



Mystic, Connecticut

**THIS FACILITY, LIKE ALL OTHER CONTINUING CARE FACILITIES IN THE STATE OF CONNECTICUT, IS SUBJECT TO CHAPTER 319HH, CONNECTICUT GENERAL STATUTES, CONCERNING MANAGEMENT OF CONTINUING CARE FACILITIES. REGISTRATION UNDER THE LAW DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT OF THE FACILITY BY THE DEPARTMENT OF SOCIAL SERVICES OR THE STATE OF CONNECTICUT, NOR DOES SUCH REGISTRATION EVIDENCE THE ACCURACY OR COMPLETENESS OF THE INFORMATION IN THIS DISCLOSURE STATEMENT.**

## **DISCLOSURE STATEMENT**

**FEBRUARY 2015**

Equal Housing Opportunity

## TABLE OF CONTENTS

INTRODUCTION .....	1
I. THE PEOPLE .....	2
LCS-Westminster Partnership I LLP.....	3
Residents Association and Residents Council .....	3
LCS Development LLC and Life Care Services LLC .....	4
Administrator .....	5
Director of Operations Management .....	5
II. THE COMMUNITY.....	7
The Location .....	8
StoneRidge.....	8
The Personnel.....	9
The Services.....	9
Health Center .....	10
Contracts and Fees .....	12
Home Health Care.....	12
III. THE PROPOSAL .....	13
The ContinuingCare™ Concept .....	14
Long-Term Care Insurance .....	14
The Return-of-Capital™ Plan.....	15
Summary of Residency Agreement .....	16
Transfer to Another StoneRidge Residence.....	20
Managed Care .....	20
Monthly Service Fee.....	21
The Mortgage and Indenture of Trust.....	22
Working Capital Account .....	23
Capital Asset Replacement Reserve Fund .....	23
Estate Planning.....	23
IV. FINANCIAL .....	25
Financial Projections.....	26
Cash Flow Projection (Pro Forma) .....	26
Audited Financial Statement.....	32
Prepaid Health Care Obligations .....	32
Project Financing .....	32
Provider’s Compensation.....	32
V. REGULATORY MATTERS.....	33
Continuing Care Retirement Community Registration.....	34
Assisted Living Services Agency License and Managed Residential Community Registration.....	34
Health Center Licensure .....	34

Entrance Payment Escrow .....	35
Reserve Fund Escrow .....	35
Investment Direction.....	36
Contingency Fund Reserve.....	36
Health Center Reserve .....	36
Medical Expense Deductions.....	37
Judicial Proceedings.....	37
VI. EXHIBITS .....	38
A. Communities Managed by Life Care Services LLC.....	A-1
B. Description of the Services and Commonly Discussed Topics .....	B-1
C. Entrance Payments and Monthly Fee Schedule.....	C-1
D. Residency Agreement .....	D-1
E. Audited Financial Statement.....	E-1

INDEX

## INDEX

	<b>Disclosure Statement <u>Page</u></b>	<b>Residency Agreement <u>Section</u></b>
Name and Address of Provider	3	
Officers, Directors, and Trustees	4-6	
Business Experience		
Provider	3	
Manager	4-5	
Judicial Proceedings	37	
Affiliation	3	
Description of Property	8	Introduction
Benefits Included (with and without extra charge)	8-12, Ex. B	1, 2
Interest on Deposits	15-21, 34-36	
Termination of Contract		
Provider	18	9
Resident	18	8
Rights of Surviving Spouse		7.2, 8.4
Marriage of Resident		10.2
Disposition of Personal Property		4.2., 8.2, 8.3,
Tax Considerations	22-23, 36	8.4 12.13
Reserve Funding - Escrows	35-36	
Financial Statements	26-31	
Pro Forma Income Statements	26-31	
Admission Fees and Periodic Charges		1, 2, 5, 6, 7, Ex.
Description	15-22	A
Historic Information	Ex. C	
Prepaid Obligations - Actuarial Value	32	
Department of Social Services - Filings	34	
Continuing-Care Contract	Ex. D	Entire

**STONERIDGE  
NOTICE TO PROSPECTIVE RESIDENT**

In accordance with Section 17b-522 of the Connecticut General Statutes, this Notice to Prospective Resident is required to be given to a prospective resident or his or her legal representative as set forth below.

