Population Ages 55 to 64			
2003	21,371	1,337	2,399
2008	28,608	1,849	3,252
Annual Change	6.01%	6.70%	6.27%
Total Population Ages 65 to 74			
2003	14,233	930	1,571
2008	16,448	1,107	1,927
Annual Change	2.94%	3.55%	4.17%
Total Population Ages 75 to 84			
2003	9,603	699	1,067
2008	10,306	770	1,176
Annual Change	1.42%	1.95%	1.96%
Total Population 85 and Over			
2003	3,950	365	480
2008	4,749	420	563
Annual Change	3.75%	2.85%	3.24%
Total Population 75 and Over			
1990	11,806	927	1,333
2003	13,553	1,064	1,547
2008	15,055	1,190	1,739
Annual Change -- 1990 to 2003	1.07%	1.07%	1.15%
Annual Change -- 2003 to 2008	2.12%	2.26%	2.37%

Source: Claritas, 2003

The focus of this analysis is the 75-plus-age group -- the greatest users of independent living, assisted living, and special care facilities. The 75-plus-age group within the combined ZIP codes is forecasted to increase 2.37 percent annually -- comparing closely to the county rate of 2.12 percent. The increasing trend for the overall population within the combined ZIP codes will influence the elderly population trend. More specifically, the 75-plus-age group within the 4043 ZIP code is forecasted to increase 2.26 percent annually -- also comparing closely to the county growth rate. The increasing trend for the overall population within the primary ZIP code will influence the elderly population trend. The Demand Analysis within the Market Analysis will address these issues in more detail.

Demographic data providing insight as to the socioeconomic status are profiled as follows.

Table N-3 Neighborhood, Socioeconomic Indicators

	York County	Primary ZIP Code 04043	Combined ZIP Codes
Average Household Income, 2003	$58,882	$72,619	$73,668
Per Capita Income, 2003	$24,062	$29,697	$30,234
Number of Households with Income Between			
$0 and $14,999	9,685	293	529
$15,000 and $24,999	9,017	508	746
$25,000 and $34,999	9,728	536	904
$35,000 and $49,999	13,474	718	1,145
$50,000 and $74,999	18,440	1,004	1,794
$75,000 and $99,999	9,917	643	1,097
$100,000 and $149,999	6,972	558	941
$150,000 and Over	3,040	394	658
Percent of Households with Income Between			
$0 and $14,999	12.1%	6.3%	6.8%
$15,000 and $24,999	11.2%	10.9%	9.5%
$25,000 and $34,999	12.1%	11.5%	11.6%
$35,000 and $49,999	16.8%	15.4%	14.7%
$50,000 and $74,999	23.0%	21.6%	23.0%
$75,000 and $99,999	12.4%	13.8%	14.0%
$100,000 and $149,999	8.7%	12.0%	12.0%
$150,000 and Over	3.8%	8.5%	8.4%
Median Home Value	$127,495	$162,060	$167,402
Adult Population with Bachelor Degree or Higher	22.8%	42.4%	38.9%
Employment Sector			
Farming, Forestry, Fishing, Mining	1.0%	0.8%	1.6%
Construction	7.5%	4.8%	5.5%
Manufacturing	18.6%	13.9%	15.5%
Transportation, Warehousing, Utilities	4.2%	2.5%	3.1%
Wholesale	4.0%	5.0%	4.4%
Retail	12.7%	8.1%	9.2%
Finance, Insurance & Real Estate (FIRE)	6.7%	9.7%	8.1%
Information	2.1%	3.1%	2.9%
Professional, Scientific and Technical Services	4.4%	7.3%	6.4%
Management of Companies and Enterprises	0.0%	0.0%	0.0%
Administrative & Support and Waste Mgmt Services	2.4%	3.1%	2.7%
Educational Services	8.7%	12.9%	11.6%
Health Care and Social Assistance	11.9%	13.8%	12.6%
Arts, Entertainment, and Recreation	1.2%	1.9%	2.0%
Accommodation and Food Services	6.6%	6.8%	6.5%
Other Services (Except Public Administration)	4.5%	2.9%	4.2%
Public Administration	3.4%	3.6%	3.7%

Source: Claritas, 2003

The average household income within the combined ZIP codes is higher than the county, and it is 140.9 percent of the state average -- indicative of a high standard of living. In comparison to the county, the combined ZIP codes have a lower percentage of low-income households (under $15,000), and, correspondingly, a higher percentage of high-income households (over $100,000). More specifically, the average household income for the 4043 ZIP code is 138.9 percent of the state average -- indicative of a high

standard of living. In comparison to the county, the 4043 ZIP code has a lower percentage of low-income households (under $15,000), and a higher percentage of high-income households (over $100,000). Real estate values play an important role in measuring the level of wealth in an area because many potential independent living, assisted living, and special care facility residents own their residences and are often forced to sell this major asset in order to fund the cost of their stay. Thus, home values and historical appreciation are important considerations. Within the combined ZIP codes, home values are relatively high indicating a median value of $167,402 (Maine median = $99,861). The population within the combined ZIP codes is more educated than the county based on college graduates. More specifically, within the 4043 ZIP code, home values are relatively high indicating a median value of $162,060 (Maine median = $99,861). The population within the ZIP code is more educated than the county based on college graduates. Within the combined ZIP codes, the only employment sector with a ratio of employment exceeding 125.0 percent of the national average is: educational services. The greatest concentration is within manufacturing. Most of these demographic data suggest that the population within the combined ZIP codes has a greater level of affluence compared to the county population. Based solely on these demographics, the subject should achieve a higher ratio of private-pay residents and higher private-pay rates than other facilities in the county.

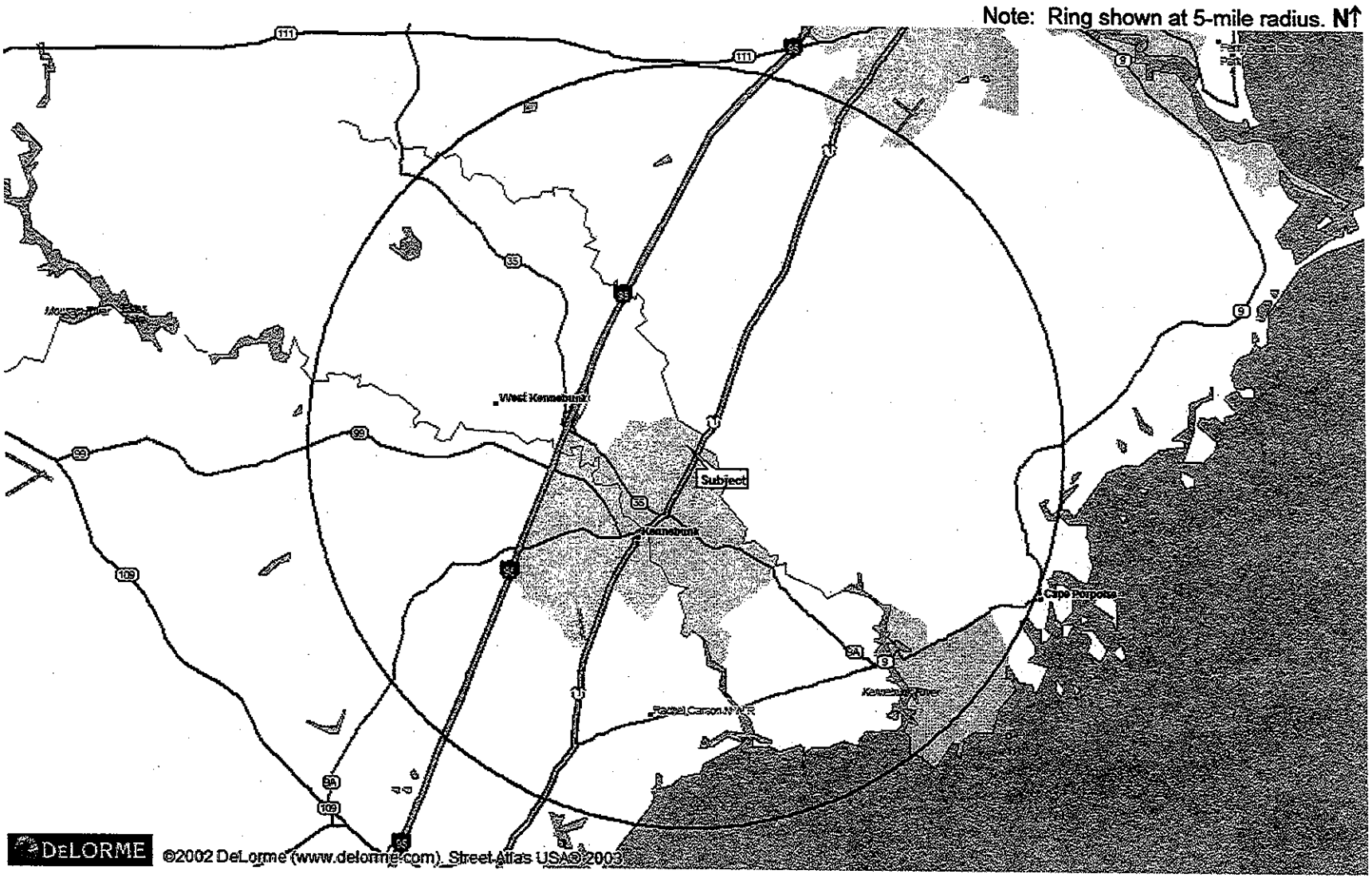
Based on our general observations at the time of inspection, developers still appear to view the neighborhood favorably and the availability of vacant land will result in more development. The predominant land use is residential with concentrations of office and retail commercial use along the main routes such as U.S. Highway 1. The homes are mostly of average to good quality construction, and they have been adequately maintained as exhibited by the exterior appearances. Land uses surrounding the subject include single-family residences to the south, east, and west, with the Kennebunk River bordering the subject on the north. These adjacent improvements impose no negative influence on the subject. Overall, the composition of real estate within the neighborhood complements the subject facility, and the remaining useful life of the subject facility should not be restricted by the neighborhood.

Proximity to commercial services is an important for independent living facilities. A small commercial district lies 1.5 miles from the subject in the Kennebunk central business district and along U.S. Highway 1 between the subject and the downtown Kennebunk.

Conclusion

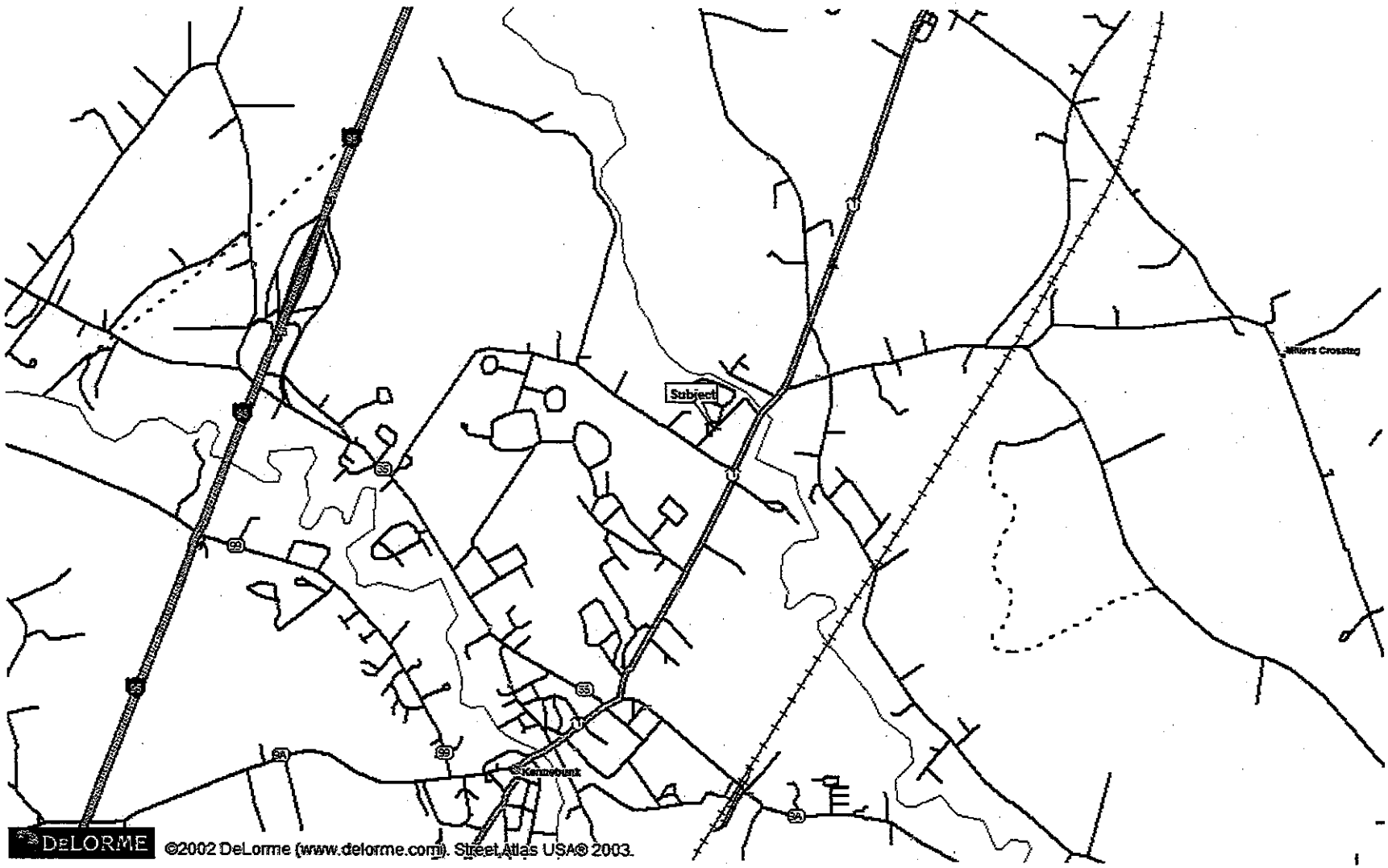
In summary, for the combined ZIP codes, the population increased at an annual rate of 2.43 from 1990 to 2003, and it is forecasted to increase at 2.25 percent annually from 2003 to 2008. The 75-plus-age group within the combined ZIP codes is forecasted to increase 2.37 percent annually -- comparing closely to the county growth rate of 2.12 percent. The average household income within the combined ZIP codes is higher than the county, and it is 140.9 percent of the state average -- indicative of a high standard of living. Overall, the population within the combined ZIP codes has a greater level of affluence compared to the county, and local independent living, assisted living, and special care facilities should achieve a higher ratio of private-pay residents and higher private-pay rates than other facilities in the county. Based on these main demographic indicators, the neighborhood should provide average economic prospects for independent living, assisted living, and special care facility operations.

NEIGHBORHOOD MAP



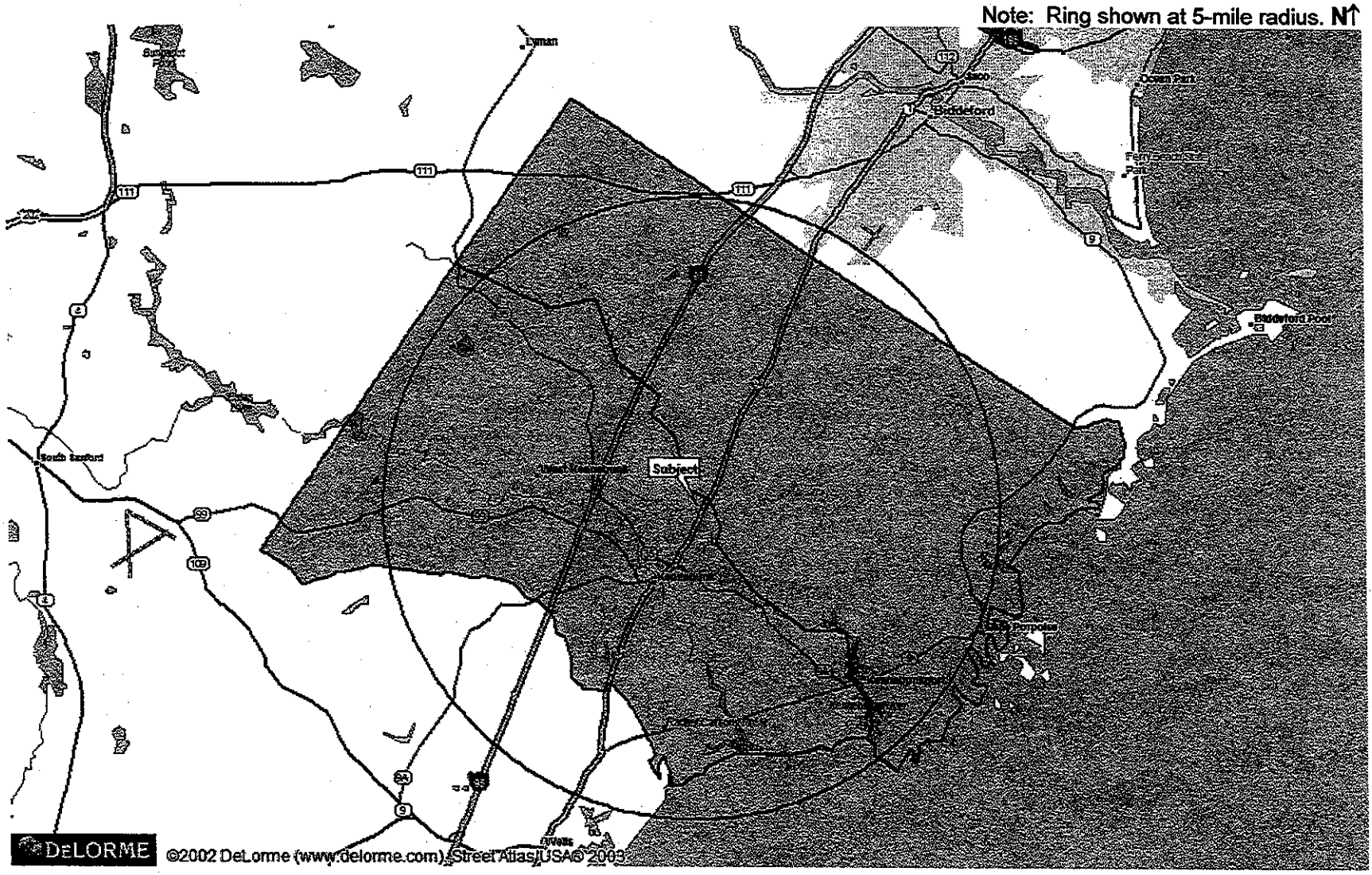
NEIGHBORHOOD MAP

N↑



ZIP CODE MAP

Note: Ring shown at 5-mile radius. N↑



Subject Property Description

Site Data

Size:	24.93 acres, or 1,085,951 square feet in total
Autumn I	**17.01 acres**
Autumn II	**7.92 acres**
Site Plan:	See Exhibit D in Addenda
Parcel Number:	Map 35, Lot 1
Shape:	Irregular
Primary Frontage:	Ross Road
Street Improvements:	2 lanes, drainage ditches, and fire hydrants
Secondary Frontage:	U.S. Highway 1
Street Improvements:	2 lanes, drainage ditches, and fire hydrants
Accessibility from Major Regional Highway(s):	Good
Ingress/Egress Restrictions:	None noticed
Topography:	Slight slopes across the property, generally down from Ross Road towards the Kennebunk River.
Soil Conditions:	Appear suitable for existing improvements based on surface evidence
Earthquake Hazard Area:	Low-risk -- 10.0 percent probability of exceeding (PE) peak ground acceleration (PGA) of 6.019118 percent of gravity (G); 5.0 percent PE a PGA of 10.19003 percent of G and a 2.0 percent PE a PGA of 19.80686 percent of G.
Utility services:	Electricity, public water, sanitary sewer, and telephone utility lines
Adverse Easements:	None Observed
Adverse Encroachments:	None Observed
Flood Plain:	See Exhibit D in Addenda for Flood Plain Map
Community Panel Number	230151 0011B
Date	January 19, 1983
Zone	Zone "C" which is defined as "areas of minimal flooding." "
FEMA Form 81-93:	See Exhibit D in Addenda
Land-to-Building Ratio:	5.89:1
On-site Parking Spaces:	50 spaces
Excess Land:	None
Surplus Land:	None
Zoning (See Map in Addenda):	Village Residential
Permitted Uses:	(See Exhibit D in Addenda)
Current Use Compliance:	Yes
Environmental Issues:	Tellatin, Short & Hansen, Inc., has no expertise in the evaluation of environmental hazards and therefore expresses no independent opinion as to the existence or absence thereof.

Improvement Description

The subject comprises three building types. Huntington Common, Bradford on the Common and Bradford Court, and the River Cottages.

Autumn I consists of Huntington Common, Bradford on the Common, and Bradford Court.

Autumn II consists of the River Cottages.

Huntington Common is a two-story independent living facility with 82 units contained in 93,000 square feet. The 82 units include 8 studio units, 47 one bedroom units, and 27 two bedroom units. The building is arranged in a U shape with the appearance of eight separate, Federal Style, two-story frame homes typical of the surrounding area. Each structure is connected into one by a two-story central hall running the length of all eight structures. The building is fully protected by a combination wet-type / dry-type sprinkler system plus smoke/heat detectors/alarms. The facility is equipped with battery-supported emergency lighting system.

Common areas are found at the central core of the first floor / in the lower level. The common areas feature, but not necessarily limited to: lobby/reception area; marketing and management offices; library; mail room; beauty/barber shop; resident laundry room; commercial laundry room; multi-purpose room; and living room and wellness/therapy facilities. In addition, the food service area is found on the first floor and features the kitchen, main dining room, private dining room; loading dock; dietary storage and dietary office.

Bradford on the Common and Bradford Court is a 48-unit assisted living and 24-unit special care facility containing 55,000 square feet. The building is in the shape of a figure 8 with two interior courtyards. Bradford Court is the special care (Alzheimer's and dementia unit) section which comprises the top loop of the figure 8. Bradford Court is a one-story section with an interior hallway that runs in a continuous loop. It is connected to Bradford on the Common which is the bottom "U" of the figure 8. The Bradford on the Common section is a two-story structure.

In the middle of the figure 8 are shared kitchen and service areas. This middle section has a basement which contains the mechanical areas and loading dock.

Because of the secure nature of the Bradford Court special care section, the two units do not share any common areas and have separate entrances and lobbies. The Bradford on the Common section has common areas commonly associated with assisted living facilities such as lobby/reception area; marketing and management offices; library; mail room; beauty/barber shop; resident laundry room; commercial laundry room; multi-purpose room; and living room and wellness/therapy facilities. Bradford Court has fewer common areas but includes three country kitchen/dining areas off the central hall.

The River Cottages consist of 26 independent living, 1,400 square feet, two-bedroom cottage units contained within 13 separate structures; each unit has an attached one-car garage and shares a common wall with the garage of one other unit. The cottages are arranged around a circular drive, four in the interior of the circle and 9 around the perimeter. Each cottage contains two bedrooms, a living/dining room, kitchen, two baths, and a front screened in porch.

The residential corridors share generally comparable floor plans, comprised mostly of resident units. In addition to the units, the resident corridors feature sitting areas and living rooms. The subject offers various unit floor plans with the standard unit averaging approximately 573 square feet. A schedule of unit types is found in the table below. The size of these rooms are typical for Alzheimer's care because this special resident

population typically cannot prepare even simple meals without assistance, so it would be imprudent to offer kitchenettes or larger units. In addition, for this resident type the inclusion of showers or tubs in resident rooms is not recommended due to the potential for serious harm to the residents if used without assistance or supervision.

A schedule of all the unit types is found in the following table.

Building Area Utilization -- Unit Breakdown and Common Area

Units Type and Care	# of Units	TFO # of Beds	Unit Sizes in Square Feet Low	High	Average	Net Rentable Area
Independent Living						
Semiprivate	0	0	0	0	0	0
Studio	8	8	425	425	425	3,400
One Bedroom	47	47	675	700	696	32,700
Two Bedroom	27	27	900	900	900	24,300
River Cottages	26	26	1,400	1,400	1,400	36,400
Total/Averages	**108**	**108**			**896**	**96,800**
Assisted Living						
Semiprivate	0	0	0	0	0	0
Studio	44	44	370	370	370	16,280
One Bedroom	4	4	667	667	667	2,668
Two Bedroom	0	0	0	0	0	0
Total/Averages	**48**	**48**			**395**	**18,948**
Special Care						
Semiprivate	0	0	0	0	0	0
Private	24	24	370	370	370	8,880
One Bedroom	0	0	0	0	0	0
Two Bedroom	0	0	0	0	0	0
Total/Averages	**24**	**24**			**370**	**8,880**
Totals	**180**	**180**			**692**	**124,628**
Common Area						59,772
Total Gross Building Area (GBA)						184,400
Percent Common Area						32.4%
Gross Building Area per Unit						1,024
Average Unit Sizes (Source: Overview of Assisted Living Industry 2001: ALFA)						
Median GBA per Unit Independent Living						1,228
Median GBA per Unit Assisted Living						744
Median GBA per Unit based on Subject Mix and ALFA Data						1,002
% of Common Area (Source: State of Seniors Housing 2004: ASHA)						
Median Sq. Ft. % of Common Area CCRC						27.5%
Median Sq. Ft. % of Common Area Independent Living						28.7%
Median Sq. Ft. % of Common Area Assisted Living						40.4%
Median Sq. Ft. % of Common Area based on Subject Mix and ALFA Data						34.2%

In addition to providing a breakdown of the various types of units, the above table provides industry data for comparison to the subject relative to gross building area (GBA) per unit and common area. The subject facility has 1,024 square feet of GBA per unit, which is comparable to the industry average of 1,002 square feet (blended based on mix of the subject IL/AL/SC units). The subject facility has common area amounting to 32.4 percent of the GBA, which is comparable to the industry average of 34.2 percent (blended based on mix of the subject IL/AL/SC units).

The resident units feature: bathrooms with grab bars in tubs/showers; wall-to-wall carpeting; closets; individually controlled heating and air-conditioning units; kitchenette

(refrigerator, exhaust, microwave, stainless steel sink) except in the special care section, Bradford Court, fire alarm, smoke detector and sprinkler system; and emergency medical alert system. Floor plans of selected units are provided in the addenda.

Details of the building components are profiled as follows. These details were obtained from the review of blueprints as well as the inspection of the subject facility.

SITE PREPARATION & EXCAVATION: General site preparation and grading; excavation for the basement.

FOUNDATION: Includes excavation for concrete footings under exterior walls, interior partitions and columns.

FRAME: Class "D" -- load-bearing exterior walls and partitions.

EXTERIOR WALLS, SUPERSTRUCTURE: Bradford on the Common and Bradford Court were constructed with steel studs with some internal steel columns and beams covered with vinyl siding. Huntington Common and the River Cottages were constructed with wood studs and typical residential construction materials and covered with vinyl siding with some brick/stone.

WINDOWS: White-finished, aluminum sash, double hung.

FLOOR STRUCTURE: Reinforced concrete over fill and vapor barrier on ground level; open-web steel joist and metal deck supporting concrete over the basement and for the second floor in Bradford on the Common. Wood joists and deck for upper levels in Huntington on the Common. The River Cottages are built upon a concrete slab.

ROOF STRUCTURE: Gable-type with wood trusses, rafters and plywood deck for Huntington Common and the River Cottages. Steel framing for the Bradford on the Common and Bradford Court.

ROOF COVER: Asphalt shingles, metal gutters and downspouts.

INTERIOR CONSTRUCTION: Drywall on wood or metal stud partitions; metal and wood doors in metal frames; wood panel wainscoting in the hallways; ceramic tile wainscoting in the bathrooms; wood hand railings.

CEILINGS: Suspended acoustical tile in hallways and service areas in Bradford on the Common and Bradford Court. Drywall taped and painted typical in all resident units, Huntington Common halls and common areas, and the River Cottages.

FLOOR COVERINGS: Carpet in the lobby, most common areas, and resident rooms; ceramic tile in baths and in the kitchen.

ELECTRICAL & LIGHTING: Fluorescent and incandescent fixtures; wiring in conduit. Resident units in the Huntington Common and the Cottages are individually metered for electricity.

PLUMBING: Adequate and typical for independent/assisted facility occupancy. (See above description of the toilet facilities)

H.V.A.C.: Huntington Common, Bradford on the Common and Bradford Court have a hot and chilled water, four pipe system with individual air handler units in each resident unit and in common areas. The River Cottages have radiant heat in the floor slab with individual boilers in each unit. The River Cottages do not have air conditioning.

FIRE PROTECTION: Wet-type and Dry-type sprinkler system throughout the facility.

ELEVATOR: All two story sections provide hydraulic elevator access.

ATTACHED CONSTRUCTION: Canopy and loading dock.

MISCELLANEOUS BUILDINGS: Utility shed.

Site improvements include the following.

- Concrete sidewalks, patios and pads
- Asphalt-paved parking lot and drives with curbing
- Exterior lighting
- Flagpole
- Signage
- Landscaping.

Condition and Functional Features

The subject was specifically designed for the existing use as an independent living, assisted living, and special care facility. Huntington Common was erected in 1989 with an addition in 1997. Bradford on the Common and Bradford Court were built in 1997/1998. The River Cottages were built in 1999. The buildings are of good-quality construction and exhibit no structural problems. Based on our inspection of the building and our interview with Sam Checovich, the executive director, no major capital improvements will be necessary in the very near future.

The roof cover appears original. No substantial repairs or replacements are expected in the near future. Its interior finishes (wall and floor covers) are adequately attractive according to contemporary tastes and the position of the subject within the market. The building should continue to provide good service for many years without requiring significant replacement of structural or mechanical components.

The Americans with Disabilities Act (ADA) essentially requires public properties to be accessible to handicapped persons. While ADA regulations have forced some real estate properties to be changed and upgraded for greater accessibility, most seniors housing facilities already complied with ADA regulations at the time of its enactment since their clientele typically suffer from handicaps. Tellatin, Short & Hansen, Inc., has no expertise in determining compliance with the ADA, and therefore, we express no independent opinion as to compliance.

The building has an efficient floor plan and design. There is no measurable functional obsolescence.

In summary, the building has been adequately maintained and does not suffer excessive deterioration or functional obsolescence. Therefore, the average estimated effective age for all the buildings is 10 years. Based on Marshall Valuation Service, Life Expectancy Guidelines (Section 97, Page 5), the economic life for a Class "D" very-good-quality assisted living/retirement facility is 60 years. Given the estimated effective age of 10 years, the remaining economic life of the subject property is 50 years.

Equipment Detail

We were not provided with an inventory or valuation of the personal property. In order to estimate the value of the furniture, fixtures and equipment (FF&E), we employed various resources for this effort, including the Marshall & Swift and R.S. Means data services references, supplier catalogues, and the actual costs of newly built facilities. From our experience in appraising independent living, assisted living, and special care facilities, we have made adjustments to reflect qualitative and quantitative features such as facility size, condition, age, and other factors.

The subject equipment consists of the normal items of FF&E including: resident room furniture; kitchen, laundry and maintenance equipment; office furniture and machines; and related items used in the operation of a independent living, assisted living, and special care facility. Unless otherwise stated, it is assumed that the equipment is in working order and there is sufficient quantity to operate the facility. The FF&E mostly includes commercial kitchen equipment, common area furniture and furnishings, and resident kitchenette equipment.

Assessed Valuation and Current Taxes

The current real estate and personal property assessed valuations and taxes for the subject property are as follows. The historical taxes profiled in Table T-1 represent the taxes recorded in the financial statements for the period noted. At times, these taxes may differ from those actually attributed to the property by the local taxing entity for the same period. Attempts have been made to reconcile any such differences.

Table T-1 Real Estate and Personal Property Taxes

Land Assessment	$2,310,000
Improvement Assessment	12,122,700
Real Estate Assessment	$14,432,700
Tax Rate	0.011350
Real Estate Taxes	$163,811
Personal Property Assessment	$496,200
Tax Rate	0.011350
Personal Property Taxes	$5,632
Total Taxes	$169,443
Forecasted Taxes	$173,340
Historical Property Taxes (From Historical Financial Data)	
December-02	$192,238
December-03	$184,553
December-04	$209,727
Real Estate Tax Identification Number(s)	Map 35, Lot 1
Personal Property Tax Identification Number	PPA298

In York County, the assessed valuation of the real estate is calculated at 100.0 percent of the market value. The implied market value of the real estate is $14,432,700, or $93,719 per unit. The assessor has not made separate assessments of Autumn I and II.

It is our opinion that the current real estate assessment of the subject is reasonable and that no significant change in the assessment should occur in the future

As presented in the preceding table, forecasted property taxes are $173,340. We have allocated 75 percent of the taxes to Autumn I and the remaining 25 percent to Autumn. The River Cottage units contain approximately 29 percent of the total net rentable area and 20 percent of the total gross building area. We opted to take in middle-ground figure in allocating the taxes.

Market Analysis Section

Introduction

The market analysis is the keystone for the valuation in that the conclusions are integral to the highest and best use analysis, as well as the income capitalization and sales comparison approaches. This section profiles the competitive conditions in the market and the impact of governmental policies. We have obtained specific market data relative to the facilities that are considered most directly competitive with the subject facility. In addition, we have utilized census and rate information available from various state sources. The market analysis concludes with forecasts for the subject.

Senior Housing Profile

Residents

The typical resident of all senior healthcare housing (independent living, assisted living, special care, and continuum of care facilities) is between the age of 70 and 90, with an average age of 82.6. The average age by facility type is as follows: 81.7 for independent living, 83.8 for assisted living and 80.4 for continuum of care facilities (*Seniors Housing Absorption Study: 1991 to 1998*, American Seniors Housing Association, p.11). The following table summarizes the typical resident profile of independent and assisted living residents according to gender. The majority of independent and assisted living residents are women.

Average Age of Seniors Housing Resident at Move-In

Property Type	Average Age at Move-In
Independent Living	81.7
Assisted Living	83.1
CCRC	77.2
All Properties	82.6

Source: Seniors Housing Statistical Handbook, Edition III

Resident can be classified based on three major categories: active seniors (go-go), intermediate seniors (slow-go) and dependent seniors (no-go).

Services

Base services provided for each level of care (independent living, assisted living, special care, and continuum of care facilities) typically include meal(s), housekeeping and linen service, recreational and social activities, transportation, security systems, and emergency call systems. Active seniors require limited services, but demand recreational amenities such as golf courses, tennis courts, fitness centers, bicycle paths, pools and saunas, cultural activities, and larger units with standard housing amenities such as full kitchens and laundry facilities in the unit. Many CCRC communities include large campuses where many of these recreational and cultural activities are available and, as such, they often attract a younger generation in their mid-to-late seventies. Because intermediate seniors are less active, recreational amenities are mostly indoor lounges, television and game rooms, large social rooms, libraries, and auditoriums/theatres at stand-alone independent and assisted living facilities. The difference between independent living and assisted living occurs when a resident begins receiving assistance in the activities of daily living (ADLs). Usually, the first tier of service, shifting a resident from independent living to assisted living, begins with medication management and/or dispensing of medication.

Most residents of assisted living facilities require limited to moderate assistance with the five major ADLs (bathing, dressing, transferring, toileting, and eating). As presented in the following table, the average assisted living resident needs assistance with 2.8 ADLs. Bathing and medication assistance are the two most common ADLs.

Activity of Daily Living Assisted Living Resident Profile

Mean Number of ADLs	2.8
Percentage of Residents by ADL Classification:	
Bathing	61.8%
Dressing	46.7%
Toileting	27.3%
Personal Hygiene	42.6%
Locomotion	25.4%
Eating	16.5%
Medication Reminders	51.3%
Medication Dispensing	70.6%

Source: Overview of Assisted Living Industry 2001: ALFA

As shown in the following table, not all residents at an assisted living facility need assistance with ADLs. Almost 40.0 percent of assisted living residents do not need assistance, or need assistance with just one ADL. However, acuity levels of residents have been increasing as residents' age in place and competitive market forces compel operators to keep residents as long as possible.

Percent of AL Residents Needing Help with ADLs: 1998 and 2000

	1998	2000
No Assistance	26.0%	19.0%
One ADL	22.0%	20.0%
Two ADLs	24.0%	18.0%
Three ADLs	13.0%	15.0%
Four ADLs	8.0%	13.0%
Five ADLs	6.0%	14.0%

Source: Senior Housing Statistical Handbook, Edition III: ASHA

The acuity mix of a facility is really influenced by three major components: state regulations, management methodology (operational strategy and rate structure), and length of stay Most new facilities start with an overall low acuity mix, which tends to increase as residents "age in place."

Many assisted living and CCRCs facilities also cater to seniors with special needs, such as those, with symptoms generally associated with Alzheimer's or dementia, as explained below. In the industry, this type of care is commonly referred to as specialized assisted living or special care.

In addition to requiring assistance in the activities of daily living, sufferers of dementia require substantial ongoing supervision and specialized activities such as household activities (vacuuming, laundry, cleaning, supervised cooking, yard work etc.) and psycho/social activities (reminiscing, singing, playing games etc.). Some of the more difficult behaviors caregivers are faced with include wandering, rummaging, hiding and hoarding, sundowning (phenomenon by which the person with Alzheimer's disease may become highly agitated, active, confused, combative, anxious and/or restless in the late afternoon or evening) and aggression.

Many CCRCs will also include a skilled nursing unit; here the staffing level is higher and involves licensed nurses, therapists and administration.

Amenities

Modern independent, assisted living and CCRC facilities are typically one to three stories, hotel-style facilities with individual apartments and central common areas. Typical common area amenities include: dining room, private dining, resident laundry facilities, library, lounges, activity rooms, courtyards, and beauty/barber shop. High-end or facilities design for more active seniors may include: indoor pool, theater, bistro, fitness center, or other special amenities. Institutional facilities, resembling a nursing home model, will have limited common area amenities, often consisting of a dining room and one or two lounge or activity areas. Communities designed for the active senior will include recreation amenities such as golf course, tennis courts, bicycle paths, pools and saunas.

Unit amenities typically include a kitchen or kitchenette, private bathroom with toilet, sink and bathtub or shower, emergency call, and individual thermostats. High-end or facilities designed for more active seniors frequently include washer/dryers, fireplaces, two baths, and high-speed internet access, while facilities with an institutional design may only provide private, two-fixture bathrooms and emergency call systems.

It is important to recognize that the amenities provided at an assisted living or independent living facility do not define the facility as being independent living or assisted living. The amenities described can be found at either facility type. Instead, it is the services related to ADLs that define a facility as independent living or assisted living.

As can be seen in the following cost analysis of the home care alternative, these alternatives are typically very expensive.

Comparative Cost Analysis -- Assisted Living

Home Care Alternative		
Apartment Rent (Section 8 FMR)		$476
Food Costs (BLS Consumer Expenditure Survey Age 75+)		271
Utilities (BLS Consumer Expenditure Survey West)		235
Home Care Aide	Hrs/wk	
Transportation/errands	2	
Bathing assistance*	1.5	
Laundry**	3	
Housekeeping	2	
Meal preparation***	17.5	
Other ADL assistance	1.5	
Total Hours/week	27.5	
Hours per month	119	
Home Care Aide Hourly Rate	$15.00	
Total Home Care Aide Cost		1,788
Comparative Monthly Home Care Cost		**$2,770**
Projected Weighted-Average Private-pay Studio Rate		**$4,227**
Projected Average Medicaid Waiver Rate		**$0**

*three times per week at 30 minutes each
**two loads per week at 1.5 hours each
***three meals per day with continental breakfast plus meal clean up

Comparative Cost Analysis -- Special Care

Home Care Alternative		
Apartment Rent (Section 8 FMR)		$415
Food Costs (BLS Consumer Expenditure Survey Age 75+)		271
Utilities (BLS Consumer Expenditure Survey West)		235
Home Care Aide*	Hrs/wk	
Total Hours/Day	24	
Hours per month	730	
Home Care Aide Hourly Rate	$12.50	
Total Home Care Aide Cost		9,125
Comparative Monthly Home Care Cost		**$10,047**
Projected Weighted-Average Private-pay Studio Rate		**$4,920**
Projected Average Medicaid Waiver Rate		**$0**

*24-hr per day supervision and assistance with Activities of Daily Living (ADL's) including: transportation/errands; bathing assistance; laundry; housekeeping; meal preparation; and other ADL's.

While home care and informal caregivers provide an alternative to seniors housing for some seniors, we do not consider these alternatives to be primary competition.

Adult day care is another alternative that continues to grow at significant rates. However, this service is only practical for elderly persons who are not living alone. Our demand model and the HUD demand model only consider age-qualified persons living alone as part of the qualified demand perspective for assisted living.

Other alternatives include nursing care and adult-family homes. According to the American Health Care Association's (AHCA) publication, *Facts & Trends: The Nursing Facility Sourcebook, 2001*, the average nursing facility patient requires assistance with **3.75 ADLs**. Similarly, according to The National Center for Assisted Living's (AHCA's affiliate organization) publication, *Facts & Trends: The Assisted Living Sourcebook, 1998*, the average assisted living resident needs assistance with **1.70 ADLs**. The ADL data suggest that nursing facilities and assisted living facilities care for very different residents/patients. While assisted living facilities occasionally compete with nursing facilities as well as other alternatives for low-acuity patients, competition occurs mainly among assisted living facilities. Where overlap does occur, the assisted living facility often has a competitive advantage due to lower pricing.

While assisted living is a relatively new concept, adult-family homes have been serving elderly residents for several years. They are pervasive in almost all markets throughout the United States. These facilities cater to patients at an acuity level that is similar to assisted living facilities. However, they offer very different lifestyles choices. Adult-family homes provide a more residential setting, while assisted living facilities generally offer superior amenities and privacy.

The Saturation Analysis in this report measures the impact of these other alternatives on independent living, assisted living, and special care demand. Saturation rates measure peoples' preference for assisted living over other alternatives such as nursing care, adult-family homes, home care and family support.

Maine Regulatory Overview

The state of Maine regulates assisted living facilities using the term Assisted Housing. Included in this category are independent living facilities with services, assisted living programs and residential care facilities. An assisted living program can provides services to residents in a private apartment which is in a building with common dining facilities. Services can be provided directly by the program or through a contract with an agency such as a home care agency. Residential Care facilities are divided into four categories. Categories I, II, and III apply to facilities of six or fewer residents. Category IV facilities, such as the subject care for seven or more residents.

Regulations cover a variety of topics, including residents' rights, medication management, administration, record keeping, fire safety, dietary, physical plant, and sanitation. Single rooms must be at least 100 square feet in size. Semi-private rooms (the largest allowed) must have at least 80 square feet per person. Specific physical plant and residents' rights regulations apply to dementia units.

Certificate of Need: In most states assisted living is not subject to Certificate of Need (CON) requirements. The CON process involves an evaluation by government of the need, or market support, for a particular project. CON controls serve to limit the number of health care related capital projects and thus conserve government reimbursement and capital funds, which might otherwise have gone to the development of unneeded health care facilities. In addition, a CON serves as a potential barrier to entry for potential competition. Potential competitors are prevented from developing comparable projects by the CON requirement to demonstrate need and market support for their project. There is currently no certificate of need (CON) for residential care beds in Maine.

Subject Profile --- Autumn I The Commons and Bradford Assisted Living and Special Care Units

Because the spectrum of amenities and services at independent living, assisted living, and special care can vary significantly from facility to facility, the following profile of the subject facility provides a point of reference. Our market analysis focuses on competitive facilities offering amenities and services that are most similar to the subject.

The competitive market analysis for Autumn II, containing the 26 cottage units (The River Cottages) will be addressed separately following the our analysis of the independent living apartments, assisted living unit and special care unit. Normally, the cottages would be incorporated into the independent living analysis; however, since these units will be valued separately, we have developed an independent analysis for the cottages. However, much of the data and analysis performed in the independent living apartment analysis is relied upon for the cottages.

Subject Services

In addition to the physical plant amenities (profiled in the Improvement Description), services included with the **base monthly rental fee** are as follows:

Independent Living:

- One meal daily (no meals with River Cottages).
- Organized activities and social events
- Weekly housekeeping and linen service
- Scheduled transportation
- All utilities except electric, cable, and telephone
- Emergency call system
- 24-hour staffing
- Complete maintenance of building and ground

Assisted Living:

- Three meals daily plus snacks
- Organized activities and social events
- Weekly housekeeping and linen service
- Personal laundry
- Scheduled transportation
- All utilities except telephone
- Emergency call system
- 24-hour staffing
- Licensed nurse available 24 hours
- Complete maintenance of building and ground
- Medication management/administration
- Non-routine assistance in the activities of daily living

Special Care (Alzheimer/dementia):

- Three meals daily plus snacks
- Organized activities and social events
- Weekly housekeeping and linen service
- Personal laundry
- Scheduled transportation
- All utilities except telephone
- Emergency call system
- 24-hour staffing
- Licensed nurse available 24 hours
- Complete maintenance of building and ground
- All necessary assistance in the activities of daily living
-

Additional Care Services:

After moving to an assisted living facility, a resident generally receives an assessment aimed at determining the level of service needed to help them function within the facility and to determine if additional charges (over the base rental rate) will be needed to adequately provide this service. Some states require the facility to develop a written service plan in conjunction with the resident to coordinate the delivery of needed services.

Additional care services are handled in a variety of ways and most management companies have very specific and unique ways to handle this additional care charge. The basis for these methodologies can be very basic, ranging from an all-inclusive to a tiered

system. Companies generally tend to develop models that cater to their management philosophies, acuity levels, primary market, etc.

While the base rental rate includes the above services, additional services (walking, bathing, grooming, etc.) are available at an additional charge. Additional assistance in the activities of daily living are offered via a la carte system. Prior to move in, a comprehensive evaluation of each resident is conducted to determine the level of service needed. Our additional care forecast includes an estimated average additional care rate for residents requiring these services.

Subject Strengths and Weaknesses

In a given independent living, assisted living, and special care facility market, each property possesses strengths and weaknesses relative to the competing facilities. In this instance, the subject is perceived to have the following strengths and weaknesses.

Major Strengths:

- A location near hospitals and medical facilities that are resident referral sources
- A location along a main street allowing high visibility and easy access
- A location adjacent or in close proximity to retail services
- A location in an affluent neighborhood where there is greater potential to draw high rental rates and where it is easier to attract staff
- Physical plant considerations
  - Good construction quality
  - Modern design
    - Extensive and well-planned resident common areas
    - Residential apartment design including kitchen or kitchenette, individual thermostats, private bathrooms with shower.
    - High number of one and two-bedroom units, which are preferred by private-pay residents
- Well-maintained physical plant
- Complimentary care levels offered including independent living, assisted living, and special care, which provides a wider variety of healthcare choices and the option to age in place, increasing the potential resident pool for the subject facility
- A good reputation based on strong market position which is apparent in its high occupancy, private-pay mix, and rates
- A reliable labor pool

Major weaknesses:

- None

Current Rent Roll

The following tables profile current utilization and rental rate data for the subject property.

Current Occupancy and Rental Rates

Unit and Care Type	Number of Units/Beds	Occupied Units/Beds	Occupancy Per Unit Type	Scheduled Rates Low	High	Average	Actual Avg Rent	Rent Concessions
Independent Living								
Studio	8	6	75.0%	$2,240	$2,240	$2,240	$2,269	-1.3%
Rent per Sq. Ft.				*$5.27*	*$5.27*	*$5.27*	*$5.34*	
One Bedroom	47	40	85.1%	$3,270	$3,475	$3,279	$3,162	3.6%
Rent per Sq. Ft.				*$4.84*	*$4.96*	*$4.71*	*$4.54*	
Two Bedroom	27	19	70.4%	$3,630	$3,630	$3,630	$3,612	0.5%
Rent per Sq. Ft.				*$4.03*	*$4.03*	*$4.03*	*$4.01*	
Total/Averages	**82**	**65**	**79.3%**			**$3,286**	**$3,211**	**2.3%**
Assisted Living								
Studio	44	39	88.6%	$4,170	$4,170	$4,170	$4,081	2.1%
Rent per Sq. Ft.				*$11.27*	*$11.27*	*$11.27*	*$11.03*	
One Bedroom	4	4	100.0%	$4,530	$4,530	$4,530	$4,585	-1.2%
Rent per Sq. Ft.				*$6.79*	*$6.79*	*$6.79*	*$6.87*	
Total/Averages	**48**	**43**	**89.6%**	**$4,170**	**$4,530**	**$4,203**	**$4,128**	**1.8%**
Total/Averages	**48**	**43**	**89.6%**			**$4,203**	**$4,128**	**1.8%**
Special Care								
Private	24	24	100.0%	$4,870	$4,870	$4,870	$4,690	3.7%
Rent per Sq. Ft.				*$13.16*	*$13.16*	*$13.16*	*$12.68*	
Total/Averages	**24**	**24**	**100.0%**	**$4,870**	**$4,870**	**$4,870**	**$4,690**	**3.7%**
Total/Averages	**154**	**132**	**85.7%**			**$3,873**	**$3,779**	**2.4%**
			Ratio by Care Type					
Second Occupants								
Independent		9	13.8%	$725	$725	$725	$725	0.0%
Assisted		2	4.7%	$725	$725	$725	$725	0.0%
Total/Averages		**11**	**10.2%**			**$725**	**$725**	**0.0%**
Additional Care								
Assisted		4	8.9%	$299	$299	$299	$299	0.0%
Special Care		4	16.7%	$299	$299	$299	$299	0.0%
Total/Averages		**8**	**9.2%**			**$299**	**$299**	**0.0%**
Total/Averages						**$3,951**	**$3,857**	**2.4%**

Resident Mix	IL	AL	SC	Total
Private-pay	100.0%	100.0%	100.0%	100.0%
Medicaid/SSI/SSA	0.0%	0.0%	0.0%	0.0%

Defining the Primary Market Area

The geographic definition of the subject's market area is best defined from a resident origin study. However, neither the management of the subject facility nor the State of Maine tracks resident origin data. Therefore, we have relied upon statements from the management of the subject, a review of geographic and socioeconomic boundaries, and our interviews with the competitors to define the market.

According to these sources, the following ZIP codes comprise the primary market area.

ZIP Codes Comprising the Primary Market Area	
04043	04046

The remainder of York County is the sub-market, aka secondary market.

The map of the competitors show the primary market area based on these ZIP codes.

Supply Trends

National Supply Trends

The total supply of senior housing facilities in the United States is difficult to gauge since the industry is largely private-pay and not regulated by the federal government. There is no single source that accumulates data on all senior housing facilities. However, the American Senior Housing Association (ASHA) does compile an estimate of the number of "professionally owned and managed" senior housing facilities in the United States. According to ASHA, as of 2004 there were 20,920 professionally owned and managed senior housing units in the United States with a total of 2,323,600 units.

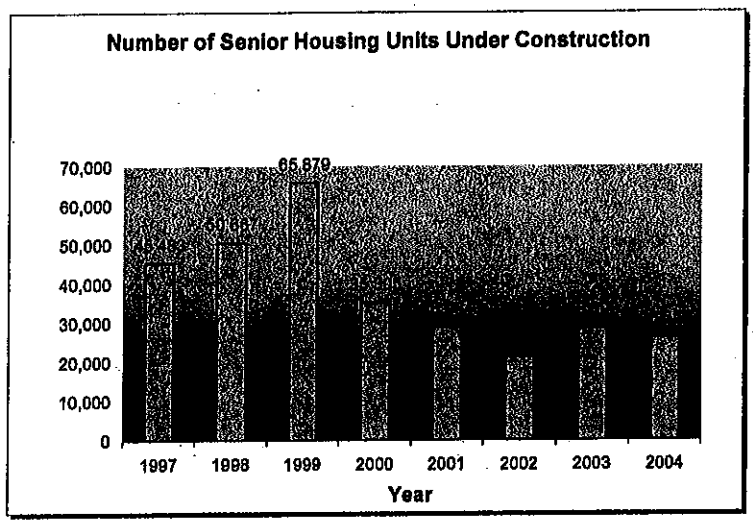
2004 Estimated Supply of Professionally Owned and Managed Senior Housing

Facility Type	Facilities	Facility Ratio	Units	Unit Ratio	Avg. # of Units
Senior Apartments	5,250	25.1%	428,850	18.5%	82
Independent Living	6,200	29.6%	723,300	31.1%	117
Assisted Living	7,270	34.8%	543,450	23.4%	75
CCRCs	2,200	10.5%	628,000	27.0%	285
Total	20,920	100.0%	2,323,600	100.0%	111

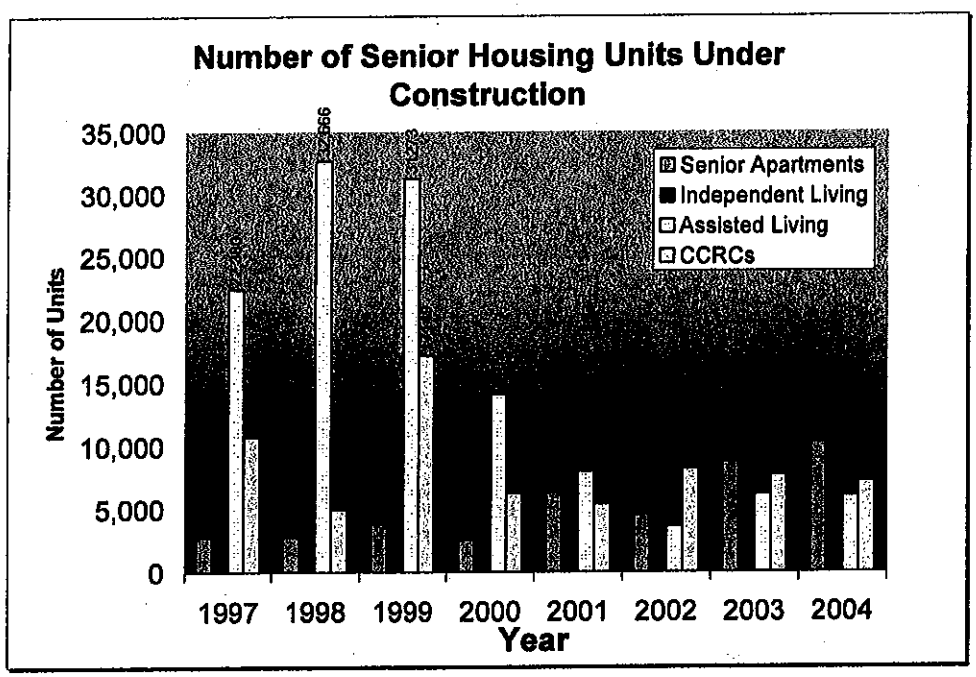
Source: 2004 Senior Housing Construction Report: ASHA

Although there are more assisted living properties, there are still substantially more independent living units as well as CCRC units serving seniors throughout the United States.

