

Change in Effective Control Application

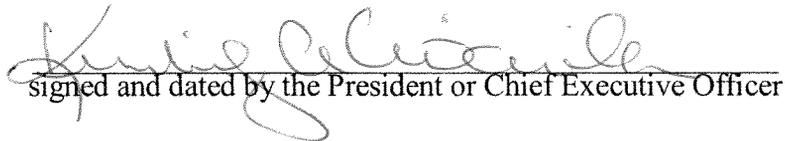
Version 09.2011

Name of Applicant: KAR Little Box, LLC
Name of Facility: Silver Creek Manor
Date Application Submitted:
Amount of Fee: \$20,000

All questions concerning this application should be directed to the Office of Health Systems Development at (401) 222-2788

Please have the appropriate individual attest to the following:

"I hereby certify that the information contained in this application is complete, accurate and true."


signed and dated by the President or Chief Executive Officer

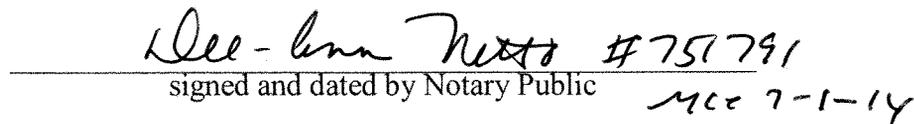

signed and dated by Notary Public *McC 7-1-14*

Table of Contents:

Question Number/Appendix	Page Number/Tab Index
Q1.....	1
Q2.....	1
Q3.....	1
Q4.....	1
Q5.....	1
Q6.....	2
Q7.....	2
Q8.....	2
Q9.....	2
Q10.....	2
Q11.....	2
Q12.....	3
Q13.....	3
Q14.....	3 Exhibit A
Q15.....	3 Exhibit B
Q16.....	3
Q17.....	3
Q18.....	3
Q19.....	4
Q20.....	4 Exhibit C
Q21 A.....	4
Q21 B.....	4
Q21 C.....	4
Q22.....	4 Exhibit D
Q23.....	4
Q24.....	4 Exhibit E
Q25.....	5
Q26.....	5
Q27.....	5
Appendix A.....	Tab A
Appendix C – Nursing Home Proposals.....	Tab C
Appendix D – Source of Funds.....	Tab D
Appendix E – Debt Financing.....	Tab E
Appendix F – Disclosure of Ownership and Control Interest.....	Tab F
Appendix G – Ownership Information.....	Tab G

1. Please provide an executive summary describing the nature and scope of the proposal. Additionally, please include the following: (1) identification of all parties, (2) description of the applicant and its licensure track record, (3) the type of transaction proposed including description of the transaction and relevant costs, (4) summary of all transfer documents, and (5) summary of the organizational structure of the applicant and its affiliates.

KAR Little Box LLC, d/b/a Silver Creek Manor, a Rhode Island limited liability company, the sole member of which is Kimberly Ciociola, proposes to purchase certain assets of Silver Creek Manor, Inc. sufficient to permit it to operate the nursing facility under lease from Silver Creek Manor, Inc. which will retain the real property and which will be renamed at or about the time of closing. The total purchase price is \$1,370,000, of which \$1,096,000 will be financed by Ms. Ciociola's parents, the existing owners of the Silver Creek operations, with an equity contribution by the applicant of \$274,000. KAR Little Box, LLC is a newly formed entity and, therefore, has no operating history or licensure track record. However, its sole member has been the administrator of Silver Creek Manor since January, 2011, was assistant administrator from 1996 through 2010 and was employed by the facility in a variety of other capacities from 1979 to 1996, giving her an intimate knowledge of all aspects of the facility's operations and making her uniquely qualified to own and operate the facility.

2. Name and address of the applicant:

Name: KAR Little Box, LLC dba Silver Creek Manor	Telephone: (401) 253-3000
Address: 7 Creek Lane, Bristol, RI	Zip Code: 02809

3. Name and address of facility (if different from applicant):

Name: Silver Creek Manor	Telephone: (401) 253-3000
Address: 7 Creek Lane, Bristol, RI	Zip Code: 02809

4. Information of the President or Chief Executive Officer of the applicant:

Name: Kimberly Ciociola	Telephone: (401) 253-3000
Address: 7 Creek Lane, Bristol, RI	Zip Code: 02809
E-Mail: kciociola@silvercreekmanor.com	Fax: (401) 254-1289

5. Information for the person to contact regarding this proposal:

Name: Gerard R. Goulet	Telephone: (401) 274-2000
Address: 50 Kennedy Plaza, Suite 1500, Providence, RI	Zip Code: 02903
E-Mail: ggoulet@haslaw.com	Fax: (401) 277-9600

6. A. **EXISTING ENTITY:**

License category:	Nursing Facility		
Name of Facility:	Silver Creek Manor	License #:	625
Address:	7 Creek Lane, Bristol, RI 02809	Telephone:	(401) 253-3000
Type of Ownership:	<input type="checkbox"/> Individual	<input type="checkbox"/> Partnership	<input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Limited Liability Co.
Tax Status:	<input checked="" type="checkbox"/> For Profit	<input type="checkbox"/> Non-Profit	

B. **PROPOSED ENTITY:**

License category:	Nursing Facility		
Name of Facility:	Silver Creek Manor	License #:	Pending
Address:	7 Creek Lane, Bristol, RI 02809	Telephone:	(401) 253-3000
Type of Ownership:	<input type="checkbox"/> Individual	<input type="checkbox"/> Partnership	<input type="checkbox"/> Corporation <input checked="" type="checkbox"/> Limited Liability Co.
Tax Status:	<input checked="" type="checkbox"/> For Profit	<input type="checkbox"/> Non-Profit	

7. Does this proposal involve a nursing facility? Yes No

- If response to Question 7 is 'Yes', please complete Appendix C.

8. Will the facility be operated under management agreement with an outside party? Yes No

- If response to Question 8 is "Yes", please provide copies of that agreement.

9. Will the proposal involve the facility/ies providing healthcare services under contract with an outside party? Yes No

- If response to Question 9 is "Yes", please identify and describe those services to be contracted out.

Yes, the facility will contract with outside parties for the usual array of health care services, including clinical laboratory, staffing, diagnostic imaging, physical therapy, occupational therapy, speech therapy, and ambulance service.

10. Estimate the date (month and year) for the proposed transfer of ownership, if approved:

July 1, 2012

11. Please provide a concise description of the services currently offered by the licensed entity and identify any services that will be added, terminated, expanded, or reduced and state the reasons therefore:

The licensed entity currently provides skilled nursing services to residents. The Applicant does not contemplate reducing, terminating, adding, or expanding any services.

12. Please identify the long-term plans of the applicant with respect to the health care programs and health care services to be provided at the facility:

The Applicant plans to continue the health care programs and health care services currently provided at the facility.

13. Does the entity seeking licensure plan to participate in Medicare or Medicaid (Titles XVIII or XIX of the Social Security Act)?

MEDICARE: Yes No MEDICAID: Yes No

- If response to Question 13 for either Medicare and/or Medicaid is 'No', please explain.

14. Please provide all appropriate signed legal transfer documents (i.e. purchase and sale agreement, affiliation agreement); **NOTE:** these documents must cause both parties to be legally bound.

(Please see Exhibit A)

15. Please provide organization charts of both agencies (existing entity and the applicant) for prior to transfer and post transfer, identifying all "parent" legal entities with direct or indirect ownership in or control, all "sister" legal entities also owned or controlled by the parent(s), and all "subsidiary" legal entities.

(Please see Exhibit B)

16. If the proposed owner, operator or director owned, operated or directed a health care facility (both within and outside Rhode Island) within the past five years, please demonstrate the record of that person(s) with respect to access of traditionally underserved populations to its health care facilities.

The sole member of the applicant has been administrator of Silver Creek Manor since January 2011 and had been assistant administrator from 1996 through 2010. Throughout that period, the facility participated in the Medicare and Medicaid programs, demonstrating a history of affording access to traditionally underserved populations.

17. Please identify the proposed immediate and long-term plans of the applicant to ensure adequate and appropriate access to the program and health care services to be provided by the health care facility/ies to traditionally underserved populations.

The Applicant will participate in both the Medicare and Medicaid programs. The Applicant will continue to follow current policies with regard to not withholding or discontinuing care of patients due to inability to pay and will continue to follow the requirements of Federal and state law and regulations with regard to the process for discharge of patients for non payment.

18. Please provide a copy of charity care policies and procedures and charity care application form.

As is the case with nursing facilities generally, the Applicant does not have charity care policies and procedures or a charity care application form. This is so because the concept of charity care for nursing facility services is inapposite given the fact that the population for which charity care is appropriate - the uninsured - does not exist for nursing facility purposes. Anyone who would be uninsured for other services qualifies for Medicaid coverage of nursing facility services. Nonetheless, shifts in payor source do occur for patients from time to time and the Applicant will continue the existing policies of not withholding or discontinuing care or discharging patients while applications for alternative payor sources like Medicaid are pending.

19. After the proposed change in effective control, will the facility/ies provide medically necessary services to patients without discrimination, including the patients' ability to pay for services? Yes X No ___.

- If response to Question 20 is 'No', please explain.

20. Please provide a copy of the Quality Assurance Policies (for the services) and a detailed explanation of how quality assurance for patient services will be implemented at the facility/ies by the applicant.

(Please see Exhibit C)

21. Please provide a detailed description about the amount and source of the equity and debt commitment for this transaction. (**NOTE:** If debt is contemplated as part of the financing, please complete Appendix E). Additionally, please demonstrate the following:

The equity contribution of \$274,000 by KAR Little Box, LLC, will derive from the capital contributions of its sole member. The balance of the purchase price (\$1,096,000) will be financed by the sellers at a 4% annual interest rate for a term of 10 years.

A. The immediate and long-term financial feasibility of the proposed financing plan;

The proposed financing plan is financially feasible. The annual debt service of \$133,158 combined with the annual rent payment of \$161,979 equals \$295,137 or approximately \$6.91 per day when spread across all residents. The Medicaid reimbursement for "Fair Rental" is anticipated to be \$12.37 or \$334,114 per year, assuming average occupancy of 74 Medicaid recipients.

B. The relative availability of funds for capital and operating needs; and

The purchase price includes cash and receivables. As of 12/31/11, cash on hand totaled \$768,668. Combined with equity of \$274,000, the Applicant will have more than \$1 million available to support capital and operating needs from the first day of operation. In addition, there was \$900,000 in receivables on the books as of 12/31/11. That approximate amount should be available at closing such that there will be no gap in cash flow as a result of this transaction.

C. The applicant's financial capability.

See B above.

22. Please provide legally binding evidence of site control (e.g., deed, lease, option, etc.) sufficient to enable the applicant to have use and possession of the subject property, if applicable.

(Please see Exhibit D)

23. If the facility is not-for-profit and/or affiliated with a not-for-profit, please provide written approval from the Rhode Island Department of Attorney General of the proposal.

Not applicable.

24. Please provide each of the following documents applicable to the applicant's legal status:

- Certificate and Articles of Incorporation and By-Laws (for corporations)
- Certificate of Partnership and Partnership Agreement (for partnerships)
- Certificate of Organization and Operating Agreement (for limited liability corporations)

(Please see Exhibit E)

- If any of the above documents are proposed to be revised or modified in any way as a result of the implementation of the proposed change in effective control, please provide the present documents and the proposed documents and **clearly identify** the revisions and modifications.

25. If the applicant and/or one of its parent companies (or ultimate parent) is a publicly traded corporation, please provide copies of its most recent SEC 10K filing.

Not applicable.

26. Please provide audited financial statements (which should include an income statement, balance sheet and cash flow statement) for the last three years for the applicant, and/or its ultimate parent, and for the existing facility.

The Applicant is newly formed and has no financial statements. The financial statements for the existing facility for the years ending 2009, 2010, and 2011 are attached as Exhibit F.

27. All applicants must complete Appendix A, D, F and G.

Exhibit A

Legal Transfer Documents

(see attached)

ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (the "Agreement") dated as of _____, 2012, by and between Silver Creek Manor, Inc., a Rhode Island business corporation ("Seller"), and KAR Little Box, LLC, a Rhode Island limited liability company ("Buyer").

WITNESSETH

WHEREAS, Seller wishes (a) to sell to Buyer, except as specifically excluded hereunder, all of the assets used by Seller to operate the nursing facility licensed by the Rhode Island Department of Health ("RIDOH"), located 7 Creek Lane, Bristol, Rhode Island known as Silver Creek Manor (the "Facility") and (b) to have the Buyer assume certain specified contractual obligations of the Seller as set forth herein; and

WHEREAS, the Buyer is desirous of purchasing such assets and assuming such specified contractual obligations on the terms and subject to the conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and of the representations and warranties, covenants and agreements hereinafter made, the parties hereto do hereby agree as hereinafter set forth:

1. AGREEMENT TO BUY AND SELL ASSETS.

1.1 Purchase of Assets. The Buyer agrees to buy from the Seller and the Seller agrees to sell to the Buyer, the following assets owned by the Seller on the Closing Date (as hereinafter defined) that are used in the Facility of the Seller (the "Acquired Assets"):

(a) all cash (and cash equivalents) of the Seller as of the Closing (but not including residents' patient need accounts);

(b) all accounts receivable of the Facility;

(c) all equipment, furniture and fixtures (whether or not affixed to the real property on which the Facility is situated) of the Seller ("Equipment") located at the Facility or used in the operation of the Facility, including without limitation those listed on Schedule 1.1(c) not including, however, the assets set forth in Schedule 1.1(n) attached hereto;

(d) to the extent permitted by applicable law, Seller's right, title and interest in and to all licenses, permits, certificates and approvals relating to the Facility or its operations, lists of patients and vendors, patient records, medical records and charts and all files, and records and books of account (including computer software and records) of the Seller relating to the Acquired Assets (as hereinafter defined) or used in the Facility or its operations;

(e) all right, title and interest of the Seller in and to the leases for personal property and other contracts listed on Schedule 1.1(e) attached hereto which Buyer

elects to assume and does assume hereunder (hereinafter referred to as the “Assumed Contracts”);

(f) the goodwill of the Facility and the right to use the name “Silver Creek Manor”;

(g) all manufacturers’, vendors’ and suppliers’ warranties, to the extent assignable, with or without the consent of the manufacturer, vendor or supplier, as the case may be, in respect of any asset used in the Facility;

(h) all telephone numbers of Seller relating to the Facility;

(i) all inventories, supplies, and materials of any kind located at the Facility or used in its operations;

(j) all other assets owned by Seller and used or held for use by Seller in connection with the operation of the Facility which are not otherwise described above except for any Excluded Assets;

1.2 Excluded Assets. Notwithstanding anything herein to the contrary, there shall be excluded from the Acquired Assets the following (the “Excluded Assets”):

(a) that certain 2011 Toyota Camry (vehicle identification number 4T4BF3EK2BR165063;

(b) that certain 2011 Toyota Avalon (vehicle identification number 4T1BK30B3BU392415); and

(c) any interest in any real property owned by the Seller or otherwise held for use by the Facility.

1.3 Assumption of Certain Liabilities. As of the close of business on the Closing Date, the Buyer shall assume and thereafter pay, perform or discharge when due (i) the liabilities as of the Closing Date under the Assumed Contracts except for any liability under any of the Assumed Contracts arising out of the Seller’s failure to perform its obligations thereunder to the extent such performance is due on or prior to the Closing Date; (ii) any liability or obligation of Seller to Seller’s employees or former employees related to earned or accrued sick leave, vacation pay, or holiday time (“the Employee or Former Employee Obligations”); (iii) indebtedness of the Seller under any equipment leases; and (iv) all accounts payable relating to the Seller or the Facility accruing up to and including the Closing Date (collectively, the “Assumed Liabilities”).

1.4 Excluded Liabilities. Notwithstanding anything herein to the contrary, the following liabilities shall not be assumed by Buyer (the “Excluded Liabilities”):

(a) liabilities of Seller under that certain loan from Bank Rhode Island in the original principal amount of \$950,000;

(b) liabilities of Seller under that certain loan from Bank Rhode Island in the original principal amount of \$500,000; and

(c) any liability arising out of any claim to Medicare, Medicaid, or third party payors for the treatment of patients prior to the Closing Date.

1.5 Consideration for Sale and Transfer of the Acquired Assets. Subject to the terms and conditions of this Agreement and in full consideration of such sale, conveyance, transfer, assignment and delivery of the Acquired Assets to Buyer, Buyer agrees to pay to Seller the total of \$1,370,000, \$274,000 of which will be payable by Buyer to Seller at Closing in cash and the remaining \$1,096,000 to be payable in the form a promissory note with interest at four percent (4%) per annum over a ten (10) year period.

2. CLOSING

2.1 Closing. The closing of the transactions contemplated hereby (the "Closing") shall be held after Buyer's receipt of the approval by the Rhode Island Department of Health of the Change in Effective Control of the Facility (the "CEC Approval"). The time and date of the Closing is herein called the "Closing Date". The Closing shall be effective 12:01AM on the Closing Date. The Closing shall occur within fourteen (14) days of the CEC Approval.

2.2 Assumption. At the Closing, the Buyer shall assume the Assumed Liabilities pursuant to an Assignment and Assumption Agreement similar to what is set forth of Exhibit B hereto containing terms and conditions usual and customary in the transactions contemplated herein.

2.3 Transfer of Acquired Assets. At the Closing, the Seller shall transfer to the Buyer all right, title and interest in and to the Acquired Assets free and clear of all claims, liens, pledges, encumbrances, mortgages, charges, security interests, options, rights, restrictions or any other interests or imperfections of title whatsoever to the Buyer. Said transfer shall be effected by the delivery to the Buyer of a fully executed Bill of Sale in the form set forth as Exhibit C hereto and such other, endorsements, assignments and other good and sufficient instruments of conveyance and transfer, in form and substance satisfactory to the Parties and their respective counsel.

3. ASSET ACQUISITION STATEMENT.

Seller and Buyer agree that the allocation of the Purchase Price as agreed to by the parties shall be binding and that they will file all federal, state, and local returns, as well as any other reports or returns of any kind, including Form 8594 under I.R.C. §1060, on a basis consistent therewith.

4. COLLECTION OF ACCOUNT RECEIVABLES.

The Buyer shall be entitled to all sums payable for accounts receivable of the Seller. For purposes of this Agreement, in all instances "accounts receivable" shall mean billings for services provided, whether before or after the Closing Date, for services rendered on or before

the Closing Date. Seller agrees to cooperate with Buyer in the collection of any accounts receivable relating to the period of time prior to the Closing.

5. REPRESENTATIONS AND WARRANTIES OF THE SELLER.

As of the date hereof and as of the Closing Date, the Seller represents and warrants to the Buyer as follows:

5.1 Organization; Good Standing; Power; etc.. The Seller is a duly organized, validly existing corporation in good standing under the laws of the State of Rhode Island. The Seller has all the requisite corporate power to own and lease the Acquired Assets and to operate the Facility.