Prior to the earlier of (a) the execution of a contract to provide continuing care or (b) the transfer of any money or other property to StoneRidge by or on behalf of the prospective resident, StoneRidge is required to provide the following notice:

- ii. A continuing-care contract is a financial investment and your investment may be at risk.
- ii. Our ability to meet our contractual obligations under such contract depends upon our financial performance.
- iii. You are advised to consult an attorney or other professional experienced in matters relating to investments in continuing-care facilities before you execute a contract for continuing care.
- iv. The Connecticut Department of Social Services does not guarantee the security of your investment.

**Acknowledgment:** I, or my legal representative, have received and reviewed a copy of the above Notice to Prospective Resident, the Disclosure Statement and a copy of the continuing-care contract prior to entering into a continuing-care contract or the transfer of any money or other property to StoneRidge.

---

Signature of Prospective Resident

Date

---

Signature of Prospective Resident, if two

Date

**STONERIDGE**  
**ACKNOWLEDGMENT OF RECEIPT OF DISCLOSURE STATEMENT**

In accordance with Section 17b-522 of the Connecticut General Statutes, this Acknowledgment of Receipt of Disclosure Statement is required to be given to a prospective resident or his or her legal representative as set forth below.

StoneRidge is required to deliver to a prospective resident or his or her legal representative a current Disclosure Statement not more than 60 days or less than 10 days before the execution of a continuing care contract or the transfer of any money or other property to StoneRidge by or on behalf of the prospective resident.

**Acknowledgment:**

\_\_\_\_\_ I, or my legal representative, have received and reviewed a revised and up-to-date Disclosure Statement in that there have been revisions to the original Disclosure Statement I, or my legal representative, received and reviewed.

OR

\_\_\_\_\_ I, or my legal representative, have not received a revised and up-to-date Disclosure Statement in that there have been no revisions to the original Disclosure Statement I, or my legal representative, received and reviewed.

\_\_\_\_\_  
Signature of Prospective Resident Date

\_\_\_\_\_  
Signature of Prospective Resident, if two Date

## INTRODUCTION

We are pleased you have expressed an interest in StoneRidge. We are very proud of our senior living community and appreciate the opportunity to tell you more about it. We are convinced that the more you learn about StoneRidge, the more comfortable you will be in deciding to make it your future home.

StoneRidge brings to Residents of a qualifying age a way of living known as "*ContinuingCare*<sup>™</sup>." This concept provides services that offer Residents the opportunity to pursue their personal interests. *ContinuingCare* communities, such as StoneRidge, encompass these important components: a private Residence, a wide array of personal services, and the security of access to on-site licensed memory care, rehabilitative care and nursing care (hereafter also collectively known as "Health Center Care Services") in the Health Center, all combined within a sound financial plan. LCS-Westminster Partnership I, LLP ("we," "our," or "the Provider") is an Iowa limited liability partnership, qualified to do business in Connecticut and conducts business as StoneRidge. As the Provider, we are committed to operating a quality senior living community which is financially sound and genuinely responsive to Resident desires and needs.

One of the purposes of this Disclosure Statement is to explain to prospective Residents, their families, and their advisors who and what is involved in the operation of StoneRidge. This Disclosure Statement was prepared on the basis of information available at the time of its publication and includes assumptions which were believed to be realistic as of that date. Such information and assumptions are, of course, subject to change, particularly in the areas of economics and design. StoneRidge can be significantly affected by changes in inflation and interest rates even though our projections are conservative and are formulated to take into account those influences. Because of these and other influences, future changes may be necessary, and we reserve the right to make those changes in the operation of StoneRidge.

Although we have prepared this Disclosure Statement carefully and have tried to use nontechnical language, it is possible that there may be some differences between the text of this Disclosure Statement and the language of the Residency Agreement or other documents which are summarized herein. Copies of the actual documents should be inspected to fully understand all of their terms and provisions. In the event of any differences, the provisions of the language of the Residency Agreement or other documents which are summarized herein shall govern. Capitalized terms used herein shall have the same meaning as given them in the Residency Agreement.

