

CHESTER VILLAGE WEST

**ANNUAL FINANCIAL FILING
For Fiscal Year Ending December 31, 2014**

TABLE OF CONTENTS

FINANCIAL/ACTUARIAL INFORMATION	EXHIBIT
Certified Audited Financial Statements	A
Pro Forma Income Statements	B
Capital Cost Amortization Assumptions	C
Current Rate Schedule	D
Residential Turnover Rates.....	E
Average Age of Residents	F
Health Care Utilization Rates	G
Occupancy Rates.....	H
Number of Health Care Admissions	I
Days of Care	J
Number of Permanent Transfers	K
Statement of Cash Flows	L
Actuarial Certificate.....	M

Chester Woods LLC

Financial Report
December 31, 2014

Contents

Independent Auditor's Report	1
<hr/>	
Financial Statements	
Balance Sheets	2
Statements of Operations	3
Statements of Member's Equity (Deficit)	4
Statements of Cash Flows	5
Notes to Financial Statements	6-9



Independent Auditor's Report

To the Board of Managers
Chester Woods LLC
Des Moines, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of Chester Woods LLC which comprise the balance sheets as of December 31, 2014 and 2013, and the related statements of operations, member's equity (deficit) and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chester Woods LLC as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

McGladrey LLP

Des Moines, Iowa
March 4, 2015

Chester Woods LLC

Balance Sheets

December 31, 2014 and 2013

	2014	2013
Assets		
Current Assets		
Cash and cash equivalents	\$ 742,413	\$ 1,494,713
Accounts receivable	42,879	93,689
Prepaid expenses and other	147,182	137,773
Advances to affiliate, current portion	1,000,000	1,000,000
Assets whose use is limited or restricted, entrance fee escrow	-	14,150
Total current assets	1,932,474	2,740,325
Advances to Affiliate, less current portion	7,408,515	6,810,324
Assets Whose Use is Limited or Restricted	833,531	838,082
Operating Property, at cost, net of accumulated depreciation	7,778,107	7,963,235
	\$ 17,952,627	\$ 18,351,966
Liabilities and Member's Equity		
Current Liabilities		
Long-term debt, current portion	\$ 24,235	\$ 19,292
Accounts payable, trade	127,579	199,436
Accounts payable, affiliates	36,754	99,547
Accrued expenses	200,539	215,762
Refundable deposits	-	14,150
Loans from residents, current portion	659,030	1,272,050
Total current liabilities	1,048,137	1,820,237
Long-term debt, less current portion	250,473	274,708
Note payable, affiliate	1,590,000	1,590,000
Deferred revenue	1,400,376	917,731
Capital expenditure reserve	343,626	343,626
Loans from residents, less current portion	14,060,619	13,345,611
Total liabilities	18,693,231	18,291,913
Member's Equity (Deficit)	(740,604)	60,053
	\$ 17,952,627	\$ 18,351,966

See Notes to Financial Statements.

Chester Woods LLC

Statements of Operations
Years Ended December 31, 2014 and 2013

	2014	2013
Revenues:		
Apartment revenues	\$ 4,121,226	\$ 4,150,191
Amortization of nonrefundable entrance payments	213,241	43,755
Working capital fee	100,420	100,438
Total revenues	4,434,887	4,294,384
Operating expenses:		
General and administrative	1,792,369	1,723,364
Plant	1,286,403	1,130,420
Housekeeping	284,137	280,750
Dietary	946,657	884,661
Resident care	470,533	475,548
Depreciation	520,017	517,994
Total operating expenses	5,300,116	5,012,737
(Loss) from operations	(865,229)	(718,353)
Other income (expense):		
Interest income	98,357	105,365
Interest (expense)	(33,785)	(41,048)
Total other income (expense)	64,572	64,317
Net (loss)	\$ (800,657)	\$ (654,036)

See Notes to Financial Statements.

Chester Woods LLC

**Statements of Member's Equity (Deficit)
Years Ended December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Balance, beginning	\$ 60,053	\$ 714,089
Net (loss)	<u>(800,657)</u>	<u>(654,036)</u>
Balance, ending	<u>\$ (740,604)</u>	<u>\$ 60,053</u>

See Notes to Financial Statements.