5.2 Authorization; Effective Agreement. The Seller has the power, authority and capacity to enter into this Agreement and each of the other agreements required to be executed by Seller pursuant to this Agreement to which it is a party and to perform all of its obligations hereunder and thereunder. All corporate proceedings required to be taken by the Seller to authorize the execution and delivery of this Agreement and each of the other agreements required to be executed by Seller pursuant to this Agreement, and the performance of the Seller's obligations hereunder and thereunder either have been duly and validly taken or will be as of the Closing Date. This Agreement and each of the other agreements required to be executed by Seller pursuant to this Agreement to which the Seller is a party constitute the legal, valid and binding obligations of the Seller, enforceable against Seller in accordance with its terms. The execution, delivery and performance of this Agreement and each of the other agreements required to be executed by Seller pursuant to this Agreement by the Seller and the consummation of the transactions contemplated hereby and thereby do not and will not (a) conflict with, violate or result in the breach of any of the terms or conditions of, or constitute a default under, the organizational or constituent documents of the Seller, or (b) result in a breach of or constitute a default or accelerate any obligation under any contract or other instrument to which Seller is a party or by which its property is bound.

5.3 Consents. Except as set forth on Schedule 5.3, no permit, consent, or approval of or with any person on the part of the Seller is required in connection with the execution or delivery by the Seller of this Agreement or each of the other agreements required to be executed by Seller pursuant to this Agreement or the consummation of the transactions contemplated hereby and thereby.

5.4 Assets. The Seller has good and marketable title to the Acquired Assets, free and clear of all claims, liens, pledges, charges, mortgages, security interests, encumbrances, equities or other imperfections of title of any nature whatsoever, except for liens for current taxes and assessments not yet due and payable.

5.5 Conduct of the Facility. The Seller is not a party to, or subject to or bound by, nor are any of its assets subject to or bound by, any agreement, oral or written, or any judgment, law, rule, regulations, order, writ, injunction or decree of any court or governmental or administrative body which prohibits or materially adversely affects or upon the consummation of the transactions contemplated hereby would prohibit or adversely affect: (i) the use of any or all

of the Acquired Assets in the conduct of the Facility in the ordinary course of business; (ii) the conduct of the Facility in the same manner as such business has been conducted by Seller; or (iii) the financial condition of the Facility.

5.6 Compliance with Laws. The Seller has been and is, and the Facility has been and is being conducted and operated, in compliance with all material requirements of all applicable third party payors (including, without limitation, Medicare and Medicaid), which affect the Seller, the Facility or the Acquired Assets.

5.7 Litigation. There is no litigation, arbitration or other legal proceeding to which Seller or the Facility is subject, and Seller has no knowledge that any litigation, arbitration or other legal proceeding has been threatened against Seller or the Facility.

5.8 Cost Reports and Tax Filings. To the knowledge of Seller, Seller has filed (or will file) when due (or within permitted extensions) any all cost reports, provider tax filings and tax filings that Seller is required to file. To the knowledge of Seller, Seller has paid (or will pay) when due (or within permitted extensions) any cost report settlements, third-party payor obligations, provider taxes or taxes to which either Seller or the Facility is subject.

5.9 All representations and warranties by Seller herein, whether relating to Seller or the Facility (including in any Exhibit or Schedule hereto) are true, complete and accurate in all material respects as of the date of this Agreement and do not contain and will not contain an untrue statement of any material fact, or omit to state a material fact necessary in order to make all of such representations and warranties not materially misleading as of this date.

6. REPRESENTATIONS AND WARRANTIES OF BUYER.

As of the date hereof and as of the Closing Date, Buyer represents and warrants to Seller as follows:

6.1 Organization; Good Standing; Power. The Buyer is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Rhode Island. The Buyer has the requisite power, authority and capacity to own, lease and operate its properties and to carry on its intended business.

6.2 Authorization; Effective Agreement. The Buyer has all requisite power, authority and capacity to enter into this Agreement and each of the other agreements required to be executed by Buyer pursuant to this Agreement and to perform all of its obligations hereunder and thereunder. All corporate proceedings required to be taken by the Buyer to authorize the execution and delivery of this Agreement and each of the other agreements required to be executed by Buyer pursuant to this Agreement to which it is a party and the performance of the Buyer's obligations hereunder and thereunder either have been duly and validly taken or will be as of the Closing Date. This Agreement and each of the other agreements required to be executed by Buyer pursuant to this Agreement to which it is a party constitute the legal, valid and binding obligations of the Buyer enforceable against the Buyer in accordance with its terms. The execution, delivery and performance of this Agreement and each of the other agreements required to be executed by Buyer pursuant to this Agreement by the Buyer and the consummation of the transactions contemplated by this Agreement and each of the other

agreements required to be executed by Buyer pursuant to this Agreement do not and will not (a) conflict with, violate or result in the breach of any of the terms or conditions of the organizational or constituent documents of the Buyer, (b) result in the creation or imposition of any encumbrance, on or with respect to, or otherwise materially adversely affect, any of the properties, assets or businesses of the Buyer (other than encumbrances or rights arising in connection with the financing by the Buyer of the acquisition of the Assets), except where such encumbrance would not have a material adverse effect on the Buyer's ability to consummate the transactions contemplated hereby.

6.3 Consents. Except as set forth on Schedule 6.3, no permit, consent, or approval of or with any person on the part of the Buyer is required in connection with the execution or delivery by the Buyer of this Agreement or the consummation of the transaction contemplated by this Agreement other than any resolutions of the Buyer authorizing the execution of this Agreement and performance of the transactions contemplated hereunder, except where the failure to obtain such consent would not have a material adverse effect on the Buyer's ability to consummate the transactions contemplated hereby.

6.4 All representations and warranties by Buyer herein, whether relating to Buyer or the Facility (including in any Exhibit or Schedule hereto) are true, complete and accurate in all material respects as of the date of this Agreement and do not contain and will not contain an untrue statement of any material fact, or omit to state a material fact necessary in order to make all of such representations and warranties not materially misleading as of this date.

7. COVENANTS OF THE SELLER.

The Seller covenants and agrees, except as otherwise consented to in writing by the Buyer or as permitted by this Agreement, that:

7.1 Cooperation. The Seller shall use its commercially reasonable good faith efforts to obtain all consents (including, without limitation the consents set forth on Schedule 5.3) and authorizations of third parties and to make all filings with and give all notices to third parties which may be necessary or reasonably required in order to effect the consummation of the transactions contemplated by this Agreement and shall take such additional actions as the Buyer may reasonably request to cooperate so that the transactions contemplated by this Agreement may be expeditiously consummated.

7.2 Operation of the Business of Seller. Between the date of this Agreement and the Closing, Seller shall confer with the Buyer prior to implementing operational decisions of a material nature, and prior to undertaking a financial obligation of the Facility that is not in the ordinary course of business.

8. COVENANTS OF THE BUYER.

The Buyer covenants and agrees that, except as otherwise consented to in writing by the Seller or as permitted by this Agreement, the Buyer shall use its commercially reasonable good faith efforts to obtain all consents (including, without limitation the consents set forth on Schedule 6.3) and authorizations of third parties and to make all filings with and give all notices to third parties which may be necessary or reasonably required in order for it to effect the

consummation of the transactions contemplated by this Agreement and shall take such additional actions as the Seller may reasonably request to cooperate so that the transactions contemplated by this Agreement may be expeditiously consummated.

9. CONDITIONS PRECEDENT.

9.1 Conditions Precedent to the Obligations of the Seller. All obligations of the Seller under this Agreement are subject to the fulfillment, on or prior to the Closing Date, of each of the following conditions, which conditions may be waived only in writing by the Seller:

(a) The representations and warranties of the Buyer herein contained shall be true and correct in all material respects as of the date hereof and shall continue to be true and correct in all material respects as of the Closing Date with the same force and effect as though made as of the Closing Date.

(b) The Buyer shall have performed or complied with all the obligations, agreements and covenants of the Buyer herein contained to be performed by it on or prior to the Closing Date.

(c) No action or proceeding by or before any governmental authority shall have been commenced or threatened seeking to restrain, prevent or change the transactions contemplated by this Agreement or seeking judgments against the Seller or the Buyer in respect of the transactions contemplated by this Agreement.

(d) All deliveries required to be made by the Buyer under this Agreement on or before the Closing Date shall have been received by the Seller, in form and substance satisfactory to the Seller.

(e) Buyer and Seller shall have entered into a lease for the real property for the Facility located at 7 Creek Lane, Bristol, Rhode Island known as Silver Creek Manor in a form reasonably acceptable to Buyer and Seller.

(f) The Rhode Island Department of Health shall have issued the CEC approval.

9.2 Conditions Precedent to the Obligations of the Buyer. All obligations of the Buyer under this Agreement are subject to the fulfillment, on or prior to the Closing Date, of each of the following conditions, which conditions may be waived only in writing by the Buyer:

(a) The representations and warranties of the Seller herein contained shall be true and correct in all material respects as of the date hereof and shall continue to be true and correct in all material respects as of the Closing Date with the same force and effect as though made as of the Closing Date.

(b) The Seller shall have performed or complied with all the obligations, agreements and covenants of the Seller herein contained to be performed by them on or prior to the Closing Date.

(c) No action or proceeding by or before any governmental authority shall have been commenced or threatened seeking to restrain, prevent or change the transactions contemplated by this Agreement or seeking judgments against the Seller or the Buyer in respect of the transactions contemplated by this Agreement.

(d) All deliveries required to be made by the Seller under this Agreement on or before the Closing Date shall have been received by the Buyer, in form and substance satisfactory to the Buyer.

(e) Seller and Buyer shall have entered into a lease for the real property for the Facility located at 7 Creek Lane, Bristol, Rhode Island known in a form reasonably acceptable to Buyer and Seller.

(f) There shall have been no material adverse change in the Acquired Assets, business or operations of the Facility, or in the financial condition of the Facility.

(g) The Rhode Island Department of Health shall have issued the CEC Approval.

10. **INDEMNIFICATION.**

10.1 Survival of Representations and Warranties. The representations and warranties contained in Sections 5.6 and 5.11 of this Agreement shall survive for a period of eighteen (18) months after the Closing (the "Reps and Warranty Survival Date"), except that any claims based on fraud or intentional acts shall survive for the applicable statute of limitations. Notwithstanding the preceding sentence, any representation or warranty in respect of which indemnity may be sought under this Agreement shall survive the time at which it would otherwise terminate if notice of the inaccuracy or breach thereof giving rise to such right of indemnity provided pursuant to Sections 10.2 and 10.3 below, shall have been given to the party against whom indemnity may be sought prior to the Representations and Warranty Survival Date.

10.2 Indemnification by Seller. From and after the Closing, Seller shall indemnify and save Buyer harmless from and defend it from and against any and all demands, claims, actions, liabilities, losses, costs, damages or expenses whatsoever (including any reasonable attorneys' fees) (collectively, "Losses") asserted against, imposed upon or incurred by Buyer resulting from or arising out of (a) any material inaccuracy or material breach of Sections 5.6 or 5.11 or; (b) any breach of any covenant or obligation of Seller contained herein. Losses shall include, without limitation, any so-called successor liability obligation of Seller or the Facility to the Medicaid Program or the Medicare Program relating to services rendered prior to the Closing.

10.3 Indemnification by Buyer. From and after the Closing, Buyer shall indemnify and save Seller harmless from and defend it from and against any and all Losses asserted against, imposed upon or incurred by Seller resulting from or arising out of (a) any material inaccuracy or material breach of any representation or warranty of Buyer contained herein; (b) any breach of any covenant or obligation of Buyer contained herein; and (c) Buyer's

ownership of the Acquired Assets and operation of its business and the Facility from and after the Closing Date.

10.4 Procedure for Indemnification - Third Party Claims.

(a) Promptly after receipt by an indemnified party under Sections 10.2 or 10.3 hereof of notice of the commencement of any claim, demand, action or proceeding (“Proceeding”) against it, such indemnified party will, if a claim is to be made against an indemnifying party under such Section, give notice to indemnifying party of the commencement of such Proceeding, but the failure to notify the indemnifying party will not relieve the indemnifying party of any liability that it may have to any indemnified party, except to the extent that the indemnifying party demonstrates that the defense of such action is prejudiced by the indemnifying party’s failure to give such notice.

(b) If any Proceeding referred to in Section 10.4(a) is brought against an indemnified party and it gives notice to the indemnifying party of the commencement of such Proceeding, the indemnifying party will be entitled to participate in such Proceeding and, to the extent that it wishes (unless the indemnifying party fails to provide reasonable assurance to the indemnified party of its financial capacity to defend such Proceeding and provide indemnification with respect to such Proceeding), to assume the defense of such Proceeding with counsel satisfactory to the indemnified party and, after notice from the indemnifying party to the indemnified party of its election to assume the defense of such Proceeding, the indemnifying party will not, as long as it diligently conducts such defense, be liable to the indemnified party under this Section 10 for any fees of other counsel or any other expenses with respect to the defense of such Proceeding, in each case subsequently incurred by the indemnified party in connection with the defense of such Proceeding, other than reasonable costs of investigation. If the indemnifying party assumes the defense of a Proceeding, (i) it will be conclusively established for purposes of this Agreement that the claims made in that Proceeding are within the scope of and subject to indemnification and (ii) no compromise or settlement of such claims may be effected by the indemnifying party without the indemnified party’s written consent. If notice is given to an indemnifying party of the commencement of any Proceeding and the indemnifying party does not, within ten days after the indemnified party’s notice is given, give notice to the indemnified party of its election to assume the defense of such Proceeding, the indemnifying party will be bound by any determination made in such Proceeding or any compromise or settlement effected by the indemnified party.

11. TERMINATION.

11.1 Termination. Notwithstanding anything to the contrary herein, this Agreement may be terminated and the transactions contemplated hereby may be abandoned:

(a) by the written mutual consent of the Seller and the Buyer at any time prior to the Closing Date;

(b) by the Buyer if (i) there exists a material breach of any (A) representation or warranty, or (B) covenant or agreement, in each case made to the Buyer under this Agreement (which breach cannot be cured or is not cured upon ten (10) days written

notice) prior to the Closing Date, or (ii) if any condition to the obligation of the Buyer hereunder becomes impossible to fulfill in any material way; and

(c) by the Seller if (i) there exists a material breach of any (a) representation or warranty, or (b) covenant or agreement; in each case made to the Seller under this Agreement (which breach cannot be cured or is not cured upon ten (10) days written notice) prior to the Closing Date, or (ii) if any condition to the obligation of the Seller hereunder becomes impossible to fulfill in any material way.

11.2 Effect of Termination. Upon the termination of this Agreement under Section 12.1, this Agreement shall become null and void and no party hereto shall have any further liability to any other party hereunder, except that (a) termination by reason of a party's breach of a representation, warranty, covenant or agreement shall not adversely affect the non-breaching party's rights at law or in equity against the breaching party and (b) the obligations of the parties with respect to expenses set forth in Section 12.2 shall remain in full force and effect.

12. MISCELLANEOUS.

12.1 Further Assurances. From time to time after the Closing and without further consideration, the parties will execute and deliver, or arrange for the execution and delivery of, such other instruments of conveyance and transfer and take such other action or arrange for such other actions as may reasonably be requested to more effectively complete any of the transactions provided for in this Agreement or any document annexed hereto.

12.2 Expenses. Buyer and Seller shall pay the fees and expenses of their respective accountants and legal counsel incurred in connection with the transactions contemplated by this Agreement.

12.3 Notices. Any notice or other communication required or permitted to be given to any party hereunder shall be in writing and shall be given to such party at such party's address set forth below or such other address as such party may hereafter specify by notice in writing to the other party. Any such notice or other communication shall be addressed as aforesaid and given by (1) certified mail, return receipt requested, with first class postage prepaid, (2) hand delivery, (3) reputable overnight courier or (4) facsimile transmission. Any notice or other communication will be deemed to have been duly given (a) on the fifth day after mailing, provided receipt of delivery is confirmed, if mailed by certified mail, return receipt requested, with first class postage prepaid, (b) on the date of service if served personally, (c) on the business day after delivery to an overnight courier service, provided receipt of delivery has been confirmed or (d) on the date of transmission if sent via facsimile transmission, provided confirmation of receipt is obtained promptly after completion of transmission.

To Seller: Gerald P. Romano
24 Charlotte Drive
Bristol, RI 02809

With a copy to: Norman Bolotow, Esq.
245 Waterman Street
Providence, RI 02906

To Buyer: Kimberly A. Ciociola
7 Laurel Lane
Warren, RI 02885

With a copy to: Gerard R. Goulet, Esq.
Hinckley, Allen & Snyder LLP
50 Kennedy Plaza, Suite 1500
Providence, RI 02903

12.4 Section Headings. The section headings in this Agreement are for convenience of reference only and shall not be deemed to be a part of this Agreement or to alter or affect any provisions, terms or conditions contained herein.

12.5 Exhibits and Schedules. Any exhibits, schedules, financial statements and other documents referenced herein shall be deemed to be attached hereto and made a part hereof. In the event any exhibit or schedule hereto is not available to be attached to this Agreement at the time of execution, the parties may, nevertheless, execute this Agreement, designate "To Be Supplied" on the exhibit or schedule and, upon execution of this Agreement, use due diligence to provide the exhibit or schedule.

12.6 Severability. Wherever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law. If any provision of this Agreement is declared illegal, invalid or unenforceable for any reason in any jurisdiction, then such declaration shall have no effect upon the remaining provisions of this Agreement which shall continue in full force and effect as if this Agreement had been executed with the invalid provision hereof deleted. Furthermore, the entirety of this Agreement shall continue in full force and effect in all other jurisdictions.

12.7 Entire Understanding. This Agreement and the documents listed on the Schedules attached to this Agreement set forth the entire agreement and understanding between the parties with respect to the subject matter hereof and merge any and all discussions, negotiations, letters of intent or agreements in principle between them. Neither of the parties shall be bound by any conditions, warranties, understandings or representations with respect to such subject matter other than as expressly provided herein, or as duly set forth on or subsequent to the date hereof in writing and signed by a duly authorized officer of the party to be bound thereby.

12.8 Binding Effect. This Agreement shall be binding upon and shall inure to the exclusive benefit of the parties hereto and their respective heirs, executors, administrators, legal representatives, successors and permitted assigns. Except as otherwise expressly provided in this Agreement, this Agreement is not intended to, nor shall it, create any rights in any other person.

12.9 Governing Law. This Agreement is and shall be deemed to be a contract entered into and made pursuant to the laws of the State of Rhode Island, and shall in all respects be governed, construed, applied and enforced in accordance with the laws of said Sate, without

reference to its conflict of laws principles. All parties hereby consent to the jurisdiction of courts located in Rhode Island to resolve any dispute arising under this Agreement.