**We are pledged to the letter and spirit of U.S. policy for achievement of equal housing opportunity throughout the Nation. We encourage and support an affirmative advertising and marketing program in which there are no barriers to obtaining housing because of race, color, religion, sex, national origin, creed, ancestry, sexual orientation, marital status, learning disability, physical or mental disability, or the lawful source of Resident's income (e.g., social security, alimony, public or general assistance).**

# **I. THE PEOPLE**



## **LCS-WESTMINSTER PARTNERSHIP I LLP**

The Provider is an Iowa limited liability partnership organized for the purpose of owning and operating a *ContinuingCare* senior living community that conducts business as StoneRidge. Its principal business address is Capital Square; 400 Locust Street, Suite 820; Des Moines, Iowa 50309-2334. The partners of the Provider ("Partners") consist of LCS StoneRidge LLC an Iowa limited liability company and Westminster-LCS LLC an Illinois limited liability company. LCS StoneRidge LLC is the managing partner of LCS-Westminster Partnership I LLP. LCS StoneRidge LLC is a wholly-owned subsidiary of Life Care Services Communities LLC, which in turn, is a wholly-owned subsidiary of Life Care Companies LLC, an Iowa limited liability company. The Provider is not affiliated with any religious, charitable, or nonprofit corporation or entity.

The Provider has the overall responsibility for StoneRidge. Before the Provider undertook the sponsorship of StoneRidge, a complete program was developed which included preliminary plans, budgets for capital costs, planned financing, and projected operating income and expenses. Local and state ordinances were investigated to be certain that the proposed *ContinuingCare* community would comply with applicable laws. Some of its primary duties include the approval of building design, capital expenditures, and operating budgets. The Provider reviews annually the insurance coverages on StoneRidge's property and personnel. Operational policies for StoneRidge and criteria for residency are subject to approval and periodic review by the Provider's managing partner. The Provider will also adopt and approve personnel policies for employees and other policies and rules required for operation of StoneRidge. The Provider will monitor compliance with the budget and the performance of StoneRidge and its management. These activities will be carried out by means of reports, studies, and on-site inspections.

**The Provider is solely responsible for its obligations, including its obligations under the Residency Agreement. No other person or entity referred to herein has assumed any financial responsibility for the fulfillment of the Provider's agreements, except as otherwise expressly stated.**

## **RESIDENTS' ASSOCIATION AND RESIDENTS' COUNCIL**

Membership in the Residents' Association is open to all Residents of StoneRidge. The Residents' Association nominates and elects certain Residents to become members of the Residents' Council. The Residents' Council usually meets monthly with administration. The Residents' Council and its various committees is advisory in nature and is intended to consolidate majority opinion, and advise on general interest topics related to the quality of life at StoneRidge which are presented to the Provider for consideration and action. At least twice a year, the Provider will meet with the Residents. The Provider retains full decision-making authority for the operation of StoneRidge.

## **LIFE CARE SERVICES LLC**

The Provider has retained its affiliate Life Care Services LLC ("Life Care Services") to manage the Community. Life Care Services is a wholly-owned subsidiary of Life Care Companies LLC ("LCS"), an Iowa limited liability company.

LCS is a nationally recognized leader in the development and management of quality senior living communities throughout the United States. Since 1971, LCS has been instrumental in the planning, developing, and managing of senior living communities throughout the United States. Life Care Services and its CRSA/LCS affiliate currently manage more than 100 communities (see Exhibit A attached to this Disclosure Statement.)

Edward R. Kenny is a manager of Life Care Services. He is a graduate of Providence College in Providence, Rhode Island with a bachelor of science degree in health services administration. Mr. Kenny joined Life Care Services in 1979 and has administrative experience in four Life Care Services-managed communities. He was promoted to director of operations management in 1987, became vice president in 1989, was promoted to senior vice president in 1990, became executive vice president and secretary in 2001, was promoted to president and chief executive officer in 2006, and became a manager of Life Care Services in 2010. In 2014, he became chairman and chief executive officer of Life Care Services.