As can be seen in the following diagram, the number of senior housing units under construction has declined dramatically since the peak in 1999. However, new construction starts increased in 2003 and 2004 from their lowest levels in 2002. This recent trend is being driven by renewed investor confidence in the senior-housing industry.



The following diagram illustrates the dramatic shift in development trends for new senior housing development.



Since 1999, developers have shifted their focus away from primarily assisted living development to other senior housing development opportunities, particularly independent living and senior apartments. The primary factors driving this trend is the continued presence of several markets with an oversupply of assisted living units and the recent trend for the development of multi-level campuses such as CCRCs where assisted living units only represent a small fraction of the total units developed.

Primary Market Area Supply

The following tables summarize the salient data for the subject and competitive facilities. The competitive occupancy rates, resident mixes, and private-pay rates are derived from a survey by Tellatin, Short & Hansen, Inc. Subjective scores are assigned for location, physical plant, and market status to arrive at an "overall comparability rating" from one to 30 for each competitor and the subject. The location ratings are based on our observations as well as the average household income for the respective ZIP codes. The physical plant ratings are based on our observations – the age, quality of construction, condition, and overall appeal. The market status rating emphasizes is based on the overall perception of the facility in the market.

The subject is situated in a fairly isolated market, or a considerable distance from a large metropolitan area. It will be necessary to draw some rental comparisons from the greater Portland, Maine area, even though these facilities are not directly competitive within the primary or secondary market of the subject.

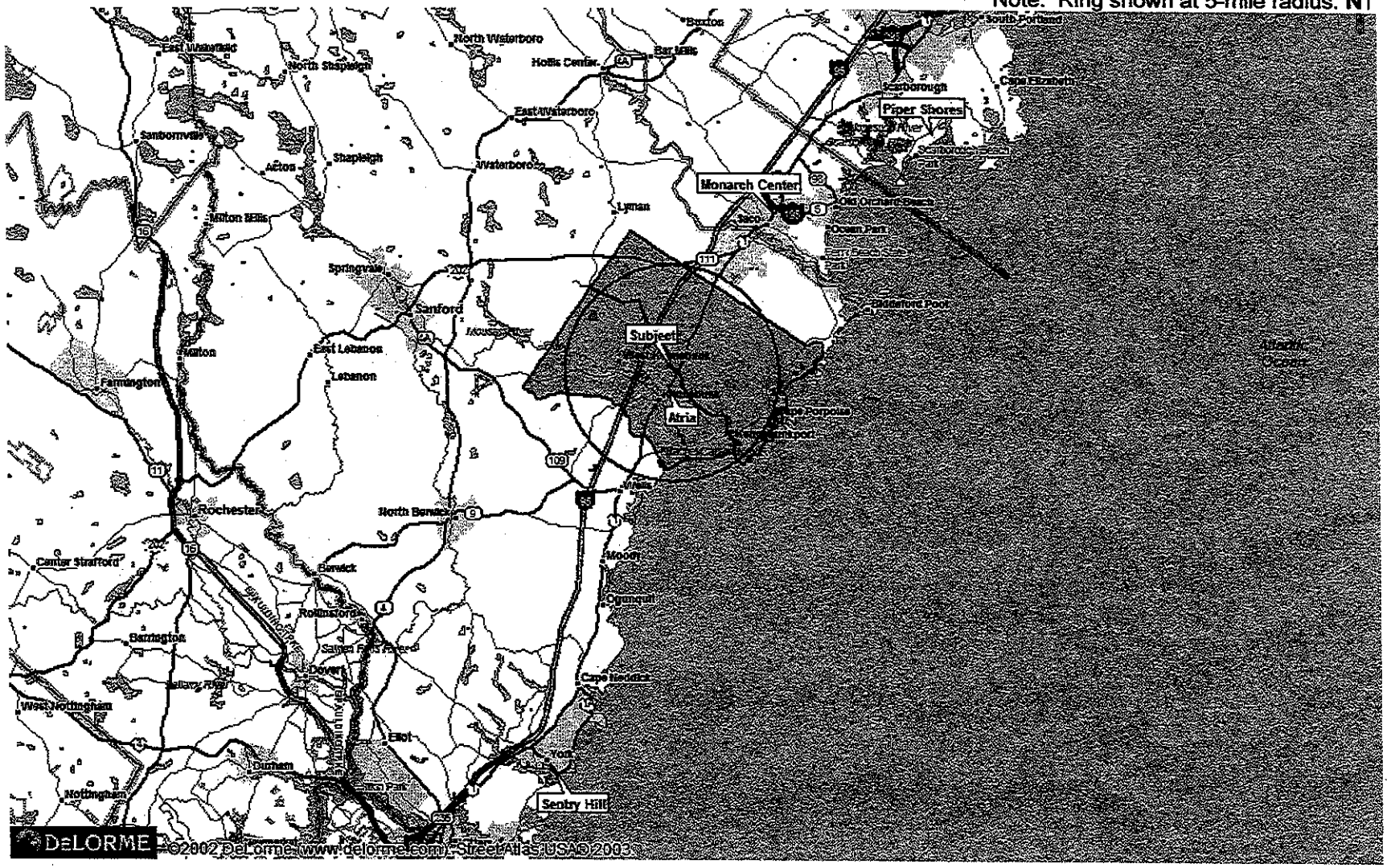
The following pages include several maps and numerous tables that profile the competitive facilities. These maps and tables are outlined as follows.

- Competitive Maps
  - Primary Competitors
- Competitive Tables
  - Profile of the Primary Competitors
  - Assisted Living
    - ALF Operating Statistics for Primary Competitors
  - Special Care
    - SC Operating Statistics for Primary Competitors
  - Individual Competitor Profiles

Photographs of the primary competitors are presented in the Addenda.

COMPETITIVE MAP – PRIMARY COMPETITORS

Note: Ring shown at 5-mile radius. N↑



Profile of the Primary Competitors

	Facility Name Address	Management Company Type of Control	Zip Code Income	Year(s) Built	Ratings 1-10 (10 = Good) Location	Physical Plant	Market Status	Rating 1-30 Overall Comparability
1	Monarch Center 392 Maine St. Saco, Maine	Commonwealth Communities For-Profit	$56,897	1999	6	8	7	21
2	Atria One Penny Lane Kennebunk, Maine	Atria For-Profit	$72,619	1998	7	8	7	22
3	Sentry Hill at York Harbor Two Victoria Court York, Maine	Mainecare For-Profit	$87,105	1975/95	8	5	9	22
4	Piper Shores 15 Piper Road Scarborough, Maine	Piper Shores Not-For-Profit	$77,823	2001	7	9	8	24
	Subject Facility	Rollins Management Group Not-For-Profit	$72,619	1989/1997	7	8	6	21

Source: TS&H Market Survey

Primary Competitors -- *Assisted Living* Operating Statistics

	Facility Name	# of AL Units	Occu-pancy Rate	Private-Pay Mix	% 2nd Occu-pant	Studio Rent	Studio Rent/SF	One Bedroom Rent	One Bedroom Rent/SF	Mid-Pt Additional Avg Rate	2nd Occu-pant	Overall Rating 1-30
2	Atria	66	91.0%	100.0%	3.0%	2,695	6.96	3,395	6.35	1,000	1,075	0
3	Sentry Hill	24	100.0%	100.0%	-	4,350	12.46	-	-	-	-	22
4	Piper Shores	24	100.0%	100.0%	-	2,099	6.01	-	-	-	-	0
	Subject Facility	**48**	**89.6%**	**100.0%**	**4.7%**	**4,170**	**11.27**	**4,530**	**6.79**	**299**	**725**	**21**
	Totals/Averages	162	93.2%	0.0%	3.8%	$3,329	$9.18	$3,963	$6.57	$650	$900	11

Source: TS&H Market Survey

Primary Competitors -- *Special Care* Operating Statistics

	Facility Name	# of SC Units	Occu-pancy Rate	Private-Pay Mix	Private-Pay Rates: Semipvt	Private Rent	Private Rent/SF	One Bedroom Rent	One Bedroom Rent/SF	Mid-Pt Additional Avg Rate	Overall Rating 1-30
1	Monarch Center	42	100.0%	100.0%	-	$5,200	$20.80	-	-	-	0
2	Atria	8	100.0%	100.0%	-	5,925	15.31	-	-	500	0
3	Sentry Hill	24	100.0%	100.0%	-	6,090	17.45	-	-	-	22
	Subject Facility	**24**	**100.0%**	**100.0%**	**-**	**4,870**	**13.16**	**-**	**-**	**299**	**21**
	Totals/Averages	98	100.0%	0.0%	#DIV/0!	$5,521	$16.68	#DIV/0!	#DIV/0!	$400	11

Source: TS&H Market Survey

Competitor One -- Monarch Center
392 Maine St., Saco, Maine 4072
(207) 284-0900

Year Built -- Effective Age:	1999 -- 2000	**Quality/Condition:**	Good/Good
Level of Care:	Units/Beds	Occupancy	Private-pay Mix
Entry Fee/Life Estate	0	0.0%	0.0%
Independent Living:	0	0.0%	0.0%
Assisted Living:	0	0.0%	0.0%
Alzheimer/Dementia Care:	42	100.0%	100.0%
Total	42	100.0%	100.0%
Independent Living:	Size (SF)	Rent/Month	Rent/SF
Semiprivate	N/A	$0	N/A
Studio	0	$0	#DIV/0!
One Bedroom	0	$0	#DIV/0!
Two Bedroom	0	$0	#DIV/0!
River Cottages	0	$0	#DIV/0!
2nd Occupant		$0	
2nd Occupant Percentage:		0.0%	
Assisted Living:	Size (SF)	Rent/Month	Rent/SF
Semiprivate	N/A	$0	N/A
Studio	0	$0	#DIV/0!
One Bedroom	0	$0	#DIV/0!
Two Bedroom	0	$0	#DIV/0!
2nd Occupants		$0	
2nd Occupant Percentage:		0.0%	
Mid-point Additional Care Rate		$0	
% of Residents Receiving Additional Care Services:		0.0%	
Alzheimer/Dementia Care:	Size (SF)	Rent/Month	Rent/SF
Semiprivate	N/A	$0	N/A
Private	250	$5,200	$20.80
One Bedroom	0	$0	#DIV/0!
Mid-point Additional Care Rate		$0	
% of Residents Receiving Additional Care Services:		0.0%	
Base Rate Services:			Alz./Dem.
Number Daily Meals:			3
Housekeeping/Linen:			Daily
Scheduled Transportation:			Yes
Cable Television:			Yes
Personal Laundry:			Yes
Medication Management:			Yes
Activities of Daily Living Assistance:			2 - 3 ADLs/Day
Utilities:			Yes
Property Taxes:			Yes
Additional Care Services System:			All Inclusive
Unit Amenities:			
Unit Design Model			Residential
Kitchen or Kitchenette			Not Applicable
Washer and Dryer			Not Applicable
Common Area Amenities:			Average

Comments: The facility is owned by a for-profit entity, and it is managed by Commonwealth Communities. The facility opened in 1999. This facility specializes in high acuity residents. Resident turnover is approximately 2 per month. Rates are all inclusive. Facility has been averaging near 100% occupancy for past year. The facility charges an admission fee of $500.

Competitor Two -- Atria
One Penny Lane, Kennebunk, Maine 4043
(207) 985-5866

Year Built -- Effective Age:	1998 – 2000	**Quality/Condition:**	Good/Good
Level of Care:	Units/Beds	Occupancy	Private-pay Mix
Entry Fee/Life Estate	0	0.0%	0.0%
Independent Living:	0	0.0%	0.0%
Assisted Living:	66	91.0%	100.0%
Alzheimer/Dementia Care:	8	100.0%	100.0%
Total	74	92.0%	100.0%
Independent Living:	Size (SF)	Rent/Month	Rent/SF
Semiprivate	N/A	$0	N/A
Studio	0	$0	#DIV/0!
One Bedroom	0	$0	#DIV/0!
Two Bedroom	0	$0	#DIV/0!
River Cottages	0	$0	#DIV/0!
2nd Occupant		$0	
2nd Occupant Percentage:		0.0%	
Assisted Living:	Size (SF)	Rent/Month	Rent/SF
Semiprivate	N/A	$0	N/A
Studio	387	$2,695	$6.96
One Bedroom	535	$3,395	$6.35
Two Bedroom	782	$3,895	$4.98
2nd Occupants		$1,075	
2nd Occupant Percentage:		3.0%	
Mid-point Additional Care Rate		$1,000	
% of Residents Receiving Additional Care Services:		0.0%	
Alzheimer/Dementia Care:	Size (SF)	Rent/Month	Rent/SF
Semiprivate	N/A	$0	N/A
Private	387	$5,925	$15.31
One Bedroom	0	$0	#DIV/0!
Mid-point Additional Care Rate		$500	
% of Residents Receiving Additional Care Services:		0.0%	
Base Rate Services:		Assisted	Alz./Dem.
Number Daily Meals:		3	3
Housekeeping/Linen:		Daily	Daily
Scheduled Transportation:		Yes	Yes
Cable Television:		No	No
Personal Laundry:		Yes	Yes
Medication Management:		Yes	Yes
Activities of Daily Living Assistance:		2 - 3 ADLs/Day	2 - 3 ADLs/Day
Utilities:		Yes	Yes
Property Taxes:		Yes	Yes
Additional Care Services System:		Care Levels	Care Levels
Unit Amenities:			
Unit Design Model		Residential	Residential
Kitchen or Kitchenette		Kitchenette	Not Applicable
Washer and Dryer		No	Not Applicable
Common Area Amenities:		Average	Average

Comments: The facility is owned by a for-profit entity, and it is managed by Atria. The facility opened in March 1998. Primary competitor for the subject's AL and ALZ units. Facility has consistantly maintained 90%+ Occupancies One half mile from subject. The facility charges an admission fee of $1,000.

Competitor Three -- Sentry Hill at York Harbor
Two Victoria Court, York, Maine 3909
(207) 363-5116

Year Built -- Effective Age:	1975/95 -- 1985	**Quality/Condition:**	Good/Good
Level of Care:	Units/Beds	Occupancy	Private-pay Mix
Entry Fee/Life Estate	0	0.0%	0.0%
Independent Living:	17	100.0%	100.0%
Assisted Living:	24	100.0%	100.0%
Alzheimer/Dementia Care:	24	100.0%	100.0%
Total	65	100.0%	100.0%
Independent Living:	Size (SF)	Rent/Month	Rent/SF
Semiprivate	N/A	$0	N/A
Studio	399	$3,720	$9.32
One Bedroom	0	$0	#DIV/0!
Two Bedroom	0	$0	#DIV/0!
River Cottages	0	$0	#DIV/0!
2nd Occupant		$0	
2nd Occupant Percentage:		0.0%	
Assisted Living:	Size (SF)	Rent/Month	Rent/SF
Semiprivate	N/A	$0	N/A
Studio	349	$4,350	$12.46
One Bedroom	0	$0	#DIV/0!
Two Bedroom	0	$0	#DIV/0!
2nd Occupants		$0	
2nd Occupant Percentage:		0.0%	
Mid-point Additional Care Rate		$0	
% of Residents Receiving Additional Care Services:		0.0%	
Alzheimer/Dementia Care:	Size (SF)	Rent/Month	Rent/SF
Semiprivate	N/A	$0	N/A
Private	349	$6,090	$17.45
One Bedroom	0	$0	#DIV/0!
Mid-point Additional Care Rate		$0	
% of Residents Receiving Additional Care Services:		0.0%	
Base Rate Services:	Independent	Assisted	Alz./Dem.
Number Daily Meals:	0	3	3
Housekeeping/Linen:	Weekly	Daily	Daily
Scheduled Transportation:	Yes	Yes	Yes
Cable Television:	No	No	Yes
Personal Laundry:	No	Yes	Yes
Medication Management:	N/A	Yes	Yes
Activities of Daily Living Assistance:	N/A	2 - 3 ADLs/Day	2 - 3 ADLs/Day
Utilities:	Yes	Yes	Yes
Property Taxes:	Yes	Yes	Yes
Additional Care Services System:		All Inclusive	All Inclusive
Unit Amenities:			
Unit Design Model	Residential	Residential	Residential
Kitchen or Kitchenette	Kitchenette	Kitchenette	Not Applicable
Washer and Dryer	Yes	No	Not Applicable
Common Area Amenities:	Average	Average	Average

Comments: The facility is owned by a for-profit entity, and it is managed by Mainecare. The facility charges an admission fee of $1,000.

Competitor Four -- Piper Shores
15 Piper Road, Scarborough, Maine 4074
(207) 883-8700

Year Built -- Effective Age:	2001 – 2004	**Quality/Condition:**	Excellent/Good
Level of Care:	Units/Beds	Occupancy	Private-pay Mix
Entry Fee/Life Estate	200	100.0%	100.0%
Independent Living:	0	100.0%	100.0%
Assisted Living:	24	100.0%	100.0%
Alzheimer/Dementia Care:	0	100.0%	100.0%
Total	224	100.0%	100.0%
Independent Living:	Size (SF)	Rent/Month	Rent/SF
Semiprivate	N/A	$0	N/A
Studio	0	$0	#DIV/0!
One Bedroom	0	$0	#DIV/0!
Two Bedroom	0	$0	#DIV/0!
River Cottages	0	$0	#DIV/0!
2nd Occupant		$0	
2nd Occupant Percentage:		0.0%	
Assisted Living:	Size (SF)	Rent/Month	Rent/SF
Semiprivate	N/A	$0	N/A
Studio	349	$2,099	$6.01
One Bedroom	0	$0	#DIV/0!
Two Bedroom	0	$0	#DIV/0!
2nd Occupants		$0	
2nd Occupant Percentage:		0.0%	
Mid-point Additional Care Rate		$0	
% of Residents Receiving Additional Care Services:		0.0%	
Alzheimer/Dementia Care:	Size (SF)	Rent/Month	Rent/SF
Semiprivate	N/A	$0	N/A
Private	0	$0	#DIV/0!
One Bedroom	0	$0	#DIV/0!
Mid-point Additional Care Rate		$0	
% of Residents Receiving Additional Care Services:		0.0%	

Base Rate Services:	Entry Fee/Life Estate	Assisted
Number Daily Meals:	-	3
Housekeeping/Linen:	-	Daily
Scheduled Transportation:	-	Yes
Cable Television:	-	No
Personal Laundry:	-	Yes
Medication Management:	-	Yes
Activities of Daily Living Assistance:	-	2 - 3 ADLs/Day
Utilities:	-	Yes
Property Taxes:	-	Yes
Entry Fee Contract:	Type A	
Additional Care Services System:		All Inclusive
Unit Amenities:		
Unit Design Model	Residential	Residential
Kitchen or Kitchenette	Kitchenette	Kitchenette
Washer and Dryer	Yes	No
Common Area Amenities:	Above Average	Average

Comments: The facility is owned by a not-for-profit entity, and it is managed by Piper Shores. This is a lifecare community. If openings exist, they will take a direct admission into AL. They have not had an outside opening in 3 years. Stopped keeping a waiting list for outside residents last year.

Competitor Four -- Piper Shores -- Entry Fee/Life Estate Overview
15 Piper Road, Scarborough, Maine 4074
(207) 883-8700

Average Age of Entry-Fee Resident: 79 **Average Length of Stay:** 79.0
Annual Ratio of Unit Turnover: 12.9% **Entry-Fee Contract(s):** Type A

99.0 % Refundable Option

Unit Type	Size (SF)	Entry Fee	Cost/SF	Service Fee	Fee/SF
Studio	500	$148,000	$296.00	$1,368	$2.74
One Bedroom	687	$233,500	$339.88	$2,097	$3.05
Two Bedroom	1,060	$318,500	$300.47	$3,099	$2.92
Three Bedroom	0	$0	#DIV/0!	$0	#DIV/0!
Two-Bedroom Cottages	1,521	$375,000	$246.55	$2,007	$1.32
Three-Bedroom Cottages	0	$0	#DIV/0!	$0	#DIV/0!
2nd Occupant		$0		$0	
2nd Occupant Percentage:				0.0%	

Program Description:
75% refundable; balance returned after unit is remarketed and residency is terminated; refund declines by 1.5 percent per month until nonrefundable entry fee fully vests; *resident receives 30 days of nursing care during their stay at no additional cost; *resident receives a lifecare benefit or assisted living and nursing care services at no additional charge for their lifetime.

99.0 % Refundable Option

Unit Type	Size (SF)	Entry Fee	Cost/SF	Service Fee	Fee/SF
Studio	500	$0	$0.00	$1,368	$2.74
One Bedroom	687	$0	$0.00	$2,097	$3.05
Two Bedroom	1,060	$0	$0.00	$3,099	$2.92
Three Bedroom	0	$0	#DIV/0!	$0	#DIV/0!
Two-Bedroom Cottages	1,521	$0	$0.00	$2,007	$1.32
Three-Bedroom Cottages	0	$0	#DIV/0!	$0	#DIV/0!
2nd Occupant		$0		$0	
2nd Occupant Percentage:				0.0%	

Program Description:
75% refundable; balance returned after unit is remarketed and residency is terminated; refund declines by 1.5 percent per month until nonrefundable entry fee fully vests; *resident receives 30 days of nursing care during their stay at no additional cost; *resident receives a lifecare benefit or assisted living and nursing care services at no additional charge for their lifetime.

Fully-Vesting Plan Option

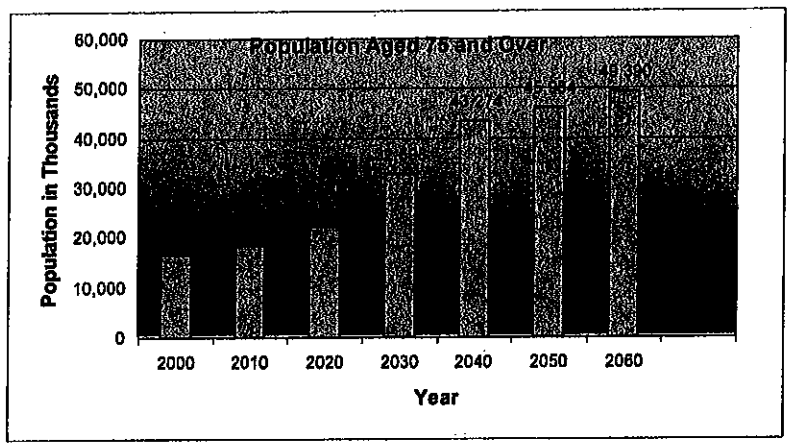
Unit Type	Size (SF)	Entry Fee	Cost/SF	Service Fee	Fee/SF
Studio	500	$0	$0.00	$1,368	$2.74
One Bedroom	687	$0	$0.00	$2,097	$3.05
Two Bedroom	1,060	$0	$0.00	$3,099	$2.92
Three Bedroom	0	$0	#DIV/0!	$0	#DIV/0!
Two-Bedroom Cottages	1,521	$0	$0.00	$2,007	$1.32
Three-Bedroom Cottages	0	$0	#DIV/0!	$0	#DIV/0!
2nd Occupant		$0		$0	
2nd Occupant Percentage:				0.0%	

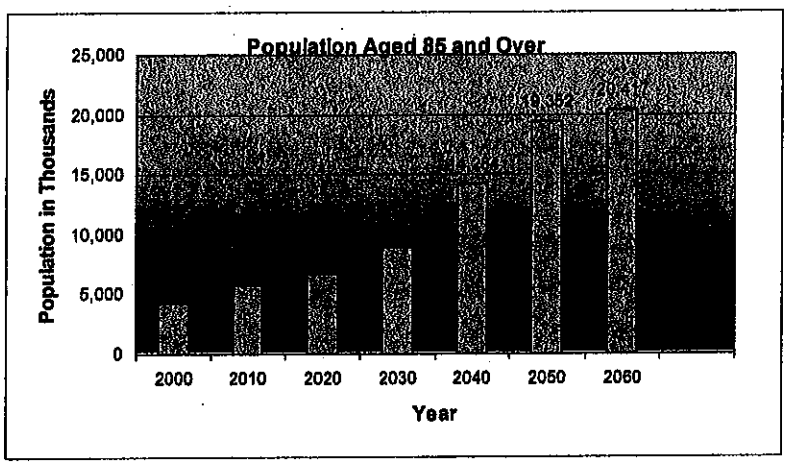
Program Description:
75% refundable; balance returned after unit is remarketed and residency is terminated; refund declines by 1.5 percent per month until nonrefundable entry fee fully vests; *resident receives 30 days of nursing care during their stay at no additional cost; *resident receives a lifecare benefit or assisted living and nursing care services at no additional charge for their lifetime.

Demand Trends

National Trends

Industry analysts generally agree that demand for senior housing and long-term care services will continue to expand as the elderly population grows. There are several key factors which will impact the extent of this growth, including: elderly population growth; health of the elderly; income of this segment of the population; and competition from other care options (i.e. SNF, home health or home care). The following tables profile general populations for seniors.





For near term demand growth, the population segment aged 85 and over is expected to increase approximately 36.0 percent between 2000 and 2010, while the 75 and over population is expected to increase by only 12.0 percent. The impact of the "baby boomer" generation is often discussed relative to seniors housing as if the "baby boomer" generation is on the verge of needing seniors housing. The "boomer" generation is currently age 38 to 57 – years away from demanding independent and assisted living. Demand stemming from the "boomers" will not substantially affect the industry until about 2020 when the first wave of "boomers" turns 75 years of age. Beyond 2020, the seniors' population increases dramatically. In the above tables, the affect on demographic trends by the "boomers" is especially apparent for the 75 and over population between 2020 and 2030, and for the 85 and over population between 2030 and 2040.

A survey of the attitudes of senior citizens shows that demand for all categories of seniors housing is strong. Below are a few findings from the *National Housing Survey of Adults Age 60+*, which was sponsored by the National Investment Conference for the Senior Living and Long Term Care Industries (2000). According to this national telephone survey completed in 2000, sponsored by the National Investment Center, 15.6 percent of residents age 60 and over who moved in the last ten years moved to a community planned for older adults. The proportion that moved to an age-restricted community increased rapidly with age as identified in the following table.

Portion of Households Who Moved to Senior Housing by Age Group

Age	
60 -64	9.0%
65-69	9.7%
70-74	14.0%
75-79	19.9%
80-84	22.8%
85+	43.1%

Source: NIC National Housing Survey of Adults Age 60+, 2001

This survey also reported findings that the demand for senior housing decreases as the level of wealth of the individual increases. This is also the conventional wisdom held by many market analysts. However, the findings provide conflicting results as follows:

Portion of Households Who Moved to Senior Housing by Income

Age	
Under $10,000	23.3%
$10,000 to $19,999	26.7%
$20,000 to $29,999	18.6%
$30,000 to $49,999	17.4%
$50,000 to $74,999	7.0%
$75,000 or More	7.0%

Source: NIC National Housing Survey of Adults Age 60+, 2001

Portion of Households Who Live in Senior Housing by Income

Age	
Under $25,000	7.1%
$25,000 to $74,999	1.9%
$75,000 or More	5.6%

Source: NIC National Housing Survey of Adults Age 60+, 2001

Overall, their survey does not provide conclusive evidence that senior housing is less preferred by upper-income or high-income prospective residents.

Based on our experience, peoples' preference for senior housing does not decrease as the level of income increases except for the wealthiest of individuals. The number one reason people move to senior housing is an easier lifestyle.[1] Although people with annual incomes between $75,000 and $250,000 can afford personal assistants, caregivers, housekeepers and maintenance workers, they equally desire a simpler lifestyle. The time, effort and frustrations of managing providers of services are still very demanding. The following table summarizes several case studies of independent living saturation rates extracted by our firm from several locations throughout the country. This empirical data is also present in our saturation analysis later in the report.

Market Derived Independent Living Saturation Rates Based on FITCH Qualified Demand Model

Year	Primary Market Area -- Qualified Demand	Qualified Demand	Total Units	Market IL Occup.	Qualified Occupied Units	Saturation Rates
2003	Helena, MT					
	Total Market Private-pay Demand	1,134	200	88.5%	142	12.6%
2001	Las Cruces, NM					
	Total Market Private-pay Demand	2,391	347	77.5%	269	11.3%
2003	Springfield, MO					
	Total Market Private-pay Demand	7,824	749	77.9%	580	7.4%
2004	Issaquah/Sammamish, WA					
	Total Market Private-pay Demand	1,744	315	69.1%	174	10.0%
2004	Mercer Island, WA					
	Total Market Private-pay Demand	1,848	276	99.4%	219	11.9%
	Totals and Averages					
	Total Market Private-pay Demand	3,273	403	78.3%	291	10.6%

Source: TS&H Market Survey, Claritas, Inc & FITCH Senior Housing Demand Model

The market with the lowest number of people living in independent living facilities is the Springfield, Missouri market. This market was mostly comprised of mid-age facilities and the majority of the people demanding services were of low-to-moderate income. In contrast, the people demanding services in the Issaquah/Sammamish and Mercer Island, Washington markets almost entirely consisted of person with annual incomes in excess of $75,000. Although anecdotal, we have performed market analyses for numerous high-end facilities throughout the United States in very high-income areas such as: Marin County, California, Pacific Palisades, California, Newport Beach, California, Walnut Creek, California, Bellevue, Washington, Mercer Island, Washington, Lake Oswego, Oregon, Littleton, Colorado, Colorado Springs, Colorado among several others and it has been our direct experience that the upper-income elderly are equally disposed to senior housing as a lifestyle choice as moderate-income elderly.

It is equally important to note that only a relatively small percentage of the seniors population views retirement center living (independent living, assisted living or CCRC) as a preferred lifestyle.

Another important point to note, which is apparent in the numerous saturation case studies that we have performed, is that the preference for senior housing does not change by location or region. Peoples' preferences for senior housing is largely universal

[1] American Seniors Housing Association, The Independent Living Report, 2000

throughout the United States and does not change based on ethnicity as discussed subsequently. It is our experience that properties located in markets that have sufficient demand fail for readily identifiable reasons such as management issues, functional or location issues and rarely are the result of lack of consumer preference. However, we have documented cases such as in Kailua-Kona, Hawaii County, Hawaii were the lack of consumer knowledge surrounding senior housing as a reasonable life-style choice directly impacted the lease-up and occupancy at facilities.

Preferred Living Situation After Retirement: 2000

Ethnic Group	In Own Home	Retirement Center	With Children
Caucasian	78.0%	14.0%	6.0%
African American	61.0%	18.0%	18.0%
Hispanic	58.0%	13.0%	28.0%
Asian	40.0%	19.0%	38.0%
Total	73.0%	15.0%	11.0%

Source: Senior Housing Statistical Handbook, Edition III: ASHA

It is also important to note that although ethnicity affects peoples' preference for remaining home or living with children, peoples' preference for retirement living varies only slightly based on ethnicity.

The demand for Alzheimer's/dementia care should expand in the future as the senior population expands and the awareness/exposure of the disease is more pronounced. Alzheimer's is already the fourth most expensive disease in the United States, costing the national healthcare system over $100 billion in 1998. Volpe Brown Whelan projects that by the year 2010 the costs associated with Alzheimer's care will exceed $165 billion.

The same study indicates that 4.3 million Americans are currently afflicted with Alzheimer's disease. Because the prevalence of the disease dramatically increases as people age beyond 65, the overall graying of the American population brings an unprecedented level of those afflicted. It is estimated that 5.0 to 10.0 percent of people aged 65-75 have Alzheimer's, while 50.0 percent of those over 85 currently have the disease (National Institute on Aging).

Primary Market Demand Trends

In order to forecast the base growth in demand, we have reviewed the total population trends in addition to the two demographic sectors that have the greatest impact on senior housing demand: the 75-plus and the 45-64 age cohorts. The following paragraphs profile these three demographic cohorts.

Total Population: The following table presents the total population trends.

Total Population Trends

	Maine	York County	Primary Market Area
Total Population 2003	1,300,832	197,514	19,039
Total Population 2008	1,344,983	214,784	21,262
Annualized Total Population Growth Rate 2003 to 2008	0.67%	1.69%	2.25%

Source: Claritas, Inc 2003

For Maine, the total population is forecast to increase at 0.67 percent annually from 2003 to 2008 -- lagging behind the national trend. The population within York County is forecast to increase at 1.69 percent annually. For the primary market area, the population is forecast to increase at 2.25 percent annually -- a higher growth rate compared to the county.

45-64 Age Cohort: Adult children can have a profound effect on the demand for seniors housing. The importance of this population of segment is illustrated in the following table.

Adult Children Characteristics of Independent Living, Assisted Living and Nursing Home Residents

Profile	IL	AL	NH
Mean Age of Adult Children	54.6	53.9	55
Mean Number of Living Parents	1.68	1.77	1.41
Mean Monthly Amount of Finacial Assistance to Parent	$884	$598	$635
% Involved in Decision for Parent to Move	66.0%	76.7%	81.8%

Source: Senior Housing Statistical Handbook, Edition III: ASHA

As seen in the table above, adult children are heavily involved in the decision process to move a senior into a retirement housing facility. In addition, they often provide substantial financial assistance at all care levels.

A common misunderstanding surrounds the impact of adult children on primary market demand. The article (Proceed with Caution: Eight Roadblocks to Success in Assisted Living) from the July 1999 Contemporary Long Term Care, states "Remember that whatever the size and shape of your market; 20.0 to 40.0 percent of your residents will come from outside of it, perhaps even from out of state, in order to be closer to their children." Many market analysts interpret this statement as meaning that the demographic data supplied by the Census or other nationally recognized demographic firms such as Information Decision Systems, Inc., or Claritas, Inc., does not take into account the impact of inward and outward migration on demographic age groups; particularly the 65+ or 75-plus populations within a primary market area.

The migration of elderly parents to be near decision influencers is a phenomenon that has been occurring for generations. Many senior housing industry analysts fail to realize that the probability of potential residents leaving the primary market to be near family and friends is just as probable as potential residents moving into the primary market for the same reason. The 75-plus population trend estimates provided by demographers takes into account the noted migration phenomenon.

However, this does not negate the need to understand the impact adult children have on demand for senior housing or the need of a facility to market to this demographic group. The trend in the 45-64 age cohort still provides insight into the 75-plus population trends. Therefore, the 45-64 age cohort is profiled in the table below.

Population Trends for 45-64 Age Cohort

	Maine	York County	Primary Market Area
Total Population Ages 45-65			
2003	348,063	53,392	5,659
15-Dec-05	378,413	60,410	6,428
2008	399,549	65,460	6,984
Annual Change	**2.80%**	**4.16%**	**4.30%**

Source: Claritas, Inc 2003

According to the demographic forecasts for 2003 to 2008, the 45-64 population within the primary market area is forecast to increase at an annual compounded rate of 4.30 percent. Because this growth rate is similar to the county trend, demand should not be affected by this age cohort.

75-Plus Age Cohort: While the total population of the primary market area should be considered, the most important component is the elderly population. The total population and the adult children population substantiate the viability of an area to attract and maintain a senior population, but the 75-plus age group actually drives demand. The following table presents the demographic data for the 75-plus age group.

Population Trends for 75+ Age Cohort

	Maine	York County	Primary Market Area
Total Population Ages 75+			
2003	96,942	13,553	1,547
15-Dec-05	99,890	14,444	1,651
2008	102,022	15,055	1,739
Annual Change	**1.03%**	**2.12%**	**2.37%**

Source: Claritas, Inc 2003

According to the demographic forecasts for 2003 to 2008, the 75-plus age group within Maine is forecast to increase at an annual rate of 1.03 percent. The 75-plus population within York County is forecast to increase at an annual compounded rate of 2.12 percent. More specifically, the 75-plus population within the primary market area is forecast to increase at 2.37 percent annually -- a higher growth rate compared to the county.

Based on the foregoing analysis, demand for independent living, assisted living, and special care is forecasted increase at 2.30 percent annually. This forecast is the base rate, which is adjusted according to additions to the supply. Market demand will surge when a new facility opens if there is unsatisfied demand within the market.

At this point in the Market Analysis, the respective types of seniors housing offered by the subject are considered in individual Market Analysis sections.

Independent Living

This section of the Market Analysis specifically focuses on Independent Living, and it features the following outline.

- Occupancy Rate Analysis
  - Saturation Analysis
    - Qualified Demand Analysis
    - Supply Analysis
    - Implications and Conclusions
  - Competitive Market Survey
  - Occupancy Rate Forecast
- Rental Rate Analysis

Occupancy Rate Analysis

Supply Analysis -- Independent Living

According to the city of Kennebunk Planning Department and knowledgeable local market participants, no building permits have been issued for new independent or assisted living developments.

Per our market interviews and discussions with local planning officials and knowledgeable local market participants, the following table summarizes pertinent development activity in the subject market for seniors housing properties.

Occupancy Analysis Based on Competitive Market Survey -- Independent Living

According to the **State of Seniors Housing 2004**, stabilized occupancy levels over the last four years have declined for independent living units. The occupancy figures for 1997 through 2004 are profiled in the table below.

Median Occupancy by Community Type and Ownership Status

Year	Independent Living	Assisted Living	CCRC	All Communities
1997	95.0%	95.0%	94.4%	95.4%
1998	97.5%	91.9%	95.1%	95.4%
1999	95.0%	93.7%	92.7%	94.2%
2000	95.0%	90.0%	93.2%	93.7%
2001	94.5%	93.8%	93.1%	94.0%
2002	93.1%	94.2%	94.0%	93.5%
2003	91.5%	91.0%	92.0%	92.0%
2004	93.0%	91.2%	91.8%	92.2%
Eight-Year Average	**94.3%**	**92.6%**	**93.3%**	**93.8%**

Source: The State of Seniors Housing Years 97, 98, 99, 00, 01, 02, 03 & 04

Current occupancy rates for the competitive facilities and historical occupancy rates of the subject are summarized as follows.

Summary of Competitive *Independent Living Facility* Occupancy Rates

	Competitor Name	# of Units/Beds	Fair Market Share	Occupancy Rate	Percent of Market Captured	Penetration Rate	Overall Comparability Rating 1-30
3	Sentry Hill	17	5.7%	100.0%	6.0%	106.0%	22
4	Piper Shores	200	66.9%	100.0%	70.9%	106.0%	24
	Subject Facility	82	27.4%	79.3%	23.0%	84.0%	21
	Market Totals/Averages	299	100.0%	94.3%	100.0%	100.0%	
	Market High			100.0%	70.9%	106.0%	
	Market Low			79.3%	6.0%	84.0%	
	Occupancy History of Subject, for the Period Ending:						
	31-Dec-02			89.0%			
	31-Dec-03			92.7%			
	31-Dec-04			89.0%			
	Historical Average			90.2%			
	Current Occupancy			79.3%			

The above table presents calculations for fair market share, fair market share captured, and market penetration for each of the competitors. Fair market share constitutes the respective units/beds for each facility divided by the total number of units/beds in the market. In a balanced market, all competitors will capture fair market shares, resulting in market penetrations of 100.0 percent for each facility.

Competitive occupancy rates vary greatly -- from 79.3 percent to 100.0 percent with an average of 94.3 percent. This suggests that a balance between supply and demand exists in the primary market.

The current occupancy rate of the subject is the lowest among the competitors; the subject captures less than its fair market share at a 84.0 percent penetration rate. Historically, the subject has operated at an average occupancy rate of 90.2 percent.***Occupancy Rate Forecast -- Independent Living***
Our Saturation Rate Analysis indicates pent-up or excess demand exists in the market. The competitive occupancy rates suggest a balance between supply and demand exists in the primary market.

In determining the overall competitiveness of the subject property and its ability to achieve an occupancy rate consistent with that status, it is necessary to analyze current consumer preferences. These preferences can vary slightly from market to market in terms of unit type (studio versus one-bedroom), services offered, etc. According to the National Survey of Assisted Living Residents: Who is the Customer?, the two most important factors influencing a senior's decision to move to a facility are the services offered and the convenience of the facility to family and friends. A profile of these factors is provided in the table below.

Most Important Reason Resident Selected A Senior Housing Community

Reason	Percentage of Residents
Services Offered	31.9%
Convenient for Family & Friends	21.7%
Appearance of Residence	12.9%
Staff	6.6%
Only Available Choice	5.4%
Lower Monthly Fee	3.3%
Family Member Selected It	2.5%
Apartment Selection	2.6%
Convenient to Shopping/Services	2.0%
Size of Apartment	2.0%
Referral	1.3%
Other	7.8%

Source: National Survey of Assisted Living Residents: Who Is the Customer - ALFA/NIC - 1998

For the subject to achieve 100.0 percent market penetration it must, on average, be comparable to the market in most of the categories identified. Further, if we are forecasting a higher penetration rate, it is safe to assume that the subject is superior to the market in at least one of the major categories (wider array of services and amenities, for instance).

Based on this review of the subject position in the market, we believe that a market penetration rate of 95.0 percent is appropriate for the first year of our forecast period.

The following table presents our estimated occupancy rates for the subject over the six-year forecast period and the key assumptions applied to the calculations.

Subject *Independent Living Facility* Occupancy Forecast

Base Demand Growth Estimate	2.30%
Occupancy Threshold for Added Units/Beds	96.0%
Minimum Incremental Increase to Supply of Units/Beds	30

Forecast Period Ending	Current	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11
Base Annual Growth in Demand		2.30%	2.30%	2.30%	2.30%	2.30%	2.30%
Additional Demand (Unsatisfied or Displaced)		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Market Demand	282	288	295	302	309	316	323
Market Supply (Beginning)		299	299	299	329	329	329
Additions to the Supply		0	0	30	0	0	30
Total Market Supply	299	299	299	329	329	329	359
Market Occupancy	94.3%	96.5%	98.7%	91.8%	93.9%	96.0%	90.0%
Subject Penetration Rate	84.0%	95.0%	97.0%	99.0%	100.0%	100.0%	102.7%
Subject Occupancy Estimate	79.3%	91.7%	95.7%	90.8%	93.9%	96.0%	92.5%

Given base growth in demand of 2.30 percent (as previously estimated under section titled Demand Trend Forecast), in combination with our Saturation Analysis, which indicates pent-up or excess demand exists in the market, additions to the supply will be necessary to satisfy this demand.

We have employed particular assumptions based on aforementioned market conditions in order to estimate potential additions to the supply. First, the occupancy threshold represents the attainment of a market occupancy level that triggers the need for additional units/beds. Secondly, the increase in additional demand from unsatisfied or displaced demand is limited by the depth of pent-up or excess demand as identified in the Saturation Rate Analysis section. We have selected a threshold occupancy level of 96.0 percent. Most rural markets are sensitive to additions to the supply because of the low number of existing units/beds, resulting in greater marginal increase than would be realized in an urban area where markets overlap and consist of more units/beds. Accordingly, we have set the minimum incremental increase in additions to the supply at 30 units/beds.

The forecasted occupancy for Year One is 91.7 percent -- correlating to a penetration rate of 95.0 percent. As discussed, additional supply is anticipated to enter the market in Years Three and Six; the market and subject occupancy decline as a result of this additional supply.

In summary, the intent of this supply and demand analysis has been to show the impact of additional supply on the subject occupancy. The forecasts assume that the market penetration rate of the subject and its competition will tend to gravitate toward 100.0 percent over time.

Rate Analysis

Private-Pay Rent Equivalency Analysis

Relative to the occupancy rate forecast, analysis of the competitive market data establishes the most probable rental rates. Among the most significant variables influencing rental rates are: relative differences in location and neighborhoods; physical qualities of the property; level of services and amenities; and, general reputation of the facility in the market at large, and the senior housing community in particular.

The current rents obtained in the independent living apartments for the subject are summarized as follows.

Independent Living Current Realized Rents

Unit and Care Type	Number of Units/Beds	Occupied Units/Beds	Occupancy Per Unit Type	Scheduled Rates Low	High	Average	Actual Avg Rent	Rent Concessions
Independent Living								
Studio	8	6	75.0%	$2,240	$2,240	$2,240	$2,269	-1.3%
Rent per Sq. Ft.				*$5.27*	*$5.27*	*$5.27*	*$5.34*	
One Bedroom	47	40	85.1%	$3,270	$3,475	$3,279	$3,162	3.6%
Rent per Sq. Ft.				*$4.84*	*$4.96*	*$4.71*	*$4.54*	
Two Bedroom	27	19	70.4%	$3,630	$3,630	$3,630	$3,612	0.5%
Rent per Sq. Ft.				*$4.03*	*$4.03*	*$4.03*	*$4.01*	
Total/Averages	**82**	**65**	**79.3%**			**$3,286**	**$3,211**	**2.3%**

The following table presents the rental rates for the subject and the direct and remote competitors for independent living. The rental rates displayed represent the quoted street rate for each respective unit type.

Primary Competitors – *Independent Living* Operating Statistics

Facility Name	# of IL Units	Occu-pancy Rate	Private-Pay Mix	% 2nd Occu-pant	Studio Rent	Studio Rent/SF	One Bedroom Rent	One Bedroom Rent/SF	Two Bedroom Rent	Two Bedroom Rent/SF	2nd Occu-pant
3 Sentry Hill	17	100.0%	100.0%	-	$3,720	$9.32	-	-	-	-	-
5 Highland, Brunswick	90	100.0%	100.0%		1,506		$2,443	$3.99	$2,881	$3.22	
6 Sunnybrook Village, Brunswick	12	100.0%	100.0%				2,750		3,150		
7 Woods at Camco, Portland	140	100.0%	100.0%		1,810		2,500		2,950		
Subject Facility	**82**	**79.3%**	**100.0%**	**13.8%**	**2,240**	**5.27**	**3,279**	**4.71**	**3,630**	**4.03**	**725**
Totals/Averages	341	24.0%	0.0%	13.8%	$2,319	$7.30	$2,743	$4.35	$3,153	$3.63	$725

Source: TS&H Market Survey

The subject shows a consistent rent pattern for the various unit types and the realized rents are consistent with the current asking rents – no significant rent concessions are necessary. The subject is achieving higher rents than the profiles "rent" comparables situated in the Portland and Brunswick markets. However, the subject is offering more services and higher-quality programs, as evidenced later by the high dietary expenses. Given these considerations, we have concluded that the current independent living rents are consistent with the market and these current rents will be applied to our revenue forecast.

Second Occupant Analysis: Additional fees are required for second occupants within an apartment to cover additional costs, such as meals, transportation, activities, etc. The double occupancy/second person charge in the market varies greatly, but this is generally due to the number of meals included in the rental rate and the level of care provided. Facilities that offer a higher number of meals or care generally charge a higher second person charge.

We have found that approximately 7.0 to 15.0 percent is most common for independent living apartments. The ratio of second occupants is a factor of services offered and the number of larger apartments.

The following table presents the second occupant rental rates and the ratio of second occupants for the subject and the competitors for independent living units.

Summary and Forecast of *Independent Living* 2nd Occupant Rates/Ratios

	Facility Name	2nd Occupant	% 2nd Occupant
3	Sentry Hill	-	-
	Subject Facility	**725**	**13.8%**
	Average	$725	13.8%
	High	$725	13.8%
	Low	$725	13.8%
	Subject Current		
	Current Scheduled	$725	13.8%
	Current Actual	$725	13.8%
	Forecast	**$725**	**13.8%**

Source: TS&H Market Survey

The subject's units are average and several two-bedroom units are offered. The ratio of second occupants at the subject falls within the competitor range. The number of second occupants is estimated at 13.8 percent of independent living units.

The subject offers three meals and a comparable level of services and amenities in its second occupant rate as its base rates. The second occupant rate of the subject falls within the competitor range. We project a second occupant rate for independent living units of $725 per month.

Assisted Living

This section of the Market Analysis specifically focuses on Assisted Living, and it features the following outline.

- Occupancy Rate Analysis
  - Saturation Analysis
    - Qualified Demand Analysis
    - Supply Analysis
    - Implications and Conclusions
  - Competitive Market Survey
  - Occupancy Rate Forecast
- Resident Mix Analysis
- Rental Rate Analysis

Occupancy Rate Analysis

Supply Analysis -- Assisted Living

According to the city of Kennebunk Planning Department and knowledgeable local market participants, no building permits have been issued for new assisted living development.

The following table summarizes the primary and secondary competitive assisted living units/beds in the market. We have also profiled the number of proposed assisted living units in the market.

Primary Market Supply -- Assisted Living

Primary Competitors	# of Units/Beds	% Inclusion in Market	Net ALF Supply Units/Beds
Atria	66	100%	66
Sentry Hill	24	0%	0
Piper Shores	24	0%	0
Subject Facility	48	100%	48
Total Market Supply			114

After adjusting the competitors to eliminate non-competitive units, the total assisted living supply is estimated to be 114 units. Again, this estimate includes an allocation for probable additions in supply.

Occupancy Analysis Based on Competitive Market Survey -- Assisted Living

According to the **State of Seniors Housing 2004**, assisted living occupancy levels have decreased from 2002. However, the occupancy for the last eight years has remained relatively stable with an average occupancy of 92.8 percent. The occupancy figures for 1997 through 2004 are profiled in the table below.

Median Occupancy by Community Type and Ownership Status

Year	Independent Living	Assisted Living	CCRC	All Communities
1997	95.0%	95.0%	94.4%	95.4%
1998	97.5%	91.9%	95.1%	95.4%
1999	95.0%	93.7%	92.7%	94.2%
2000	95.0%	90.0%	93.2%	93.7%
2001	94.5%	93.8%	93.1%	94.0%
2002	93.1%	94.2%	94.0%	93.5%
2003	91.5%	91.0%	92.0%	92.0%
2004	93.0%	91.2%	91.8%	92.2%
Eight-Year Average	**94.3%**	**92.6%**	**93.3%**	**93.8%**

Source: The State of Seniors Housing Years 97, 98, 99, 00, 01, 02, 03 & 04

Current occupancy rates for the competitive facilities and historical occupancy rates of the subject are summarized as follows.

Summary of Competitive *Assisted Living Facility* Occupancy Rates

	Competitor Name	# of Units/Beds	Fair Market Share	Occupancy Rate	Percent of Market Captured	Penetration Rate	Overall Comparability Rating 1-30
2	Atria	66	40.7%	91.0%	39.8%	97.6%	22
3	Sentry Hill	24	14.8%	100.0%	15.9%	107.2%	22
4	Piper Shores	24	14.8%	100.0%	15.9%	107.2%	24
	Subject Facility	48	29.6%	89.6%	28.5%	96.1%	21
	Market Totals/Averages	162	100.0%	93.2%	100.0%	100.0%	
	Market High			100.0%	39.8%	107.2%	
	Market Low			89.6%	15.9%	96.1%	
	Occupancy History of Subject, for the Period Ending:						
	31-Dec-02			100.0%			
	31-Dec-03			87.5%			
	31-Dec-04			79.2%			
	Historical Average			88.9%			
	Current Occupancy			89.6%			

The above table presents calculations for fair market share, fair market share captured, and market penetration for each of the competitors. Fair market share constitutes the respective units/beds for each facility divided by the total number of units/beds in the market. In a balanced market, all competitors will capture fair market shares, resulting in market penetrations of 100.0 percent for each facility.

Competitive occupancy rates vary greatly -- from 89.6 percent to 100.0 percent with an average of 93.2 percent. This occupancy data suggests that a balance between supply and demand exists in the primary market.

The current occupancy rate of the subject is the lowest among the competitors; the subject captures less than its fair market share at a 96.1 percent penetration rate. Historically, the subject has operated at an average occupancy rate of 88.9 percent.

Occupancy Rate Forecast -- Assisted Living

Our Saturation Rate Analysis indicates a balance between supply and demand exists in the market. The competitive occupancy rates also suggest a balance between supply and demand exists in the primary market.

In determining the overall competitiveness of the subject property and its ability to achieve an occupancy rate consistent with that status, it is necessary to analyze current consumer preferences. These preferences can vary slightly from market to market in terms of unit type (studio versus one-bedroom), services offered, etc. According to the National Survey of Assisted Living Residents: Who is the Customer?, the two most important factors influencing a senior's decision to move to an assisted living facility are the services offered and the convenience of the facility to family and friends. A profile of these factors is provided in the table below.

Most Important Reason Resident Selected A Senior Housing Community

Reason	Percentage of Residents
Services Offered	31.9%
Convenient for Family & Friends	21.7%
Appearance of Residence	12.9%
Staff	6.6%
Only Available Choice	5.4%
Lower Monthly Fee	3.3%
Family Member Selected It	2.5%
Apartment Selection	2.6%
Convenient to Shopping/Services	2.0%
Size of Apartment	2.0%
Referral	1.3%
Other	7.8%

Source: National Survey of Assisted Living Residents: Who is the Customer - ALFA/NIC - 1998

For the subject to achieve 100.0 percent market penetration it must, on average, be comparable to the market in most of the categories identified. Further, if we are forecasting a higher penetration rate, it is safe to assume that the subject is superior to the market in at least one of the major categories (wider array of services and amenities, for instance). The subject has demonstrated near 100% occupancy for the past few years. The other main competitor in the market, Atria, has also had a history of full occupancy.

Since the market supply and demand appear to be in balance, and the subject is maintaining a 100 percent occupancy, we believe that a market penetration rate of 97.5 percent is appropriate for the first year of our forecast period.

The following table presents our estimated occupancy rates for the subject over the six-year forecast period and the key assumptions applied to the calculations.

Subject *Assisted Living Facility* Occupancy Forecast

Base Demand Growth Estimate	2.30%
Occupancy Threshold for Added Units/Beds	96.0%
Minimum Incremental Increase to Supply of Units/Beds	24

Forecast Period Ending	Current	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11
Base Annual Growth in Demand		2.30%	2.30%	2.30%	2.30%	2.30%	2.30%
Additional Demand (Unsatisfied or Displaced)		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Market Demand	151	155	158	162	165	169	173
Market Supply (Beginning)		162	162	162	186	186	186
Additions to the Supply		0	0	24	0	0	0
Total Market Supply	162	162	162	186	186	186	186
Market Occupancy	93.2%	95.4%	97.6%	86.9%	88.9%	91.0%	93.1%
Subject Penetration Rate	96.1%	97.5%	97.5%	100.0%	100.0%	100.0%	100.0%
Subject Occupancy Estimate	89.6%	93.0%	95.1%	86.9%	88.9%	91.0%	93.1%

Given base growth in demand of 2.30 percent (as previously estimated under section titled Demand Trend Forecast), in combination with our Saturation Analysis, which indicates a balance between supply and demand exists in the market, additions to the supply will be necessary to satisfy this demand.