12.10 Assignability. Neither party may assign, all or any of its rights and/or obligations hereunder without the prior written consent of the other party provided, however, Buyer may, in its sole discretion, assign all of its rights and obligations hereunder to a nominee or nominees provided further, however, that such assignment shall not release Buyer from liability hereunder.

12.11 Pronouns and Plurals. All pronouns used herein shall be deemed to refer to the masculine, feminine, neuter, singular or plural as the identity of the person or persons may require in the context, and the singular form of nouns, pronouns and verbs will include the plural, and vice versa, whichever the context may require. The use of the words herein, hereunder, and the like shall refer to this Agreement in its entirety, and not be limited to any section or subsection.

12.12 Prorations and Adjustments and Transfers. At the Closing, the Buyer and Seller shall make all adjustments and prorations usual and customary for the transactions contemplated herein. At the Closing, in conformity with applicable law, Buyer and Seller shall arrange for and execute documents necessary to transfer residents' funds and controlled substances. At the Closing, Buyer and Seller shall each deliver a closing certificate confirming that its representations and warranties are true as of the Closing Date, and stating that it has satisfactorily discharged its obligations hereunder.

12.13 Medicaid and Medicare Provider Numbers. To the extent permitted by law, Seller agrees that Buyer may, in its sole discretion, accept assignment of and utilize Seller's Medicaid and Medicare provider agreements and provider numbers.

12.14 Filing of Change in Effective Control Application with Rhode Island Department of Health. Seller hereby consents to the filing by Buyer of a Change in Effective Control Application with the Rhode Island Department of Health.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement by their duly authorized officers or signatories as of the date first written above.

Seller:

SILVER CREEK MANOR, INC.

Name:

Title:

Buyer:

KAR LITTLE BOX, LLC

Name:

Title:

SCHEDULES

Schedule 1.1(c) - Schedule of Assets

Schedule 1.1(e) - Contracts

Schedule 1.1(l) - Excluded Furniture, Fixtures and Equipment

Schedule 5.3 - Consents

Rhode Island Department of Health approval to transfer nursing facility license, and the issuance of an actual license (or written confirmation of actual licensure).

Schedule 6.3 - Consents

Rhode Island Department of Health approval to transfer nursing facility license, and the issuance of an actual license (or written confirmation of actual licensure).

Exhibit B

Organization Charts

Pre-Transfer

Silver Creek Manor, Inc.

Operations and Real Estate

Gerald P. Romano 60%

Patricia Romano 40%

Exhibit B (Cont.)

Organization Chart

Post-Transfer

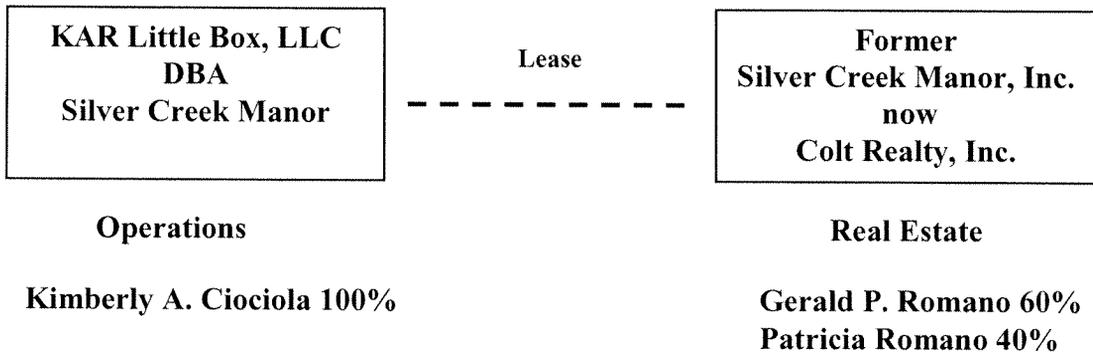


Exhibit C

Quality Assurance Policies

Quality Improvement Policy and Procedures

PURPOSE:

The Quality Assurance/Improvement Program is the monitoring tool to ensure quality care and service for all residents/patients throughout the facility. The committee identifies quality deficiencies, develops and implements plans of action to correct the quality deficiencies, including monitoring the effect of the implemented changes and makes the necessary revisions to the action plan. It is an ongoing program that includes all departments and disciplines to monitor for continuous quality improvement.

OBJECTIVES:

1. To ensure systems function satisfactorily and consistently including current practice standards.
2. To develop and implement policies and procedures to monitor, investigate and problem-solve throughout the operations of Silver Creek Manor.
3. To encourage open communication among all staff members relative to quality assurance.
4. To collect and evaluate data for the purpose of identifying problems (actual and potential) and propose courses of action to be taken to solve or prevent the problem(s).
5. To ensure that all State and Federal regulatory and accreditation standards for quality management are met.

POLICIES:

1. All persons participating in the Quality Assurance Program and directly involved in the addressing of problems shall adhere to the confidentiality of clients and the agency.
2. Reports will not contain any identifiable client or staff information. Information shall be coded or reported in aggregate.
3. All information generated by the Quality Assurance conferences will be protected from inappropriate disclosure in accordance with applicable law or regulation.

PLAN:

1. The Quality Assurance Program is designed to assess and improve the quality of resident/patient care and staff performance for services provided directly and/or under contractual agreement with individuals or organizations. The Quality Assurance Committee meets at least quarterly for review. If a concern or problem arises that needs to be addressed sooner the committee shall meet at that time. The services for review will include, but not be limited to:

- a. Individuals providing care
- b. Types of services
- c. Types of residents//patients served
- d. Clinical activities
- e. Support activities
- f. Governance activities
- g. Environmental factors

PROCEDURES:

1. The Patient Care Coordinator conducts case review with the primary nurse and other team members to review the clients' status and to design resident/patient care.
2. The nursing care plans are utilized with specific nursing diagnosis, outcome goals, nursing orders, and teaching objectives. The utilization of standards of care provides a consistent objective approach to client care and a means to evaluate quality of care.
3. Quality Indicator reports are reviewed and potential areas of concern are reviewed and discussed. Any areas of concern are then identified and corrective measures are implemented.
4. Each department is responsible for the review of its own policies and procedures and to identify potential areas of concerns to be reviewed by the committee to determine possible areas of deficiency of quality and to create action plans to correct them.

Revised 1/2012

Exhibit D

Option to Lease

(see attached)

OPTION AGREEMENT

THIS OPTION AGREEMENT (this "Agreement") is made this ___ day of April, 2012 (the "Effective Date"), by and between KAR LITTLE BOX, LLC, a Rhode Island limited liability company ("Optionee") and SILVER CREEK MANOR, INC., a Rhode Island corporation ("Optionor").

RECITALS:

A. Optionor is the owner of that certain parcel of real estate, together with all buildings and improvements located thereon, on which Silver Creek Manor is located (the "Premises").

B. Optionor and Optionee have been negotiating the potential leasing of the real property and improvements located at the Premises to Optionee.

C. Optionor wishes to grant to Optionee an exclusive option to lease the Premises together with all appurtenances, on the terms and conditions set forth herein.

AGREEMENT:

1. Grant of Option. Optionor, in consideration of the mutual covenants contained herein and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, hereby grants to Optionee the exclusive right and option to lease the Premises pursuant to the terms of this Agreement (the "Option"). The term of this Option commences on the Effective Date and expires on the three hundred and sixty-fifth (365th) day after the Rhode Island Department of Health approves the Change in Effective Control Application in favor of Optionee pursuant to Chapter 17, Title 23 of the Rhode Island General Laws (the "Option Period").

2. Contingency. Optionee's right and option to lease the Premises is contingent on the approval of the Change in Effective Control Application in favor of Optionee pursuant to Chapter 17, Title 23 of the Rhode Island General Laws from the Rhode Island Department of Health.

3. Exercise of the Option. This Option may be exercised by Optionee at any time during the Option Period by providing written notice of such election to Optionor prior to the expiration of the Option Period. Nothing contained herein shall be construed to obligate Optionee to exercise the Option and Optionor hereby acknowledges and agrees that the Option may be exercised by Optionee in Optionee's sole and absolute discretion.

4. Execution of Lease. If Optionee exercises the Option to lease the Premises, then, within thirty (30) days after the Optionee exercises the Option, Optionor and Optionee shall enter into a lease agreement in form mutually acceptable to both parties.

5. Representations and Warranties. Optionor hereby represents and warrants to Optionee that Optionor has the full and complete authority to enter into this Agreement and the full and complete authority to lease its interest in the Premises to Optionee. Optionee and Optionor agree to execute such other documentation as may be commercially reasonable to effectuate this Agreement.

6. Notices. Wherever in this Agreement it shall be required or permitted that notice or demand be given or served by the parties to or on the others, such notice or demand shall be deemed duly given or served if, and shall not be deemed duly given or served unless, in writing and mailed by certified mail, return receipt requested, or sent by Federal Express or comparable private delivery service which provides proof of delivery, to the respective address set forth below:

If given to Optionor: Gerald P. Romano
24 Charlotte Drive
Bristol, RI 02809

With a copy to: Norman Bolotow, Esq.
245 Waterman Street
Providence, RI 02906

If given to Optionee: Kimberly A. Ciociola
7 Laurel Lane
Warren, RI 02885

With a copy to: Gerard R. Goulet, Esq.
Hinckley, Allen & Snyder LLP
50 Kennedy Plaza, Suite 1500
Providence, RI 02903

The time at which any notice or demand shall be deemed given or served shall be the time at which such notice or demand is delivered, whether or not such delivery is refused.

7. No Broker. Each party to this Agreement represents to the others that it has not had contact with any broker with respect to the lease of the leased Premises. Each party agrees to protect, hold harmless and indemnify the others and their respective past, present or future, direct or indirect shareholders, owners, partners, members, managers, principals, directors, officers, agents or affiliates or representatives from and against any loss, liability, injury or expense, including reasonable and actual attorneys' fees, resulting from a breach of this representation.

8. Counterparts. This Agreement may be executed in one or more counterparts, all of which taken together shall constitute one instrument. The parties hereto agree that this document may be executed and the signatures transmitted to the other party by facsimile or similar electronic transmission. Upon such transmission and receipt by the other party, such signature shall be as effective as an original. Notwithstanding the preceding sentence, the parties agree that they will transmit original signature pages to each other promptly after executing this Agreement.

9. Miscellaneous. This Agreement shall constitute the entire option agreement between Optionor and Optionee and shall be construed in accordance with the laws of the State of Rhode Island without regard to principles of conflicts of laws. This Agreement may not be modified except in a writing signed by all of the parties hereto. This Agreement shall be binding upon and inure to the benefit of Optionor, Optionee and their respective successors and assigns.

IN WITNESS WHEREOF, Optionor and Optionee have executed this Option Agreement as of the date set forth above.

OPTIONOR:

SILVER CREEK MANOR, INC.

By: Gerald P. Romano
Gerald P. Romano, President

OPTIONEE:

KAR LITTLE BOX, LLC

By: Kimberly A. Ciociola
Kimberly A. Ciociola, Member

Exhibit E

Certificate of Organization and Operating Agreement

(see attached)

Filing Fee: \$150.00

ID Number: _____



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Office of the Secretary of State
Corporations Division
148 W. River Street
Providence, Rhode Island 02904-2615

RECEIVED
SECRETARY OF STATE
CORPORATIONS DIV
2012 APR 16 AM 11:22

LIMITED LIABILITY COMPANY

ARTICLES OF ORGANIZATION

Pursuant to the provisions of Chapter 7-16 of the General Laws of Rhode Island, 1956, as amended, the following Articles of Organization are adopted for the limited liability company to be organized hereby:

1. The name of the limited liability company is:

KAR Little Box, LLC

2. The address of the limited liability company's resident agent in Rhode Island is:

50 Kennedy Plaza, Suite 1500 Providence, RI 02903
(Street Address, not P.O. Box) (City/Town) (Zip Code)

and the name of the resident agent at such address is HASLAW, Inc.
(Name of Agent)

3. Under the terms of these Articles of Organization and any written operating agreement made or intended to be made, the limited liability company is intended to be treated for purposes of federal income taxation as:

(Check one box only)

[] a partnership or [] a corporation or [X] disregarded as an entity separate from its member

4. The address of the principal office of the limited liability company if it is determined at the time of organization:

(If not determined, so state)

5. The limited liability company has the purpose of engaging in any lawful business, and shall have perpetual existence until dissolved or terminated in accordance with Chapter 7-16, unless a more limited purpose or duration is set forth in paragraph 6 of these Articles of Organization.

FILED
APR 16 2012
By [Signature]
DS 11:22

6. Additional provisions, if any, not inconsistent with law, which the members elect to have set forth in these Articles of Organization, including, but not limited to, any limitation of the purposes or duration for which the limited liability company is formed, and any other provision which may be included in an operating agreement:

7. Management of the Limited Liability Company:

A. The limited liability company is to be managed by its members. (If you have checked this box, go to item no. 8.)

or

B. The limited liability company is to be managed by one (1) or more managers. (If the limited liability company has managers at the time of the filing of these Articles of Organization, state the name and address of each manager.)

Manager

Address

<u>Manager</u>	<u>Address</u>
<hr/>	<hr/>

8. The date these Articles of Organization are to become effective, if later than the date of filing, is:
Effective upon filing

(not prior to, nor more than 30 days after, the filing of these Articles of Organization)

Name and Address of Authorized Person:

Kimberly A. Ciociola

7 Creek Lane

Bristol, Rhode Island

Under penalty of perjury, I declare and affirm that I have examined these Articles of Organization, including any accompanying attachments, and that all statements contained herein are true and correct.

Date: April 12, 2012


Signature of Authorized Person

EXHIBIT A

SIXTH: Additional provisions not inconsistent with law set forth in these Articles of Organization:

- I. A manager of the limited liability company shall not be personally liable to the limited liability company or to its members for monetary damages for breach of any duty provided for in Section 17 of the Rhode Island Limited Liability Company Act, as may hereafter be amended (the "Act"), except for (i) liability for breach of the manager's duty of loyalty to the limited liability company or its members, (ii) liability for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) liability imposed pursuant to the provisions of Section 32 of the Act, or (iv) liability for any transaction from which the manager derived an improper personal benefit, unless said transaction was with the informed consent of the members or a majority of the disinterested managers.

- II. (A) The members of the limited liability company may include provisions in the limited liability company's operating agreement, or the managers may authorize agreements to be entered into with each member, manager, agent or employee, past or present, of the limited liability company (an "Indemnified Person"), for the purpose of indemnifying an Indemnified Person in the manner and to the extent permitted by the Act.

(B) In addition to the authority conferred upon the members and managers of the limited liability company by the foregoing paragraph (A), the members of the limited liability company may include provisions in the operating agreement, or the managers may authorize agreements to be entered into with each Indemnified Person, for the purpose of indemnifying such person in the manner and to the extent provided herein:
 - (i) The operating agreement provisions or agreements authorized hereby may provide that the limited liability company shall, subject to the provisions of this Article Sixth II(B), pay, on behalf of an Indemnified Person any Loss or Expenses arising from any claim or claims which are made against the Indemnified Person (whether individually or jointly with other Indemnified Persons) by reason of any Covered Act of the Indemnified Person.
 - (ii) For the purposes of this Article Sixth II(B), when used herein
 - (1) "Manager(s)" means any or all of the managers of the limited liability company or those one or more members or other persons who are exercising any powers normally vested in the managers;
 - (2) "Loss" means any amount which an Indemnified Person is legally obligated to pay for any claim for Covered Acts and shall include, without being limited to,

damages, settlements, fines, penalties or, with respect to employee benefit plans, excise taxes;

(3) "Expenses" means any expenses incurred in connection with the defense against any claim for Covered Acts, including, without being limited to, legal, accounting or investigative fees and expenses or bonds necessary to pursue an appeal of an adverse judgment; and

(4) "Covered Act" means any act or omission by the Indemnified Person in the Indemnified Person's official capacity with the limited liability company and while serving as such or while serving at the request of the limited liability company as a member of the governing body, manager, officer, employee or agent of another limited liability company, corporation, partnership, joint venture, trust, other entity or enterprise, including, but not limited to any entities and enterprises which are subsidiaries or affiliates of the limited liability company, or employee benefit plan.

(iii) The operating agreement provisions or agreements authorized hereby may cover Loss or Expenses arising from any claims made against a retired Indemnified Person, the estate, heirs or legal representative of a deceased Indemnified Person or the legal representative of an incompetent, insolvent or bankrupt Indemnified Person, where the Indemnified Person was an Indemnified Person at the time the Covered Act upon which such claims are based occurred.

(iv) Any operating agreement provisions or agreements authorized hereby may provide for the advancement of Expenses to an Indemnified Person prior to the final disposition of any action, suit or proceeding, or any appeal therefrom, involving such Indemnified Person and based on the alleged commission by such Indemnified Person of a Covered Act, subject to an undertaking by or on behalf of such Indemnified Person to repay the same to the limited liability company if the Covered Act involves a claim for which indemnification is not permitted under clause (v), below, and the final disposition of such action, suit, proceeding or appeal results in an adjudication adverse to such Indemnified Person.

(v) The operating agreement provisions or agreements authorized hereby may not indemnify an Indemnified Person from and against any Loss, and the limited liability company shall not reimburse for any Expenses, in connection with any claim or claims made against an Indemnified Person which the limited liability company has determined to have resulted from: (1) any breach of the Indemnified Person's duty of loyalty to the limited liability company or its members; (2) acts or omissions not in good faith or which involve intentional misconduct or knowing violation of law; (3) action contravening Section 17 of the Act; or (4) a transaction from which the person seeking indemnification derived an improper personal benefit.



State of Rhode Island and Providence Plantations

A. Ralph Mollis

Secretary of State

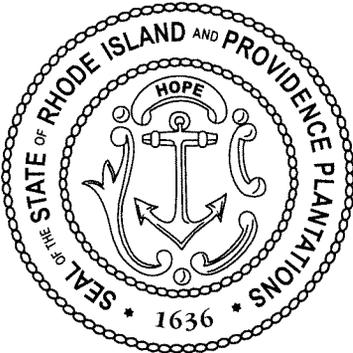
STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

I, A. RALPH MOLLIS, Secretary of State of the State of Rhode Island
and Providence Plantations, hereby certify that this document, duly
executed in accordance with the provisions of Title 7 of the General Laws
of Rhode Island, as amended, has been filed in this office on this day:
April 16, 2012 11:22 AM

A handwritten signature in black ink that reads "A. Ralph Mollis".

A. RALPH MOLLIS

Secretary of State



**OPERATING AGREEMENT
OF
KAR LITTLE BOX, LLC**

a Rhode Island Single-Member Limited Liability Company

Effective as of April 12, 2012, **Kimberly Ciociola** as the sole member of **KAR Little Box, LLC** (the “**Company**”), a limited liability company formed pursuant to and in accordance with the Rhode Island Limited Liability Company Act, hereby adopts the operating agreement of the Company as follows:

1. Definitions. Unless the language or context clearly indicates to the contrary, terms used in this Agreement have the following meanings:

“**Act**” means the Rhode Island Limited Liability Company Act, R.I. Gen. Laws 1956 (1992 Reenactment) Chapter 7-16, as amended, modified, supplemented or restated from time to time, or any successor statute.

