D.H. BLAIR & CO., INC. Established 1904
Member New York Stock Exchange, Inc.

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December 17, 1987

SENIOR SERVICE CORPORATION

(SENR - OTC - $4 3/4 - $5)
(B" Warrant - OTC - $1/4 - $1)

Fiscal Year End May 31

	E.P.S	P/E
1989P	$ 0.25	19.0x
1988E	$ 0.10	47.5x
1987	$ 0.06	79.2x
1986	$(0.17)	NM

Long Term Liabilities	$ 167,945
Shareholders Equity	$11,562,774
Per Share	$ 2.00
Shares Outstanding	5,777,000
Market Capitalization	$27,440,750
1987 Price Range	$5 3/4-$2 3/4

Balance Sheet data is as of August 31, 1987

The Class "B" warrant entitles the holder to purchase a share of common at a price of $5.00 until December 2, 1991.

CONCEPT

There is a developing belief that the growth phenomenon of child day care services experienced in the 1970's will be repeated in the 1990's for adult care, creating a multi-billion-dollar industry.

Senior Service Corporation's goal is to become the largest national chain providing adult day care, as well as other goods and services for the elderly.

Formed in late 1985, and publicly traded since December of 1986, this Wilton, Connecticut based company's adult day care operation is in its "infant" stage, i.e. one center in operation in Baltimore, Maryland, two scheduled in Elizabeth, New Jersey and one planned in Norwalk, Connecticut. However, SENR has already purchased two large print book publishers and has just purchased a company offering temporary nurse staffing to nursing homes. Other related elderly goods and services acquisitions are expected to be made as the company pursues its goal.

In the fiscal year that ended May 31, 1987, SENR had sales of $3.5 million (all from book publishing) and net income of $127,952, or $0.06 per share ($0.04 fully diluted). This fiscal year (ending May 31, 1988), management believes that the company as currently constituted, can achieve sales of $7 million and per share earnings of $0.10, with gains to $14 million and $0.25 per share expected in the following year. At that time, management believes that SENR will be well positioned for important future growth, with sales of $115 million and per share earnings of $1.80 targeted for fiscal 1993.

If one takes into consideration the company's strong cash position ($1.58 per share) and places a value of about $1.50-$1.75 per share on the publishing part of its business (which reflects values currently being accorded to other publicly traded publishers), and modestly values Healthways and an elderly research joint venture with a subsidiary of Saatchi & Saatchi, the current stock price is thus providing little if any recognition for the exciting growth potential of SENR's adult day care centers. The SENR shares appear undervalued and offer above average capital appreciation potential for the long term growth oriented investor.

SUMMARY

In 1969, a company now called Kinder-Care, Inc. (KNDR-OTC-$9 bid) opened its first children's day care center. At fiscal year end June 2, 1972, it had 22 centers in operation, generated revenues of $1,274,429, and earned $84,269. On June 16, 1972, Kinder-Care became a publicly traded company at a price of $0.25 per share as adjusted to reflect seven subsequent stock splits.

In its first annual report, KNDR's president noted that the company had the distinction of being a pioneer in children's day care, and projected that "the day-care industry is in its infancy and many exciting facets will develop in the years to come". How right he was to become!

By fiscal year end May 28, 1976, the number of KNDR centers in operation had exceeded 100, rising to 133. Over the ensuing years, Kinder-Care has developed into the largest operator of children's day care centers with more than 1,100 and its industry has developed into a multi-billion-dollar sector of our economy. KNDR has also begun to diversify into other businesses such as retailing and financial services.

Reflecting this magnificent growth record, the shares of KNDR reached an all time high of $19 1/8, before the October stock market crash, at which time it had a market capitalization in excess of $800 million.

JUST AS THERE WAS/IS A NEED FOR DAY TIME CHILD CARE THERE IS ALSO AT PRESENT A DEVELOPING RECOGNITION OF A SIMILAR NEED TO TAKE CARE OF OUR ELDERLY, A NEED THAT THE MANAGEMENT OF SENIOR SERVICE CORPORATION BELIEVES COULD RESULT IN THE CREATION OF ANOTHER MULTI-BILLION-DOLLAR-MARKETPLACE.