Chester Woods LLC

**Statements of Cash Flows
Years Ended December 31, 2014 and 2013**

	2014	2013
Cash Flows from Operating Activities		
Net (loss)	\$ (800,657)	\$ (654,036)
Adjustments to reconcile net (loss) to net cash provided by operating activities:		
Depreciation	520,017	517,994
Amortization of nonrefundable entrance payments	(213,241)	(43,755)
Amounts released from capital expenditure reserve	-	(106,958)
Changes in operating assets and liabilities:		
Accounts receivable	50,810	(63,895)
Prepaid expenses and other	(9,409)	18,952
Accounts payable, trade and affiliates	(134,650)	80,745
Accrued expenses	(15,223)	(6,778)
Deferred revenue	695,886	568,590
Refundable deposits, net	(14,150)	9,150
Net cash provided by operating activities	79,383	320,009
Cash Flows from Investing Activities		
Additions to operating property	(334,889)	(264,414)
Decrease in assets whose use is limited or restricted	18,701	94,160
Advances from (to) affiliate, net	(598,191)	600,033
Net cash provided by (used in) investing activities	(914,379)	429,779
Cash Flows from Financing Activities		
Principal payments on long term debt	(19,292)	-
Proceeds from resident loans	2,087,658	1,705,771
Repayment of resident loans	(1,985,670)	(1,866,777)
Net cash provided by (used in) financing activities	82,696	(161,006)
Net increase (decrease) in cash and cash equivalents	(752,300)	588,782
Cash and Cash Equivalents		
Beginning	1,494,713	905,931
Ending	\$ 742,413	\$ 1,494,713
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ 33,785	\$ 41,048

See Notes to Financial Statements.

Chester Woods LLC

Notes to Financial Statements

Note 1. Organization and Significant Accounting Policies

Organization: Chester Woods LLC (the Company) is a single member limited liability company which was organized to exist in perpetuity. The Company owns and operates a retirement community called Chester Village West (the Community) in Chester, Connecticut. The Company is wholly owned by Life Care Services Communities LLC (LCSC). LCSC is a wholly owned subsidiary of Life Care Companies LLC (LCC).

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

Cash and cash equivalents: The Company considers investments with maturities of three months or less when purchased to be cash equivalents.

Concentrations of credit risk: The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts receivable: Accounts receivable are stated net of doubtful accounts. Management determines the allowance for doubtful accounts by reviewing each account for its potential for collection. Accounts are routinely reviewed and are written off when deemed uncollectible. At December 31, 2014 management determined that no allowance was required.

Assets whose use is limited or restricted: Included in assets whose use is limited or restricted are the following reserves and escrows:

- Operating reserve escrow account, required by the state of Connecticut, equal to one month's cash operating costs of the Community, plus one year's debt service.
- Escrow accounts for Entrance Payments under Residency Agreements.
- Capital expenditure escrow for extraordinary capital repairs to the operating property, funded at management's discretion from a portion of resident fees (0% during both the years ended December 31, 2014 and 2013), as defined in the Residency Agreement.
- Town of Chester Water Pollution Control Authority cash reserve of \$5,000.

Operating property: Operating property is carried at cost. Depreciation is being computed by the straight-line method over the estimated useful lives of the respective assets. The Community contains a total of 105 residential units.

Revenue recognition: Residents pay an Entrance Payment, net of funds previously deposited, consisting of a First Person Fee (and Second Person Fee, if applicable) and a Loan. The First Person Fee is recorded as deferred revenue and is amortized to revenue over the estimated life expectancy of the residents, adjusted annually based on the actuarially determined life expectancy of the individuals occupying the unit. When the resident moves out of the community the unamortized portion of The First Person Fee is earned.

Chester Woods LLC

Notes to Financial Statements

Note 1. Organization and Significant Accounting Policies (Continued)

The resident pays a working capital fee equal to two times the then-current monthly fee. When the right to access a residential unit is established, this one-time fee is recognized as income. Its use is restricted for purposes specified in the Residency Agreements.

In addition, residents pay a monthly fee, determined annually, in accordance with the Residency Agreements (Agreements). The Agreements provide that residents pay their fair share, as defined in the Agreements, of the funds required to operate the Community, which includes all operating expenses, debt service for nonresident debt, repairs and replacements, capital improvements and working capital. The monthly fee may only be used for purposes specified in the Agreements. To the extent revenues are more or less than the funds necessary to pay all such costs and expenses, the Agreements provide for adjustments to monthly fees in the subsequent periods.