“**Agreement**” means this Operating Agreement, including its schedules, exhibits and attachments, as amended, modified, supplemented and/or restated from time to time, which governs the management of the affairs of the Company and the conduct of its business.

“**Affiliate**” means, as to any person, any (i) member of the immediate family of such person, (ii) legal representative, successor or assignee of such person or of any person referred to in the preceding clause (i), (iii) trustee of a trust for the benefit of such person or of any person referred to in the preceding clauses (i) or (ii), (iv) person of which a majority of the voting interests is owned by any one or more of the persons referred to in the preceding clauses (i), (ii) or (iii), (v) person who owns 15% or more of the common stock of any Member, or (vi) person who is an officer, director, trustee, employee, stockholder (15% or more) or partner of any person referred to in the preceding clauses (ii), (iii), (iv) or (v).

“**Articles of Organization**” means documents filed under Section 7-16-8 of the Act for the purpose of forming the Company.

“**Company**” is defined in the Preamble.

“**Capital Contribution**” means any cash, property, services rendered or a promissory note or other binding obligation to contribute cash or property or to perform services which a Member contributes to the Company in such Member’s capacity as a Member.

“**Covered Act**” means any act or omission by an Indemnified Person in the Indemnified Person’s official capacity with the Company and while serving as such or while serving at the request of the Company as a member of the governing body, or as

a manager, officer, employee or agent of the Company or another person, including a person that is a subsidiary or an Affiliate of the Company (including any employee benefit plan associated with any of them).

“Effective Date” means, with respect to this Agreement, the date on which the Company’s existence as a limited liability company begins, as prescribed by the Act and the Articles of Organization.

“including,” together with the correlative **“include,”** shall mean including without limitation unless the context clearly indicates to the contrary.

“Indemnified Expense” means any expenses incurred by an Indemnified Person in connection with the defense against any claim made against the Indemnified Person for Covered Acts including legal, accounting, or investigative fees and expenses or bonds necessary to pursue an appeal of an adverse judgment.

“Indemnified Loss” means any amount which an Indemnified Person is legally obligated to pay for any claim made against the Indemnified Person for Covered Acts including damages, settlements, fines, penalties or, with respect to employee benefit plans, excise taxes.

“Indemnified Person” means the officers and managers of the Company, if any, and any Member or other person who exercises any powers normally vested in an officer or manager.

“Manager” means any person appointed by the Member or the Members holding a majority of the Membership Interests in the Company to manage the affairs of the Company according to the provisions contained in Section 9.

“Member” or **“Members”** means the members as shown on Schedule A, and any additional member admitted as a member of the Company pursuant to the terms hereof.

“Membership Interest” means the Member’s rights in the Company as a member, collectively, including the Member’s share of the profits and losses of the Company, the right to receive distributions of the Company’s assets, and any right to vote or participate in management of the Company as shown on Schedule A.

“person” means a natural person, partnership (whether general or limited and whether domestic or foreign), limited liability company, foreign limited liability company, trust, estate, corporation, non-business corporation or other association.

“proceeding” means any threatened, pending or completed action or suit, whether civil, criminal, administrative or investigative.

2. Name. The name of the limited liability company is KAR Little Box, LLC.

3. Purpose. The purpose of the Company is to engage in any business permitted under the Act which the Member or Members shall deem desirable or expedient for the protection or benefit of the Company and the protection of its assets.

4. Business Address. The business address of the Company shall be as follows:

7 Creek Lane
Bristol, RI 02809

The business address of the Company may be changed at any time and the Company may maintain such additional offices at such other places as is deemed necessary.

5. Resident Agent and Resident Office. The Company's resident agent and resident office in the State of Rhode Island is HASLAW, Inc., 50 Kennedy Plaza, Suite 1500, Providence, Rhode Island 02903. The Company may change its resident agent or resident office at any time in accordance with the Act.

6. Tax Treatment. The Company shall be disregarded as an entity separate from its Member for federal income tax purposes.

7. Powers of the Company.

7.1 General Powers of the Company. Subject to the terms hereof and to applicable law, the Company is authorized to perform all acts necessary, convenient or incidental to the effectuation of its purposes.

7.2 Merger; Consolidation. The Company may merge with, or consolidate into, another limited liability company, limited partnership or corporation upon the execution of a written instrument, dated and signed by the Members holding a majority of the Membership Interests in the Company, and maintained in the records of the Company.

8. Member/Members.

8.1 Member. The name and mailing address of the initial Member is as follows:

Kimberly Ciociola
7 Creek Lane
Bristol, RI 02809

The initial Member may change his mailing address at any time and from time to time.

8.2 Admission of Additional Members. The Member may admit any additional Members as the Member deems necessary provided any such additional Members consent in writing to be bound by the terms of this Agreement.

9. Management.

9.1 Management by Member.

(a) The Company shall be managed by its Member. The Member shall have the power and authority and be subject to all duties and liabilities with respect to the business and affairs of the Company that managers have under the Act. Notwithstanding the foregoing, the Company may be converted to a manager-managed limited liability company upon the consent of the Members holding a majority of the Membership Interests in the Company. Without limiting the generality of any of the above, the Member, or any Manager, is specifically authorized to perform the following:

(i) to appoint officers, with or without such titles as it may elect, to act on behalf of the Company with such power and authority as the Member or Manager may delegate in writing to any such person(s);

(ii) to bring and defend on behalf of the Company actions and proceedings at law or in equity before any court or governmental, administrative or other regulatory agency, body or commission or otherwise;

(iii) to execute any and all documents or instruments, perform all duties and powers and do all things for and on behalf of the Company in all matters necessary, desirable, convenient or incidental to the purpose of the Company, including all documents, agreements, certifications and instruments relating to the making of investments of Company funds or in connection with the protection and preservation of the Company's assets; and

(iv) to engage in any kind of activity and perform and carry out contracts of any kind necessary to, or in connection with, or incidental to the accomplishment of the purposes of the Company, as may be lawfully carried on or performed by a limited liability company under the laws of the State of Rhode Island and in each state in which the Company is then formed, has qualified or is doing business.

(b) Each Member or any Manager is an agent of the Company for the purpose of its business and affairs, and the act of such Members or Manager, including the execution in the Company's name of any instrument for apparently carrying on in the usual way the business and affairs of the Company, binds the Company unless such act is in contravention of the Articles of Organization or the Act.

10. Capital Contribution.

10.1 Initial Capital Contribution. The initial capital contributions of each Member are shown on Schedule A.

10.2 Additional Capital Contributions. No Member is required to make any additional capital contribution to the Company.

11. Capital Account.

11.1 General Maintenance. The Company will establish and maintain a capital account for each Member. Such Member's capital account will be:

(a) increased by (i) the amount of any money the Member contributes to the Company's capital (but not including any loans from the Member to the Company), (ii) the fair market value of any property the Member contributes to the Company's capital, net of any liabilities the Company assumes or to which the property is subject, and (iii) the Member's share of profits and any separately stated items of income or gain; and

(b) decreased by (i) the amount of any money the Company distributes to the Member (but not including any loans from the Company to the Member), (ii) the fair market value of any property the Company distributes to the Member, net of any liabilities the Member assumes or to which the property is subject, and (iii) the Member's share of Indemnified Losses and any separately stated items of deduction or loss.

11.2 Adjustments for Distributions in Kind. If at any time the Company distributes property in kind, it will adjust the Member's capital account to account for any profit or Indemnified Loss the Company would have realized had it sold the property at fair market value and distributed the sale proceeds.

12. Limitation on Liability. Notwithstanding anything herein to the contrary, and except as specifically required by the Act, the debts, obligations and liabilities of the Company, whether arising in contract, tort or otherwise, shall be solely the debts, obligations and liabilities of the Company, and no Member, Manager or officer of the Company shall be obligated personally for any such debt, obligation or liability of the Company solely by reason of being a Member or acting as a Manager or an officer.

13. Distributions. Distributions shall be made to each Member at the times and in the amounts determined by the Members or any Manager.

14. Transfers; Assignments. No Member may sell, exchange, pledge or otherwise transfer or assign, in whole or in part, its economic, voting and/or Membership Interest in the Company.

15. Allocation of Profits and Losses. The Company's profits and losses shall be allocated to each Member according to the Member's Membership Interests as they appear on Schedule A.

16. Dissolution. The Company shall dissolve, and its affairs shall be wound up, upon the first to occur of the following: (a) at the time specified in the Articles of Organization; (b) the written consent of the Members holding a majority of the Membership Interests in the Company; or (c) the entry of a decree of judicial dissolution under Section 6-18-802 of the Act. Unless otherwise required by the Act, no other event shall cause the dissolution of the Company.

16.1 Upon dissolution of the Company, any and all assets and property of the Company, real and personal, tangible and intangible whether located within or outside the State of Rhode Island shall be distributed to each Member in accordance with such Member's respective Membership Interest in the Company as indicated on Schedule A.

17. Indemnification

17.1 Indemnification.

(a) Each Person who was or is made a party or is threatened to be made a party to or is otherwise involved (including, without limitation, as a witness) in any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such Person is or was a Member or Manager of the Company or is or was serving at the request of the Company as a manager, director, officer, employee or agent of another limited liability company, corporation, partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan (an "Indemnitee") shall be indemnified and held harmless by the Company to the fullest extent authorized by the Act, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Company to provide broader indemnification rights than such law permitted the Company to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such Indemnitee in connection therewith; provided, however, that, except as provided in Section 17.1(c) with respect to proceedings to enforce rights to indemnification or as otherwise required by law, the Company shall not be required to indemnify or advance expenses to any such Indemnitee in connection with a proceeding (or part thereof) initiated by such Indemnitee unless such proceeding (or part thereof) was authorized by the Members or the Manager.

(b) The right to indemnification conferred in Section 17.1(a) shall include the right to be paid by the Company the expenses (including attorneys' fees) incurred in defending any such proceeding in advance of its final disposition; provided, however, that, if the Act requires, an advancement of expenses incurred by an Indemnitee

in his capacity as a Member or Manager (and not in any other capacity in which service was or is rendered by such Indemnitee, including without limitation, service to an employee benefit plan) shall be made only upon the delivery to the Company of an undertaking, by or on behalf of such Indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decisions from which there is no further right to appeal that such Indemnitee is not entitled to indemnification for such expenses under this Section 17.1(b) or otherwise. The rights to indemnification and to advancement of expenses conferred in Section 17.1(a) and this Section 17.1(b) shall continue as to an Indemnitee who has ceased to be a Member, Manager, employee or agent and shall inure to the benefit of the Indemnitee's heirs, executors and administrators. Any repeal or modification of any of the provisions of this Section 17.1 shall not adversely affect any right of protection of an Indemnitee existing at the time of such repeal or modification.

(c) If a claim under Section 17.1(a) or Section 17.1(b) is not paid in full by the Company within sixty (60) days after a written claim has been received by the Company, except in the case of a claim for an advancement of expense, in which case the applicable period shall be twenty (20) days, the Indemnitee may at any time thereafter bring suit against the Company to recover the unpaid amount of the claim. If successful in whole or in part in any such suit, the Indemnitee shall also be entitled to be paid the expenses of prosecuting such suit. In (i) any suit brought by the Indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the Indemnitee to enforce a right to an advancement of expenses) it shall be a defense that, and (ii) in any suit brought by the Company to recover an advancement of expenses pursuant to the terms of an undertaking, the Company shall be entitled to recover such expenses upon a final adjudication that, the Indemnitee has not met any applicable standard for indemnification set forth in the Act. Neither the failure of the Company (including its independent legal counsel or its Members or Manager) to have made a determination prior to the commencement of such suit that indemnification of the Indemnitee is proper in the circumstances because the Indemnitee has met the applicable standard of conduct set forth in the Act, nor an actual determination by the Company (including its independent legal counsel, or its Members or Managers) that the Indemnitee has not met the applicable standard of conduct, shall create a presumption that the Indemnitee has not met the applicable standard or conduct, or in the case of such a suit brought by the Indemnitee, be a defense to such suit. In any suit brought by the Indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder, or brought by the Company to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the Indemnitee is not entitled to be indemnified, or to such advancement of expenses, under this Section 11.02 or otherwise shall be on the Company.

(d) The rights to indemnification and to the advancement of expenses conferred in this Section 17.1 shall not be exclusive of any other right which any Person may have or hereafter acquire under any statute or agreement or any vote of the Members.

(e) The Company may maintain insurance, at its expense, to protect

itself, and any Member, Manager, employee or agent of the Company or another limited liability company, corporation, partnership, joint venture, trust or other enterprise, against any expense, liability or loss, whether or not the Company would have the power to indemnify such Person against such expense, liability or loss under the Act.

(f) The Company may, to the extent authorized by the Members, grant rights to indemnification and to the advancement of expenses to any Manager, employee or agent of the Company to the fullest extent of the provisions of this Section 17.1 with respect to the indemnification and advancement of expenses of Members or the Manager of the Company.

17.2 Successors and Assigns. This Section 17 will be (a) binding upon all successors and assigns of the Company (including any transferee of all or substantially all of its assets) and (b) binding on and inure to the benefit of the heirs, executors, administrators, and other personal representatives of the Indemnified Person. If the Company sells or otherwise transfers all or substantially all of its assets to a third party, the Company will, as a condition of such sale or other transfer, require such third party to assume and perform the obligations of the Company under this Section 17.

17.3 Amendment. No amendment of this Section 17 will be effective as to an Indemnified Person without such Indemnified Person's written consent.

18. Fiduciary Duties; Competing Activities; Interested Transactions.

18.1 Standard of Care.

(a) Exculpation. No Member or any Manager will be liable to the Company or any Member for an act or omission done in good faith to promote the Company's best interests, unless the act or omission constitutes a knowing violation of law.

(b) Justifiable Reliance. Any Member or Manager may rely on the Company's records maintained in good faith and on information, opinions, reports or statements received from any person pertaining to matters which any such Member or Manager reasonably believes to be within the person's expertise or competence.

18.2 Competing Activities. Any Member, Manager or Affiliate may participate in any business or activity, including those that do or may compete with the Company directly or indirectly, without accountability to any person, including to the Company or any Member, and including any accountability for any profit, benefit or compensation received in connection with such actions or relationships, none of which shall be void or voidable by reason of such relationship. It is recognized that any Member and/or the Manager may be engaged in the same or similar businesses as the Company, whether independently or with others, and that neither the continuation and/or development of such business opportunities, nor the failure to disclose any information relating thereto, will give rise to a cause of action or claim against any such competing

Member, Manager or business, for any of the profits thereof, and neither the Company nor any Member shall have any rights with respect to such other business.

18.3 Interested Transactions.

(a) Employment, etc. Any Member, Manager or Affiliate may act as attorney for, deal and contract with and be employed by, and enter into a business transaction with, the Company, and any Member, Manager or Affiliate may be in any manner interested in or connected with any corporation, association or business in which the Company is directly or indirectly interested, all in the same manner and with the same freedom as though not a Member or Manager and without accountability for any profit, benefit or compensation received in connection with such actions or relationships, none of which shall be void or voidable by reason of such relationship.

(b) Loans by Members. Any Member may make loans or lend money to the Company or advance monies on its behalf, which loans or advances shall be repayable on such terms and conditions as shall be agreed upon.

19. Records. The Company shall keep at its principal place of business in Cranston, Rhode Island and shall permit any Member to inspect and copy at such Member's own expense, upon reasonable request, during ordinary business hours, the records required by the Act and such other records as are pertinent to the Company's business operations.

20. Amendments. Except as otherwise provided in Section 17.3, no amendment shall be effective without the written consent of the Members holding a majority of the Membership Interests in the Company.

21. Headings. Headings and paragraph and section titles are for convenience only and have no significance in the interpretation of this Agreement.

22. Governing Law. This Agreement shall be governed by, and construed under, the laws of the State of Rhode Island, without regard to the rules of conflict of laws thereof.

IN WITNESS WHEREOF, the undersigned has duly executed this Agreement as of the day and year first written above.

SOLE MEMBER:


Kimberly Ciociola

Schedule A

Member Name, Address and Capital Contribution

<u>Member Name</u>	<u>Capital Contribution</u>	<u>Percentage Interest</u>
Kimberly Ciociola		100%

Exhibit F

Financial Statements

(see attached)

Exhibit F

Financial Statements

(see attached)

Silver Creek Manor, Inc.

Financial Statements And Supplementary Schedules

December 31, 2011 and 2010

With Independent Accountants' Review Report

SILVER CREEK MANOR, INC.

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Accountants' Review Report	1
Balance Sheets	2
Statements of Income and Retained Earnings	3
Statements of Cash Flows	4
Notes to Financial Statements	5 - 8
SUPPLEMENTARY SCHEDULES	
Schedules of Operating Expenses	9 - 10
Comments on Operations	11



Gerald Romano, President
Silver Creek Manor, Inc.
Bristol, Rhode Island

Independent Accountants' Review Report

We have reviewed the accompanying balance sheets of Silver Creek Manor, Inc. as of December 31, 2011 and 2010, and the related statements of income and retained earnings and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Our review was made for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The information included in the accompanying supplementary schedules is presented only for purposes of additional analysis and has been subjected to the inquiry and analytical procedures applied in the reviews of the basic financial statements, and we are not aware of any material modifications that should be made thereto.

March 12, 2012

**SILVER CREEK MANOR, INC.
BALANCE SHEETS**

	<u>DECEMBER 31, 2011</u>	<u>DECEMBER 31, 2010</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 768,668	\$ 541,360
Accounts Receivable, Net	930,985	1,094,267
Prepaid Expenses and Other Current Assets	<u>24,989</u>	<u>18,464</u>
Total Current Assets	1,724,642	1,654,091
 PROPERTY AND EQUIPMENT, Net	 1,462,906	 1,272,220
 OTHER ASSETS	 <u>10,763</u>	 <u>14,149</u>
 Total Assets	 \$ <u>3,198,311</u>	 \$ <u>2,940,460</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable	\$ 225,357	\$ 228,514
Accrued Expenses and Other Current Liabilities	137,455	147,408
Accrued Payroll and Payroll Taxes Payable	271,094	255,740
Estimated Settlement Due to Third-Party Payors	0	39,833
Current Maturities of Long-Term Debt	66,362	60,142
Obligation Under Capital Lease	<u>3,090</u>	<u>2,765</u>
Total Current Liabilities	703,358	734,402
 LONG-TERM DEBT	 1,098,653	 1,165,409
OBLIGATION UNDER CAPITAL LEASE	<u>10,332</u>	<u>13,178</u>
Total Liabilities	<u>1,812,343</u>	<u>1,912,989</u>
STOCKHOLDERS' EQUITY		
Capital Stock - Common, No Par Value; 2,000 Shares Authorized, 100 Shares Issued and Outstanding	100	100
Retained Earnings	<u>1,385,868</u>	<u>1,027,371</u>
Total Stockholders' Equity	<u>1,385,968</u>	<u>1,027,471</u>
Total Liabilities and Stockholders' Equity	\$ <u>3,198,311</u>	\$ <u>2,940,460</u>

See Accompanying Notes Accountants' Report.