Joel D. Nelson is a manager of Life Care Services. He holds a bachelor of arts degree in health care administration from Simpson College in Indianola, Iowa. Mr. Nelson joined Life Care Services in 1986 and has 10 years' experience as a community administrator. In 1996, he was promoted to director of operations management, became vice president in 1997, was promoted to senior vice president in 2001, became executive vice president of operations management and secretary in 2006, was promoted to a manager of Life Care Services in 2010, and became executive vice president-chief development officer in 2011. In 2014, he was named president and chief operating officer.

Diane C. Bridgewater is a manager of Life Care Services. She holds a bachelor of arts degree in accounting and in French from the University of Northern Iowa in Cedar Falls, Iowa. Ms. Bridgewater started her career on the audit staff of KPMG. Ms. Bridgewater joined Life Care Services in 2006 after working for Pioneer Hi-Bred International for over 18 years. Ms. Bridgewater held numerous positions at Pioneer including vice president and chief financial officer; vice president and director, North America Operations; customer and sales services director; worldwide finance director; North America finance director; information management director; research finance director; and internal auditor. Ms. Bridgewater started her tenure at Life Care Services as vice president, treasurer and chief financial officer, became a manager of Life Care Services in 2010, and was promoted to executive vice president, treasurer, chief financial officer, and chief administrative officer in 2011. In 2014, she was also named secretary of Life Care Services.

Rick W. Exline is a manager of Life Care Services. He graduated from Simpson College in Indianola, Iowa with a bachelor of arts degree in political science, and from Oklahoma Baptist University in Shawnee, Oklahoma with a bachelor of science degree in health care administration. Mr. Exline joined Life Care Services in 1978 and has 10 years' experience as a community administrator. In 1987, he was promoted to director of operations management,

became vice president in 1989, was promoted to senior vice president in 2001, and became executive vice president director of operations management and a manager of Life Care Services in 2011.

Judi L. Buxo is a Senior Vice President of Life Care Services and also serves as a manager of LCS StoneRidge LLC. She graduated from Florida State University in Tallahassee, Florida with a bachelor of science degree in leisure services and studies. Ms. Buxo joined Life Care Services in 1988 and has 13 years' experience as a community executive director. In 2001, she was promoted to director of operations management, was named vice president director of operations management in 2010, was promoted to vice president of equity communities in 2011, and to senior vice president of asset management in 2012. In 2014, she was named director of senior living management for for-profit CCRC communities

Life Care Services supervises the management and operation of StoneRidge on behalf of the Provider. In general, management services include: recruiting and training administrative personnel; supervising the licensing, equipping, and staffing of StoneRidge; preparing annual budgets; establishing and operating a system of financial controls for StoneRidge, including comparative analysis with other projects; supervising health care services; supervising food services; supervising the services relating to the Residences; and providing the highest possible level of services to Residents consistent with the approved budget. The Provider retains the ultimate responsibility for monitoring operating costs, wages, salaries, expenses, and overall fiscal viability of StoneRidge. Life Care Services does not guarantee the obligations of the Provider under the Residency Agreement. Life Care Services is entitled to full reimbursement for certain costs incurred by it in connection with providing management services to the Provider, including full reimbursement of the executive director and the administrator's salaries, and is paid a percentage fee based on the total operating revenue of StoneRidge.

### **EXECUTIVE DIRECTOR**

Richard Kisner is the Executive Director for Stone Ridge. Mr. Kisner has over 30 years of experience managing health care organizations in the acute and long term care areas. Mr. Kisner is a licensed Nursing Home Administrator in Connecticut, as well as a licensed Registered Nurse in Connecticut. Mr. Kisner received his nursing degree from Quinnipiac University in Hamden, CT and his Masters in Public Health/Health Administration from Tulane University in New Orleans, LA.

### **ADMINISTRATOR**

Yvette Dobruck is the Administrator of Avalon Health Center at StoneRidge and has over 20 years of experience in long term care. She is a licensed Nursing Home Administrator in Connecticut, as well as a licensed Registered Nurse. Ms. Dobruck received a bachelor of science in nursing degree from Central Connecticut State University in New Britain, CT and a master of science in nursing degree from the University of Connecticut in Storrs, CT.