It has been estimated that the number of people in the United States aged 75 or more increased by some 32% in the 1970-1980 period to 10 million. By the year 2000, that figure is expected to grow to a level in excess of 17 million.

It has also been estimated that there are some 28 million individuals in this country who have attained the age of 65. Census projections suggest that this number may expand to about 32 million by 1990, to more than 35 million by the end of this century, and to in excess of 50 million by the year 2020.

Many of our elderly (about three million) are frail or infirm and in need of special attention. Our elderly may live alone, with their families, or may be institutionalized (i.e. placed in nursing homes-it has been estimated that more than three million elderly are housed in nursing homes). The latter alternative is often contrary to the wishes of all involved (but necessary for the constant care available), as well as expensive (in the area of $30,000 per year, or more).

ADULT DAY CARE CENTERS

Adult day care centers represent a newly developing alternative that "bridges the gap" and at a more moderate cost (less than $5,000 per year).

A typical adult day care center may provide transportation (to/from), meals or a snack, medical attention, social services, recreational activities, exercise programs, dietary advice, and other personal services, for that "part of a day" during which an enrollee attends.

In 1970, it is believed that there were perhaps 10-15 adult day care centers in the United States. A study prepared for The National Council on the Aging Inc. National Institute on Adult Day Care estimated that there were about 1,200 such centers in operation in late 1985. It is now believed that this number approximates 1,400 serving about 50,000 enrollees who attend one or more days per week and pay about $30 per day.

The study cited above also estimated that about 90% of the adult day care centers were non-profit (operated by government, public and/or private agencies) and about 10% were operated by private for-profit entities.

At present, there is no national chain of such for-profit centers, and, to the best of management's knowledge, Senior Service Corporation is the only publicly traded company involved in this business through its Adult Day Clubs of America subsidiary.

The economies of scale enjoyed by becoming a national chain enabled Kinder-Care to grow profitably, and its shareholders to be handsomely rewarded. Senior Service Corporation intends to duplicate this accomplishment at the other end of the age spectrum.

With only an estimated 50,000 of our elderly presently making use of adult day care centers the market is virtually untapped and the opportunity for growth appears huge.

Senior Service Corporation, through its Adult Day Clubs subsidiary, purchased its first adult day care center (in Baltimore, Maryland) in July 1987 for about $256,000. At the time of its acquisition this center had 35 enrollees, was generating revenues of $180,000 per year and was losing about $80,000. Under the professional management guidance of Senior Service, that center now has 55 enrollees, is generating revenues at a $330,000 annual rate and has become profitable. With operations at near capacity and a waiting list in place, SENR will be expanding this facility in early 1988. Management believes that this could increase revenues on the order of 33%.

SENR has recognized that most cities and towns in this country have dormant (i.e. abandoned schools) or under-utilized real estate that could become the sites for adult day care centers and other related services at reasonable costs.

For example, in Elizabeth, New Jersey, SENR has developed a plan to convert the municipally controlled, vacant 23,500 square foot Vail-Deane Mansion into a "Senior Service Center". For incurring renovation costs estimated at about $1.5 million, SENR will obtain a 45 year lease at a very favorable rate. SENR will be "repaid" annual rent credits that in total will be equal to its refurbishment expenses, and thus will be occupying these premises rent fee for over 30 years. Renovation will commence in early 1988 and completion is expected in about a year. It is planned that this "Senior Service Center" will include two adult day care centers (one for the frail elderly, and one specializing in care for victims of Alzheimer's disease) with a combined capacity of 100-150.

The "Senior Service Center" concept, including the company's adult day care centers and a number of other tenants offering services for the elderly, could lend a valuable "real estate play" to SENR, as more and more buildings are rehabilitated and put in service.

In December 1987, SENR entered into an agreement in principal with the Holiday Inn in Norwalk, Connecticut to retrofit a 3,000 square foot area with adjacent garden into an adult day care center. This project is targeted to be a prototype for expansion to additional hotel locations.

At present, management is contemplating additional sites in about 10 cities on the East Coast and expects to be able to acquire and/or build new centers at a rate of five-ten per year. Management's goal is to have 3 centers in operation by the end of fiscal 1988, 8-12 by the end of fiscal 1989, and over 100 nationally within five years.