SILVER CREEK MANOR, INC.
STATEMENTS OF INCOME AND RETAINED EARNINGS

	DECEMBER 31, 2011	YEARS ENDED PER DIEM AVERAGES	DECEMBER 31, 2010	PER DIEM AVERAGES
OPERATING INCOME				
Private	\$ 1,443,663		\$ 1,657,463	
Medicaid	5,436,591		4,367,577	
Medicare Part A	1,335,794		1,475,309	
Other Third Party Payors	1,549,202		2,037,402	
Ancillary Revenue	305,568		211,665	
Total Operating Income	<u>10,070,818</u>	\$ <u>235.68</u>	<u>9,749,416</u>	\$ <u>233.77</u>
OPERATING EXPENSES				
Administrative and General	2,652,245	62.06	2,470,360	59.23
Property Related Expenses	283,034	6.63	261,944	6.29
Plant Operations and Maintenance	351,044	8.20	355,629	8.53
Housekeeping Expenses	300,438	7.03	291,188	6.98
Dietary Expenses	781,024	18.28	775,157	18.58
Patient Activities	129,256	3.03	121,876	2.92
Laundry and Linen	96,260	2.25	105,815	2.54
Nursing and Ancillary	4,192,317	98.12	4,181,658	100.27
Other Special Services	74,493	1.75	70,924	1.70
Health Care Provider Assessment	555,977	13.01	530,711	12.73
Total Operating Expenses	<u>9,416,088</u>	<u>220.36</u>	<u>9,165,262</u>	<u>219.77</u>
INCOME FROM OPERATIONS	<u>654,730</u>	<u>15.32</u>	<u>584,154</u>	<u>14.00</u>
OTHER INCOME (EXPENSE)				
Interest Income	2,060	.05	3,197	.08
Miscellaneous Income	26,641	.62	30,055	.72
Loss on Disposal of Fixed Asset	0	.00	(2,409)	(.06)
Prior Period Settlement	(27,754)	(.65)	(14,648)	(.35)
Total Other Income	<u>947</u>	<u>.02</u>	<u>16,195</u>	<u>.39</u>
NET INCOME	655,677	\$ <u>15.34</u>	600,349	\$ <u>14.39</u>
RETAINED EARNINGS - BEGINNING OF YEAR	1,027,371		554,017	
DISTRIBUTIONS	<u>(297,180)</u>		<u>(126,995)</u>	
RETAINED EARNINGS - END OF YEAR	\$ <u>1,385,868</u>		\$ <u>1,027,371</u>	

See Accompanying Notes Accountants' Report.

**SILVER CREEK MANOR, INC.
STATEMENTS OF CASH FLOWS**

	YEARS ENDED	
	DECEMBER 31, 2011	DECEMBER 31, 2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 655,677	\$ 600,349
Items Which Do Not Affect Cash:		
Depreciation and Amortization	135,249	110,168
Loss on Disposal of Property and Equipment	0	2,409
Bad Debt Expense	42,207	36,674
(Increase) Decrease in Operating Assets:		
Accounts Receivable	121,075	(101,998)
Prepaid Expenses and Other Current Assets	(6,525)	7,861
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(3,157)	(118)
Accrued Expenses and Other Current Liabilities	(9,953)	(31,518)
Accrued Payroll and Payroll Taxes Payable	15,354	27,675
Estimated Settlement Due to Third-Party Payors	(39,833)	(297)
Net Cash Provided From Operating Activities	910,094	651,205
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Property and Equipment	(322,549)	(232,310)
CASH FLOWS FROM FINANCING ACTIVITIES		
Stockholders' Distributions	(297,180)	(126,995)
Payments on Long-Term Debt	(60,536)	(55,806)
Payments on Obligation Under Capital Lease	(2,521)	(3,575)
Net Cash Used By Financing Activities	(360,237)	(186,376)
INCREASE IN CASH	227,308	232,519
CASH - BEGINNING OF YEAR	541,360	308,841
CASH - END OF YEAR	\$ 768,668	\$ 541,360

See Accompanying Notes Accountants' Report.

SILVER CREEK MANOR, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 2011 AND 2010

NOTE 1 – NATURE OF BUSINESS

Silver Creek Manor, Inc. is a 128-bed nursing home operating in Bristol, Rhode Island. The home is licensed by the Rhode Island Department of Health and participates in the Medicare and Medicaid Programs.

NOTE 2 – RECENT ACCOUNTING DEVELOPMENTS

During the year ended December 31, 2011 there were several new Accounting Standard Updates (ASU) issued by the Financial Accounting Standards Board. Management does not expect that the adoption of any recently issued accounting pronouncements to have a significant impact on the Company's financial position, results of operations or cash flows. The Company will monitor these emerging issues to assess any future impact on its financial statements.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

USE OF ESTIMATES

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

CASH AND CASH EQUIVALENTS

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

ACCOUNTS RECEIVABLE

Accounts receivable are carried at cost, less an allowance for doubtful accounts of \$104,841 and \$59,649 at December 31, 2011 and 2010, respectively. On a periodic basis, the Company evaluates its accounts receivable and adjusts the allowance for doubtful accounts, based on a history of past write-offs and collections and current credit conditions. Accounts are written off based on management's evaluation of the collectability of each account resulting from collection efforts.

PROPERTY, EQUIPMENT AND DEPRECIATION

Property and equipment are recorded at cost. Depreciation is calculated on the straight-line and accelerated methods over the expected useful lives of the assets.

IMPAIRMENT OF LONG LIVED ASSETS

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 12, 2012, the date the financial statements are available to be issued.

SILVER CREEK MANOR, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 2011 AND 2010

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NET PATIENT SERVICE REVENUE

Net patient service revenue is reported at the estimated net realizable amounts from patients, Medicaid, Medicare and other third-party payors for services rendered. Revenue under the Medicaid program is subject to audit and adjustments to rates are applied on a prospective basis. Revenue from the Medicare and Medicaid programs accounted for 13.3% and 54.0%, respectively, of the facility's net patient revenue for the years then ended December 31, 2011.

Certain regulations under third-party reimbursement provisions may allow for a retroactive reimbursement or payment which is recorded as an estimated third-party settlement in the period earned or incurred. Differences between estimated amounts accrued and actual settlements are reported as a settlement adjustment in the year the final settlement is received or paid.

INCOME TAXES

Silver Creek Manor, Inc. has elected to be taxed as an S Corporation under the provisions of the Internal Revenue Code. Under these provisions, the Company is not required to pay federal and state corporate income taxes on its taxable income. Instead, the stockholders are liable for individual federal and state income taxes on their respective shares of the Corporation's taxable income. The Company is subject to federal and state examinations by taxing authorities for the tax years from 2008 through 2010.

The Company has adopted the guidance in ASC 740, *Income Taxes*, relating to uncertain tax positions. This guidance prescribes a two step process for the measurement of uncertain tax positions that have been taken or are expected to be taken on a tax return. The first step is a determination of whether the tax position should be recognized in the financial statements. The second step determines the measurement of the tax position. ASC 740 also provides guidance on de-recognition of such tax positions, classification, potential interest and penalties, and disclosure. No uncertain tax positions within the scope of ASC 740 exist as of December 31, 2011 and 2010.

The Company reports tax related interest and penalties, if any, as a component of income tax expense.

NOTE 4 - PROPERTY AND EQUIPMENT

The following is a summary of property and equipment - at cost, less accumulated depreciation at December 31:

	2011	2010
Land	\$ 57,000	\$ 57,000
Land Improvements	60,670	60,670
Building	765,450	765,450
Building Improvements	1,687,741	1,472,102
Department Equipment	555,193	449,746
Office Furniture	423,162	421,699
Motor Vehicles	36,962	36,962
Equipment Held Under Capital Lease	23,153	23,153
	<u>3,609,331</u>	<u>3,286,782</u>
Less: Accumulated Depreciation	2,146,425	2,014,562
	<u>\$ 1,462,906</u>	<u>\$ 1,272,220</u>

SILVER CREEK MANOR, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 2011 AND 2010

NOTE 4 - PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation expense charged to operations was \$131,863 and \$106,772 for the years ended December 31, 2011 and 2010, respectively

NOTE 5 - LINE OF CREDIT

The Company has a line of credit with a borrowing line of \$200,000. The line of credit is collateralized by the land and building at 7 Creek Lane, Bristol, Rhode Island, a security interest in all corporate assets and the personal guarantee of the stockholders. The line bears interest at 1.0% over the Wall Street Journal Prime Rate. The amount available on the line of credit at December 31, 2011 was \$200,000.

NOTE 6 - LONG-TERM DEBT

The following is a summary of long-term debt at December 31:

	2011	2010
Mortgage payable to bank; secured by land, building and equipment located at 7 Creek Lane, Bristol, Rhode Island, a security interest in all corporate assets and the personal guarantee of the stockholders; payable in monthly installments of \$6,528, including principal and interest at 5.00%, due August, 2014.	\$ 734,019	\$ 772,130
Mortgage payable to bank; secured by land, building and equipment located at 7 Creek Lane, Bristol, Rhode Island, a security interest in all corporate assets and the personal guarantee of the stockholders; payable in monthly installments of \$3,182, including principal and interest at 3.78%; due September, 2016.	429,567	446,274
Note payable to bank; secured by vehicle; payable in monthly principal installments of \$476 plus interest at 7.27%; due March, 2012.	1,429	7,147
	1,165,015	1,225,551
Less: Current Maturities of Long-Term Debt	66,362	60,142
Total Long-Term Portion	\$ 1,098,653	\$ 1,165,409

The loan agreements with the bank contain various covenants pertaining to the maintenance of debt service coverage and debt to equity ratios.

The following are maturities of long-term debt for each of the next five years and in the aggregate:

DECEMBER 31.	AMOUNT
2012	\$ 66,362
2013	67,971
2014	670,702
2015	25,002
2016	334,978
	\$ 1,165,015

SILVER CREEK MANOR, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 2011 AND 2010

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The Company incurred and paid interest costs of \$75,001 and \$84,067 for the years ended December 31, 2011 and 2010, respectively.

NOTE 7 - PENSION PLAN

The Company has a 401(k) pension plan. Pension expense charged to operations totaled \$85,458 and \$59,517 for the years ended December 31, 2011 and 2010, respectively.

NOTE 8 - CONCENTRATIONS OF CREDIT RISK

CASH DEPOSITS

The Company maintains cash balances at a federally insured financial institution. The Company's credit risk with respect to such balance is all amounts on deposit in excess of federally insured limits.

ACCOUNTS RECEIVABLE

The mix of receivables from patients and third-party payors is as follows at December 31:

	<u>2011</u>	<u>2010</u>
Private	11%	19%
Medicaid	53%	40%
Medicare	14%	18%
Other	22%	23%

NOTE 9 – SUPPLEMENTAL DISCLOSURES TO STATEMENTS OF CASH FLOWS – NON CASH INVESTING AND FINANCING ACTIVITIES

During 2010, the Company financed the acquisition of a copier in the amount of \$17,000.

SILVER CREEK MANOR, INC.
SCHEDULES OF OPERATING EXPENSES

	DECEMBER 31, 2011	YEARS ENDED PER DIEM AVERAGES	DECEMBER 31, 2010	PER DIEM AVERAGES
ADMINISTRATIVE AND GENERAL				
Salaries - Administrative	\$ 444,416	\$ 10.40	\$ 445,189	\$ 10.67
Office Supplies	33,919	.79	32,123	.77
Communications	18,288	.43	14,382	.34
Advertising and Public Relations	7,986	.19	6,916	.17
Advertising - Help Wanted	8,327	.19	6,649	.16
Licenses and Dues	14,677	.34	16,647	.40
Professional Services	86,571	2.03	67,018	1.61
Payroll Taxes	410,183	9.60	391,900	9.40
Health Insurance	1,272,937	29.79	1,168,721	28.02
Insurance - General	91,498	2.14	85,171	2.04
Insurance - Workers' Compensation	93,617	2.19	101,204	2.43
Miscellaneous Expense	11,961	.28	12,675	.30
Bad Debt Expense	42,207	.99	36,674	.88
Travel Expense	11,979	.28	7,517	.18
Employee Fringe Benefits	97,069	2.27	72,285	1.73
Conventions and Meetings	6,610	.15	5,289	.13
Total Administrative and General Expenses	<u>2,652,245</u>	<u>62.06</u>	<u>2,470,360</u>	<u>59.23</u>
PROPERTY RELATED EXPENSES				
Property Taxes	36,317	.85	36,154	.87
Interest Expense	75,001	1.76	84,067	2.02
Lease of Equipment	36,467	.85	31,555	.76
Amortization Expense	3,386	.08	3,396	.08
Depreciation Expense	131,863	3.09	106,772	2.56
Total Property Related Expenses	<u>283,034</u>	<u>6.63</u>	<u>261,944</u>	<u>6.29</u>
PLANT OPERATIONS AND MAINTENANCE				
Salaries	87,769	2.05	84,482	2.03
Gas	23,169	.54	25,582	.61
Electric	75,420	1.76	85,035	2.04
Water and Sewerage	52,762	1.23	52,276	1.25
Purchased Services	84,770	1.98	82,935	1.99
Supplies and Other Expenses	27,154	.64	25,319	.61
Total Plant Operations and Maintenance Expenses	<u>351,044</u>	<u>8.20</u>	<u>355,629</u>	<u>8.53</u>
HOUSEKEEPING EXPENSES				
Salaries	243,600	5.70	224,164	5.37
Supplies	56,838	1.33	67,024	1.61
Total Housekeeping Expenses	<u>300,438</u>	<u>7.03</u>	<u>291,188</u>	<u>6.98</u>

See Accountants' Report.

**SILVER CREEK MANOR, INC.
SCHEDULES OF OPERATING EXPENSES**

	YEARS ENDED			
	DECEMBER 31, 2011	PER DIEM AVERAGES	DECEMBER 31, 2010	PER DIEM AVERAGES
DIETARY EXPENSES				
Salaries	367,567	8.60	381,584	9.15
Food	340,327	7.96	345,066	8.27
Dietician	17,316	.41	0	.00
Supplies and Other Expenses	55,814	1.31	48,507	1.16
Total Dietary Expenses	<u>781,024</u>	<u>18.28</u>	<u>775,157</u>	<u>18.58</u>
PATIENT ACTIVITIES				
Salaries	120,759	2.83	120,298	2.88
Other Expenses	8,497	.20	1,578	.04
Total Patient Activities Expenses	<u>129,256</u>	<u>3.03</u>	<u>121,876</u>	<u>2.92</u>
LAUNDRY AND LINEN				
Salaries	74,362	1.74	76,303	1.83
Linen and Bedding	7,369	.17	9,451	.23
Supplies and Other Expenses	14,529	.34	20,061	.48
Total Laundry and Linen Expenses	<u>96,260</u>	<u>2.25</u>	<u>105,815</u>	<u>2.54</u>
NURSING AND ANCILLARY SALARIES				
Registered Nurses and Licensed Practical Nurses	1,363,960	31.92	1,317,989	31.60
Other Nursing Personnel	1,728,685	40.46	1,727,025	41.41
Total Salaries	<u>3,092,645</u>	<u>72.38</u>	<u>3,045,014</u>	<u>73.01</u>
Supplies and Other Expenses	184,529	4.32	204,164	4.90
Salaries - Rehabilitative Services	0	.00	216	.01
Ancillary Purchased Services and Supplies	915,143	21.42	932,264	22.35
Total Nursing and Ancillary Expenses	<u>4,192,317</u>	<u>98.12</u>	<u>4,181,658</u>	<u>100.27</u>
OTHER SPECIAL SERVICES				
Physicians' Fees	11,813	.28	14,339	.34
Pharmacists' Fees	8,041	.19	7,936	.19
Salaries - Social Services	54,639	1.28	48,649	1.17
Total Special Services	<u>74,493</u>	<u>1.75</u>	<u>70,924</u>	<u>1.70</u>
HEALTH CARE PROVIDER ASSESSMENT				
	<u>555,977</u>	<u>13.01</u>	<u>530,711</u>	<u>12.73</u>
Total Operating Expenses	<u>\$ 9,416,088</u>	<u>\$ 220.36</u>	<u>\$ 9,165,262</u>	<u>\$ 219.77</u>

See Accountants' Report.

**SILVER CREEK MANOR, INC.
COMMENTS ON OPERATIONS**

COST CENTER	YEAR ENDED DECEMBER 31, 2011			DECEMBER 31, 2011	
	ACTUAL COST PER DAY	MEDICAID ADJUSTMENTS	ADJUSTED COST PER DAY	MEDICAID ASSIGNED PER DIEM	MEDICAID MAXIMUM PER DIEM
	Pass Through Expenses	\$ 5.30	\$ (.01)	\$ 5.29	\$ 5.45
Fair Rental Value	5.77	(.74)	5.03	12.68	N/A
Direct Labor Expenses	151.46	(14.88)	136.58	131.84	144.47
Other Operating Expenses	44.82	(10.68)	34.14	36.07	38.21
	<u>207.35</u>	<u>(26.31)</u>	<u>181.04</u>	<u>186.04</u>	
Acuity Adjustor				(.91)	
Health Care Provider Assessment	13.01	.00	13.01	10.77	
	<u>\$ 220.36</u>	<u>\$ (26.31)</u>	<u>\$ 194.05</u>	<u>\$ 195.90</u>	

Medicaid adjustments include amounts reimbursed by other programs and estimates of unallowable Medicaid costs.

OCCUPANCY DATA	YEARS ENDED	
	DECEMBER 31, 2011	DECEMBER 31, 2010
Bed Days Available	46,720	46,720
Bed Days Provided	42,731	41,706
Unoccupied Beds	3,989	5,014
Occupancy Percentage	91.5%	89.3%

PATIENT MIX DATA	YEARS ENDED			
	DECEMBER 31, 2011		DECEMBER 31, 2010	
	BED DAYS	PERCENT TO TOTAL	BED DAYS	PERCENT TO TOTAL
Private	6,297	14.7	7,803	18.7
Medicaid	27,786	65.1	22,514	54.0
Federal Medicare	2,645	6.2	3,190	7.6
Other	6,003	14.0	8,199	19.7
	<u>42,731</u>	<u>100.0</u>	<u>41,706</u>	<u>100.0</u>

See Accountants' Report.

Silver Creek Manor, Inc.

Financial Statements And Supplementary Schedules

December 31, 2010 and 2009

With Independent Accountants' Review Report

SILVER CREEK MANOR, INC.

