

# **DISCLOSURE STATEMENT**

concerning

## **HARROGATE**

**A Continuing Care Retirement Community  
at Lakewood, New Jersey**

**The Provider of Continuing Care at Harrogate is:**

**Harrogate Incorporated  
400 Locust Street  
Lakewood, New Jersey 08701**

**Date of Issuance of Certificate of Authority: February 16, 1990**

**Effective Date of this Annual Disclosure Statement: September 2, 2009**

### **NOTICE TO PURCHASERS**

**THIS DISCLOSURE STATEMENT IS FOR INFORMATIONAL PURPOSES ONLY. PURCHASERS SHOULD ASCERTAIN FOR THEMSELVES THAT THE UNIT OFFERED MEETS THEIR PERSONAL REQUIREMENTS. THE NEW JERSEY DEPARTMENT OF COMMUNITY AFFAIRS HAS NEITHER APPROVED NOR DISAPPROVED THE MERITS OF THIS DISCLOSURE STATEMENT. BE SURE TO READ CAREFULLY ALL DOCUMENTS BEFORE YOU SIGN THEM. THIS MATTER INVOLVES A SUBSTANTIAL FINANCIAL INVESTMENT AND A LEGALLY BINDING CONTRACT. IN EVALUATING THE DISCLOSURE STATEMENT AND THE CONTRACT PRIOR TO ANY COMMITMENT, IT IS RECOMMENDED THAT YOU CONSULT WITH AN ATTORNEY OR FINANCIAL ADVISOR OF YOUR CHOICE, IF YOU SO ELECT, WHO CAN REVIEW THESE DOCUMENTS WITH YOU.**

**Submitted by:**

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## INTRODUCTION

Harrogate (the "Community") brings to New Jersey residents, who are age 62 and over, a way of retirement living known as "continuing care". This concept offers active retirees a life-style which is designed to meet their unique needs while allowing them the freedom to pursue their personal interests. Continuing care communities, such as the Community, encompass these important components: a private apartment home, a wide array of personal services, and the security of an on-site professional health center. The Community is owned by Harrogate Incorporated (the "Provider"), a New Jersey not-for-profit corporation which is committed to providing a quality adult community which is fiscally sound and genuinely responsive to resident needs.

One of the purposes of this Disclosure Statement is to explain to prospective residents, their families, and their advisors who and what is involved in the operation of the Community. This Disclosure Statement was prepared on the basis of information available at the time of its publication and is believed to be accurate as of that date. Such information is, of course, subject to change, particularly in the area of economics and finance. The Community can be significantly affected by changes in inflation and interest rates, even though our projections are conservative and attempt to protect us from those influences. Because of these and other influences, future changes may be necessary, and Harrogate Incorporated reserves the right to make those changes in the operation of the Community.

Because nontechnical language has been used in this Disclosure Statement, there may be differences between the text of this booklet and the language of the Residency Agreements. In the event of any such differences, the terms of the applicable executed Residency Agreement shall govern. This Disclosure Statement is furnished for information purposes and is intended to disclose the characteristics, interests offered, circumstances, and features of the Community. The Residency Agreements, copies of which are attached as exhibits, set forth in detail the rights and obligations of the Provider and the resident.

**We are pledged to the letter and spirit of U.S. policy for the achievement of equal housing opportunity throughout the Nation. We encourage and support an affirmative advertising and marketing program in which there are no barriers to obtaining housing because of race, color, religion, sex, handicap, or national origin.**

# **I. THE PEOPLE**

## **HARROGATE INCORPORATED**

Harrogate Incorporated (the "Provider") is a New Jersey not-for-profit corporation organized for the purpose of owning and operating the continuing care retirement community, known as Harrogate. Its principal business address is 400 Locust Street, Lakewood, New Jersey 08701. The Provider is not affiliated with any religious, charitable, or other not-for-profit organization. The Mission and Vision Statements for the Provider are as follows:

### **Mission**

Harrogate is a premier continuing care retirement community dedicated to meeting the needs of seniors seeking a lifestyle of the highest quality which promotes independence, dignity, respect and security.

Our commitment to excellence is evident in our diversified services and amenities, and in our caring and professional relationships with our residents and competent staff.

### **Vision**

Harrogate will continue to provide the highest level of care and services while maintaining its premier status within our industry.

This will be accomplished by realizing that change is inevitable and our organization will be prepared to adapt to evolving trends that impact our future.

The Provider was incorporated on September 14, 1982 and has received recognition as an organization exempt from Federal income taxation under Section 501(c)(3) of the Internal Revenue Code. No part of the Provider's earnings may be used for the benefit of, or be distributed to, its trustees, officers, or other private individuals.

The Provider's Board of Trustees has the overall management responsibility for the Community. Some of its primary duties involve the review and approval of capital expenditures, the review and approval of operating budgets, and the monitoring of the Community's financial condition. The Provider annually reviews the insurance coverages on the Community's property and personnel. Operational policies for the Community and criteria for resident admissions are subject to approval and periodic review by the Provider's Board of Trustees. The Provider's Board also adopts and approves personnel policies for Community employees. The short and long-range goals of the Community and fundamental policies of the Community are also defined by the Board. The Board of Trustees monitors compliance with the Community budget and the performance of the Community and its management. These activities are carried out by means of reports, studies, and on-site inspections. No other person or entity referred to herein has assumed any financial responsibility for the fulfillment of the Provider's agreements, except as otherwise expressly stated.

The Provider's Board of Trustees currently consists of six members. Members of the Board have expertise in such areas as finance, investment advising, law, banking, sales, and elderly housing. The officers and trustees of the Provider are listed below:

President, Assistant Secretary, Trustee, and Corporate Counsel

Edwin J. O'Malley, Jr., 17 Beaverson Boulevard, P.O. Box 220, Brick, New Jersey 08723. Mr. O'Malley is the senior partner of O'Malley, Surman & Michelini, Attorneys at Law, and is the legal counsel for the Provider. A graduate of Fordham University School of Law, he was admitted to the New Jersey Bar in 1963. Mr. O'Malley is a member of the American, New Jersey, and Ocean County Bar Associations and the American Association of Trial Lawyers.

Executive Vice President, Treasurer, and Trustee

William J. Slivka, 3 Cedar Inn Drive, Toms River, New Jersey 08755. Mr. Slivka is former vice president and estate settlement manager of Wachovia Bank, N.A. He received his bachelor's degree from Rutgers University. He also attended the Pennsylvania Bankers Trust School, the American Bankers Association, the Northwest University National Graduate Trust School, and the Kellogg Graduate School of Management. Mr. Slivka was with Wachovia Bank, N.A. and its predecessor banks since 1969. Mr. Slivka retired from Wachovia Bank, N.A. in 2004.

Secretary and Trustee

Robert A. Roman, 187 Skyline Drive, Lakewood, New Jersey 08701. Mr. Roman is the former mayor of Mantoloking, New Jersey. Since 1956, he has been active in family-held corporations including the Wheeling Corporation, a warehouse distribution business, and Ocean Freightliner (f/k/a Freight Handling and Equipment), which is involved in sales and service of Mercedes, Freightliner, and Mitsubishi lines of trucks. Mr. Roman is retired. Mr. Roman graduated from Upsala College with a bachelor's degree in business administration. He is active in the American Red Cross and the YMCA. Mr. Roman has a long history of service to the Boy Scouts of America, serving on the Jersey Shore Council and as the council's representative to the National Board.

Investment Committee Chairman, Assistant Secretary, and Trustee

Peter J. Wright, 7 Old Bridge Road, Box 328, Brielle, New Jersey 08730. Mr. Wright is an investment advisor. He is founder, owner, and president of Wright Asset Management. Prior to this, Mr. Wright was an advisor with George McKelvey Company located in Sea Girt, New Jersey. He is a member of the Mantoloking Yacht Club and has served on its board of governors. Mr. Wright is the director and treasurer of LCM Educational Foundation, Vaduz, Lichtenstein, and Princeton, New Jersey. He is also director and treasurer of The Shelter, Inc., a humane animal foundation. Mr. Wright is an alumnus of the Lawrenceville School and the University of Virginia.

Executive Director and Trustee

Donald A. Johansen, 636 Buena Ventura Court, Toms River, New Jersey 08753. Mr. Johansen has served as the on-site executive director for the Community since 1990. He is a licensed nursing home administrator in the State of New Jersey. Mr. Johansen has a bachelor's and a master's degree from the University of Iowa. Prior to becoming the executive director of the Community, he was the administrator of Vista Grande Villa, a retirement community located in Jackson, Michigan, and the health center administrator of Westminster Village located in Terre Haute, Indiana. He serves on the Board of Directors for Caregiver Volunteers of Central Jersey, Inc., and has served on the board of the New Jersey Association of Nonprofit Homes for the Aging. Mr. Johansen is also active in the Daybreak Kiwanis Club of Toms River. He has also served on the local boards of directors and coached for various youth sports organizations in Toms River. Mr. Johansen is active in the Lakewood Chamber of Commerce and is the District Chairman for the Lenape District of the Jersey Shore Council of Boy Scouts.

### Resident Trustee

Barbara Rogers, 400 Locust Street, Lakewood, New Jersey 08701. Mrs. Rogers has been a resident at Harrogate, with her husband James, since December 2000. Mrs. Rogers' professional career includes serving as the Executive Secretary to the Chief Engineer at Philco Ltd., Toronto, Canada and Executive Secretary for Birdsall Civil Engineering in Belmar, New Jersey. She has also served as Office Manager and Medical Assistant in an orthopedic surgeon's office and Office Manager and Chiropractic Assistant in another medical office. Mrs. Roger's volunteer experience includes serving as Director of Student Social Activities, Riverview Christian Academy, Neptune, New Jersey (15 years) and Financial Secretary, First Baptist Church of Toms River, New Jersey (7 years and still holds this position). Mrs. Rogers has been very active in the Community and has served as President of the Resident Council and numerous resident committees that support an active and dignified lifestyle at the Community.