### **DIRECTOR OF OPERATIONS MANAGEMENT**

Scott Doherty has been a member of the Life Care Services LLC family for over 10 years and has been a health care administrator since 1991. He began his career at Life Care Services

as Administrator at Vista Grande Villa in Jackson, Michigan. He was executive director at Westminster Village in Spanish Fort, Alabama from January 2004 until February 2007 before being appointed the executive director at Timber Ridge in Issaquah, Washington. Prior to joining LCS, Mr. Doherty served four years of active duty in the United States Navy. He has also served six years in the Naval Reserves. His four years of active duty included a tour aboard the aircraft carrier USS Theodore Roosevelt. Mr. Doherty earned a bachelor of science degree in health care administration from James Madison University in Harrisonburg, Virginia along with a minor in business management. In January 2013, Mr. Doherty was promoted to director of operation management and became a vice president of Life Care Services in 2014.

## **II. THE COMMUNITY**

## **THE LOCATION**

StoneRidge is located at the southwest corner of Jerry Browne Road and Pequotsepos Road in Mystic, Connecticut.

## **STONERIDGE**

Phase I of StoneRidge consists of 166 Residences, common areas, and a 40-bed Health Center offering nursing care. The common areas include a dining room with a view of the woods; a library; an art studio; a fitness room; a beauty/barber shop; the Jerry Browne Pub; Mariner Grille; a residential health services office; a postal outlet, a meeting room; a computer room; a Resident-run country store; and a private dining room which may be reserved by Residents who wish to entertain a group. Outdoor amenities include a communal garden area, a golf putting green, and a perimeter walking path.

Marketing of Phase II commenced in December 2005, construction commenced in July 2006, and the first move-ins for Phase II occurred in October 2007. Phase II consists of 51 additional Residences and new common spaces including an enclosed swimming pool, dining enhancements, an auditorium, and lounge areas. Phase III marketing commenced in February 2007. Construction of Phase III commenced in April 2007 and the first move-ins for Phase III occurred in August 2008 and memory care in 2009. Phase III consists of 53 additional Residences and a 12 suite memory care cottage. StoneRidge also has the opportunity to construct an additional 20 Health Center beds pursuant to the provisions of its Certificate of Need.

The types of Residences that are available include: one (1) bedroom traditional, one bedroom (1) deluxe, one (1) bedroom with den, one (1) bedroom with den deluxe, two (2) bedroom traditional, two (2) bedroom deluxe, two (2) bedroom corner, two (2) bedroom end, two (2) bedroom with den, two (2) bedroom end with den. All Residences and common areas are connected by common corridors and elevators. This provides the Residents access throughout StoneRidge without going outdoors. All Residences are equipped with safety features such as grab rails in the bathrooms and emergency nurse call signals in the bedrooms and baths, full sprinkler systems, and smoke alarms. Every Residence has complete kitchen facilities with major appliances, central air, and other amenities.

Avalon Health Care Center at StoneRidge ("Health Center") is designed with both private and semiprivate rooms, and includes a large physical/occupational therapy room, arts and crafts therapy area, dining rooms, and lounges. Emphasis in the Health Center is on restorative care in order to return Residents to their Residences.

In addition to convenient access to on-site Health Center Care Services, StoneRidge is designed to create an environment that enriches the lives of the people who live and work there. The design of StoneRidge allows for creative and healthy lifestyle activities in a comfortable environment. However, the Provider reserves the right to modify the services and amenities to better serve StoneRidge Residents if justified by market demands or if design or construction technology advances or alternatives are made available.

## THE PERSONNEL

With approval from the Provider, Life Care Services employs the executive director, and administrator of StoneRidge under the terms of its Client Services Agreement. Life Care Services or the Provider will also employ the director of accounting, and the marketing and sales staff at StoneRidge. The Provider employs all other personnel. In the Health Center this includes a director of nursing services, a dietary manager, registered nurses, licensed practical nurses, and nursing paraprofessionals. A medical director (M.D. or D.O.) has been contracted on a consulting basis to direct care in StoneRidge's Health Center. An occupational therapist, a physical therapist, a speech therapist, and a dietician are available on a consulting basis. Other employees of StoneRidge include receptionists, community life services director, a finance manager, maintenance workers, security personnel, residential health services staff, housekeeping staff, kitchen staff, dining room personnel, clerical staff, and transportation personnel.