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Accountants' Review Report	1
Balance Sheets	2
Statements of Income and Retained Earnings	3
Statements of Cash Flows	4
Notes to Financial Statements	5 - 8
SUPPLEMENTARY SCHEDULES	
Schedules of Operating Expenses	9 - 10
Comments on Operations	11



Certified Public Accountants and Business Advisors | 50 Holden Street, Providence, RI 02908 | 401-272-5600 | 401-272-0952 (fax) | www.SullivanCPA.com

Gerald Romano, President
Silver Creek Manor, Inc.
Bristol, Rhode Island

Independent Accountants' Review Report

We have reviewed the accompanying balance sheets of Silver Creek Manor, Inc. as of December 31, 2010 and 2009, and the related statements of income and retained earnings and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Our review was made for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The information included in the accompanying supplementary schedules is presented only for purposes of additional analysis and has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we are not aware of any material modifications that should be made thereto.

Sullivan & Company CPAs LLP

March 23, 2011

**SILVER CREEK MANOR, INC.
BALANCE SHEETS**

	DECEMBER 31, 2010	DECEMBER 31, 2009
ASSETS		
CURRENT ASSETS		
Cash	\$ 541,360	\$ 308,841
Accounts Receivable, Net	1,094,267	1,028,943
Prepaid Expenses and Other Current Assets	18,464	26,325
Total Current Assets	1,654,091	1,364,109
PROPERTY AND EQUIPMENT, Net	1,272,220	1,139,111
NONCURRENT ASSETS		
Other Assets	14,149	17,545
Total Noncurrent Assets	14,149	17,545
Total Assets	\$ 2,940,460	\$ 2,520,765
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable	\$ 228,514	\$ 228,632
Accrued Expenses and Other Current Liabilities	147,408	171,635
Accrued Payroll and Payroll Taxes Payable	255,740	228,065
Estimated Settlement Due to Third-Party Payors	39,833	47,421
Current Maturities of Long-Term Debt	60,142	56,933
Obligation Under Capital Lease	2,765	3,399
Total Current Liabilities	734,402	736,085
LONG-TERM DEBT	1,165,409	1,224,424
OBLIGATION UNDER CAPITAL LEASE	13,178	6,139
Total Liabilities	1,912,989	1,966,648
STOCKHOLDERS' EQUITY		
Capital Stock - Common, No Par Value; 2,000 Shares Authorized, 100 Shares Issued and Outstanding	100	100
Retained Earnings	1,027,371	554,017
Total Stockholders' Equity	1,027,471	554,117
Total Liabilities and Stockholders' Equity	\$ 2,940,460	\$ 2,520,765

See Accompanying Notes and Accountants' Report.

SILVER CREEK MANOR, INC.
STATEMENTS OF INCOME AND RETAINED EARNINGS

	DECEMBER 31, 2010	YEARS ENDED PER DIEM AVERAGES	DECEMBER 31, 2009	PER DIEM AVERAGES
OPERATING INCOME				
Private	\$ 1,657,463		\$ 1,368,382	
Medicaid	4,367,577		4,261,530	
Medicare Part A	1,475,309		1,177,180	
Other Third Party Payors	2,037,402		2,276,531	
Ancillary Revenue	211,665		336,605	
Total Operating Income	9,749,416	\$ 233.77	9,420,228	\$ 224.07
OPERATING EXPENSES				
Administrative and General	2,470,360	59.23	2,443,183	58.14
Property Related Expenses	261,944	6.29	251,380	5.98
Plant Operations and Maintenance	355,629	8.53	393,229	9.35
Housekeeping Expenses	291,188	6.98	273,868	6.51
Dietary Expenses	775,157	18.58	792,866	18.86
Patient Activities	121,876	2.92	117,955	2.80
Laundry and Linen	105,815	2.54	99,997	2.38
Nursing and Ancillary	4,181,658	100.27	4,089,164	97.27
Other Special Services	70,924	1.70	67,739	1.61
Health Care Provider Assessment	530,711	12.73	519,543	12.36
Total Operating Expenses	9,165,262	219.77	9,048,924	215.26
INCOME FROM OPERATIONS	584,154	14.00	371,304	8.81
OTHER INCOME (EXPENSE)				
Interest Income	3,197	.08	751	.02
Miscellaneous Income	30,055	.72	26,894	.64
Prior Period Settlement	(14,648)	(.35)	(6,988)	(.17)
Loss on Disposal of Asset	(2,409)	(.06)	0	.00
Total Other Income	16,195	.39	20,657	.49
NET INCOME	600,349	\$ 14.39	391,961	\$ 9.30
RETAINED EARNINGS - BEGINNING OF YEAR	554,017		236,570	
DISTRIBUTIONS	(126,995)		(74,514)	
RETAINED EARNINGS - END OF YEAR	\$ 1,027,371		\$ 554,017	

See Accompanying Notes and Accountants' Report.

**SILVER CREEK MANOR, INC.
STATEMENTS OF CASH FLOWS**

	YEARS ENDED	
	DECEMBER 31, 2010	DECEMBER 31, 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 600,349	\$ 391,961
Items Which Do Not Affect Cash		
Depreciation and Amortization	110,168	93,802
Loss on Disposal of Property and Equipment	2,409	0
Bad Debt Expense	36,674	15,356
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(101,998)	53,433
Prepaid Expenses and Other Current Assets	7,861	10,386
Other Assets	0	5,483
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(118)	(38,801)
Accrued Expenses and Other Current Liabilities	(31,518)	38,761
Accrued Payroll and Payroll Taxes Payable	27,675	2,801
Estimated Settlement Due to Third-Party Payors	(297)	47,421
Net Cash Provided From Operating Activities	<u>651,205</u>	<u>620,603</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Property and Equipment	(232,310)	(202,002)
Decrease in Funds Set Aside for Property Renovations	0	61,546
Net Cash Used By Investing Activities	<u>(232,310)</u>	<u>(140,456)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Stockholders' Distributions	(126,995)	(74,514)
Payments on Line of Credit	0	(112,000)
Payments on Long-Term Debt	(55,806)	(50,552)
Payments on Obligation Under Capital Lease	(3,575)	(3,065)
Net Cash Used By Financing Activities	<u>(186,376)</u>	<u>(240,131)</u>
INCREASE IN CASH	232,519	240,016
CASH - BEGINNING OF YEAR	<u>308,841</u>	<u>68,825</u>
CASH - END OF YEAR	<u>\$ 541,360</u>	<u>\$ 308,841</u>

See Accompanying Notes and Accountants' Report.

SILVER CREEK MANOR, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE 1 – NATURE OF BUSINESS

Silver Creek Manor, Inc. is a 128-bed nursing home operating in Bristol, Rhode Island. The home is licensed by the Rhode Island Department of Health and participates in the Medicare and Medicaid Programs.

NOTE 2 – RECENT ACCOUNTING DEVELOPMENTS

PRESENTATION OF INSURANCE CLAIMS AND RELATED INSURANCE RECOVERIES

In August, 2010 the FASB issued ASU 2010-24, Health Care Entities (Topic 954) Presentation of Insurance Claims and Related Insurance Recoveries. ASU No. 2010-24 requires health care entities to present on the balance sheet the amount of the accrued liability for malpractice and similar claims and any related insurance recovery receivable on a gross basis; thus, offsetting one against the other is not permitted. ASU 2010-24 is effective for fiscal years beginning after December 15, 2010. Management is evaluating the effects of the new guidance on the Company's financial statements, but does not believe it will have a material effect.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

USE OF ESTIMATES

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

CASH AND CASH EQUIVALENTS

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

ACCOUNTS RECEIVABLE

Accounts receivable are carried at cost less an allowance for doubtful accounts of \$59,649 and \$21,676 at December 31, 2010 and 2009, respectively. On a periodic basis, the Company evaluates its accounts receivable and adjusts the allowance for doubtful accounts, based on a history of past write-offs and collections and current credit conditions. Accounts are written off based on management's evaluation of the collectability of each account resulting from collection efforts.

PROPERTY, EQUIPMENT AND DEPRECIATION

Property and equipment are recorded at cost. Depreciation is calculated on the straight-line and accelerated methods over the expected useful lives of the assets.

IMPAIRMENT OF LONG LIVED ASSETS

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 23, 2011.

SILVER CREEK MANOR, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NET PATIENT SERVICE REVENUE

Net patient service revenue is reported at the estimated net realizable amounts from patients, Medicaid, Medicare and other third-party payors for services rendered. Revenue under the Medicaid program is subject to audit and adjustments to rates are applied on a prospective basis. Revenue from the Medicare and Medicaid programs accounted for approximately 15% and 45%, respectively, of the facility's net patient revenue for the years ended December 31, 2010.

Certain regulations under third-party reimbursement provisions may allow for a retroactive reimbursement or payment which is recorded as an estimated third-party settlement in the period earned or incurred. Differences between estimated amounts accrued and actual settlements are reported as a settlement adjustment in the year the final settlement is received or paid.

INCOME TAXES

Silver Creek Manor, Inc. has elected to be taxed as an S Corporation under the provisions of the Internal Revenue Code. Under these provisions, the Company is not required to pay federal and state corporate income taxes on its taxable income. Instead, the stockholders are liable for individual federal and state income taxes on their respective shares of the Corporation's taxable income. The Company is subject to federal and state examinations by taxing authorities for the tax years from 2007 through 2009.

The Company has adopted the guidance in ASC 740, Income Taxes, relating to uncertain tax positions. This guidance prescribes a two step process for the measurement of uncertain tax positions that have been taken or are expected to be taken on a tax return. The first step is a determination of whether the tax position should be recognized in the financial statements. The second step determines the measurement of the tax position. ASC 740 also provides guidance on de-recognition of such tax positions, classification, potential interest and penalties, and disclosure. No uncertain tax positions within the scope of ASC 740 exist as of December 31 2010 and 2009.

The Company reports tax related interest and penalties, if any, as a component of income tax expense.

NOTE 4 - PROPERTY AND EQUIPMENT

The following is a summary of property and equipment - at cost, less accumulated depreciation at December 31:

	2010	2009
Land	\$ 57,000	\$ 57,000
Land Improvements	60,670	60,670
Building	765,450	765,450
Building Improvements	1,472,102	1,270,823
Department Equipment	449,746	426,306
Office Furniture	421,699	407,143
Motor Vehicles	36,962	36,962
Equipment Held Under Capital Lease	23,153	22,653
Construction in Progress	-	6,965
	<u>3,286,782</u>	<u>3,053,972</u>
Less: Accumulated Depreciation	2,014,562	1,914,861
	<u>\$ 1,272,220</u>	<u>\$ 1,139,111</u>

SILVER CREEK MANOR, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE 4 - PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation expense charged to operations was \$106,772 and \$90,411 for the years ended December 31, 2010 and 2009, respectively

NOTE 5 - LINE OF CREDIT

The Company has a line of credit with a borrowing line of \$200,000. The line of credit is collateralized by the land and building at 7 Creek Lane, Bristol, Rhode Island, a security interest in all corporate assets and the personal guarantee of the stockholders. The line bears interest at 1.0% over the Wall Street Journal Prime Rate. The amount available on the line of credit at December 31, 2010 was \$200,000.

NOTE 6 - LONG-TERM DEBT

The following is a summary of long-term debt at December 31:

	2010	2009
Mortgage payable to bank; secured by land, building and equipment located at 7 Creek Lane, Bristol, Rhode Island, a security interest in all corporate assets and the personal guarantee of the stockholders; payable in monthly installments of \$6,920, including principal and interest at 5.87%; the note is due August, 2014.	\$ 772,130	\$ 808,043
Note payable to bank; secured by vehicle; payable in monthly principal installments of \$476 plus interest at 7.27%; due March, 2012.	7,147	12,864
Mortgage payable to bank; secured by land, building and equipment located at 7 Creek Lane, Bristol, Rhode Island, a security interest in all corporate assets and the personal guarantee of the stockholders; payable in monthly installments of \$3,913, including principal and interest at 7.12% until September, 2011 at which time the payment will be adjusted; the note is due September, 2016.	446,274	460,450
	1,225,551	1,281,357
Less: Current Maturities of Long-Term Debt	60,142	56,933
	\$ 1,165,409	\$ 1,224,424

The loan agreements with the bank contain various covenants pertaining to the maintenance of debt service coverage and debt to equity ratios.

The following are maturities of long-term debt for each of the next five years and in the aggregate:

<u>DECEMBER 31,</u>	<u>AMOUNT</u>
2011	\$ 60,142
2012	59,344
2013	61,631
2014	668,154
2015	20,831
Thereafter	355,449
	\$ 1,225,551

SILVER CREEK MANOR, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The Company incurred and paid interest costs of \$84,067 and \$91,894 for the years ended December 31, 2010 and 2009, respectively.

NOTE 7 - PENSION PLAN

The Company has a 401(k) pension plan. Pension expense charged to operations totaled \$59,517 and \$91,275 for the years ended December 31, 2010 and 2009, respectively.

NOTE 8 - CONCENTRATIONS OF CREDIT RISK

CASH DEPOSITS

The Company maintains cash balances at a federally insured financial institution. The Company's credit risk with respect to such balance is all amounts on deposit in excess of federally insured limits.

ACCOUNTS RECEIVABLE

The mix of receivables from patients and third-party payors is as follows at December 31:

	<u>2010</u>	<u>2009</u>
Private	19%	10%
Medicaid	40%	30%
Medicare	18%	26%
Other	23%	34%

NOTE 9 – SUPPLEMENTAL DISCLOSURES TO STATEMENTS OF CASH FLOWS – NON CASH INVESTING AND FINANCING ACTIVITIES

During 2010, the Company financed the acquisition of a copier in the amount of \$17,000.

NOTE 10 - RESTATEMENT OF FINANCIAL STATEMENTS

Certain reclassifications have been made to the 2009 financial statements to conform to the 2010 presentation.

SILVER CREEK MANOR, INC.
SCHEDULES OF OPERATING EXPENSES

	YEARS ENDED			
	DECEMBER 31, 2010	PER DIEM AVERAGES	DECEMBER 31, 2009	PER DIEM AVERAGES
ADMINISTRATIVE AND GENERAL				
Salaries - Administrative	\$ 445,189	\$ 10.67	\$ 400,437	\$ 9.52
Office Supplies	32,123	.77	31,575	.75
Communications	14,382	.34	14,153	.34
Advertising and Public Relations	6,916	.17	4,430	.11
Advertising - Help Wanted	6,649	.16	11,197	.27
Licenses and Dues	16,647	.40	16,106	.38
Professional Services	67,018	1.61	81,521	1.94
Payroll Taxes	391,900	9.40	381,152	9.07
Health Insurance	1,168,721	28.02	1,134,628	26.99
Insurance - General	85,171	2.04	95,862	2.28
Insurance - Workers' Compensation	101,204	2.43	115,411	2.75
Miscellaneous Expense	12,675	.30	26,815	.64
Bad Debt Expense	36,674	.88	15,356	.37
Travel Expense	7,517	.18	9,551	.23
Employee Fringe Benefits	72,285	1.73	100,934	2.40
Conventions and Meetings	5,289	.13	4,055	.10
Total Administrative and General Expenses	<u>2,470,360</u>	<u>59.23</u>	<u>2,443,183</u>	<u>58.14</u>
PROPERTY RELATED EXPENSES				
Property Taxes	36,154	.87	35,748	.85
Interest Expense	84,067	2.02	91,894	2.19
Lease of Equipment	31,555	.76	29,936	.71
Amortization Expense	3,396	.08	3,391	.08
Depreciation Expense	106,772	2.56	90,411	2.15
Total Property Related Expenses	<u>261,944</u>	<u>6.29</u>	<u>251,380</u>	<u>5.98</u>
PLANT OPERATIONS AND MAINTENANCE				
Salaries	84,482	2.03	83,721	1.99
Gas	25,582	.61	31,280	.74
Electric	85,035	2.04	99,890	2.38
Water and Sewerage	52,276	1.25	50,763	1.21
Purchased Services	82,935	1.99	107,397	2.55
Supplies and Other Expenses	25,319	.61	20,178	.48
Total Plant Operations and Maintenance Expenses	<u>355,629</u>	<u>8.53</u>	<u>393,229</u>	<u>9.35</u>
HOUSEKEEPING EXPENSES				
Salaries	224,164	5.37	214,123	5.09
Supplies	67,024	1.61	59,745	1.42
Total Housekeeping Expenses	<u>291,188</u>	<u>6.98</u>	<u>273,868</u>	<u>6.51</u>

See Accountants' Report.

SILVER CREEK MANOR, INC.
SCHEDULES OF OPERATING EXPENSES

	YEARS ENDED			
	DECEMBER 31, 2010	PER DIEM AVERAGES	DECEMBER 31, 2009	PER DIEM AVERAGES
DIETARY EXPENSES				
Salaries	381,584	9.15	363,258	8.64
Food	345,066	8.27	371,301	8.83
Supplies and Other Expenses	48,507	1.16	58,307	1.39
Total Dietary Expenses	<u>775,157</u>	<u>18.58</u>	<u>792,866</u>	<u>18.86</u>
PATIENT ACTIVITIES				
Salaries	120,298	2.88	115,349	2.74
Other Expenses	1,578	.04	2,606	.06
Total Patient Activities Expenses	<u>121,876</u>	<u>2.92</u>	<u>117,955</u>	<u>2.80</u>
LAUNDRY AND LINEN				
Salaries	76,303	1.83	69,822	1.66
Linen and Bedding	9,451	.23	9,040	.22
Supplies and Other Expenses	20,061	.48	21,135	.50
Total Laundry and Linen Expenses	<u>105,815</u>	<u>2.54</u>	<u>99,997</u>	<u>2.38</u>
NURSING AND ANCILLARY SALARIES				
Registered Nurses and Licensed Practical Nurses	1,317,989	31.60	1,253,185	29.81
Other Nursing Personnel	1,727,025	41.41	1,722,600	40.97
Total Salaries	<u>3,045,014</u>	<u>73.01</u>	<u>2,975,785</u>	<u>70.78</u>
Supplies and Other Expenses	204,164	4.90	209,279	4.98
Salaries - Rehabilitative Services	216	.01	26,001	.62
Ancillary Purchased Services and Supplies	932,264	22.35	878,099	20.89
Total Nursing and Ancillary Expenses	<u>4,181,658</u>	<u>100.27</u>	<u>4,089,164</u>	<u>97.27</u>
OTHER SPECIAL SERVICES				
Physicians' Fees	14,339	.34	12,870	.31
Pharmacists' Fees	7,936	.19	2,305	.05
Salaries - Social Services	48,649	1.17	52,564	1.25
Total Special Services	<u>70,924</u>	<u>1.70</u>	<u>67,739</u>	<u>1.61</u>
HEALTH CARE PROVIDER ASSESSMENT				
	<u>530,711</u>	<u>12.73</u>	<u>519,543</u>	<u>12.36</u>
Total Operating Expenses	<u>\$ 9,165,262</u>	<u>\$ 219.77</u>	<u>\$ 9,048,924</u>	<u>\$ 215.26</u>

See Accountants' Report.