We have employed particular assumptions based on aforementioned market conditions in order to estimate potential additions to the supply. First, the occupancy threshold represents the attainment of a market occupancy level that triggers the need for additional units/beds. Secondly, the increase in additional demand from unsatisfied or displaced demand is limited by the depth of a balance between supply and demand as identified in the Saturation Rate Analysis section. We have selected a threshold occupancy level of 96.0 percent. Most rural markets are sensitive to additions to the supply because of the low number of existing units/beds, resulting in greater marginal increase than would be realized in an urban area where markets overlap and consist of more units/beds. Accordingly, we have set the minimum incremental increase in additions to the supply at 24 units/beds, similar in size to the other competitors in the market.

The forecasted occupancy for Year One is 93.0 percent -- correlating to a penetration rate of 97.5 percent. As discussed, additional supply is anticipated to enter the market in Year Three; the market and subject occupancy decline as a result of this additional supply.

In summary, the intent of this supply and demand analysis has been to show the impact of additional supply on the subject occupancy. The forecasts assume that the market penetration rate of the subject and its competition will tend to gravitate toward 100.0 percent over time.

Assisted Living Rate Analysis

Private-Pay Rent Equivalency Analysis

Relative to the occupancy rate forecast, analysis of the competitive market data establishes the most probable rental rates. Among the most significant variables influencing rental rates are: relative differences in location and neighborhoods; physical qualities of the property; level of services and amenities; and, general reputation of the facility in the market at large, and the senior housing community in particular.

Summary of the Current (In-place) Monthly Rents for the Subject's Assisted Living Units

Unit and Care Type	Number of Units/Beds	Occupied Units/Beds	Occupancy Per Unit Type	Scheduled Rates Low	High	Average	Actual Avg Rent	Rent Concessions
Assisted Living								
Studio	44	39	88.6%	$4,170	$4,170	$4,170	$4,081	2.1%
Rent per Sq. Ft.				*$11.27*	*$11.27*	*$11.27*	*$11.03*	
One Bedroom	4	4	100.0%	$4,530	$4,530	$4,530	$4,585	-1.2%
Rent per Sq. Ft.				*$6.79*	*$6.79*	*$6.79*	*$6.87*	
Total/Averages	48	43	89.6%	$4,170	$4,530	$4,203	$4,128	1.8%
Total/Averages	48	43	89.6%			$4,203	$4,128	1.8%

The following table presents the rental rates for the subject and the competitors for standard assisted living. The rental rates displayed represent the quoted street rate for each respective unit type, plus average additional care premiums.

Primary Competitors -- Summary of Base *Assisted Living* Unit Rates

	Facility Name	Studio Rent	Studio Size/SF	Studio Rent/SF	One Bedroom Rent	One Bedroom Size/SF	One Bedroom Rent/SF	Mid-Pt Additional Care Rate
2	Atria	2,695	387	6.96	3,395	535	6.35	1,000
3	Sentry Hill	4,350	349	12.46	-	-	-	-
4	Piper Shores	2,099	349	6.01	-	-	-	-
	Subject	4,170	370	11.27	4,530	667	6.79	299
	Average	$3,329	364	$9.18	$3,963	601	$6.57	$650
	High	$4,350	387	$12.46	$4,530	667	$6.79	$1,000
	Low	$2,099	349	$6.01	$3,395	535	$6.35	$299

In addition to these local competitors, one of which is an entry fee facility, we have reaches into the Portland and Brunswick markets to compare several newer, similar assisted living facilities rates to the subject.

The Highlands is located in the historic district of Topsham, next door to Brunswick and Bowdoin College, and 25 miles from Portland. The Highlands offers independent and assisted living on a 75-acre setting. Cadigan Lodge is their 44-unit assisted living facility. Each unit is a small one-bed-room unit with a kitchenette. Monthly fees begin at $4,623, and increase to $4,866 and $5,474 depending on the amount of assistance the resident requires. Their rates, services and physical plant qualities are similar to the subject. The facility was constructed in 1998 and includes a 90-unit independent living and a 24-unit memory or special care unit. In additional there are 16 single-family cooperative-owned units. The assisted living units are completely full.

Sunnybrook Village, located at 340 Bath Road in Brunswick has a 39 assisted living units ranging from studio to two-bedroom units. Their one-bedroom units, which contain a kitchenette, command an average rate of $4,650, inclusive of a moderate level of assistance. The facility is full. Their rates confirm the market reasonableness of the subject's assisted living rates.

The subject shows a consistent rent pattern for the various unit types and the realized rents are consistent with the current asking rents – no significant rent concessions are necessary. Given these considerations, we have concluded that the current assisted living rents are consistent with the market and these current rents will be applied to our revenue forecast.

Second Occupant Analysis: Most facilities offer a reduced rate to the second occupant of a shared unit, which commonly occurs when a spouse or sibling resides with the resident. Additional fees are required for second occupants to cover additional costs, such as meals, transportation, activities, etc. The double occupancy/second person charge in the market varies greatly, but this is generally due to the number of meals included in the rental rate and the level of care provided. Facilities that offer a higher number of meals or provide more care generally charge a higher second person charge.

We have found that approximately 3.0 to 10.0 percent of assisted living apartments are double occupied, while a higher ratio of 7.0 to 15.0 percent is most common for independent living apartments. The ratio of second occupants is a factor of services offered, number of larger apartments available, and the availability of assisted living or home health, which allows spouses of varying health needs to live in the same apartment.

The following table presents the second occupant rental rates and ratios of second occupants for assisted living units at the subject property and competitors.

Summary and Forecast of *Assisted Living* 2nd Occupant Rates/Ratios

	Facility Name	2nd Occupant	% 2nd Occupant
2	Atria	1,075	3.0%
3	Sentry Hill	-	-
4	Piper Shores	-	-
	Subject	**725**	**4.7%**
	Average	$900	3.8%
	High	$1,075	4.7%
	Low	$725	3.0%
	Subject Current		
	Current Scheduled	$725	4.7%
	Current Actual	$725	4.7%
	Forecast	**$725**	**4.7%**
	0		

The subject offers three meals and a comparable level of services and amenities in its second occupant rate. The second occupant rate of the subject falls within the competitor range. We project a second occupant rate of $725 per month for the assisted living units.

Government Reimbursement

Although assisted living is still a predominately private-pay industry, an increasing amount of government funding through a variety of programs is being made available. This trend should continue into the next decade as payers continue to search for lower-cost alternatives to traditional long-term care for an expanding elderly population.

Under Medicaid, states may fund services in assisted living through Home and Community Based Services (HCBS) waivers or as a regular state plan service, with most states picking the HCBS waiver.

In Maine, assisted living assistance is available through Mainecare as long as there is no duplication between the services covered in the residential care facility payments and the (HCBS) wavier services. Any resident with assets less than $10,000 is eligible for assistance. Typically, each resident turns over their monthly income and is allowed to keep $70 per month. The subject does not accept Mainecare residents and is not likely to do so in the future.

Special Care

This section of the Market Analysis specifically focuses on Alzheimer/dementia or special care, and it features the following outline.

- Occupancy Rate Analysis
  - Supply Analysis
  - Occupancy Rate Forecast
- Rental Rate Analysis

Occupancy Rate Analysis

Supply Analysis -- Special Care

According to the city of Kennebunk Planning Department and knowledgeable local market participants, no building permits have been issued for new special care living development located within the primary market area of the subject.

The following table summarizes the primary and secondary competitive special care units/beds in the market. We have also profiled the number of proposed special care units/beds in the market as discussed above.

Primary Market Supply - Special Care

Primary Competitors	# of Units/Beds	% Inclusion in Market	Net SC Supply Units/Beds
Monarch Center	42	100%	42
Atria	8	100%	8
Subject Facility	24	100%	24
Total Market Supply			74

After adjusting for the percentage of units/beds included in the primary market, the total special care supply is estimated to be 74 units/beds. Again, this estimate includes an allocation for probable additions in supply.

Current occupancy rates for the competitive facilities and historical occupancy rates of the subject are summarized as follows.

Summary of Competitive *Special Care Facility* Occupancy Rates

	Competitor Name	# of Units/Beds	Fair Market Share	Occupancy Rate	Percent of Market Captured	Penetration Rate	Overall Comparability Rating 1-30
1	Monarch Center	42	42.9%	100.0%	42.9%	100.0%	21
2	Atria	8	8.2%	100.0%	8.2%	100.0%	22
3	Sentry Hill	24	24.5%	100.0%	24.5%	100.0%	22
	Subject Facility	24	24.5%	100.0%	24.5%	100.0%	21
	Market Totals/Averages	98	100.0%	100.0%	100.0%	100.0%	
	Market High			100.0%	42.9%	100.0%	
	Market Low			100.0%	8.2%	100.0%	
	Occupancy History of Subject, for the Period Ending:						
	31-Dec-02			100.0%			
	31-Dec-03			100.0%			
	31-Dec-04			100.0%			
	Historical Average			100.0%			
	Current Occupancy			100.0%			

The above table presents calculations for fair market share, fair market share captured, and the market penetration for each of the competitors. Fair market share constitutes the respective units/beds for each facility divided by the total number of units/beds in the market. In a balanced market, all competitors will capture fair market shares, resulting in market penetrations of 100.0 percent for each facility.

Competitive occupancy rates indicate a tight range-- from 100.0 percent to 100.0 percent with an average of 100.0 percent. This suggests that pent-up demand exists in the primary market.

The current occupancy rate of the subject approximates the market average of 100% and the subject captures its fair market share at a 100.0 percent penetration rate. Historically, the subject has operated at an average occupancy rate of 100.0 percent.

Occupancy Rate Forecast -- Special Care

Our Saturation Rate Analysis of indicates pent-up or excess demand exists in the market and the competitive occupancy rates suggest pent-up demand exists in the primary market.

In determining the overall competitiveness of the subject property and its ability to achieve an occupancy rate consistent with that status, it is necessary to analyze current consumer preferences. These preferences can vary slightly from market to market in terms of unit type (studio versus one-bedroom), services offered, etc. According to the National Survey of Assisted Living Residents: Who is the Customer?, the two most important factors influencing a senior's decision to move to an assisted living facility are the services offered and the convenience of the facility to family and friends. A profile of these factors is provided in the table below.

Most Important Reason Resident Selected A Senior Housing Community

Reason	Percentage of Residents
Services Offered	31.9%
Convenient for Family & Friends	21.7%
Appearance of Residence	12.9%
Staff	6.6%
Only Available Choice	5.4%
Lower Monthly Fee	3.3%
Family Member Selected It	2.5%
Apartment Selection	2.6%
Convenient to Shopping/Services	2.0%
Size of Apartment	2.0%
Referral	1.3%
Other	7.8%

Source: National Survey of Assisted Living Residents: Who is the Customer - ALFA/NIC - 1998

For the subject to achieve 100.0 percent market penetration it must, on average, be comparable to the market in most of the categories identified. Further, if we are forecasting a higher penetration rate, it is safe to assume that the subject is superior to the market in at least one of the major categories (wider array of services and amenities, for instance). The subject has demonstrated near 100% occupancy for the past few years. The other two competitors have also had a history of near 100% occupancies.

Based on this review of the subject position in the market, we believe that a market penetration rate of 122.6 percent is appropriate for the first year of our forecast period.

The following table presents our estimated occupancy rates for the subject over the six-year forecast period and the key assumptions applied to the calculations.

Subject *Special Care Facility* Occupancy Forecast

Base Demand Growth Estimate	2.30%
Occupancy Threshold for Added Units/Beds	96.0%
Minimum Incremental Increase to Supply of Units/Beds	30

Forecast Period Ending	Current	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11
Base Annual Growth in Demand		2.30%	2.30%	2.30%	2.30%	2.30%	2.30%
Additional Demand (Unsatisfied or Displaced)		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Market Demand	98	100	103	105	107	110	112
Market Supply (Beginning)		98	128	128	128	128	128
Additions to the Supply		30	0	0	0	0	0
Total Market Supply	98	128	128	128	128	128	128
Market Occupancy	100.0%	78.3%	80.1%	82.0%	83.9%	85.8%	87.8%
Subject Penetration Rate	100.0%	122.6%	121.1%	118.3%	115.7%	113.1%	110.5%
Subject Occupancy Estimate	100.0%	96.0%	97.0%	97.0%	97.0%	97.0%	97.0%

Given base growth in demand of 2.30 percent (as previously estimated under section titled Demand Trend Forecast) in combination with our Saturation Analysis, which indicates pent-up or excess demand exists in the market, additions to the supply will be necessary to satisfy this demand.

We have employed particular assumptions based on aforementioned market conditions in order to estimate potential additions to the supply. First, the occupancy threshold represents the attainment of a market occupancy level that triggers the need for additional units/beds. Secondly, the increase in additional demand from unsatisfied or displaced demand is limited by the depth of pent-up or excess demand as identified in the Saturation Rate Analysis section. We have selected a threshold occupancy level of 96.0 percent. Most rural markets are sensitive to additions to the supply because of the low number of existing units/beds resulting in greater marginal increase than would be realized in an urban area where markets overlap and consist of more units/beds. Accordingly, we have set the minimum incremental increase in additions to the supply at 30 units/beds.

The forecasted occupancy for Year One is 96.0 percent -- correlating to a penetration rate of 122.6 percent. As discussed, additional supply is anticipated to enter the market in Year One; the market and subject occupancy decline as a result of this additional supply.

In summary, the intent of this supply and demand analysis has been to show the impact of additional supply as it affects the subject occupancy. The forecasts assume that the market penetration rate of the subject and the competition will tend to gravitate toward 100.0 percent over time.

Special Care Rate Analysis

Private-pay Rent Equivalency Analysis

Relative to the occupancy rate forecast, analysis of the competitive market data establishes the most probable rental rates. Among the most significant variables influencing rental rates are: relative differences in location and neighborhoods; physical qualities of the property; level of services and amenities; and, general reputation of the facility in the market at large, and the senior housing community in particular.

Summary of the Current (In-place) Monthly Rents for the Subject's Special Care Units

Unit and Care Type	Number of Units/Beds	Occupied Units/Beds	Occupancy Per Unit Type	Scheduled Rates Low	High	Average	Actual Avg Rent	Rent Concessions
Special Care								
Private	24	24	100.0%	$4,870	$4,870	$4,870	$4,690	3.7%
Rent per Sq. Ft.				*$13.16*	*$13.16*	*$13.16*	*$12.68*	
Total/Averages	24	24	100.0%	$4,870	$4,870	$4,870	$4,690	3.7%
Total/Averages	154	132	85.7%			$3,873	$3,779	2.4%

The following table presents the rental rates for the subject and the competitors for standard assisted living. The rental rates displayed represent the quoted street rate for each respective unit type, plus average additional care premiums.

Primary Competitors -- Summary of Base *Special Care* Unit Rates

	Facility Name	Private Rent	Private Size/SF	Private Rent/SF	Mid-Pt Additional Care Rate
1	Monarch Center	$5,200	250	$20.80	-
2	Atria	5,925	387	15.31	500
3	Sentry Hill	6,090	349	17.45	-
	Subject	**4,870**	**370**	**13.16**	**299**
	Average	$5,521	339	$16.68	$400
	High	$6,090	387	$20.80	$500
	Low	$4,870	250	$13.16	$299

Source: TS&H Market Survey

In addition to these local competitors, one of which is an entry fee facility, we have reaches into the Portland and Brunswick markets to compare several newer, similar assisted living facilities rates to the subject.

The Highlands is located in the historic district of Topsham, next door to Brunswick and Bowdoin College, and 25 miles from Portland. The Highlands offers independent and assisted living on a 75-acre setting. Governor King Apartment is their 24-unit special care facility. Each unit is a small one-bed-room unit with a kitchenette. Monthly fees begin at $4,603, and increase to $5,199 and $5,796 depending on the amount of assistance the resident requires. Their rates, services and physical plant qualities are similar to the subject. The facility was constructed in 1998 and includes a 90-unit independent living and a 44-unit assisted living facility. In additional there are 16 single-family cooperative-owned units. The special care units are completely full.

The subject shows a consistent rent pattern for the various unit types and the realized rents are consistent with the current asking rents -- no significant rent concessions are necessary. Given these considerations, we have concluded that the current assisted living rents are consistent with the market and these current rents will be applied to our revenue forecast.

Government Reimbursement

The state of Maine does not offer a separate Medicaid Waiver program for special care. Please refer to the Government Reimbursement analysis in the Assisted Living section of this report.

Admission/Community Fees

The subject charges a one-time community fee to new residents to cover the initial assessment and other administrative charges. The following table summarizes the admission/entries for the subject and the competitors.

Admission/Community Fee Summary

	Competitor Name	Community Admission Fee
1	Monarch Center	$500
2	Atria	1,000
3	Sentry Hill	1,000
	Subject Facility	500
	High	$1,000
	Low	$0
	Average	$200

We feel that the subject's community fee is appropriate and at a market level given the subject's forecasted role within this market. We have calculated our community fee revenue by multiplying the number of occupied units in a given year by an annual unit turnover forecast, which should approximate the number of new residents in a given year.

Admission/Community Fee Income Forecast

	Forecast	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11
Admission/Community Fee Charge	$397	$397	$408	$419	$430	$442	$454
Forecasted Residents		143	147	140	143	146	144
Forecasted Annual Unit Turnover		47.7%	47.7%	47.7%	47.7%	47.7%	47.7%
Forecasted New Residents		68	70	66	68	69	69
Forecasted Admission/Community Fees		$27,019	$28,646	$27,835	$29,293	$30,665	$31,085

** Turnover Based on ASHA 2001 for appropriate Seniors Housing category*

Current	$500	Per Admission
Admission/Community Fees		
31-Dec-02	$23,000	
31-Dec-03	$16,750	
31-Dec-04	$27,176	

Inflation Analysis

The following table presents the historical trends for the Consumer Price Indexes (CPI).

Consumers Price Index		
	All Items	Medical Only
1994	2.60%	4.80%
1995	2.80%	4.50%
1996	3.00%	3.50%
1997	2.30%	2.80%
1998	1.60%	3.20%
1999	2.20%	3.50%
2000	3.40%	4.10%
2001	2.80%	4.60%
2002	1.60%	4.70%
2003	2.30%	4.00%
2004	2.69%	5.02%
5-Yr Mean	2.56%	4.48%

Source: U.S. Department of Labor Bureau of Labor Statistics

Historical trends provide a good basis for forecasting future inflation rates. During the last five years, inflation rates have averaged 2.56 percent for all urban consumers, and 4.48 percent specifically for medical care. According to the most recent available data, the annual inflation rate for all urban consumers was 4.7 and 3.9 percent for medical care as of September 2005. Inflationary concerns have been a top priority for Alan Greenspan, the Federal Reserve Chairperson. Inflation rates are forecasted at 2.30 percent annually for the general expenses and 3.50 percent for the nursing expenses.

Costs and free-market competitive forces influence the private-pay rates. However, under market equilibrium conditions where supply and demand for independent living, assisted living, and special care units/beds are in balance, changes in rental rates tend to parallel inflationary increases for expenses. Because the competitive market is currently in balance and is expected to remain stable throughout the forecast period, we have applied a 2.70 percent annual inflation rate to the rate forecasts; this rate approximates the aggregate inflation rate of the operating expenses as presented in the following table.

Revenue Inflation Rate Estimate					
Personal Care	33.7%	x	3.50%	=	1.18%
Other Expenses	66.3%	x	2.30%	=	1.52%
Weighted Average Inflation					2.70%

Inflation Adjustments for the Forecasted First Stabilized Year

Year End from Appraisal Date:	12/20/06
Year End for 1st Stabilized Year:	12/20/06
Total Differential in Years: (A)	0.00
Inflation Rate Forecasts	
Private-Pay Independent Living: (B)	2.70%
Private-Pay Assisted and Special Care: (C)	2.70%
Medicaid Waiver Rates: (D)	2.70%
Inflation Factor for Independent Living: (A x B)	1.000
Inflation Factor for Assisted Living & Special Care: (A x C)	1.000
Inflation Factor for Medicaid Waiver Rates: (A x D)	1.000

	Forecasted Rent	Inflation Factor	Year One Stabilized Rent
Independent Living			
Studio	$2,240	1.000	$2,240
One Bedroom	3,279	1.000	3,279
Two Bedroom	3,240	1.000	3,240
ILF Second Occupants	725	1.000	725
Assisted Living			
Studio	4,197	1.000	4,197
One Bedroom	4,557	1.000	4,557
ALF Second Occupants	725	1.000	725
Special Care			
Private	4,920	1.000	4,920
Admission Fee Income Forecast	$397	1.000	$397
Miscellaneous Income (Per Resident Day)	$1.80	1.000	$1.80

Market Analysis Forecast Summary

The stabilized occupancy rate and rental rates are tethered to current and probable future market conditions and the historical trends of the subject and competitive facilities. These forecasts are consequential in developing well-supported value evidence for all three-valuation methods. In summary, the assumptions and forecasts made in the Market Analysis form the basis for our effective gross income forecast, as profiled in the following table.

Effective Gross Revenue Forecast

	Units/Beds	Monthly Rent	Monthly Revenue	Annual Revenue
Independent Living				
Studio	8.0	2,240	17,920	215,040
One Bedroom	47.0	3,279	154,113	1,849,356
Two Bedroom	27.0	3,240	87,480	1,049,760
Totals/Averages	82.0	$3,165	$259,513	$3,114,156
ILF Occupancy Rate			91.7%	91.7%
Effective Gross Resident Rental Revenue			$237,868	$2,854,418
Assisted Living				
Studio	44.0	4,197	184,649	2,215,793
One Bedroom	4.0	4,557	18,226	218,716
Totals/Averages	48.0	$4,227	$202,876	$2,434,509
Totals/Averages	48.0	$4,227	$202,876	$2,434,509
ALF Occupancy Rate			93.0%	93.0%
Effective Gross Resident Rental Revenue			$188,688	$2,264,259
Special Care				
Private	24.0	4,920	118,076	1,416,912
Totals/Averages	24.0	$4,920	$118,076	$1,416,912
Totals/Averages	24.0	$4,920	$118,076	$1,416,912
SC Occupancy Rate			96.0%	96.0%
Effective Gross Resident Rental Revenue			$113,353	$1,360,236
Total Effective Resident Revenue (A)	142.8	$3,780	$539,909	$6,478,912
Total Potential Resident Revenue (B)	154.0	$3,769	$580,465	$6,966,577
Combined Occupancy Rate (1)				92.7558%
Effective Gross Revenue Ratio (2)				93.0133%
Total Effective Resident Revenue			$539,909	$6,478,912
Rent Concessions	0.00%		$0	$0
Entry-Fee Second Occupants	0.0	0	0	0
ILF Second Occupants	10.4	725	7,545	90,540
ALF Second Occupants	2.1	725	1,505	18,065
Admissions Fee Revenue			2,252	27,019
Entry Fees			0	0
Miscellaneous Income (Per Resident Day)	$1.80		8,509	102,113
Subtotal (C)			$19,811	$237,737
Effective Gross Revenue ((B + C) x 12)			$559,721	$6,716,649
Annual Potential Gross Revenue ((A + (C + 92.76%) x 12)				$7,221,880

(1) considers the occupancy rate
(2) considers the effective gross rental revenue as a ratio of potential gross rental revenue; effectively, (2) represents a weighted ratio reflecting differences in rent.

The following tables summarize the forecasts for throughout the projection period; the subject and market are shown for comparative purposes.

Subject Occupancy and Private-Pay Mix Forecast -- Summary for All Levels of Care

	Current	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11
Base Annual Growth in Demand		2.30%	2.30%	2.30%	2.30%	2.30%	2.30%
Number of Units/Beds							
Market							
Entry-Fee Units	299	299	299	329	329	329	359
Independent Living	299	299	299	329	329	329	359
Assisted Living	162	162	162	186	186	186	186
Special Care	98	128	128	128	128	128	128
Total	559	589	589	643	643	643	673
Additions to the Supply							
Entry-Fee Units		0	0	9	0	0	9
Independent Living		0	0	30	0	0	30
Assisted Living		0	0	24	0	0	0
Special Care		30	0	0	0	0	0
Subject							
Entry-Fee Units	0	0	0	0	0	0	0
Independent Living	82	82	82	82	82	82	82
Assisted Living	48	48	48	48	48	48	48
Special Care	24	24	24	24	24	24	24
Total	154	154	154	154	154	154	154
Occupancy Rate							
Market							
Entry-Fee Units	94.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Independent Living	94.3%	96.5%	98.7%	91.8%	93.9%	96.0%	90.0%
Assisted Living	93.2%	95.4%	97.6%	86.9%	88.9%	91.0%	93.1%
Special Care	100.0%	78.3%	80.1%	82.0%	83.9%	85.8%	87.8%
Total	95.0%	92.2%	94.4%	88.4%	90.5%	92.5%	90.4%
Subject							
Entry-Fee Units		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Independent Living	79.3%	91.7%	95.7%	90.8%	93.9%	96.0%	92.5%
Assisted Living	89.6%	93.0%	95.1%	86.9%	88.9%	91.0%	93.1%
Special Care	100.0%	96.0%	97.0%	97.0%	97.0%	97.0%	97.0%
Total	85.7%	92.8%	95.8%	90.6%	92.8%	94.6%	93.4%
Private-Pay Mix							
Market (*Net Market Private-Pay Mix*)							
Entry-Fee Units		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Independent Living	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Assisted Living	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Special Care	100.0%	78.3%	80.1%	82.0%	83.9%	85.8%	87.8%
Total	100.0%	97.6%	97.9%	97.3%	97.6%	97.9%	98.0%
Subject							
Entry-Fee Units		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Independent Living	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Assisted Living	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Special Care	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Second Occupant Forecasts

Forecast Period Ending	Current	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11
Entry-Fee Units							
Occupied Units		0.0	0.0	0.0	0.0	0.0	0.0
Second Occupant Percentage		5.1%	5.1%	5.1%	5.1%	5.1%	5.1%
Second Occupants		0.0	0.0	0.0	0.0	0.0	0.0
Independent Living Units							
Occupied Units	65.0	75.2	78.5	74.5	77.0	78.7	75.9
Second Occupant Percentage	13.8%	13.8%	13.8%	13.8%	13.8%	13.8%	13.8%
Second Occupants	9.0	10.4	10.9	10.3	10.7	10.9	10.5
Assisted Living Units/Beds							
Private-Pay Occupied Units/Beds	43.0	44.6	45.7	41.7	42.7	43.7	44.7
Second Occupant Percentage	4.7%	4.7%	4.7%	4.7%	4.7%	4.7%	4.7%
Second Occupants	2.0	2.1	2.1	1.9	2.0	2.0	2.1

Rental Rate Forecasts

Inflation Rate Forecasts	
Private-Pay Entry-Fee Units:	2.70%
Private-Pay Independent Living:	2.70%
Private-Pay Assisted and Special Care:	2.70%
Medicaid Waiver Rates:	2.70%

Forecast Period Ending	Current	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11
Rent Concessions	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Average Entry-Fee Service Fee	$0	$0	$0	$0	$0	$0	$0
Average Independent Living Rate	3,286	3,165	3,250	3,338	3,429	3,521	3,617
Average Assisted Living Rate	4,230	4,227	4,341	4,456	4,579	4,703	4,830
Average Special Care Rate	4,920	4,920	5,053	5,190	5,330	5,474	5,622
Average AL Medicaid Waiver Rate	0	0	0	0	0	0	0
Average SC Medicaid Waiver Rate	0	0	0	0	0	0	0
Second Occupant Entry-Fee Rate	499	0	0	0	0	0	0
Second Occupant IL Rate	725	725	745	765	785	807	828
Second Occupant AL Rate	725	725	745	765	785	807	828
75.0% Refundable Entry-Fee Unit Average	218,332	0	0	0	0	0	0
100.0% Refundable Entry-Fee Unit Average	231,666	0	0	0	0	0	0
Fully-Vesting Entry-Fee Unit Average	109,166	0	0	0	0	0	0
2nd Occupant -- 75.0% Refundable Entry Fee	11,999	11,999	12,324	12,657	12,999	13,351	13,712
2nd Occupant -- 100.0% Refundable Entry Fee	14,999	14,999	15,405	15,821	16,249	16,689	17,140
2nd Occupant -- Fully-Vesting Entry Fee	5,999	5,999	6,161	6,328	6,499	6,675	6,855
Admission Fee Charge	$500	$397	$408	$419	$430	$442	$454
Miscellaneous Income (PRD)	$1.20	$1.80	$1.85	$1.90	$1.95	$2.00	$2.06

The Miscellaneous Income forecast presented in the above table is forecasted and discussed in the subsequent Revenue Analysis section of the Income Capitalization Approach section of this report.

A deficiency in the occupancy rate or rental rates can assist the measurement of external obsolescence estimated in the cost approach. The analyses of these factors suggest that there is no significant external obsolescence resulting from factors of occupancy or rate formation.

The occupancy and resident mix forecasts are the foundation in the estimation of revenue in the income capitalization approach. The sale comparison approach matches several elements of the competitive analysis to the comparison processes of the sale data.

Autumn II – River Cottages Independent Living

This section of the Market Analysis specifically focuses on River Cottages which comprise the units in Autumn II.

Much of the overall macro supply and demand market conditions that have been discussed in the earlier independent and assisted living sections also applies to the River Cottages and will not be repeated here. For reference, see those applicable sections.

The River Cottages are made up of 26, two-bedroom units. We have investigated numerous retirement communities in southern Maine and have not found facilities that are comparable to the subject. There are other retirement communities that offer independent living cottages as part of a larger retirement living complex, similar in physical layout to the subject. All of these facilities, however, offer these cottages for sale, were the resident owns the unit in fee simple, or as part of a life care or entry fee tenancy. The two closest to the subject are Piper Shores, and Sentry Hill.

Piper Shores is located in Scarborough Maine, 20 miles north of the subject. Piper Shores is a life care community, the only one in the state of Maine, offering cottages, independent living apartments, assisted living, special care, and skilled care. It has 40 cottage-style units and is 100 percent occupied. The entrance fees for these units range from $346,000 to $536,000 plus a $20,000 non-refundable life care fee. The entry fees are 90 percent refundable. The monthly maintenance fees range from $2,007 to $2,350. To compare these units to the subject, we have performed a rent equivalency analysis.

Monthly Rent-Equivalent Sample Calculation

	Competitor
Entry Fee Allocation	
a. Entry Fee	$375,000
b. Refundable Ratio	90.0%
c. Refundable Amount	$337,500
d. Non-Refundable Amount	$37,500
Opportunity Cost of Refundable Amount	
e. Refundable Amount	$337,500
f. Safe Rate of Return	4.0%
g. Annual Interest	$13,500
h. Monthly Interest	$1,125.00
Opportunity Cost of Non-Refundable Amount	
i. Non-Refundable Amount	$37,500
j. Safe Rate of Return	4.0%
k. Anticipated Resident Length of Stay (Years) (Annuity Period)	8
l. Monthly Annuity Payment	$457.10
m. Monthly Service Fee	$2,007.00
Total Monthly-Fee Equivalent (h + l + m)	$3,589.10

This comparison is based upon the average price of the smallest cottage unit available at Piper Shores. Overall, Piper Shores is a superior facility to the subject. It was built in 2001 and has 800 feet of shoreline on the ocean.

Sentry Hill is located in York, Maine, approximately 20 miles south of the subject. It offers independent apartments with a coop ownership, assisted living and special care. This facility has 21 cottages with a fee simple ownership plan. Two units are reportedly for sale. One unit is listed on the local Board of Realtor's Multi-List for $619,000. Overall, Sentry Hill is superior to the subject. It was built in 1998 and is within walking distance of York Harbor.

Locally, condo's and patio homes/attached single family units are available. One development close to the subject, the Farrgut, is an age restricted development for residents 55 and older. It offers cottages arranged in four-plex structures for fee simple ownership and an apartment building with condo type ownership. The development does not have staff on site and does not provide any care services or emergency response services, so the only difference between it and other residential developments is the age restriction. This development has a number of units listed for sale on the local Board of Realtor's Multi-List service ranging in price from $185,000 for a two bedroom condo apartment to six cottage units ranging in listed price from $218,900 to $249,900.

Summary of the Current (In-place) Monthly Rents for the Subject's River Cottage Units

Current Occupancy and Rental Rates								
				Scheduled Rates				
Unit and Care Type	Number of Units/Beds	Occupied Units/Beds	Occupancy Per Unit Type	Low	High	Average	Actual Avg Rent	Rent Concessions
Two Bedroom	26	25	96.2%	$2,835	$2,835	$2,835	$2,730	3.7%
Rent per Sq. Ft.				*$2.03*	*$2.03*	*$2.03*	*$1.95*	
Total/Averages	26	25	96.2%			$2,835	$2,730	3.7%

The subject shows a consistent rent pattern for the River Cottages and the realized rents are consistent with the current asking rents – no significant rent concessions are necessary. Given these considerations, we have concluded that the current rents are consistent with the market and these current rents will be applied to our revenue forecast.

Over the past five years, the river cottages have consistently averaged 23 to 24 occupied units, with many periods of full occupancy. Based upon this history, we project the average annual occupancy of the subject at 24 units.

Highest and Best Use Analysis

Highest and best use may be defined as:

> The most profitable likely use to which a property can be put. The opinion of such use may be based on the highest and most profitable continuous use to which the property is adapted and needed, or likely to be in demand in the reasonably near future. However, elements affecting value that depend upon events or a combination of occurrences that -- while within the realm of possibility -- are not fairly shown to be reasonably probable should be excluded from consideration. Also, if the intended use is dependent upon an uncertain act of another person, the intention cannot be considered.
>
> That use of the land, which may reasonably be expected to produce the greatest net return to land over a given period of time. The legal use, which will yield to land the highest present value, sometimes called "optimum use."

The highest and best use of the land if vacant and available for use may be different from the highest and best use of the improved property. This will be true when the improvement is not an appropriate use and yet makes a contribution to total property value in excess of the value of the site.

In estimating highest and best use, there are essentially four stages of analysis.

1. LEGALLY PERMISSIBLE - What uses are permitted by zoning and deed restrictions on the site in question?
2. PHYSICALLY POSSIBLE - To what use is it physically possible to put the site in question?
3. FINANCIALLY FEASIBLE - Which possible and permissible uses will produce any net return to the owner of the site?
4. MAXIMALLY PRODUCTIVE - Among the feasible uses, which use will produce the highest net return or the highest present worth?

Highest and best use may be either that of the land alone (assuming the improvements are demolished) or that of the land as presently improved.

Highest and Best Use - As If Vacant

The 24.93-acre site of the subject is irregular in configuration. The site's topography is level and conducive to development. There are no physical limitations for improvements that can be contained within the dimensions of the site. The site is located along a local street in a small community where land use is conducive to residential developments. The Village Residential zoning of the property permits residential use. The zoning designation is the most restrictive aspect of this analysis. Given these considerations, it is our opinion that the highest and best use of the subject site, if vacant and available for an alternative development, is as a use that conforms to the zoning designation.

Highest and Best Use - As Improved

The subject site is developed with a 154-unit/bed and 26 unit, independent living, assisted living, and special care facility, which has been in operation for 17 years. The improvements were specifically designed for this use and have minimal value for any other use. As discussed in the analysis of competitive facilities, the occupancy levels for area facilities are adequately high, and the forces of supply and demand indicate favorable market conditions into the future. The typical buyer of an independent living, assisted living, and special care facility is an operator with numerous facilities desiring to increase economies of scale. Given these conditions, the highest and best use of the property is its continued use as an independent living, assisted living, and special care facility.

Highest and Best Use - Conclusion

The as-improved highest and best use of the subject property is its present use as an independent living, assisted living, and special care facility. There is no alternative use of the site alone, or of the improved property that will generate a sustainable net operating income, and/or community benefit, that will exceed the return achieved under the current use. Thus, we conclude that the highest and best use is as an independent living, assisted living, and special care facility.

Valuation Section

Valuation Procedures

The appraisal problem is defined and relevant data are collected in order to understand the forces and influences affecting the value of the subject property. Typically, three appraisal approaches are used to derive separate indications of value. These three perspectives incorporate fundamental concepts and principles in the estimation of the market value of the business enterprise for the subject property.

The Cost Approach

The Cost Approach is excluded as a valuation technique. The market does not rely on the Cost Approach to determine prices for the business enterprise and the leased fee interest, which is the ultimate interest or collateral being taken for the proposed loan transaction. Moreover, the depreciation resulting from physical deterioration and functional obsolescence is difficult to estimate and prone to error making the Cost Approach a significantly less reliable indicator of value. The subject property includes intangible value, and the Cost Approach does not measure this component. For these reasons, we have elected to exclude the Cost Approach. This exclusion does not reduce the reliability of the final value conclusion.

The Sales Comparison Approach

The sales comparison approach invokes the principle of substitution, which states that a buyer will not pay more for one facility than for another that is equally desirable. The sales comparison approach produces an estimate of value by comparing the subject property to recent sales of similar facilities. The comparison process analyzes differences in location, physical qualities, occupancy, resident mix, and other economic factors. Adjustments are applied to the sale prices to reflect the different physical and economic elements of the subject. The adjustments are based on various techniques that apply linear regression and matched-pair analyses of sale data, economic-inferred factors and intuitive rationale. The adjusted prices narrow the price range into an indication of value for the subject.

The Income Capitalization Approach

The income capitalization approach is based on an estimate of the most probable net operating income over a forecasted holding period. The initial-year net operating income is capitalized into an indication of value through direct capitalization process. The capitalization rate is a ratio of income to value. A discounted cash flow analysis is also performed to measure the present value of the estimated net operating income over the holding period and the terminal value. A discount rate is applied to the cash flow stream. The income is measured by estimating its most likely resident mix, rate structure and occupancy level. The operating expenses are based on inflation-adjusted historical expenses for the subject and comparable facilities, and are relative to any proposed changes in staffing and acuity levels. The capitalization rate as well as the discount rate or internal rate of return are derived from comparable facility sale data.

The valuation of Autumn I, containing the independent living apartments, assisted living and special care (Alzheimer's and dementia) units is performed first, using the sales comparison and income capitalization approaches. After a value is reconciled for Autumn I, the valuation of Autumn II will be performed using just the income approach, as there are no transactions of stand-alone detached or semi-detached senior housing rental properties available for comparison.

Direct Sales Comparison Approach – Autumn I

The next step in the appraisal process is to develop a sales comparison profile for the subject property. The sales comparison approach is an appraisal technique used to estimate value based on prices paid in actual market transactions and on current listings. The process is one of analyzing recently sold properties considered similar to the subject. The reliability of this technique depends upon (1) the comparability of the property appraised with each sale or listing, (2) the length of time since the sale, (3) the accuracy of the sale data and (4) the absence of unusual conditions affecting the sale.

Elements of Comparison

Consideration is given to the following characteristics and elements of comparison.

Property Rights Conveyed: Adjustments are applied to sales that involve different rights than the rights appraised for the subject. In this instance, the interest appraised in the subject is the business enterprise, including the fee simple interest in the real estate and complete ownership of the FF&E and the business assets including the licenses, Certificate of Need, assembled work force, and goodwill. It does not include accounts receivable or working capital. If a sale of any of the comparable facilities includes anything different than the rights summarized above, adjustments are applied to reflect the different rights of the transaction. In this instance, none of the sales involve partial conveyance of realty or personal property interests.

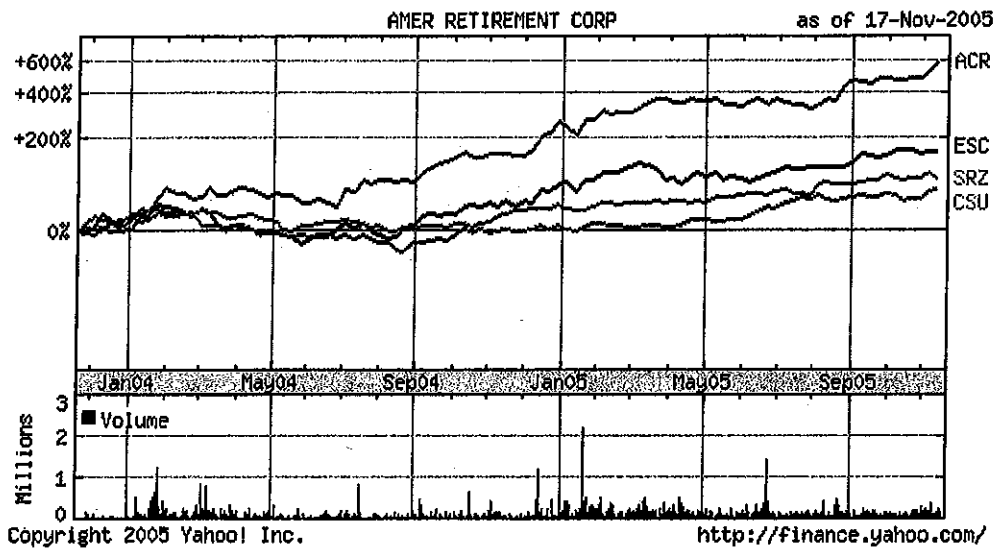
Financing Adjustments: Occasionally, independent and assisted living facilities are sold with seller financing. Sellers often provide substantially lower interest rates than commercial or governmental lenders. In instances where sellers finance the sale at interest rates below market levels, prices are usually somewhat inflated to compensate for the lower interest rate. In order to adjust favorably financed transactions, the mortgaged amount is discounted at an appropriate market mortgage rate to reflect a cash equivalent price. None of the sales in this analysis involved seller financing.

Conditions Of The Sale: This adjustment considers any abnormal circumstances in the sale. If the buyer or seller is unusually compelled or motivated to make the transaction, then an adjustment is required. In this instance, none of the sales involved distressed motivations, or other conditions that deviate from those conditions outlined in the definition of market value of this report, on the part of the buyer or seller.

Time And Market Conditions: Independent living and assisted living facility values hinge on the profitability of the operation and anticipated changes in income and value. Changes in tax laws, inflation, and interest rates are important external forces that broadly affect facility value. Major changes in any of these external forces can have a blanket effect on the value of all independent and assisted living facilities; therefore, any major change warrants examination.

The sale data applied in this appraisal involve transactions that occurred between June 1, 2003 and January 31, 2005.

The forces that most profoundly affect independent and assisted living facility value (i.e., interest rates and overall economic conditions) have steadily improved since 2003. This is most evident in the pricing of equities in publicly traded companies in the senior housing industry. The companies include Sunrise Senior Living, Capital Senior Living, Emeritus Assisted Living and American Retirement Corporation. In each case, stock price have increased between 100 and 600 percent during this period. Realize that the prices reflect the value of the equity, and these companies tend to be highly leveraged.



All indicators show a substantial improvement in the market, thus we have applied upward time adjustments to the earlier sales.

Net Operating Income Per Unit: This unit of measure is effective net operating income per unit. The net operating income per unit reflects all of the property's income generating abilities, including all of its attributes and detriments as perceived in the market. This adjustment takes into account a facilities ability to generate NOI, obviously influenced by location and most physical characteristics (quality, amenities, unit size, etc.).

In order to test the reliability of this unit of adjustment as an appropriated unit of comparison or value indicator for a senior-housing facility, we have performed a linear regression analysis on a database of 28 senior-housing facility sales located in 15 states, which occurred in 2001 and 2002, isolating the relationship between NOI per unit and price per unit. The sales range in size from 30 units to 221 units with an average of 98 units. These facilities include specialized care (Alzheimer/dementia) facilities, standard assisted living facilities as well as combination assisted living and independent living facilities. These sales are summarized in the following table.

Summary of Comparable Sales -- Sorted by Sale Date

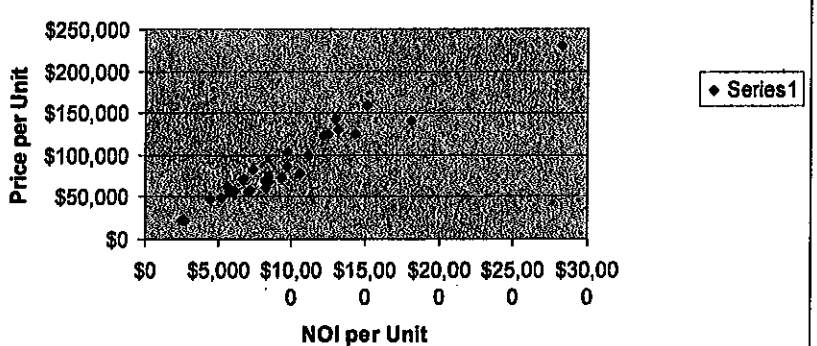
Facility Name	Sale Date	# of Units	Price	Year(s) Built	Occu-pancy	Private Mix	Exp Margin	EGIM	NOI/Unit	Price / Unit	Cap Rate (OAR)
Grand Court Albuquerque	Jan-04	200	$13,700,000	1991/1998	94.5%	100.0%	64.26%	3.67	$6,665	$68,500	9.7%
Northlake Gardens Assisted Living	Mar-05	62	$6,900,000	1997	98.0%	100.0%	66.14%	3.71	$10,162	$111,290	9.1%
Magnolia Gardens	Mar-05	56	$2,000,000	1991	80.0%	25.0%	84.36%	1.57	$3,550	$35,714	9.9%
Aegis of Issaquah	Nov-04	98	$9,800,000	1995	90.8%	100.0%	72.04%	2.79	$10,030	$100,000	10.0%
Garden Square of Crete	Jun-04	40	$1,600,000	1996	100.0%	85.0%	86.43%	1.61	$3,375	$40,000	8.4%
Atria - Preston Hollow	Aug-04	64	$3,250,000	1998	89.0%	100.0%	84.21%	1.71	$4,688	$50,781	9.2%
Grand Court Belleville	Mar-04	76	$3,620,000	1984	93.4%	100.0%	72.38%	2.17	$6,054	$47,632	12.7%
The Savoy at Little Neck	Jun-04	144	$25,222,192	1962/1972/1981/2000	93.0%	100.0%	66.06%	3.50	$16,970	$175,154	9.7%
Grand Court Springfield	Mar-04	77	$2,410,000	1986	92.2%	100.0%	82.83%	1.52	$3,532	$31,299	11.3%
The Lodge at Eagle Ridge	May-05	99	$11,670,000	Circa 1970 and 1999	94.0%	100.0%	58.12%	4.90	$10,081	$117,879	8.6%
Manorhouse of Virginia Beach	Jan-04	87	$4,900,000	2000	68.0%	100.0%	80.00%	1.96	$5,747	$56,322	10.2%
Grand Court Findlay	Mar-04	73	$3,670,000	1981	90.4%	100.0%	74.86%	2.01	$6,286	$50,274	12.5%
The Seasons at Glenview Place	Jul-04	221	$38,644,000	1999	90.0%	100.0%	54.03%	4.59	$17,508	$174,860	10.0%
La Conner Retirement Inn	Mar-04	67	$7,336,000	1998	76.1%	100.0%	62.74%	3.70	$11,018	$109,493	10.1%
Woodlawn Terrace	Dec-04	160	$29,000,000	1999	97.0%	100.0%	63.41%	4.20	$15,781	$181,250	8.7%
The Regent	Jan-05	82	$5,600,000	1984	94.0%	100.0%	70.19%	3.65	$5,570	$68,293	8.2%
Homestead Properties (2)	Apr-04	70	$3,950,000	1997 & 1999	93.0%	85.0%	79.49%	2.03	$5,714	$56,429	10.1%
Grand Court of Dayton	Jan-04	185	$6,200,000	1987	88.1%	100.0%	83.13%	1.99	$2,835	$33,514	8.5%
Lake Worth Gardens	Jan-05	170	$10,350,000	1985	94.0%	100.0%	72.31%	3.18	$5,294	$60,882	8.7%
Magnolia	Sep-04	97	$8,400,000	1985	98.0%	100.0%	61.26%	4.27	$7,847	$86,598	9.1%
Brunswick Inn	Jul-04	56	$4,790,000	1992	92.5%	100.0%	70.91%	2.58	$9,632	$85,536	11.3%
Lakeview Courtyards	Sep-04	78	$10,600,000	2002	94.0%	100.0%	78.23%	2.16	$13,688	$135,897	10.1%
Sunrise of Santa Monica	Dec-04	70	$24,275,000	2003	94.0%	100.0%	57.64%	4.37	$33,605	$346,786	9.7%
Wynnfield Crossing	Apr-05	52	$4,400,000	1999	96.0%	100.0%	66.67%	3.29	$8,562	$84,615	10.1%
Sterling Senior Communities - Temecul	May-05	153	$23,425,000	1999	90.0%	100.0%	65.21%	3.34	$15,961	$153,105	10.4%
Freedom Plaza Care Center/The Inn At	Oct-04	155	$22,595,254	1996 & 2001	94.7%	100.0%	77.09%	1.84	$18,140	$145,776	12.4%
Austin Gardens	May-04	30	$5,858,000	2000	100.0%	100.0%	70.41%	2.39	$24,167	$195,267	12.4%
Garden Square of Greeley	Sep-04	32	$800,000	1997	96.6%	50.0%	89.33%	1.16	$2,207	$25,000	8.8%

The following table arranges the sales in descending order by NOI per unit correlated against the price per unit for each of the sales. This is followed by a scatter diagram that portrays the relationship between these two variables.

Comparable Sales -- Sorted by NOI/Unit

Facility Name	NOI/Unit	Price/ Unit
Garden Square of Greeley	$2,207	$25,000
Grand Court of Dayton	$2,835	$33,514
Garden Square of Crete	$3,375	$40,000
Grand Court Springfield	$3,532	$31,299
Magnolia Gardens	$3,550	$35,714
Atria - Preston Hollow	$4,688	$50,781
Lake Worth Gardens	$5,294	$60,882
The Regent	$5,570	$68,293
Homestead Properties (2)	$5,714	$56,429
Manorhouse of Virginia Beach	$5,747	$56,322
Grand Court Belleville	$6,054	$47,632
Grand Court Findlay	$6,286	$50,274
Grand Court Albuquerque	$6,665	$68,500
Magnolia	$7,847	$86,598
Wynnfield Crossing	$8,562	$84,615
Brunswick Inn	$9,632	$85,536
Aegis of Issaquah	$10,030	$100,000
The Lodge at Eagle Ridge	$10,081	$117,879
Northlake Gardens Assisted Living	$10,162	$111,290
La Conner Retirement Inn	$11,018	$109,493
Lakeview Courtyards	$13,688	$135,897
Woodlawn Terrace	$15,781	$181,250
Sterling Senior Communities - Temec	$15,961	$153,105
The Savoy at Little Neck	$16,970	$175,154
The Seasons at Glenview Place	$17,508	$174,860
Freedom Plaza Care Center/The Inn /	$18,140	$145,776
Austin Gardens	$24,167	$195,267
Sunrise of Santa Monica	$33,605	$346,786
Correlation Coefficient		98.1%
Coefficient of Determination		96.2%

Scatter Diagram



As can be seen a strong positive correlation exists between the NOI per unit (independent variable) and the price per unit (dependent variable) -- the higher the NOI per unit the higher the price per unit.

To test the strength of the correlation between these two variables, we have performed a correlation analysis examining the relationship between these two variables. First, we have calculated the coefficient of correlation, which measures the strength of the linear relationship between two variables. It is measured on a scale from –1.00 to 0 to +1.00. The closer the correlation coefficient is to 1.0 or 100.0 percent the stronger the positive correlation between the two variables, while the closer the correlation coefficient is to –1.0 or –100.0 percent the stronger the negative correlation between the two variables. In our analysis, NOI per unit is the independent variable and price per unit is the dependent variable. As presented in the above table, the correlation coefficient between these two variables is 0.981 or 98.1 percent. This indicates an extremely strong positive linear relationship or correlation exists between the NOI per unit and the price per unit of the sales analyzed.

We have also examined the coefficient of determination between the two variables. The coefficient of determination measures the total variation in the dependent variable that is explained or accounted for by the variation in the independent variable. In other words, what is the portion or percent of the price per unit explained or accounted for by the NOI per unit derived from the sale database? It is simply the square of the correlation coefficient. As presented in the above table, the coefficient of determination between the independent variable (NOI per unit) and the dependent variable (price per unit) is 96.2 percent. This means that 96.2 percent of the variation in the price per unit of the sales is explained or accounted for by the NOI per unit of the sales.

The preceding correlation analysis provides overwhelming evidence that the NOI per unit is an extremely strong indicator of value. Outside of a gross income multiplier analysis, we challenge the reader to identify any other adjustment for locational characteristics or most physical characteristics, which can statistically prove that a strong relationship or correlation exists between that variable and the price per unit for a senior-housing facility.

In order to develop an independent NOI-per-unit adjustment, which can be applied in our price-per-unit adjustment analysis independent of the sales utilized, we have performed a linear regression analysis to determine the impact of the price per unit based upon each $1,000 change in the NOI per unit utilizing the previously discussed senior-housing sales database. The following table details the forecasted price per unit and the associated change in value per each $1,000 increase in the NOI-per-unit.

Comparable Sales -- NOI per Unit/Value Comparison

NOI/Unit	Price/ Unit	Change in Price/Unit	Change in Value
$1,000	$13,657	N/A	N/A
$2,000	$23,186	$9,529	41.1%
$3,000	$32,715	$9,529	29.1%
$4,000	$42,243	$9,529	22.6%
$5,000	$51,772	$9,529	18.4%
$6,000	$61,301	$9,529	15.5%
$7,000	$70,830	$9,529	13.5%
$8,000	$80,358	$9,529	11.9%
$9,000	$89,887	$9,529	10.6%
$10,000	$99,416	$9,529	9.6%
$11,000	$108,945	$9,529	8.7%
$12,000	$118,473	$9,529	8.0%
$13,000	$128,002	$9,529	7.4%
$14,000	$137,531	$9,529	6.9%
$15,000	$147,060	$9,529	6.5%
$16,000	$156,588	$9,529	6.1%
$17,000	$166,117	$9,529	5.7%
$18,000	$175,646	$9,529	5.4%
$19,000	$185,175	$9,529	5.1%
$20,000	$194,703	$9,529	4.9%
$21,000	$204,232	$9,529	4.7%
$22,000	$213,761	$9,529	4.5%
$23,000	$223,289	$9,529	4.3%
$24,000	$232,818	$9,529	4.1%
$25,000	$242,347	$9,529	3.9%
$26,000	$251,876	$9,529	3.8%
$27,000	$261,404	$9,529	3.6%
$28,000	$270,933	$9,529	3.5%
$29,000	$280,462	$9,529	3.4%
$30,000	$289,991	$9,529	3.3%

As can be seen in the above table, each $1,000 difference in the NOI-per-unit results in a change in value of $8,393 per unit. In the subsequent NOI-per-unit adjustment analysis, an $8,393 value-per-unit adjustment is applied for each $1,000 difference between the NOI-per-unit for the sales and the subject.

