



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Office of the Secretary of State
Corporations Division
100 North Main Street
Providence, Rhode Island 02903-1335

ARTICLES OF AMENDMENT TO THE ARTICLES OF INCORPORATION OF

THE ELMS RETIREMENT RESIDENCE, INC.

Pursuant to the provisions of Section 7-1.1-56 of the General Laws, 1956, as amended, the undersigned corporation adopts the following Articles of Amendment to its Articles of Incorporation:

1. The name of the corporation is THE ELMS RETIREMENT RESIDENCE, INC.
2. The shareholders of the corporation (or, where no shares have been issued, the board of directors of the corporation) on August, 19 98, in the manner prescribed by Chapter 7-1.1 of the General Laws, 1956, as amended, adopted the following amendment(s) to the Articles of Incorporation:

[Insert Amendment(s)]

(If additional space is required, please list on separate attachment)

See Schedule 1 Attached

3. The number of shares of the corporation outstanding at the time of such adoption was _____; and the number of shares entitled to vote thereon was _____.
4. The designation and number of outstanding shares of each class entitled to vote thereon as a class were as follows:
(If inapplicable, insert "none")

Class

Number of Shares

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5. The number of shares voted for such amendment was _____; and the number of shares voted against such amendment was _____.

6. The number of shares of each class entitled to vote thereon as a class voted for and against such amendment, respectively, was: (if inapplicable, insert "none")

Class	Number of Shares Voted	
	For	Against
NONE		

7. The manner, if not set forth in such amendment, in which any exchange, reclassification, or cancellation of issued shares provided for in the amendment shall be effected, is as follows: (If no change, so state)

NO CHANGE

8. The manner in which such amendment effects a change in the amount of stated capital, and the amount (expressed in dollars) of stated capital as changed by such amendment, are as follows: (If no change, so state)

NO CHANGE

9. Date when amendment is to become effective: upon filing
(not more than 30 days after the filing of these Articles of Amendment)

Dated September 4, 1998

By Guy Maiorano

Its President President or Vice President

and Guy Maiorano

Its Secretary Secretary or Assistant Secretary

STATE OF Rhode Island
COUNTY OF Washington

In Westerly, on this 4th day of September, 1998, personally appeared before me Guy Maiorano, who being by me first duly sworn, declared that he/she is the President of The Elms Retirement Residence, Inc. and that he/she signed the foregoing document as President of the corporation, and that the statements therein contained are true.

Notary Public John P. Taylor Jr.

My Commission Expires: 6/28/00

SCHEDULE 1

Corporate Name: The Elms Retirement Residence, Inc.

Article Third is hereby amended in its entirety as follows:

ARTICLE 3

"The business and purpose of the Corporation shall consist solely of the leasing (as a tenant), development, financing, operation and management of a residential independent and assisted care facility for the elderly on real estate located at 22 Elms Street, Westerly, Rhode Island (the "Property") and do all other acts and activities permitted to corporations by the Rhode Island Business Corporation Act as are necessary, incidental or appropriate in connection therewith."

Article Sixth is hereby amended by adding the following provisions:

ARTICLE 6

A

LIMITATION OF AUTHORITY

Notwithstanding any other provision of these Articles and any provision of the Rhode Island Business Corporations Act that otherwise so empowers the Corporation, the Corporation shall not, without the unanimous consent of the Board of Directors, do any of the following:

- (i) engage in any business or activity other than those set forth in Article Three;
- (ii) incur any indebtedness or assume or guaranty any indebtedness of any other entity, other than the loan transaction with John Hancock Real Estate Finance, Inc. and secured by a first lien mortgage indebtedness incurred in connection with the refinancing of the Corporation's business assets located at the Property (the "Mortgage") or any other first lien mortgage and normal trade accounts and general payables in the ordinary course of business;
- (iii) dissolve or liquidate, in whole or in part;
- (iv) consolidate or merge with or into any other entity or convey or transfer or lease its property and assets substantially as an entirety to any entity;
- (v) institute proceedings to be adjudicated bankrupt or insolvent, or consent to the institution of bankruptcy or insolvency proceedings against it, or file a petition, seeking or consenting, to reorganization or relieve under any applicable federal or state law relating to bankruptcy, or consent to the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Corporation or a substantial part of property of the Corporation, or make any assignment for the benefit of creditors, or admit in writing its inability to pay its debts generally as they become due, or take corporate action in furtherance of any such action;
- (vi) amend, alter, or modify Article Three or Article Six of the Articles of Incorporation of the

Corporation.

- (vii) except for leasing the Property from The Elms of Westerly, LLC, enter into any transaction with an Affiliate, as defined as any person or entity, (i) which owns beneficially, directly or indirectly, any outstanding shares of the Corporation's stock, or (ii) which controls or is under common control with the Corporation. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person or entity, whether through ownership of voting securities, by contract or otherwise.

B

SEPARATENESS/OPERATIONS MATTERS

The Corporation shall:

- (a) maintain books and records and bank accounts, separate from those of any other person;
- (b) maintain its assets in such a manner that it is not costly or difficult to segregate, identify or ascertain such assets;
- (c) hold regular Board of Director and stockholder meetings, as appropriate, to conduct the business of the Corporation, and observe all other corporate formalities;
- (d) hold itself out to creditors and the public as a legal entity separate and distinct from any other entity;
- (e) prepare separate tax returns and financial statements;
- (f) allocate and charge fairly and reasonably any common employee or overhead shared with affiliates;
- (g) transact all business with affiliates on an arm's-length basis or pursuant to enforceable agreements;
- (h) conduct business in its own name, and use separate stationery, invoices and checks;
- (i) not commingle its assets or funds with those of any other person; and
- (j) not assume, guarantee or pay debts or obligations of any other person.
- (k) pay its own liabilities and expenses out of its own funds drawn on its own bank account;
- (l) not acquire obligations or securities of its Stockholders or affiliates;
- (m) not hold out its credit as available to satisfy the obligations of any other person or entity;
- (n) not to pledge its assets for the benefit of any other entity or make loans or advances to any person or entity;
- (o) not buy or hold evidence of indebtedness issued by any other person or entity (other than cash and investment grade securities);
- (p) correct any known misunderstanding regarding its separate identity;
- (q) not identify itself as a division of any other person or entity;

- (r) maintain adequate capital in light of its contemplated business operations; and
- (s) maintain all required qualifications to do business in the State of Rhode Island.