## **ASSOCIATE EXECUTIVE DIRECTOR**

Clyde C. Sutton, Millville, New Jersey, has been the Associate Executive Director of the Community and administrator of the health center since 1996. Mr. Sutton has a business administration degree from Cumberland County College in New Jersey and a bachelor's degree in hospitality administration from Widener University in Pennsylvania. He previously served as the Community's director of food and beverage services. Prior to joining the Community staff, he was an administrator of support services at Millville Hospital in New Jersey; corporate director of food services for Graduate Health System in Philadelphia and in New Jersey; and contract administrator for New Jersey Hospital Association's group purchasing program. Mr. Sutton has served in many board of directors' positions and has also been active in various civic organizations such as board member of the local United Way and post advisor to the Cumberland County division of Boy Scouts of America.

## **RESIDENTS' ASSOCIATION**

The Community has a Residents' Association, and regularly scheduled resident meetings are held to enable the residents to ask questions and to permit administration and the Board of Trustees to communicate with the residents. The Executive Director and/or the Associate Executive Director will hold monthly meetings with the residents for the purpose of free discussion of such items as changes in policies, programs, and services.

## **LIFE CARE SERVICES LLC**

The Provider has retained Life Care Services LLC ("LCS"), specialists in continuing care, headquartered in Des Moines, Iowa, as a consulting firm to the Community. LCS is a nationally recognized leader in the development and management of quality senior living communities throughout the United States. Since 1971, the principal officers of LCS have been instrumental in the planning, developing, and/or managing of senior living communities. LCS currently manages more than 80 communities (see Exhibit A attached to this Disclosure Statement).

The principal operating officers of LCS are Edward R. Kenny, Joel D. Nelson, Joseph M. Brucella, M. Elizabeth Bush, Rick W. Exline, Kenton C. Larson, and Diane C. Bridgewater.

Mr. Kenny is president and chief executive officer of LCS. He is a graduate of Providence College in Providence, Rhode Island with a bachelor of science degree in health services administration. Mr. Kenny joined LCS in 1979 and has administrative experience in four LCS-managed communities. He was promoted to director of operations management in 1987, became vice president in 1989, was promoted to senior vice president in 1990, became executive vice president and secretary of LCS in 2001, and was promoted to president and chief executive officer in 2006.

Mr. Nelson is executive vice president of operations management and secretary of LCS. He holds a bachelor of arts in health care administration from Simpson College in Indianola, Iowa. Mr. Nelson joined LCS in 1986 and has 10 years experience as a community administrator. In 1996, he was promoted to director of operations management, became vice president in 1997, was promoted to senior vice president in 2001, and was named executive vice president and secretary in 2006.

Mr. Brucella is senior vice president/director of operations management of LCS. He holds a bachelor of science degree in industrial engineering from the Georgia Institute of Technology in Atlanta, Georgia, and a certificate in long-term care management from Des Moines Area Community College in Des Moines, Iowa. Mr. Brucella joined LCS in 1981 and has experience as a community administrator with three LCS managed communities. He was promoted to director of operations management in 1987, became vice president in 1989, and was promoted to senior vice president in 2001.

Ms. Bush is senior vice president of marketing and sales of LCS. She is a graduate of the University of Evansville in Evansville, Indiana with a bachelor of science degree in business and music. Ms. Bush joined LCS in 1982 as a residency counselor at Greenwood Village South. In 1986, she was promoted to operations marketing specialist and assumed multiple project responsibilities, including oversight of marketing, advertising and sales programs in LCS owned and managed communities. Ms. Bush was promoted to regional marketing director in 1989, and became director of marketing and sales in 1996. She was promoted to vice president in 2000 and became senior vice president of marketing and sales in 2001.

Mr. Exline is senior vice president/director of operations management of LCS. He graduated from Simpson College in Indianola, Iowa with a bachelor of arts degree in political science, and from Oklahoma Baptist University in Shawnee, Oklahoma with a bachelor of science degree in health care administration. Mr. Exline joined LCS in 1978 and has 10 years experience as a community administrator. In 1987, he was promoted to director of operations management, was named vice president in 1989, and was promoted to senior vice president in 2001.

Mr. Larson is senior vice president/director of development of LCS. He holds a bachelor of science degree in construction engineering from Iowa State University in Ames, Iowa, and a master of business administration degree from Drake University in Des Moines, Iowa. Mr. Larson joined LCS in 1987 as project development manager and was promoted to director of design and construction in 1990. Mr. Larson was named director of project development in 1993, became vice president in 1994, and was promoted to senior vice president in 2000.

Ms. Bridgewater is vice president, treasurer and chief financial officer of LCS. She holds a bachelor of arts degree in accounting and in French from the University of Northern Iowa in Cedar Falls, Iowa and is also a certified public accountant. Ms. Bridgewater joined LCS in 2006 after working for Pioneer Hi-Bred International for over 18 years. Ms. Bridgewater held the position of vice president and chief financial officer at Pioneer Hi-Bred International for approximately a year. Other Pioneer roles included, vice president and director, North America Operations; customer and sales services director; worldwide finance director; North America finance director; information management director; research finance director; and internal auditor.

The other officers of LCS are:

James L. Biggs, Vice President/Director of Operations Management  
Richard L. Funk, Vice President/Director of Operations Management  
Mark R. Heston, Vice President/Director of Human Resources  
Brett A. Logan, Vice President/Director of Operations Management  
Kevin J. Meyer, Vice President/Director of Operations - Care Purchasing Services  
Richard L. Seibert, Vice President/Director of Corporate Marketing and Consulting  
Dennis L. Tabor, Vice President/Risk Manager  
Rebecca S. Stoll, Assistant Secretary/Corporate Legal Manager

Consulting services for the Community are performed by LCS under contract with the Provider. LCS's responsibilities include: supervising licensing; reviewing annual budgets; establishing and operating a system of financial controls for the Community, including comparative analyses with other facilities; supervising the delivery of health care services which meet the guidelines of the Federal Medicare (Title XVIII) program; and overseeing the quality accommodations provided by the Community. LCS is not financially responsible for the contractual obligations or other obligations of the Provider. The Provider's Board of Trustees retains the ultimate responsibility for hiring managers and monitoring the operating costs, wages, salaries, expenses, fees, and overall fiscal viability of the Community.

Before the Provider undertook providership of the Community, a complete program was developed which included preliminary plans, budgets for capital costs, planned financing, and projected income and expenses. Local and state ordinances and regulations were investigated to be certain that the proposed project would comply with applicable laws.

The Community is regulated under the laws of the State of New Jersey and is also subject to a variety of other local ordinances and authorities affecting specific portions of the Community.

The primary regulators under state statute are the Department of Community Affairs which oversees continuing care retirement communities like the Community under the New Jersey Continuing Care Retirement Community Regulation and Financial Disclosure Act (P.L. 1986, C103, N.J.S.A. 52:27D-330, et seq.), and the New Jersey Department of Health which licenses the 68-bed skilled nursing care facility under the Health Care Facilities Planning Act.

In addition, the Community was also subject to various state codes and requirements affecting the design and physical layout of the Community. Compliance with all of these requirements was a condition of receiving the permits necessary to start construction.

The Community is located in Lakewood Township of Ocean County and is, therefore, also subject to local ordinances and regulations. Again, most of these requirements affected the design and physical environment of the Community and were fulfilled as conditions of starting construction.

Copies of all current licenses and inspection reports are available during normal business hours at the Community's administrative office or health center.

## **II. THE COMMUNITY**

## **THE LOCATION**

The Community is located on 47 wooded acres at the southeastern corner of Locust Street and Vermont Avenue in south Lakewood Township. The Community is easily accessible to the Garden State Parkway via Route 70 and convenient to all Ocean County amenities.

## **HARROGATE**

Currently, the Community has 275 apartment homes, a 68-bed health center, and numerous commons spaces which include a main dining room, a private dining room, a library, laundry facilities, a clinic, a beauty/barber shop, an arts and crafts room, an auditorium, a general store, an indoor swimming pool, a bank, a billiards room, a shuffleboard court, a croquet court, a bocce court, a walking path, a golf putting green (artificial turf), a social lounge, a fitness center and spa, and two (2) guest apartments.

In 2008, the Community simplified the categorization of the different apartment homes available to residents, including reclassification of several two-bedroom apartment homes to reduce the total number of separately identified apartment home styles. The types of apartment homes to choose from are now designated as the Seabright (studio), the Bayhead (alcove), the Belmar (one-bedroom), the Stafford (one-bedroom deluxe), the Brielle (two-bedroom), and the Princeton (two-bedroom deluxe). The apartment homes are located throughout the one, two and three-story buildings, which buildings are connected by a common corridor so residents can travel the Community without going outdoors. All apartment homes are equipped with safety features including emergency nurse call signals in the bedrooms and bath. (See Exhibit F-i for number of unit types.)

In addition to the primary intent of the Community, which is to assure the residents of quality care throughout their retirement years, the Community is designed to create an environment that enriches the lives of the people who live and work there. The Community, which has been named after an English Victorian spa of the late nineteenth and early twentieth centuries, is designed to retain a village atmosphere. The design of the main commons facility and other commons areas provides large areas for dining and meetings without detracting from the homelike environment of the Community.

## **THE PERSONNEL**

The Provider employs all personnel. Medical personnel include registered nurses, licensed practical nurses, and nursing paraprofessionals. A doctor (M.D. or D.O.), an occupational therapist, a physical therapist, a speech and hearing therapist, and a dietitian are available on a consulting basis. Other employees include a social director, a receptionist, an activities director for the health center, a dining services director, maintenance director and staff, grounds keepers, security personnel, marketing staff, housekeeping personnel, kitchen and wait staff, accounting and clerical staff, and transportation personnel.

## **THE SERVICES**

A description of the services to be provided by the Provider is attached as Exhibit B to this Disclosure Statement.