While the income generating capabilities of a property include a large portion of the attributes and detriments affecting value, some of these factors are specifically addressed within the adjustment performed within other categories that are presented in this analysis. In addition, as evidenced by the coefficient of determination, the NOI-per-unit adjustment does not account or explain all factors, which may affect the price per unit. Therefore, a proportional significance factor is applied to account for these other influences, which are not explained or may be duplicated without a proportional adjustment. Based on the other adjustment factors and the previously discussed coefficient of determination, a proportional significance factor of 50.0 percent has been applied to the NOI-per-unit adjustment. *The NOI per unit adjustment is an all-encompassing adjustment, which directly, or indirectly, takes into account a facilities ability to generate NOI, obviously influenced by location, physical age and condition of improvements, occupancy, etc.* This NOI-per-unit adjustment is profiled below.

NOI Per-Unit Adjustment						
Comparable Sale Number		One	Two	Three	Four	Five
Subject NOI Per Unit		$14,808	$14,808	$14,808	$14,808	$14,808
Sale NOI Per Unit		13,131	17,508	15,781	18,394	5,294
Difference	-	1,677	-2,700	-973	-3,586	9,514
Difference per Thousand	/	1.7	-2.7	-1.0	-3.6	9.5
Adjustment Multiplier Per Thousand	x	9,529	9,529	9,529	9,529	9,529
Adjustment per Unit	=	15,976	-25,724	-9,275	-34,169	90,655
Time-Adjusted Sales Price		$146,101	$167,100	$190,313	$206,010	$63,318
Adjustment Percentage	x	10.9%	-13.7%	-4.9%	-16.6%	143.2%
Adjustment Multiplier		50.0%	50.0%	50.0%	50.0%	50.0%
Adjustment per Unit		5.5%	-6.9%	-2.4%	-8.3%	71.6%

Occupancy Rates: The level of occupancy is important to financial performance. A home that has traditionally experienced a low occupancy rate is less valuable than a similar facility having a high occupancy rate. Vacancy rates are influenced by local supply and demand, market status, and physical qualities. Occupancy rate differences are also affected by local supply and demand. Adjustments are made to each sale for differences in the supply and demand of its market area as it compares to the subject.

This adjustment is based on the assumption that there is a direct correlation between value and the occupancy rate. For example, assume that a sale and the subject have 80 occupied units, each occupied unit produces an NOI of $20.00 per resident day (PRD), and other than capacities, they are equal facilities. The sale has 80 units and is likely to remain full indefinitely. The subject has 100 units and is likely to remain at 80.0 percent occupancy in the future. The sale was sold for $1,600,000, or $20,000 per unit. Everything else equal, the subject is also worth $1,600,000. However, since value is measured on a per-unit basis, the units are worth $16,000 each, or 20.0 percent less than the per-unit price of the sale. This example illustrates a one-for-one relationship.

In this instance, the adjustments equal 50.0 percent difference between the occupancy rate of the subject and each sale. The adjustment is based on the assumption that value is roughly proportionate to occupancy rate.

However, we believe occupancy levels are not constant, and occupancy levels will tend to gravitate toward the median over time. Thus, we have modified the effects of a single year's occupancy by applying an adjustment factor that equals one-half of the difference, or 50.0 percent of the percentage difference. Assuming a 50.0 percent factor and the example above, the example sale is adjusted downward by 10.0 percent, to $18,000 per unit. The adjustment reflects the possibility that it can improve its occupancy, and/or the occupancy rate of the sale will gravitate lower.

These occupancy rate adjustment calculations are as follows.

Occupancy Rate Adjustment						
Comparable Sale Number		One	Two	Three	Four	Five
Occupancy Rate of Subject		92.8%	92.8%	92.8%	92.8%	92.8%
Occupancy Rate of the Sale	-	91.0%	90.0%	97.0%	50.0%	94.0%
Occupancy Rate Difference	=	1.8%	2.8%	-4.2%	42.8%	-1.2%
Adjustment Multiplier	x	50.0%	50.0%	50.0%	50.0%	50.0%
Adjustment Per Unit	=	0.9%	1.4%	-2.1%	21.4%	-0.6%

Location: The location of a senior housing facility greatly impacts its ability to attract residents and employees for adequate staffing. Moreover, the location directly affects the remaining economic life of the improvements. Consideration is given to the neighborhood surroundings and to the income level and economic growth trends of the primary market area. Like the adjustment for physical differences, much of the influence on value caused by location differences is measured in the NOI per unit adjustment. In our opinion, the location of the subject does not impact the earnings potential or remaining economic life any differently than the location qualities of the sales, other than for those aspects implied in the other adjustments. Thus no location adjustments are applied.

Physical And Functional Adjustments: Adjustments for physical and functional qualities are measured substantially in the NOI per unit and occupancy adjustments because differences in age, physical condition, and functional design directly impact the economic performance of independent and assisted living facilities.

Adjustments to each sale have been made for physical differences that are not incorporated into the NOI per unit and occupancy adjustments. This adjustment, equal to 1.0 percent for each year of difference in effective age, is mainly attributable to the remaining economic life of the building. The adjustment calculations are as follows.

Age and Remaining Economic Life Adjustment					
Comparable Sale Number	One	Two	Three	Four	Five
Age of the Subject	10	10	10	10	10
Age of the Sale at the Time of Sale	18	6	6	2	20
Difference in Effective Ages	8	-4	-4	-8	10
Multiplier Factor	1.0%	1.0%	1.0%	1.0%	1.0%
Adjustment Per Unit	8.0%	-4.0%	-4.0%	-8.0%	10.0%

Sale Data Information

Our research of recent independent and assisted living facility sale data involved collecting data from throughout the nation, via a number of sources (industry publications, clients, brokers, etc.). The purchase price and financing terms are verified from the buyer, the seller or public records. Specific physical property data and other facts are gathered through interviews with a principal party, a facility administrator, and local property assessing officials. Considerable time and travel are consumed in this research process. The collected and analyzed information we glean from research leads to meaningful and well-substantiated conclusions in all three-valuation methods.

As discussed in the Highest and Best Use Analysis and the Exposure Time section of this report, the most likely buyer of an assisted living facility is a regional or national operator with numerous facilities desiring to increase economies of scale. Therefore, all assisted living sales throughout the United States could be considered applicable for comparison. As discussed in the Exposure Time section of this report, there have been a limited number of transactions in the United States over the last two years. However, even during high activity periods, due to the relatively few number of seniors housing sales in comparison to other property types such as apartments in the United States, the number of seniors housing sales in any particular state is typically limited. For these reasons, in our search for appropriate sales, we first focus on sales within Maine, then our search is then expanded to include regional sales.

The sale data, while utilized in varying degrees in both valuation approaches, are used primarily in the sales comparison approach. The market sale data are also useful in deriving an overall capitalization rate. A description and comparative analysis of the market data are presented on the following pages.

SALE ONE
Country Club Heights
3 Rehabilitation Way
Woburn (Middlesex), Massachusetts

Sale Data

Sale Date:	June 1, 2003
Total Price:	$12,800,000
Financing:	All Cash To Seller
Seller:	Lend Lease
Buyer:	Shelter Senior Living
Confirmation:	David Rothschild, CB Richard Ellis
Cash Equivalent Price:	$12,800,000

Property Data

Number of Units:	99
Typical Full Occupancy:	99
Gross Building Area (Square Feet):	101,348
GBA per Unit:	1,024
Year(s) Built:	1979
Building Description:	7-story, Masonry
Condition:	Good
Land Area (Acres):	2.34

Economic Data

Occupancy Rate:	91.0%
Private-pay Mix:	100.0%
Effective Gross Revenue:	$4,300,000
Operating Expenses:	$3,000,000
Net Operating Income:	$1,300,000
Expense Margin:	69.8%

Cash Equivalent Price Indicators

Price Per Unit:	$129,293
Price Per Square Foot:	$126.30
Gross Revenue Multiplier:	2.98
Overall Capitalization Rate:	10.16%

Comments and Comparisons: The seller is a multi-faceted, global real estate company that had elected to get out of the real estate investment business. The buyer is a large management company of residential property. The seller had acquired the facility in 1997 for $11,000,000. They have spent approximately $1.2 million on renovation after their acquisition.

The property is located in north part of the Greater Boston area, in a moderately affluent neighborhood. Adjacent property uses include a rehabilitation hospital and Woburn Country Club. There are 34 AL units and 65 IL units. Apartments are available in studio (20 units), 1BR (67 units) and 2BR (12 units) designs. Common area amenities are reasonably extensive. On-site parking is limited to around 40 spaces.

SALE TWO
The Seasons at Glenview Place
4501 Concord Lane
Northbrook (Cook), Illinois

Sale Data

Sale Date:	July 1, 2004
Total Price:	$38,644,000
Financing:	All cash to seller
Seller:	Affiliate of ME-Parkside, LP
Buyer:	Affiliate of Meridian Realty Advisors
Confirmation:	Broker
Cash Equivalent Price:	$38,644,000

Property Data

Number of Units:	221
Typical Full Occupancy:	221
Gross Building Area (Square Feet):	226,524
GBA per Unit	1,025
Year(s) Built:	1999
Building Description:	Five-story, concrete & steel frame
Condition:	Good
Land Area (Acres):	4.78

Economic Data

Occupancy Rate:	90.0%
Private-pay Mix:	100.0%
Effective Gross Revenue:	$8,416,131
Operating Expenses:	$4,546,970
Net Operating Income:	$3,869,161
Expense Margin:	54.0%

Cash Equivalent Price Indicators

Price Per Unit:	$174,860
Price Per Square Foot:	$170.60
Gross Revenue Multiplier:	4.59
Overall Capitalization Rate:	10.01%

Comments and Comparisons: This facility was constructed in 1999 and consists of 167 independent living and 54 assisted living units. This facility is located in the Chicago suburb of Glenview. Brookdale Living Communities, which is the operator for 68 communities nationwide, became operator for The Seasons at Glenview after the sale.

This facility consists of studio, one, and two bedroom apartments. The amenities for this facility include all of the typical amenities plus an on-site bank, café, greenhouse, and restaurant style dining room.

Revenue and expense estimates are based on 2003 actuals and inflated by 3% and reserves of $300 per unit. The seller is a joint venture between an institutional investment advisor firm and ME-Parkside, LP. The purchaser is an affiliate of Meridian Realty Advisors, LP, a Dallas-based privately held real estate venture.

SALE THREE
Woodlawn Terrace
300 Kildaire Woods Drive
Raliegh, Wake County, NC

Sale Data

Sale Date:	December 31, 2004
Total Price:	$29,000,000
Financing:	All Cash To Seller
Seller:	KRC Woodland Terrace, LLC
Buyer:	Walton Street Capital and Kisco Senior Living
Confirmation:	Allen McMurtry, Broker -- CLW Health Care
Cash Equivalent Price:	$29,000,000

Property Data

Number of Units:	160
Typical Full Occupancy:	160
Gross Building Area (Square Feet):	186,850
GBA per Unit:	1,168
Year(s) Built:	1999
Building Description:	1- & 3-story, wood frame, brick & EFIS
Condition:	Excellent
Land Area (Acres):	22.00

Economic Data

Occupancy Rate:	97.0%
Private-pay Mix:	100.0%
Effective Gross Revenue:	$6,900,000
Operating Expenses:	$4,375,000
Net Operating Income:	$2,525,000
Expense Margin:	63.4%

Cash Equivalent Price Indicators

Price Per Unit:	$181,250
Price Per Square Foot:	$155.20
Gross Revenue Multiplier:	4.20
Overall Capitalization Rate:	8.71%

Comments and Comparisons: CLW Health Care offered this facility on the market for four months. Kisco Senior Living will manage the facility. The seller is an entity owned by Prudential Real Estate Investors, and Kisco was managing the facility for them. The sale was arms length, having been exposed to the market. There were six back-up offers, the bidders were put into a competitive bidding process. The facility includes 10 ILF cottages, an 80-unit ILF apartment building, a 34-unit assisted living and a 36-unit Alzheimer's facility on a rolling campus setting. The facility's web site is: www.woodlandterracetour.com The facility has a large range of site, common area and unit amentias. IL apartments range from 492 to 1,300 SF; cottages contain 1,200 SF. The AL and Alzheimer's units range from 406 to 527 SF. The average monthly rent is $3,517, before additional service, meal and other income. The facility is located in a newer, upper-middle-income residential suburban setting, west of the Raleigh CBD, and south the Raleigh-Durham Airport. Revenues and expenses are based on pro forma figures developed from actual 2004 results and include management and cap-ex.

SALE FOUR
Hunnington Terrace
70 Pinelawn Road
Melville (Hunnington), New York

Sale Data

Sale Date:	September 20, 2003
Total Price:	$35,500,000
Financing:	All Cash to Seller
Seller:	Melville Gardens, LTD
Buyer:	The Carlyle Group
Confirmation:	Pam Winter, Director
Cash Equivalent Price:	$35,500,000

Property Data

Number of Units:	193
Typical Full Occupancy:	193
Gross Building Area (Square Feet):	188,000
GBA per Unit:	974
Year(s) Built:	2002
Building Description:	Two-story
Condition:	Average
Land Area (Acres):	11.13

Economic Data

Occupancy Rate:	50.0%
Private-pay Mix:	100.0%
Effective Gross Revenue:	$10,140,000
Operating Expenses:	$6,590,000
Net Operating Income:	$3,550,000
Expense Margin:	65.0%

Cash Equivalent Price Indicators

Price Per Unit:	$183,938
Price Per Square Foot:	$188.83
Gross Revenue Multiplier:	3.50
Overall Capitalization Rate:	10.00%

Comments and Comparisons: At the time of the sale, the facility was approximeaely 50 percent occupied. According to the SeniorCare Investor, October 2003, the buyer expects the facility to achieve a stabilized occupancy of 90 percent in less thaen two years. The facility also has a good relationship with the adjacent 320-bed nursing facility. The buyers will also be entering into a triple net lease with a hospice provider. The facility contains studios and two-bedroom units, with rents ranging from $3,800 to more than $5,000 per month

SALE FIVE
Lake Worth Gardens
3927 Hadjes Drive
Lake Worth (Palm Beach), Florida

Sale Data

Sale Date:	January 31, 2005
Total Price:	$10,350,000
Financing:	All Cash to Seller
Seller:	Lake Worth Gardens Community, LLC
Buyer:	Madison Glen Properties, LLC
Confirmation:	Bruce Gibson, Broker
Cash Equivalent Price:	$10,350,000

Property Data

Number of Units:	170
Typical Full Occupancy:	170
Gross Building Area (Square Feet):	206,990
GBA per Unit:	1,218
Year(s) Built:	1985
Building Description:	Four-story
Condition:	Average
Land Area (Acres):	7.29

Economic Data

Occupancy Rate:	94.0%
Private-pay Mix:	100.0%
Effective Gross Revenue:	$3,250,000
Operating Expenses:	$2,350,000
Net Operating Income:	$900,000
Expense Margin:	72.3%

Cash Equivalent Price Indicators

Price Per Unit:	$60,882
Price Per Square Foot:	$50.00
Gross Revenue Multiplier:	3.18
Overall Capitalization Rate:	8.70%

Comments and Comparisons: This property is located just off Floridas Turnpike. Lake Worth is located between West Palm Beach and Boca Raton. The broker characterized the market as "B-minus" in appeal. The average household income in the 33467 zip code is approximately $76,000. Population growth projections for the area are relatively high.

Direct Sales Comparison Summary Adjustment Grid

Sale Number	One	Two	Three	Four	Five		
Name Abbreviated City, State	Country Club Heights Woburn, MA	The Seasons Northbrook, IL	Woodlawn Terrace Raliegh NC	Hunington Terrace Melville, NY	Lake Worth Gardens Lake Worth, FL	Averages	Subject
Sale Data:							
Sale Date	Jun-03	Jul-04	Dec-04	Sep-03	Jan-05		Dec-05
Cash Equivalent Price (A)	**$12,800,000**	**$38,644,000**	**$29,000,000**	**$35,500,000**	**$10,350,000**	**$25,258,800**	**$25,918,200**
Property Data:							
Number of Units (B)	**99**	**221**	**160**	**193**	**170**	**169**	**154**
Number of Beds	99	221	160	193	170	169	154
Gross Building Area	101,348	226,524	186,850	188,000	206,990	181,942	148,000
GBA per Unit	1,024	1,025	1,168	974	1,218	1,082	961
Effective Age at the Time of Sale	18	6	6	2	20	10	10
Overall Building Condition	Good	Good	Excellent	Average	Average		Good
Land Area (Acres)	2.34	4.78	22.00	11.13	7.29	9.51	17.01
Economic Data:							
Occupancy Rate	91.0%	90.0%	97.0%	50.0%	94.0%	84.4%	92.8%
Private-Pay Mix	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Effective Gross Income	$4,300,000	$8,416,131	$6,900,000	$10,140,000	$3,250,000	$6,601,226	$6,716,649
Operating Expenses	$3,000,000	$4,546,970	$4,375,000	$6,590,000	$2,350,000	$4,172,394	$4,436,227
Net Operating Income	$1,300,000	$3,869,161	$2,525,000	$3,550,000	$900,000	$2,428,832	$2,280,421
NOI per Unit	$13,131	$17,508	$15,781	$18,394	$5,294	$14,022	$14,808
Expense Margin	69.8%	54.0%	63.4%	65.0%	72.3%	64.9%	66.0%
Price Indicators:							
Gross Income Multiplier	2.71	4.13	4.08	1.75	2.99	3.23	3.58
Price Per Unit (A ÷ B)	**$129,293**	**$174,860**	**$181,250**	**$183,938**	**$60,882**	**$146,045**	**$168,300**
Effective Gross Income Multiplier	2.98	4.59	4.20	3.50	3.18	3.69	3.86
Overall Capitalization Rate	10.2%	10.0%	8.7%	10.0%	8.7%	9.5%	8.80%
Price Per Square Foot	$126.30	$170.60	$155.20	$188.83	$50.00	$138.19	$175.12
Elements of Comparison							
Real Property Rights Conveyed	0.0%	0.0%	0.0%	0.0%	0.0%	—	—
Financing	0.0%	0.0%	0.0%	0.0%	0.0%	—	—
Conditions of the Sale	0.0%	0.0%	0.0%	0.0%	0.0%	—	—
Time and Market Conditions	13.0%	7.0%	5.0%	12.0%	4.0%	—	—
Net Adjusted Price Per Unit	$146,101	$187,100	$190,313	$206,010	$63,318	$158,568	—
NOI per Unit	5.5%	-6.9%	-2.4%	-8.3%	71.6%	—	—
Quality Mix/Rate	0.0%	0.0%	0.0%	0.0%	0.0%	—	—
Occupancy Rate	0.9%	1.4%	-2.1%	21.4%	-0.6%	—	—
Location	0.0%	0.0%	0.0%	0.0%	0.0%	—	—
Physical Qualities	8.0%	-4.0%	-4.0%	-8.0%	10.0%	—	—
Other Economic Aspects	0.0%	0.0%	0.0%	0.0%	0.0%	—	—
Net Adjustment Factor	14.3%	-9.5%	-8.6%	5.1%	81.0%	—	—
Net Adjusted Price Per Unit	$167,060	$169,332	$174,024	$216,486	$114,583	$168,297	—

The following table summarizes the results of the comparative analysis including absolute adjustment percentages that indicate the similarity of each sale to the subject.

Reconciliation Grid

	Sale One	Sale Two	Sale Three	Sale Four	Sale Five
Factors:					
Net Adjusted Sale Price Per Unit	$146,101	$187,100	$190,313	$206,010	$63,318
Total Net Adjustment Percentage	14.3%	-9.5%	-8.6%	5.1%	81.0%
Absolute Adjustment Percentage	14.3%	12.3%	8.6%	37.7%	82.2%
Adjusted Sale Price Per Unit	$167,060	$169,332	$174,024	$216,486	$114,583
Comparable Sale Price Per Unit Range:					
High	$216,486				
Low	$114,583				
Average	$168,297				

Since no one comparable sale displays a high degree of similarity to the subject, we are inclined to conclude a value in the middle of the adjusted-price range. However, we have relied on the following analysis as well as to determine an appropriate value per unit for the subject facility.

Qualitative Analysis

The following table compares the averages of the salient elements of comparison of the comparable sales to those elements of the subject.

Qualitative Analysis
Comparing the Comparable Averages to the Subject

Main Elements of Comparison	Comparable Averages	Comparability	Subject
Effective Age at Sale	10	Comparable	10
Occupancy Rate	84.4%	Inferior	92.8%
Private-Pay Mix	100.0%	Comparable	100.0%
EGIM	3.69	Vastly Inferior	3.86
Rent per Occupied Unit	$3,866	Comparable	$3,918
Expense Margin	64.9%	Comparable	66.0%
Overall Qualitative Comparison		Inferior	
Net Adjusted Price Per Unit & Concluded Value	$158,568		$168,300

Since the qualitative analysis indicates that comparable sales are on average inferior to the subject, a higher concluded value is considered appropriate.

Effective Gross Income Multiplier Analysis

A strong inverse relationship exists between the operating expense ratio and the gross income multiplier (EGIM) of a sale – the higher the operating expense margin the lower the EGIM. To demonstrate this relationship, we have arrayed the database of sales previously presented in the NOI-Per-Unit adjustment analysis in descending order by operating expense ratio.

Comparable Sales -- Sorted by Expense Margin

Facility Name	Exp Margin	EGIM
The Seasons at Glenview Place	54.03%	4.59
Sunrise of Santa Monica	57.64%	4.37
The Lodge at Eagle Ridge	58.12%	4.90
Magnolia	61.26%	4.27
La Conner Retirement Inn	62.74%	3.70
Woodlawn Terrace	63.41%	4.20
Grand Court Albuquerque	64.26%	3.67
Sterling Senior Communities - Ter	65.21%	3.34
The Savoy at Little Neck	66.06%	3.50
Northlake Gardens Assisted Livin	66.14%	3.71
Wynnfield Crossing	66.67%	3.29
The Regent	70.19%	3.65
Austin Gardens	70.41%	2.39
Brunswick Inn	70.91%	2.58
Aegis of Issaquah	72.04%	2.79
Lake Worth Gardens	72.31%	3.18
Grand Court Belleville	72.38%	2.17
Grand Court Findlay	74.86%	2.01
Freedom Plaza Care Center/The I	77.09%	1.84
Lakeview Courtyards	78.23%	2.16
Homestead Properties (2)	79.49%	2.03
Manorhouse of Virginia Beach	80.00%	1.96
Grand Court Springfield	82.83%	1.52
Grand Court of Dayton	83.13%	1.99
Atria - Preston Hollow	84.21%	1.71
Magnolia Gardens	84.36%	1.57
Garden Square of Crete	86.43%	1.61
Garden Square of Greeley	89.33%	1.16
Correlation Coefficient		95.1%
Coefficient of Determination		90.4%

The correlation coefficient at 90.3 percent is strong and the coefficient of determination states that the expense margin as the independent variable explains or accounts for 81.6 percent of the variation in the EGIM for these sales. Based on this sale database, we have performed a linear regression forecast for the EGIM for the subject facility utilizing the concluded projected operating expense ratio for the subject facility as determined in the Income Capitalization Approach of 66.0 percent. An operating expense ratio of 66.0 percent results in an EGIM forecast of 3.49 for the subject facility. An EGIM forecast of 3.49 results in a price per unit indication calculated as follows.

Effective Gross Income	$6,716,649
EGIM	3.49
Value Indication, Rounded	$23,410,000
Indicated Value per Unit	$152,013

The price-per-unit indication via the EGIM analysis of $152,013 indicates the price per unit for the subject facility should fall in the lower segment of the adjusted range for the comparable sales.

An additional analysis has been performed involving a few recent senior living housing portfolio transactions that share similarities to the subject. These sales are profiled as follows.

Portfolio Sales

2004 – Benchmark, AEW Capital, and Kuwait Finance Housing Transaction

In October 2004, AEW II (AEW Capital Management) sold a package of 11 Benchmark seniors housing facilities to the Kuwait House of Finance for $148,000,000. The transaction price included $43,000,000 in cash and $105,000,000 in debt arranged through GMAC Commercial Mortgage. Benchmark, the operator, will continue to manage the facilities, receiving a 7.0 percent management fee that is not subject to significant performance measures. A summary of the facilities is profiled as follows.

Benchmark Individual Property and Earnings Summary

Facility	City and State	Year Built	Total Units	IL	AL	SC	Gross Building Area
Arbors	Shelburne VT	1999	64	0	0	64	30,042
Academy Point at Mystic	Mystic CT	2001	70	70	0	0	59,300
Birches at Concord	Concord, NH	2001	52	0	0	52	29,600
Blenheim-Newport	Middletown RI	1988	102	0	62	40	81,165
Bay Square at Yarmouth	Yarmouth ME	1999	54	30	0	24	49,600
Crescent Point at Niantic	Niantic CT	2001	66	42	0	24	57,469
Falls at Cordingly Dam	Newton MA	1998	100	63	0	37	76,939
Greystone Farm at Salem	Salem NH	2000	65	45	0	20	47,000
Harbor Point at Centerville	Centerville MA	1980	65	0	0	65	39,169
Orchard Valley at Wilbraham	Wilbraham MA	2000	66	43	0	23	46,000
Tatnuck Park at Worcester	Worcester MA	1999	75	57	0	18	53,200
Totals or Averages		**1996**	**779**	350	62	367	**569,504**

Various economic and price indicators, obtained from one of the prospective lenders, is summarized as follows.

Sale Price Indicators -- Benchmark Transaction -- New England IL, AL & SC Portfolio

Total Sale Price	$	148,000,000
Sale Price Per Unit	$	189,987
Sale Price Per Square Foot	$	252.90
Overall Capitalization Rate, Pro Forma EBITDAR		8.4%
Equity Capitalization Rate		10.1%
Overall Capitalization Rate, EBITDARM (no management expense)		10.4%
IRR -- Total Price, 9.5% Terminal Capitalization (5 years)		9.86%
IRR Equity Only, 9.5% Terminal Capitalization (5 years)		17.03%
Gross Revenue Multiplier, Using Pro Forma Revenues		3.48
Operating Expense Margin, Including Management		70.9%
Operating Expense Per Occupancy Unit Per Year	$	42,923
Estimated Depreciated Replacement Cost New Buildings/FF&E	$	99,387,600
Replacement Cost of Improvements and FF&E/SF	$	169.84
Estimated Land Value	$	13,500,000
Implied Price for Intangibles	$	35,112,400
Intangible Asset Value as % of Total Price		23.7%
Average Year of Construction		1996
Medicaid Waiver Mix		3.0%

The sale has continued a market trend of higher valuations and lower investment yields for independent living, and assisted living facilities. Based on our review of historical and pro forma utilization, revenue and operating expenses, the investors believed that the

upside potential would be restricted to increases in rents, al a carte service fees and continued expense controls. Most of the markets in which the facilities compete are stable with fairly strong occupancy levels. All 11 facilities are rent-only, free-standing homes.

Representative Photographs of the Benchmark/AEWE/Kuwait Finance House Facilities

Concord NH

Shelburne, VT

Mystic CT

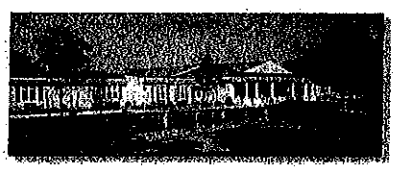
Middletown RI

Yarmouth, ME

Niantic, CT

Newton, MA

Salem, NH



Centerville, MA

Wilbraham, MA

Worcester, MA

Benchmark's pro forma 2005 revenues and earnings before interest, taxes, depreciation, amortization and rent is profiled as follows.

Before Debt Internal Rate of Return Analysis (Five-year Analysis)

Year	Annual Change	1	2	3	4	5
Occupancy Rate		93.8%	94.6%	94.6%	94.6%	94.6%
Average Mo. Charge / Occupied Unit	3.0%	$ 5,179	$ 5,348	$ 5,616	$ 5,896	$ 6,190
Annual Charge per Unit		$ 58,277	$ 60,696	$ 63,737	$ 66,912	$ 70,251
Total Effective Net Revenue		$ 45,398,151	$ 47,282,401	$ 49,650,750	$ 52,124,829	$ 54,725,784
Net Revenue		$ 42,571,750	$ 44,720,000	$ 46,960,000	$ 49,300,000	$ 51,760,000
Total Operating Expenses	3.0%	$ (30,170,000)	$ (31,680,000)	$ (33,260,000)	$ (34,920,000)	$ (36,670,000)
EBITDAR		$ 12,401,750	$ 13,040,000	$ 13,700,000	$ 14,380,000	$ 15,090,000
Terminal Value (5th Year EBITDAR Capitalized at 9.5%)						$ 158,842,105
Less Selling and/or Financial Restructuring Expense						$ (4,765,263)
Net Terminal Value						$ 154,076,842
	Initial Price Investment					
EBITRAR + Net Terminal Value	$ (148,000,000)	$ 12,401,750	$ 13,040,000	$ 13,700,000	$ 14,380,000	$ 169,166,842
EBITDAR IRR		9.86%				

After Debt Internal Rate of Return Analysis (Five-year Analysis)

	Initial Equity Investment					
Estimated Annual Debt Service						
Interest Rate	6.50%					
Amortization (years)	30					
Total Debt Service		$ (8,040,631)	$ (8,040,631)	$ (8,040,631)	$ (8,040,631)	$ (8,040,631)
Principal Portion Of Debt Service		($1,215,631)	($1,294,647)	($1,376,800)	($1,468,422)	($1,563,669)
Cash Flow To Equity (EBTD)		$ 4,361,119	$ 4,999,369	$ 5,659,369	$ 6,339,369	$ 7,049,369
Net Terminal Value						$ 154,076,842
Mortgage Balance						$ 98,076,631
Cash Flow To Equity (EBTD)	$ (43,000,000)	$ 4,361,119	$ 4,999,369	$ 5,659,369	$ 6,339,369	$ 63,047,580
IRR To Equity, Before Depreciation and Taxes		17.03%				

Initial Debt, GMACCM, $105,000,000

Brookstone Estates -- Wilkinson Assisted Living Transaction, Central Illinois

In November 2004, Brookstone Assisted Living sold a package of 10 seniors housing facilities to Wilkinson Corporation for $54,100,000, or $125,231 per unit. The transaction price included $10,500,000 in cash and $41,500,000 in a first mortgage to G.E. Capital and $2,000,000 in cash-carry-back, short-term financing which can brought into the G.E. loan under certain earnings performances in one year. The buyer will operate the facilities.

- Brookstone Estates, consists of 10 Seniors Housing Facilities located in smaller, southern Illinois communities.
- The seller was a local private owner that developed, built and managed the portfolio.
- The buyer was Wilkinson Corporation out of Yakima, Washington
- Financed by GE Capital, $2,000,000 of short-term seller debt and equity from three private 1031exchanges.
- Nine of the ten assets feature nearly identical physical plant – 46 units and approximately 39,000 square feet.
- Wood-frame structures with brick veneer exteriors on concrete slabs, and full kitchens and private bathrooms in each unit.
- Five of the properties participate in the Supportive Living Facility (SLF) Program, Illinois' version of the Medicaid HCBS Waiver
- Two properties were still in lease-up at the commencement of marketing, all assets were over 90% occupied at the time of closing.

A summary of the facilities is profiled as follows.

Brookstone Estates Individual Property Summary

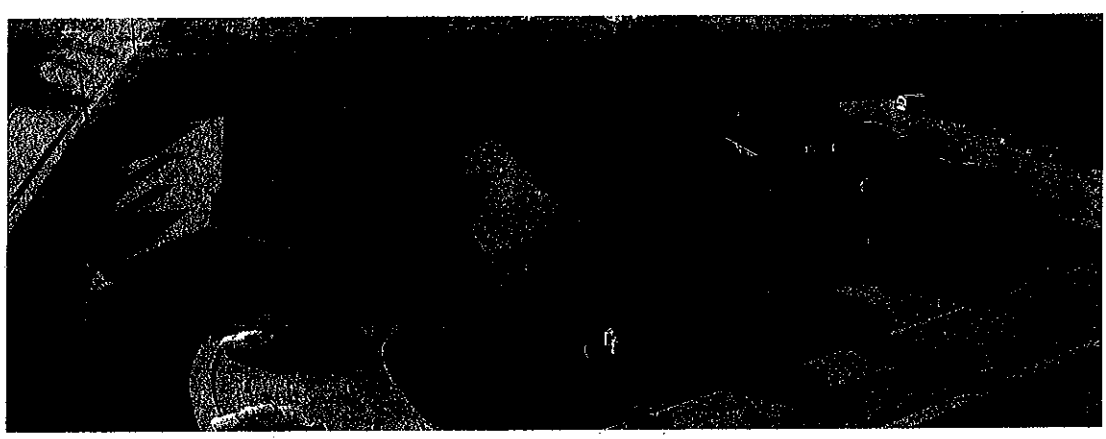
City	Year Built	Units	Gross Building Area	Occupancy	Medicaid Waivers (SLF)
Effingham	1997	46	39,393	93.5%	Yes
Effingham	1996	18	7,808	88.9%	No
Mattoon	1999	46	39,393	97.8%	No
Mattoon	2001	46	39,393	97.8%	No
Olney	1999	46	39,393	93.5%	No
Fairfield	2001	46	39,393	97.8%	No
Paris	2002	46	39,393	91.3%	Yes
Rantoul	2002	46	39,393	71.7%	Yes
Vandalia	2003	46	39,393	82.6%	Yes
Charleston	2001	46	39,393	97.8%	No
Totals or Averages	**2000**	**432**	**362,345**	**91.4%**	

Various economic and price indicators, obtained from the selling broker, are summarized as follows.

Sale Price Indicators -- Brookstone Transaction -- Central Illinios ALF Portfolio

Sale Price Per Unit	$	125,231
Sale Price Per Square Foot	$	149.31
Overall Capitalization Rate, EBITDAR		10.1%
Equity Capitalization Rate		17.4%
IRR -- Total Price, 10.5% Terminal Capitalization (5 years)		13.20%
IRR Equity Only, 10.5% Terminal Capitalization (5 years)		32.02%
Gross Revenue Multiplier		5.42
Overall Capitalization Rate, EBITDARM (no management expense)		11.0%
Operating Expense Margin, Including Management		45.3%
Operating Expense Per Occupancy Unit Per Year	$	11,446

While these facilities are licensed for assisted living, they also function as independent living, as there are often no other competitive facilities in these smaller markets. A representative photograph of a typical 46-unit facility is shown as follows.



At the time of sale, only two facilities were still in their initial lease up and they were expected to achieve stabilized occupancy around the time of closing. The facilities' rents and occupancy levels are more consistent with independent living facilities, and are consistent with expense levels of Hawthorne Inns, a Central-Illinois-based seniors housing and nursing facility developer and operator. The historic and pro forma revenues, operating expenses and net operating income for each facility are profiled as follows.

Brookstone Estates Individual Earnings Summary

City	Medicaid Waivers (SLF)	2004 Pro Forma Net Revenue	2003 EBITDAR	2004 EBITDAR Pro Forma	Pro Forma Expenses / Occupied Unit	Forma Expenses as a % of Revenue
Effingham	Yes	$ 1,028,405	$ 508,141	$ 565,237	$ 10,769	45.04%
Effingham	No	408,006	150,412	170,598	14,836	58.19%
Mattoon	No	1,033,014	499,091	549,189	10,755	46.84%
Mattoon	No	1,213,704	555,760	706,291	11,279	41.81%
Olney	No	963,687	458,368	529,362	10,098	45.07%
Fairfield	No	1,042,715	606,405	594,496	9,963	42.99%
Paris	Yes	1,129,048	583,736	648,657	11,438	42.55%
Rantoul	Yes	1,071,224	327,963	541,334	16,066	49.47%
Vandalia	Yes	1,071,224		590,833	12,643	44.85%
Charleston	No	1,011,864	565,707	556,212	10,128	45.03%
Totals or Averages		**$ 9,972,891**	**$4,255,583**	**$ 5,452,209**	**$ 11,446**	**45.33%**

Sale Price **$54,100,000**

2004 Proforma EBITDARM (5.0% Management Expense $ 5,950,854

Brokered By Jeff Binder, MAI, Senior Living Investment Brokerage, Inc.

The actual financing terms from G.E. Capital are summarized as follows.

Actual Financing Terms for the Purchase

First Mortgage (G.E. Capital, Brokered by Love Funding)	$ 40,600,000
Seller's Short-term Financing, To Be Replaced By G.E. In One Year If EBITDAR Exceeds $5.4 MM)	$2,000,000
Buyer's Equity (Came from Three Separate 1031 Tax-free Exchanges Involving Apartment Sales)	$11,500,000
Total Purchase Price	$ 54,100,000

Actual loan terms are:	Interest Rate	Amort (yr.)
Year 1	6.27%	25
Year 2	6.54%	25
Year 3	6.79%	25
Year 4	Float at 325 bp	25
Year 5	Float at 325 bp	25
Year 6	Float at 325 bp	20
Year 7	Float at 325 bp	20

The internal rate of return calculations, before and after debt, are presented as follows.

Before Debt Internal Rate of Return Analysis (Five-year Analysis)

Year	Annual Change	1	2	3	4	5
Occupancy Rate		91.4%	91.4%	91.4%	91.4%	91.4%
Average Monthly Charge Per Unit	3.0%	$ 2,167	$ 2,232	$ 2,299	$ 2,368	$ 2,439
Annual Charge per Unit		$ 25,251	$ 26,789	$ 27,592	$ 28,420	$ 29,273
Total Potential Revenue		$ 10,908,441	$ 11,572,765	$ 11,919,948	$ 12,277,547	$ 12,645,873
Net Revenue		9,972,891	10,580,240	10,897,647	11,224,577	11,561,314
Total Operating Expenses	3.0%	(4,520,682)	(4,656,302)	(4,795,992)	(4,939,871)	(5,088,067)
EBITDAR		$ 5,452,209	$ 5,923,938	$ 6,101,656	$ 6,284,705	$ 6,473,247
Terminal Value (6th Year EBITDAR Capitalized at 10.5%)						$ 63,499,466
Less Selling and/or Financial Restructuring Expense						$ (1,904,984)
Net Terminal Value						$ 61,594,482
	Initial Price Investment					
EBITRAR + Net Terminal Value	$(54,100,000)	$ 5,452,209	$ 5,923,938	$ 6,101,656	$ 6,284,705	$ 68,067,729
EBITDAR IRR		13.20%				

The buyer did not expect or build into their expectations any significant increase or decrease in occupancy levels as the communities are experiencing relative stable population. Moreover, the revenue and expense increases were expected to parallel general inflation levels.

After Debt Internal Rate of Return Analysis (Five-year Analysis)

Estimated Annual Debt Service	Initial Investment $ 42,600,000	1	2	3	4	5
Interest Rate		6.27%	6.54%	6.79%	6.79%	6.79%
Amortization (years)		25	25	25	20	20
Total Debt Service		$ (3,378,552)	$ (3,464,447)	$ (3,544,863)	$ (3,899,147)	$ (3,899,147)
Principal Portion Of Debt Service		$ (747,412)	$ (766,348)	$ (791,561)	$ (1,294,816)	$ (1,382,734)
Cash Flow To Equity (EBTD)		$ 2,073,657	$ 2,459,490	$ 2,556,793	$ 2,385,558	$ 2,574,099
Net Terminal Value						$ 61,594,482
Mortgage Balance						$ (37,617,128)
Cash Flow To Equity (EBTD)	$(11,500,000)	$ 2,073,657	$ 2,459,490	$ 2,556,793	$ 2,385,558	$ 26,551,454
IRR To Equity, Before Depreciation and Taxes		32.02%				

A summary of salient elements of comparison and unadjusted price indicators of these sales is compared to the subject facility as follows. The benchmark transaction produces higher price indicators than concluded for the subject, based on our previous sale comparison analysis; many market participants consider this sale to be over the top. The Brookstone price indicators fairly support the concluded value for the subject.

Summary and Conclusion

The following economic and price indicators are compared with the economic data and value conclusion for the subject.

Test of Reasonableness	Subject	Mean	Low	High
Adjusted Comparable Indicators:				
Price Per Unit	$168,300	$168,297	$114,583	$216,486
Unadjusted Comparable Indicators:				
Price Per Unit	$168,300	$146,045	$60,882	$183,938
Effective Gross Income Multiplier	3.86	3.69	2.98	4.59
Capitalization Rate	8.8%	9.5%	8.7%	10.2%
Price Per Square Foot	$175.12	$138.19	$50.00	$188.83

Based on the foregoing analysis, the concluded market value of the fee simple interest of Autumn I, only, per the sales comparison approach, is:

Value Estimate Per Unit	$168,300
# of Units	154
Preliminary Value Estimate	$25,918,200
Less: Deferred Maintenance	-
Concluded Value Estimate	$25,918,200
Rounded	$25,918,000

Income Capitalization Approach – Autumn I

The income capitalization approach is based on the premise that the value of the subject property is represented by the present worth of anticipated net operating income. The forecasted net operating income, based on an analysis of the quality, quantity, and duration of the income expectancy, is capitalized into an indication of value by using a capitalization rate developed from market data. The steps in this valuation procedure are as follows.

1. Estimate the potential gross revenue for the subject property based on current rate structures for the subject and competing facilities.
2. Deduct revenue lost from vacancy, rent concessions and uncollectible billings.
3. Estimate and deduct non-capital expenses typically incurred in the operation of a senior housing facility, to arrive at a net operating income attributable to the facility.
4. Capitalize the net operating income into a value indication by using an appropriate capitalization rate.

Following an analysis of financial data, two techniques are employed in the estimation of value via the income approach. These two techniques are the direct capitalization method and the discounted cash flow method.

The direct capitalization analysis is used to convert the estimated stabilized net operating income of a single year into an indication of value by dividing the income by a market-derived capitalization rate.

The discounted cash flow analysis involves the discounting of future income over a duration of time, including a terminal or reversion value, to a present value.

Revenue and Expense Analyses

Specific revenue and expense data for the subject property were obtained from management's internal financial records. This operating history is shown in Table H-1 on the following page.

Table H-1 Historical Financial Data

	Occupancy		
	31-Dec-02	31-Dec-03	31-Dec-04
Operated Units/Beds	154	154	154
Occupied Unit/Beds	145.0	142.0	135.0
Total Resident Days	52,797	51,423	48,932
Independent Living	89.0%	92.7%	89.0%
Assisted Living	100.0%	87.5%	79.2%
Special Care	100.0%	100.0%	100.0%
Combined Occupancy Rate (Occupied Units)	94.2%	92.2%	87.7%

	Private-Pay Mix		
Independent Living	100.0%	100.0%	100.0%
Assisted Living	100.0%	100.0%	100.0%
Special Care	100.0%	100.0%	100.0%
Combined Private-Pay Mix	100.0%	100.0%	100.0%

Revenues By Payor Source	Total Revenues			Per Resident Day			% Revenues		
	31-Dec-02	31-Dec-03	31-Dec-04	31-Dec-02	31-Dec-03	31-Dec-04	31-Dec-02	31-Dec-03	31-Dec-04
Entry-Fee Units	$0	$0	$0	$0.00	$0.00	$0.00	0.0%	0.0%	0.0%
Independent Living	$0	$0	$0	$0.00	$0.00	$0.00	0.0%	0.0%	0.0%
Assisted Living	0	0	0	0.00	0.00	0.00	0.0%	0.0%	0.0%
Special Care	0	0	0	0.00	0.00	0.00	0.0%	0.0%	0.0%
Second Occupant – Entry Fee	0	0	0	0.00	0.00	0.00	0.0%	0.0%	0.0%
Second Occupant – Independent Living	52,044	67,606	0	0.99	1.31	0.00	0.8%	1.1%	0.0%
Second Occupant – Assisted Living	17,348	22,535	-	0.33	0.44	0.00	0.3%	0.4%	0.0%
Total Routine Resident Revenue	$69,392	$90,141	$0	$1.31	$1.75	$0.00	1.1%	1.5%	0.0%
Entry Fee Income	$0	$0	$0	0.00	0.00	0.00	0.0%	0.0%	0.0%
Admission/Community Fees	$23,000	$16,750	$27,176	0.44	0.33	0.56	0.4%	0.3%	0.4%
Miscellaneous Income	73,651	84,231	58,735	1.39	1.64	1.20	1.2%	1.4%	0.9%
Total Revenue from All Sources	$6,309,598	$6,089,072	$6,858,491	$119.51	$118.41	$140.16	100.0%	100.0%	100.0%

Departmental Expenses	Total Expenses			Per Resident Day			% Revenues		
General & Administrative	$797,265	$583,674	$380,071	$15.10	$11.35	$7.77	12.6%	9.6%	5.5%
Central Office / Management Fee	0	357,857	402,271	0.00	6.96	8.22	0.0%	5.9%	5.9%
Marketing & Activities	296,435	254,805	387,438	5.61	4.96	7.92	4.7%	4.2%	5.6%
Personal Care	1,271,850	1,277,577	1,213,871	24.09	24.84	24.81	20.2%	21.0%	17.7%
Maintenance and Repairs	249,609	231,252	228,108	4.73	4.50	4.66	4.0%	3.8%	3.3%
Dietary	804,841	838,682	918,417	15.24	16.31	18.77	12.8%	13.8%	13.4%
Housekeeping and Laundry	305,545	268,161	270,351	5.79	5.21	5.53	4.8%	4.4%	3.9%
Utilities	245,473	244,791	283,428	4.65	4.76	5.79	3.9%	4.0%	4.1%
Property & Liability Insurance	213,310	282,839	218,763	4.04	5.50	4.47	3.4%	4.6%	3.2%
Property Taxes	192,238	184,553	209,727	3.64	3.59	4.29	3.0%	3.0%	3.1%
Total Operating Expenses	$4,376,565	$4,524,191	$4,512,444	$82.89	$87.98	$92.22	69.4%	74.3%	65.8%
Net Operating Income	$1,933,033	$1,564,881	$2,346,047	$36.61	$30.43	$47.95	30.6%	25.7%	34.2%
Normalized NOI Calculation									
Less: Stated Management Fee	*$0*	*$357,857*	*$402,271*						
Plus: Normalized Management Fee	*$315,480*	*$304,454*	*$342,925*						
Plus: Reserves for Replacement	*$46,200*	*$46,200*	*$46,200*	*Normalized Expense Margin*			*75.1%*	*74.2%*	*65.6%*
Adjusted NOI	*$1,571,353*	*$1,572,084*	*$2,359,193*	*Normalized NOI Margin*			*24.9%*	*25.8%*	*34.4%*

Table DE-1 Detail of the Subject Historical Operating Expenses

	Total Expenses			Per Resident Day		
	31-Dec-02	31-Dec-03	31-Dec-04	31-Dec-02	31-Dec-03	31-Dec-04
Occupancy Rate				94.2%	92.2%	87.7%
Salaries and Wages	$255,370	$282,870	$175,072	$4.84	$5.50	$3.58
Payroll Taxes & Employee Benefits	39,023	45,213	29,460	0.74	0.88	0.60
Other -- General & Administrative	502,872	255,591	175,539	9.52	4.97	3.59
Total General & Administrative	$797,265	$583,674	$380,071	$15.10	$11.35	$7.77
Central Office / Management Fee	$0	$357,857	$402,271	$0.00	$6.96	$8.22
Salaries and Wages	$62,322	$44,208	$98,092	1.18	0.86	2.00
Payroll Taxes & Employee Benefits	$9,524	$7,066	$18,235	0.18	0.14	0.37
Advertising	$45,841	$51,487	$34,765	0.87	1.00	0.71
Other -- Marketing & Activities	$178,748	$152,044	$236,346	3.39	2.96	4.83
Total Marketing & Activities	$296,435	$254,805	$387,438	$5.61	$4.96	$7.92
Salaries and Wages	$1,052,981	$1,063,130	$993,657	19.94	20.67	20.31
Payroll Taxes & Employee Benefits	160,909	169,930	187,371	3.05	3.30	3.83
Contracted Services (Agency Staffing)	34,580	15,907	1,358	0.65	0.31	0.03
Other -- Personal Care	23,380	28,610	31,486	0.44	0.56	0.64
Total Personal Care	$1,271,850	$1,277,577	$1,213,871	$24.09	$24.84	$24.81
Salaries and Wages	$107,291	$107,305	$114,596	2.03	2.09	2.34
Payroll Taxes & Employee Benefits	$16,395	$17,152	$19,499	0.31	0.33	0.40
Maintenance and Repair Items	$125,924	$106,795	$94,013	2.39	2.08	1.92
Total Maintenance and Repairs	$249,609	$231,252	$228,108	$4.73	$4.50	$4.66
Salaries and Wages	$370,494	$369,935	$444,360	7.02	7.58	9.08
Payroll Taxes & Employee Benefits	56,616	62,327	80,564	1.07	1.21	1.65
Raw Food	301,689	319,600	316,714	5.71	6.22	6.47
Other -- Dietary	76,042	66,620	76,759	1.44	1.30	1.57
Total Dietary	$804,841	$838,682	$918,417	$15.24	$16.31	$18.77
Salaries and Wages	$226,419	$209,067	$207,882	4.29	4.07	4.25
Payroll Taxes & Employee Benefits	34,600	33,412	37,130	0.66	0.65	0.76
Other -- Housekeeping and Laundry	44,526	25,682	25,339	0.84	0.50	0.52
Total Housekeeping and Laundry	$305,545	$268,161	$270,351	$5.79	$5.21	$5.53
Gas	$95,782	$89,239	$131,461	1.81	1.74	2.69
Electric	67,339	70,505	$70,769	1.28	1.37	1.45
Water and Sewer	42,142	43,535	$51,055	0.80	0.85	1.04
Other Utilities/Cable Television	40,211	41,512	$30,142	0.76	0.81	0.62
Total Utilities	$245,473	$244,791	$283,428	$4.65	$4.76	$5.79
Property & Liability Insurance	$213,310	$282,839	$218,763	$4.04	$5.50	$4.47
Property Taxes	$192,238	$184,563	$209,727	$3.64	$3.59	$4.29
Total Operating Expenses	$4,376,565	$4,524,191	$4,512,444	$82.89	$87.98	$92.22
Total Effective Gross Revenue	$6,309,598	$6,089,072	$6,858,491	$119.51	$118.41	$140.16
Net Operating Income	$1,933,033	$1,564,881	$2,346,047	$36.61	$30.43	$47.95

Revenue Analysis:
The forecasted potential gross revenue is developed by estimating the subject property's stabilized resident mix, average room rates, second occupant charges, admission fees and revenue from additional care services. Most of the revenue forecasts are developed in the analysis of the competitive facilities. In that section, comparative analyses are performed of the historical and current occupancy rates, actual resident mixes, rate structures of the subject and its competition as well as the impact of state and federal legislation. These analyses culminate in the forecasts for occupancy, resident mix, and rate structure for the subject.

Revenue is also derived from miscellaneous sources. Miscellaneous income is an all-encompassing line item that includes a wide variety of ancillary charges, including: additional laundry/housekeeping; parking; additional transportation; private parties; tray service (meals) to apartments; activities charges, etc. The following table outlines miscellaneous revenues per resident day for the industry by type of senior housing.

Miscellaneous Income (Per Resident Day)			
	Lower Quartile	Median	Upper Quartile
Independent Living	$0.93	$1.84	$3.16
Assisted Living	$0.66	$1.42	$2.24
CCRC	$1.98	$3.83	$7.45

Source: State of Seniors Housing 2004: ASHA

Historical Miscellaneous Income	
31-Dec-02	$1.39
31-Dec-03	$1.64
31-Dec-04	$1.20
Average	$1.41
Forecast	**$1.80**

We have estimated the subject's miscellaneous income to be $1.80 per resident day, which is consistent with the historical average.

The following table presents the stabilized effective gross income forecast.

Effective Gross Revenue Forecast

	Units/Beds	Monthly Rent	Monthly Revenue	Annual Revenue
Independent Living				
Studio	8.0	2,240	17,920	215,040
One Bedroom	47.0	3,279	154,113	1,849,356
Two Bedroom	27.0	3,240	87,480	1,049,760
Totals/Averages	82.0	$3,166	$259,513	$3,114,156
ILF Occupancy Rate			91.7%	91.7%
Effective Gross Resident Rental Revenue			$237,868	$2,854,418
Assisted Living				
Studio	44.0	4,197	184,649	2,215,793
One Bedroom	4.0	4,557	18,226	218,716
Totals/Averages	48.0	$4,227	$202,876	$2,434,509
Totals/Averages	48.0	$4,227	$202,876	$2,434,509
ALF Occupancy Rate			93.0%	93.0%
Effective Gross Resident Rental Revenue			$188,688	$2,264,259
Special Care				
Private	24.0	4,920	118,076	1,416,912
Totals/Averages	24.0	$4,920	$118,076	$1,416,912
Totals/Averages	24.0	$4,920	$118,076	$1,416,912
SC Occupancy Rate			96.0%	96.0%
Effective Gross Resident Rental Revenue			$113,353	$1,360,236
Total Effective Resident Revenue (A)	142.8	$3,780	$539,909	$6,478,912
Total Potential Resident Revenue (B)	154.0	$3,769	$580,465	$6,966,577
Combined Occupancy Rate (1)				92.7558%
Effective Gross Revenue Ratio (2)				93.0133%
Total Effective Resident Revenue			$539,909	$6,478,912
Rent Concessions	0.00%		$0	$0
Entry-Fee Second Occupants	0.0	0	0	0
ILF Second Occupants	10.4	725	7,545	90,540
ALF Second Occupants	2.1	725	1,505	18,065
Admissions Fee Revenue			2,252	27,019
Entry Fees			0	0
Miscellaneous Income (Per Resident Day)	$1.80		8,509	102,113
Subtotal (C)			$19,811	$237,737
Effective Gross Revenue ((B + C) x 12)			$559,721	$6,716,649
Annual Potential Gross Revenue ((A + (C + 92.76%) x 12)				$7,221,880

(1) considers the occupancy rate
(2) considers the effective gross rental revenue as a ratio of potential gross rental revenue; effectively, (2) represents a weighted ratio reflecting differences in rent.

Expense Analysis:
The operating expenses of a senior housing facility include the cost of providing dietary, laundry, housekeeping, personal care (assisted living), marketing, activities (including transportation), physical maintenance, utilities, administration, off-site management, property taxes, and insurance. Under normal management and occupancy levels, these expenses represent 55.0 to 80.0 percent of the gross revenues.