Resident fees collected specifically to fund the capital expenditure escrow funds are deferred during the year collected. Revenue is recognized in the year such funds are utilized for their intended purposes.

Income taxes: The Company is a single member disregarded entity for income tax purposes, therefore, the income or loss of the Company is included in the income tax return of LCC. Accordingly, the financial statements make no provisions for income taxes. However, the Company may make distributions to LCC which are similar in amount to income taxes due for the Company's taxable earnings.

Note 2. Related Party Transactions

The Company has a management agreement with Life Care Services LLC (LCS), an affiliate through common ownership, for management of the Community. Under the terms of the agreement, LCS supervises the operations of the Community which also includes planning, developing, financing, marketing and accounting for the Community. Management fees of \$199,148 and \$194,390 were incurred for the years ended December 31, 2014 and 2013, respectively. Additionally, LCS has funded Community costs incurred and is subsequently reimbursed by the Company.

Home Health Care Services LLC (HHCS), an affiliated entity, has been retained to provide in-home health care services to the residents of the Community. Fees earned by HHCS under these agreements totaled \$293,191 and \$324,072 for the years ended December 31, 2014 and 2013, respectively.

Amounts due from LCSC at December 31, 2014 and 2013 totaled \$8,408,515 and \$7,810,324, respectively. The Company's advances to LCSC are held in investments by LCSC, along with the advances of other affiliates, and are intended to ultimately be returned to the Company. Interest income on the advances of \$98,190 and \$103,968 was recognized for the years ended December 31, 2014 and 2013, respectively. At December 31, 2014, interest was charged at a rate of 1.25%.

On October 21, 2011, LCSC paid the bank, on behalf of the Company, the outstanding balance of \$1,590,000, and entered into a promissory note (Note). Under the terms of the Note, the Company will make interest payments at an annual rate of 1.19% with all unpaid interest and principal due October 21, 2016. Interest expense on the Note of \$18,921 and \$19,025 was incurred for the years ended December 31, 2014 and 2013, respectively.

In the normal course of operations, the Company purchases from affiliates of the Company services for group purchasing, insurance, computing technology and related ancillary matters.

Chester Woods LLC

Notes to Financial Statements

Note 3. Residency Agreements

The Company has several different Agreements that provide for both refundable and nonrefundable Entrance Payments. The refundable portion of the Entrance Payment, up to 75% for selected plans, is a loan repayable upon attainment of certain events, as defined in the Agreements. Loans from residents under all Agreements totaled \$14,719,649 and \$14,617,661 at December 31, 2014 and 2013, respectively.

Note 4. Operating Property

Operating property consists of the following at December 31:

	<u>2014</u>	<u>2013</u>
Land	\$ 810,638	\$ 810,638
Land improvements	827,144	802,380
Buildings and fixed equipment	11,592,344	11,339,705
Equipment	1,383,806	1,326,320
Vehicles	168,863	168,863
	<u>14,782,795</u>	<u>14,447,906</u>
Less accumulated depreciation	<u>(7,004,688)</u>	<u>(6,484,671)</u>
Total operating property	<u>\$ 7,778,107</u>	<u>\$ 7,963,235</u>

Note 5. Long-Term Debt and Commitments

On February 1, 2007, the Company entered into a land purchase agreement. The balance outstanding was \$274,708 and \$294,000 at December 31, 2014 and 2013, respectively. The contract requires monthly payments of \$3,118 at an annual rate of 5%, with all unpaid interest and principal due February 1, 2024.

Aggregate maturities of long-term debt subsequent to December 31, 2014 are as follows:

December 31:

2015	\$ 24,235
2016	25,475
2017	26,778
2018	28,148
2019	29,588
Thereafter	140,484
	<u><u>\$ 274,708</u></u>

To meet requirements set by the Town of Chester Water Pollution Control Authority, the Company has an agreement with a bank for a letter of credit, expiring November 2015, totaling \$145,000 with no outstanding borrowings at December 31, 2014. The letter of credit is reviewed annually unless otherwise agreed upon. The agreement also required the Company to fund a bank account for \$5,000.