**SILVER CREEK MANOR, INC.
COMMENTS ON OPERATIONS**

COST CENTER	YEAR ENDED DECEMBER 31, 2010			DECEMBER 31, 2010	
	ACTUAL	MEDICAID	ADJUSTED	MEDICAID	MEDICAID
	COST	ADJUSTMENTS	COST	ASSIGNED	MAXIMUM
	PER DAY		PER DAY	PER DIEM	PER DIEM
Pass Through Expenses	\$ 5.56	\$ (.02)	\$ 5.54	\$ 6.24	\$ N/A
Fair Rental Value	5.41	(.72)	4.69	12.60	N/A
Direct Labor Expenses	150.66	(15.36)	135.30	131.70	144.47
Other Operating Expenses	45.41	(10.52)	34.89	38.08	38.21
	<u>207.04</u>	<u>(26.62)</u>	<u>180.42</u>	<u>188.62</u>	
Acuity Adjustor				(1.20)	
Across the Board Reduction				(3.30)	
Health Care Provider Assessment	12.73	.00	12.73	10.72	
	<u>\$ 219.77</u>	<u>\$ (26.62)</u>	<u>\$ 193.15</u>	<u>\$ 194.84</u>	

Medicaid adjustments include amounts reimbursed by other programs and estimates of unallowable Medicaid costs.

OCCUPANCY DATA	YEARS ENDED	
	DECEMBER 31, 2010	DECEMBER 31, 2009
Bed Days Available	46,720	46,720
Bed Days Provided	41,706	42,042
Unoccupied Beds	5,014	4,678
Occupancy Percentage	89.3%	90.0%

PATIENT MIX DATA	YEARS ENDED			
	DECEMBER 31, 2010		DECEMBER 31, 2009	
	BED DAYS	PERCENT TO TOTAL	BED DAYS	PERCENT TO TOTAL
Private	7,803	18.7	7,068	16.9
Medicaid	22,514	54.0	22,612	53.7
Federal Medicare	3,190	7.6	2,553	6.1
Other	8,199	19.7	9,809	23.3
	<u>41,706</u>	<u>100.0</u>	<u>42,042</u>	<u>100.0</u>

See Accountants' Report.

APPENDIX A

All applicants must complete this Appendix.

1. Please indicate the financing mix for the capital cost of this proposal. **NOTE:** the Health Services Council's policy requires a minimum 20 percent equity investment in CEC projects.

Source	Amount	Percent	Interest Rate	Terms (Yrs.)
Equity*	\$ 274,000	20%		
Debt**	\$1,096,00	80%	4.0%	10 yrs
Lease	\$	%	%	
TOTAL	\$1,370,000	100%		

* Equity means non-debt funds contributed towards the capital cost related to a change in owner or change in operator of a healthcare facility which funds are free and clear of any repayment or liens against the assets of the proposed owner and/or licensee and that result in a like reduction in the portion of the capital cost that is required to be financed or mortgaged.

** If debt financing is indicated, please complete Appendix E.

2. Please identify the total number of FTEs (full time equivalents) and the associated payroll expense (with fringe benefits) required to staff this proposal in the last full year and as projected in the first full year after the implementation of the proposal.

Last full year

PERSONELL	CURRENT YEAR 2011		<-- FIRST FULL OPERATING YEAR 2013 -->			
	EXISTING		ADDITIONS/(REDUCTIONS)		NEW TOTALS	
	Number of FTEs	Payroll W/Fringes	Number of FTEs	Payroll W/Fringes	Number of FTEs	Payroll W/Fringes
Medical Director		\$		\$		\$
Physicians		\$		\$		\$
Administrator	1.0	154,971	0	9,054	1.0	\$ 164,025
RNs	17.7	1,654,605	0	96,985	17.7	\$1,751,590
LPNs	3.5	259,900	0	15,270	3.5	\$ 275,170
Nursing Aides	51.7	2,369,291	0	139,007	51.7	\$2,508,298
PTs						\$
Ots						\$
Speech Therapists						\$
Clerical	7.4	473,078	(0.5)	(76,104)	6.9	\$ 396,974
Housekeeping & Laundry	13.3	451,002	0	26,482	13.3	\$ 477,484
Other:(Dietary	12.4	546,031	0	32,065	12.4	\$578,096
(Med Techs	2.0	96,154	0	5,630	2.0	\$101,784
Activities & Social Ssvcs	5.2	248,476	0	14,576	5.2	\$263,052
Maintenance	2.1	123,371	0	7,194	2.1	\$130,565
TOTALS	116.3	\$6,376,879	(0.5)	270,159	115.8	\$ 6,647,038

APPENDIX A (CONT.)

3. Please complete the following table for the facility for the last full year, the current year and for the first year after the implementation of the proposal. Round all amounts to the nearest dollar.

	ACTUAL PREVIOUS YEAR 2011__	BUDGETED CURRENT YEAR 2012__	<-- FIRST FULL OPERATING YEAR 2013 __-->		
			CEC DENIED	CEC APPROVED	INCREMENTAL DIFFERENCE
REVENUES:					
Net Patient Revenue	\$ 9,765,250	\$ 9,508,730	\$ 9,659,334	\$ 9,659,334	\$ 0
Other: (_ ancillaries _)	\$ 306,515	311,679	\$ 317,913	\$ 317,913	\$0
Total Revenue	\$10,071,765	\$ 9,820,409	\$ 9,977,247	\$ 9,977,247	\$0
EXPENSES:	\$	\$	\$	\$	\$
Payroll w/Fringes	\$ 6,376,879	\$ 6,510,178	\$6,750,865	\$ 6,647,038	\$ (103,827)
Bad Debt	\$ 42,207	\$ 43,051	\$ 43,912	\$ 43,912	\$ 0
Supplies	\$ 949,826	\$ 968,822	\$ 988198	\$ 988,,198	\$0
Office Expenses	\$ 126,483	\$ 120,781	\$ 131,593	\$ 114,798	\$ (16,795)
Utilities	\$ 151,351	\$ 154,377	\$ 157,465	\$ 157,465	\$0 0
Insurance	\$ 91,498	\$ 93,328	\$ 95,195	\$ 95,195	\$ 0
Interest	\$ 75,001	\$ 46,938	\$ 48,550	\$ 40,350	\$ (8,200)
Depreciation/Amortization	\$ 135,249	\$ 106,489	\$ 135,249	\$ 77,729	\$ (57,520)
Leasehold Expenses	\$ 22,924	\$ 23,382	\$ 23,850	\$ 23,850	\$ 0
Other: (___ property taxes	\$ 36,317	\$ 37,043	\$ 37,784	\$ 37,784	\$ 0
Other: (_____ contract services	\$ 852,376	\$ 869,423	\$ 886,813	\$ 886,813	\$ 0
Rent	0	80,990	0	161,979	161,979
Provider tax	555,977	540,122	548,749	548,749	0
Total Expenses	\$ 9,416,088	\$ 9,594,924	\$ 9,848,223	\$9,823,860	\$ (24,363)
OPERATING PROFIT:	\$ 655,677	\$ 225,487	\$ 129,024	\$ 153,387	\$ 24,363

4. Please provide utilization statistics (both as a dollar value and percentage) for the existing facility by completing the table below for the requested years.

Dollars are rounded to the nearest thousand

PAYOR SOURCE:	ACTUAL (PAST 3 YEARS)				BUDGETED CURRENT		PROJECTED (IF CEC APPROVED)			
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Medicare	\$ 1,177	6.1% \$ 1,475	7.7% \$ 1,336	6.2% \$ 1,152	6.2% \$ 1,308	6.9% \$ 1,470	7.6% \$ 1,638	8.3%		
Medicaid	\$ 4,262	53.8% \$ 4,368	54.3% \$ 5,437	65.0% \$ 5,371	65.0% \$ 5,009	61.5% \$ 4,684	58.0%			
Blue Cross	\$	% \$	% \$	% \$	% \$	% \$	% \$	%		
Commercial	\$ 1,878	18.5% \$ 1,683	15.1% \$ 1,114	9.5% \$ 1,149	9.5% \$ 1,287	10.4% \$ 1,432	11.4%			
HMO's	\$	% \$	% \$	% \$	% \$	% \$	% \$	%		
Self Pay	\$ 1368	16.8% \$ 1,657	18.8% \$ 1,444	14.7% \$ 1,402	14.7% \$ 1,566	16.1% \$ 1,737	17.5%			
Other: (VA)	\$ 398	4.8% \$ 355	4.1% \$ 434	4.6% \$ 435	4.6% \$ 489	5.1% \$ 544	5.5% \$ 603	6.0%		
TOTAL	\$ 9,083	100.0% \$ 9,538	100.0% \$ 9,765	100.0% \$ 9,509	100.0% \$ 9,659	100.0% \$ 9,867	100.0%	\$ 10,104	100.0%	100.0%
Charity Care*	\$	% \$	% \$	% \$	% \$	% \$	% \$	% \$	% \$	% \$

*Charity Care does not include bad debt, and is based on costs (not charges). For Home Nursing Care Providers the statewide community standard shall be one percent (1%) of net patient revenue earned on an annual basis.

Appendix C

Nursing Home Proposals

All change in effective control applications, which involve nursing homes, must be accompanied by responses to the questions posed herein.

1. Please provide the current patient census at the facility by payor source in the table below.
Date of Census 4/1/12, Licensed bed capacity 128

Payor Source	Number of Patients	Percent of Total
Medicaid	#74	61%
Medicare	# 6	5%
Commercial	# 6	5%
Private Pay	#15	12%
Veterans	# 5	4%
Other: ()	#15	12%
TOTAL:	#121	100%

2. Please complete the following Medicaid per diem worksheet for the facility.

The Medicaid system is expected to transition to a price-based system, possibly starting July 1, 2012. The cost based system will be phased out after two years. The price-based system contains different cost centers from those listed below. See attachment for cost, reimbursement and maximum per diems.

(See attached)

CEC

Appendix C # 2. Based on Information Available as of March 15, 2012

Current FY 2012

Cost-Based System	Total Cost	Assigned	Maximum	Price-Based System	Total Cost	Proposed Maximum	
	Per Day	Rate	Rate		Per Day	Rate	Rate
Pass Through	5.40	5.45	N/A	Direct Care	102.42	90.15	97.99
Fair Rental	7.15	12.68	N/A	Other Direct Care	44.06	23.16	23.16
Direct Labor	153.06	131.84	144.47	Indirect Care	57.14	52.22	52.22
Other Operating	46.03	36.07	38.21	Taxes	0.87	0.76	6.53
subtotal	211.64	186.04		Fair Rental	7.15	12.37	20.00
Acuity Adjuster		(0.91)		subtotal	211.64	178.66	
Provider Tax	12.64	10.77		Policy Adjuster		1.47	
	<u>224.28</u>	<u>195.90</u>		subtotal	211.64	180.13	
				Provider Tax	12.64	10.48	
					<u>224.28</u>	<u>190.61</u>	

CY 2012 Reimbursement:

1/1/12 to 6/30/12		<u>195.90</u>	7/1/12 to 12/31/12				
			CosBased	195.90			
				@ 67%	131.25		
			Price-Based	190.61			
			@	33%	62.9	194.15	
			less: State budget cut @ 1.76%			(3.42)	
CY 2012 Average Medicaid Rate		<u>193.32</u>				<u>190.73</u>	

First Full Year Project Approved 2013

Price-Based System	Total Cost	Proposed	Maximum	Price-Based System	Total Cost	Projected Maximum	
	Per Day	Rate	Rate		Per Day	Rate	Rate
Direct Care	105.40	90.15	97.99	Direct Care	105.40	88.79	96.51
Other Direct Care	45.02	23.16	23.16	Other Direct Care	45.02	23.16	23.16
Indirect Care	58.64	52.22	52.22	Indirect Care	58.64	52.22	52.22
Taxes	0.88	0.76	6.53	Taxes	0.88	0.76	6.53
Fair Rental	7.11	12.37	20.00	Fair Rental	7.11	12.37	20.00
subtotal	217.05	178.66		subtotal	217.05	177.30	
Policy Adjuster		1.47		Policy Adjuster		0.00	
subtotal	217.05	180.13		subtotal	217.05	177.30	
Provider Tax	12.84	10.48		Provider Tax	12.84	10.32	
	<u>229.89</u>	<u>190.61</u>			<u>229.89</u>	<u>187.62</u>	

CY 2013 Reimbursement:

1/1/13 to 6/30/13		<u>190.61</u>	7/1/12 to 12/31/13				
CosBased	195.90		CosBased	195.90			
@ 67%	131.25		@ 33%	64.65			
Price-Based	190.61		Price-Based	187.62			
@ 33%	62.9	194.15	@ 67%	125.71	190.36		
less: State budget cut @ 1.76%		(3.42)	less: State budget cut @ 1.76%		0.00		
		<u>190.73</u>			<u>190.36</u>		
CY 2013 Average Medicaid Rate		<u>190.55</u>					

3. Please demonstrate that the applicant or proposed license holder shall have sufficient resources to operate the nursing facility at licensed capacity for thirty (30) days, evidenced by an unencumbered line of credit, a joint escrow account established with the Department, or a performance bond secured in favor of the state or a similar form of security satisfactory to the Department.

The purchase price includes cash and receivables. As of 12/3/11 cash on hand totaled \$768,668. Combined with equity of \$274,000, the Applicant will have more than \$1 million available to operate the nursing facility from the first day of operation and a continuous flow of receivables will be available without any gaps in cash flow during the first months of operation of the facility.

Appendix C (CONT.)

4. Please complete the following itemization of projected utilization and net patient revenue.

<-- FIRST FULL OPERATING YEAR 2013 -->			
PAYOR	CEC APPROVED	CEC NOT APPROVED	DIFFERENCE
MEDICAID:			
Per Diem Revenue	\$190.55	190.55	\$0
Patient Days	26,286	26,286	0
Total Revenue	5,008,666	5,008,666	0
MEDICARE:			
Per Diem Revenue	\$444.08	\$444.08	\$0
Patient Days	#2,945	#2,945	#0
Total Revenue	\$1,307,816	\$1,307,816	\$
COMMERCIAL:			
Per Diem Revenue	\$289.88	\$289.88	\$0
Patient Days	#4,442	#4,442	#0
Total Revenue	\$1,287,647	\$1,287,647	\$0
PRIVATE PAY:			
Per Diem Revenue	\$227.13	\$227.13	\$0
Patient Days	#6,897	#6,897	#0
Total Revenue	\$1,566,516	\$1,566,516	\$0
VETERANS:			
Per Diem Revenue	\$226.14	\$226.14	\$0
Patient Days	#2,161	#2,161	#0
Total Revenue	\$488,689	\$488,689	\$0
OTHER: ()::			
Per Diem Revenue	\$	\$	\$
Patient Days	#	#	#
Total Revenue	\$	\$	\$
TOTAL PATIENT REVENUE:	\$9,659,334	\$ 9,659,334	\$0
TOTAL PATIENT DAYS:	#42,731	# 42,731	#0

Appendix C (CONT.)

5. Based on the format below, please provide a summary of the applicant's administrative and operational policies and procedures to provide individualized and resident-centered care, services, and accommodations, and a sense of peace, safety, and community, and clearly identify how the proposal would advance these areas:

Silver Creek Manor has embraced the culture change movement based on resident- centered care and personalized environments to help residents maintain their autonomy. For a number of years we have had consistent assignments. We believe that consistent caregivers can establish meaningful relationships with the residents. Residents can make daily decisions and guide the course of their daily routine as well as their medical care. Choosing when to rise and bedtimes, when and what to eat and what activities they would like to pursue are encouraged by caregivers who have become familiar with their routines through consistent assignments. Staff at all levels are engaged with the residents creating a home like atmosphere for the resident to live in as well as the workplace for staff. Staff is encouraged to look for ways to improve the care provided to our residents. These ideas are presented and discussed at Quality Improvement meetings and implemented in an ongoing plan to improve the quality of life for the resident and to improve the quality of care the staff provides.

a. Resident physical environment:

i. Accommodations for privacy vs. congregate and common areas;

All rooms at Silver Creek Manor are either private or semi- private to provide maximum privacy. Common areas are fully accessible to residents and families. The day room layout has been redesigned to accommodate different activities at the same time so that residents can choose how they want to spend their day. The room has been equipped with many recreational features such as reading materials, games, arts and crafts supplies as well as television and radio for residents and families to enjoy.

ii. Choice and autonomy in personal space, fixtures, furniture;

On admission all residents and family members are encouraged to personalize rooms with personal items such as photos, keepsakes, and small items of furniture from home. This is reinforced at family and care plan meetings. The facility looks to encourage friendships by screening compatible residents to be roommates.

iii. Access to and involvement in decentralized services such as community kitchen(s), laundry and activities;

The activities department organizes large group activities such as games, cook-outs, luncheons and cooking classes.

- iv. Access to outdoors and outdoor activities (e.g. sunrooms, patios, gardens and gardening);
Outdoor activities such as gardening, cookouts, concerts, and trips are sponsored through the activities department. Silver Creek Manor is situated on Silver Creek and the front porch is easily accessible to the residents. This space gives the residents a place to enjoy the outdoors and watch the wildlife and birds that inhabit the area. The back yard has been beautifully landscaped with a memory garden and walkway to compliment the natural habitat. The area provides residents and families an area to walk or to sit and enjoy the outdoors. Raised beds have been included in the design to give residents, who may have some physical limitations, an opportunity to participate in gardening. Outdoor activities are planned during the warmer months such as evening concerts at the gazebo, and the annual Fourth of July clambake just to mention two.

- b. Resident centered systems of care:
 - i. Security systems and care delivery systems to foster autonomy, choice and negotiated risk;
Silver Creek has a variety of systems to ensure the safety of the residents and to keep a safe environment. Doors are alarmed as well as locked at night for security; another system alerts staff if a resident who is not safe to be outside opens a door.
 - ii. Individualized daily/nightly scheduling (e.g. daily rhythm, going to bed, waking);
Consistent assignments have enabled caregivers to accommodate individualized scheduling. Caregivers become familiar with the residents, their routines and preferences; allowing the residents to dictate their daily routine. Ongoing staff education and training is provided to foster resident centered care.
 - iii. Dining flexibility (e.g. time, access to dining and menu choice);
Recently renovated dining areas have the addition of a buffet. This has increased meal choices for residents. Residents are served table side and offered a selection of choices for their meal. A list of “always available” alternates can be requested during kitchen hours, as well as snacks that are always available throughout the day. Chef specials are another way Silver Creek offers choice. The requests often come from the residents themselves by meeting with the Dietary Manager at Resident Council. Monthly luncheons and special occasion dinners in the main room encourage community socialization for the residents.