Operating expenses will vary by facility, and are influenced by local labor market conditions, occupancy levels, levels of care (if assisted living is present), and quality of services. Facilities with higher occupancy rates enjoy greater economies of scale and tend to have lower per-unit variable and fixed expenses. Facilities offering elevated levels of care will

incur higher healthcare costs. Quality of service varies greatly among facilities. Most often, the private-pay facilities offer higher staffing ratios, more activities, and more expensive meals than facilities dependent chiefly on government subsidized income to fund their room and board.

In general terms, labor, utility costs, raw food costs, administration and management fees represent the largest operating expense categories. The number and type of staff employed by a facility varies greatly and depends on an array of factors, including state regulations, the number of residents, the resident's service requirements, and management style. Whether employed by the facility or contracted with outside agencies, necessary staff may include: direct-care staff, business and marketing managers, administrators, admissions advisors, physical therapists, nurses, activity directors, food service manager/staff, and maintenance personnel.

Expense Analysis by Department

In order to estimate the stabilized operating expenses for the subject facility, we have relied upon the actual historical expenses of the subject, and expenses for comparable facilities. On the preceding page, Table H-1 summarizes the historical operating expenses of the subject.

On the following pages, Table E-1 and E-2 summarizes the expenses for facilities that are considered comparable in structure (market served, services, etc.) as a percentage of effective gross income and on a per resident day basis; these expense statistics were compiled from financial statements for these comparable facilities. These expenses and the subject expenses are inflated to year-end December 20, 2006 dollars in order to make a more accurate comparison. Variations in salaries, wages and employee benefits between the subject property and the comparables have been accounted for utilizing the Center for Medicare and Medicaid published wage index by geographical location. Table E-3 presents additional comparative analysis showing the inflated expenses from Table E-3 in terms of the differentials between the subject expenses and the comparable means, minimums and maximums of the line item ranges, and standard deviations.

The following table identifies the facilities selected for the comparative expense analysis. Some operators have requested that the information be kept "Confidential," so we have only provided the locations.

Identification of the Facilities Selected for Comparable Expense Data

1	The Woodlands and Park Residences	Waterville, Maine
2	Prestwick Chase	Saratoga Springs, New York
3	Greystone Farms	Salem NH
4	Maple Village	Bloomfield Hills, Michigan
5	Woodlands of Brewer	Brewer, Maine
6	Holley Court Terrace	Oak Park, Illinois
7	Emerald Bay Manor	Cumberland, Rhode Island
8	The Heritage	Des Plaines, IL
9	Park Place	Kalamazoo, Michigan
10	Sakonnet Bay Manor	Tiverton, Rhode Island

Table E-1 Inflation Adjusted Comparable Expense Data Summary

Comparable Facility Number	1	2	3	4	5	6	7	8	9	10	Mean
Number of Units/Beds	129	183	0	95	69	179	138	256	98	175	132.2
Independent Living Units/Beds	39	159	65	75	0	161	62	227	0	95	88.3
Assisted Living Units/Beds	58	24	0	20	69	18	46	29	78	50	39.2
Special Care Units/Beds	32	0	0	0	0	0	0	0	20	0	5.2
Age of Building	1998	1999	2000	1999	2002	1992	1999	1993	1989	1998	1996.9
Occupancy Rate	91.4%	93.2%	95.3%	94.7%	85.8%	94.9%	97.8%	96.5%	99.6%	91.3%	94.0%
Private-Pay Mix	85.4%	100.0%	0.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	84.8%	87.0%
Second Occupant Percentage	0.0%	-76.0%	2.2%	0.0%	0.3%	9.6%	4.0%	6.9%	0.0%	0.3%	-5.3%
Resident Days	43,016	14,958	22,601	32,853	21,666	67,951	49,412	90,207	35,614	58,459	43,674
Occupied Units/Beds	117.9	170.6	61.9	90.0	59.2	169.9	135.0	238.6	97.6	159.7	130.0
Wage Index	0.8776	0.8996	0.9000	1.0448	0.9864	1.0848	1.0932	1.1146	1.0453	1.0932	1.0140
Reporting Period	06/30/05	12/31/04	12/31/04	07/31/03	06/30/05	03/31/05	12/31/04	12/31/01	12/31/03	12/31/04	
As A Percent Revenues											
General & Administrative	9.1%	9.8%	8.4%	6.0%	10.4%	7.3%	7.0%	5.2%	8.7%	6.8%	7.9%
Central Office / Management Fee	6.4%	0.1%	6.4%	0.0%	7.9%	5.1%	4.9%	5.0%	0.0%	4.9%	4.1%
Marketing & Activities	2.0%	6.7%	7.3%	2.0%	2.9%	3.6%	5.4%	9.1%	2.6%	6.3%	4.8%
Personal Care	20.3%	1.9%	21.7%	8.5%	18.2%	11.9%	24.5%	2.3%	42.3%	20.4%	17.2%
Maintenance and Repairs	4.2%	8.4%	2.5%	5.1%	3.2%	5.0%	2.9%	3.5%	2.3%	3.9%	4.1%
Dietary	8.6%	20.1%	12.8%	16.2%	8.0%	13.3%	13.6%	12.4%	11.1%	13.8%	13.0%
Housekeeping and Laundry	2.5%	5.9%	1.5%	3.4%	2.4%	2.9%	3.2%	2.5%	5.2%	2.9%	3.2%
Utilities	2.7%	7.9%	2.9%	4.4%	3.4%	6.9%	4.7%	4.7%	1.9%	5.3%	4.5%
Property & Liability Insurance	1.7%	1.9%	1.9%	1.8%	2.0%	0.8%	1.9%	0.6%	1.9%	2.3%	1.7%
Property Taxes	3.3%	3.5%	2.7%	4.7%	0.8%	11.6%	3.1%	1.8%	3.2%	4.1%	3.9%
Total Expenses	64.6%	66.2%	68.2%	52.0%	64.1%	68.2%	73.3%	47.2%	79.1%	72.5%	65.5%
Net Operating Income	35.6%	35.3%	33.1%	53.3%	39.2%	38.4%	35.4%	58.7%	30.1%	35.7%	39.5%

Table E-3 Details for the Operating Expense Comparables

Comparable Facility Number	1	2	3	4	5	6	7	8	9	10	Mean
Administrative and General											
Salaries and Wages	$3.02	$6.05	$6.87	$3.08	$2.09	$3.31	$2.94	$1.57	$3.27	$2.48	$3.47
Payroll Taxes & Employee Benefits	0.72	1.33	1.74	0.62	0.37	0.73	0.97	0.30	0.57	0.65	0.80
Other -- General & Administrative	6.21	3.94	5.06	2.07	7.11	2.09	3.18	2.38	2.41	3.77	3.82
Total General & Administrative	$9.94	$11.31	$13.68	$5.77	$9.57	$6.13	$7.08	$4.25	$6.25	$6.91	$8.09
Central Office / Management Fee	$7.04	$0.13	$10.57	$0.00	$7.47	$4.93	$5.67	$4.59	$0.00	$5.56	$4.60
Marketing & Activities											
Salaries and Wages	$1.04	$4.16	$7.25	$0.69	$1.41	$1.34	$2.29	$3.87	$0.66	$2.96	$2.57
Payroll Taxes & Employee Benefits	0.39	0.92	1.84	0.14	0.43	0.29	0.53	0.69	0.12	0.76	0.61
Advertising	0.57	2.40	1.13	0.94	0.59	1.26	1.32	1.51	-	1.56	1.13
Other -- Marketing & Activities	0.19	0.27	1.62	0.28	0.12	0.25	1.36	1.04	1.17	0.95	0.72
Total Marketing & Activities	$2.19	$7.75	$11.84	$2.05	$2.54	$3.14	$5.51	$7.11	$1.95	$6.23	$5.03
Personal Care											
Salaries and Wages	$16.92	$1.84	$27.99	$6.57	$11.95	$7.38	$17.84	$1.43	$24.77	$14.55	$13.12
Payroll Taxes & Employee Benefits	5.12	0.40	7.08	1.32	3.15	1.62	4.14	0.31	4.46	3.56	3.12
Contracted Services (Agency Staffing)	-	-	-	-	0.58	0.02	0.69	0.01	-	0.50	0.18
Other -- Personal Care	0.57	-	0.73	0.16	-	0.67	0.75	0.06	0.41	0.45	0.38
Total Personal Care	$22.61	$2.25	$35.81	$8.05	$15.68	$9.69	$23.42	$1.81	$29.63	$19.06	$16.80
Maintenance and Repairs											
Maintenance and Repair Items	$2.55	$3.31	$3.17	$2.82	$1.97	$1.35	$1.77	$1.33	$1.30	$2.56	$2.21
Salaries and Wages	1.60	5.48	0.79	1.85	0.70	2.32	0.99	1.20	0.37	1.14	1.64
Payroll Taxes & Employee Benefits	0.49	0.98	0.20	0.37	0.24	0.51	0.22	0.28	0.07	0.30	0.37
Total Maintenance and Repairs	$4.64	$9.77	$4.16	$5.04	$2.92	$4.19	$2.98	$2.81	$1.74	$4.00	$4.22
Dietary											
Salaries and Wages	$2.33	$9.84	$10.12	$8.18	$1.78	$5.27	$6.50	$4.50	$2.24	$6.43	$5.72
Payroll Taxes & Employee Benefits	0.66	2.74	3.20	1.64	0.44	1.16	1.50	0.70	0.40	1.58	1.40
Raw Food	5.53	9.65	5.88	5.46	4.55	3.87	4.99	4.07	5.30	4.92	5.42
Other -- Dietary	0.84	1.15	1.52	0.38	0.55	1.14	0.62	0.72	0.46	0.62	0.80
Total Dietary	9.36	23.37	20.72	15.65	7.32	11.45	13.61	9.99	8.40	13.55	13.34
Housekeeping and Laundry											
Salaries and Wages	$1.24	$4.76	$1.53	$1.82	$1.06	$1.48	$1.65	$1.22	$2.42	$1.57	$1.87
Payroll Taxes & Employee Benefits	0.49	0.99	0.39	0.36	0.27	0.33	0.39	0.34	0.42	0.41	0.44
Other -- Housekeeping and Laundry	1.03	0.98	0.47	1.03	0.79	0.57	1.18	0.36	0.79	0.83	0.80
Total Housekeeping and Laundry	$2.75	$6.74	$2.38	$3.21	$2.12	$2.38	$3.22	$1.92	$3.63	$2.81	$3.12
Utilities											
Gas	$1.48	$3.56	$1.86	$0.89	$1.55	$3.68	$0.80	$1.12	$0.00	$1.23	$1.62
Electric	1.07	3.56	1.89	2.90	1.13	1.84	3.40	2.73	1.57	3.75	2.38
Water and Sewer	0.37	1.16	1.03	0.41	0.54	0.45	1.02	0.47	-	0.73	0.62
Other Utilities/Cable Television	0.05	1.00	-	0.57	(0.01)	0.72	0.18	0.00	-	0.32	0.28
Total Utilities	$2.97	$9.28	$4.78	$4.76	$3.20	$6.68	$5.40	$4.32	$1.57	$6.03	$4.90
Property & Liability Insurance	$1.87	$2.19	$3.21	$1.92	$1.90	$0.78	$2.19	$0.55	$1.52	$2.62	$1.87
Property Taxes	$3.62	$4.15	$4.53	$5.02	$0.72	$11.27	$3.52	$1.67	$2.60	$4.64	$4.17
Total Operating Expenses	$ 71.06	$ 76.94	$ 111.67	$ 51.49	$ 57.97	$ 60.64	$ 75.00	$ 39.02	$ 57.28	$ 73.43	$ 67.45
Total Effective Gross Revenue	$ 110.29	$ 118.97	$ 167.00	$ 110.19	$ 95.41	$ 98.46	$ 116.13	$ 94.59	$ 81.91	$ 114.13	$ 110.71
Net Operating Income	$ 39.23	$ 42.03	$ 55.33	$ 58.70	$ 37.45	$ 37.83	$ 41.14	$ 55.56	$ 24.63	$ 40.70	$ 43.26

Table E-3 Comparative Analysis of Inflation-Adjusted Expenses

Departmental Expenses	Dec-04 Subject	Differential	Comparable Facility Expenses Mean	Low	High	Standard Deviation
General & Administrative	$8.12	$0.03	$8.09	$4.25	$13.68	$2.93
Central Office / Management Fee	8.60	4.00	4.60	0.00	10.57	3.56
Marketing & Activities	8.28	3.25	5.03	1.95	11.84	3.26
Personal Care	26.55	9.74	16.80	1.81	35.81	11.42
Maintenance and Repairs	4.59	0.36	4.22	1.74	9.77	2.19
Dietary	19.63	6.29	13.34	7.32	23.37	5.29
Housekeeping and Laundry	5.78	2.66	3.12	1.92	6.74	1.38
Utilities	6.06	1.16	4.90	1.57	9.28	2.16
Property & Liability Insurance	4.68	2.80	1.87	0.55	3.21	0.79
Property Taxes	4.48	0.31	4.17	0.72	11.27	2.84
Total Expenses	$96.76	$29.31	$67.45	$21.84	$140.04	

A general description of the cost items included in each of the general expense categories, as broken down by management, is summarized in the following paragraphs. Each expense category includes a table that presents: the inflation-adjusted 2004 and year-to-date 2005 (annualized) expenses for the subject; the inflation-adjusted mean, lows and highs for the expense comparable properties; and the forecasted stabilized operating expenses for the subject. Personal care costs are inflation adjusted at 3.5 percent. Indirect costs are inflation adjusted at 2.3 percent. In general, the historical expenses are given emphasis over the comparable expenses.

Administrative and General: This category includes the wages of the executive director, the assistant director, and the office clerks, as well as business supplies, telephone costs, postage, legal fees, travel, accounting, and other professional fees.

General & Administrative	$ PRD	% of Rev	Total
Salaries and Wages			
Subject, YE Dec 31, 2003	$5.89	4.6%	$302,652
Subject, YE Dec 31, 2004	$3.74	2.6%	$183,093
Inflation Adjusted Comparable Mean	$3.47	3.5%	
Inflation Adjusted Comparable Low	$1.57	2.2%	
Inflation Adjusted Comparable High	$6.87	5.3%	
Forecasted: Salaries and Wages	$3.75	3.2%	$212,604
Payroll Taxes & Employee Benefits			
Subject, YE Dec 31, 2003	$0.94	0.7%	$48,375
Subject, YE Dec 31, 2004	$0.63	0.4%	$30,809
Inflation Adjusted Comparable Mean	$0.80	0.8%	
Inflation Adjusted Comparable Low	$0.30	0.4%	
Inflation Adjusted Comparable High	$1.74	1.2%	
Forecasted: Payroll Taxes & Employee Benefits	$0.68	0.6%	$38,269
Other -- General & Administrative			
Subject, YE Dec 31, 2003	$5.32	4.2%	$273,465
Subject, YE Dec 31, 2004	$3.75	2.6%	$183,581
Inflation Adjusted Comparable Mean	$3.62	3.5%	
Inflation Adjusted Comparable Low	$2.07	1.9%	
Inflation Adjusted Comparable High	$7.11	7.5%	
Forecasted: Other -- General & Administrative	$3.75	3.2%	$212,604
Total General & Administrative			
Subject, YE Dec 31, 2003	$12.14	9.6%	$624,492
Subject, YE Dec 31, 2004	$8.12	5.5%	$397,483
Inflation Adjusted Comparable Mean	$8.09	7.9%	
Inflation Adjusted Comparable Low	$4.25	5.2%	
Inflation Adjusted Comparable High	$13.68	10.4%	
Forecasted: Total General & Administrative	**$8.18**	**6.9%**	**$463,477**

Central Office / Management Fee: This expense category includes overall supervision, financial services, long-range planning and governmental relations; these services are generally conducted off premises at corporate offices. The cost for management services is usually based on a percentage of gross revenue. According to a survey of our clients who include several of the largest operators in the nation, typical management expenses before business profit will approximate 5.0 to 7.0 percent of gross revenues. The 2.0 percent spread in the management fees typically correlates to the size of a facility and, more importantly, its revenues. Industry data, supplied by **The State of Seniors Housing 2004**, is profiled below.

Management Fees as a Percentage of Total Revenues by Community Type

	Lower Quartile	Median	Upper Quartile
Independent Living	5.0%	5.0%	6.0%
Assisted Living	4.9%	5.0%	6.0%
CCRC	2.2%	4.3%	5.9%
All Communities	4.4%	5.0%	6.0%

Source: State of Seniors Housing 2004: ASHA

An inverse relationship exists: higher revenues -- lower management fee, and lower revenues -- higher management fee. A management fee of 3.8 percent of effective gross revenue is considered reasonable for the subject independent living, assisted living, and special care facility.

Central Office / Management Fee	$ PRD	% of Rev	Total
Subject, YE Dec 31, 2003	$7.45	5.9%	$382,883
Subject, YE Dec 31, 2004	$8.60	5.9%	$420,700
Inflation Adjusted Comparable Mean	$4.60	4.1%	
Inflation Adjusted Comparable Low	$0.00	0.0%	
Inflation Adjusted Comparable High	$10.57	7.9%	
Forecasted: Central Office / Management Fee	**$4.50**	**3.8%**	**$255,125**

Marketing and Activities: This category may include the wages of a marketing director, employee benefits, advertising plus miscellaneous supplies. Typically, marketing costs are high in the initial absorption, but as occupancy stabilizes, management typically minimizes marketing costs as much as possible without effecting occupancy. Our projection includes the cost of a marketing director and adequate support staff. The subject is an independent living, assisted living, and special care facility and the marketing costs will typically be much higher during the initial absorption than at a stabilized level of operations. We are projecting a stabilized marketing expense, which is based primarily on the expense comparable data, which has been derived from other similar, stabilized independent living, assisted living, and special care properties.

Activities include the wages of an activities director, employee benefits, transportation expense, plus supplies for activities. Activities provide programs responsive to the spiritual, social, and recreational needs of patients. Consistent with the philosophy of independent and assisted living,

almost all facilities offer organized activities for residents. In addition, four out of five facilities offer exercise classes and intergenerational programs. As the industry becomes more innovative in finding ways to improve the overall quality of life for assisted living residents, the number and variety of activities and services will almost certainly expand.

Marketing & Activities	$ PRD	% of Rev	Total
Salaries and Wages			
Subject, YE Dec 31, 2003	$0.92	0.7%	$47,300
Subject, YE Dec 31, 2004	$2.10	1.4%	$102,586
Inflation Adjusted Comparable Mean	$2.57	2.5%	
Inflation Adjusted Comparable Low	$0.66	0.8%	
Inflation Adjusted Comparable High	$7.25	5.4%	
Forecasted: Salaries and Wages	$1.85	1.6%	$104,885
Payroll Taxes & Employee Benefits			
Subject, YE Dec 31, 2003	$0.15	0.1%	$7,560
Subject, YE Dec 31, 2004	$0.39	0.3%	$19,070
Inflation Adjusted Comparable Mean	$0.61	0.6%	
Inflation Adjusted Comparable Low	$0.12	0.2%	
Inflation Adjusted Comparable High	$1.84	1.1%	
Forecasted: Payroll Taxes & Employee Benefits	$0.33	0.3%	$18,679
Advertising			
Subject, YE Dec 31, 2003	$1.07	0.8%	$55,088
Subject, YE Dec 31, 2004	$0.74	0.5%	$36,357
Inflation Adjusted Comparable Mean	$1.13	1.0%	
Inflation Adjusted Comparable Low	$0.00	0.0%	
Inflation Adjusted Comparable High	$2.40	2.0%	
Forecasted: Advertising	$0.80	0.7%	$45,356
Other -- Marketing & Activities			
Subject, YE Dec 31, 2003	$3.16	2.5%	$162,677
Subject, YE Dec 31, 2004	$5.05	3.4%	$247,173
Inflation Adjusted Comparable Mean	$0.72	0.7%	
Inflation Adjusted Comparable Low	$0.12	0.1%	
Inflation Adjusted Comparable High	$1.62	1.5%	
Forecasted: Other -- Marketing & Activities	$1.70	1.4%	$96,381
Total Marketing & Activities			
Subject, YE Dec 31, 2003	$5.30	4.2%	$272,625
Subject, YE Dec 31, 2004	$8.28	5.6%	$405,187
Inflation Adjusted Comparable Mean	$5.03	4.8%	
Inflation Adjusted Comparable Low	$1.95	2.0%	
Inflation Adjusted Comparable High	$11.84	9.1%	
Forecasted: Total Marketing & Activities	**$4.68**	**4.0%**	**$265,500**

Personal Care: This expense category varies greatly among assisted living facilities. It includes the wages for nurses and nurses' aides, and some medical supplies.

State regulations generally prohibit assisted living facilities from admitting new residents who require a level or type of service the facility is not capable of providing with appropriately trained staff, or otherwise accessing the staff through contracted services. In some states, assisted living residences are prohibited from providing certain types of higher acuity care. Beyond state regulations, the level of personal care/healthcare services varies due to management style, market conditions, and consumer preferences.

Further variances in nursing/healthcare expenses can be attributed to Alzheimer's/dementia care, which generally requires a higher level of supervision, and a higher staffing level of lower-wage nursing staff (aides). The subject currently offers healthcare services that are in line with the market and consistent with the comparable expenses.

Personal care costs are summarized and forecasted in the following table.

Personal Care	$ PRD	% of Rev	Total
Salaries and Wages			
Subject, YE Dec 31, 2003	$22.90	17.5%	$1,137,477
Subject, YE Dec 31, 2004	$21.73	14.5%	$1,039,179
Inflation Adjusted Comparable Mean	$13.12	13.6%	
Inflation Adjusted Comparable Low	$1.43	1.6%	
Inflation Adjusted Comparable High	$27.99	35.4%	
Forecasted: Salaries and Wages	$20.00	16.9%	$1,133,889
Payroll Taxes & Employee Benefits			
Subject, YE Dec 31, 2003	$3.66	2.8%	$181,814
Subject, YE Dec 31, 2004	$4.10	2.7%	$195,954
Inflation Adjusted Comparable Mean	$3.12	3.1%	
Inflation Adjusted Comparable Low	$0.31	0.3%	
Inflation Adjusted Comparable High	$7.08	6.4%	
Forecasted: Payroll Taxes & Employee Benefits	$3.60	3.0%	$204,100
Contracted Services (Agency Staffing)			
Subject, YE Dec 31, 2003	$0.34	0.3%	$17,020
Subject, YE Dec 31, 2004	$0.03	0.0%	$1,420
Inflation Adjusted Comparable Mean	$0.18	0.2%	
Inflation Adjusted Comparable Low	$0.00	0.0%	
Inflation Adjusted Comparable High	$0.69	0.6%	
Forecasted: Contracted Services (Agency Staffing)	$0.00	0.0%	$0
Other -- Personal Care			
Subject, YE Dec 31, 2003	$0.62	0.5%	$30,610
Subject, YE Dec 31, 2004	$0.69	0.5%	$32,928
Inflation Adjusted Comparable Mean	$0.38	0.3%	
Inflation Adjusted Comparable Low	$0.00	0.0%	
Inflation Adjusted Comparable High	$0.75	0.7%	
Forecasted: Other -- Personal Care	$0.55	0.5%	$31,182
Total Personal Care			
Subject, YE Dec 31, 2003	$27.52	21.0%	$1,366,921
Subject, YE Dec 31, 2004	$26.55	17.7%	$1,269,481
Inflation Adjusted Comparable Mean	$16.80	17.2%	
Inflation Adjusted Comparable Low	$1.81	1.9%	
Inflation Adjusted Comparable High	$35.81	42.3%	
Forecasted: Total Personal Care	**$24.15**	**20.4%**	**$1,369,171**

Maintenance and Repair: This category includes wages for maintenance staff, contract and outside services, supplies, and other routine maintenance costs. We have deducted those maintenance costs associated with capital expenditures. These costs are reflected in the category: reserves for replacement. Maintenance and repair expenses will vary depending on the age and level of deterioration of the structural and mechanical components and the average number of square feet per unit. These expenses are relatively fixed, and fluctuations in the occupancy should have a minor effect on the total expenses. Generally, newer facilities achieve lower per unit expenses.

Maintenance and Repairs	$ PRD	% of Rev.	Total
Salaries and Wages			
Subject, YE Dec 31, 2003	$2.23	1.8%	$114,810
Subject, YE Dec 31, 2004	$2.45	1.7%	$119,846
Inflation Adjusted Comparable Mean	$1.64	1.7%	
Inflation Adjusted Comparable Low	$0.37	0.5%	
Inflation Adjusted Comparable High	$5.48	4.8%	
Forecasted: Salaries and Wages	$2.25	1.9%	$127,563
Payroll Taxes & Employee Benefits			
Subject, YE Dec 31, 2003	$0.36	0.3%	$18,351
Subject, YE Dec 31, 2004	$0.42	0.3%	$20,392
Inflation Adjusted Comparable Mean	$0.37	0.4%	
Inflation Adjusted Comparable Low	$0.07	0.1%	
Inflation Adjusted Comparable High	$0.98	0.9%	
Forecasted: Payroll Taxes & Employee Benefits	$0.41	0.3%	$22,861
Maintenance and Repair Items			
Subject, YE Dec 31, 2003	$2.22	1.8%	$114,263
Subject, YE Dec 31, 2004	$2.01	1.4%	$98,320
Inflation Adjusted Comparable Mean	$2.21	2.0%	
Inflation Adjusted Comparable Low	$1.30	1.4%	
Inflation Adjusted Comparable High	$3.31	2.6%	
Forecasted: Maintenance and Repair Items	$2.15	1.8%	$121,893
Total Maintenance and Repairs			
Subject, YE Dec 31, 2003	$4.81	3.6%	$247,424
Subject, YE Dec 31, 2004	$4.88	3.3%	$238,558
Inflation Adjusted Comparable Mean	$4.22	4.1%	
Inflation Adjusted Comparable Low	$1.74	2.3%	
Inflation Adjusted Comparable High	$9.77	8.4%	
Forecasted: Total Maintenance and Repairs	**$4.81**	**4.1%**	**$272,417**

Dietary: This expense department includes the cost of raw food, staff wages, supplies, maintenance and consulting fees. Raw food costs will typically represent 40.0 to 50.0 percent of the total expense. According to The State of Seniors Housing: 2004, raw food costs for assisted living facilities are generally lower than that for congregate care facilities. This difference, which is also consistent with past surveys, may be due to the fact that most assisted living facilities provide three meals per day and thus can achieve economies of scale in food purchasing. We have isolated the forecasted raw food costs of the subject against the regional average for assisted living facilities. Based on this calculation the raw food costs of the subject are reasonable.

Median Raw Food Costs Per Resident Day
By Type of Senior Housing

Region	ILF Cost Per Meal	ALF Cost Per Meal	CCRC Per Meal
Northeast	$4.52	$5.29	$5.46
Southeast	$4.74	$5.27	$5.02
North Central	$4.43	$4.38	$4.88
South Central	$5.16	$5.05	$4.87
West	$4.78	$5.51	$5.27
Entire U.S.	$4.73	$5.06	$5.12

	Historical	Forecasted
Subject Raw Food Costs	$331,223	$382,888
Resident Days	48,932	56,694
Raw Food Cost PRD	$6.77	$6.75

Source: State of Seniors Housing 2004: ASHA; Inflation Adjusted to Year One

According to the National Center for Assisted Living (1998) almost all assisted living facilities (93.0 percent) offer three meals per day with snacks. In fact, many states mandate the provision of three meals per day. The number of meals offered at independent living facilities ranges from one to three. Dietary expenses are often higher in facilities that attract high proportions of private-pay patients. This expense category should be fairly stable, as long as the occupancy level remains stable as well, inflation aside.

Dietary	$ PPD	% of Rev	Total
Salaries and Wages			
Subject, YE Dec 31, 2003	$8.11	6.4%	$417,204
Subject, YE Dec 31, 2004	$9.50	6.5%	$464,737
Inflation Adjusted Comparable Mean	$5.72	5.8%	
Inflation Adjusted Comparable Low	$1.78	2.1%	
Inflation Adjusted Comparable High	$10.12	9.0%	
Forecasted: Salaries and Wages	$6.50	5.5%	$368,514
Payroll Taxes & Employee Benefits			
Subject, YE Dec 31, 2003	$1.30	1.0%	$66,686
Subject, YE Dec 31, 2004	$1.72	1.2%	$84,255
Inflation Adjusted Comparable Mean	$1.40	1.4%	
Inflation Adjusted Comparable Low	$0.40	0.5%	
Inflation Adjusted Comparable High	$3.20	2.4%	
Forecasted: Payroll Taxes & Employee Benefits	$1.17	1.0%	$66,333
Raw Food			
Subject, YE Dec 31, 2003	$6.65	5.3%	$342,164
Subject, YE Dec 31, 2004	$6.77	4.6%	$331,223
Inflation Adjusted Comparable Mean	$5.42	5.0%	
Inflation Adjusted Comparable Low	$3.87	3.6%	
Inflation Adjusted Comparable High	$9.65	8.2%	
Forecasted: Raw Food	$6.75	5.7%	$382,688
Other -- Dietary			
Subject, YE Dec 31, 2003	$1.39	1.1%	$71,279
Subject, YE Dec 31, 2004	$1.64	1.1%	$80,276
Inflation Adjusted Comparable Mean	$0.80	0.7%	
Inflation Adjusted Comparable Low	$0.38	0.4%	
Inflation Adjusted Comparable High	$1.52	1.2%	
Forecasted: Other -- Dietary	$1.30	1.1%	$73,703
Total Dietary			
Subject, YE Dec 31, 2003	$17.45	13.8%	$897,333
Subject, YE Dec 31, 2004	$19.63	13.4%	$960,491
Inflation Adjusted Comparable Mean	$13.34	13.0%	
Inflation Adjusted Comparable Low	$7.32	8.0%	
Inflation Adjusted Comparable High	$23.37	20.1%	
Forecasted: Total Dietary	**$15.72**	**13.3%**	**$891,237**

Housekeeping and Laundry: This category, which is fairly self-explanatory, includes supplies, salaries, and employee benefits. Most independent and assisted living facilities offer housekeeping services and laundry services to residents, both for facility items (linens) and for resident clothing and belongings. In addition, almost two-thirds of all independent and assisted living facilities provide washers and dryers for resident use, either instead of or in addition to the laundry services provided by the facility. The level of occupancy and the size efficiency significantly affect this relatively fixed per-patient-day expense. Under stabilized conditions, these expenses should remain stable relative to inflation.

Housekeeping and Laundry	$ PPD	% of Rev	Total
Salaries and Wages			
Subject, YE Dec 31, 2003	$4.35	3.4%	$223,687
Subject, YE Dec 31, 2004	$4.44	3.0%	$217,405
Inflation Adjusted Comparable Mean	$1.87	2.0%	
Inflation Adjusted Comparable Low	$1.06	0.8%	
Inflation Adjusted Comparable High	$4.76	4.2%	
Forecasted: Salaries and Wages	$3.65	3.1%	$206,935
Payroll Taxes & Employee Benefits			
Subject, YE Dec 31, 2003	$0.70	0.5%	$35,749
Subject, YE Dec 31, 2004	$0.79	0.5%	$38,832
Inflation Adjusted Comparable Mean	$0.44	0.5%	
Inflation Adjusted Comparable Low	$0.27	0.2%	
Inflation Adjusted Comparable High	$0.99	0.9%	
Forecasted: Payroll Taxes & Employee Benefits	$0.66	0.6%	$37,248
Other -- Housekeeping and Laundry			
Subject, YE Dec 31, 2003	$0.53	0.4%	$27,478
Subject, YE Dec 31, 2004	$0.54	0.4%	$26,499
Inflation Adjusted Comparable Mean	$0.60	0.8%	
Inflation Adjusted Comparable Low	$0.36	0.3%	
Inflation Adjusted Comparable High	$1.18	1.0%	
Forecasted: Other -- Housekeeping and Laundry	$0.50	0.4%	$28,347
Total Housekeeping and Laundry			
Subject, YE Dec 31, 2003	$5.58	4.4%	$286,914
Subject, YE Dec 31, 2004	$5.78	3.9%	$282,736
Inflation Adjusted Comparable Mean	$3.12	3.2%	
Inflation Adjusted Comparable Low	$1.92	1.5%	
Inflation Adjusted Comparable High	$6.74	5.9%	
Forecasted: Total Housekeeping and Laundry	**$4.81**	**4.1%**	**$272,530**

Utilities: This category includes the costs of electricity, natural gas, cable T.V., and propane. These expenses are relatively fixed, and fluctuations in the occupancy should have a minor effect on the total expenses. Generally, newer facilities with cost-efficient HVAC systems and high occupancies achieve lower per-occupied-unit expenses. We believe that the utility costs of the subject facility should approximate its inflation-adjusted historical level at stabilized occupancy.

Utilities	$ PPD	% of Rev	Total
Gas			
Subject, YE Dec 31, 2003	$1.66	1.5%	$95,480
Subject, YE Dec 31, 2004	$2.61	1.9%	$137,484
Inflation Adjusted Comparable Mean	$1.62	1.5%	
Inflation Adjusted Comparable Low	$0.00	0.0%	
Inflation Adjusted Comparable High	$3.66	3.8%	
Forecasted: Gas	$2.20	1.9%	$124,728
Electric			
Subject, YE Dec 31, 2003	$1.47	1.2%	$75,435
Subject, YE Dec 31, 2004	$1.51	1.0%	$74,011
Inflation Adjusted Comparable Mean	$2.38	2.2%	
Inflation Adjusted Comparable Low	$1.07	1.0%	
Inflation Adjusted Comparable High	$3.75	3.3%	
Forecasted: Electric	$1.75	1.5%	$99,215
Water and Sewer			
Subject, YE Dec 31, 2003	$0.91	0.7%	$46,580
Subject, YE Dec 31, 2004	$1.09	0.7%	$53,394
Inflation Adjusted Comparable Mean	$0.62	0.5%	
Inflation Adjusted Comparable Low	$0.00	0.0%	
Inflation Adjusted Comparable High	$1.16	1.0%	
Forecasted: Water and Sewer	$1.00	0.8%	$56,694
Other Utilities/Cable Television			
Subject, YE Dec 31, 2003	$0.86	0.7%	$44,415
Subject, YE Dec 31, 2004	$0.64	0.4%	$31,523
Inflation Adjusted Comparable Mean	$0.28	0.3%	
Inflation Adjusted Comparable Low	($0.01)	0.0%	
Inflation Adjusted Comparable High	$1.00	1.0%	
Forecasted: Other Utilities/Cable Television	$0.60	0.5%	$34,017
Total Utilities			
Subject, YE Dec 31, 2003	$5.09	4.0%	$261,910
Subject, YE Dec 31, 2004	$6.06	4.1%	$296,412
Inflation Adjusted Comparable Mean	$4.90	4.5%	
Inflation Adjusted Comparable Low	$1.57	1.9%	
Inflation Adjusted Comparable High	$9.28	7.9%	
Forecasted: Total Utilities	**$5.55**	**4.7%**	**$314,654**

Property Taxes and Insurance (Property and Liability): The property taxes were given a more complete discussion in the descriptive section of this report.

Maine has started to feel the brunt of the liability insurance crisis facing the long-term care industry nationally. Negligence cases in Florida, Texas, and California began a trend of poor loss results for insurance companies, raising a red flag for the industry. General liability and professional liability premiums increased by 266.4 percent between 1999 and 2002 and by 56.6 percent between 2001 and 2002. Between 2003 and 2004 primary and excess insurance costs increased by 9.0 percent. These increases are primarily due to a volatile legal environment and the

subsequent move by many insurance companies not to provide such coverage moving forward. One of the largest providers of LTC liability insurance, St. Paul, decided to pull out of the business nationwide on March 8, 2002. Hartford another national provider of LTC Liability insurance ceased providing LTC G&P insurance in early 2003. Most recent trends indicate a primary and excess liability insurance cost that began to stabilize in 2004. The reasons for this stabilization are:

- Rapid implementation of state-by-state tort reforms and damage caps
- Rates have increased enough to provide adequate risk/returns for insurance carriers
- Reduction in market share to insurance carriers due to very large self-insured retentions, captives and risk retention groups
- Substantial increase in deductibles
- Implementation of risk management strategies by operators

In order to gain a clear picture of the current liability insurance market, we have reviewed and analyzed the *2004 Seniors Housing Liability Insurance Report,* published by the *American Seniors Housing Association*. This report is based on a survey of 69 operators with over 202,809 senior housing units. The respondents fell into three general categories: independent living providers, assisted living providers and skilled/dementia care. None of the respondents operated freestanding nursing facilities. However, the key element of the survey was that over 80.0 percent of the respondents had renewed their policies within the last three years.

According to the survey, 44.0 percent of LTC liability insurance is provided by three national insurance companies with the remaining 54.0 of the providers consisting of regional and local carries and self-insured operators as summarized in the following table.

Top Three LTC Liability Insurance Providers

Provider	% of Respondents
CNA	24.0%
AIG	12.0%
Colony, Lloyds of London	8.0%

There are two general liability insurance coverage policies: general liability and professional liability (G&P) and umbrella or excess liability insurance. Of the respondents, almost all operators carry G&P insurance and over 80.0 percent of the respondents also carried excess liability insurance. Based on this information, the typical provider has G&P coverage with an excess liability insurance policy. The following table summarizes the liability limits and deductibles for these two coverages.

Liability Limits and Deductibles by Policy

G&P Liability Limits and Deductibles	Lower Quartile	Median	Upper Quartile
Per Occurrence	$1,000,000	$1,000,000	$1,000,000
Policy Aggregate	3,000,000	3,000,000	3,000,000
Deductible	0	25,000	100,000
Umbrella or Excess Liability Limits			
Per Occurrence	2,000,000	5,000,000	10,000,000
Policy Aggregate	$2,500,000	$5,000,000	$10,000,000

The following table summarizes the cost per unit for G&P insurance. Florida, Texas and California have been a hotbed for excessive lawsuits and rewards by juries and, as such, premiums are higher in these regions of the country.

G&P Cost per Unit by Ownership Status and Region

Region & Property Type	Mean
Florida	
Independent Living	$160.00
Assisted Living	780.00
Skilled Nursing	1,988.00
Texas	
Independent Living	855.00
Assisted Living	711.00
Skilled Nursing	1,179.00
California	
Independent Living	489.00
Assisted Living	645.00
Skilled Nursing	847.00
Non-Hot-Button States	
Independent Living	159.00
Assisted Living	423.00
Skilled Nursing	$663.00

Upper Quartile for FL, TX, CA extrapolated from Non-Hot-Button States

The subject facility is located in Maine, which is not a hot-bed state.

The following table summarizes the cost per unit for umbrella or excess liability insurance.

Umbrella or Excess Liability Cost per Unit

Region	Mean
All Respondents	$212.00
Florida	199.00
Texas	193.00
California	251.00
Non-Hot-Button States	$182.00

Property insurance is a nominal cost, but it can vary greatly among facilities. We have relied on the historical costs with some consideration of the comparable data.

A G&P/excess liability and property insurance cost per unit of $1,012 is forecasted, which corresponds to the region and the distribution of

independent living, assisted living, and special care units for the subject facility.

Property & Liability Insurance	$ PPD	% of Rev	Total
Subject, YE Dec 31, 2003	$5.88	4.6%	$302,619
Subject, YE Dec 31, 2004	$4.68	3.2%	$228,785
Inflation Adjusted Comparable Mean	$1.67	1.7%	
Inflation Adjusted Comparable Low	$0.55	0.6%	
Inflation Adjusted Comparable High	$3.21	2.3%	
Forecasted: Property & Liability Insurance	$2.75	2.3%	$155,910

Reserves for Replacement: Reserves for replacing short-lived building components and furniture, fixtures, and equipment are usually established to even out cash flows over the course of the investment. Replacing HVAC equipment, installing new carpeting, and resurfacing of the parking lot, etc., involve substantial capitalized costs that do not occur on a consistent basis. Therefore, establishing a reserve for these eventual costs is considered prudent. We have estimated reserves for replacement at $300 per unit/bed.

Income Statement – Autumn I

Based on the foregoing analyses of revenue and operating expenses, the stabilized net operating income is calculated as follows.

Table P-1 Estimated Income and Expenses of the Subject -- Year One of the Forecast

Calculation of Annual Resident Days:					
Number of Units/Beds			154		
Occupied Units/Beds			142.8		
Occupancy Rate			92.8%		
Estimated Resident Days (Includes Second Occupants)			56,694		
Revenue	Units/Beds	Occupancy Rate	Occupied Units/Beds	Average Monthly Rates	Annual Revenues
Independent Living	82.0	91.7%	75.2	$3,164.79	$2,854,418
Assisted Living	48.0	93.0%	44.6	4,226.58	2,264,259
Special Care	24.0	96.0%	23.0	4,919.83	1,360,236
Subtotal	154.0	92.8%	142.8	$3,779.71	$6,478,912
Rent Concessions					$0
IL Second Occupant			10.4	725.00	90,540
AL Second Occupant			2.1	725.00	18,065
Admission/Community Fees					27,019
Miscellaneous Income					102,113
Subtotal					$237,737
Total Effective Gross Revenue					$6,716,649
Departmental Expenses			% of Rev	$ PRD	Expenses
General & Administrative			6.9%	$8.18	$463,477
Central Office / Management Fee			3.8%	4.50	255,125
Marketing & Activities			4.0%	4.68	265,500
Personal Care			20.4%	24.15	1,369,171
Maintenance and Repairs			4.1%	4.81	272,417
Dietary			13.3%	15.72	891,237
Housekeeping and Laundry			4.1%	4.81	272,530
Utilities			4.7%	5.55	314,654
Property & Liability Insurance			2.3%	2.75	155,910
Property Taxes			1.9%	2.29	130,005
Reserves for Replacements			0.7%	0.81	46,200
Total Expenses			66.0%	$78.25	$4,436,227
Net Operating Income			34.0%	$40.22	$2,280,421

Direct Income Capitalization Process

Capitalization is simply the conversion of income to value. The direct capitalization method converts a single year's income expectancy into a value indication. This method does not distinguish between the return on and the return of capital. Because the overall rate is derived from similar investment properties, a satisfactory return on and of capital is inherent in the capitalization process.

The overall capitalization rate reflects current market rates of return on similar property investments. This rate incorporates the following.

1. A return on the equity investment;
2. Debt service;
3. Principal build-up;
4. Anticipated changes in income and value;
5. Recapture of depreciating components of the property;
6. Physical quality of the property; and
7. Other economic factors.

Direct capitalization may be based on several revenue and income sources that require respective multipliers and rates to convert to value. Income sources typically include: potential gross income, effective gross income, net operating income, equity income and mortgage income. The respective multipliers and rates for each of these income sources are: potential gross income multiplier (PGIM); effective gross income multiplier (EGIM); overall capitalization rate (R_o); equity capitalization rate, or equity dividend rate (R_e); and mortgage capitalization rate (R_m).

In this instance, the following capitalization techniques are applied.

1. Direct Overall Capitalization -- Based on comparable sale data.
2. Band of Investment -- Applying mortgage and equity rates.
3. Debt Service Coverage Method -- Applying debt coverage ratio.

Direct Overall Capitalization Method

Our valuation model provides a detailed analysis that quantifies net operating income. The application of the overall capitalization rate considers the quality, or risk, associated with that income. The following table summarizes recent industry statistics for capitalization rates by senior housing type.

Direct Capitalization Rate Industry Statistics by Type of Senior Housing

Property Type	Low	High	Average
Senior Apartments	6.5%	9.0%	8.0%
Independent Living	7.0%	10.5%	9.0%
Assisted Living	8.0%	12.0%	10.1%
Alzheimer/Dementia Care	9.0%	13.0%	11.0%
Skilled Nursing Facilities	11.0%	15.0%	12.6%
Skilled Nursing -- Subacute Facility	11.0%	17.5%	13.3%
Continuum of Care Facilities	9.0%	12.0%	10.5%

Source: Spring 2005 Senior Housing Investment Survey: Senior Living Valuation Services

Property Type	Low	High	Average
Independent Living	7.0%	10.5%	8.2%
Assisted Living	7.3%	105.0%	8.2%
Skilled Nursing Facilities	8.1%	14.5%	12.9%
Continuum of Care Facilities	7.5%	10.0%	8.6%

Source: National Investment Conference: Quarter Ending 6/30/05

As can be seen from the industry data, a direct relationship exists between the level of services and care provided and risk. As the level of care and services increase, the risk increases.

A summary of several overall capitalization rates derived from recent sales of comparable facilities is presented in the following table.

Summary of Comparable Sale Overall Capitalization Rates

Sale Number	Effective Year Built	Sale Price	N.O.I.	Overall Rate
One	1999	$3,800,000	$410,000	10.8%
Two	1999	4,290,000	503,394	11.7%
Three	2001	6,600,000	628,800	9.5%
Four	1997	6,900,000	630,047	9.1%
Five	2000	11,455,000	1,476,559	12.9%
Totals/Averages		$33,045,000	$3,648,800	11.0%
Benchmark Portfolio		148,000,000	12,403,714	8.4%
Brookstone Portfolio		54,100,000	5,452,209	10.1%
Totals/Average with Portfolio		$235,145,000	$21,504,723	9.1%
Arithmetic Mean -- Excluding Portfolio Sales				10.8%
Weighted Mean -- Excluding Portfolio Sales				11.0%
Median				10.8%
Low				9.1%
High				12.9%

Additional information concerning these sales is presented in the sale data section. The sale prices are adjusted to reflect a cash equivalent price and surplus land, if necessary. Adjustments are made to portray forecasted stabilized revenue and expenses and to show inclusions for reserves for replacements of $300 per unit/bed.

The net operating income of independent and assisted living facilities can fluctuate from year-to-year since the operating margins are relatively narrow. Since we have analyzed only one year for each of these sales, a range in overall capitalization rates is indicated. To compensate for these yearly fluctuations, we have placed more emphasis on the average overall rate derived from this group.

Several recent portfolio sales point to significantly lower overall capitalization rates than are indicated from these one-off, older sales. In August 2004, the EBY Corporation sold a portfolio of six assisted living facility located in Illinois and Iowa for $33,000,000, reflecting an average per-unit price of $120,000. The overall capitalization rate to the business enterprise, applying actual second-quarter 2004 EBITDA figures, annualized was 9.76 percent. Benchmark recently sold a package of 11 assisted living and memory care facilities in New England for $148.0 million, or $196,000 per unit, with a pro forma capitalization rate of 8.4 percent to the Kuwaiti Finance House. The operating expenses included a 6.0 percent management fee and $400/unit capital reserve. Another portfolio sale involving ten facilities in central Illinois is set to close in November with financing provided by G.E. Capital. This group of fairly new and mostly stabilized facilities will sell for approximately $110,000 and that price produces a pro forma capitalization rate of 10.0 percent. These transactions demonstrate a recent strengthening of the market.

The following issues relate to the quality of the subject -- its operations, physical qualities, location, competitive market, as well as overall rental rate trends.

Lower-than-average overall capitalization rate:

- Fairly stable earnings history
- Possible improvement in earnings resulting from tighter operating expense controlled brought about by larger management/operator entity's availability to greater economies of scale, currently not realized

Higher-than-average overall capitalization rate:

- None

Overall capitalization rate in the middle of the range:

- Typical physical qualities
- Stable and typical neighborhood

These issues isolate risk that is specific to the subject. Overall, the subject appears to have limited risk, and an overall capitalization rate in the lower portion of the range derived from the comparable sales is considered appropriate. We have selected 8.25 percent as a reasonable overall capitalization rate for the subject.

Band of Investment Capitalization Method

The band of investment is a method of deriving an overall rate of return from the annual mortgage constant (R_m) and equity capitalization rate (R_e), sometimes referred to as an equity dividend rate. The mortgage constant is a ratio of the annual debt service (principal plus interest) to the amount borrowed for a given interest rate and amortization term. It is the rate that provides a return on -- and of -- the borrowed funds or lender's position. The equity dividend rate is the first-year cash throw-off to the equity position divided by the amount of equity cash invested. It is also referred to as the cash-on-cash rate of return or "current" yield expected by the equity position.

Given market information on the percentage that borrowed money contributes to the investment (the loan-to-value ratio), the percentage that equity money contributes, the mortgage terms (interest rate and amortization period), and the equity investor's expected rate of return for investment in properties of the subject's type, the band of investment method provides another means of selecting an overall capitalization rate. The process involves weighing proportions for the mortgage and equity positions by the respective currently required cash rates of return.

The band of investment formula, using a first-year, stabilized, equity dividend rate is:

$$(M \times R_m) + \{(1-M) \times R_e\} = R_o.$$

Where:

M = Loan-to-Value Ratio
$1-M$ = Equity Contribution
R_m = Annual Mortgage Constant
R_e = Equity Dividend Rate

In selecting the appropriate mortgage rate and terms, consideration is given to typically available conditions in the market. Locations, physical plants, and earnings qualities dictate the type of financing available. Newer, higher-quality facilities, and well-established facilities located in stable or improving markets that show the least risk, command superior financing terms such as those offered by insurance companies, some banks, credit corporations, and even bond underwriting. The later is usually available for larger amounts. Older facilities with average to below-average locations and/or economic prospects can turn to programs offered by HUD, (skilled nursing and assisted living), Fannie Mae (independent living), mortgage conduits, REITs, and banks. Even for the same facility and loan amount, rates and terms will vary widely among the different lenders. In considering the appropriate mortgage rate and terms for the subject, we have assumed that a typical loan-to-value ratio is sought (70.0 to 75.0 percent range), and the borrower has no extraordinary borrowing advantages, such as cross collateralizing to other superior properties, or providing substantial corporate or personal guarantees.

The availability of mortgage and equity financing has loosened over the last year as the industry has recovered from the financial duress associated the overbuilding, bankruptcies and other issues in 1999 through 2002. In addition, private and public REITs have renewed interest in the industry and several financial institutions have substantially loosened their lending requirements for senior housing.

Based on the remaining economic life of the subject, and its physical, location and economic characteristics, the following mortgage terms have been concluded for the subject.

Estimated Market Financing Terms Selected for the Subject	
Mortgage Position	75.0%
Equity Position	25.0%
Interest Rate	6.56%
Amortization Period	30
Mortgage Constant	7.63%

The equity capitalization rate is determined by extracting estimated equity dividend rates from the comparable sale data. In some cases, the actual financing terms are included in the calculations. If the financing terms are unknown, the following terms are applied:

75.0 percent loan-to-value ratio for the loan amount, the ten-year Treasury Bond rate (as of the date of sale) plus 300 basis points for the interest rate, and a 25-year amortization period. The estimated equity dividend rates for the comparable sales are summarized as follows.

Summary of Equity Dividend Rate Calculations

Sale Number	One	Two	Three	Four	Five
Sale Price	$12,800,000	$38,644,000	$29,000,000	$35,500,000	$10,350,000
Mortgage Ratio	75.0%	75.0%	75.0%	75.0%	75.0%
Mortgage Amount	$9,600,000	$28,983,000	$21,750,000	$26,625,000	$7,762,500
Mortgage Constant	8.05%	8.92%	5.69%	8.95%	5.69%
Annual Debt Service	$781,932	$2,616,069	$1,249,056	$2,411,638	$445,784
Net Operating Income	$1,300,000	$3,869,161	$2,525,000	$3,550,000	$900,000
Pre-Tax and Reserve Cash Flow	$518,068	$1,253,092	$1,275,944	$1,138,362	$454,216
Equity Position	$3,200,000	$9,661,000	$7,250,000	$8,875,000	$2,587,500
Equity Dividend Rate	16.2%	13.0%	17.6%	12.8%	17.6%
Debt Service Coverage Ratio	1.66	1.48	2.02	1.47	2.02

The seniors housing facility sales presented in the sales comparison analysis provide only limited insight into market equity dividend rates. Again, the same factors that influence the overall capitalization rate also impact the equity dividend rate. These factors include the physical qualities of the building, the location, and the economic characteristics. Besides these factors, the equity rate is impacted by the degree to which it is leveraged. In most senior housing facility sale transactions, we have noted that the greater the percentage of debt to price, the higher the equity dividend rate. The **Senior Housing Investment Survey, Spring 2005** provides the following equity dividend rates by type of senior housing.

Equity Capitalization Rate Summary

Property Type	Low	High	Average
Senior Apartments	8.0%	15.5%	11.0%
Independent Living	10.0%	20.0%	15.1%
Assisted Living	10.0%	20.0%	14.8%
Alzheimer/Dementia Care	12.0%	20.0%	16.5%
Skilled Nursing Facilities	14.0%	25.0%	19.1%
Skilled Nursing -- Subacute Facility	15.0%	30.0%	20.6%
Continuum of Care Facilities	12.0%	20.0%	16.0%

Source: Spring 2005 Senior Housing Investment Survey: Senior Living Valuation Services

Again, the same factors that influence the overall capitalization rate also impact the equity dividend rate. These factors include the physical qualities of the building, the location, and the economic characteristics. Besides these factors, the equity rate is impacted by the degree to which it is leveraged. In most senior housing facility sale transactions, we have noted that the greater the percentage of debt to price, the higher the equity dividend rate. We have estimated an appropriate equity dividend rate of 12.0 percent.

Based on the analysis of the current debt and equity markets for similar properties, the overall capitalization rate has been estimated by the band of investment technique as follows.

Mortgage Equity Rate Calculation			
Position	Percentage Contribution	Rates	Weighted Rate
Mortgage	75.0%	7.63%	5.72%
Equity	25.0%	12.00%	3.00%
	100.0%		8.72%

Debt Service Coverage Method

The debt service coverage involves the calculation of an overall capitalization rate from the annual mortgage constant, the loan-to-value ratio, and the lender's required debt coverage ratio. The lender's debt service coverage is a ratio of the net operating income divided by the annual debt service. Many lenders impose minimum debt service coverage on a loan in addition to a maximum loan-to-value ratio. The minimum debt service coverage ratio (DSCR) varies according to each specific property, economic conditions, and the geographic area. For example, well-occupied shopping centers, apartment complexes, and office buildings usually require a 1.25 to 1.30 DSCR. An independent and assisted living facility warrants a higher ratio because of the elevated risk associated with operating a management-intensive, health care enterprise. The most recent State of Senior Housing report indicates the following debt service coverage ratios by senior housing type:

Median DSCR	
Property Type	DSCR
Independent Living	1.8
Assisted Living	1.4
CCRC	1.4

Source: State of Seniors Housing 2004: ASHA

Many lenders are reluctant to lend on property that they cannot manage on their own, if need be. Moreover, much of the value of an independent and assisted living facility is tethered to its market status and the ability of its management to handle staffing, and a myriad of social and medical services. Given the restrictive financing requirements of commercial real estate lenders, particularly where risk is perceived (as is the case with the subject property type), a DSCR that exceeds typical commercial real estate ratios is appropriate. The derivation of the overall capitalization rate employing the debt service coverage method is presented as follows.