Chester Woods LLC

Notes to Financial Statements

Note 6. Employee Benefit Plans

Available to all eligible employees of the Company is a defined contribution employee retirement benefit plan (the Plan). The Company accrued matching contributions of \$36,894 and \$34,694 in 2014 and 2013, respectively, to be remitted to the Plan in 2015 and 2014, respectively. The Plan matches 100% of the first 3% of the participant's eligible contributions plus 50% of the next 2% of eligible contributions. The Company accrued profit sharing contributions of \$22,436 and \$21,935 in 2014 and 2013, respectively, to be remitted to the Plan in 2015 and 2014, respectively, at the discretion of the Board of Directors of LCS Holdings, Inc., the parent of LCC.

Note 7. Subsequent Events

The Company has evaluated subsequent events through March 4, 2015, the date the financial statements were available to be issued. Through that date, there were no subsequent events requiring accrual or disclosure.

CHESTER WOODS, INC.

CASH FLOW PROJECTION

For the Period Beginning January 1, 2015

	Year 1 2015	Year 2 2016	Year 3 2017	Year 4 2018	Year 5 2019
Beginning Cash (1)	1,575,944	1,331,970	1,387,017	1,446,498	1,494,704
Interest Income (2)	872	816	850	882	911
Attrition Cash Flow and Admission Fees (3)	673,859	1,149,016	2,125,796	2,206,741	2,306,098
Apartment Service Fees (4)	4,244,909	4,646,423	5,009,754	5,392,924	5,797,252
Miscellaneous Income (5)	192,367	196,214	200,140	204,144	208,226
Working Capital Reserve Fees (6)	132,727	155,795	162,140	170,246	179,208
Operating Expense (7)	(4,829,584)	(5,012,418)	(5,175,664)	(5,357,306)	(5,531,627)
Capital Expenditures (8)	(675,300)	(864,975)	(1,051,165)	(772,730)	(808,733)
Debt Service (9)	(25,585)	(26,825)	(100,128)	(101,498)	(102,938)
Advance to Owners (10)	41,761	(188,999)	(1,112,242)	(1,695,196)	(2,002,217)
Net Change	(243,974)	55,047	59,480	48,206	46,181
ENDING CASH	1,331,970	1,387,017	1,446,498	1,494,704	1,540,885

**PRO FORMA CASH FLOW ASSUMPTIONS
CHESTER WOODS, INC.**

- (1) Beginning Cash represents the cash on hand at the beginning of the fiscal year, as well as reserves and other assets whose use is limited.

Cash	\$742,413
Assets Whose Use is Limited – Current	0
Assets Whose Use is Limited - Long Term	833,531
Total	\$1,575,944

- (2) Interest Income is assumed to be at an annual average rate of 0.06 percent in each year.
- (3) Attrition Cash Flow and Admission Fees represents the Admission Payments paid by residents to Chester Woods, Inc. less any refund paid.
- (4) Apartment Service Fees represents the total of first and second-person monthly Service Fees for all apartments. Upon implementation of the Fair Share Allocation, the monthly Service Fees will be equal to the sum of total expenses plus any increase in reserves.
- (5) Miscellaneous Income represents revenue from meals, garage rentals, guest rooms, and beauty and barber shops adjusted upward at the same rate as apartment Service Fees.
- (6) Working Capital Reserve Fees represents a one-time non-refundable working capital fee due at closing which will be used for purposes related to Chester Village West.
- (7) Operating Expense includes the expenses for staffing, materials, and services for the entire project. These expenses are projected to increase at approximately 3.8% in year 2, 3.3% in year 3, 3.5% in year 4, and 3.3% in year 5.
- (8) Capital Expenditures represents the cost for the additions to or the repair or replacement of portions of the buildings and equipment.
- (9) Debt Service Payments represents principal and interest payments.
- (10) Advance to Owners represents net attrition proceeds advanced to owners for investment, subject to a minimum of 100 days cash on hand required by the bank covenants.

CHESTER WOODS, INC.