## THE SERVICES

The decision to move into a *ContinuingCare* senior living community demands careful consideration of many factors, including the services to be provided. A description of the services provided by the Provider is attached as Exhibit B to this Disclosure Statement. Briefly, in accordance with the terms of the StoneRidge Residency Agreement, and in addition to providing a Residence and community amenities for lifetime use by the Resident, the Provider provides the following services: (1) maintenance and cleaning of the common areas; (2) weekly flat laundry service; (3) full maintenance inside and out, including provided appliances in each Residence; (4) weekly housekeeping of each Residence; (5) dining services for Residents and their guests; (6) planned activities; (7) security services; (8) scheduled local transportation services; (9) Health Center Care Services; (10) a residential health services program; (11) emergency call monitoring and responses; (12) water, sewer, air conditioning, heating and electricity; (13) standard cable; (14) trash removal; (15) room service for up to 14 days when ordered by the appropriate personnel; and (16) various administrative services. Also, additional services are available to the Residents for an extra charge, as outlined in the Residency Agreement.

The choices at StoneRidge support a healthy way to live. StoneRidge's innovative *HealthyLife™ Services* Program offers an all-encompassing commitment to Resident's healthy lifestyle...including spiritual, physical, emotional, social, environmental, intellectual, vocational and health services. This dynamic principle underscores the nature of StoneRidge's services which are designed to promote personal wellness.

The Provider offers three (3) levels of health services that include: (1) residential health services (home health services); (2) memory care; and (3) short- and long-term rehabilitative and nursing care services. As an option, should the Resident not desire to transfer to the Health Center, the Resident may elect to receive in his/her Residence, home health care services as long as the Resident's health or safety or that of others is not jeopardized. Such services will be coordinated by StoneRidge's Health Care Navigator. Services provided by Health at Home™ or another home health services provided serving the area are at the Resident's expense.

The Health Care Navigator ("Navigator") for health services will assist the Resident in obtaining personal care services from Health at Home or an outside agency of Resident's choice in accordance with StoneRidge's Personal Service Provider Policy. At the Resident's direction, the Navigator may guide preventative wellness oriented services such as fitness and exercise activities, as well as healthy food choices. Other services may include: wellness screenings such as blood pressure checks, health fairs and life-long learning seminars geared to health and wellness. Should health care needs arise, the Navigator may support Residents with health and medical related services, such as assistance with physician appointments, emergency medical management, physician ordered on-site laboratory screenings, physical and other therapies, as well as private home health services designed to provide care in Resident's Residence during spells of illness or post hospitalization. The goal is to provide as much support as the Resident desires to promote wellness and to avoid admission to a more acute level of health care. If more acute care is needed, the Navigator will coordinate admitting details.

Residents who do not require ongoing care in the Health Center, but who need limited additional personal services to continue residing in their Residence, may contract for those additional services through StoneRidge's *HealthyLife Services* Program. These services include, but are not limited to bathing, dressing, additional housekeeping, shopping, escort, and personal laundry. These services are provided by StoneRidge through Health at Home, the preferred provider of home health care services, which may include Medicare covered services in the home and/or therapy services. Such services may also be provided by another home health services provider serving the area. See "Home Health Care" below regarding Residents' right to utilize outside providers for these services. The Provider has the right to adjust the level of personal care services and the charges for such services. The services furnished through this program are provided for an extra charge to the Resident and enable the Resident to remain in their Residence without transfer to the Health Center.

Health Center services are available to all Residents of StoneRidge. Residents, under the direction of their attending physician and the Health Center's medical director (after consultation with the Resident's responsible party, if any, and Residents to the extent possible), may be directly admitted to the Health Center from their Residences. Residents of StoneRidge have priority access to the Health Center over non-residents desiring admission. Residents who are able to do so will be encouraged to return to their Residences as soon as possible. Residents who are unable to return to their Residences, however, will have the benefit of care in the health center. For a more complete description of the Health Center see "Health Center" below and Section 4 of the Residency Agreement.