OTHER SENIOR SERVICE ACTIVITIES

In June 1986, SENR acquired Thorndike Press (of Unity, Maine) a publisher of large print books for the visually-impaired. The purchase price for Thorndike was $728,000; other fees (brokerage and non-compete) totaled $141,000. At the time of its acquisition, Thorndike had sales of about $2.7 million and operating earnings of about $180,000. As a part of SENR, Thorndike's revenues now exceed $3.6 million with operating earnings of more than $600,000.

In May 1987, SENR expanded its book publishing activities through the acquisition of Magna Large Print Books Ltd. (of Long Preston, U.K.). This purchase was accomplished for $1.1 million of cash, the issuance of 50,000 SENR common shares then valued it $4.25 per share, and an agreement to make two additional cash payments of $84,500 in May 1990 and May 1992. The owners of Magna were also granted options to purchase up to 45,000 additional SENR shares at $5.69 per share. When it was acquired, Magna had sales of $1.5 million and operating earnings of about $100,000 in United States dollars. As a part of SENR, Magna's revenues now exceed $1.8 million with operating earnings of over $300,000.

In June 1987, SENR established a joint venture with Yankelovich Clancy Shulman, the market research arm of Saatchi & Saatchi, the world's largest advertising agency holding company. The joint venture named Yankelovich/Senior Surveys intends to launch a research service relating to the attitudes and desires of the elderly during the spring of 1988.

More recently, on November 24, 1987, SENR announced that it had acquired Healthways, Inc. (of Boston, Mass.), which provides temporary nurse staffing for nursing homes. While limited in scope and having just emerged from three years of Chapter 11 bankruptcy proceedings, Healthways is currently generating revenues of about $1 million and is profitable. The purchase price was $131,000. SENR management feels that this acquisition is supportive of the development of an adult day care chain, because it provides a "window" on the nursing profession. With Healthways currently operating in an area that represents less than 2% of the country, SENR management also targets substantial growth in this sector.

All of the above acquisitions represent steps by Senior Service Corporation to position itself to be able to provide all or many of the goods and services required by the expanding elderly segment of our population. Over time, additional expansion and diversification moves are anticipated. At present, SENR is evaluating the home health care industry, and, in anticipation of entering the field, has already registered the name "Housecalls".

MANAGEMENT

Senior Service Corporation has in place a management team with an extensive background in building and operating business chains.

Maurice C. Thompson, Jr.(49)- Chairman, President
Company Founder. MBA Harvard Graduate School of Business Administration 1962. Was a founder and Chief Executive Officer of Children's Discovery Centers of America, Inc. a national chain of child care centers and nursery schools. Chief Executive Officer of SmokEnders, Inc. (1980-1983), a private company operating smoking cessation seminars. Chairman and Chief Executive Officer of Mind, Inc. (1975-1984), an educational publishing company. Prior to 1975 had been Chairman of the Board of Evelyn Wood Reading Dynamics, Inc., a company that teaches speed reading techniques. Director, Fairfield First Bank.

Phillips A. Treleaven(59)- President-Publishing/Information Svcs Group
Phi Beta Kappa Duke University 1950. Masters Degree in Economics from Boston University in 1953. Harvard Graduate School of Business Administration. Was founder of Thorndike Press in 1977. President of G.K. Hall & Co. (1969-1977), a Boston-based book publisher then owned by International Telephone & Telegraph Corp.

James A. DeSanctis(45)- President, Health and Hospitality Svcs Group
MBA Pace University. Succeeded Mr. Thompson as Chief Executive Officer of Evelyn Wood Reading Dynamics and Children's Discovery Centers. Founder and Chairman (1978-1983) Lifetime Learning Systems, a developer of educational software for corporate clients.

John Di Giacomo(40)- Vice President-Finance
Vice President finance at Children's Discovery Centers 1985-1987. Senior financial positions at major corporation including Chesborough-Ponds and Continental Group. Joined SENR in September 1987.

Paul Girelli(31)- President, Thorndike Press
Bachelor of Science Degree University of Massachusetts at Amherst 1977. Rose through the ranks at Thorndike over a 10 year period following graduation. Currently Vice President-General Manager, will assume this position on January 1, 1988.