In addition to providing an apartment home for lifetime use by the resident, the Provider will provide the following services in accordance with the terms of the Residency Agreements pertaining to the Community: (1) maintenance and cleaning of the apartment homes and commons areas; (2) weekly flat laundry service; (3) food service ; (4) the services of the social director; (5) security; (6) scheduled local transportation services; (7) certain health center services; and (8) various administrative services. The Community offers supportive home health care services (at an extra charge) for those residents who require personal care and services beyond food, shelter, and laundry.

Health center services consisting of skilled and non-skilled nursing care are available to all residents of the Community, as determined by their attending physician. Residents of the health center are encouraged to return to their apartment homes as soon as possible. Residents who are unable to return to their apartment homes, however, have the benefit of permanent care in the health center.

The Community also offers a licensed home care program to residents who need or request additional personal services to continue occupancy in their apartment home. These services are available to the residents as determined by the resident's physician and the Community's medical director, director of nursing, and home care manager. There is no fee for emergency or temporary services but services provided on a continued basis are available for an extra charge.

## **HEALTH CARE**

The Community is licensed to provide skilled nursing care services in the on-site health center if, in the opinion of the Community after consultation with the resident's attending physician, resident's family or personal representative, and resident to the extent possible, it is determined the resident requires nursing care. If the resident requires such care, that care is temporarily provided at the same rate as if the resident were continuing to live in the apartment home. If a resident requires permanent care in the health center and the resident's apartment home is vacated, the resident's monthly fee will be adjusted to the current monthly fee for a Belmar (one-bedroom) apartment home. If two (2) residents live in an apartment home and only one (1) requires permanent care in the health center, they will continue to pay the current first and second person monthly fee just as they would if both resided in the apartment home. Regardless of whether the resident is temporarily or permanently assigned to the health center, the resident will be charged for two (2) extra meals per day (whether or not taken), medical treatment, medicine, drugs, prescribed therapy, nursing supplies, and other medical and miscellaneous supplies and services associated with medical treatment. Health center accommodations shall be in a semi-private room unless a private room is a medical necessity. If resident needs or desires an available private room, resident may obtain a private room upon agreement to pay the difference between private and semi-private room rates as an extra charge.

A resident shall be given priority over nonresidents for necessary health center care at the Community. In the unlikely event the health center is fully occupied, the resident will be provided nursing care in another health care facility. To the extent the Community would be liable for resident's care and accommodations in the health center under the terms of the Residency Agreement, the Community will be responsible for the charges associated with the alternate health care accommodations. The Community makes every attempt to provide health services on-site.

Paragraph 6 of the Residency Agreements (see Exhibits C, D and E attached hereto) set forth in greater detail the extent to which health center care is provided and the terms for providing this care.

## **CONTRACTS AND FEES**

The Provider has retained LCS as a consultant in the operation of the Community pursuant to a client services agreement. An executed copy of the client services agreement is available at the Community's administrative office during regular office hours. Under the client services agreement, the Provider pays LCS a monthly fee for consulting services. The fee is based on a percentage of the total operating revenue of the Community.

No person or entity involved in the management of the Community has any proprietary interest in the Community. All contracts involving the management of the Community were negotiated with the Provider, which is not affiliated with any such persons or entities.

The Community utilizes the services of the law firm of O'Malley, Surman & Michelini wherein Mr. O'Malley is the senior partner. Edwin J. O'Malley, Jr. is president, assistant secretary, and trustee of the Provider. The firm provides legal services to the Community for fees below its prevailing rate schedule. Since it is impossible to anticipate the nature and extent of legal services which may be required for any period, it is impossible to predict the cost of legal services which may be incurred.

For asset management, the Provider utilizes the services of Wright Asset Management. The Assistant Secretary of Harrogate Incorporated, Peter Wright, is the principal owner of Wright Asset Management. Services are provided at discounted rates. For home health care services, the Provider has a consultation support agreement with Home Health Care Services, LLC ("HHCS"), located at 800 N.W. 17<sup>th</sup> Avenue, Delray Beach, Florida, 33445. HHCS assists the Provider in developing an annual Work Plan to meet the operational needs of the Community and HHCS may recommend modifications to the Work Plan from time to time. The agreement was executed on December 29, 2007 and is for a two-year term.

## **EASEMENTS**

The Community's real estate is subject to utility easements in favor of Jersey Central Power and Light Company, Verizon Communications, New Jersey Natural Gas, and the Lakewood Municipal Utilities Authority. All of these companies and the Lakewood Municipal Utilities Authority provide necessary services to the Community, and easements are required in conjunction with their services.

## **III. THE PROPOSAL**

## **THE CONTINUING CARE CONCEPT**

The continuing care concept ensures lodging, nursing, medical or other health-related services at the same or another location to an individual pursuant to an agreement effective for the life of the individual or for a period greater than one year, including mutually terminable contracts, and in consideration of the payment of an entrance fee with or without other periodic charges. This concept has grown as the result of the increasing number of men and women reaching retirement age and the concern for providing an alternative to traditional retirement living. A resident shall pay an entrance fee, a second person entrance fee (if applicable), and a monthly fee in accordance with the terms of the applicable executed Residency Agreement. If a resident requires permanent care in the health center and the apartment home is vacated, the monthly fee is adjusted to the current monthly fee for a Belmar (one-bedroom) apartment home, plus charges for two (2) extra meals per day, medical treatment, medicine, drugs, chargeable nursing supplies, prescribed therapy, and other medical and miscellaneous supplies and services associated with medical treatment. A current list of the charges for ancillary health center services is available at the Community's health center office during regular office hours.

## **THE RETURN-OF-CAPITAL™ PLAN**

Continuing care has evolved over the years in many ways. Probably the most dramatic change is the handling of the historical, one-time "entrance fee." Originally, this entrance fee became the property of the Provider the day the resident assumed occupancy. This appeared to some to be inequitable for an individual who was a resident only for a short time, despite the balancing effect for the very long-term resident. As a consequence, providers began offering partial refunds to the estates of deceased residents with increasing percentages of the fee being "earned" and hence retainable by the Provider over a period of time, until the full amount is earned and the refund becomes zero.

The Return-of-Capital™ plan provides an additional benefit. After residency has been assumed, should the resident or the Provider cancel the Residency Agreement, the resident may be eligible for a partial reimbursement of up to ninety percent (90%) of the entrance fee, or up to fifty percent (50%) of the entrance fee, depending on the type of Return-of-Capital™ Residency Agreement executed by the resident. Similarly, in the event of a resident's death, if he or she is the sole occupant, or upon the death of the surviving resident, the estate of the resident may be eligible for a partial reimbursement of the entrance fee, based on the terms and type of Return-of-Capital™ Residency Agreement executed. The partial reimbursement is subject to the deductions specified in the Residency Agreement and is paid only after receipt of the entrance fee paid by a new resident.

The release of the apartment home upon permanent assignment to the health center does not qualify a resident for a partial reimbursement of the entrance fee. However, the Provider may re-endow the resident's apartment home after the resident has been permanently assigned.

The Provider currently utilizes two Return-of-Capital™ Residency Agreements, a 90% Return-of-Capital™ Residency Agreement and a 50% Return-of-Capital™ Residency Agreement. Copies of these Residency Agreements are attached as Exhibits C and D to this Disclosure Statement. The only differences between a 90% Return-of-Capital™ Residency Agreement and a

50% Return-of-Capital™ Residency Agreement are the amount of the total entrance fee and the percentage of the entrance fee that may be reimbursable.

### **90% Return-Of-Capital™ Plan**

Under the 90% Return-of-Capital™ Residency Agreement, should the resident or the Provider cancel the Residency Agreement after a resident has moved into the Community, the resident may be eligible for a partial reimbursement of up to ninety percent (90%) of the entrance fee. Similarly, in the event of a resident's death, or upon the death of the surviving resident, the estate of the resident may be eligible for a partial reimbursement of up to ninety percent (90%) of the entrance fee, in accordance with the terms of the Residency Agreement.

### **50% Return-Of-Capital™ Plan**

Under the 50% Return-of-Capital™ Residency Agreement, should the resident or the Provider cancel the Residency Agreement after a resident has moved into the Community, the resident may be eligible for a partial reimbursement of up to fifty percent (50%) of the entrance fee. Similarly, in the event of a resident's death, or upon the death of the surviving resident, the estate of the resident may be eligible for a partial reimbursement of up to fifty percent (50%) of the entrance fee, in accordance with the terms of the Residency Agreement.

## **THE TRADITIONAL PLAN**

As an alternative to the Return-of-Capital™ Residency Agreements, the Community also offers a Traditional Plan Residency Agreement. The differences between a Return-of-Capital™ Residency Agreement and a Traditional Plan Residency Agreement are the amount of the entrance fee and the reimbursement of the entrance fee. Under a Traditional Plan Residency Agreement, after residency has been assumed, if the Residency Agreement is cancelled due to the death of the resident, the Provider will refund the entrance fee, less two percent (2%) of the entrance fee for each month of the resident's residency. If the Residency Agreement is cancelled for reasons other than death, the Provider will refund the entrance fee, less one percent (1%) of the entrance fee for each month of the resident's residency. This partial reimbursement is subject to the deductions specified in the Traditional Plan Residency Agreement and is paid only after receipt of the entrance fee paid by a new resident.

The release of the resident's apartment home upon permanent assignment to the health center unit does not qualify a resident for partial reimbursement of the entrance fee. However, the Provider may re-endow the resident's apartment home after the resident has been permanently assigned.

A copy of the Traditional Plan Residency Agreement is attached to this Disclosure Statement as Exhibit E.

## THE RESIDENCY AGREEMENTS

Upon deciding to become a resident of the Community, a future resident executes a Residency Agreement to reserve the apartment home selected. The description of the Residency Agreements and the terms of residency contained in this Disclosure Statement are qualified by reference to the applicable form of Residency Agreement.

The Provider reserves the right to offer to new prospective residents alternative forms of residency agreements from time to time which comply with legal requirements.