FORECASTED STATEMENT OF REVENUES AND EXPENSES

	Year 1 2015	Year 2 2016	Year 3 2017	Year 4 2018	Year 5 2019
OPERATING REVENUES					
Earned Entrance Fee Income	289,139	488,316	700,269	923,692	1,083,300
Apartment Service Fees	4,244,909	4,646,423	5,009,754	5,392,924	5,797,252
Working Capital Reserve Fees	132,727	155,795	162,140	170,246	179,208
Interest Income	872	816	850	882	911
Other Income	192,367	196,214	200,140	204,144	208,226
TOTAL REVENUES	4,860,014	5,487,564	6,073,154	6,691,888	7,268,897
OPERATING EXPENSES:					
G&A	(1,844,130)	(1,929,937)	(1,993,002)	(2,071,208)	(2,138,731)
Plant	(1,282,110)	(1,323,779)	(1,366,801)	(1,411,222)	(1,457,087)
Housekeeping	(306,559)	(316,522)	(326,809)	(337,430)	(348,397)
Dietary	(948,692)	(979,524)	(1,011,359)	(1,044,228)	(1,078,165)
Resident Care	(448,093)	(462,656)	(477,692)	(493,217)	(509,247)
Partner Expenses	0	0	0	0	0
Interest Expense	(32,106)	(50,195)	(104,052)	(98,362)	(92,602)
Depreciation	(521,387)	(541,385)	(590,526)	(651,886)	(692,311)
TOTAL EXPENSES	(5,383,077)	(5,603,998)	(5,870,242)	(6,107,555)	(6,316,540)
REVENUE OVER EXPENSE (DEFICIT)	(523,063)	(116,434)	202,911	584,333	952,358

CHESTER WOODS, INC.

CAPITAL COST AMORTIZATION ASSUMPTIONS

Recognition of amortization and depreciation expense commenced on January 1, 1995.

The basis for amortization assumptions for the provider's capital costs includes the following:

- a. Fixed Assets: Estimated depreciation expense for the forecasted period was computed on the straight-line method using an estimated 40-year life for the building and a 3 - 25 year life for building improvements, land improvements, and equipment additions.
- b. Amortization Expense: Certain costs associated with marketing and start-up of the project are deferred and amortized over the assumed building life of 40 years. The costs of acquiring initial contracts are amortized over the average resident's life expectancy.

ENTRANCE FEE REVENUE RECOGNITION

In November 2011, Chester Village West began to market a new Residency Agreement which redefined the First Person Fee as the portion of the Entrance Payment that is ultimately nonrefundable. For these Residency Agreements, the First Person Fee is recorded as deferred revenue and is amortized into income over the estimated life expectancy of the residents, adjusted annually based on the actuarially determined life expectancy of the individuals occupying the unit.

Prior to November 2011, the Nonrefundable Entrance Payment was recognized as revenue when the right to access a residential unit was established through the closing of the transaction.

Beginning 2015, Chester Village West began to offer a Traditional Agreement with a refundability that declines over time. Traditional Entrance Payments are earned at 27% after 5 months plus 2% per month thereafter until fully earned after 42 months of occupancy.

CHESTER VILLAGE WEST
Chester, Connecticut
CURRENT RATE SCHEDULE
New Residents
(as of 01/01/2015)

75% ROC PLAN

One-Level Apartments

Unit Type		Admission Payments	Monthly Fee
A	One Bedroom	\$177,300	\$3,427
B	One Bedroom with Den	212,000	3,927
C	Two Bedroom	261,000	4,442
D	Two Bedroom Deluxe	282,700	4,571
D1	Two Bedroom Custom	302,900	4,713
E	Two Bedroom with Den	356,000	4,764

Maplewood Homes (Single Story Homes with Attached Garages)

Unit Type		Admission Payments	Monthly Fee
F	One Bedroom with Den	\$344,400	\$4,097
G	Two Bedroom	419,200	4,713
H	Two Bedroom with Den	445,400	4,918
I	Two BR w/ Den & Double Garage	447,400	5,121

Second Person Entrance Fee	\$0
Second Person Monthly Fee	\$1,017

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

A Traditional (declining refund) pricing plan is also offered, with Admission Payments priced at 60% of the ROC rates.

**RESIDENTIAL TURNOVER RATES
CHESTER WOODS, INC.**

The residential turnover rate is calculated by dividing the number of apartments released by the average number of occupied apartments.