## **HEALTH CENTER**

StoneRidge has a Medicare-certified on-site Health Center ("Avalon Health Care Center at StoneRidge" or "Health Center") licensed to provide Health Center Care Services to StoneRidge Residents under the licensure requirements of the State of Connecticut. Our philosophy is to foster an atmosphere and a culture that support independence, dignity, and choice for all Residents regardless of physical or mental abilities. This is achieved through a culture that enhances personal care based on individual choices and quality of life options.



The Provider delivers to Residents quality Health Center Care Services within the limits of its license and consistent with the approved budget. Licensure for hospital-level care cannot be obtained, and hospital level services are not provided within the Health Center. Such level of care must be provided by a hospital, and the costs related to hospitalization are the responsibility of the Resident.

**Care in the Health Center.** Health Center Care Services are provided pursuant to the *ContinuingCare* Residency Agreement to Residents of StoneRidge. The Health Center offers private and semi-private suites with preferred access to Residents of StoneRidge, but also markets any available suites to non-residents. The goal of the Health Center is to provide the highest quality Health Center Care Services in a state-of-the-art Health Center with a focus on personal choice and within the limits of its license.

**Priority Access Plan.** If, in the opinion of the Resident's attending physician or StoneRidge's medical director (after consultation with the Resident to the extent possible, and Resident's responsible party, if any), it is determined that the Resident requires care outside the Residence, the Resident shall pay the per diem charge for care in the Health Center. Whether the Resident continues to pay the Monthly Fee for the Residence while a Resident in the Health Center depends upon whether the Resident chooses to **release** or **retain** the Resident's Residence.

**Reduced Health Center Fees Plan and the First 90 Days in the Health Center.** If a Resident has entered into a Residency Agreement including the Reduced Health Center Fees, Plan, and, in the opinion of the Resident's attending physician or StoneRidge's medical director (after consultation with the Resident to the extent possible, and Resident's responsible party, if any), it is determined that the Resident requires care outside the Residence, the Resident is provided Health Center Care Services in the Health Center for a discounted rate for 90 cumulative days. During the Resident's first 90 cumulative days of Health Center Care Services, the Resident receives a 50 percent discount from the per diem charge for care in the Health Center. After the Resident's first 90 cumulative days of Health Center Care Services, the Resident receives a 10 percent discount from the per diem charge for care in the Health Center. Whether the Resident continues to pay the Monthly Fee for the Residence while a Resident in the Health Center depends upon whether the Resident chooses to **release** or **retain** the Resident's Residence.

**Medicare-Qualified Stay.** If the Resident's stay in the Health Center is fully covered as a Medicare-qualified stay, the discount towards the per diem charge as described in the above paragraph will not take effect until the termination of the Resident's Medicare-qualified stay, providing that the Resident has Medicare Part A, Medicare Part B, and one supplemental health insurance policy or equivalent insurance coverage acceptable to StoneRidge. However, a Resident may choose to participate in a managed care program as an alternative to Medicare Part A, Medicare Part B, and supplemental insurance coverage. If the Provider is a participating provider with the Resident's managed care program and the Resident's stay is a Medicare-qualified stay, the Provider agrees to be reimbursed at the rate negotiated with Resident's managed care program. Such a managed care stay in the Health Center will not reduce the discount towards the per diem charge that the Resident is eligible for when receiving Health Center Care Services in the Health Center.

**Resident Priority Over Non-Residents.** A Resident will be given priority over non-residents for admission to the Health Center. In the unlikely event the Health Center is fully occupied, the Resident will be provided care in another health care facility or in his/her apartment with Health at Home, if applicable, until space becomes available at the Health Center. To the extent the Provider is responsible for the Resident's care and accommodations in the Health Center under the Residency Agreement, the Provider will be responsible for the charges associated with the alternate Health Center Care Services so long as the Resident continues to pay the applicable per diem charge for Health Center Care Services and the Monthly Fee if the Resident retains his or her Residence. The Resident agrees to relocate to the Health Center when a suite is available.