Which Residency Agreement a prospective resident signs depends upon the amount of the entrance fee paid and which refund provisions the resident prefers. The main difference between the three (3) forms of Residency Agreements concerns the amount of the entrance fee payment and reimbursement of the entrance fee. The basic terms and conditions relative to fees due under the Residency Agreements and services provided are summarized as follows:

1. Payment of an Entrance Fee. The resident is required to pay an entrance fee and a second person entrance fee if there will be two (2) people occupying the apartment home. The first payment of the entrance fee (first person and second person, if applicable) is deposited into an escrow account to be released to the Provider in accordance with statutory requirements. The remaining balance of the entrance fee is due to be paid on or before the ninetieth (90<sup>th</sup>) day following the date of approval of the Residency Agreement or upon the date of occupancy, whichever occurs first.

2. Refund of the Entrance Fee. The terms governing entrance fee refunds are outlined as follows:

(i) If the Provider does not accept a resident's application for entrance or if the resident sends or delivers written notice of cancellation to the Provider by midnight of the thirtieth (30<sup>th</sup>) day following the date the Residency Agreement is executed by both parties, the portion of the entrance fee paid to that date is fully refundable.

(ii) If, prior to occupancy, a resident dies or is unable to occupy the apartment home due to illness, injury, or incapacity, the Provider will refund the entrance fee paid by the resident.

(iii) If a resident cancels for any reason other than illness, injury, or incapacity prior to occupancy, the Provider will attempt to obtain a new resident for the apartment home, and from the entrance fee paid by such new resident, the resident will receive a refund of the entrance fee paid.

(iv) If the Residency Agreement is cancelled after occupancy, the Provider will remit to the resident or the resident's estate an amount in accordance with Paragraph 2.E. of the Residency Agreements.

With the exception of nonacceptance, in all other cases prior to occupancy, the Provider can offset any refund by an amount equal to any costs specifically incurred by the Provider pursuant to a resident's request and as provided in a separate addendum to the Residency Agreement.

3. Supplemental Health Insurance. Residents must maintain Medicare Part A, Medicare Part B, and one supplemental health insurance policy or equivalent insurance coverage acceptable to the Provider. The Community is not currently a provider for any health maintenance organization (HMO). If a resident is enrolled in any HMO (including Medicare HMOs), the resident shall reimburse the Provider for all expenses that are denied by the HMO in accordance with the Residency Agreement. The resident, prior to move-in, shall provide copies of such policies to the Community, and thereafter, upon request, the resident shall provide proof of the continued existence of the required coverage.

4. Payment of a Monthly Fee. Residents are required to pay a monthly fee to the Provider. For a more complete description of the monthly fee, see "Monthly Fee" below and Paragraph 3 of the Residency Agreements. The monthly fees are intended to be used by the Provider to fund all ongoing costs to operate the Community.

5. Services and Features Provided to All Apartment Home Residents. Paragraph 4 of the Residency Agreements describes certain items that are provided in consideration of the monthly fee, and Paragraph 5 describes those that are available for an extra charge.

6. Health Center Services. Payment of the monthly fee entitles a resident to care in the health center which includes semi-private health center accommodations, one (1) meal a day, basic nursing care, and emergency calls to the medical director or his or her designee when summoned by designated health center staff. As outlined in Paragraph 6 of the Residency Agreements, the resident is responsible for charges for two (2) extra meals per day and any additional health services which are not otherwise included in the monthly fee.

## **MONTHLY FEE**

When a resident moves into the Community or on or before the ninetieth (90<sup>th</sup>) day following the date of the approval of the Residency Agreement, whichever occurs first, the resident shall pay a pro rata portion of the monthly fee. Thereafter, the monthly fee will be due by the first (1<sup>st</sup>) day of each month. The amount of the monthly fee in effect at the time the Residency Agreement is executed is clearly stated in the Residency Agreement. Total monthly fees are higher when a second person also shares an apartment home. The proportionate share of property taxes attributable to the resident's apartment home is included in the resident's monthly fee but is borne by the resident separately from any other charges and is itemized separately on the resident's monthly billing statement. The monthly fee may be changed upon a minimum of thirty (30) days' written notice to the residents and will be increased only if it is necessary to meet the financial needs of the Community or to provide services to the residents.

## **IV. REGULATORY MATTERS**

## **THE CONTINUING CARE RETIREMENT COMMUNITY REGULATION AND FINANCIAL DISCLOSURE ACT**

The New Jersey Continuing Care Retirement Community Regulation and Financial Disclosure Act (the "Act") was enacted March 2, 1987. The regulations enabling the Department of Community Affairs to implement the Act were promulgated February 1, 1988. The Act requires that a Certificate of Authority be obtained and maintained in order to operate a continuing care facility. Accordingly, the Community filed the following documents with the Department of Community Affairs: (a) an Application for Certification, (b) a current Disclosure Statement, (c) financial information, and (d) standard residency agreements used by the Community. Pursuant to N.J.S.A. 52:27D-330, the Community obtained a Certificate of Authority on February 16, 1990. To maintain its Certificate of Authority, the Community files the following documents with the New Jersey Department of Community Affairs by June 30 of each year: (a) an Annual Report, (b) an Annual Disclosure Statement, (c) financial information, and (d) standard residency agreements used by the Community.

### **HEALTH CENTER LICENSURE**

The health center is licensed by the New Jersey Department of Health for sixty-eight (68) skilled nursing care beds. All beds are Medicare-certified. The health center is required to pass periodic inspections in order to maintain licensure.

### **OTHER REGULATORY MATTERS**

In addition to the Continuing Care Retirement Community Regulation and Financial Disclosure Act, and the Health Care Facilities Planning Act, the Community is regulated under a variety of other state and local codes. The vast majority of these regulations, e.g. zoning, environmental approvals, building codes, etc., applied to the physical environment and design of the Community and were satisfied as a prerequisite to beginning construction. The Community is also qualified under and regulated by the provisions of "Medicare." The Provider maintains all of the other required licenses and permits necessary to operate the Community. Copies of current licenses and inspection reports are available during normal business hours at the Community's administrative office or health center office.

### **LIQUID RESERVES**

In compliance with New Jersey law and under the terms of the current financing agreements, the Provider maintains reserves which meet and exceed current requirements of Subchapter 7 of the New Jersey Continuing Care Retirement Community Regulation and Financial Disclosure Act (the "Act"). Under the Act, the Provider is required to maintain liquid reserves in an amount equal to or exceeding the greater of: (i) the total amount of all principal and interest payments due during the next twelve (12) months; or (ii) fifteen percent (15%) of the projected annual operating expenses of the Community exclusive of depreciation.

The Debt Service Reserve Fund under the current financing documents as of April 30, 2009 was \$1,348,222. The Debt Service Reserve Fund is to equal or be in excess of the maximum amount of annual principal and interest payments. The Provider believes the total liquid cash reserves of the Community and the Debt Service Reserve Fund meets the statutory requirement.

Funds held in the Debt Service Reserve Fund by the Bank of New York (NJ) are invested in accordance with the Act and the provisions of the Provider's financing documents.

## **ENTRANCE FEE ESCROW ACCOUNT**

Pursuant to the provisions of the Continuing Care Retirement Community Regulation and Financial Disclosure Act (the "Act"), the Provider has established an escrow account for entrance fee deposits and payments received from prospective residents at Wachovia Bank, N.A., 303 Broad Street, NJ 4431, Red Bank, NJ 07701, (732) 219-6231. Wachovia Bank, N.A. acts as escrow agent, and deposits are accepted in the form of checks from residents payable to HARROGATE ESCROW ACCOUNT, WACHOVIA BANK, N.A. Monies are releasable from this escrow account pursuant to the terms of the Residency Agreements and subject to the statutory requirements imposed upon the Community by the Act.

The entrance fee escrow account is maintained to hold entrance fee deposits and entrance fee payments for apartment homes at the Community as they become available for re-occupancy. Prospective residents entitled to a refund of deposits made should contact the administrative office of the Community. Refunds of deposits made will be returned to applicants with interest less other expenses incurred by the Provider, if any. Administration will see that any and all notices are given to Wachovia Bank, N.A. and that refund requests are processed. Initial entrance fees are invested upon the advice of the Provider or its authorized agent to Wachovia Bank, N.A. Investments include certificates of deposit, commercial paper, U.S. government paper, or other similar investments as approved by the trustees of the Provider.

## **HOMESTEAD REBATE**

Pursuant to the Homestead Property Tax Rebate Act of 1990, a homestead rebate is extended to residents of a continuing care retirement community. As defined in the law, a continuing care retirement community means a residential facility primarily for retired persons where lodging and nursing, medical or other health related services at the same or another location are provided as continuing care to an individual pursuant to an agreement effective for the life of the individual or for a period greater than one year, including mutually terminable contracts, and in consideration of the payment of an entrance fee with or without other periodic charges.

A person who resides in a continuing care retirement community pursuant to a contract for the provision of continuing care for the life of that person shall be deemed to be an owner of the apartment home he or she occupies (for the purpose of this law only) provided that the contract also requires the resident to bear, separately from any other charges, the proportionate share of property taxes attributable to the apartment home that the resident occupies. The Community annually provides each resident with the amount of real property taxes attributed to the resident's apartment

home. It is advisable that the resident seek the advice of tax counsel in regards to the homestead rebate.

## **TAX DISCUSSIONS**

The signing of a Residency Agreement and payment of an entrance fee and monthly fee gives rise to certain unique tax considerations. The discussion below outlines the process which will be utilized to determine the percentage of the entrance fee and monthly fee that a resident may choose to deduct as a medical expense. Each resident is advised to consult with his/her personal tax advisor regarding the tax considerations associated with becoming a resident of the Community. The Provider is not a tax advisor and disclaims any responsibility for any tax advice relating to the tax considerations associated with becoming a resident of the Community.