Jerry Schneider(42)- Director
Bachelor of Business Administration Degree Pace University 1969. A Certified Public Accountant since 1971. Managing Partner of Hitzik, Schneider, Ehrlich & Co., certified public accountants who supplement the Senior Service Corporation's outside accounting resources (Peat Marwick Main is the certified accounting firm).

Patricia L. Thompson(38)- Director, Vice President, Secretary
Wife of Maurice C. Thompson, Jr. Bachelor of Arts Degree University of Texas 1971. Was a Director of SmokEnders Inc 1980-1982. Director of Mind, Inc 1978-1984. Held senior marketing positions at Evelyn Wood Reading Dynamics, Inc.

Kenneth N. Sherman(48)- Director
Management Consultant. MBA from Harvard Graduate School of Business Administration 1962. Founded Cambridge Research Development Group (Westport, Connecticut) in 1965 and served as General Partner until 1984.

Donna L. Wagner, PhD(38)- Director
James A. Halsey Professor of Gerontology, Center for the Study of Aging, Bridgeport University. Past President of the New England Gerontological Society.

Robert S. Shulman(35)- Director
President Yankelovich Clancy Shulman, the marketing research arm of Saatchi & Saatchi, the world's largest advertising agency holding company.

Walter M. Fiederowicz(41)-Director
Partner and member, management committee of Cummings & Lockwood, the largest law firm in Connecticut. Was a senior official in the Department of Justice during the Carter Administration.

Each of the three top executive officers has headed companies significantly larger than SENR is at present. They would appear to have the knowledge and leadership experience to properly manage SENR toward its growth goals.

PRO FORMA RESULTS

Had all of the acquisitions cited above (excluding Healthways, Inc.) been in place at the beginning of fiscal 1986, SENR results would have been as follows:

	Pro Forma Results Fiscal Year Ended May 31	
	1986	1987
Net Sales	$4,372,552	$5,017,011
Net Income	10,793	86,913
Per Share		
Primary	$0.01	$0.04
Fully Diluted	0.01	0.03

During the three months ended August 31, 1987, Senior Service had net sales of $1,471,723, net income of $140,798, and earnings per share of $0.03 (primary and fully diluted). In the year ago three month period (which did not include the results of Magna Books and Adult Day Clubs), SENR had sales of $955,433, net income of $56,847, and per share earnings of $0.06. There were only 900,000 shares outstanding in the August 1986 period compared with 7,535,839 primary and 8,535,839 fully diluted shares in this year's three month period.

PROJECTIONS

Management's ambitious growth plan envisions substantial increases in sales and earnings over the next several years.

The following table presents pertinent income statement statistics for the fiscal year ended May 31, 1987, as well as management's growth objectives by business sector through the fiscal year to end May 31, 1993. Over these next several year's, management's goal is for SENR to achieve sales in excess of $100 million with per share earnings approaching $2.00.

	Fiscal Year End May 31						
	1987	1988E	1989P	1990P	1991P	1992P	1993P
	--000,000--						
Revenues							
Health & Hospitality	--	$1.0	$5.0	$11.5	$22.0	$40.0	$70.0
Information Services	$3.522	6.0	9.0	13.5	20.0	30.0	45.0
Total Revenues	3.522	7.0	14.0	25.0	42.0	70.0	115.0
Pre-Tax Earnings	0.129	1.1	2.7	5.8	9.1	17.7	29.0
Income Taxes*	0.001	0.4	1.0	2.0	3.2	6.4	11.0
Net Income	0.128	0.7	1.7	3.8	5.9	11.3	18.0
Per Share	$0.06	$0.12	$0.25	$0.40	$0.60	$1.15	$1.80
Average Shares	2.3	5.8	6.8	9.2	9.4	9.7	10.0

*Fiscal 1987 income taxes of $60,687 were reduced by $59,241 to $1,446 through utilization of loss carryforwards, which have now been exhausted.