R_o = Loan-to-Value Ratio x Annual Mortgage Constant x Debt Service Coverage Ratio (DSCR)

or

$R_o = M \times R_m \times DSCR$

Debt Service Coverage Ratio Calculation				
Mortgage Position	Mortgage Constant	Debt Service Coverage Ratio	=	Indicated Capitalization Rate
75.0%	7.63%	1.40	=	8.01%

Summary and Conclusion of the Overall Capitalization Rates

The overall capitalization rates developed in this analysis are summarized as follows.

Overall Capitalization Rate Summary	
Direct Capitalization -- Selected Rate	8.25%
Mortgage Equity	8.72%
Debt Service Coverage	8.01%
Average All Techniques	8.33%
Selected Overall Capitalization Rate	8.30%

In conclusion, the analysis produces a rather narrow range of indication of overall capitalization rates for the subject. Since considerable comparable sale data is available for comparison, the direct overall rate developed from the comparable sales is given the greatest weight in arriving at a single concluded rate.

Therefore, it is our opinion that a 8.30 percent overall capitalization rate is appropriate for the subject property. The indicated value of the fee simple interest in the Autumn I portion of the subject is calculated as follows.

Net Operating Income	$2,280,421
Selected Overall Capitalization Rate	8.30%
Direct Capitalization Rounded	$27,475,000
Less: Deferred Maintenance	-
Concluded Value Estimate	$27,475,000
Rounded	$27,475,000

Discounted Cash Flow Analysis

This income approach technique is based on the premise that the periodic cash flows and reversion over a finite period of time are the benefits that accrue to the owners of an investment. These cash flows and reversion are converted to a present value through discounting.

Income Analysis

For a complete discussion of inflationary revenue forecasts please refer to the Inflation Analysis section within the Market Analysis section of this report. We have applied a 2.70 percent annual inflation rate to the rate forecasts; this rate approximates the aggregate inflation rate of the operating expenses as presented in the following table.

Revenue Inflation Rate Estimate

Personal Care	33.7%	x	3.50%	=	1.18%
Other Expenses	66.3%	x	2.30%	=	1.52%
Weighted Average Inflation					2.70%

Expense Analysis

The following table presents the historical trends for the Consumers Price Indexes (CPI).

Consumers Price Index

	All Items	Medical Only
1994	2.60%	4.80%
1995	2.80%	4.50%
1996	3.00%	3.50%
1997	2.30%	2.80%
1998	1.60%	3.20%
1999	2.20%	3.50%
2000	3.40%	4.10%
2001	2.80%	4.60%
2002	1.60%	4.70%
2003	2.30%	4.00%
2004	2.69%	5.02%
5-Yr Mean	2.56%	4.48%

Source: U.S. Department of Labor Bureau of Labor Statistics

Historical trends provide a good basis for forecasting future inflation rates. During the last five years, inflation rates have averaged 2.56 percent for all urban consumers, and 4.48 percent specifically for medical care. Inflation rates are forecasted at 2.30 percent annually for the general expenses and 3.50 percent for the personal care expenses.

Base Inflation Rate

Inflationary concerns are the top priority of Alan Greenspan, the Federal Reserve Chairperson. However, most recent economic indicators particularly high fuel prices suggest inflation is on the rise. Thus, taking this into consideration, coupled, the estimated rate of inflation is being held to 2.3 percent annually for the general expenses and 3.5 percent for the nursing care expenses.

Discount Rate Analysis

Having estimated the net income for the subject property over the holding period, the next step in this technique of the income approach is to discount the cash flow at an appropriate discount rate and add the reversion value of the property.

In estimating the appropriate discount rate, we have reviewed comparable sales transactions and abstracted the overall yields anticipated by investors for these exchanges. These cash flows are estimated using occupancy and inflation forecasts similar to those of the subject. The key assumptions made in the yield rate calculations and the results of the analyses are as follows.

Table Y-1

Calculation of Property Yield (Discount) Rates for the Comparable Sales

Year	1	2	3	4	5	6	7	Reversion 8
Country Club Heights								
Occupancy Rate	91.0%	91.5%	92.4%	93.4%	94.2%	94.7%	94.9%	95.0%
Number of TFO Units	99	99	99	99	99	99	99	99
Average Revenue per Occupied Unit	$47,730	$49,021	$50,347	$51,708	$53,107	$54,543	$56,018	$57,533
Total Revenue	$4,300,000	$4,440,555	$4,604,258	$4,779,166	$4,951,542	$5,113,136	$5,264,211	$5,410,956
Operating Expenses		33,300	34,051	34,707	35,345	36,048	36,862	37,786
Operating Expenses per Occupied Unit	$33,300	$34,051	$34,707	$35,345	$36,048	$36,862	$37,786	$38,782
Percentage of Expenses Fixed	80%	80%	80%	80%	80%	80%	80%	80%
Total Operating Expenses	$3,000,000	$3,084,518	$3,173,994	$3,266,780	$3,361,022	$3,455,676	$3,550,861	$3,647,481
Net Operating Income	$1,300,000	$1,356,037	$1,430,263	$1,512,387	$1,590,520	$1,657,460	$1,713,350	$1,763,475
Reversion Value								$16,548,738
Selling Costs	3.0%							$16,052,276
Total Cash Flows	$1,300,000	$1,356,037	$1,430,263	$1,512,387	$1,590,520	$1,657,460	$1,713,350	$17,815,751
Reversion Capital Rate	10.7%							
Going-In Price	$ 12,800,000							
Property Yield Rate	**13.6%**							
The Seasons								
Occupancy Rate	90.0%	90.6%	91.7%	92.9%	94.0%	94.6%	94.9%	95.0%
Number of TFO Units	221	221	221	221	221	221	221	221
Average Revenue per Occupied Unit	$42,313	$43,458	$44,633	$45,840	$47,080	$48,353	$49,661	$51,004
Total Revenue	$8,416,131	$8,703,763	$9,047,034	$9,416,356	$9,777,700	$10,110,611	$10,415,694	$10,708,211
Operating Expenses		22,861	23,349	23,752	24,136	24,572	25,100	25,716
Operating Expenses per Occupied Unit	$22,861	$23,349	$23,752	$24,136	$24,572	$25,100	$25,716	$26,390
Percentage of Expenses Fixed	80%	80%	80%	80%	80%	80%	80%	80%
Total Operating Expenses	4,546,970	$4,676,424	$4,814,487	$4,957,957	$5,103,275	$5,248,436	$5,393,661	$5,540,650
Net Operating Income	$3,869,161	$4,027,339	$4,232,547	$4,458,399	$4,674,425	$4,862,175	$5,022,033	$5,167,562
Reversion Value								$49,157,196
Selling Costs	3.0%							$47,682,480
Total Cash Flows	$3,869,161	$4,027,339	$4,232,547	$4,458,399	$4,674,425	$4,862,175	$5,022,033	$52,850,041
Reversion Capital Rate	10.5%							
Going-In Price	$38,644,000							
Property Yield Rate	**13.2%**							

Table Y-1, continued

Calculation of Property Yield (Discount) Rates for the Comparable Sales

Year	1	2	3	4	5	6	7	Reversion 8
Woodlawn Terrace								
Occupancy Rate	97.0%	96.8%	96.3%	95.8%	95.4%	95.2%	95.0%	95.0%
Number of TFO Units	160	160	160	160	160	160	160	160
Average Revenue per Occupied Unit	$44,459	$45,661	$46,896	$48,164	$49,467	$50,805	$52,179	$53,590
Total Revenue	$6,900,000	$7,068,339	$7,226,668	$7,384,177	$7,551,412	$7,734,795	$7,934,344	$8,145,623
Operating Expenses		28,189	29,012	29,905	30,839	31,782	32,712	33,630
Operating Expenses per Occupied Unit	$28,189	$29,012	$29,905	$30,839	$31,782	$32,712	$33,630	$34,550
Percentage of Expenses Fixed	80%	80%	80%	80%	80%	80%	80%	80%
Total Operating Expenses	$4,375,000	$4,491,001	$4,608,285	$4,728,074	$4,851,783	$4,980,316	$5,113,764	$5,251,636
Net Operating Income	$2,525,000	$2,577,338	$2,618,384	$2,656,103	$2,699,629	$2,754,478	$2,820,580	$2,893,987
Reversion Value								$31,432,823
Selling Costs	3.0%							$30,489,838
Total Cash Flows	$2,525,000	$2,577,338	$2,618,384	$2,656,103	$2,699,629	$2,754,478	$2,820,580	$33,383,826
Reversion Capital Rate	9.2%							
Going-In Price	$29,000,000							
Property Yield Rate	**9.7%**							
Hunington Terrace								
Occupancy Rate	50.0%	55.6%	65.5%	76.5%	85.8%	91.5%	94.1%	95.0%
Number of TFO Units	193	193	193	193	193	193	193	193
Average Revenue per Occupied Unit	$105,078	$107,919	$110,838	$113,836	$116,914	$120,076	$123,323	$126,658
Total Revenue	$10,140,000	$11,585,827	$14,004,903	$16,816,686	$19,353,837	$21,213,915	$22,405,394	$23,222,817
Operating Expenses		68,290	64,463	58,243	52,894	49,649	48,421	48,634
Operating Expenses per Occupied Unit	$68,290	$64,463	$58,243	$52,894	$49,649	$48,421	$48,634	$49,585
Percentage of Expenses Fixed	80%	80%	80%	80%	80%	80%	80%	80%
Total Operating Expenses	$6,590,000	$6,920,505	$7,359,226	$7,813,949	$8,218,785	$8,554,580	$8,835,754	$9,091,389
Net Operating Income	$3,550,000	$4,665,322	$6,645,676	$9,002,736	$11,135,052	$12,659,335	$13,569,640	$14,131,429
Reversion Value								$134,585,035
Selling Costs	3.0%							$130,547,484
Total Cash Flows	$3,550,000	$4,665,322	$6,645,676	$9,002,736	$11,135,052	$12,659,335	$13,569,640	$144,678,913
Reversion Capital Rate	10.5%							
Going-In Price	$ 35,500,000							
Property Yield Rate	**31.0%**							

Table Y-1, continued

Calculation of Property Yield (Discount) Rates for the Comparable Sales

Year	1	2	3	4	5	6	7	Reversion 8
Lake Worth Gardens								
Occupancy Rate	94.0%	94.1%	94.3%	94.6%	94.8%	94.9%	95.0%	95.0%
Number of TFO Units	170	170	170	170	170	170	170	170
Average Revenue per Occupied Unit	$20,338	$20,888	$21,453	$22,033	$22,629	$23,241	$23,869	$24,515
Total Revenue	$3,250,000	$3,342,332	$3,440,699	$3,542,967	$3,646,673	$3,750,357	$3,854,122	$3,959,155
Operating Expenses		14,706	15,088	15,467	15,852	16,253	16,674	17,117
Operating Expenses per Occupied Unit	$14,706	$15,088	$15,467	$15,852	$16,253	$16,674	$17,117	$17,577
Percentage of Expenses Fixed	80%	80%	80%	80%	80%	80%	80%	80%
Total Operating Expenses	$2,350,000	$2,414,195	$2,480,637	$2,549,053	$2,619,125	$2,690,684	$2,763,786	$2,838,645
Net Operating Income	$900,000	$928,136	$960,062	$993,915	$1,027,548	$1,059,674	$1,090,336	$1,120,510
Reversion Value								$12,185,211
Selling Costs	3.0%							$11,819,654
Total Cash Flows	$900,000	$928,136	$960,062	$993,915	$1,027,548	$1,059,674	$1,090,336	$12,940,164
Reversion Capital Rate	9.2%							
Going-In Price	$10,350,000							
Property Yield Rate	**10.8%**							

The yield rates derived from the comparable sales and profiled above are summarized in the table below.

Summary of Comparable Sale Yield Rates

Sale Number	Property	Estimated Yield Rate
1	Country Club Heights	13.6%
2	The Seasons	13.2%
3	Woodlawn Terrace	9.7%
4	Hunington Terrace	31.0%
5	Lake Worth Gardens	10.8%
Average		15.7%
Selected Overall Property Yield Rate		12.0%

These yield rates are based on particular assumptions that are market and operational trends typical of most senior housing facilities. However, the yield rate forecasts are not as thorough as the discounted cash flow analysis for the subject. The subject analysis more appropriately considers various favorable or unfavorable aspects that affect the cash flows. Accordingly, we have further considered the following model that is discussed in *The Appraisal of Real Estate*, 11th Edition, pages 541-546.

$$Y = R + \Delta$$

or

Discount Rate = Overall Capitalization Rate + Annual Change

The above equation maintains a direct relationship between the overall capitalization rate and the discount rate. Annual change pertains to change in cash flows as well as the depreciation or appreciation between the going-in value and the going-out value. For the subject, the direct capitalization value is used as the going-in value, and the estimated reversion value in the discounted cash flow analysis is used as the going-out value. Table DCF-3 indicates the average change in the cash flows, and the following calculation shows the annual change between the going-in and going-out values.

Going-In Value Per Sales Comparison Approach	$25,918,000
Going-Out Value	$30,176,245
Average Annual Rate of Change	3.09%

As a test of reasonableness, the following calculations consider the appraisal theory: $Y = R + \Delta$.

	Value Contribution	Percent Of Value		Rates of Change		
Present Value of Cash Flow	$8,724,838	34.44%	x	4.24%	=	1.46%
Present Value of Reversion	$16,609,127	65.56%	x	3.09%	=	2.03%
Total Indicated Value - Rounded	$25,333,965	100.00%				3.49%
Plus Overall Capitalization Rate						8.30%
Equals Indicated Overall Yield Rate						11.79%

The **Senior Housing Investment Survey, Spring 2005** provides the following internal rate of returns (IRRs or discount rates) by type of senior housing.

Internal Rate of Return Summary (Total Property)

Property Type	Low	High	Average
Senior Apartments	9.0%	12.5%	10.6%
Independent Living	10.0%	14.5%	11.7%
Assisted Living	10.5%	16.0%	13.2%
Alzheimer/Dementia Care	11.5%	19.5%	13.9%
Skilled Nursing Facilities	11.5%	20.0%	15.2%
Skilled Nursing -- Subacute Facility	13.0%	20.0%	16.2%
Continuum of Care Facilities	11.0%	15.5%	13.9%

Source: Spring 2005 Senior Housing Investment Survey: Senior Living Valuation Services

In summary, the yield rate selection is based on the national data, yield rates extracted from the comparable sales, and the cash flow trends forecasted for the subject as well as the issues related to risk discussed in the selection of the overall capitalization rate. Accordingly, the subject cash flows are perceived to have limited risk relative to the comparable data and industry norms. Therefore, a discount rate of 12.00 percent is deemed appropriate for the subject.

Reversion Value

In estimating the reversion value at the end of the forecast period, the net operating income for the sixth year is capitalized by an overall rate and then the estimated selling and/or financing costs are deducted. It is logical that an investor in a health care operation would expect to pay less for a property five years from now, and an overall capitalization rate in excess of the current overall rate is logical. Terminal rates tend to be higher since the recapture period for an older building (main asset) is shorter, and it has less appeal and more obsolescence. Moreover, as the yield curves in the bond markets indicate, the market perceives greater risk in the more distant future than the near future, and it accords higher yields to investments with longer terms. According to the ***Korpacz Real Estate Investors Survey***, the average going-in capitalization rate for apartment property was 7.01 percent while the terminal capitalization rate average was 7.90 percent, or nearly 40 basis points greater. While few senior housing facility investors/operators ever ponder the differences in going-in and terminal rates, we believe that the senior housing facility market behaves similarly to commercial real estate. It is our opinion that a spread of 50 basis points is deemed appropriate for the subject.

Based on the foregoing terminal rate premium analysis, the conclusions discussed in the direct overall capitalization rate analysis presented earlier, the expected remaining economic life of the facility in five years, and the characteristics of the cash flow forecasts of the subject, we have concluded 8.80 percent as the terminal capitalization rate. A rate of 3.0 percent for selling or refinancing costs is deducted from the reversion value.

A summary spreadsheet of the cash flow estimations and the pre-debt discounted cash flow are presented in Tables DCF-1 through DCF-6 on the succeeding pages.

Based on the previous assumptions and conclusions, it is our opinion that the indicated net present value of the estimated net income for Autumn I over the holding period plus disposition is:

$25,330,000

Table DCF-1 Discounted Cash Flow Analysis – Annual Calculations

Forecast Period Ending		20-Dec-06	20-Dec-07	20-Dec-08	20-Dec-09	20-Dec-10	20-Dec-11
Occupancy		92.8%	95.8%	90.6%	92.8%	94.6%	93.4%
Revenue							
Independent Living		2,854,418	3,062,177	2,984,240	3,167,111	3,327,576	3,291,754
Assisted Living		2,264,259	2,378,980	2,232,816	2,345,944	2,464,803	2,589,685
Special Care		1,360,236	1,411,574	1,449,749	1,488,956	1,529,223	1,570,579
Subtotal		$6,478,912	$6,852,731	$6,666,805	$7,002,010	$7,321,602	$7,452,018
Rent Concessions		$0	$0	$0	$0	$0	$0
IL Second Occupant		90,540	97,130	94,658	100,458	105,548	104,412
AL Second Occupant		18,065	18,980	17,814	18,717	19,665	20,661
Admission/Community Fees		27,019	28,646	27,835	29,293	30,665	31,085
Miscellaneous Income		102,113	108,335	105,242	110,817	116,040	117,488
Subtotal		$237,737	$253,091	$245,548	$259,285	$271,917	$273,646
Total Effective Gross Revenue		**$6,716,649**	**$7,105,822**	**$6,912,353**	**$7,261,295**	**$7,593,519**	**$7,725,664**
Expenses							
General & Administrative	2.3%	$463,477	$474,137	$485,042	$496,198	$507,611	$519,286
Central Office / Management Fee	Variable	255,125	269,907	262,559	275,813	288,432	293,452
Marketing & Activities	2.3%	265,500	271,607	277,854	284,244	290,782	297,470
Personal Care	Variable / 3.50%	1,369,171	1,417,190	1,466,623	1,518,035	1,571,231	1,626,179
Maintenance and Repairs	2.3%	272,417	278,682	285,092	291,649	298,357	305,219
Dietary	2.3%	891,237	911,735	932,705	954,158	976,103	998,554
Housekeeping and Laundry	2.3%	272,530	278,798	285,211	291,771	298,481	305,347
Utilities	2.3%	314,654	321,891	329,295	336,869	344,617	352,543
Property & Liability Insurance	2.3%	155,910	159,496	163,164	166,917	170,756	174,683
Property Taxes	2.3%	130,005	132,995	136,054	139,183	142,385	145,659
Reserves for Replacements	2.3%	46,200	47,263	48,350	49,462	50,599	51,763
Total Expenses		**$4,436,227**	**$4,563,703**	**$4,671,949**	**$4,804,299**	**$4,939,354**	**$5,070,154**
Net Operating Income		**$2,280,421**	**$2,542,119**	**$2,240,404**	**$2,456,996**	**$2,654,165**	**$2,655,510**
Reversion Value Capitalized @	8.80%						$30,176,245
Less 3.0% Selling Costs	3.0%						$905,287
Reversion Value Net of Selling Costs							$29,270,958
Discount Rate and Annual Discount Factor	12.0%	0.892857	0.797194	0.711780	0.635518	0.567427	0.567427
Present Value		$2,036,090	$2,026,562	$1,594,675	$1,561,465	$1,506,045	$16,609,127
Summary:							
Present Value of Cash Flows		$8,724,838					
Present Value of Reversion		$16,609,127					
Total Indicated Value		$25,333,965					
Rounded		**$25,330,000**	or	**$164,481**	per Unit	**$164,481**	per TFO Bed

Table DCF-2 Discounted Cash Flow Analysis -- Revenue Detail

Forecast Period Ending		20-Dec-06	20-Dec-07	20-Dec-08	20-Dec-09	20-Dec-10	20-Dec-11
Number of Units/Beds							
Independent Living		82	82	82	82	82	82
Assisted Living		48	48	48	48	48	48
Special Care		24	24	24	24	24	24
Total		154	154	154	154	154	154
Occupancy							
Entry-Fee Units		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Independent Living		91.7%	95.7%	90.8%	93.9%	96.0%	92.5%
Assisted Living		93.0%	95.1%	86.9%	88.9%	91.0%	93.1%
Special Care		96.0%	97.0%	97.0%	97.0%	97.0%	97.0%
Total		**92.8%**	**95.8%**	**90.6%**	**92.8%**	**94.6%**	**93.4%**
Occupancy -- Average Daily Census							
Independent Living		75.2	78.5	74.5	77.0	78.7	75.9
Assisted Living		44.6	45.7	41.7	42.7	43.7	44.7
Special Care		23.0	23.3	23.3	23.3	23.3	23.3
Occupied Units/Beds		142.8	147.5	139.5	143.0	145.7	143.8
IL Second Occupant		10.4	10.9	10.3	10.7	10.9	10.5
AL Second Occupant		2.1	2.1	1.9	2.0	2.0	2.1
Total Residents		**155.3**	**160.5**	**151.8**	**155.6**	**158.6**	**156.4**
Total Resident Days (Including Second Occupants)		56,694	58,565	55,395	56,793	57,904	57,083
Revenue Per Month	Inflation Rate						
Independent Living (Per Occupied Unit)	2.70%	3,165	3,250	3,338	3,429	3,521	3,617
Assisted Living (Per Occupied Unit/Bed)	2.70%	4,227	4,341	4,458	4,579	4,703	4,830
Special Care (Per Occupied Unit/Bed)	2.70%	4,920	5,053	5,190	5,330	5,474	5,622
Subtotal (Per Occupied Unit/Bed)		$3,780	$3,873	$3,982	$4,082	$4,187	$4,318
Rent Concessions (Per Occupied Unit/Bed)		$0	$0	$0	$0	$0	$0
IL Second Occupant (Per Second Occupant)	2.70%	725	745	765	785	807	828
AL Second Occupant (Per Second Occupant)	2.70%	725	745	765	785	807	828
Admission/Community Fees (Per Occupied Unit/Bed)	2.70%	$189	$194	$200	$205	$210	$216
Miscellaneous Income (Per Resident Day)	2.70%	$1.80	$1.85	$1.90	$1.95	$2.00	$2.06
Total Revenue Per Occupied Unit/Bed		$3,918	$4,016	$4,129	$4,233	$4,343	$4,477
Total Revenue Per Resident Day		$118.47	$121.33	$124.78	$127.85	$131.14	$135.34

Table DCF-3 Discounted Cash Flow Analysis -- Detailed Expense Forecast

Forecast Period Ending		20-Dec-06	20-Dec-07	20-Dec-08	20-Dec-09	20-Dec-10	20-Dec-11
Salaries and Wages	2.3%	$212,604	$217,494	$222,497	$227,614	$232,849	$238,205
Payroll Taxes & Employee Benefits	2.3%	38,269	39,149	40,049	40,971	41,913	42,877
Other -- General & Administrative	2.3%	212,604	217,494	222,497	227,614	232,849	238,205
Total General & Administrative	2.3%	$463,477	$474,137	$485,042	$496,198	$507,611	$519,286
Central Office / Management Fee	Variable	$255,125	$269,907	$262,559	$275,813	$288,432	$293,452
Salaries and Wages	2.3%	$104,885	$107,297	$109,765	$112,290	$114,872	$117,514
Payroll Taxes & Employee Benefits	2.3%	$18,879	$19,313	$19,758	$20,212	$20,677	$21,153
Advertising	2.3%	$45,356	$46,399	$47,466	$48,558	$49,674	$50,817
Other -- Marketing & Activities	2.3%	$96,381	$98,597	$100,865	$103,185	$105,558	$107,986
Total Marketing & Activities	2.3%	$265,500	$271,607	$277,854	$284,244	$290,782	$297,470
Salaries and Wages	Variable / 3.50%	$1,133,889	$1,173,657	$1,214,594	$1,257,172	$1,301,226	$1,346,732
Payroll Taxes & Employee Benefits	Variable / 3.50%	204,100	211,258	218,627	226,291	234,221	242,412
Contracted Services (Agency Staffing)	Variable / 3.50%	0	0	0	0	0	0
Other -- Personal Care	Variable / 3.50%	31,182	32,276	33,401	34,572	35,784	37,035
Total Personal Care	Variable / 3.50%	$1,369,171	$1,417,190	$1,466,623	$1,518,035	$1,571,231	$1,626,179
Salaries and Wages	2.3%	$127,563	$130,496	$133,498	$136,568	$139,709	$142,923
Payroll Taxes & Employee Benefits	2.3%	$22,961	$23,489	$24,030	$24,582	$25,148	$25,726
Maintenance and Repair Items	2.3%	$121,893	$124,697	$127,565	$130,499	$133,500	$136,571
Total Maintenance and Repairs	2.3%	$272,417	$278,682	$285,092	$291,649	$298,357	$305,219
Salaries and Wages	2.3%	$368,514	$376,990	$385,661	$394,531	$403,605	$412,888
Payroll Taxes & Employee Benefits	2.3%	66,333	67,858	69,419	71,016	72,649	74,320
Raw Food	2.3%	382,688	391,489	400,494	409,705	419,128	428,768
Other -- Dietary	2.3%	73,703	75,398	77,132	78,906	80,721	82,578
Total Dietary	2.3%	$891,237	$911,735	$932,705	$954,158	$976,103	$998,554
Salaries and Wages	2.3%	$206,935	$211,694	$216,563	$221,544	$226,640	$231,852
Payroll Taxes & Employee Benefits	2.3%	37,248	38,105	38,981	39,878	40,795	41,733
Other -- Housekeeping and Laundry	2.3%	28,347	28,999	29,666	30,349	31,047	31,761
Total Housekeeping and Laundry	2.3%	$272,530	$278,798	$285,211	$291,771	$298,481	$305,347
Gas	2.3%	$124,728	$127,597	$130,531	$133,534	$136,605	$139,747
Electric	2.3%	99,215	101,497	103,832	106,220	108,663	111,162
Water and Sewer	2.3%	56,694	57,998	59,332	60,697	62,093	63,521
Other Utilities/Cable Television	2.3%	34,017	34,799	35,599	36,418	37,256	38,113
Total Utilities	2.3%	$314,654	$321,891	$329,295	$336,869	$344,617	$352,543
Property & Liability Insurance	2.3%	$155,910	$159,496	$163,164	$166,917	$170,756	$174,683
Property Taxes	2.3%	$173,340	$177,327	$181,406	$185,578	$189,846	$194,213
Reserves for Replacements	2.3%	$46,200	$47,263	$48,350	$49,462	$50,599	$51,763
Total Operating Expenses		$4,479,562	$4,608,035	$4,717,300	$4,850,693	$4,986,816	$5,118,707
Total Effective Gross Revenue		$6,716,649	$7,105,822	$6,912,353	$7,261,295	$7,593,519	$7,725,664
Net Operating Income		$2,237,086	$2,497,787	$2,195,053	$2,410,602	$2,606,704	$2,606,956

Table DCF-4 Discounted Cash Flow Analysis -- Detailed Expense Forecast Per Resident Day

Forecast Period Ending		20-Dec-06	20-Dec-07	20-Dec-08	20-Dec-09	20-Dec-10	20-Dec-11
Salaries and Wages	2.3%	$3.75	$3.71	$4.02	$4.01	$4.02	$4.17
Payroll Taxes & Employee Benefits	2.3%	0.68	0.67	0.72	0.72	0.72	0.75
Other -- General & Administrative	2.3%	3.75	3.71	4.02	4.01	4.02	4.17
Total General & Administrative	2.3%	$8.18	$8.10	$8.76	$8.74	$8.77	$9.10
Central Office / Management Fee	Variable	$4.50	$4.61	$4.74	$4.86	$4.98	$5.14
Salaries and Wages	2.3%	$1.85	$1.83	$1.98	$1.98	$1.98	$2.06
Payroll Taxes & Employee Benefits	2.3%	0.33	0.33	0.36	0.36	0.36	0.37
Advertising	2.3%	0.80	0.79	0.86	0.85	0.86	0.89
Other -- Marketing & Activities	2.3%	1.70	1.68	1.82	1.82	1.82	1.89
Total Marketing & Activities	2.3%	$4.68	$4.64	$5.02	$5.00	$5.02	$5.21
Salaries and Wages	Variable	$20.00	$20.04	$21.93	$22.14	$22.47	$23.59
Payroll Taxes & Employee Benefits	Variable	3.60	3.61	3.95	3.98	4.04	4.25
Contracted Services (Agency Staffing)	Variable	0.00	0.00	0.00	0.00	0.00	0.00
Other -- Personal Care	Variable	0.55	0.55	0.60	0.61	0.62	0.65
Total Personal Care	Variable	$24.15	$24.20	$26.48	$26.73	$27.14	$28.49
Salaries and Wages	2.3%	2.25	2.23	2.41	2.40	2.41	2.50
Payroll Taxes & Employee Benefits	2.3%	0.41	0.40	0.43	0.43	0.43	0.45
Maintenance and Repair Items	2.3%	$2.15	$2.13	$2.30	$2.30	$2.31	$2.39
Total Maintenance and Repairs	2.3%	$4.81	$4.76	$5.15	$5.14	$5.15	$5.35
Salaries and Wages	2.3%	$6.50	$6.44	$6.96	$6.95	$6.97	$7.23
Payroll Taxes & Employee Benefits	2.3%	1.17	1.16	1.25	1.25	1.25	1.30
Raw Food	2.3%	6.75	6.68	7.23	7.21	7.24	7.51
Other -- Dietary	2.3%	1.30	1.29	1.39	1.39	1.39	1.45
Total Dietary	2.3%	$15.72	$15.57	$16.84	$16.80	$16.86	$17.49
Salaries and Wages	2.3%	$3.65	$3.61	$3.91	$3.90	$3.91	$4.06
Payroll Taxes & Employee Benefits	2.3%	0.66	0.65	0.70	0.70	0.70	0.73
Other -- Housekeeping and Laundry	2.3%	0.50	0.50	0.54	0.53	0.54	0.56
Total Housekeeping and Laundry	2.3%	$4.81	$4.76	$5.15	$5.14	$5.15	$5.35
Gas	2.3%	$2.20	$2.18	$2.36	$2.35	$2.36	$2.45
Electric	2.3%	1.75	1.73	1.87	1.87	1.88	1.95
Water and Sewer	2.3%	1.00	0.99	1.07	1.07	1.07	1.11
Other Utilities/Cable Television	2.3%	0.60	0.59	0.64	0.64	0.64	0.67
Total Utilities	2.3%	$5.55	$5.50	$5.94	$5.93	$5.95	$6.18
Property & Liability Insurance	2.3%	$2.75	$2.72	$2.95	$2.94	$2.95	$3.06
Property Taxes	2.3%	$3.06	$3.03	$3.27	$3.27	$3.28	$3.40
Reserves for Replacements	2.3%	$0.81	$0.81	$0.87	$0.87	$0.87	$0.91
Total Operating Expenses		$79.01	$78.68	$85.16	$85.41	$86.12	$89.67
Total Effective Gross Revenue		$118.47	$121.33	$124.78	$127.85	$131.14	$135.34
Net Operating Income		$39.46	$42.65	$39.63	$42.45	$45.02	$45.67

Reconciliation and Final Conclusion of the Market Value of Autumn I

Reconciliation of the Fee Simple Value	
Cost Approach	$23,910,000
Direct Sales Comparison Approach	$25,918,000
Income Capitalization Approach	
Direct Capitalization Technique	$27,475,000
Discounted Cash Flow Technique	$25,330,000

The cost approach is most effective when the improvements are new, or nearly new, and are fully utilized for the designed intent. Careful estimates of land value, replacement cost and depreciation were made. The cost estimate is based on Marshall and Swift component cost figures and reflects average-quality construction. The depreciation is based on an age-mortality concept and does not necessarily reflect specific market discounts. Consequently this approach is not seriously regarded, since it fails to fully monitor market behavior and does not measure the value of the various business assets.

The sales comparison approach reflects prices paid for similar facilities. Considerable time is spent to ascertain the factual data, and a well-developed analysis of the sale data is conducted to measure the effects on value caused by differences in resident mixes, occupancy, location, physical qualities, and financing, and by changes in overall market conditions. Upon completion of this analysis, the sale prices of those sales most similar to the subject are adjusted for differences, and a clear, well-founded range of indicated values emerges.

The income capitalization approach, most appropriate in valuing an independent living, assisted living, and special care facility, yields a value indication that reflects current economic conditions in the marketplace. Since the revenues, the expenses, and the overall rates are closely tied to the actual results of the subject property and comparable data, we consider the value indication of this approach very reliable.

We believe that the sales comparison and income capitalization approaches are highly indicative of the "as is" market value of the subject. Senior housing facilities are typically purchased by owner/operators whose actions are considered in the sales comparison and income capitalization approaches. Therefore, we have concluded that the value of the Autumn I portion of the subject lies in the range indicated by these two approaches. Based on the foregoing considerations, it is our opinion that the "as is" market value of the business enterprise of Autumn I, as of December 15, 2005, is as follows.

$26,210,000

Allocation of the Fee Simple Interest Market Value – Autumn I

The subject property is a real-estate-intensive-business enterprise that includes: tangible real estate; furnishing, fixtures and equipment, and intangible assets. The intangible assets value of an independent living, assisted living, and special care facility encompasses the Certificate of Need, assembled workforce, licenses and permits, inventory, working capital, going concern, and other tangible and intangible assets.

Presently, a consensus does not exist between economists and appraisers on an acceptable methodology for accurately measuring the contributory value of business asset component of a real estate-intensive-business enterprise. For nursing facilities, assisted living facility and boarding homes, The Department of Housing and Urban Development (HUD) has developed guidelines, which recognize that a portion of the income associated with these property types relates to business assets. HUD refers to this income as proprietary income. They define proprietary income as "a return to the business of running a skilled nursing facility, an intermediate care facility, a board and care facility, or an assisted living facility or any combination of the above."

The percentage of total net income before debt service attributable to proprietary earnings found typical, by HUD, is:

Skilled nursing beds–15 to 25 percent
Intermediate care beds–10 to 20 percent
Assisted living facility–10 to 15 percent

These percentages are identified only as general guidelines. They state the key to identifying an appropriate ratio is the intensity of the services provided by the proprietary operation.

For the allocation of the business asset component for the subject facility, we have utilized the HUD methodology. It is our opinion that 10.0 to 15.0 percent of the profit derived from these real-estate-intensive-business enterprises correlates to the profit derived from the intangible assets. This range varies depending on the level of services and care provided by the facility. High-acuity, assisted living facilities offering substantial services fall at the upper end of the range, while independent living facilities offering limited services such as one-meal-per day fall at the low end of this range. The subject property is a moderate-acuity assisted living facility, a ratio in the lower segment of this range is appropriate.

Based on capitalization rates of health care service businesses (therapy and home health care agencies) and residual capitalization extraction, a 25.0 percent capitalization rate is applied to the net operating income associated with the intangible assets to derive the value of the intangible assets as calculated below.

Projected Stabilized Net Operating Income	$2,280,421
Ratio Attributed to Business Assets	12.5%
Net Operating Income from Business Assets	$285,053
Business Enterprise Capitalization Rate	25.0%
Business Assets Value -- "As Stabilized"	$1,140,211
Rounded	$1,140,000

The subject facility contains the furniture, fixtures and equipment (FF&E) necessary for the operation of a 154-unit, 154-bed, independent living, assisted living, and special care facility. These equipment items are valued separately from the land and improvements in this approach. The valuation of the equipment is based on a replacement cost less depreciation method. In order to estimate a value for the FF&E, we have relied on observations made while conducting a cursory inventory as well as the items normally found in a hypothetical, yet typical, 100-unit facility. We employed various resources for this effort, including the Marshall & Swift and R.S. Means data references, supplier catalogues, and the actual costs of newly built facilities. From our experience in appraising comparable facilities, we have made adjustments to reflect qualitative and quantitative features such as facility size, condition, age, and other factors.

It is our opinion that to replace the subject FF&E with new, comparable items of similar utility would cost approximately $5,000 per bed.

Development Cost Analysis	1998 National Average	1998 Northeast	1998 Southeast	1998 Midwest	1998 West
FF&E Cost Per Unit	$6,890	$7,106	$6,707	$7,199	$5,540
FF&E Cost Per Bed	$5,870	$6,375	$4,701	$5,956	$5,281

Since the FF&E are an integral part of the assisted living operation, they are more valuable under continued use than if they were removed and sold separately. Thus, the value is considered the "contributory value in use" which is consistent with the premise of the going-concern value. The estimated aggregate value of the FF&E, net of estimated depreciation, is calculated as follows.

Equipment Valuation Summary		
Per Unit RCN for Equipment	$5,000	
Total RCN for Equipment		$770,000
Current Effective Age of Equipment	10	
Average Useful Life of Equipment	15	
Depreciation Percentage	66.7%	
Equipment Depreciation		513,333
Depreciated Value of Equipment		$257,000

Using the value indications for intangible assets and FF&E as well as the concluded market value, the real estate value is merely the residual value. The following table summarizes the allocation of the subject assets reflecting the continued operations of the business enterprise.

Allocation of the Fee Simple Value	
Real Estate	$24,813,000
Furniture, Fixtures & Equipment	257,000
Business Assets	1,140,000
Total Concluded Value	$26,210,000

Autumn II Valuation

Autumn II consist of the 26 River Cottages, or 13 duplex structures that are operated under a separate ownership but managed by the same concern that runs the independent living apartments, assisted living and special care units at Autumn I. Autumn II residents appear to have a seamless tie into the Autumn I amenities. Autumn II pays Autumn I for certain shared services. We have not reviewed the financial details of this cost-sharing arrangement. We assume that this shared service arrangement, or something similar will exist going forth under this ownership or another ownership, indefinitely. Given that the shared service expenses look to be reasonable, we believe that there exists mutual economic incentive for this relationship to continue.

As stated earlier, there are no transactions of stand-alone detached or semi-detached, rental senior housing sales available for comparison purposes. Therefore, the sales comparison approach has limited applicability. Based on previous sales analysis, the indicated value of the Autumn I facility is $168,300 per unit. Because the River Cottages contain more building and land area per unit, and command greater rent and earnings, it stands to reason that the per-unit value for the Autumn II should be greater.

The income capitalization approach is the only applicable technique available for the valuation of Autumn II. We begin the income approach by summarizing the historic revenue and operating expenses for the past three years. The operating figures, presented on the following page, were obtained for internal operating states provided to us by the management.

Our revenue forecast was essentially developed in the competitive market analysis section of this report. It was concluded that the subject is charging market rates for these units and is expected to continue experiencing few vacancies indefinitely.

The operating expenses for the subject are mostly related to real estate-type costs – property taxes, property insurance, building and grounds maintenance, and utility expenses. The residents at the cottages are allowed and encouraged to take advantage of the amenities available in the independent living apartment. Meal revenues and expenses from the cottage residents have been included in the Autumn I valuation.

We have no expense comparables per say for just free-standing senior housing cottages or villas. Typically, the operating expenses for these units are combined with other portions of the senior housing complex. Therefore, we are left to rely upon the actual operating expenses of the subject to make our expense forecast.

As mentioned in the Autumn I valuation, we allocated 25 percent of the property taxes to Autumn II. We have applied a capital replacement reserve of $1,000 per unit. Typically, the ownership will paint and replace the carpet after each tenant turnover. Most turnovers are expected to range between five and eight years.

Summary of Historical Revenue and Operating Expenses For Huntington Commons II

	31-Dec-02	31-Dec-03	31-Dec-04	31-Dec-02	31-Dec-03	31-Dec-04
				Revenue and Expenses per Unit		
Income						
Rent	$ 711,834	$ 653,224	$ 696,486	$ 27,378	$ 25,124	$ 26,788
Miscellaneous	33,225	25,643	28,769	1,278	986	1,107
Total Net Revenues	$ 745,059	$ 678,867	$ 725,255	$ 28,656	$ 26,110	$ 27,894
Expenses						
Operations and Maintenance	$ 62,302	$ 50,525	$ 11,656	$ 2,396	$ 1,943	$ 448
Services Purchased from HC	88,200	81,900	77,709	3,392	3,150	2,989
Insurance	7,243	10,973	15,939	279	422	613
Miscellaneous	409	705	221	16	27	9
Legal	9,553	16,621	17,596	367	639	677
Utilities	10,590	9,275	22,683	407	357	872
Total	$ 178,297	$ 169,999	$ 145,804	$ 6,858	$ 6,538	$ 5,608
Net Operating Income	$ 566,762	$ 508,868	$ 579,451	$ 21,799	$ 19,572	$ 22,287

Based on this analysis, we have estimated the following stabilized revenue, operating expenses and net operating income for the River Cottages, or Autumn II.

Table P-2 Estimated Stabilized Income and Expenses of the Huntington Commons II

Calculation of Annual Resident Days:						
Number of Units/Beds			28			
Occupied Units/Beds			24.0			
Occupancy Rate			92.3%			
Estimated Resident Days			8,760			
Revenue	Units/Beds	Occupancy Rate	Occupied Units/Beds		Average Monthly Rates	Annual Revenues
Rental Revenue for River Cottages	28.0	92.3%	24.0	$	2,800	$ 808,400
Miscellaneous Income						$ 26,000
Total Effective Gross Revenue						$ 834,400
			% of Rev		$ PRD	Expenses
Operations and Maintenance			1.6%	$	4.16	$ 36,400
Services Purchased from HC, Including Management			3.6%		10.27	90,000
Utilities			1.1%		2.85	25,000
Insurance			0.8%		2.08	18,200
Real Estate Taxes (Net Revenues x 10.0 Net Revenue Multiplier x Tax Rate)			1.8%		4.95	43,335
Miscellaneous and Legal			0.5%		1.43	12,500
Reserves for Replacements			0.8%		2.23	19,500
Total Expenses			10.4%	$	27.96	$ 244,935
Net Operating Income			25.1%	$	67.29	$ 589,465

In capitalizing the net operating income, we have relied on a combination of capitalization rate analysis presented in the Autumn I valuation, and on national apartment capitalization rate information. Since the subject is primarily a residential real estate investment, with little services offered to its residents, we believe that an overall capitalization rate that falls between the ranges of senior housing and conventional apartments is appropriate. As shown earlier in our sale comparable data and investor surveys, overall capitalization rates for senior housing (independent living and assisted living) ranges between 7.5 and 10.0 percent. There exists a capitalization rate scale that generally indicates that the greater the amount of services provided, the higher the capitalization rate. Independent living rates are less than capitalization rates for assisted living.

The following table summarizes recent industry statistics for capitalization rates by senior housing type.

Direct Capitalization Rate Industry Statistics by Type of Senior Housing

Property Type	Low	High	Average
Senior Apartments	6.5%	9.0%	8.0%
Independent Living	7.0%	10.5%	9.0%
Assisted Living	8.0%	12.0%	10.1%
Alzheimer/Dementia Care	9.0%	13.0%	11.0%
Skilled Nursing Facilities	11.0%	15.0%	12.6%
Skilled Nursing -- Subacute Facility	11.0%	17.5%	13.3%
Continuum of Care Facilities	9.0%	12.0%	10.5%

Source: Spring 2005 Senior Housing Investment Survey: Senior Living Valuation Services.

Property Type	Low	High	Average
Independent Living	8.0%	10.0%	9.1%
Assisted Living	8.5%	20.0%	10.5%
Skilled Nursing Facilities	8.7%	16.2%	13.0%
Continuum of Care Facilities	8.0%	14.8%	9.7%

Source: National Investment Conference: Quarter Ending 12/31/04

As can be seen from the industry data, a direct relationship exists between the level of services and care provided and risk. As the level of care and services increase, the risk increases. According to the Third Quarter 2005 ***Korpacz Real Estate Investors Survey***, the average going-in capitalization rate for apartment property was 6.28 percent, done from 6.52 percent in the previous quarter. Properties that have condominium conversion potential have lower than average rates. The subject has the potential of selling the cottages in some condominium ownership form or eventual change the structure to an entry fee arrangement. The Spring 2005 Senior Living Investment Survey shows an average capitalization for "senior housing" (limited or no services) to be 6.5 percent.

Based on these considerations, it is our opinion that an overall capitalization rate of 7.0 percent is appropriate for the subject cottages. Therefore, the following valuation calculations are made, and the concluded market value of Autumn II are profiled as follows.

Net Operating Income	$589,465
Overall Capitalization Rate	7.0%
Indicated Market Value	$8,420,000
Valuation Indicators	
Indicated Value per Square Foot	$231.32
Implied Net Revenue Multiplier	10.09
Implied Value per Unit	$323,846

It is our opinion the investors will not looked to a discounted cash flow analysis to provide them with any additional significant valuation insight beyond what is indicated from the direct capitalization approach since the occupancy level, rents and operating expenses are expected to remain stable indefinitely, inflation aside.

The concluded value of the cottages has an intangible component, for which an allocation is made. We have relied upon the same allocation rationale and technique used in the Autumn I valuation. Since Autumn II offers few services, we believe that a

lesser percentage of the NOI should be attributed to business or intangible assets; thus, we applied 10.0 percent NOI to the intangibles. The allocation is summarized as follows.

Projected Stabilized Net Operating Income	$589,465
Ratio Attributed to Business Assets	10.0%
Net Operating Income from Business Assets	$58,946
Business Enterprise Capitalization Rate	25.0%
Business Assets Value -- "As Stabilized"	$235,786
Rounded	$240,000

Allocation of the Fee Simple Value	
Real Estate	$8,141,000
Furniture, Fixtures & Equipment	39,000
Business Assets	240,000
Total Concluded Value	$8,420,000

Marketing Period

A reasonable marketing period is the estimated time it might take to sell a property interest at the estimated market value during the period immediately after the effective date of an appraisal. The following characteristics are implicit in this definition.

- The property will be actively exposed and aggressively marketed to potential purchasers through marketing channels commonly used by sellers of similar-type properties.
- The property will be offered at a price reflecting the most probable markup over market value used by sellers of similar-type properties.
- A sale will be consummated under the terms and conditions of the definition of value described herein.

To estimate the reasonable marketing period for a property, four primary information sources form the foundation of the analysis and conclusion:

1. Statistical information about days on the market for similar property types;
2. Information gathered through the sales verification process, assuming typical buyers and sellers of this property type;
3. Interviews of market participants involved with the marketing, management, buying and seller of the particular property category; and
4. Analysis of anticipated changes in market conditions.

In this instance, there is no information kept on the average length of time a nursing facility is on the market. Much of the sale data reveals little evidence either, since nursing facilities are often marketed quietly so the staff does not become disturbed. The trends discussed for exposure time are currently developing, so there is some uncertainty in the market. Still, these trends are not anticipated to change dramatically enough to protract future marketing periods.

We have surveyed the following real estate brokers to determine a reasonable marketing time for the subject facilities as both fee simple and leased fee interests. All survey participants specialize in marketing and selling nursing facilities and all have years of experience in this industry. The result of this survey is presented below.

Nursing Facility Marketing Time Survey
(First Quarter of 2004)

Broker	Company	Phone Number	Marketing Time SNF
Jeff Binder	Senior Living Investment Brokerage, Inc.	314.961.0070	6 to 9 Months
Mike Pardoll	Marcus & Millichap	704.896.5800	6 to 12 Months
David Rothschild	CB Richard Ellis	619.696.8303	9 to 12 Months
Jerry M. Walker	Marcus & Millichap	503.220.2333	6 to 9 Months
Allen McMurtry	CLW Health Care Services Group	813.349.8349	6 Months

Certification

We certify that, except as otherwise noted in this appraisal report, to the best of our knowledge and belief:

The statements of fact contained in this report are true and correct.

The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, unbiased professional analyses, opinions, and conclusions.

We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest with respect to the parties involved.

We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

Our engagement in this assignment was not contingent upon developing or reporting predetermined results.

Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.

The subject facility was inspected by Mark Tracy on November 1, 2005. James K. Tellatin, MAI did not inspect the subject facility and only functioned as a reviewer of the report.

No one provided significant professional assistance to the persons signing this report.

The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

As of the date of this appraisal, James K. Tellatin, MAI has completed the requirements of the continuing education program of the Appraisal Institute.

James K. Tellatin, MAI
Principal

Mark Tracy
Assistant Appraiser
Maine Temporary Certified General Real Estate Appraiser - pending

ATTACHMENT

3

Mark Tracy
(St. Louis, Missouri)

EMPLOYMENT
Mr. Tracy joined Tellatin, Short & Hansen, Inc. in May 2005. Previously, since 1997, he was employed by Koch Industries Inc. as a Real Estate Manager. From 1995 to 1997 he was an appraisal manager with Ted Dahl & Co. and from 1987 to 1995 was an appraisal manager for Swan Valuation Group. From 1986 to 1987 he was an associate at Van Stavern Co., a Wal-Mart Shopping center developer.

EXPERIENCE
Mr. Tracy has been involved in the commercial real estate industry since 1986, and the appraisal sector since 1987. Real property appraised encompasses a range of property types such as vacant land, industrial warehouse and distribution centers, freestanding retail facilities and shopping centers, retirement apartments and nursing homes, apartments, office buildings, motels and hotels, as well as other miscellaneous property types.

While at Koch Industries, the second largest privately held company in the U.S. with annual revenues of over 40 billion, he was responsible for the management of an office and industrial real estate portfolio of over 200 million dollars which included acquisitions, dispositions and leasing, with extensive experience in environmentally impaired real estate. He also was responsible for investment initiatives in Section 42 housing, and environmentally impaired real estate.

EDUCATION
Mr. Tracy earned his undergraduate degree, a Bachelor of Science in Construction Management, from Missouri State University in Springfield, Missouri.

He is an associate member of the Appraisal Institute and has completed the following Appraisal Institute Courses: "Appraisal Principles," "Appraisal Procedures," "Standards of Professional Practice, Part A & B," "Basic Income and Capitalization," "Advanced Income Capitalization", "Report Writing and Valuation Analysis," and "Advanced Applications."

James K. Tellatin, MAI
Tellatin, Short & Hansen, Inc.
15455 Conway Road, Suite 355
Chesterfield, Missouri 63017
Phone 636.530.0009
Fax: 636.530.0046
Cell: 314.283.0067

ATTACHMENT

4

CHARITABLE DISTRIBUTION PLAN

The Charitable Distribution Plan is to distribute the net proceeds of the Autumn Health conversion to Kennebunk Savings Bank Foundation (the "Foundation"), a Maine Nonprofit Corporation exempt from Federal Income Tax as described in section 501(c)(3) of the Internal Revenue Code, pursuant to the Charitable Distribution Agreement attached as Attachment 6.

Kennebunk Savings Bank Foundation was incorporated in 2001 (Exhibit A) and adopted Bylaws (Exhibit B) shortly thereafter. In March 2002 the Foundation received confirmation of its section 501(c)(3) status from the Internal Revenue Service (Exhibit C). The Foundation has made numerous grants to support charitable programs and organizations in Kennebunk and the surrounding community since its inception.

The Foundation is classified as a private foundation under section 509(a) of the Internal Revenue Code. Its Articles of Incorporation (Article EIGHTH, Exhibit A) require it to operate in accordance with the restrictions and limitations that apply to private foundations found in 26 U.S.C. §§4941-4945, as do those tax law provisions themselves. The Foundation in fact operates within those restrictions and limitations, as reported on its annual information returns (Forms 990-PF) (Exhibit D).

The Foundation has agreed to accept the conversion proceeds to establish the HUNTINGTON COMMON CHARITABLE FUND FOR SENIORS OF THE KENNEBUNK SAVINGS BANK FOUNDATION (the "Fund"). The Fund will make distributions for charitable purposes benefiting senior citizens of York County, Maine.

The Foundation will remain independent of the Purchaser at all times and does not anticipate having any special relationship with the Purchaser. The Charitable Distribution Agreement prohibits the Purchaser and its board of directors and management from receiving any distributions from the Fund.

Further, no individual Autumn Health officer, director, or staff member with influence over the conversion decision will serve as an officer, director, or staff member of the Foundation. Although the Charitable Distribution Agreement permits such individuals to serve as volunteer members of a Board of Advisors, it expressly prohibits their compensation or any distributions to entities employing them for compensation. As Advisors, such individuals may recommend distributions from the Fund; the Charitable Distribution Agreement expressly provides that all final decisions belong to the Foundation.

Finally, no director, officer, agent, or employee of Autumn Health or of the Kennebunk Savings Bank Foundation will benefit directly or indirectly from the proposed conversion transaction.

The Charitable Distribution Agreement addresses conflicts of interest and prohibits grants benefiting the Purchaser or members of the board of directors and management of the Purchaser. In addition, the Foundation has a conflicts of interest policy governing identification and management of potential conflicts (Exhibit E).

EXHIBIT

A

Filing Fee $20.00

File No. 20020185ND Pages 5
Fee Paid $ 20
DCN 2012981300039 ARTI
-----FILED-----
10/25/2001

Deputy Secretary of State

A True Copy When Attested By Signature

Deputy Secretary of State

DOMESTIC
NONPROFIT CORPORATION

STATE OF MAINE

ARTICLES OF INCORPORATION

Pursuant to 13-B MRSA §403, the undersigned, acting as incorporator(s) of a corporation, adopt(s) the following Articles of Incorporation:

FIRST: The name of the corporation is Kennebunk Savings Bank Foundation

SECOND: The corporation is organized for all purposes permitted under Title 13-B, MRSA, or, if not for all such purposes, then for the following purpose or purposes:

See Exhibit A

THIRD: The name and registered office of the Registered Agent who must be a Maine resident, whose office is identical with the registered office; or a corporation, domestic or foreign, profit or nonprofit, having an office identical with such registered office:

Susan F. Hoctor
(name)

c/o Kennebunk Savings Bank, 104 Main Street, Kennebunk, ME 04043
(physical location - street (not P.O. Box), city, state and zip code)

c/o Kennebunk Savings Bank, P.O. Box 28, Kennebunk, ME 04043
(mailing address if different from above)

THIS FORM *MUST* BE ACCOMPANIED BY FORM MNPCA-18 (Acceptance of Appointment as Registered Agent §304.3.)