## **MEDICAL EXPENSE DEDUCTIONS**

Residents of the Community may be able to take a percentage of the entrance fee as a medical expense deduction in the year in which it is paid. Also, a percentage of the monthly fee paid may be taken as a medical expense deduction each year. In January of each year, the Community will provide the residents with the percentage of monthly fees that has been determined to be attributable to the medical services provided by the Community. All deductions are, of course, subject to limitations imposed by the Internal Revenue Code of 1986, as amended. It is advisable that the resident seek the advice of tax counsel before taking any of these deductions.

## **V. FINANCIAL MATTERS**

## **FINANCIAL STATEMENTS**

Audited financial statements for the Provider for the years ending December 31, 2008 and December 31, 2007 are attached to this Disclosure Statement as Exhibit G. These statements include a disclosure of short-term assets and liabilities, as they existed on December 31.

## **FINANCIAL PROJECTION**

Following is a Pro Forma Cash Flow Projection for the period January 1 through December 31, 2009 for the Community. The pro forma cash flow projection is based on the assumptions stated in the notes thereto and is a projection of future activity rather than a historical financial statement. It is important to note that procedures have not been performed to determine whether the underlying assumptions are reasonable. The cash flow projection should not be interpreted as implying the financial feasibility of the Community. There will usually be differences between projected and actual results, and those differences may be material. Such pro forma projection is based on cash flow concepts which makes it unlike an income statement prepared in accordance with generally accepted accounting principles.

**HARROGATE  
PRO FORMA CASH FLOW PROJECTION  
FOR THE PERIOD JANUARY 1 THROUGH DECEMBER 31, 2009**

	<u>2009</u>
BEGINNING BALANCE (1)	\$16,336,119
Operating Receipts:	
Apartment Home Fees (2)	9,978,528
Double Occupancy Fees (3)	557,028
Health Center Revenue (4)	7,245,402
Home Health Revenue (5)	940,800
Miscellaneous Income (6)	412,302
Entrance Fee Receipts (7)	5,876,712
Interest Income (8)	580,728
Total Available Cash	41,927,619
Disbursements:	
Operating Expense (9)	14,961,554
Life Care Discount (10)	4,036,984
Capital Expense-Operating (11)	1,079,444
Debt Service (12)	1,342,392
Entrance Fee Refunds (13)	2,961,709
Interest On Resident Donations (14)	67,000
Trustee Fees (15)	77,600
Total Disbursements	24,526,683
ENDING BALANCE (16)	<u>\$17,400,936</u>

**ASSUMPTIONS TO  
PRO FORMA CASH FLOW PROJECTION  
For The Period Beginning January 1, 2009**

- (1) Beginning Balance represents the operating cash and reserves on hand at the beginning of the fiscal year. The beginning balance includes the Community's reserves for the 1997 Series \$18,810,000 New Jersey Economic Development Authority Revenue Refunding Bonds, Real Estate Tax Escrow, Operating Reserve and Donation accounts.
- (2) Apartment Home Fees represent the total first-person monthly fees for all apartment homes. There are 275 apartment homes available for occupancy; 248 apartment homes were occupied at December 31, 2008. Apartment home fee income is based upon an anticipated average occupancy level of 90.18 percent (248 apartment homes) throughout 2009.

In 2009, monthly fees were increased 5.75 percent over the fees for 2008.

- (3) Double Occupancy Fees represents revenue from monthly fees to be paid for a second person occupying an apartment home. The number of second persons was projected using the mortality tables for second persons prepared by Milliman, independent consulting actuaries, of Omaha, Nebraska, resulting in an average of 46 second persons. The fee for second persons is \$4,075 per month as of January 1, 2009 a 3.15 percent increase over the 2008 rate.
- (4) Health Center Revenue represents revenue generated by the 68-bed health center. It is expected that health center occupancy will be maintained at 88.25 percent (60 of 69 beds occupied). Revenues from these beds are subject to the Life Care Discount (see Note 10). The anticipated Medicare reimbursement is \$408 per day.

Health Center Beds

<u>Type</u>	<u>Number</u>	<u>Daily Rate (1/1/09)</u>
Semi-private	56	\$275
Private	12	\$320

- (5) Home Health Revenue represents the net revenue from the Home Health Program. During 2008, Harrogate, Inc. began self managing their program.
- (6) Miscellaneous Income represents revenue from beauty and barber shop, space rentals, guest and employee meals, vending machines, guest room rentals, equipment rentals, transportation, valet service, the home health program, the general store, and apartment home absence discounts.
- (7) Entrance Fee Receipts represents the income received from entrance fees from new residents for apartment homes released by previous occupants due to death or permanent assignment to the health center. During 2009, it is projected that 33.22 apartment homes will be sold, based on apartment home turnover rates as computed by Milliman, consulting actuaries.

- (8) Interest Income represents interest income earned on the average monthly cash balances at a rate of approximately 2.0 percent.
- (9) Operating Expense represents disbursements to pay for operating expenses such as salaries, supplies, utilities, insurance, vendors, and real estate taxes. It excludes depreciation, amortization, and debt service interest.
- (10) Life Care Discount represents the discount allowed for permanently assigned and temporarily assigned life care residents in the health center. A temporary resident in the health center receives a discount equal to the room charges. A permanently assigned resident receives a discount equal to the difference between the room charges and the Belmar (one-bedroom) monthly fee. The number of temporary assignments is estimated to be an average of 10; the number of permanent assignments is estimated to average 56, based upon the morbidity projections made by Milliman, consulting actuaries.
- (11) Capital Expense - Operating represents expenditures resulting from major building repairs, fixed asset acquisition, and/or replacement of fixed assets and moveable equipment.
- (12) Debt Service represents the principal and interest payments on the \$18,810,000 New Jersey Economic Development Authority Revenue Refunding Bonds, Series 1997, which comprise the permanent financing for the Community.
- (13) Entrance Fee Refunds represents the refunds of entrance fee monies to be made to the estates of deceased residents based on the provision for refunds in the Residency Agreement.
- (14) Interest on Resident Donations represents interest paid to residents who participate in the Harrogate Endowment Fund with charitable gift annuities.
- (15) Trustee Fees represents estimated fees paid to the bank trustee for administration of the bond-related accounts.
- (16) Ending Balance represents cash and reserves on hand at the end of the fiscal year.

**HARROGATE INCORPORATED**  
**Explanation of Material Differences Between The**  
**Previous Pro Forma Cash Flow Projection**  
**for 2008 and 2008 Actual Results From Operations**

The following explanation is provided pursuant to the requirement of Subchapter 4, Section 5:19-4.9(a) of the New Jersey Continuing Care Retirement Community Rules. The explanation deals with the pro forma cash flow projection included in the previous Disclosure Statement. Reference is made to such pro forma cash flow projection designated "2008" and referred to herein as the "previous pro forma projection."

Set forth below is a comparison of the 2008 actual results with the projected results for 2008 as shown in the previous pro forma projection.

	2008 <u>Actual</u>	2008 <u>Pro Forma</u>	<u>Difference</u>
BEGINNING BALANCE	\$18,801,179	\$18,801,179	\$0
Operating Receipts:			
Apartment Home Fees (1)	9,422,234	10,007,460	(585,226)
Double Occupancy Fees (2)	537,516	573,933	(36,417)
Health Center	6,520,365	6,609,480	(89,115)
Home Health Revenue (3)	856,992	630,796	226,196
Miscellaneous Income (4)	336,739	396,240	(59,501)
Entrance Fee Receipts (5)	5,394,569	7,274,556	(1,879,987)
Interest Income (6)	687,482	913,211	(225,729)
Realized Gain on Investments (7)	(544,161)		(544,161)
Unrealized Loss on Investments (8)	(1,556,477)		(1,556,477)
Gift Income (9)	136,135		136,135
Total Available Cash	40,592,573	45,206,855	(4,614,282)
Disbursements:			
Operating Expense	15,209,988	14,655,013	(554,975)
Life Care Discount	3,771,156	3,647,480	(123,676)
Capital Expense-Operating (10)	1,208,700	1,125,125	(83,575)
Debt Service	1,345,703	1,343,542	(2,161)
Entrance Fee Refunds	2,599,726	2,708,354	108,628
Interest on Resident Donations (11)	45,759	70,000	24,241
Trustee Fees (12)	75,422	85,100	9,678
Total Disbursements	\$24,256,454	\$23,634,614	\$(621,840)
ENDING BALANCE (13)	\$16,336,119	\$21,572,241	\$(5,236,122)

**Footnotes to  
Explanation of Material Differences Between  
Actual Results and Projected Results for 2008**

- (1) Apartment Home Fees. This negative variance is due to the average occupancy being below budget. Average occupancy was anticipated to be 262 but the actual average occupancy was 249.
- (2) Double Occupancy Fees. This negative variance due to the number of second persons being less than projected. An average of 46 double occupied units was assumed but there was only an actual average of 43.
- (3) Home Health Revenue. The variance is due to more home health utilization during 2008 than projected. In addition, Harrogate Incorporated began to self manage their home health program.
- (4) Miscellaneous Income. The variance is due to less than anticipated revenue from unfavorable AIL, meals, guest room and beauty and barber.
- (5) Entrance Fee Receipts. The number of apartment homes projected to be vacated and re-occupied was 33.08; the actual number vacated was 27 (10 by death, 11 by permanent assignment, and 6 by move-out). It was also anticipated that there would be growth in occupancy of 2 apartment homes but there was actually a decline of 4 apartment homes.
- (6) Interest Income. The unfavorable variance is due to lower than projected returns on the investment of operating funds.
- (7) Realized Gain on Investments: During 2008, the Community sold investments resulting in a loss over the original cost.
- (8) Unrealized Loss on Investments. This line represents the requirement to adjust investments to market value each year. During 2008, the value of investments decreased with the market.
- (9) Gift Income. Because of the uncertainty of receiving gifts and donations, this source of income is typically not budgeted. In 2008, the Community received memorial gifts and donations from residents' estates.
- (10) Capital Expense - Operating. This negative variance is due to the need to upgrade the aging apartments upon turnover in order to resell them.
- (11) Interest on Resident Donations. Actual interest paid to residents on their donations was less than anticipated.
- (12) Trustee Fees. Lower than anticipated trustee fees account for this positive variance.
- (13) Ending Balance. The ending balance is the sum of all of the above transactions.