- iv. Lifestyles/ activities flexibility;

Silver Creek Manor has developed a person centered-activity program focused on individual leisure activities as well as spontaneous activities that are driven by the residents on a daily basis. Consistent assignments have enabled caregivers and staff members to learn resident interests and give them a chance to participate with the resident in an activity.

- c. Workforce administration:

- i. How do staffing schedules and assignments ensure consistent delivery of resident services and foster relationship building?

Education and reinforcement through all disciplines will help to ensure the success of our commitment to foster relationships with our residents and provide the care that is most important to them.

- ii. Administrative status strategies for dealing with licensed staff turn over (e.,g., Registered nurses, Licensed Practical nurses, Nursing Assistants)?

Silver Creek Manor has had a long history of low staff turn –over. Accordingly, licensed staff turn over has not been an issue requiring specialized strategies.

Appendix D

Source of Funds

All applicants must complete this Appendix.

I. Please provide the total expenditures necessary to implement this proposal and allocate this amount to the sources of funds categories listed below:

TOTAL PROJECT COST: \$ 1,370,000 *

<u>SOURCE OF FUNDS</u>	<u>AMOUNT</u>
a. Funded depreciation	\$ _____
b. Other restricted funds (specify) _____	_____
c. Unrestricted funds (specify) _____	_____
d. Owner's equity	<u>274,000</u>
e. Sale of stock/other equity	_____
f. Unrestricted donations or gifts	_____
g. Restricted donations or gifts	_____
h. Government grant (specify) _____	_____
i. Other non-debt funds (specify) _____	_____
j. Sub-Total Equity Funds	<u>274,000</u>
k. Subsidized loan (e.g. FHA etc.) _____	_____
l. Tax-exempt bonds (specify) _____	_____
m. Conventional mortgage	<u>1,096,000</u>
n. Lease or rental	_____
o. Other debt funds	_____
p. Sub-Total Debt Funds	<u>1,096,000</u>
q. Total Source of Funds	<u>1,370,000</u>

* should equal the response for line "q"

Appendix E

Debt Financing

All applicants proposing debt financing must complete this Appendix.

Applicants contemplating the incurrence of a financial obligation for full or partial funding of the proposal must complete and submit this appendix.

1. Please describe the proposed debt by completing the following:
 - a.) type of debt contemplated conventional note payable to related party
 - b.) term (months or years) 10 years
 - c.) principal amount borrowed \$1,096,000
 - d.) **probable interest rate** 4.0%
 - e.) points, discounts, origination fees none
 - f.) compensating balance or reserved fund none
 - g.) likely security company assets
 - h.) disposition of property (if a lease is revoked) _____ (copy from lease agreement)
 - i.) prepayment penalties or call features none
 - j.) front end costs (e.g. underwriting spread, feasibility study, legal and printing expense, points etc.) none
 - k.) debt service reserve fund none

2. If this proposal involves refinancing of existing debt, please indicate the original principal, the current balance, the interest rate, the years remaining on the debt and a justification for the refinancing contemplated. **Not Applicable**

3. Please present a debt service schedule for the chosen method of financing, which clearly indicates the total amount borrowed and the total amount repaid per year. Of the amount repaid per year, the total dollars applied to principal and total dollars applied to interest must be shown.

(See Attached)

Note Payable - G&P Romano

Compound Period : Monthly

Nominal Annual Rate : 4.000 %

CASH FLOW DATA

Event	Date	Amount	Number	Period	End Date
1 Loan	06/01/2012	1,096,000.00	1		
2 Payment	07/01/2012	11,096.47	120	Monthly	06/01/2022

AMORTIZATION SCHEDULE - Normal Amortization

	Date	Payment	Interest	Principal	Balance
Loan	06/01/2012				1,096,000.00
1	07/01/2012	11,096.47	3,653.33	7,443.14	1,088,556.86
2	08/01/2012	11,096.47	3,628.52	7,467.95	1,081,088.91
3	09/01/2012	11,096.47	3,603.63	7,492.84	1,073,596.07
4	10/01/2012	11,096.47	3,578.65	7,517.82	1,066,078.25
5	11/01/2012	11,096.47	3,553.59	7,542.88	1,058,535.37
6	12/01/2012	11,096.47	3,528.45	7,568.02	1,050,967.35
2012 Totals		66,578.82	21,546.17	45,032.65	
7	01/01/2013	11,096.47	3,503.22	7,593.25	1,043,374.10
8	02/01/2013	11,096.47	3,477.91	7,618.56	1,035,755.54
9	03/01/2013	11,096.47	3,452.52	7,643.95	1,028,111.59
10	04/01/2013	11,096.47	3,427.04	7,669.43	1,020,442.16
11	05/01/2013	11,096.47	3,401.47	7,695.00	1,012,747.16
12	06/01/2013	11,096.47	3,375.82	7,720.65	1,005,026.51
13	07/01/2013	11,096.47	3,350.09	7,746.38	997,280.13
14	08/01/2013	11,096.47	3,324.27	7,772.20	989,507.93
15	09/01/2013	11,096.47	3,298.36	7,798.11	981,709.82
16	10/01/2013	11,096.47	3,272.37	7,824.10	973,885.72
17	11/01/2013	11,096.47	3,246.29	7,850.18	966,035.54
18	12/01/2013	11,096.47	3,220.12	7,876.35	958,159.19
2013 Totals		133,157.64	40,349.48	92,808.16	
19	01/01/2014	11,096.47	3,193.86	7,902.61	950,256.58
20	02/01/2014	11,096.47	3,167.52	7,928.95	942,327.63
21	03/01/2014	11,096.47	3,141.09	7,955.38	934,372.25
22	04/01/2014	11,096.47	3,114.57	7,981.90	926,390.35
23	05/01/2014	11,096.47	3,087.97	8,008.50	918,381.85
24	06/01/2014	11,096.47	3,061.27	8,035.20	910,346.65
25	07/01/2014	11,096.47	3,034.49	8,061.98	902,284.67
26	08/01/2014	11,096.47	3,007.62	8,088.85	894,195.82
27	09/01/2014	11,096.47	2,980.65	8,115.82	886,080.00
28	10/01/2014	11,096.47	2,953.60	8,142.87	877,937.13
29	11/01/2014	11,096.47	2,926.46	8,170.01	869,767.12
30	12/01/2014	11,096.47	2,899.22	8,197.25	861,569.87
2014 Totals		133,157.64	36,568.32	96,589.32	

Note Payable - G&P Romano

	Date	Payment	Interest	Principal	Balance
	31 01/01/2015	11,096.47	2,871.90	8,224.57	853,345.30
	32 02/01/2015	11,096.47	2,844.48	8,251.99	845,093.31
	33 03/01/2015	11,096.47	2,816.98	8,279.49	836,813.82
	34 04/01/2015	11,096.47	2,789.38	8,307.09	828,506.73
	35 05/01/2015	11,096.47	2,761.69	8,334.78	820,171.95
	36 06/01/2015	11,096.47	2,733.91	8,362.56	811,809.39
	37 07/01/2015	11,096.47	2,706.03	8,390.44	803,418.95
	38 08/01/2015	11,096.47	2,678.06	8,418.41	795,000.54
	39 09/01/2015	11,096.47	2,650.00	8,446.47	786,554.07
	40 10/01/2015	11,096.47	2,621.85	8,474.62	778,079.45
	41 11/01/2015	11,096.47	2,593.60	8,502.87	769,576.58
	42 12/01/2015	11,096.47	2,565.26	8,531.21	761,045.37
	2015 Totals	133,157.64	32,633.14	100,524.50	
	43 01/01/2016	11,096.47	2,536.82	8,559.65	752,485.72
	44 02/01/2016	11,096.47	2,508.29	8,588.18	743,897.54
	45 03/01/2016	11,096.47	2,479.66	8,616.81	735,280.73
	46 04/01/2016	11,096.47	2,450.94	8,645.53	726,635.20
	47 05/01/2016	11,096.47	2,422.12	8,674.35	717,960.85
	48 06/01/2016	11,096.47	2,393.20	8,703.27	709,257.58
	49 07/01/2016	11,096.47	2,364.19	8,732.28	700,525.30
	50 08/01/2016	11,096.47	2,335.08	8,761.39	691,763.91
	51 09/01/2016	11,096.47	2,305.88	8,790.59	682,973.32
	52 10/01/2016	11,096.47	2,276.58	8,819.89	674,153.43
	53 11/01/2016	11,096.47	2,247.18	8,849.29	665,304.14
	54 12/01/2016	11,096.47	2,217.68	8,878.79	656,425.35
	2016 Totals	133,157.64	28,537.62	104,620.02	
	55 01/01/2017	11,096.47	2,188.08	8,908.39	647,516.96
	56 02/01/2017	11,096.47	2,158.39	8,938.08	638,578.88
	57 03/01/2017	11,096.47	2,128.60	8,967.87	629,611.01
	58 04/01/2017	11,096.47	2,098.70	8,997.77	620,613.24
	59 05/01/2017	11,096.47	2,068.71	9,027.76	611,585.48
	60 06/01/2017	11,096.47	2,038.62	9,057.85	602,527.63
	61 07/01/2017	11,096.47	2,008.43	9,088.04	593,439.59
	62 08/01/2017	11,096.47	1,978.13	9,118.34	584,321.25
	63 09/01/2017	11,096.47	1,947.74	9,148.73	575,172.52
	64 10/01/2017	11,096.47	1,917.24	9,179.23	565,993.29
	65 11/01/2017	11,096.47	1,886.64	9,209.83	556,783.46
	66 12/01/2017	11,096.47	1,855.94	9,240.53	547,542.93
	2017 Totals	133,157.64	24,275.22	108,882.42	
	67 01/01/2018	11,096.47	1,825.14	9,271.33	538,271.60
	68 02/01/2018	11,096.47	1,794.24	9,302.23	528,969.37
	69 03/01/2018	11,096.47	1,763.23	9,333.24	519,636.13
	70 04/01/2018	11,096.47	1,732.12	9,364.35	510,271.78
	71 05/01/2018	11,096.47	1,700.91	9,395.56	500,876.22
	72 06/01/2018	11,096.47	1,669.59	9,426.88	491,449.34
	73 07/01/2018	11,096.47	1,638.16	9,458.31	481,991.03

Note Payable - G&P Romano

	Date	Payment	Interest	Principal	Balance
	74 08/01/2018	11,096.47	1,606.64	9,489.83	472,501.20
	75 09/01/2018	11,096.47	1,575.00	9,521.47	462,979.73
	76 10/01/2018	11,096.47	1,543.27	9,553.20	453,426.53
	77 11/01/2018	11,096.47	1,511.42	9,585.05	443,841.48
	78 12/01/2018	11,096.47	1,479.47	9,617.00	434,224.48
	2018 Totals	133,157.64	19,839.19	113,318.45	
	79 01/01/2019	11,096.47	1,447.41	9,649.06	424,575.42
	80 02/01/2019	11,096.47	1,415.25	9,681.22	414,894.20
	81 03/01/2019	11,096.47	1,382.98	9,713.49	405,180.71
	82 04/01/2019	11,096.47	1,350.60	9,745.87	395,434.84
	83 05/01/2019	11,096.47	1,318.12	9,778.35	385,656.49
	84 06/01/2019	11,096.47	1,285.52	9,810.95	375,845.54
	85 07/01/2019	11,096.47	1,252.82	9,843.65	366,001.89
	86 08/01/2019	11,096.47	1,220.01	9,876.46	356,125.43
	87 09/01/2019	11,096.47	1,187.08	9,909.39	346,216.04
	88 10/01/2019	11,096.47	1,154.05	9,942.42	336,273.62
	89 11/01/2019	11,096.47	1,120.91	9,975.56	326,298.06
	90 12/01/2019	11,096.47	1,087.66	10,008.81	316,289.25
	2019 Totals	133,157.64	15,222.41	117,935.23	
	91 01/01/2020	11,096.47	1,054.30	10,042.17	306,247.08
	92 02/01/2020	11,096.47	1,020.82	10,075.65	296,171.43
	93 03/01/2020	11,096.47	987.24	10,109.23	286,062.20
	94 04/01/2020	11,096.47	953.54	10,142.93	275,919.27
	95 05/01/2020	11,096.47	919.73	10,176.74	265,742.53
	96 06/01/2020	11,096.47	885.81	10,210.66	255,531.87
	97 07/01/2020	11,096.47	851.77	10,244.70	245,287.17
	98 08/01/2020	11,096.47	817.62	10,278.85	235,008.32
	99 09/01/2020	11,096.47	783.36	10,313.11	224,695.21
	100 10/01/2020	11,096.47	748.98	10,347.49	214,347.72
	101 11/01/2020	11,096.47	714.49	10,381.98	203,965.74
	102 12/01/2020	11,096.47	679.89	10,416.58	193,549.16
	2020 Totals	133,157.64	10,417.55	122,740.09	
	103 01/01/2021	11,096.47	645.16	10,451.31	183,097.85
	104 02/01/2021	11,096.47	610.33	10,486.14	172,611.71
	105 03/01/2021	11,096.47	575.37	10,521.10	162,090.61
	106 04/01/2021	11,096.47	540.30	10,556.17	151,534.44
	107 05/01/2021	11,096.47	505.11	10,591.36	140,943.08
	108 06/01/2021	11,096.47	469.81	10,626.66	130,316.42
	109 07/01/2021	11,096.47	434.39	10,662.08	119,654.34
	110 08/01/2021	11,096.47	398.85	10,697.62	108,956.72
	111 09/01/2021	11,096.47	363.19	10,733.28	98,223.44
	112 10/01/2021	11,096.47	327.41	10,769.06	87,454.38
	113 11/01/2021	11,096.47	291.51	10,804.96	76,649.42
	114 12/01/2021	11,096.47	255.50	10,840.97	65,808.45
	2021 Totals	133,157.64	5,416.93	127,740.71	

Note Payable - G&P Romano

	Date	Payment	Interest	Principal	Balance
	115 01/01/2022	11,096.47	219.36	10,877.11	54,931.34
	116 02/01/2022	11,096.47	183.10	10,913.37	44,017.97
	117 03/01/2022	11,096.47	146.73	10,949.74	33,068.23
	118 04/01/2022	11,096.47	110.23	10,986.24	22,081.99
	119 05/01/2022	11,096.47	73.61	11,022.86	11,059.13
	120 06/01/2022	11,096.47	37.34	11,059.13	0.00
	2022 Totals	66,578.82	770.37	65,808.45	
	Grand Totals	1,331,576.40	235,576.40	1,096,000.00	

Appendix F

Disclosure of Ownership and Control Interest

All applicants must complete this Appendix.

I. Please answer the following questions by checking either 'Yes' or 'No'. If any of the questions are answered 'Yes', please list the names and addresses of individuals or corporations.

- A. Will there be any individuals (or organizations) having a direct (or indirect) ownership or control interest of 5 percent or more in the applicant, that have been convicted of a criminal offense related to the involvement of such persons or organizations in any of the programs established by Titles XVIII, XIX of the Social Security Act? Yes ___ No X

- B. Will there be any directors, officers, agents, or managers of the applicant (or facility) who have ever been convicted of a criminal offense related to their involvement in such programs established by Titles XVIII, XIX of the Social Security Act? Yes ___ No X

- C. Are there (or will there be) any individuals employed by the applicant (or facility) in a managerial, accounting, auditing, or similar capacity who were employed by the applicant's fiscal intermediary within the past 12 months (Title XVIII providers only)? Yes ___ No X

- D. Will there be any individuals (or organizations) having direct (or indirect) ownership interests, separately (or in combination), of 5 percent or more in the applicant (or facility)? (Indirect ownership interest is ownership in any entity higher in a pyramid than the applicant) Yes X No ___
(Note, if the applicant is a subsidiary of a "parent" corporation, the response is 'Yes')

Kimberly Ciociola, 7 Creek Lane, Bristol, RI 02809

- E. Will there be any individuals (or organizations) having ownership interest (equal to at least 5 percent of the facility's assets) in a mortgage or other obligation secured by the facility? Yes ___ No X

- F. Will there be any individuals (or organizations) that have an ownership or control interest of 5 percent or more in a subcontractor in which the applicant (or facility) has a direct or indirect ownership interest of 5 percent or more. (Also, please identify those subcontractors.) Yes ___ No X

- G. Will there be any individuals (or organizations) having a direct (or indirect) ownership or control interest of 5 percent or more in the applicant (or facility), who have been direct (or indirect) owners or employees of a health care facility against which sanctions (of any kind) were imposed by any governmental agency? Yes ___ No X

- H. Will there be any directors, officers, agents, or managing employees of the applicant (or facility) who have been direct (or indirect) owners or employees of a health care facility against which any sanctions were imposed by any governmental agency? Yes ___ No X

Appendix G

Ownership Information

All applicants must complete this Appendix

1. List all officers, members of the board of directors, and trustees, stockholder of the applicant and/or ultimate parent entity. For each individual, provide their home and business address, principal occupation, position with respect to the applicant and/or ultimate parent entity, and amount, if any, of the percentage of stock, share of partnership, or other equity interest that they hold.

**Kimberly A. Ciociola, 7 Laurel Lane, Warren, RI 02885, 7 Creek Lane, Bristol, RI 02809,
Administrator
Sole Member, 100% Interest Holder**

2. For each individual listed in response to Question 1 above, list all (if any) other health care facilities or entities within or outside Rhode Island in which he or she is an officer, director, trustee, shareholder, partner, or in which he or she owns any equity or otherwise controlling interest. For each individual, please identify: A) the relationship to the facility and amount of interest held, B) the type of facility license held (e.g. nursing facility, etc.), C) the address of the facility, D) the state license #, E) Medicare provider #, F) any professional accreditation (e.g. JACHO, CHAP, etc.), and G) complete Appendix B 'Compliance Report' and submit it to the appropriate state agency. **None**

3. If any individual listed in response to Question 1 above, has any business relationship with the applicant, including but not limited to: supply company, mortgage company, or other lending institution, insurance or professional services, please identify each such individual and the nature of each relationship. **Not applicable.**

4. Have any individuals listed in response to Question 1 above been convicted of any state or federal criminal violation within the past 20 years? Yes ___ No X

- If response to Question 4 is 'Yes', please identify each person involved, the date and nature of each offense and the legal outcome of each incident.

5. Please list all licensed healthcare facilities (in Rhode Island or elsewhere) owned, operated or controlled by any of the entities identified in response to Question 15 of the application. For each facility, please identify: A) the entity, applicant or principal involved, B) the type of facility license held (e.g. nursing facility, etc.), C) the address of the facility, D) the state license #, E) Medicare provider #, F) any professional accreditation (e.g. JACHO, CHAP, etc.), and G) complete Appendix B 'Compliance Report' and submit it to the appropriate state agency. **Not applicable.**

6. Have any of the facilities owned, operated or managed by the applicant and/or any of the entities identified in Question 5 above during the last 5-years had bankruptcies and/or were placed in receiverships? Yes ___ No X

- If response to Question 6 is 'Yes', please identify the facility and its current status.