In the table above, Health and Hospitality projected revenues include adult day care center operations, while Information Services encompasses publishing and market research. The increased number of outstanding common shares from 2.3 million to 5.8 million in fiscal 1988 reflects the exercise of the Class A warrants. The increase in outstanding shares to 6.8 million in fiscal 1989 assumes conversion of preferred stock. The jump up to 9.2 million shares in fiscal 1990 and then to 10 million shares by fiscal 1993 assumes that the company would be performing well enough for the Class B warrants and then all other warrants and options to be exercised. For more detailed information about the company's capital structure please refer to the Financial Condition section of this report. Management's projections also assume that proceeds from the exercise of warrants and options would be invested in income bearing securities with a 6% return. More than likely, such proceeds would be utilized in expansion of the business and at a greater rate of return.

FINANCIAL CONDITION

As of August 31, 1987 (the most recently published balance sheet), the company was in very strong financial condition, as shown in the next table, which presents selected statistics at that date, as well as at the same time date the year before.

	Balance Sheet at August 31	
	1987	1986
Cash & Equivalents	$ 9,144,497	$ 80,219
Total Current Assets	11,128,729	1,006,515
Total Assets	12,965,278	1,872,527
Total Current Liabilities	1,235,735	746,668
Long Term Liabilities	167,945	1,200,000
Shareholders' Equity(Deficiency)	11,562,774	(74,141)
Per Share	$2.00	$(0.08)
Shares Outstanding	5,777,000	900,000

At August 31, 1987, Senior Service's cash position equaled $1.58 per share, it had working capital of $9,892,994, and a current ratio of 9.0 to 1.

On December 2, 1986, D.H. Blair & Co. managed the initial public offering of the company's securities. The offering, in the form of Units (805,000 Units including the underwriter's over-allotment at $6.00 each), netted SENR proceeds of $3.8 million. Each Unit consisted of three shares of common stock plus three redeemable Class A warrants. Each Class A warrant was exercisable at $3.25 into another Unit that consisted of one share of common and a redeemable Class B warrant exercisable at $5.00 until December 2, 1991. The Class B warrants are redeemable at $0.05 each upon 30 days notice if the bid price for the common exceeds $7.00 per share for 30 days.

Subsequently, all of the Class A warrants were exercised or redeemed resulting in the issuance of 2,409,000 common shares from which SENR netted proceeds of $7.8 million. Should the 2,409,000 Class B warrants now outstanding ultimately be exercised, SENR would be the recipient of another $12 million.

Accordingly, should the company grow as expected, adequate financing would appear to be readily available.

Additionally, the company has reserved a total of 400,000 common shares for the exercise of stock options. Thus far, under the 1986 employee Incentive Stock Option Plan a total of 297,000 options have been granted at exercise prices ranging from $1.80 to $4.13 per share. In connection with the acquisition of Magna Large Print Books, 45,000 options were granted at an exercise price of $5.69. Should all of the options granted thus far (342,000) be exercised, SENR would receive a total of $1,136,655.

Furthermore, there are 1,000 Convertible Preferred shares outstanding (most owned by members of the management team) each of which is convertible into 1,000 common shares (a total of one million common shares) upon the occurrence of any one of the following events: 1) attainment of <u>net earnings per share</u> of at least $0.25 in any fiscal year through May 31, 1989, 2) achievement of <u>pre-tax earnings per share</u> of at least $1.10 in any fiscal year through May 31, 1990, 3) reaching pre-tax per share earnings of at least $1.76 in fiscal 1991, or 4) at any time during the two years after December 2, 1987, the market price of the common stock exceeds $5.00 for 20 consecutive trading days. If not converted, all of the outstanding convertible preferred shares will be redeemed by the company at par value ($20 per share) on October 31, 1991.

Should all existing warrants (including the Underwriter's) and stock options ultimately be exercised, Senior Service would have a total of 10,158,000 outstanding common shares.

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D.H. BLAIR & CO., INC. MANAGED THE INITIAL PUBLIC OFFERING OF THE SECURITIES OF SENIOR SERVICE CORPORATION ON DECEMBER 2, 1986.

D.H. BLAIR & CO., INC. MAKES A MARKET IN THE COMMON STOCK AND CLASS B WARRANTS OF SENIOR SERVICE CORPORATION.

D.H. Blair & Co., Inc. 44 Wall St., N.Y., N.Y. 10005 (212) 968-2000 (800) (221-4278 Telex #239087BINT Graphic Scanning #76-0279

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