## THE FINANCING

Permanent financing for the Community is being provided through the issuance of Series 1997 Revenue Refunding Bonds (the "Series 1997A and 1997B Bonds") by the New Jersey Economic Development Authority (the "Issuer"). The Issuer is a public body and corporation duly organized and existing under the laws of the State of New Jersey.

The Board of Trustees of the Provider passed a resolution on April 22, 1997 to refinance the Community's long-term debt. The market conditions were favorable to reduce the long-range interest expense which would provide greater working capital for the Community. The average interest expense was 8.3 percent, and the refinancing effectively reduces this average to approximately 5.8 percent.

The Series 1997A Bonds in principal amount of \$18,635,000 and the Series 1997B Bonds in principal amount of \$175,000 will be used primarily to advance refund existing debt, namely the Series 1992 Bonds, and to fund a debt service reserve fund. Interest on the Series 1997A and 1997B Bonds is payable semi-annually on June 1 and December 1 of each year, commencing December 1, 1997. The Series 1997A and 1997B Bonds will bear interest at scheduled rates per annum with differing principal amounts of Series 1997A and 1997B Bonds maturing on scheduled dates.

The Series 1997 Bonds and the interest thereon are payable solely from the payments to be made by the Provider as evidenced by a note (the "Series 1997 Note") issued by the Provider to the Issuer. The Provider has secured the Series 1997 Note by granting the Issuer a mortgage on the real property and a security interest in certain personality associated with the Community and certain revenues of the Provider. The payments to be made by the Provider under the terms of the Series 1997 Note are payable solely from the mortgaged property (including Community revenues).

Initial Fund  
Bond Fund  
Project Fund  
Rebate Fund  
Debt Service Reserve Fund  
Tax Escrow Fund

The financing documents relating to the Series 1997 Bonds contain restrictions on the investment and use of these funds and specify the time at which deposits must be made to each fund.

The rights of the residents shall at all times be subordinate and junior to the lien of all mortgages or other documents creating liens encumbering the assets associated with the Community. The residents shall not have personal liability for any such indebtedness.

More detailed information concerning the financing arrangements relating to the Series 1997 Bonds, including funds established in connection therewith, may be found in the Official Statement. A copy of the Official Statement is available for review in the Community's administrative office. The description of the financing arrangements relating to the Series 1997 Bonds is qualified in its entirety by reference to the Official Statement.

## **VI. EXHIBITS**

**EXHIBIT A**

**COMMUNITIES MANAGED  
BY LIFE CARE SERVICES LLC  
AS OF 03/09/09**

**Assisted Living Communities Developed and Managed by LCS**

Florida, St. Petersburg – Bon Secours Place at St. Petersburg  
Virginia, Norfolk – Province Place of DePaul  
Virginia, Portsmouth - Province Place of Maryview

**Assisted Living Communities Managed by LCS**

California, Camarillo – AlmaVia of Camarillo  
California, San Francisco – AlmaVia of San Francisco  
California, San Rafael – AlmaVia of San Rafael  
California, Union City – AlmaVia of Union City

**Free-Standing Nursing Facilities Managed by LCS**

Hawaii, Honolulu – Hale Ola Kino  
Kansas, Atchison – Dooley Center

**Senior Living Communities Developed and Managed by LCS**

Arizona, Tempe (Phoenix) - Friendship Village of Tempe  
Connecticut, Essex - Essex Meadows  
Connecticut, Mystic - StoneRidge  
Connecticut, Southbury - Pomperaug Woods  
Florida, Longwood (Orlando) - Village on the Green  
Florida, Palm City - Sandhill Cove  
Maryland, Pikesville (Baltimore) - North Oaks  
Maryland, Towson (Baltimore) - Blakehurst  
Massachusetts, North Andover - Edgewood  
Michigan, Jackson - Vista Grande Villa  
Michigan, Kalamazoo - Friendship Village  
Missouri, Chesterfield (St. Louis) - Friendship Village of West County  
Missouri, Sunset Hills (St. Louis) - Friendship Village of South County  
New Jersey, Lakewood - Harrogate  
North Carolina, Wilmington - Plantation Village  
Ohio, Columbus - Friendship Village of Columbus  
Ohio, Dublin - Friendship Village of Dublin  
Tennessee, Brentwood – The Heritage at Brentwood  
Washington, Issaquah – Timber Ridge at Talus

**Senior Living Communities Managed by LCS**

Arizona, Peoria - Sierra Winds  
California, Carlsbad - LaCosta Glen  
California, Castro Valley – Baywood Court  
California, Fullerton - Morningside of Fullerton and Park Vista at Morningside  
California, Oakland – Mercy Retirement and Care Center

California, Oakland – Salem Lutheran Home  
California, Oroville – Country Crest  
California, San Diego - Casa de las Campanas  
California, San Rafael – Aldersly Garden Retirement Community  
California, Thousand Oaks – University Park at Thousand Oaks  
Connecticut, Chester - Chester Village West  
Connecticut, Redding – Meadow Ridge  
Florida, Miami - East Ridge Retirement Village  
Georgia, Savannah – The Marshes of Skidaway Island  
Georgia, Stone Mountain – Park Springs  
Illinois, Godfrey – The United Methodist Village  
Indiana, Greenwood (Indianapolis) - Greenwood Village South  
Indiana, Indianapolis - Marquette  
Indiana, Terre Haute - Westminster Village  
Iowa, Ames - Green Hills Retirement Community  
Iowa, Cedar Rapids - Cottage Grove Place  
Kansas, Lawrence – Brandon Woods at Alvamar  
Louisiana, Covington – Christwood  
Maine, Scarborough – Piper Shores  
Maryland, Columbia – Vantage House  
Maryland, Mitchellville - Collington Episcopal Life Care Community  
Michigan, Battle Creek - NorthPointe Woods  
Michigan, Waterford - Canterbury on-the-Lake  
Missouri, Ellisville - Gambrill Gardens  
Missouri, Higginsville - John Knox Village East  
Missouri, Kansas City – Kingswood Senior Living Community  
Missouri, Marionville - The Ozarks Methodist Manor  
Nebraska, Omaha - Skyline Retirement Community  
North Carolina, Arden - Ardenwoods  
North Carolina, Chapel Hill – The Cedars of Chapel Hill  
North Carolina, Charlotte - The Cypress of Charlotte  
North Carolina, Durham – Croasdaile Village  
North Carolina, Greensboro – WhiteStone  
North Carolina, Greenville – Cypress Glen Retirement Community  
North Carolina, Lumberton – Wesley Pines Retirement Community  
North Carolina, Pinehurst – Quail Haven Village  
North Carolina, Raleigh – The Cypress of Raleigh  
Ohio, Copley - Sumner on Ridgewood  
Ohio, Cincinnati - Mt. Healthy  
Ohio, Mason – Mason Christian Village  
Oklahoma, Bartlesville – Green Country Village  
Oregon, Dallas – Dallas Retirement Village  
Pennsylvania, Pittsburgh – Covenant at South Hills  
South Carolina, Greenville - Rolling Green Village  
South Carolina, Hilton Head Island - The Cypress of Hilton Head  
Texas, Austin - Westminster Manor  
Texas, Lubbock – Carillon Senior LifeCare Community  
Texas, Southlake – Watermere at Southlake

## EXHIBIT B

### **DESCRIPTION OF THE SERVICES**

The services to be provided by the Provider to residents are listed in the Residency Agreement, which governs all such obligations. In an attempt to more fully explain the nature of these services, the following detailed description has been prepared. The procedures to be followed in furnishing these services may be modified by the Provider. Residents will be advised of any changes in these services through the Resident Guide Book.

#### **Ancillary Health Center Services**

Any health center services, whether or not ordered by a physician, that are not explicitly listed in the Residency Agreements as services and features provided to all apartment home residents for the monthly fee, are regarded as ancillary health center services. If ancillary health center services are provided to a resident, they are at an extra charge. A current schedule of charges for ancillary health center services is available during normal business hours at the Community's health center office.

#### **Barber and Beauty Shop**

On-site barber and beauty shop services are available at an extra charge.

#### **Emergency Call System**

All apartment homes are equipped with an emergency call system in each bedroom and bathroom. The purpose of this system is to summon help in an emergency. The emergency call system is connected to an indicator panel in the health center which identifies the apartment home from which a signal was initiated. Qualified Community personnel will respond to emergency calls and will summon any other appropriate civic (township) emergency services that may be required.

#### **Food Service**

The monthly fee includes one (1) full meal per day of the resident's choice served in the central dining room. Monthly fees are not reduced for meals not taken, unless the resident is absent for at least fourteen (14) consecutive days in the billing cycle. Second and third meals are offered in the Community health center. Residents of the Community health center will reimburse the Community for the additional charges for these meals and no reduction will be given for meals not taken.

Extra meals are at an extra charge to be billed monthly. Guest meals are also available at a slightly higher charge.

Lunch and dinner menus include soup, salad, choice of three entrees, two starches, two vegetables, beverage, and dessert. Main entrees are the same at lunch and dinner, and soup and sandwich are also offered for lunch and dinner. Additional helpings are available when taken in the dining room.

Special diets and tray service for residents are provided when ordered by the resident's physician to the dietary department. The services of the dietary director and consulting dietitian are available to the residents on a regular basis. The director of nursing or the resident's physician may

order tray service for a resident. If ordered by either, there is no extra charge to the resident for tray service as directed by the Medical Director.

Residents must dress and conduct themselves in a socially acceptable manner in the dining room. The dining room has set service hours for all three meals. The standard form of food service in the dining room is table service. Service for special events can be provided for an extra charge as per the Community's Catering Guide.