FOURTH: The number of directors (not less than 3) constituting the initial board of directors of the corporation, if the number has been designated or if the initial directors have been chosen, is 8.

The minimum number of directors (not less than 3) shall be 3 and the maximum number of directors shall be 10.

FIFTH: Members: ("X" one box only)

☒ There shall be no members.

☐ There shall be one or more classes of members, and the information required by §402 is as follows:

SIXTH: ***OPTIONAL*** ☒ (Check if this article is to apply)

No substantial part of the activities of the Corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the Corporation shall not participate in or intervene in (including the publication or distribution of statements) any political campaign on behalf of any candidate for public office.

SEVENTH: ***OPTIONAL*** ☒ (Check if this article is to apply. Then ***fill in*** reference number of ***Section 501(c)(?)*** in the first paragraph below.)

Upon the dissolution of the Corporation or the termination of its activities, the assets of the Corporation remaining after the payment of all its liabilities shall be distributed exclusively to one or more organizations organized and operated exclusively for such purposes as shall then qualify as a exempt organization or organizations under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, and as a charitable, religious, eleemosynary, benevolent or educational corporation within the meaning of Title 13-B, of the Maine Revised Statutes as amended.

No part of the net earnings of the Corporation shall inure to the benefit of any member, director, or officer of the Corporation, or any private individual (except that reasonable compensation may be paid for services rendered to or for the Corporation in carrying out one or more of its purposes), and no member, director, or officer of the Corporation, or any private individual, shall be entitled to share in the distribution of any of the corporate assets on dissolution of the Corporation.

EIGHTH: Other provisions of these articles, if any, including provisions for the regulation of the internal affairs of the corporation, and distribution of assets on dissolution or final liquidation are set out in Exhibit B attached hereto and made a part hereof.

INCORPORATORS

DATED 10/12/01

Michael W. Macleod-Ball
(signature)

Street 62 Portland Road
(residence address)

Michael W. Macleod-Ball
(type or print name)

Kennebunk, ME 04043
(city, state and zip code)

(signature)

Street
(residence address)

(type or print name)

(city, state and zip code)

(signature)

Street
(residence address)

(type or print name)

(city, state and zip code)

For Corporate Incorporators*

Name of Corporate Incorporator

By
(signature of officer)

Street
(principal business location)

(type or print name and capacity)

(city, state and zip code)

***Articles are to be executed as follows:**
If a corporation is an incorporator (§401), the name of the corporation should be typed or printed and signed on its behalf by an officer of the corporation. The articles of incorporation must be accompanied by a certificate of an appropriate officer of the corporation, not the person signing the articles, certifying that the person executing the articles on behalf of the corporation was duly authorized to do so.

SUBMIT COMPLETED FORMS TO: CORPORATE EXAMINING SECTION, SECRETARY OF STATE, 101 STATE HOUSE STATION, AUGUSTA, ME 04333-0101

FORM NO. MNPCA-6 Rev. 4/16/2001 **TEL. (207) 624-7740**

EXHIBIT A

ARTICLES OF INCORPORATION OF
KENNEBUNK SAVINGS BANK FOUNDATION
(a Maine Nonprofit Corporation with no members)

Article SECOND:

The Corporation is organized exclusively for charitable, religious, educational, and scientific purposes, including, for such purposes, the making of distributions to organizations that qualify as exempt organizations under Section 501(c)(3) of the Internal Revenue Code, or the corresponding section of any future federal tax code. Notwithstanding any other provision of these Articles, this corporation shall not, except to an insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of the purposes of this corporation.

EXHIBIT B

ARTICLES OF INCORPORATION OF
KENNEBUNK SAVINGS BANK FOUNDATION
(a Maine Nonprofit Corporation with no members)

Article EIGHTH:

The Corporation will distribute its income for each tax year at a time and in a manner as not to become subject to the tax on undistributed income imposed by section 4942 of the Internal Revenue Code, or the corresponding section of any future federal tax code.

The Corporation will not engage in any act of self-dealing as defined in section 4941(d) of the Internal Revenue Code, or the corresponding section of any future federal tax code.

The Corporation will not retain any excess business holdings as defined in section 4943(c) of the Internal Revenue Code, or the corresponding section of any future federal tax code.

The Corporation will not make any investments in a manner as to subject it to tax under section 4944 of the Internal Revenue Code, or the corresponding section of any future federal tax code.

The Corporation will not make any taxable expenditures as defined in section 4945(d) of the Internal Revenue Code, or the corresponding section of any future federal tax code.

NONPROFIT CORPORATION

STATE OF MAINE

ACCEPTANCE OF APPOINTMENT AS REGISTERED AGENT OF

Kennebunk Savings Bank Foundation
(name of nonprofit corporation)

Pursuant to 13-B MRSA §304.3 or §1212.1-A, the undersigned hereby accepts the appointment as registered agent for the above-named nonprofit corporation.

REGISTERED AGENT Susan F. Hoctor
(signature)

DATED 10/10/01

Susan F. Hoctor
(type or print name)

For Registered Agent which is a Corporation

Name of Corporation _____

By _____
(authorized signature)

_____
(type or print name and capacity)

SUBMIT COMPLETED FORMS TO: CORPORATE EXAMINING SECTION, SECRETARY OF STATE, 101 STATE HOUSE STATION, AUGUSTA, ME 04333-0101
TEL. (207) 624-7740

FORM NO. MNPCA-18 Rev. 4/16/2001

EXHIBIT

B

BYLAWS

OF

KENNEBUNK SAVINGS BANK FOUNDATION

ARTICLE I
NAME AND LOCATION

Section 1. Name. The name of the Corporation shall be the Kennebunk Savings Bank Foundation.

Section 2. Offices. The principal office of the Corporation shall be located in the Town of Kennebunk, in the County of York and State of Maine, or at such other office, either within or without the state of Maine, as the Board of Directors may determine or as the officers of the Corporation may require from time to time.

ARTICLE II
PURPOSE AND POWERS

Section 1. Purpose. The Corporation is organized exclusively for charitable, religious, educational, and scientific purposes, including, for such purposes, the making of distributions to organizations that qualify as exempt organizations under Section 501(c)(3) of the Internal Revenue Code, or the corresponding section of any future federal tax code. Notwithstanding any other provision of these Articles, this Corporation shall not, except to an insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of the purposes of this corporation.

Section 2. Powers. To effect the foregoing purposes of the Corporation, the Corporation shall have such powers as are conferred upon nonprofit Corporations by the Maine Nonprofit Corporation Act, provided that:

a. No substantial part of the activities of the Corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the Corporation shall not participate in or intervene in (including the publication or distribution of statements) any political campaign on behalf of any candidate for public office.

b. The Corporation will distribute its income for each tax year at a time and in a manner as not to become subject to the tax on undistributed income imposed by Section 4942 of the Internal Revenue Code, or the corresponding section of any future federal tax code.

c. The Corporation will not engage in any act of self-dealing as defined in Section 4941(d) of the Internal Revenue Code, or the corresponding section of any future federal tax code.

d. The Corporation will not retain any excess business holdings as defined in Section 4943(c) of the Internal Revenue Code, or the corresponding section of any future federal tax code.

e. The Corporation will not make any investments in a manner as to subject it to tax under Section 4944 of the Internal Revenue Code, or the corresponding section of any future federal tax code.

f. The Corporation will not make any taxable expenditures as defined in Section 4945(d) of the Internal Revenue Code, or the corresponding section of any future federal tax code.

ARTICLE III
MEMBERS

The Corporation shall have no members. The Board of Directors, when meeting as the Board of Directors may exercise the rights and powers of members.

ARTICLE IV
DIRECTORS

Section 1. Powers. The business and affairs of the Corporation shall be conducted and managed by its Board of Directors, which shall exercise all of the powers of the Corporation. The Board of Directors may by general resolution delegate to committees and officers of the Corporation such powers as it sees fit.

Section 2. Composition of Board. The Board of Directors of the Corporation shall consist of the then serving Trustees of the Kennebunk Savings Bank, a Maine banking institution duly organized and existing by law, having a principal place of business at Kennebunk, Maine, or its successor organization. The terms of the Directors of the Corporation shall, therefore, coincide with the terms of the Trustees of Kennebunk Savings Bank. The number of Directors shall initially be eight (8) but such number may from time to time be increased to a number not to exceed the number provided in the Articles of Incorporation, provided that the number of Directors shall never be less than three (3).

In the event that the Kennebunk Savings Bank dissolves or otherwise ceases to exist and there is no successor organization, the Directors serving on the date of the Board of Directors vote in favor of the dissolution or cessation shall continue to serve as the Directors of the Corporation until such time as successors shall be elected and qualified. Following dissolution or cessation, and in the absence of a successor organization, any subsequent vacancy created by

the resignation or removal of any such Director may be filled by the Directors then serving, although less than a quorum, by an affirmative vote of the majority thereof, and any Director so elected shall hold office until the election and qualification of a successor. Furthermore, upon any such dissolution or cessation, and in the absence of a successor organization, the Directors of the Corporation shall amend these bylaws to provide for an alternate method of electing or appointing Directors which method shall not conflict with the charitable purposes of the Corporation. In the absence of such amendment, the Directors shall elect or re-elect Directors at the annual meeting of the Directors.

For purposes of this Section 2, a "successor organization" shall mean the entity resulting from a merger, consolidation or other structural transaction whereby, upon completion of such transaction, the Kennebunk Savings Bank ceases to exist. In the event the successor organization does not have Trustees, the Board of Directors of the Corporation shall consist of the successor organization's Directors, if a corporation; Managers, if a limited liability company (unless there are no Managers, in which case the Members shall be substituted for Managers); or General Partners, if a limited partnership, general partnership, or limited liability partnership.

Section 3. Resignation; Removal; Vacancies. Any Director may resign at any time by giving written notice to the President or the Board of Directors and may be removed at any time in accordance with applicable law. Any resignation or removal of a Director from the Board of Trustees of Kennebunk Savings Bank shall be deemed to be a resignation or removal of a Director from the Board of Directors of the Corporation. Any vacancy in the Board of Directors of the Corporation which occurs due to the death or deemed removal or resignation of a Director shall be filled by the Director elected to fill such vacancy by the Board of Trustees of Kennebunk Savings Bank. Any other vacancy in the Board of Directors occurring during the year, including any vacancy created by an increase in the number of Directors, may be filled for the unexpired portion of the term by the Directors then serving, although less than a quorum, by an affirmative vote of the majority thereof, and any Director so elected shall hold office until the election and qualification of a successor.

Section 4. Annual Meeting. The annual meeting of the Corporation shall be held during the month of August each year for the purpose of electing Directors and taking such other action as may come before the Board. Immediately after each annual election, the newly elected Directors shall meet as soon as practicable for the purpose of organization, the election of officers, and the transaction of other business, and if a quorum of the Directors be then present, no prior notice of such meeting shall be required to be given. Such meetings shall be held at such place within or without the State of Maine as may be designated by the Board of Directors.

Section 5. Regular Meetings. The Board of Directors shall establish a schedule for regular meetings of the Board.

Section 6. Special Meetings. Special meetings of the Board of Directors may be called by the President or the Secretary and must be called by either of them on the written request of any two (2) members of the Board.

Section 7. Notice of Meetings. Notice of all Directors' meetings, except as herein otherwise provided, shall be given by mailing the same at least three (3) days before the meeting, or by telephoning the same at least one (1) day before the meeting to the usual business or residence address of the Director. At any meeting at which every Director shall be present, even though without notice, any business may be transacted.

Section 8. Quorum; Voting. At all meetings of the Board of Directors a majority of the Directors shall be necessary and sufficient to constitute a quorum for the transaction of business and the act of a majority of the Directors present at any meeting at which there is a quorum shall be the act of the Board of Directors. If at any meeting there is less than a quorum present, a majority of those present may adjourn the meeting from time to time without further notice to any absent Director.

Section 9. Informal Action by Directors. Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if a written consent to such action is signed by all members of the Board or of such committee, as the case may be, and such written consent is filed with the minutes of the proceedings of the Board or committee.

Section 10. Telephone Meetings. Members of the Board of Directors or a committee of the Board may participate in a meeting by means of a conference telephone or similar communications equipment if all persons participating in the meeting can hear each other at the same time. Participation in a meeting by these means constitutes presence in person at the meeting.

Section 11. Compensation. The Directors shall serve without compensation, except that the Directors shall receive reimbursement for the reasonable out-of-pocket expenses that they incur in furtherance of their duties to the Corporation.

ARTICLE V
OFFICERS

Section 1. Executive Officers. The Executive Officers of the Corporation shall be a President, who shall be selected from among the Board of Directors of the Corporation, a Secretary, a Treasurer, and such other officers with such powers and duties not inconsistent with these Bylaws as may be appointed and determined by the Board of Directors. Any two offices may be held by the same person, provided that the President shall not also be a Vice-President if a Vice-President is appointed.

Section 2. Resignation, Removal; Vacancies. Any officer may resign at any time by giving written notice to the President or the Board of Directors and may be removed from office by the vote of the Directors at any time, in accordance with applicable law. In case any office of the Corporation becomes vacant by death, resignation, retirement, disqualification, or any other cause, the Board of Directors by majority action may select an officer to fill such vacancy.

Section 3. President. The President shall preside at all meetings of the Board of Directors. In the President's absence, the Vice-President, if a Vice-President is appointed, shall

preside in place of the President. In the President's absence, if a Vice President has not been appointed, the Directors may appoint a substitute to preside in the President's absence. The President shall have and exercise general charge and supervision of the affairs of the Corporation and shall do and perform such other duties as are customary to the office and as may be assigned to that office by the Board of Directors.

Section 4. Secretary. The Secretary shall keep the minutes of all meetings of the Board of Directors in books provided for that purpose. The Secretary shall attend to the giving and serving of all notices of the Corporation; the Secretary shall have charge of the minute books and such other books and records as the Board of Directors may direct, may attest to the accuracy of such books and records and shall perform such other duties as are customary to that office and as may from time to time be directed by the President or the Board of Directors. The Secretary need not be selected from the Board of Directors of the Corporation.

Section 5. Treasurer. The Treasurer shall have the custody of all funds, property and securities of the Corporation, subject to such regulations as may be imposed by the Board of Directors. When necessary or proper, the Treasurer shall endorse on behalf of the Corporation for collection, checks, notes, and other obligations, and shall deposit the same to the credit of the Corporation at such bank or banks or depository as the Board of Directors may designate. The Treasurer shall, in general, perform all duties incident to the office of Treasurer, including a general supervision and control of the accounts of the Corporation, subject to the control of the Board of Directors. The Treasurer need not be selected from the Board of Directors of the Corporation.

Section 6. Other Officers. The Board of Directors may elect or appoint one or more Vice-Presidents and such other officers and assistant officers as they may deem necessary, who shall have such authority and perform such duties as from time to time may be prescribed by the President or by the Board of Directors. Such other officers and assistant officers need not be selected from the Board of Directors of the Corporation.

Section 7. Compensation. The Officers shall serve without compensation, except that the Officers shall receive reimbursement for the reasonable out-of-pocket expenses that they incur in furtherance of their duties to the Corporation.

ARTICLE VI
COMMITTEES

Section 1. Committees. The Board of Directors may also appoint from their number, or from among such other persons as the Board may see fit, such committees as the Board may determine, which shall in each case have such powers and duties as shall from time to time be prescribed by the Board. The President shall be a voting member ex officio of each committee appointed by the Board of Directors.

Section 2. Executive Committee. The Board of Directors, by majority vote of the full Board, may appoint an Executive Committee from its Board consisting of two or more Directors to serve at its pleasure and to the extent permitted by applicable law, may delegate to such Executive Committee all the authority of the Board of Directors, except that the Executive Committee shall

have no authority to elect officers, or to enter into any transaction or activity which it knows to be contrary to the wishes of the Board of Directors.

Section 3. Rules; Record of Proceedings. Each Committee may prescribe rules and procedures for calling and conducting its meetings. Each Committee shall keep regular minutes of its proceedings and shall report the same to the Board of Directors and the President when required.

ARTICLE VII
CORPORATE ASSETS AND EARNINGS

Section 1. Investments. The Corporation shall have the right to retain all or any part of any securities or property acquired by it in whatever manner, and to invest and reinvest any funds held by it, according to the judgment of the Board of Directors, without being restricted to the class of investments which a director is or may hereafter be permitted by law to make or any similar restriction; provided, however, that no action shall be taken by or on behalf of the Corporation if such action would result in the denial or loss of the tax exemption under Section 501(c)(3) or any other section of the Internal Revenue Code of 1986 and applicable Regulations relating thereto as they now exist or as they may hereafter be amended (the "Code").

Section 2. Inurement Prohibition. No Director, officer, committee member or employee of, or any person connected with, the Corporation, or any other private individual, shall receive at any time any of the net earnings or pecuniary profit from the operations of the Corporation, provided that this shall not prevent the payment to any such person of such reasonable compensation and reimbursement of expenses as shall be fixed by the Board of Directors for services rendered to or for the Corporation in effecting any of its purposes; and no such person or persons shall be entitled to share in the distribution of any of the corporate assets upon the dissolution of the Corporation. No more than 49% of the Directors may be "financially interested persons" as that term is defined by 13-B MRSA 713-A. The clerk of the Corporation shall ensure compliance with this provision and the Board of Directors shall certify annually in the minutes that the Board composition does not violate 13-B MRSA 713-A.

Section 3. Dissolution. Upon the dissolution of the Corporation or the termination of its activities the assets of the Corporation remaining after the payment of all its liabilities shall be distributed exclusively to one or more organizations organized and operated exclusively for such purposes as shall then qualify as an exempt organization or organizations under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, and as a charitable, religious, eleemosynary, benevolent or educational corporation within the meaning of Title 13-B, of the Maine Revised Statutes, as amended.

Section 4. Exempt Activities. Notwithstanding any other provision of these Bylaws, no member, Director, officer, employee, or representative of this Corporation shall take any action or carry on any activity by or on behalf of the Corporation not permitted to be taken or carried on by an organization exempt under Section 501(c)(3) of the code, or by an organization contributions to which are deductible under Section 170(c)(2) of the Code.

ARTICLE VIII
MISCELLANEOUS

Section 1. Corporate Seal. The Board of Directors may provide a suitable seal, containing the name of the Corporation, which seal shall be in the charge of the Secretary.

Section 2. Fiscal Year. The fiscal year of the Corporation shall be as determined by the Board of Directors and evidenced by resolution filed with the corporate records.

Section 3. Records and Reports. The Corporation shall keep correct and complete books and records of account and of its transactions and minutes of the proceedings of its Board of Directors and of any committee. The President or the Secretary of the Corporation shall prepare or cause to be prepared annually a full and correct statement of the affairs of the Corporation, including a balance sheet and a financial statement of operations for the preceding fiscal year, which shall be submitted at the annual meetings of the Board of Directors and be filed within twenty days thereafter at the principal office of the Corporation.

ARTICLE IX
INDEMNIFICATION

The Corporation shall, to the full extent of its power to do so provided by law, including without limitation Section 714 of Title 13-B of the Maine Revised Statutes Annotated, indemnify any and all present and former officers, directors, employees, committee members and agents of the Corporation against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by them in connection with any action, suit or proceeding in which they, or any of them, are made parties, or a party, by reason of their being or having been officers, directors, employees, committee members, or agents of the Corporation; except in relation to matters as to which any such person shall be finally adjudicated in any such action, suit or proceeding not to have acted in good faith in the reasonable belief that his or her action was in the best interest of the Corporation, or, with respect to any criminal action or proceeding, where such person is finally adjudged to have had reasonable cause to believe that his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order or conviction adverse to such person, or by settlement or plea of nolo contendere or its equivalent, shall not of itself create a presumption that such person did not act in good faith in the reasonable belief that his action was in the best interests of the corporation and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

The Corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify such person.

Any indemnification under this section, unless ordered by a court, may be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because the director, officer, employee or agent has met the applicable standard of conduct set forth above. The determination must be made by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to the action, suit or proceeding. If a quorum is not obtainable, or whether or not a quorum is obtainable, if a quorum of disinterested directors so directs, the determination shall be made by independent legal counsel in a written opinion. The determination, once made by the Board of Directors may not be revoked by the Board of Directors, and upon the making of the determination by the Board of Directors, the director, officer, employee or agent may enforce the indemnification against the corporation by a separate action notwithstanding any attempted or actual subsequent action by the Board of Directors. Such indemnification shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any other by-law, agreement, or otherwise.

ARTICLE X
AMENDMENTS

The Board of Directors shall have power to make, alter, amend, and repeal the Articles of Incorporation or the Bylaws of the Corporation by vote of a majority of all of the Directors at any regular or special meeting.

980068.033Bylaws revised March 02

EXHIBIT

C

INTERNAL REVENUE SERVICE
P. O. BOX 2508
CINCINNATI, OH 45201

DEPARTMENT OF THE TREASURY

Date: MAR 05 2002

KENNEBUNK SAVINGS BANK FOUNDATION
C/O BARBARA I BELIK
BERGEN & PARKINSON LLC
62 PORTLAND RD
KENNEBUNK, ME 04043-0000

Employer Identification Number:
01-0547392
DLN:
17053039045022
Contact Person:
DAVID B KOUCKY ID# 31368
Contact Telephone Number:
(877) 829-5500
Accounting Period Ending:
December 31
Addendum Applies:
No

Dear Applicant:

Based on information supplied, and assuming your operations will be as stated in your application for recognition of exemption, we have determined you are exempt from Federal income tax under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3).

We have further determined that, as indicated in your application, you are a private foundation within the meaning of section 509(a) of the Code. In this letter we are not determining whether you are an operating foundation as defined in section 4942(j)(3).

If your sources of support, or your purposes, character, or method of operation change, please let us know so we can consider the effect of the change on your exempt status and foundation status. In the case of an amendment to your organizational document or bylaws, please send us a copy of the amended document or bylaws. Also, you should inform us of all changes in your name or address.

As of January 1, 1984, you are liable for taxes under the Federal Insurance Contributions Act (social security taxes) on remuneration of $100 or more you pay to each of your employees during a calendar year. You are not liable for the tax imposed under the Federal Unemployment Tax Act (FUTA). However, since you are a private foundation, you are subject to excise taxes under chapter 42 of the Code. You also may be subject to other Federal excise taxes. If you have any questions about excise, employment, or other Federal taxes, please let us know.

Donors may deduct contributions to you as provided in section 170 of the Code. Bequests, legacies, devises, transfers, or gifts to you or for your use are deductible for Federal estate and gift tax purposes if they meet the applicable provisions of sections 2055, 2106, and 2522 of the Code.

Contribution deductions are allowable to donors only to the extent that their contributions are gifts, with no consideration received. Ticket purchases and similar payments in conjunction with fundraising events may not necessarily qualify as deductible contributions, depending on the circum-

stances. See Revenue Ruling 67-246, published in Cumulative Bulletin 1967-2, on page 104, which sets forth guidelines regarding the deductibility, as charitable contributions, of payments made by taxpayers for admission to or other participation in fundraising activities for charity.

You are required to file Form 990-PF, Return of Private Foundation or Section 4947(a)(1) Trust Treated as a Private Foundation. Form 990-PF must be filed by the 15th day of the fifth month after the end of your annual accounting period. A penalty of $20 a day is charged when a return is filed late, unless there is reasonable cause for the delay. However, the maximum penalty charged cannot exceed $10,000 or 5 percent of your gross receipts for the year, whichever is less. For organizations with gross receipts exceeding $1,000,000 in any year, the penalty is $100 per day per return, unless there is reasonable cause for the delay. The maximum penalty for an organization with gross receipts exceeding $1,000,000 shall not exceed $50,000. This penalty may also be charged if a return is not complete, so please be sure your return is complete before you file it.

You are not required to file Federal income tax returns unless you are subject to the tax on unrelated business income under section 511 of the Code. If you are subject to this tax, you must file an income tax return on Form 990-T, Exempt Organization Business Income Tax Return. In this letter we are not determining whether any of your present or proposed activities are unrelated trade or business as defined in section 513 of the Code.

You are required to make certain returns available for public inspection for three years after the later of the due date of the return or the date the return is filed. The returns required to be made available for public inspection are Form 990-PF, Return of Private Foundation or Section 4947(a)(1) Nonexempt Charitable Trust Treated as a Private Foundation, and Form 4720, Return of Certain Excise Taxes on Charities and Other Persons Under Chapters 41 and 42 of the Internal Revenue Code. You are also required to make available for public inspection your exemption application, any supporting documents, and your exemption letter. Copies of these documents must be provided to any individual upon written or in person request without charge other than reasonable fees for copying and postage. You may fulfill this requirement by placing these documents on the Internet. Penalties may be imposed for failure to comply with these requirements. Additional information is available in Publication 557, Tax-Exempt Status for Your Organization, or you may call our toll free number shown above.

You need an employer identification number even if you have no employees. If an employer identification number was not entered on your application, a number will be assigned to you and you will be advised of it. Please use that number on all returns you file and in all correspondence with the Internal Revenue Service.

This determination is based on evidence that your funds are dedicated to the purposes listed in section 501(c)(3) of the Code. To assure your continued exemption, you should maintain records to show that funds are expended only for those purposes. If you distribute funds to other

organizations, your records should show whether they are exempt under section 501(c)(3). In cases where the recipient organization is not exempt under section 501(c)(3), there should be evidence that the funds will remain dedicated to the required purposes and that they will be used for those purposes by the recipient.

If distributions are made to individuals, case histories regarding the recipients should be kept showing names, addresses, purposes of awards, manner of selection, relationship (if any) to members, officers, trustees or donors of funds to you, so that any and all distributions made to individuals can be substantiated upon request by the Internal Revenue Service. (Revenue Ruling 56-304, C.B. 1956-2, page 306.)

If we have indicated in the heading of this letter that an addendum applies, the addendum enclosed is an integral part of this letter.

Because this letter could help resolve any questions about your exempt status and foundation status, you should keep it in your permanent records.

We have sent a copy of this letter to your representative as indicated in your power of attorney.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely yours,

Steven T. Miller

Steven T. Miller
Director, Exempt Organizations

EXHIBIT

D

Form **990-PF**

Department of the Treasury
Internal Revenue Service

Return of Private Foundation
or Section 4947(a)(1) Nonexempt Charitable Trust Treated as a Private Foundation

Note: The organization may be able to use a copy of this return to satisfy state reporting requirements.

OMB No. 1545-0052

2004

For calendar year 2004, or tax year beginning , 2004, and ending , 20

G Check all that apply: ☐ Initial return ☐ Final return ☐ Amended return ☐ Address change ☐ Name change

Use the IRS label. Otherwise, print or type. See Specific Instructions.

Name of organization: Kennebunk Savings Bank Foundation

Number and street (or P O box number if mail is not delivered to street address): 104 Main St., PO Box 28 | Room/suite

City or town, state, and ZIP code: Kennebunk, ME 04043-0028

A Employer identification number: 01 : 0547392

B Telephone number (see page 10 of the instructions): (207) 985-4903

C If exemption application is pending, check here ▶ ☐

D 1. Foreign organizations, check here ▶ ☐

2. Foreign organizations meeting the 85% test, check here and attach computation ▶ ☐

E If private foundation status was terminated under section 507(b)(1)(A), check here ▶ ☐

F If the foundation is in a 60-month termination under section 507(b)(1)(B), check here ▶ ☐

H Check type of organization: ☑ Section 501(c)(3) exempt private foundation
☐ Section 4947(a)(1) nonexempt charitable trust ☐ Other taxable private foundation

I Fair market value of all assets at end of year *(from Part II, col. (c), line 16)* ▶ $ 542,521

J Accounting method: ☑ Cash ☐ Accrual
☐ Other (specify) .....
(Part I, column (d) must be on cash basis.)

Part I **Analysis of Revenue and Expenses** *(The total of amounts in columns (b), (c), and (d) may not necessarily equal the amounts in column (a) (see page 11 of the instructions).)*

		(a) Revenue and expenses per books	(b) Net investment income	(c) Adjusted net income	(d) Disbursements for charitable purposes (cash basis only)
Revenue	1 Contributions, gifts, grants, etc., received (attach schedule)	281,540			
	2 Check ▶ ☐ if the foundation is not required to attach Sch. B				
	3 Interest on savings and temporary cash investments	3,423	3,423		
	4 Dividends and interest from securities				
	5a Gross rents				
	b Net rental income or (loss)				
	6a Net gain or (loss) from sale of assets not on line 10				
	b Gross sales price for all assets on line 6a				
	7 Capital gain net income (from Part IV, line 2)				
	8 Net short-term capital gain				
	9 Income modifications				
	10a Gross sales less returns and allowances				
	b Less: Cost of goods sold				
	c Gross profit or (loss) (attach schedule)				
	11 Other income (attach schedule)				
	12 **Total.** Add lines 1 through 11	284,963	3,423	0	
Operating and Administrative Expenses	13 Compensation of officers, directors, trustees, etc.				
	14 Other employee salaries and wages				
	15 Pension plans, employee benefits				
	16a Legal fees (attach schedule)	STMT 1 2,210			2,210
	b Accounting fees (attach schedule)				
	c Other professional fees (attach schedule)				
	17 Interest				
	18 Taxes (attach schedule) (see page 14 of the instructions)	STMT 1 41			
	19 Depreciation (attach schedule) and depletion				
	20 Occupancy				
	21 Travel, conferences, and meetings				
	22 Printing and publications				
	23 Other expenses (attach schedule)				
	24 **Total operating and administrative expenses.** Add lines 13 through 23	2,251			2,210
	25 Contributions, gifts, grants paid	241,981			241,981
	26 Total expenses and disbursements. Add lines 24 and 25	244,232	0	0	244,191
	27 Subtract line 26 from line 12:				
	a **Excess of revenue over expenses and disbursements**	40,731			
	b **Net investment income** (if negative, enter -0-)		3,423		
	c **Adjusted net income** (if negative, enter -0-)			0	

RECEIVED
MAY 1 6 2005
OGDEN, UT
782 IRS-OSC

FILMED MAY 2 5 2005

21

Part II Balance Sheets Attached schedules and amounts in the description column should be for end-of-year amounts only (See instructions)

		Beginning of year	End of year	
		(a) Book Value	(b) Book Value	(c) Fair Market Value
Assets	1 Cash—non-interest-bearing	94,484	75,671	75,671
	2 Savings and temporary cash investments	407,274	466,850	466,850
	3 Accounts receivable ▶			
	Less: allowance for doubtful accounts ▶			
	4 Pledges receivable ▶			
	Less: allowance for doubtful accounts ▶			
	5 Grants receivable			
	6 Receivables due from officers, directors, trustees, and other disqualified persons (attach schedule) (see page 15 of the instructions)			
	7 Other notes and loans receivable (attach schedule) ▶			
	Less: allowance for doubtful accounts ▶			
	8 Inventories for sale or use			
	9 Prepaid expenses and deferred charges			
	10a Investments—U.S. and state government obligations (attach schedule)			
	b Investments—corporate stock (attach schedule)			
	c Investments—corporate bonds (attach schedule)			
	11 Investments—land, buildings, and equipment: basis ▶			
	Less: accumulated depreciation (attach schedule) ▶			
	12 Investments—mortgage loans			
	13 Investments—other (attach schedule)			
	14 Land, buildings, and equipment: basis ▶			
	Less: accumulated depreciation (attach schedule) ▶			
	15 Other assets (describe ▶)			
	16 **Total assets** (to be completed by all filers—see page 16 of the instructions. Also, see page 1, item I)	501,758	542,521	542,521
Liabilities	17 Accounts payable and accrued expenses			
	18 Grants payable			
	19 Deferred revenue			
	20 Loans from officers, directors, trustees, and other disqualified persons			
	21 Mortgages and other notes payable (attach schedule)			
	22 Other liabilities (describe ▶)			
	23 **Total liabilities** (add lines 17 through 22)	None	None	
Net Assets or Fund Balances	**Organizations that follow SFAS 117, check here ▶ ☐ and complete lines 24 through 26 and lines 30 and 31.**			
	24 Unrestricted			
	25 Temporarily restricted			
	26 Permanently restricted			
	Organizations that do not follow SFAS 117, check here ▶ ☑ and complete lines 27 through 31.			
	27 Capital stock, trust principal, or current funds			
	28 Paid-in or capital surplus, or land, bldg., and equipment fund			
	29 Retained earnings, accumulated income, endowment, or other funds	501,758	542,521	
	30 **Total net assets or fund balances** (see page 17 of the instructions)	501,758	542,521	
	31 **Total liabilities and net assets/fund balances** (see page 17 of the instructions)	501,758	542,521	

Part III Analysis of Changes in Net Assets or Fund Balances

1 Total net assets or fund balances at beginning of year—Part II, column (a), line 30 (must agree with end-of-year figure reported on prior year's return)	1	501,758
2 Enter amount from Part I, line 27a	2	40,731
3 Other increases not included in line 2 (itemize) ▶ Grant Recoveries	3	32
4 Add lines 1, 2, and 3	4	542,521
5 Decreases not included in line 2 (itemize) ▶	5	0
6 Total net assets or fund balances at end of year (line 4 minus line 5)—Part II, column (b), line 30	6	542,521

Part IV Capital Gains and Losses for Tax on Investment Income

N/A

(a) List and describe the kind(s) of property sold (e g , real estate, 2-story brick warehouse, or common stock, 200 shs. MLC Co.)	(b) How acquired P—Purchase D—Donation	(c) Date acquired (mo , day, yr.)	(d) Date sold (mo., day, yr.)
1a			
b			
c			
d			
e			

(e) Gross sales price	(f) Depreciation allowed (or allowable)	(g) Cost or other basis plus expense of sale	(h) Gain or (loss) (e) plus (f) minus (g)
a			
b			
c			
d			
e			

Complete only for assets showing gain in column (h) and owned by the foundation on 12/31/69

(i) F M V as of 12/31/69	(j) Adjusted basis as of 12/31/69	(k) Excess of col. (i) over col (j), if any	(l) Gains (Col (h) gain minus col (k), but not less than -0-) or Losses (from col.(h))
a			
b			
c			
d			
e			

2 Capital gain net income or (net capital loss) { If gain, also enter in Part I, line 7 / If (loss), enter -0- in Part I, line 7 } 2

3 Net short-term capital gain or (loss) as defined in sections 1222(5) and (6): If gain, also enter in Part I, line 8, column (c) (see pages 13 and 17 of the instructions). If (loss), enter -0- in Part I, line 8 3

Part V Qualification Under Section 4940(e) for Reduced Tax on Net Investment Income

(For optional use by domestic private foundations subject to the section 4940(a) tax on net investment income.)

If section 4940(d)(2) applies, leave this part blank.

Was the organization liable for the section 4942 tax on the distributable amount of any year in the base period? ☐ Yes ☑ No
If "Yes," the organization does not qualify under section 4940(e). Do not complete this part.

1 Enter the appropriate amount in each column for each year; see page 18 of the instructions before making any entries.

(a) Base period years Calendar year (or tax year beginning in)	(b) Adjusted qualifying distributions	(c) Net value of noncharitable-use assets	(d) Distribution ratio (col. (b) divided by col. (c))
2003	303,603	368,082	.82482435978
2002	219,691	285,723	.7688950487
2001			
2000			
1999			

2 Total of line 1, column (d)	2	1.59371940848
3 Average distribution ratio for the 5-year base period—divide the total on line 2 by 5, or by the number of years the foundation has been in existence if less than 5 years	3	.79685970424
4 Enter the net value of noncharitable-use assets for 2004 from Part X, line 5	4	404,448
5 Multiply line 4 by line 3	5	322,288
6 Enter 1% of net investment income (1% of Part I, line 27b)	6	34
7 Add lines 5 and 6	7	322,322
8 Enter qualifying distributions from Part XII, line 4	8	244,191

If line 8 is equal to or greater than line 7, check the box in Part VI, line 1b, and complete that part using a 1% tax rate. See the Part VI instructions on page 18.

Part VI Excise Tax Based on Investment Income (Section 4940(a), 4940(b), 4940(e), or 4948—see page 18 of the instructions)

1a	Exempt operating foundations described in section 4940(d)(2), check here ▶ ☐ and enter "N/A" on line 1. Date of ruling letter: ..... (attach copy of ruling letter if necessary-see instructions)		
b	Domestic organizations that meet the section 4940(e) requirements in Part V, check here ▶ ☐ and enter 1% of Part I, line 27b	1	66
c	All other domestic organizations enter 2% of line 27b Exempt foreign organizations enter 4% of Part I, line 12, col (b)		
2	Tax under section 511 (domestic section 4947(a)(1) trusts and taxable foundations only. Others enter -0-)	2	0
3	Add lines 1 and 2	3	66
4	Subtitle A (income) tax (domestic section 4947(a)(1) trusts and taxable foundations only. Others enter -0-)	4	0
5	**Tax based on investment income.** Subtract line 4 from line 3. If zero or less, enter -0-	5	66
6	Credits/Payments:		
a	2004 estimated tax payments and 2003 overpayment credited to 2004 — 6a		
b	Exempt foreign organizations—tax withheld at source — 6b		
c	Tax paid with application for extension of time to file (Form 8868) — 6c		
d	Backup withholding erroneously withheld — 6d		
7	Total credits and payments. Add lines 6a through 6d	7	0
8	Enter any **penalty** for underpayment of estimated tax. Check here ☐ if Form 2220 is attached.	8	0
9	**Tax due.** If the total of lines 5 and 8 is more than line 7, enter **amount owed** ▶	9	66
10	**Overpayment.** If line 7 is more than the total of lines 5 and 8, enter the **amount overpaid** ▶	10	
11	Enter the amount of line 10 to be: **Credited to 2005 estimated tax** ▶ **Refunded** ▶	11	

Part VII-A Statements Regarding Activities

		Yes	No
1a	During the tax year, did the organization attempt to influence any national, state, or local legislation or did it participate or intervene in any political campaign?		✓
b	Did it spend more than $100 during the year (either directly or indirectly) for political purposes (see page 19 of the instructions for definition)?		✓
	If the answer is "Yes" to 1a or 1b, attach a detailed description of the activities and copies of any materials published or distributed by the organization in connection with the activities.		
c	Did the organization file **Form 1120-POL** for this year?		✓
d	Enter the amount (if any) of tax on political expenditures (section 4955) imposed during the year: (1) On the organization. ▶ $ N/A (2) On organization managers. ▶ $ N/A		
e	Enter the reimbursement (if any) paid by the organization during the year for political expenditure tax imposed on organization managers. ▶ $ N/A		
2	Has the organization engaged in any activities that have not previously been reported to the IRS? *If "Yes," attach a detailed description of the activities.*		✓
3	Has the organization made any changes, not previously reported to the IRS, in its governing instrument, articles of incorporation, or bylaws, or other similar instruments? *If "Yes," attach a conformed copy of the changes*		✓
4a	Did the organization have unrelated business gross income of $1,000 or more during the year?		✓
b	If "Yes," has it filed a tax return on **Form 990-T** for this year?	N/A	
5	Was there a liquidation, termination, dissolution, or substantial contraction during the year? *If "Yes," attach the statement required by General Instruction T.*		✓
6	Are the requirements of section 508(e) (relating to sections 4941 through 4945) satisfied either: • By language in the governing instrument, or • By state legislation that effectively amends the governing instrument so that no mandatory directions that conflict with the state law remain in the governing instrument?	✓	
7	Did the organization have at least $5,000 in assets at any time during the year? *If "Yes," complete Part II, col. (c), and Part XV.*	✓	
8a	Enter the states to which the foundation reports or with which it is registered (see page 19 of the instructions) ▶ Maine		
b	If the answer is "Yes" to line 7, has the organization furnished a copy of Form 990-PF to the Attorney General (or designate) of each state as required by General Instruction G? *If "No," attach explanation*	✓	
9	Is the organization claiming status as a private operating foundation within the meaning of section 4942(j)(3) or 4942(j)(5) for calendar year 2004 or the taxable year beginning in 2004 (see instructions for Part XIV on page 25)? *If "Yes," complete Part XIV*		✓
10	Did any persons become substantial contributors during the tax year? *If "Yes," attach a schedule listing their names and addresses.*		✓
11	Did the organization comply with the public inspection requirements for its annual returns and exemption application?	✓	

Web site address ▶ N/A

12 The books are in care of ▶ Pamela J. Drew, Treasurer Telephone no. ▶ (207)985-4903
Located at ▶ 104 Main Street, Kennebunk, ME ZIP+4 ▶ 04043-0028

13 Section 4947(a)(1) nonexempt charitable trusts filing Form 990-PF in lieu of **Form 1041**—Check here ▶ ☐
and enter the amount of tax-exempt interest received or accrued during the year ▶ 13

Part VII-B Statements Regarding Activities for Which Form 4720 May Be Required

File Form 4720 if any item is checked in the "Yes" column, unless an exception applies.

		Yes	No
1a	During the year did the organization (either directly or indirectly):		
	(1) Engage in the sale or exchange, or leasing of property with a disqualified person?	☐	☑
	(2) Borrow money from, lend money to, or otherwise extend credit to (or accept it from) a disqualified person?	☐	☑
	(3) Furnish goods, services, or facilities to (or accept them from) a disqualified person?	☑	☐
	(4) Pay compensation to, or pay or reimburse the expenses of, a disqualified person?	☐	☑
	(5) Transfer any income or assets to a disqualified person (or make any of either available for the benefit or use of a disqualified person)?	☐	☑
	(6) Agree to pay money or property to a government official? (**Exception.** Check "No" if the organization agreed to make a grant to or to employ the official for a period after termination of government service, if terminating within 90 days.)	☐	☑
b	If any answer is "Yes" to 1a(1)–(6), did any of the acts fail to qualify under the exceptions described in Regulations section 53.4941(d)-3 or in a current notice regarding disaster assistance (see page 20 of the instructions)? Organizations relying on a current notice regarding disaster assistance check here ▶ ☐		1b ✓
c	Did the organization engage in a prior year in any of the acts described in 1a, other than excepted acts, that were not corrected before the first day of the tax year beginning in 2004?		1c ✓
2	Taxes on failure to distribute income (section 4942) (does not apply for years the organization was a private operating foundation defined in section 4942(j)(3) or 4942(j)(5)):		
a	At the end of tax year 2004, did the organization have any undistributed income (lines 6d and 6e, Part XIII) for tax year(s) beginning before 2004? If "Yes," list the years ▶ 20 ...., 20 ...., 20 ...., 20	☐	☑
b	Are there any years listed in 2a for which the organization is not applying the provisions of section 4942(a)(2) (relating to incorrect valuation of assets) to the year's undistributed income? (If applying section 4942(a)(2) to all years listed, answer "No" and attach statement—see page 20 of the instructions.)		2b N/A
c	If the provisions of section 4942(a)(2) are being applied to any of the years listed in 2a, list the years here. ▶ 20 ...., 20 ...., 20 ...., 20		
3a	Did the organization hold more than a 2% direct or indirect interest in any business enterprise at any time during the year?	☐	☑
b	If "Yes," did it have excess business holdings in 2004 as a result of (1) any purchase by the organization or disqualified persons after May 26, 1969; (2) the lapse of the 5-year period (or longer period approved by the Commissioner under section 4943(c)(7)) to dispose of holdings acquired by gift or bequest; or (3) the lapse of the 10-, 15-, or 20-year first phase holding period? *(Use Schedule C, Form 4720, to determine if the organization had excess business holdings in 2004.)*		3b N/A
4a	Did the organization invest during the year any amount in a manner that would jeopardize its charitable purposes?		4a ✓
b	Did the organization make any investment in a prior year (but after December 31, 1969) that could jeopardize its charitable purpose that had not been removed from jeopardy before the first day of the tax year beginning in 2004?		4b ✓
5a	During the year did the organization pay or incur any amount to:		
	(1) Carry on propaganda, or otherwise attempt to influence legislation (section 4945(e))?	☐	☑
	(2) Influence the outcome of any specific public election (see section 4955); or to carry on, directly or indirectly, any voter registration drive?	☐	☑
	(3) Provide a grant to an individual for travel, study, or other similar purposes?	☐	☑
	(4) Provide a grant to an organization other than a charitable, etc., organization described in section 509(a)(1), (2), or (3), or section 4940(d)(2)?	☐	☑
	(5) Provide for any purpose other than religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals?	☐	☑
b	If any answer is "Yes" to 5a(1)–(5), did any of the transactions fail to qualify under the exceptions described in Regulations section 53.4945 or in a current notice regarding disaster assistance (see page 20 of the instructions)? Organizations relying on a current notice regarding disaster assistance check here ▶ ☐		5b N/A
c	If the answer is "Yes" to question 5a(4), does the organization claim exemption from the tax because it maintained expenditure responsibility for the grant? *If "Yes," attach the statement required by Regulations section 53.4945–5(d).*	☐	☐
6a	Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	☐	☑
b	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? *If you answered "Yes" to 6b, also file Form 8870.*		6b ✓

Part VIII **Information About Officers, Directors, Trustees, Foundation Managers, Highly Paid Employees, and Contractors**

1 List all officers, directors, trustees, foundation managers and their compensation (see page 20 of the instructions).

(a) Name and address	(b) Title, and average hours per week devoted to position	(c) Compensation (If not paid, enter -0-)	(d) Contributions to employee benefit plans and deferred compensation	(e) Expense account, other allowances
See Statement 2				

2 Compensation of five highest-paid employees (other than those included on line 1—see page 21 of the instructions). If none, enter "NONE."

(a) Name and address of each employee paid more than $50,000	(b) Title and average hours per week devoted to position	(c) Compensation	(d) Contributions to employee benefit plans and deferred compensation	(e) Expense account, other allowances
None				

Total number of other employees paid over $50,000 . . . . . ▶

3 Five highest-paid independent contractors for professional services—(see page 21 of the instructions). If none, enter "NONE."

(a) Name and address of each person paid more than $50,000	(b) Type of service	(c) Compensation
None		

Total number of others receiving over $50,000 for professional services . . . . . ▶

Part IX-A **Summary of Direct Charitable Activities**

List the foundation's four largest direct charitable activities during the tax year. Include relevant statistical information such as the number of organizations and other beneficiaries served, conferences convened, research papers produced, etc	Expenses
1 None	
2	
3	
4	

Part IX-B Summary of Program-Related Investments (see page 22 of the instructions)

Describe the two largest program-related investments made by the foundation during the tax year on lines 1 and 2	Amount
1 None	
2	
All other program-related investments See page 22 of the instructions.	
3	
Total. Add lines 1 through 3 ▶	

Part X Minimum Investment Return (All domestic foundations must complete this part. Foreign foundations, see page 22 of the instructions.)

1	Fair market value of assets not used (or held for use) directly in carrying out charitable, etc., purposes:		
a	Average monthly fair market value of securities	1a	0
b	Average of monthly cash balances	1b	410,607
c	Fair market value of all other assets (see page 22 of the instructions)	1c	0
d	**Total** (add lines 1a, b, and c)	1d	410,607
e	Reduction claimed for blockage or other factors reported on lines 1a and 1c (attach detailed explanation) — 1e		
2	Acquisition indebtedness applicable to line 1 assets	2	0
3	Subtract line 2 from line 1d	3	410,607
4	Cash deemed held for charitable activities. Enter 1½% of line 3 (for greater amount, see page 23 of the instructions)	4	6,159
5	**Net value of noncharitable-use assets.** Subtract line 4 from line 3. Enter here and on Part V, line 4	5	404,448
6	**Minimum investment return.** Enter 5% of line 5	6	20,222

Part XI Distributable Amount (see page 23 of the instructions) (Section 4942(j)(3) and (j)(5) private operating foundations and certain foreign organizations check here ▶ ☐ and do not complete this part.)

1	Minimum investment return from Part X, line 6		1	20,222
2a	Tax on investment income for 2004 from Part VI, line 5	2a 68		
b	Income tax for 2004. (This does not include the tax from Part VI.)	2b 0		
c	Add lines 2a and 2b		2c	68
3	Distributable amount before adjustments. Subtract line 2c from line 1		3	20,154
4	Recoveries of amounts treated as qualifying distributions		4	32
5	Add lines 3 and 4		5	20,186
6	Deduction from distributable amount (see page 23 of the instructions)		6	0
7	**Distributable amount** as adjusted. Subtract line 6 from line 5. Enter here and on Part XIII, line 1		7	20,186

Part XII Qualifying Distributions (see page 23 of the instructions)

1	Amounts paid (including administrative expenses) to accomplish charitable, etc., purposes:		
a	Expenses, contributions, gifts, etc.—total from Part I, column (d), line 26	1a	244,191
b	Program-related investments—total from Part IX-B	1b	0
2	Amounts paid to acquire assets used (or held for use) directly in carrying out charitable, etc., purposes	2	0
3	Amounts set aside for specific charitable projects that satisfy the:		
a	Suitability test (prior IRS approval required)	3a	0
b	Cash distribution test (attach the required schedule)	3b	0
4	**Qualifying distributions.** Add lines 1a through 3b. Enter here and on Part V, line 8, and Part XIII, line 4	4	244,191
5	Organizations that qualify under section 4940(e) for the reduced rate of tax on net investment income. Enter 1% of Part I, line 27b (see page 24 of the instructions)	5	0
6	**Adjusted qualifying distributions.** Subtract line 5 from line 4	6	244,191

Note: *The amount on line 6 will be used in Part V, column (b), in subsequent years when calculating whether the foundation qualifies for the section 4940(e) reduction of tax in those years.*

Part XIII Undistributed Income (see page 24 of the instructions)

		(a) Corpus	(b) Years prior to 2003	(c) 2003	(d) 2004
1	Distributable amount for 2004 from Part XI, line 7				20,186
2	Undistributed income, if any, as of the end of 2003:				
a	Enter amount for 2003 only			0	
b	Total for prior years: 20___,20___,20___		0		
3	Excess distributions carryover, if any, to 2004:				
a	From 1999				
b	From 2000				
c	From 2001				
d	From 2002 205,504				
e	From 2003 285,668				
f	Total of lines 3a through e	491,172			
4	Qualifying distributions for 2004 from Part XII, line 4: ▶ $ 244,191				
a	Applied to 2003, but not more than line 2a			0	
b	Applied to undistributed income of prior years (Election required—see page 24 of the instructions)		0		
c	Treated as distributions out of corpus (Election required—see page 24 of the instructions)	0			
d	Applied to 2004 distributable amount				20,186
e	Remaining amount distributed out of corpus	224,005			
5	Excess distributions carryover applied to 2004 *(If an amount appears in column (d), the same amount must be shown in column (a).)*	0			0
6	**Enter the net total of each column as indicated below:**				
a	Corpus. Add lines 3f, 4c, and 4e. Subtract line 5	715,177			
b	Prior years' undistributed income. Subtract line 4b from line 2b		0		
c	Enter the amount of prior years' undistributed income for which a notice of deficiency has been issued, or on which the section 4942(a) tax has been previously assessed		0		
d	Subtract line 6c from line 6b. Taxable amount—see page 25 of the instructions		0		
e	Undistributed income for 2003. Subtract line 4a from line 2a. Taxable amount—see page 25 of the instructions			0	
f	Undistributed income for 2004. Subtract lines 4d and 5 from line 1. This amount must be distributed in 2005				0
7	Amounts treated as distributions out of corpus to satisfy requirements imposed by section 170(b)(1)(E) or 4942(g)(3) (see page 25 of the instructions)	0			
8	Excess distributions carryover from 1999 not applied on line 5 or line 7 (see page 25 of the instructions)	0			
9	**Excess distributions carryover to 2005.** Subtract lines 7 and 8 from line 6a	715,177			
10	Analysis of line 9:				
a	Excess from 2000				
b	Excess from 2001				
c	Excess from 2002 205,504				
d	Excess from 2003 285,668				
e	Excess from 2004 224,005				

Part XIV Private Operating Foundations (see page 25 of the instructions and Part VII-A, question 9) N/A

1a If the foundation has received a ruling or determination letter that it is a private operating foundation, and the ruling is effective for 2004, enter the date of the ruling. . . . . ▶

b Check box to indicate whether the organization is a private operating foundation described in section ☐ 4942(j)(3) or ☐ 4942(j)(5)

	Tax year	Prior 3 years			(e) Total
	(a) 2004	(b) 2003	(c) 2002	(d) 2001	
2a Enter the lesser of the adjusted net income from Part I or the minimum investment return from Part X for each year listed					
b 85% of line 2a					
c Qualifying distributions from Part XII, line 4 for each year listed					
d Amounts included in line 2c not used directly for active conduct of exempt activities . .					
e Qualifying distributions made directly for active conduct of exempt activities Subtract line 2d from line 2c . . .					
3 Complete 3a, b, or c for the alternative test relied upon:					
a "Assets" alternative test—enter:					
(1) Value of all assets					
(2) Value of assets qualifying under section 4942(j)(3)(B)(i)					
b "Endowment" alternative test—enter ⅔ of minimum investment return shown in Part X, line 6 for each year listed . .					
c "Support" alternative test—enter.					
(1) Total support other than gross investment income (interest, dividends, rents, payments on securities loans (section 512(a)(5)), or royalties) . .					
(2) Support from general public and 5 or more exempt organizations as provided in section 4942(j)(3)(B)(ii) . .					
(3) Largest amount of support from an exempt organization					
(4) Gross investment income					

Part XV Supplementary Information (Complete this part only if the organization had $5,000 or more in assets at any time during the year—see page 26 of the instructions.)

1 **Information Regarding Foundation Managers:**

a List any managers of the foundation who have contributed more than 2% of the total contributions received by the foundation before the close of any tax year (but only if they have contributed more than $5,000). (See section 507(d)(2).)

None

b List any managers of the foundation who own 10% or more of the stock of a corporation (or an equally large portion of the ownership of a partnership or other entity) of which the foundation has a 10% or greater interest.

None

2 **Information Regarding Contribution, Grant, Gift, Loan, Scholarship, etc., Programs:**

Check here ▶ ☐ if the organization only makes contributions to preselected charitable organizations and does not accept unsolicited requests for funds. If the organization makes gifts, grants, etc. (see page 26 of the instructions) to individuals or organizations under other conditions, complete items 2a, b, c, and d.

a The name, address, and telephone number of the person to whom applications should be addressed:

Community Investment Program - KSB Foundation, PO Box 28, Kennebunk, ME 04043-0028 (207) 985-4903

b The form in which applications should be submitted and information and materials they should include.

