

January 22, 2009

Dear Residents:

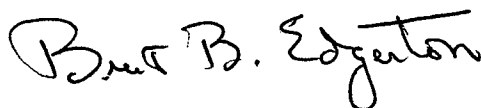
Kendal at Hanover calculated the medical costs that are associated with the monthly fee and entry fee using the per-capita (actuarial) method for residents whose contracts **exclude prescription drug coverage**. The actuarial method assumes that the per-capita amount will continue to apply regardless of the level of care.

Based on the characteristics of the residents in 2008, the prepaid health care amount has been calculated on a per-capita basis, reflecting that health care is utilized on an individual basis. The monthly fee medical deduction for 2007 has been determined to be **\$1,015** per month per resident. For new residents who paid an entry fee in 2008, the medical deduction has been determined to be **\$102,092** for a single occupancy and **\$163,637** for a double occupancy.

The cost of medical care combined with any other allowable medical expense you have paid in 2008 is deductible only to the extent they exceed a specified percentage of your adjusted gross income. Please make reference to the instructions for completing Schedule A of the Federal Tax Form 1040.

As always, please consult your personal tax advisor if you have any questions concerning your allowable medical deduction for both Federal and State income tax.

Sincerely,



Brent B. Edgerton
Associate Executive Director