### **Garages**

Twenty-one, fully-enclosed, single-car garages are available to residents at an extra charge on a first-come, first-served basis. A copy of the garage agreement and prices are available at the Community's finance office.

### **Grab Rails**

The standard for all bathrooms is two grab rails in the tub or shower. If grab rails are desired at either or both sides of the commode, installation must be arranged and paid for by the resident.

### **Gratuities**

Gratuities are not permitted, and employees who accept them are subject to discharge. Residents have established an employee appreciation fund to be shared with each employee on a regular basis and schedule determined by the residents.

### **Health Center**

A physician is retained on a consulting basis to act as medical director for the health center but will not necessarily maintain regular office hours on the site. The medical director is responsible for medical supervision of health center operations, quality of care assurance, and patient care planning. Emergency calls may be made to the medical director or designee when called by Community staff.

A resident may be admitted to the health center if the resident requires nursing care in the opinion of the Community after consultation with resident's attending physician, resident's family or personal representative, and the resident to the extent possible. Only state-licensed and Community approved physicians may admit residents to the health center. The health center staff and resident's physician will determine the appropriate level of nursing care required by the resident upon admission to the health center. As a part of the determination, the resident's long-term ability to return to apartment home occupancy will be evaluated. The nursing staff will provide an appropriate plan of care, the ultimate goal of which shall be, if at all possible, to return the resident to his or her apartment home as soon as possible.

While in the health center, the resident will be given nursing care in a semi-private room unless a private room is a medical necessity. If resident needs or desires an available private room, resident may obtain one upon agreement to pay the difference between the charge for semi-private and private accommodations. Health center care includes basic nursing care and emergency medical care when the medical director is summoned by health center staff. If emergency medical care is required, the resident's attending physician and the resident's family or personal representative will be notified.

The resident is responsible for the services of his or her personal physician. In the event the resident's personal physician or the Community's medical director orders medicine, drugs, prescribed therapy, nursing supplies, or various supplemental services for the resident's care, resident shall be responsible for charges for such services. If a resident desires special additional nursing staff while a patient in the health center, arrangements may be made through the health center for an extra charge to the resident. The health center will not bill for this service, but the entity providing the special additional nursing staff will bill the resident direct. Since only one (1) meal per day is included in the monthly fee, two (2) extra meals per day are added to a resident's monthly billing statement. There is no credit provided for any of the three (3) meals not taken.

Residents who are able to do so are encouraged to return to apartment home occupancy as soon as possible and may visit their home with the assistance of family members or approved private duty staff as a part of the rehabilitation process. Health center staff is not able to provide this service because of the need to remain in the health center area.

Visitors and volunteers are encouraged to visit the resident. Friends, relatives, or spouses may take meals with health center residents, although advance notification is required.

### **Health Center Activities Director**

An activities director is responsible for the arts, crafts, and other social activities for the health center residents.

### **Health Center Permanent Assignment**

Residents who are unable to return to their apartment homes will be permanently assigned to the health center. The decision on permanent assignment typically comes after evaluation of the resident's condition by the health center's medical director, nursing and nursing support staff, administration, resident's attending physician, resident's family or personal representative, and to the extent possible, the resident.

When permanently assigned, a single occupancy resident may release his or her apartment home for reservation by a new resident, and the monthly fee will be adjusted to the current monthly fee for a Belmar (one-bedroom) apartment home. In cases of double occupancy, where one resident is permanently assigned to the health center, the remaining resident may continue to occupy the apartment home. The two residents will continue to pay the same current first and second person monthly fee as if both resided in the apartment home. In addition, the resident who is assigned to the health center will pay additional charges for two (2) extra meals per day not covered by the monthly fee and for any additional health center services.

### **Home Care Program**

The purpose of the home care program is to assist residents so that apartment home occupancy can continue for as long a period as possible. In accordance with the Residency Agreements, emergency or temporary services are made available to the residents, at no extra charge, for a limited period of time, as may be determined by the resident's physician, the Community's medical director, director of nursing, and home care manager. Home care services on a continued basis may be available to a resident for an extra charge. Provider operates a licensed Home Care program. Residents are encouraged to use the Harrogate Home Care service or may use any other approved Home Care Agency of their choice. Approved Home Care agencies have provided copies of current licensees and certificates of insurance to the Provider.

**Internet Service Provider**

The Community has an agreement with Senior TV to provide high speed Internet access to residents of the Community at below market monthly fees. The State of New Jersey is a "right to access" state and therefore residents might, otherwise, choose to subscribe to an Internet Service Provider of their choice.

**Laundry**

The Community provides weekly flat laundry service for the residents. Flat laundry is washed, dried, folded, and returned within seven days of pick up. Such service includes: sheets, pillowcases, towels, face cloths, and dishcloths. Although the use of permanent press linen is strongly recommended, the staff will launder non-permanent press items, but will not iron flat laundry.

**Maintenance**

The Community maintains all commons areas and provides weekly housekeeping services. Housekeeping services include appropriate cleaning of ovens and windows (annually) and the interior of the apartment home with vacuuming and washing of hard surface floors (as needed), cleaning of kitchens, and dusting of major areas during each weekly cleaning. Furniture is moved annually for cleaning hard-to-reach areas. Extra cleaning help is available for an extra charge. Carpets are cleaned every 12 to 18 months, if required, and, at other times, spot cleaning is done. Apartment homes are painted every seven years. Specialty light bulbs (chandelier, candelabra, bulbs not normally in inventory) are furnished at extra charge and are installed in fixtures for a nominal charge.

**Monthly Billing Statement**

The first few days of the month, a monthly billing statement outlining the monthly fee and any extra charges is sent out. The monthly billing statement is to be paid upon receipt.

**Other Charges**

Other services may be provided to residents for an extra charge, which will be added to the monthly billing statement. Such services include guest accommodations, barber and beauty shop services, guest meals over the monthly meal allowance, additional housekeeping, personal laundry service, and such other reasonable services as requested. The fee schedule for other services is available upon request at the Community's administrative office during normal business hours.

**Parking**

Surface parking is available to the residents and their guests at no extra charge. A limited number of garages are also available. See "Garages" in this section for further information.

**Pets**

Harrogate recognizes the value and importance associated with the companionship that a pet provides an individual. Therefore, residents are allowed to keep pets in their apartment homes. However, the opportunity for residents to keep pets is subordinate to the right of each resident to be free from any inconvenience created by other residents' pets. The Community has a Pet Policy and it is available upon request at the Community's administrative office during normal business hours.

**Private Dining Room**

A private dining room is available for use by residents and their guests with advance notice. An additional fee may be charged. Special meals, if desired, are available at an extra charge.

**Receptionist**

A receptionist is on duty from approximately 8:00 a.m. to 8:00 p.m., seven days a week. Payments of monthly billing statements, requests for maintenance, storage of parcels of mail, and messages are handled at the reception desk.

**Security**

Community personnel are on duty 24 hours a day, seven days a week. For the residents' added safety, all entrance and exit doors (except the main entrances during the day) are locked 24 hours a day, requiring the residents to use a key to gain entrance. Interior and exterior surveillance cameras have been installed in selected areas of the Community.

**Social Director**

The social director is responsible for scheduling group events and local transportation, preparing newsletters, and overseeing the exercise and arts and crafts programs of the Community.

**Telephone Service**

Each apartment home is provided, at minimum, with a single telephone jack and has an individual telephone number. The Community has recently upgraded its telephone equipment to provide direct inward dialing, voicemail, and general community message services for residents who choose to enroll in the program. Residents enrolling in the program pay a basic monthly fee and long distance service fees to the Community. Residents may receive an itemized bill that details the fees charged by the Community each month retroactively. Residents enrolling in the program also receive a phone that will notify them when voicemail messages have been received.

**Television**

The Community has an agreement with Senior TV to provide television programming that was selected by a resident committee. For below market monthly fees, Harrogate residents receive over 90 channels of quality programming and receive a weekly schedule of Community events and the menu choices for the week. The State of New Jersey is a "right to access" state and therefore residents might, otherwise choose to subscribe to the local provider as contracted by Lakewood Township.

**Transportation**

Scheduled bus or other transportation service is provided on Monday through Friday. Areas of regularly scheduled transportation are generally limited to a radius of 10 miles. Included within this radius are shopping centers, medical and other professional offices, and places of worship. Special events transportation is also provided at extra charge to the resident.

**EXHIBIT C**

**HARROGATE**

**Residency Agreement**

**90% Return-of-Capital™ Plan**

**THIS MATTER INVOLVES A SUBSTANTIAL FINANCIAL INVESTMENT AND A LEGALLY BINDING CONTRACT. IN EVALUATING THE DISCLOSURE STATEMENT AND THE CONTRACT PRIOR TO ANY COMMITMENT, IT IS RECOMMENDED THAT YOU CONSULT WITH AN ATTORNEY OR FINANCIAL ADVISOR OF YOUR CHOICE, IF YOU SO ELECT, WHO CAN REVIEW THESE DOCUMENTS WITH YOU.**

**06/25/09**

**EXHIBIT D**

**HARROGATE**

**Residency Agreement**

**50% Return-of-Capital™ Plan**

**THIS MATTER INVOLVES A SUBSTANTIAL FINANCIAL INVESTMENT AND A LEGALLY BINDING CONTRACT. IN EVALUATING THE DISCLOSURE STATEMENT AND THE CONTRACT PRIOR TO ANY COMMITMENT, IT IS RECOMMENDED THAT YOU CONSULT WITH AN ATTORNEY OR FINANCIAL ADVISOR OF YOUR CHOICE, IF YOU SO ELECT, WHO CAN REVIEW THESE DOCUMENTS WITH YOU.**

**06/25/09**

**EXHIBIT E**

# **HARROGATE**

## **Residency Agreement**

### **Traditional Plan**

**THIS MATTER INVOLVES A SUBSTANTIAL FINANCIAL INVESTMENT AND A LEGALLY BINDING CONTRACT. IN EVALUATING THE DISCLOSURE STATEMENT AND THE CONTRACT PRIOR TO ANY COMMITMENT, IT IS RECOMMENDED THAT YOU CONSULT WITH AN ATTORNEY OR FINANCIAL ADVISOR OF YOUR CHOICE, IF YOU SO ELECT, WHO CAN REVIEW THESE DOCUMENTS WITH YOU.**

**06/25/09**

**EXHIBIT F**

**DESCRIPTION OF FEES**

**EXHIBIT F-i  
ENTRANCE FEE**

Second person entrance fee is \$10,000.