See attached Statement 3

c Any submission deadlines:

See attached Statement 3

d Any restrictions or limitations on awards, such as by geographical areas, charitable fields, kinds of institutions, or other factors:

See attached Statement 3

Part XV Supplementary Information (continued)

3 Grants and Contributions Paid During the Year or Approved for Future Payment

Recipient Name and address (home or business)	If recipient is an individual, show any relationship to any foundation manager or substantial contributor	Foundation status of recipient	Purpose of grant or contribution	Amount
a *Paid during the year*				
See attached Statement 4				
Total . . . . . ▶ **3a**				**241,981**
b *Approved for future payment*				
See attached Statement 5				
Total . . . . . ▶ **3b**				**40,000**

Part XVI-A Analysis of Income-Producing Activities

Enter gross amounts unless otherwise indicated.	Unrelated business income (a) Business code	(b) Amount	Excluded by section 512, 513, or 514 (c) Exclusion code	(d) Amount	(e) Related or exempt function income (See page 26 of the instructions)
1 Program service revenue:					
a					
b					
c					
d					
e					
f					
g Fees and contracts from government agencies					
2 Membership dues and assessments					
3 Interest on savings and temporary cash investments			14	3,423	
4 Dividends and interest from securities					
5 Net rental income or (loss) from real estate:					
a Debt-financed property					
b Not debt-financed property					
6 Net rental income or (loss) from personal property					
7 Other investment income					
8 Gain or (loss) from sales of assets other than inventory					
9 Net income or (loss) from special events					
10 Gross profit or (loss) from sales of inventory					
11 Other revenue: a					
b					
c					
d					
e					
12 Subtotal. Add columns (b), (d), and (e)				3,423	
13 Total. Add line 12, columns (b), (d), and (e)				13	3,423

(See worksheet in line 13 instructions on page 26 to verify calculations.)

Part XVI-B Relationship of Activities to the Accomplishment of Exempt Purposes

Line No. ▼	Explain below how each activity for which income is reported in column (e) of Part XVI-A contributed importantly to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes). (See page 27 of the instructions.)
	N/A

Part XVII Information Regarding Transfers To and Transactions and Relationships With Noncharitable Exempt Organizations

		Yes	No
1	Did the organization directly or indirectly engage in any of the following with any other organization described in section 501(c) of the Code (other than section 501(c)(3) organizations) or in section 527, relating to political organizations?		
a	Transfers from the reporting organization to a noncharitable exempt organization of:		
	(1) Cash	1a(1)	✓
	(2) Other assets	1a(2)	✓
b	Other transactions:		
	(1) Sales of assets to a noncharitable exempt organization	1b(1)	✓
	(2) Purchases of assets from a noncharitable exempt organization	1b(2)	✓
	(3) Rental of facilities, equipment, or other assets	1b(3)	✓
	(4) Reimbursement arrangements	1b(4)	✓
	(5) Loans or loan guarantees	1b(5)	✓
	(6) Performance of services or membership or fundraising solicitations	1b(6)	✓
c	Sharing of facilities, equipment, mailing lists, other assets, or paid employees	1c	✓

d If the answer to any of the above is "Yes," complete the following schedule. Column (b) should always show the fair market value of the goods, other assets, or services given by the reporting organization. If the organization received less than fair market value in any transaction or sharing arrangement, show in column (d) the value of the goods, other assets, or services received.

(a) Line no.	(b) Amount involved	(c) Name of noncharitable exempt organization	(d) Description of transfers, transactions, and sharing arrangements
	N/A		

2a Is the organization directly or indirectly affiliated with, or related to, one or more tax-exempt organizations described in section 501(c) of the Code (other than section 501(c)(3)) or in section 527? ☐ Yes ☑ No

b If "Yes," complete the following schedule.

(a) Name of organization	(b) Type of organization	(c) Description of relationship
N/A		

[redacted] including accompanying schedules and statements, and to the best of my knowledge and [redacted] than taxpayer or fiduciary) is based on all information of which preparer has any knowledge

[redacted] 5/13/15 Treasurer

Schedule B
(Form 990, 990-EZ, or 990-PF)
Department of the Treasury
Internal Revenue Service

Schedule of Contributors

Supplementary information for line 1 of Form 990, 990-EZ, and 990-PF (see instructions)

OMB No 1545-0047

2004

Name of organization	Employer identification number
Kennebunk Savings Bank Foundation	01 : 0547392

Organization type (check one):

Filers of:	**Section:**
Form 990 or 990-EZ	☐ 501(c)( ) (enter number) organization
	☐ 4947(a)(1) nonexempt charitable trust not treated as a private foundation
	☐ 527 political organization
Form 990-PF	☑ 501(c)(3) exempt private foundation
	☐ 4947(a)(1) nonexempt charitable trust treated as a private foundation
	☐ 501(c)(3) taxable private foundation

Check if your organization is covered by the **General Rule** or a **Special Rule.** (**Note:** *Only a section 501(c)(7), (8), or (10) organization can check boxes for both the General Rule and a Special Rule—see instructions.*)

General Rule—

☑ For organizations filing Form 990, 990-EZ, or 990-PF that received, during the year, $5,000 or more (in money or property) from any one contributor. (Complete Parts I and II.)

Special Rules—

☐ For a section 501(c)(3) organization filing Form 990, or Form 990-EZ, that met the 33⅓% support test of the regulations under sections 509(a)(1)/170(b)(1)(A)(vi) and received from any one contributor, during the year, a contribution of the greater of $5,000 or 2% of the amount on line 1 of these forms. (Complete Parts I and II.)

☐ For a section 501(c)(7), (8), or (10) organization filing Form 990, or Form 990-EZ, that received from any one contributor, during the year, aggregate contributions or bequests of more than $1,000 for use *exclusively* for religious, charitable, scientific, literary, or educational purposes, or the prevention of cruelty to children or animals. (Complete Parts I, II, and III.)

☐ For a section 501(c)(7), (8), or (10) organization filing Form 990, or Form 990-EZ, that received from any one contributor, during the year, some contributions for use *exclusively* for religious, charitable, etc., purposes, but these contributions did not aggregate to more than $1,000. (If this box is checked, enter here the total contributions that were received during the year for an *exclusively* religious, charitable, etc., purpose. Do not complete any of the Parts unless the **General Rule** applies to this organization because it received nonexclusively religious, charitable, etc., contributions of $5,000 or more during the year.) . . . . . ▶ $ _____

Caution: *Organizations that are not covered by the General Rule and/or the Special Rules do not file Schedule B (Form 990, 990-EZ, or 990-PF), but they* ***must*** *check the box in the heading of their Form 990, Form 990-EZ, or on line 2 of their Form 990-PF, to certify that they do not meet the filing requirements of Schedule B (Form 990, 990-EZ, or 990-PF).*

Name of organization: Kennebunk Savings Bank Foundation

Employer identification number: 01 0547392

Part I Contributors (See Specific Instructions.)

(a) No.	(b) Name, address, and ZIP + 4	(c) Aggregate contributions	(d) Type of contribution
1	Kennebunk Savings Bank 104 Main Street, PO Box 28 Kennebunk, ME 04043	$ 281,540	Person ☑ Payroll ☐ Noncash ☐ (Complete Part II if there is a noncash contribution.)
(a) No.	(b) Name, address, and ZIP + 4	(c) Aggregate contributions	(d) Type of contribution
		$	Person ☐ Payroll ☐ Noncash ☐ (Complete Part II if there is a noncash contribution.)
(a) No.	(b) Name, address, and ZIP + 4	(c) Aggregate contributions	(d) Type of contribution
		$	Person ☐ Payroll ☐ Noncash ☐ (Complete Part II if there is a noncash contribution.)
(a) No.	(b) Name, address, and ZIP + 4	(c) Aggregate contributions	(d) Type of contribution
		$	Person ☐ Payroll ☐ Noncash ☐ (Complete Part II if there is a noncash contribution.)
(a) No.	(b) Name, address, and ZIP + 4	(c) Aggregate contributions	(d) Type of contribution
		$	Person ☐ Payroll ☐ Noncash ☐ (Complete Part II if there is a noncash contribution.)
(a) No.	(b) Name, address, and ZIP + 4	(c) Aggregate contributions	(d) Type of contribution
		$	Person ☐ Payroll ☐ Noncash ☐ (Complete Part II if there is a noncash contribution.)

Name of organization: Kennebunk Savings Bank Foundation

Employer identification number: 01 : 0547392

Part II Noncash Property (See Specific Instructions.)

(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (see instructions)	(d) Date received
1	N/A	$	/ /
(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (see instructions)	(d) Date received
		$	/ /
(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (see instructions)	(d) Date received
		$	/ /
(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (see instructions)	(d) Date received
		$	/ /
(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (see instructions)	(d) Date received
		$	/ /
(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (see instructions)	(d) Date received
		$	/ /

Kennebunk Savings Bank Foundation
Form 990-PF
Tax Year Ended 12/31/04

EIN # 01-0547392

Part I, Analysis of Revenue and Expenses

Line 16a, Legal Fees

Tax Compliance and Consulting Fees	$2,210

Line 18, Taxes

§4940 Tax on Net Investment Income	$ 41

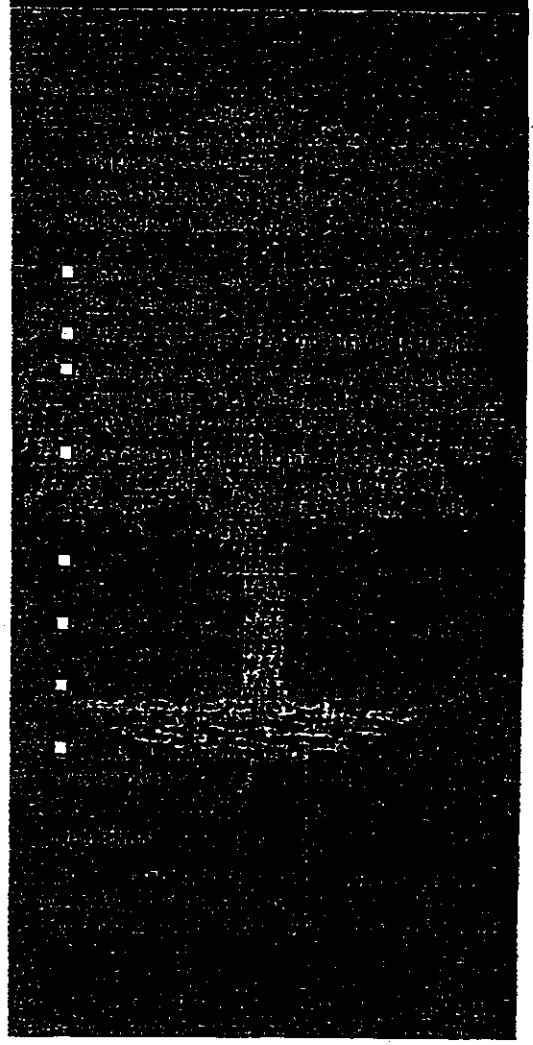
Kennebunk Savings Bank Foundation **EIN # 01-0547392**
Form 990-PF
Tax Year Ended 12/31/04

Part VIII., Information About Officers, Directors, etc.

Line 1, List of All Officers, Directors, Etc.

(a)	(b)	(c) (d) (e)
Joel W. Stevens 8 Longwood Drive Kennebunk, ME 04043	President and Director Less than 1 hr./wk.	None
Pamela J. Drew PO Box 1139 Kennebunkport, ME 04046	Treasurer and Foundation Manager Less than 1 hr./wk.	None
Susan F. Hoctor 72 Sprague Street So. Portland, ME 04106	Secretary and Clerk Less than 1 hr./wk.	None
Andrew T. Furlong, Jr. 48 Sunrise Terrace York, ME 03909	Director (Chairman) Less than 1 hr./wk.	None
Wayne F. Manchester 29 Penwood Drive Kennebunk, ME 04043	Director (Vice Chairman) Less than 1 hr./wk.	None
Richard V. Bibber 11 Merrifield Drive Kennebunk, ME 04043	Director Less than 1 hr./wk.	None
James J. Keating, III 60 High Street Kennebunk, ME 04043	Director Less than 1 hr./wk.	None
Raymond E. Mailhot 13 Rivers Edge Road Kennebunk, ME 04043	Director Less than 1 hr./wk.	None
Stephen A. Morris 200 Goose Rocks Road Kennebunkport, ME 04046	Director Less than 1 hr./wk.	None
Geoffrey Titherington 148 Grammar Street Sanford, ME 04073	Director Less than 1 hr./wk.	None

HOW TO REQUEST FUNDING



Kennebunk Savings Bank is a mutual savings bank – a true community bank. As a mutual bank, we are committed to doing our share towards building a strong community. We don't have stockholders so we distribute a significant portion of our earnings to the communities we serve.

To request funding or more information on the Community Investment Program, call 800-339-6573, write to Kennebunk Savings Bank, Community Investment Program, PO Box 28, Kennebunk, ME 04043-0028, visit any Kennebunk Savings Bank office, or go on-line at www.kennebunksavings.com.

Kennebunk
104 Main Street, PO Box 28
Kennebunk, ME 04043-0028

45 Portland Road
(Shoppers Village)
Kennebunk, ME 04043-6660

10 Western Avenue
(Lower Village), PO Box 1520
Kennebunkport, ME 04046-1520

Berwick
2 School Street
Berwick, ME 03901-2124

Ogunquit
142 Main Street, PO Box 1880
Ogunquit, ME 03907-1880

Eliot
43 Dow Highway, PO Box 118
Eliot, ME 03903-0118

Sanford
1314 Main Street *(Route 109)*
Sanford, ME 04073-3635

Kittery
4A Shapleigh Road
Kittery, ME 03904-1402

Wells
49 Sanford Road *(Route 109)*, PO Box 129
Wells, ME 04090-0129

North Berwick
8 Main Street, PO Box 369
North Berwick, ME 03906-0369

York
16 Woodbridge Road, PO Box 39
York, ME 03909-0039

Connecting All Locations:
1-800-339-6573
www.kennebunksavings.com

Kennebunk Savings Bank
MEMBER FDIC
Building Community Since 1871

Form #950-150 3/03

York County is blessed with people dedicated to making our part of Maine a better community – for today and for the future.

This is why Kennebunk Savings Bank believes it is our responsibility to share our success by contributing to non-profit and charitable organizations in our communities. We offer time and financial support to these organizations through our employees' strong commitment to volunteerism and the bank's commitment to building community. Through our Community Investment Program and the Kennebunk Savings Bank Foundation, we contribute 10% of our annual earnings to support non-profit and charitable efforts that create a better tomorrow for our communities. Since the program's introduction in 1994, we've invested over $3 million into hundreds of local organizations.

Programs that support and enhance the arts improve every community

Our goals for this program are to:

- *Invest in community development programs with long term and lasting impact*
- *Encourage residents to become involved in the communities of York County*
- *Provide local charitable organizations with access to a source of funding that is driven by local values*

We focus our financial support on:

- [redacted] programs that preserve and enhance the cultural opportunities and arts infrastructure of our communities
- [redacted] initiatives that promote economic development, improve quality of life for the local citizens, and strengthen the basic foundations of our community
- [redacted] programs that enhance academic achievements and aspirations for all citizens in the community
- [redacted] programs that protect and preserve the unique landscapes and wildlife habitats in our communities
- [redacted] organizations and initiatives that enhance the quality of life for citizens of our community, especially those most in need

Programs that protect, preserve, and educate ensure that our York County landscapes will be there for future generations

We receive many requests from deserving causes and organizations. While many of these programs are most worthy of support, our resources are limited. Top priority is given to requests from non-profit and charitable organizations in our market area that do not have state or national affiliations.

It is our policy not to provide funding for individuals, individuals raising funds for causes, nor for those promoting religious or political causes.

The Kennebunk Savings Bank Foundation was created by Kennebunk Savings Bank in 2001 to ensure a steady source of funding for local non-profit and charitable organizations throughout all economic conditions.

Although it is funded entirely through the bank's Community Investment Program, the foundation is set up as a separate entity from Kennebunk Savings Bank. Through the Kennebunk Savings Bank Foundation, we are able to continue our commitment to our communities by supporting non-profit and charitable organizations now and well into the future.

Kennebunk Savings Bank Foundation **EIN # 01-0547392**
Form 990-PF
Tax Year Ended 12/31/04

Part XV, Supplementary Information

Line 3a, Grants and Contributions Paid During the Year—SUMMARY

Category/Purpose	Amount
Arts	$ 34,697
Civic	$ 76,983
Education	$ 13,691
Environment	$ 19,887
Human Needs	$ 96,723
TOTAL	$241,981

Kennebunk Savings Bank Foundation
Form 990-PF
Tax Year Ended 12/31/04

EIN # 01-0547392

Recipient	Address	Amount	Category	Date
Brick Store Museum, The	117 Main Street, Kennebunk, ME 04043	$2,023	Arts	Jul-04
City Theatre Association	205 Main Street, Biddeford, ME	$27	Arts	Jul-04
Eliot Antique Tractor and Engine Association	32 Worster Road, Eliot, ME 03903	$1,198	Arts	Jul-04
Eliot Historical Society	P. O. Box 3, Eliot, ME 03903	$479	Arts	Jul-04
Historical Society of Wells & Ogunquit	P. O. Box 801, Wells, ME 04090	$692	Arts	Jul-04
Kennebunkport Historical Society	P. O. Box 1173, Kennbunkport, ME 04047	$5,000	Arts	Feb-04
Kennebunkport Historical Society	P. O. Box 1173, Kennbunkport, ME 04046	$399	Arts	Jul-04
Kittery Art Association	P. O. Box 44, Kittery, ME 03905	$106	Arts	Jul-04
Kittery Historical and Naval Museum	P. O. Box 453, Kittery, ME 03904	$293	Arts	Jul-04
Kittery Historical and Naval Museum	P. O. Box 453, Kittery, ME 03905	$10,000	Arts	Dec-04
North Berwick Historical Society	P. O. Box 477, North Berwick, ME 03906	$479	Arts	Jul-04
Ogunquit Playhouse	P. O. Box 1439, Ogunquit, ME 03907	$25	Arts	Dec-04
Ogunquit Playhouse Foundation	P. O. Box 1439, Ogunquit, ME 03908	$678	Arts	Jul-04
Old Berwick Historical Society	P. O. Box 296, South Berwick, ME 03908	$80	Arts	Jul-04
Old York Historical Society	208 York Street, P.O. Box 312, York, ME 03909	$5,000	Arts	Feb-04
Old York Historical Society	207 York Street, P.O. Box 312, York, ME	$479	Arts	Jul-04
Phyllis A. Maritime Heritage Association	P. O. Box 1149, Kennebunkport, ME 04046	$4,000	Arts	Oct-04
River Tree Arts	35 Western Ave, Kennebunk, ME 04043	$798	Arts	Jul-04
Seaglass Performing Arts	P. O. Box 265, Kennebunk, ME 04043	$719	Arts	Jul-04
Seashore Trolley Museum	Drawer A, Kennebunkport, ME 04046	$798	Arts	Jul-04
Vinegar Hill Youth Theatre	53 Old Post Road, Arundel, ME 04046	$80	Arts	Jul-04
Wells Auto Museum	P. O. Box 496, Wells, ME 04090	$1,144	Arts	Jul-04
	TOTAL ARTS	$34,697		

Kennebunk Savings Bank Foundation
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Recipient	Address	Amount	Category	Date
American Lighthouse Foundation	P. O. Box 889, Wells, ME 04090	$80	Civic	Jul-04
Animal Welfare Society	P. O. Box 43, West Kennebunk, ME 04095	$13,887	Civic	Jul-04
Animal Welfare Society	P. O. Box 43, West Kennebunk, ME 04094	$100	Civic	Dec-04
Another Chance Animal Rescue	P. O. Box 552, North Berwick, ME 03907	$293	Civic	Jul-04
Another Chance Animal Rescue	P. O. Box 552, North Berwick, ME 03906	$100	Civic	Dec-04
Berwick Library Association	P. O. Box 838, Berwick, ME	$1,384	Civic	Jul-04
Boy Scouts of America Pine Tree	125 Auburn Street, Portland, ME 04043	$10,000	Civic	Sep-04
Boy Scouts of America Pine Tree Council	126 Auburn Street, Portland, ME 04043	$240	Civic	Jul-04
Community Harvest	P. O. Box 1393, Kennebunk, ME 04043	$426	Civic	Jul-04
Community Library in Lyman	10 St. John St., Lyman, ME 04002	$266	Civic	Jul-04
Friends of Knights Wrestling	c/o Noble High School, North Berwick, ME	$53	Civic	Jul-04
Hartley Mason Reservation	P. O. Box 545, York, ME 03909	$186	Civic	Jul-04
K-CAP	P. O. Box 83, Kittery, ME 03904	$200	Civic	Oct-04
Kennebunk Free Library	112 Main Street, Kennebunk, ME 04043	$1,570	Civic	Jul-04
Maine Preservation	P. O. Box 1198, Portland, ME 04104	$160	Civic	Jul-04
Maine Public Broadcasting	1451 Lisbon St, Lewiston, ME 04240-3585	$10,000	Civic	Sep-04
Maine Public Broadcasting	1450 Lisbon St, Lewiston, ME 04240-3585	$5,000	Civic	Dec-04
NYCYMCA	P. O. Box 1001, Biddeford, ME 04006	$346	Civic	Jul-04
NYCYMCA	P. O. Box 1001, Biddeford, ME 04005	$100	Civic	Dec-04
NYCYMCA	P. O. Box 1001, Biddeford, ME 04007	$20,000	Civic	Jan-07
Phyllis A. Maritime Heritage Association	P. O. Box 1149, Kennebunkport, ME 04047	$506	Civic	Jul-04
Pine Tree Council/Boy Scouts of America	38 Dyer Street, North Berwick, ME 03906	$600	Civic	Mar-04
Rice Public Library	8 Wentworth Street, Kittery, ME 03904	$293	Civic	Jul-04
Safe Haven Animal Shelter	P. O. Box 91, Well, ME 04091	$53	Civic	Jul-04
Safe Haven Animal Shelter	P. O. Box 91, Well, ME 04090	$50	Civic	Dec-04
Sanford-Springvale YMCA	P. O. Box 249, Sanford, ME 04073	$506	Civic	Jul-04
SNIP	163 Rochester Street, Berwick, ME 03901	$53	Civic	Jul-04
SNIP	164 Rochester Street, Berwick, ME 03901	$100	Civic	Dec-04
Voice for Animals	P. O. Box 513, York, ME 03909	$1,331	Civic	Jul-04
Waterborough Historical Society	P. O. Box 498, North Waterboro, ME	$53	Civic	Jul-04
Wells Public Library	P. O. Box 699, Wells, ME 04090	$719	Civic	Jul-04
Wells Recreation Department	P/ O. Box 398, Wells, ME 04090	$500	Civic	Apr-04
William Fogg Library	P. O. Box 359, Eliot, ME 03905	$1,357	Civic	Jul-04
William Fogg Library	P. O. Box 359, Eliot, ME 03903	$100	Civic	Dec-04
William Fogg Library	P. O. Box 359, Eliot, ME 03904	$100	Civic	Dec-04
York Public Library	15 Long Sands Road, York, ME 03909	$1,011	Civic	Jul-04
York Senior Center	41 Main Street, York, ME 03909	$5,000	Civic	Jul-04
Youth Enrichment Center at Hilton Winn Farm	189 Ogunquit Road, York, ME 03909	$80	Civic	Jul-04
	TOTAL CIVIC	$76,983		

Kennebunk Savings Bank Foundation
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Tax Year Ended 12/31/04

EIN # 01-0547392

Recipient	Address	Amount	Category	Date
Consolidated School	25 School Street, Kennebunk ME 04043	$200	Education	May-04
Ethel M. Weymouth Foundation	P. O. Box 1596, Well, Maine 04090	$293	Education	Jul-04
Foundations of Literacy Reading & Language Clinic	P. O. Box 595, Kennebunk, ME 04043	$27	Education	Jul-04
Heartwood College of Art	123 York Street, Kennebunk, ME 04043	$586	Education	Jul-04
Homeworks	353 Water Street, Augusta, ME	$500	Education	Aug-04
Kennebunk High School	1 Storer Street, Kennebunk, ME 04043	$1,000	Education	Mar-04
Kennebunk High School	2 Storer Street, Kennebunk, ME 04043	$250	Education	Mar-04
Marshwood High School	260 Route #236, South Berwick, ME 03908	$1,000	Education	Mar-04
Massabesic High School	261 Route #236, South Berwick, ME 03908	$100	Education	Apr-04
Nasson College Alumni association	P. O. Box 416, Springvale, ME 04083	$27	Education	Jul-04
Noble High School	338 Somersworth Rd, North Berwick, ME 03906	$1,000	Education	Mar-04
Sanford High School	52 High School Boulevard, Sanford, ME 04073	$1,000	Education	Mar-04
Sanford High School	53 High School Boulevard, Sanford, ME 04073	$100	Education	Apr-04
The Landing School	P. O. Box 1490, Kennebunkport, ME 04046	$479	Education	Jul-04
The New School	38 York Street, Kennebunk, ME 04043	$1,000	Education	Mar-04
The New School	39 York Street, Kennebunk, ME 04043	$878	Education	Jul-04
The School Around Us	281 Long Cabin Road, Arundel, ME 04046	$559	Education	Jul-04
Traip Academy	12 Williams Avenue, Kittery, ME 03904	$1,000	Education	Mar-04
UNE Scholars Program	11 Hills Beach Road, Biddeford, ME	$639	Education	Jul-04
University of New England	11 Hill Beach Road, Biddeford, ME 04005	$1,000	Education	Apr-04
Wells High School	P. O. Box 579, Wells, ME 04090	$1,000	Education	Mar-04
Wells High School Alumni Association	P. O. Box 1715, Wells, ME 04090	$53	Education	Jul-04
York High School	286 Long Sands Road, York, ME 03909	$1,000	Education	Mar-04
	TOTAL EDUCATION	$13,691		

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Kennebunk Savings Bank Foundation
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Recipient	Address	Amount	Category	Date
Center for Wildlife	P. O. Box 620, Cape Neddick, ME 03903	$3,141	Environment	Jul-04
Center for Wildlife	P. O. Box 620, Cape Neddick, ME 03904	$25	Environment	Dec-04
Great Works Regional Land Trust	P. O. Box 151, South Berwick, ME 03908	$2,768	Environment	Jul-04
Kennebunk Land Trust	113 Lafayette Center, Kennebunk, ME 04043	$2,901	Environment	Jul-04
Kennebunk Land Trust	114 Lafayette Center, Kennebunk, ME 04043	$250	Environment	Oct-04
Kennebunkport Conservation Trust	P. O. Box 7028, Cape Porpoise, ME 04014	$2,023	Environment	Jul-04
Kittery Land Trust	P. O. Box 159, Kittery, ME 03904	$559	Environment	Jul-04
Laudholm Farm	P. O. Box 1007, Wells, ME 04090	$25	Environment	Dec-04
Laudholm Trust	P. O. Box 1007, Wells, ME 04090	$1,916	Environment	Jul-04
Rachel Carson National Wildlife Refuge	321 Port Road, Wells, ME 04090	$1,065	Environment	Jul-04
York County Audubon Society	P. O. Box 387, Kennebunk, ME 04043	$559	Environment	Jul-04
York County Audubon Society	P. O. Box 387, Kennebunk, ME 04044	$2,000	Environment	Jul-04
York County Soil and Water Conservation District	P. O. Box 819, Alfred, ME 04007	$100	Environment	Mar-04
York Land Trust, Inc., The	P. O. Box 1241, York Harbor, ME 03911	$2,555	Environment	Jul-04
	TOTAL ENVIRONMENT	$19,887		

Kennebunk Savings Bank Foundation
Form 990-PF
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Recipient	Address	Amount	Category	Date
American Red Cross of Southern Maine	542 Forest Ave., Portland, ME 04101	$1,916	Human Needs	Jul-04
Biddeford Free Clinic	189 Alfred St, Biddeford, ME 04005	$2,768	Human Needs	Jul-04
Biddeford Free Clinic	190 Alfred St, Biddeford, ME 04005	$100	Human Needs	Dec-04
Biddeford Free Clinic	191 Alfred St, Biddeford, ME 04005	$100	Human Needs	Dec-04
Caring Unlimited	P. O. Box 590, Sanford, ME 04073	$500	Human Needs	Feb-04
Caring Unlimited	P. O. Box 590, Sanford, ME 04074	$2,901	Human Needs	Jul-04
Caring Unlimited	P. O. Box 590, Sanford, ME 04075	$100	Human Needs	Dec-04
Child Advocacy Center of Rockingham	100 Campus Drive, Suite 11, Portsmouth, NH	$500	Human Needs	Apr-04
Children's House Child Care	P. O. Box 249, Kennebunkport, ME 04046	$825	Human Needs	Jul-04
Counseling Services, Inc.	P. O. Box 1010, Saco, ME 04072	$612	Human Needs	Jul-04
Counseling Services, Inc.	P. O. Box 1010, Saco, ME 04073	$7,500	Human Needs	Sep-04
Crossroads Youth Center	12 1/2 Pepperell Square, Saco, ME 04072	$500	Human Needs	Oct-04
Equest	P. O. Box 935, Kennebunk, ME 04043	$825	Human Needs	Jul-04
Fair Tide	200 State Road, Kittery, ME 03904	$500	Human Needs	Sep-04
Footprints Food Pantry	P. O. Box 246, Kittery, ME 03904	$200	Human Needs	Nov-04
Gary's House/Mercy Hospital	97 State Street, Portland, ME 04101	$266	Human Needs	Jul-04
HomeHealth - Visiting Nurses	15 Industrial Park Road, Saco, ME 04072	$50	Human Needs	Dec-04
Julie Gordon-Sullivan Foundation	P. O. Box 7403, Cape Porpoise, ME	$213	Human Needs	Jul-04
K-CAP	P. O. Box 83, Kittery, ME 03905	$160	Human Needs	Jul-04
Literacy Volunteers of Greater Sanford	21 Bradeen Street, Suite 101, Springvale, ME 04083	$293	Human Needs	Jul-04
Maine Medical Center	22 Bramhall Street, Portland, ME 04104	$250	Human Needs	Oct-04
My Wonderful Dog	P. O. Box 11371, Portland, ME	$27	Human Needs	Jul-04
Parent Resource Center	9 Bragdon Street, Suite 103, Springvale, ME 04083	$106	Human Needs	Jul-04
Sanford Food Pantry	P. O. Box 542, Sanford, ME 04073	$1,437	Human Needs	Jul-04
Secret Santa	P. O. Box 301, Kennebunk, ME 04043	$665	Human Needs	Jul-04
Senior Needs Committee of Wells and Ogunquit	P. O. Box 987, Wells, ME 04090	$4,232	Human Needs	Jul-04
SMMC Visiting Nurses	15 Industrial Park Road, Saco, ME 04072	$25	Human Needs	Dec-04
Southern Maine Area Agency on Aging	333 Lincoln Street, Saco, ME 04072	$4,924	Human Needs	Jul-04
Southern Maine Health and Homecare Services	P. O. Box 739, Kennebunk, ME 04043	$2,555	Human Needs	Jul-04
Southern Maine Parent Awareness	886 Main Street, Suite 303, Sanford, ME 04073	$240	Human Needs	Jul-04
Sunrise Associates	P. O. Box 399 Wells, ME 04090	$240	Human Needs	Jul-04
Sweetser	50 Moody Street, Saco, ME 04072	$27	Human Needs	Jul-04
Table of Plenty	P. O. Box 645, Berwick, ME 03901	$1,677	Human Needs	Jul-04
Time and Again Community Consignment	676 Post Road, #4, Wells, ME 04090	$80	Human Needs	Jul-04
United Way of York County	P. O. Box 727, Kennebunk, ME 04043	$2,257	Human Needs	Feb-04
United Way of York County	P. O. Box 727, Kennebunk, ME 04044	$28,160	Human Needs	Feb-04
United Way of York County	P. O. Box 727, Kennebunk, ME 04045	$1,500	Human Needs	Jun-04
United Way of York County	P. O. Box 727, Kennebunk, ME 04046	$1,144	Human Needs	Jul-04
United Way of York County	P. O. Box 727, Kennebunk, ME 04047	$100	Human Needs	Dec-04
Visiting Nurse Service of Southern Maine	15 Industrial Park Road, Saco, ME 04072	$3,167	Human Needs	Jul-04
Waban Projects, Inc.	5 Dunaway Drive, Sanford, ME 04073	$500	Human Needs	Mar-04
Waban Projects, Inc.	6 Dunaway Drive, Sanford, ME 04073	$5,000	Human Needs	Apr-04
Waban Projects, Inc.	7 Dunaway Drive, Sanford, ME 04073	$2,529	Human Needs	Jul-04
York Community Food Pantry	38 Woodbridge Road, York ME 03909	$2,289	Human Needs	Jul-04
York Community Services	P. O. Box 85, Cape Neddick, ME 03902	$878	Human Needs	Jul-04
York County Child Abuse & Neglect Council	62 Portland Road, Suite 15, Kennebunk ME 04043	$3,966	Human Needs	Jul-04
York County Child Abuse & Neglect Council	63 Portland Road, Suite 15, Kennebunk ME 04043	$100	Human Needs	Dec-04
York County Community Action	P. O. Box 72, Sanford, ME , 04073	$500	Human Needs	Apr-04
York County Prevention of Blindness	2007 Sanford Road, Wells, ME 04090	$53	Human Needs	Jul-04
York County Shelters, Inc.	P. O. Box 820, Alfred, ME 04002	$1,464	Human Needs	Jul-04
York County Shelters, Inc.	P. O. Box 820, Alfred, ME 04003	$500	Human Needs	Nov-04
York County Shelters, Inc.	P. O. Box 820, Alfred, ME 04004	$25	Human Needs	Dec-04
York County Shelters, Inc.	P. O. Box 820, Alfred, ME 04005	$25	Human Needs	Dec-04
York County Shelters, Inc.	P. O. Box 820, Alfred, ME 04006	$25	Human Needs	Dec-04
York County Shelters, Inc.	P. O. Box 820, Alfred, ME 04007	$50	Human Needs	Dec-04
York Hospital	15 Hospital Drive, York, ME 03909	$3,008	Human Needs	Jul-04
York Hospital	16 Hospital Drive, York, ME 03909	$100	Human Needs	Dec-04
York Senior Center	42 Main Street, York, ME 03909	$2,049	Human Needs	Jul-04
	TOTAL HUMAN NEEDS	$86,723		

Kennebunk Savings Bank Foundation **EIN # 01-0547392**
Form 990-PF
Tax Year Ended 12/31/04

Part XV, Supplementary Information
Line 3b, Grants and Contributions Approved for Future Payment

Recipient	Category/ Purpose	Year to be Paid	Amount
Northern York County YMCA PO Box 1001 Biddeford, ME 04005	Civic	2006 2007	$20,000 $20,000
TOTAL APPROVED FOR FUTURE PAYMENT			**$40,000**

EXHIBIT

E

KENNEBUNK SAVINGS BANK FOUNDATION

CONFLICTS OF INTEREST POLICY

(Adopted by Resolution of the Board of Directors on November 15, 2005)

PURPOSE

The purpose of this conflicts of interest policy is to protect the interest of the Kennebunk Savings Bank Foundation (hereinafter, the "Foundation") when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an Officer or Director of the Foundation. This policy is intended to supplement but not to replace any applicable state laws governing conflicts of interest applicable to nonprofit and charitable corporations.

DEFINITIONS

Interested Person. Any Director, Officer, or member of a committee with Board-delegated powers who has a direct or indirect *financial interest*, as defined below, is an interested person.

Financial Interest. A person has a financial interest if the person has, directly or indirectly, through business, investment or family:

- an ownership or investment interest in any entity with which the Foundation has a transaction or arrangement, or
- a compensation arrangement with the Foundation or with any entity or individual with which the Foundation has a transaction or arrangement, or
- a potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Foundation is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are substantial in nature.

A financial interest is not necessarily a conflict of interest. A person who has a financial interest has a conflict of interest only if the appropriate Board or committee determines that a conflict of interest exists.

PROCEDURES

Duty to Disclose

In connection with any actual or possible conflicts of interest, an interested person must disclose the existence of his or her financial interest and must be given the opportunity to disclose all material facts to the Directors and members of committees with Board-delegated powers considering the proposed transaction or arrangement.

Determining Whether a Conflict of Interest Exists

After disclosure of the financial interest and all material facts, and after any discussion with the interested person, the interested person shall leave the Board or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining Board or committee members shall decide if a conflict of interest exists.

Procedures for Addressing the Conflict of Interest

An interested person may make a presentation at the Board or committee meeting, but after such presentation, the interested person shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement that results in the conflict of interest.

The Chair of the Board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement, and/or consult with counsel.

After exercising due diligence, the Board or committee shall determine whether the transaction would constitute self-dealing under section 4941 of the Internal Revenue Code and accompanying regulations. If the transaction would constitute self-dealing, it must be rejected.

If the transaction would not constitute self-dealing, the Board or committee shall determine whether the Foundation can obtain a more advantageous transaction or arrangement with reasonable efforts from a person or entity that would not give rise to a conflict of interest.

If a more advantageous transaction or arrangement is not reasonably attainable under circumstances that would not give rise to a conflict of interest, the Board or committee shall determine by a majority vote of the disinterested Directors whether the transaction or arrangement is in the Foundation's best interest and for its own benefit and whether the transaction is fair and reasonable to the Foundation, and shall make its decision as to whether to enter into the transaction or arrangement in conformity with such determination.

No Prohibited Acts

No contract, transaction, or act shall be entered into or taken on behalf of the Foundation if such contract, transaction, or act would jeopardize the Foundation's tax-exempt status under section 501(c)(3) of the Internal Revenue Code (the "Code") or constitute an act of self-dealing under section 4941 of the Code.

Violations of the Conflicts of Interest Policy

If the Board or committee has reasonable cause to believe that a member has failed to disclose actual or possible conflicts of interest, it shall inform the member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.

If, after hearing the response of the member and making such further investigation as may be warranted in the circumstances, the Board or committee determines that the member has

in fact failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

RECORDS OF PROCEEDINGS

The minutes of the Board and all committee with Board-delegated powers shall contain:

- the names of the persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the nature of the financial interest, any action taken to determine whether a conflict of interest was present, and the Board's or committee's decision as to whether a conflict of interest in fact existed; and

- the names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection therewith.

COMPENSATION

A voting member of the Board of Directors who receives compensation, directly or indirectly, from the Foundation for services is precluded from voting on matters pertaining to that member's compensation.

A voting member of the Board of Directors who is a *family member* of a person who receives compensation, directly or indirectly, from the Foundation for services also is precluded from voting on matters pertaining to that person's compensation.

A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Foundation for services is precluded from voting on matters pertaining to that member's compensation.

ANNUAL STATEMENTS

Each Director, Officer, and member of any committee with Board-delegated powers shall annually sign a statement which affirms that such person:

- has received a copy of the conflicts of interest policy,

- has read and understands the policy,

- has agreed to comply with the policy, and

- understands that the Foundation is a charitable organization and that in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

ATTACHMENT

5

CHARITABLE DISTRIBUTION AGREEMENT

Whereas, Autumn Health Services of Kennebunk, Inc. and Autumn Health Services of Kennebunk II, Inc. (collectively, "Autumn Health") anticipate entering into an agreement to sell assets to a Purchaser (the "Conversion Transaction"), pursuant to which certain proceeds (the "Conversion Proceeds") will be distributed to a charitable organization under a Charitable Distribution Plan to be approved by the Superior Court pursuant to 5 M.R.S.A. §194-F;

Whereas, Autumn Health desires to ensure that the Conversion Proceeds are safeguarded and used for appropriate charitable purposes to benefit senior citizens in York County, Maine; and

Whereas, Kennebunk Savings Bank Foundation (the "Foundation") is a Maine Nonprofit Corporation exempt from Federal Income Tax as described in section 501(c)(3) of the Internal Revenue Code, with a history of making grants to support charitable programs and organizations in the local community;

Autumn Health and Kennebunk Savings Bank Foundation hereby agree as follows:

A. *Establishment of Fund.* The Conversion Proceeds distributed to the Foundation pursuant to the Charitable Distribution Plan will be held as the HUNTINGTON COMMON CHARITABLE FUND FOR SENIORS OF THE KENNEBUNK SAVINGS BANK FOUNDATION (the "Fund").

B. *Additional Contributions.* The Foundation is authorized to accept additional contributions to the Fund on terms substantially similar to those set forth herein.

C. *Distributions / Expenditures.* The income and principal of the Fund shall be distributed and/or used for charitable purposes to benefit senior citizens in York County, Maine. The Fund shall make grants to organizations qualified as public charities under sections 501(c)(3) and 509(a) of the Internal Revenue Code. The Fund may make expenditure responsibility grants and program related investments so long as all legal requirements are satisfied. The Fund also may engage in direct charitable activities, for example and without limitation, by: (i) paying professional musicians to perform at a senior housing facility, or (ii) making direct distributions to senior citizens in need of housing aid, pursuant to a program to be developed in consultation with the Board of Advisors.

D. *Board of Advisors.* The initial Board of Advisors shall consist of David McConnell, Ed.D, William Gilpatric, and three (3) other members to be selected by the Foundation. Any vacancy resulting from an Advisor's resignation, incapacity, death, or removal shall be filled by the Foundation after consultation with the remaining Advisors. The Board of Advisors shall have at least three members and no more than five members, the exact number to be determined by the Foundation. The Board of Advisors shall serve

at the pleasure of the Foundation and may be removed with or without cause by the Foundation. The Foundation may select a staff member to attend meetings of the Board of Advisors to provide support.

The Board of Advisors shall recommend to the Foundation grants and distributions from the Fund's income and principal. The Foundation shall not compensate members of the Board of Advisors for their services to the Foundation. The Board of Advisors may recommend the engagement of advisors or consultants to the Fund, who shall be paid reasonable amounts for their services; members of the Board of Advisors shall not be eligible for such positions.

E. *Special Provision.* No officer, director, or staff member of Autumn Health who had influence over the Conversion Transaction, either at the time of the Conversion Transaction or within five years after the Conversion Transaction, may serve as an officer, director, or paid staff member of the Foundation. The Fund may not make a distribution to any organization employing for compensation any officer, director, or staff member of Autumn Health who had influence over the Conversion Transaction. This shall not prohibit grants to organizations for which any such individual serves solely in a volunteer capacity.

F. *No Private Benefit to Purchaser of Autumn Health's Assets.* The directors, officers, and staff of the Foundation will remain independent of the Purchaser and its affiliates. Grants or distributions from the Fund may not benefit the Purchaser or members of its board of directors or management. Residents of the Purchaser's facilities shall be eligible to benefit from Fund distributions on the same terms as members of the public not resident at such facilities; residence at such facilities shall not weigh in favor of or against such proposed distributions.

G. *Minimum Distribution / Perpetual Fund.* The parties recognize that the Foundation has a minimum annual distribution requirement. The parties intend that the Fund will be perpetual in nature. The Board of Advisors will recommend an annual spending policy consistent with these principles.

H. *Sole Property of Foundation.* The Fund will be the sole property of the Foundation and the Foundation reserves the right to make all final decisions regarding distributions from the Fund.

I. *Marketing and Administrative Costs, Taxes.* The parties acknowledge that the Foundation will incur taxes and administrative costs associated with the Fund, including but not limited to bookkeeping, compliance, investment oversight, and exercising due diligence over grants and distributions. The parties acknowledge that these expenses will be paid from the income and principal of the Fund. In addition, the Fund will communicate the availability of its programs to the public and incur other marketing costs, which shall be paid from the income and principal of the Fund.

J. *Identification of Grant Source.* All grants and distributions from the Fund will be accompanied by language indicating the HUNTINGTON COMMON CHARITABLE

FUND FOR SENIORS OF THE KENNEBUNK SAVINGS BANK FOUNDATION as their source.

K. *Binding on Successors.* This agreement shall be binding on the Foundation and any successor organization. In the event the Foundation ceases to operate or no longer qualifies as tax-exempt as described in section 501(c)(3) of the Internal Revenue Code, all assets of the Fund shall be distributed to another qualified charitable organization to be administered under terms substantially equivalent to those set forth herein.

We the undersigned have read this Charitable Distribution Agreement, and on behalf of our respective intentions and interests, our signatures confirm our agreement with its terms.

David McConnell, Ed.D
President, Autumn Health

11/8/05
Date

Joel W. Stevens
President, Kennebunk Savings Bank Foundation

11/15/05
Date

ATTACHMENT

6

CONVERSION PLAN

I. BACKGROUND

Huntington Common is a retirement community in Kennebunk, Maine, consisting of a residential component containing 82 independent living units and a Commons Building and a health care center containing 72 assisted living units. Huntington Common provides recreational, social, and cultural activities for its residents, as well as dining and healthcare services. It is owned by Autumn Health Services of Kennebunk, Inc., a Maine non-profit corporation ("Autumn I"). Adjacent to Huntington Common is a 7.5 acre tract on which are located 13 duplexes containing 26 residential cottages that are rented to people who desire independent living within a retirement community, known as "The River Cottages at Huntington Common." The River Cottages and associated land are owned by Autumn Health Services of Kennebunk II, Inc. ("Autumn II"), a Maine nonprofit corporation. The facilities operated by Autumn I and the cottages owned by Autumn II function as a single integrated retirement community, and Autumn I and Autumn II (collectively, "Autumn Health") have identical boards of directors and management.

Huntington Common originally was developed by for-profit interests in 1989. In 1997, Autumn I was created and purchased the Commons building and the original independent living apartments. Also in 1997, Autumn I developed additional independent living units, Bradford on the Common (assisted living), and Bradford Court (Alzheimers/dementia). The acquisition and development of these facilities was financed with $29,815,000 of 501(c)(3) bonds issued by the Finance Authority of Maine.

Autumn II was created in 1999 to develop the River Cottages. Autumn II financed the acquisition of the cottage land and the development of the cottages with $4,950,000 of tax-exempt and taxable bonds issued by the town of Kennebunk.

During most of its history, the Autumn Health community was managed by Rollins Management, Inc., a local management company owned by Doug Stockbridge and Sam Checovich, the original developers of the community. In December 2003, Brookdale Living Communities entered into a co-management arrangement with Rollins Management pursuant to which both companies provide management services.

Both Autumn I and Autumn II are tax-exempt organizations described in section 501(c)(3) of the Internal Revenue Code, and "public benefit corporations" under section 1406 of 13-B M.R.S.A. The basis for each corporation's charitable status is that it engages in activities designed to meet the housing, healthcare, and other needs of the elderly in its community.

II. REASONS FOR CONVERSION

The 1997 Autumn I bonds have a currently outstanding principal amount of approximately $28,040,000; the coupons on these bonds are 7.375%, 7.5%, and 9.25%.

Various events of default have occurred for these bonds; they are currently in payment default and the debt service reserve funds (originally $2,981,500) have been fully depleted.

The 1999 Autumn II bonds have a currently outstanding principal amount of approximately $4,510,000; the coupons on these bonds are 7.0% and 9.25%. The payment status for the 1999 Autumn II bonds is current.

In addition, there is approximately $3 million in subordinated, unsecured debt.

After the initial acquisition of the Huntington Common facilities in 1997, it became apparent that income from operations could not adequately support the bond debt. The community has been successfully operated, maintaining a relatively high occupancy rate (generally over 85%) and high degree of qualify service and customer satisfaction.

After discussions with the bondholders regarding options to address the financial problems at Autumn Health and a series of operating agreements, in December of 2003 the first of a series of agreements to address the financial issues at the Huntington Common facilities was reached between Autumn Health and the bondholders. Those agreements permitted Autumn Health to use reserves and to employ an alternate flow of funds by which Autumn Health's operational expenses were paid prior to the debt service on the bonds.

The most recent workout arrangement was memorialized in a Memorandum of Understanding dated May 28, 2004, under which bondholders agreed to forebear temporarily from exercising default remedies and make cash that would otherwise be used to pay debt service available for the community's operating and capital needs. The Memorandum of Understanding originally was to expire on September 1, 2004, but was extended until June 1, 2005. Autumn Health continues to operate under the Memorandum of Understanding.

In May of 2005, Saybrook Tax-Exempt Investors, LLC ("Saybrook"), in its capacity as General Partner of various limited partnerships that comprise the Saybrook Tax-Exempt Opportunity Fund II, holder of a majority of the Autumn Health bonds, proposed to Autumn Health's Board of Directors that it consider selling its assets in order to cure the defaults and strengthen the long-term viability of the Huntington Common Community. In the absence of an adequate long-term solution, the bondholders declined to extend further the Memorandum of Understanding and demanded that Autumn Health find a way to cure the existing defaults or face foreclosure.

III. CONSIDERATION OF TRANSACTION / SELECTION OF BUYER

In response to the bondholders' foreclosure threat, Autumn Health's Board of Directors hired a consultant to help it investigate alternatives and formulate a solution.

In June 2005, the Board invited three consultants to speak to it regarding available options. Each of these consultants was asked to describe his firm's services and to speak to (1) the various options available to Autumn Health and whether the consultant agreed

that with the bondholders' view that a sale of the facility presented the best option; and (2) if a sale were the best option, what the Board could expect in terms of price and quality of purchasers. Each consultant addressed the proposed process for evaluating the various options. After all three consultants made their presentations, the Board chose Ziegler Capital Markets Group ("Ziegler") primarily due to Ziegler's extensive experience with nonprofit clients and its familiarity with nonprofit bond financing. The Board determined that Ziegler would be best able to investigate refinancing and joint venture opportunities with other nonprofits, and also would be well-qualified to market the property in the event a sale proved the best option.

Autumn Health then engaged Ziegler for a two-part process: (1) to provide an analysis of options for refinancing, a joint venture with another nonprofit, or sale of the facilities; and (2) execution of the adopted strategy. Ziegler then prepared a thorough and lengthy written report analyzing the various options. The report noted that refinancing the bonds likely would not prove a viable option, due to underwriting criteria requiring debt service and operating reserves; in order to establish reserves sufficient to make the new bonds marketable, the principal amount that could be borrowed would be reduced below the amount necessary to retire the existing bonds. The report also noted that the default status would negatively affect the available terms as well.

After consideration of Ziegler's presentation, in July 2005 the Board voted to engage Ziegler to proceed simultaneously (1) to offer Autumn Health's facilities for sale to an acquirer and (2) to seek a joint venture merger with a nonprofit organization, and to seek expressions of interest from prospective purchasers / joint venturers.

Ziegler also was authorized to share its prospects list with bondholders and to seek additions to the list of organizations to receive the placement memorandum. Ziegler then prepared a placement memorandum, contacted approximately 142 potential purchasers / joint venturers, including 41 nonprofit organizations, and distributed the placement memorandum to approximately 53 companies.

Of these parties, 19 responded with offers. Entities submitting letters of intent may be categorized as follows: two were nonprofit entities, two were public companies, four were Real Estate Investment Trusts (REITS), and 11 were for-profit companies. The purchase price offered ranged from approximately $13 million to approximately $39 million.

The two offers from nonprofit entities were in the $13-21 million range. Like Autumn Health, nonprofit entities cannot sell equity interests, and therefore can acquire capital only through borrowing; for this reason the offers from nonprofit entities were comparable to the refinancing option, and equally unworkable.

Next the Board met with Ziegler representatives and determined to pursue discussions with the most promising six of the entities submitting offers. Each of these six prospective acquirers was offered a tour of the facilities and an interview with the Board. The Board developed a set of 17 questions (attached as Exhibit 1) to ask prospective acquirers and a rating system to compare them. In addition to purchase price, the Board

endeavored to ascertain the strength, experience, quality assurance, and viability of each potential acquirer.

After this series of meetings, the Board met on September 26, 2005, to review the information it had obtained. The Directors discussed their impressions of the meetings with each of the six potential acquirers and their impressions of the qualities that each would bring to the operation of Autumn Health's facilities and to the Kennebunk community in general. The Board also considered the economic strength of each of the prospective acquirers and the amount of the proposed purchase price offered by each, having been advised of its additional duties to Autumn Health's creditors and to maximize any proceeds that could be retained for charitable purposes. At the conclusion of this discussion, the Board decided to discuss with four potential acquirers proposed terms of sale by inviting "mark up" of a proposed purchase and sale agreement.

Based on its review of the "mark up" of the proposed purchase and sale agreement, the purchase price offered, and the evaluation and due diligence review of the quality of services that likely would be provided upon acquisition, the Board selected Sunrise Kennebunk ME Senior Living, LLC, (the "Purchaser") as purchaser of its assets.

IV. PROPOSED TRANSACTION

A. Background – Sunrise

Sunrise Kennebunk ME Senior Living, LLC, is a newly-created entity affiliated with Sunrise Senior Living, Inc. ("Sunrise"), a company that is publicly traded on the New York Stock Exchange. Sunrise has owned and operated senior living communities for over twenty years, both in the United States and abroad. Sunrise currently operates more than 420 senior living communities in 37 states, the District of Columbia, Canada, the United Kingdom, and Germany, with a combined resident capacity of more than 52,000. Sunrise employs over 38,000 team members dedicated to serving seniors. More information on Sunrise's operations and history can be found on its website, www.SunriseSeniorLiving.com.

B. Terms of Sale

The purchase price for the sale of Autumn Health's assets is $38,775,000, allocated $29,347,208 to Autumn I and $9,427,792 to Autumn II. A true copy of the Purchase Agreement is attached as Attachment 1.

EXHIBIT

1

Questions for Prospective Acquirers

1. Please present information on how your firm measures the quality of its services and strives to improve the level of quality. Please also provide information on the financial stability of your firm.
2. Please describe the senior living facilities that you own and/or operate.
3. What is your ownership structure and who are your owners? How long have these owners owned the business?
4. How long has your company been in business? Can you tell me briefly about your history?
5. What are your company's strategic goals and how do you attempt to achieve those goals?
6. What is the financial strength of your company?
7. What is your company's involvement in the communities in which you operate senior living facilities?
8. What differentiates your centers from other centers?
9. Can you provide us with banking, resident, and family references?
10. How would you envision corporate oversight for Huntington Common? Would there be a regional director overseeing? If so, how many facilities would that regional director oversee?
11. At your assisted care facilities, what do you think is the most important issue for maintaining a quality facility and operation?
12. How do you address a resident's lack of funds to be able to pay the required residency fee?
13. Do you have any third party evaluations of your facilities or operations? Would you provide those to us?
14. What specific measures do you examine to improve and maintain quality of services (weight loss, attendance at activities, etc.)? Why do you choose those measures and can you provide company averages for those measures?
15. What is your staffing plan for assisted living and Alzheimer's assisted living, particularly related to staff who provide resident care?
16. What systems do you have in place for addressing family and resident concerns?
17. How do you assess the appropriate level of care for residents? How is that communicated to families?