The residential turnover rates for the most recently completed fiscal year, and anticipated for the next five years, are as follows:

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
12.86%	16.45%	15.91%	15.37%	15.04%	14.77%

**AVERAGE AGE OF RESIDENTS
CHESTER WOODS, INC.**

The projected average age of residents for the next five years is as follows:

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
86.81	86.75	86.74	86.75	86.78

**HEALTH CARE UTILIZATION RATES
CHESTER WOODS, INC.**

This facility does not have an on-site health center. Therefore, this page projects the need for health care by the CCRC population, not health center utilization at the facility.

Health care utilization rates, including admission rates and days per 100 residents by level of care for the most recently completed fiscal year, and anticipated for the next five years, are as follows:

<u>Year</u>	<u>Utilization Rate</u>	<u>Admission Rate</u>	<u>Days per 100 Residents*</u>
FY 2014	2.072%	2.072%	0
FY 2015	5.823%	5.823%	745
FY 2016	9.327%	5.479%	1,851
FY 2017	11.182%	5.232%	2,445
FY 2018	12.178%	5.063%	2,772
FY 2019	12.710%	4.947%	2,948

*Only one level of care -- skilled nursing.

**OCCUPANCY RATES
CHESTER WOODS, INC.**

Occupancy rates for the most recently completed fiscal year, and anticipated for the next five years, are as follows:

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
74.07%	75.75%	80.48%	83.33%	86.19%	89.05%

**NUMBER OF HEALTH CARE ADMISSIONS
CHESTER WOODS, INC.**

This facility does not have an on-site health center. Therefore, this page projects the need for health care by the CCRC population, not health center utilization at the facility.

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

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
2	6	6	6	6	6

**DAYS OF CARE
CHESTER WOODS, INC.**

This facility does not have an on-site health center. Therefore, this page projects the need for health care by the CCRC population, not health center utilization at the facility.

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

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
0	767	2,020	2,823	3,351	3,707

**NUMBER OF PERMANENT TRANSFERS
CHESTER WOODS, INC.**

The number of permanent transfers to an off-site health center in fiscal year ending December 31, 2014 was two (2) residents.

**STATEMENT OF CASH FLOWS
CHESTER WOODS, INC.**

For a statement of cash flows for the community see Exhibit B of this annual financial filing.



Statement of Actuarial Opinion

I, Gregory T. Zebolsky, am associated with the firm Milliman and am a Member of the American Academy of Actuaries and meet its qualification standards to issue statements of Actuarial Opinion for Continuing Care Retirement Communities. I have been retained by Life Care Services to develop resident population projections and to review certain items in the financial projections contained in the December 31, 2013 financial filing for Chester Village West. The items we reviewed include exhibits E through K and the projection of selected items in exhibit B, all of which relate to the actuarial population projections. The items we reviewed on exhibit B include only attrition cash flow and admission fees and apartment service fees. We have not reviewed other items in exhibit B.

This is the actuarial certification as described in Section 17a-373-6(i)(2) of the regulations implementing the Connecticut Continuing Care Statutes. The actuarial methodology used in these projections conforms to Actuarial Standard of Practice No. 3, "Practices Relating to Continuing Care Retirement Communities" adopted September, 2007 by the Actuarial Standards Board.

In performing my review and developing the population projections, I have relied on resident data, financial statements, and the residency agreement provided by Christie Buckrop of Life Care Services as certified in the attached statement. I performed no audit or independent verification of the information furnished. I have reviewed the resident data furnished for reasonableness and consistency.

I have examined the data, actuarial assumptions, and actuarial methods used in determining the population projections, the related numbers in exhibits E through K, and the specific items on exhibit B referred to above. In my opinion, these projections and other items:

- i. are based on data and actuarial assumptions that are reasonable and appropriate under the circumstances, and
- ii. are computed using methods consistent with sound actuarial principles and practices.

Gregory T. Zebolsky, F.S.A., M.A.A.A.

I, Christie Buckrop, Actuarial Finance Analyst of Life Care Services, hereby affirm that the resident data, financial projection worksheet, and other summaries and analyses relating to data prepared for and submitted to Gregory T. Zebolsky, Consulting Actuary with Milliman, in support of his actuarial opinion for Chester Village West as of December 31, 2013, were prepared under my direction and to the best of my knowledge and belief, are substantially accurate and complete.

Christie Buckrop, Actuarial Finance Analyst

May 28, 2014

EXHIBIT M