	1/1/04 to 12/31/04		1/1/05 to 12/31/05		1/1/06 to 12/31/06	
	Return of Capital	Trad.	Return of Capital	Trad.	Return of Capital	Trad.
Studio (6)	\$118,000	\$64,500	\$121,500	\$66,400	\$121,500	\$66,400
Alcove (18)	149,100	90,000	153,600	92,700	153,600	92,700
One-Bedroom Traditional (104)	183,300	115,500	188,800	119,000	192,600	121,400
One-Bedroom Deluxe (88)	242,700	165,100	250,000	170,100	255,000	173,500
Two-Bedroom Traditional (28)	286,000	182,400	294,600	187,900	300,500	191,700
Two-Bedroom Special (2)	296,200	187,700	305,100	193,300	311,200	197,200
Two-Bedroom Deluxe (23)	323,700	202,400	333,400	208,500	340,100	212,700
Two-Bedroom Deluxe Special (11)	357,600	214,900	368,300	221,300	375,700	225,700
Two-Bedroom Deluxe Supreme (2)	367,600	229,700	378,600	236,600	386,200	241,300
Two-Bedroom w/Den (1)	---	---	368,300	221,200	375,700	225,700

	1/1/07 to 12/31/07		1/1/08 to 7/31/08	
	Return of Capital	Trad.	Return of Capital	Trad.
Studio (5)	\$123,900	\$67,700	\$123,900	\$67,700
Alcove (16)	156,700	94,600	156,700	94,600
One-Bedroom Traditional (94)	196,500	123,800	196,500	123,800
One-Bedroom Deluxe (88)	260,100	177,000	260,100	177,000
Two-Bedroom Traditional (27)	306,500	195,500	306,500	195,500
Two-Bedroom Special (4)	317,400	201,100	317,400	201,100
Two-Bedroom Deluxe (23)	346,900	217,000	346,900	217,000
Two-Bedroom Deluxe Special (15)	383,200	230,200	383,200	230,200
Two-Bedroom Deluxe Supreme (2)	393,900	246,100	393,900	246,100
Two-Bedroom w/Den (1)	383,200	230,200	383,200	230,200

<b>8/1/08 to Current</b>			
	<b>Return-of-Capital™ 90%</b>	<b>Return-of-Capital™ 50%</b>	<b>Traditional</b>
Seabright (studio) (5)	\$142,200	\$100,900	\$67,700
Bayhead (alcove) (17)	178,500	126,600	85,000
Belmar (one-bedroom) (94)	277,200	180,000	132,000
Stafford (one-bedroom deluxe) (89)	336,000	245,000	160,000
Brielle (two-bedroom) (30)	422,300	299,600	201,100
Princeton (two-bedroom deluxe) (40)	516,800	366,700	246,100

**EXHIBIT F-ii**

**MONTHLY FEES**

	<b>1/1/04 to 12/31/04</b>	<b>1/1/05 to 12/31/05</b>	<b>1/1/06 to 12/31/06</b>	<b>1/1/07 to 12/31/07</b>	<b>1/1/08 to 7/31/08</b>	<b>8/1/08 to 12/31/08*</b>	<b>01/01/09 to Present</b>
Seabright studio	\$1,784	\$1,871	\$1,500	\$1,571	\$1,665	\$1,665	1,761
Bayhead alcove	2,140	2,245	2,375	2,488	2,637	2,637	2789
Belmar (one-bedroom)	2,360	2,476	2,620	2,744	2,909	2,909	3076
Stafford (one-bedroom)	2,581	2,707	2,864	3,000	3,180	3,180	3363
Two-Bedroom Traditional*	2,803	2,940	3,111	3,259	3,455	---	---
Brielle (two-bedroom)	2,842	2,981	3,154	3,304	3,502	3,502	3703
Two-Bedroom Deluxe*	3,015	3,163	3,346	3,505	3,715	---	---
Princeton (two-bedroom deluxe)	3,489	3,660	3,872	4,056	4,299	4,299	4546
Two-Bedroom Deluxe Supreme*	3,680	3,860	4,084	4,278	4,535	---	---
Two-Bedroom w/Den*	---	3,660	3,872	4,056	4,299	---	---
Second Person	995	995	995	1,042	1,042	1,042	1075

Currently, the second person monthly fee is \$1,075. Monthly fees begin on or about a permitted occupancy date and are subject to change on 30 days' notice. Fees listed under 1/1/09 to Present are the fees paid by all residents (for that type of apartment home) of the Community as of this date.

\*In 2008, the Community reduced the number of two-bedroom apartment home styles offered to residents. Effective 8/1/08, the Two-Bedroom Traditional and the Two-Bedroom Special were renamed as the Brielle (two-bedroom), and the Two-Bedroom Deluxe, Two-Bedroom Deluxe Special, Two Bedroom Deluxe Supreme, and Two-Bedroom with Den were renamed as the Princeton (two-bedroom deluxe).

**EXHIBIT G**

CERTIFIED FINANCIAL STATEMENTS FOR  
YEARS ENDED DECEMBER 31, 2008 AND DECEMBER 31, 2007

**AMENDMENT NUMBER 1 TO  
DISCLOSURE STATEMENT  
Dated September 2, 2009**

concerning

**HARROGATE**

**A Continuing Care Retirement Community  
At Lakewood, New Jersey**

**The Provider of Continuing Care at Harrogate is:**

**Harrogate Incorporated  
400 Locust Street  
Lakewood, New Jersey 08701**

**Date of Issuance of Certificate of Authority February 16, 1990**

**Effective Date of this Amendment Number 1 to Disclosure Statement November 25, 2009**

**NOTICE TO PURCHASERS**

**THIS AMENDMENT NUMBER 1 TO DISCLOSURE STATEMENT IS FOR INFORMATIONAL PURPOSES ONLY. PURCHASERS SHOULD ASCERTAIN FOR THEMSELVES THAT THE UNIT OFFERED MEETS THEIR PERSONAL REQUIREMENTS. THE NEW JERSEY DEPARTMENT OF COMMUNITY AFFAIRS HAS NEITHER APPROVED NOR DISAPPROVED THE MERITS OF THIS AMENDMENT NUMBER 1 TO DISCLOSURE STATEMENT. BE SURE TO READ CAREFULLY ALL DOCUMENTS BEFORE YOU SIGN THEM. THIS MATTER INVOLVES A SUBSTANTIAL FINANCIAL INVESTMENT AND A LEGALLY BINDING CONTRACT. IN EVALUATING THE DISCLOSURE STATEMENT AND THE CONTRACT PRIOR TO ANY COMMITMENT, IT IS RECOMMENDED THAT YOU CONSULT WITH AN ATTORNEY OR FINANCIAL ADVISOR OF YOUR CHOICE, IF YOU SO ELECT, WHO CAN REVIEW THESE DOCUMENTS WITH YOU.**

Submitted by:  
Edwin J. O'Malley, Jr., Esq.  
O'Malley, Surman & Michelini  
17 Beaverson Boulevard  
PO Box 220  
Brick, New Jersey 08723-0220

## **AMENDMENT NUMBER 1**

Harrogate (the "Community") hereby amends Exhibit F-ii of the Disclosure Statement dated September 2, 2009.

### Exhibit F-ii

Exhibit F-ii has been revised to reflect new monthly fees as of January 1, 2010.

Except as expressly stated in this Amendment Number 1, all other information in the Disclosure Statement dated September 2, 2009 remains in effect and unchanged.

**EXHIBIT F-ii**

**MONTHLY FEES**

	<b>1/1/06 to 12/31/06</b>	<b>1/1/07 to 12/31/07</b>	<b>1/1/08 to 7/31/08</b>	<b>8/1/08 to 12/31/08*</b>	<b>01/01/09 to 12/31/09</b>	<b>01/01/10 to Present</b>
Seabright studio	\$1,500	\$1,571	\$1,665	\$1,665	\$1,761	\$1,811
Bayhead alcove	2,375	2,488	2,637	2,637	2,789	2,868
Belmar (one-bedroom)	2,620	2,744	2,909	2,909	3,076	3,164
Stafford (one-bedroom deluxe)	2,864	3,000	3,180	3,180	3,363	3,459
Two-Bedroom Traditional*	3,111	3,259	3,455	---	---	---
Brielle (two-bedroom)	3,154	3,304	3,502	3,502	3,703	3,809
Two-Bedroom Deluxe*	3,346	3,505	3,715	---	---	---
Princeton (two-bedroom deluxe)	3,872	4,056	4,299	4,299	4,546	4,676
Two-Bedroom Deluxe Supreme*	4,084	4,278	4,535	---	---	---
Two-Bedroom w/Den*	3,872	4,056	4,299	---	---	---
Second Person	995	1,042	1,042	1,042	1,075	1,106

Currently, the second person monthly fee is \$1,106. Monthly fees begin on or about a permitted occupancy date and are subject to change on 30 days' notice. Fees listed under 01/01/10 to Present are the fees paid by all residents (for that type of apartment home) of the Community as of this date.

\*In 2008, the Community reduced the number of two-bedroom apartment home styles offered to residents. Effective 8/1/08, the Two-Bedroom Traditional and the Two-Bedroom Special were renamed as the Brielle (two-bedroom), and the Two-Bedroom Deluxe, Two-Bedroom Deluxe Special, Two Bedroom Deluxe Supreme, and Two-Bedroom with Den were renamed as the Princeton (two-bedroom deluxe).