Section 4 and Exhibit B of the Residency Agreement (see Exhibit D) sets forth in greater detail the extent to which Health Center Care Services will be provided and the terms for providing this care. Physical, occupational, and speech therapy services are provided on a contract basis.

## **CONTRACTS AND FEES**

The services to be performed under the Residency Agreement are furnished pursuant to a management agreement between the Provider and Life Care Services. Life Care Services is the day-to-day manager of StoneRidge pursuant to a Client Services Agreement between Life Care Services and the Provider. Under the management agreement, the Provider pays Life Care Services a management fee for management of the Community. Life Care Services will also be entitled to reimbursement of certain costs incurred by it in connection with providing management services, including reimbursement of on-site Life Care Services staff salaries.

## **HOME HEALTH CARE**

Home Health Care Services LLC, doing business as Health at Home™ ("Health at Home"), is an Iowa for-profit limited liability company, and is a home health care agency and an assisted living service agency licensed by the State of Connecticut. Health at Home is a subsidiary of LCS, an Iowa for-profit limited liability company, and is an affiliate of the Provider.

Health at Home is the preferred provider for the Provider's Residential Health Services Program. However, Residents of StoneRidge may, at their option, contract directly with any other home health care agency of their choice for home health care services or assistance with the activities of daily living that complies with StoneRidge's Personal Service Provider Policy. The fees incurred by the Residents for the services provided by Health at Home depend on the nature, frequency, and duration of the services purchased by the Residents.

# **III. THE PROPOSAL**

## **THE *ContinuingCare*™ CONCEPT**

The *ContinuingCare* concept ensures an individual lifetime use of a Residence, support services, access to 12 memory care suites in The Cottage at Avalon, and access to long-term nursing care in the on-site Health Center. This concept has grown as an increasing number of men and women reaching retirement age have sought better alternatives to traditional retirement living. For those services and accommodations, a Resident pays a First Person Fee, a one-time Working Capital Fee, and makes a Loan to the Provider in accordance with the terms of the Residency Agreement. The Resident begins to pay the Monthly Fee on the earlier of the date the Resident moves into StoneRidge, or within 90 days of the Provider's approval of the Residency Agreement. A Resident may relocate from his or her Residence to the on-site Health Center as provided in the Residency Agreement.

The Residents of StoneRidge will have, through their *ContinuingCare* arrangement, another way of paying for long-term care, although not underwritten by an insurance company. The Provider will provide Health Center Care Services in The Cottage at Avalon and Health Center for as long as required at a discounted rate to the Resident. The *ContinuingCare* arrangement will make Health Center Care Services available to the Resident for significantly less cost than the cost to obtain these services in a well-rated comparable facility.

## **LONG-TERM CARE INSURANCE**

Some Residents may have obtained coverage under some form of long-term care insurance prior to moving to StoneRidge. These policies are typically purchased to cover home health, assisted living, memory care, and/or nursing care expenses which are not covered by Medicare or other insurance. The terms of coverage vary among insurers and policies. Some policies are purchased directly by individuals, while others are provided through former employers. Some will directly reimburse an individual for qualified expenses incurred, while others provide an indemnity amount with payment going directly to the provider of the service. Many also provide some coverage for qualified home health care and assisted living care at a lower rate than for memory care or nursing care.

StoneRidge does not provide advice to its Residents as to whether an existing long-term care insurance policy should be maintained in effect following occupancy. This decision is one which will vary by individual and type and cost of the policy. The Provider recommends that the decision be made in consultation with the Resident's financial advisor. If coverage is maintained, the Provider has agreed pursuant to paragraph 4.7 of the Residency Agreement, to use reasonable efforts to assist the Resident in working with his or her insurance company to obtain the insurance benefits to which the Resident may be entitled. In some cases this will mean filing claims on behalf of the Resident with the insurance company for eligible benefits, while in others it will mean submitting bills to the Resident for services provided in the Health Center which, upon payment, can be used by the Resident to claim recovery of the charges covered by the policy. The Provider cannot undertake to represent a Resident in the event of a dispute with an insurer over the benefits payable under a policy.

The Residency Agreement is attached to this Disclosure Statement as Exhibit D.

## THE RETURN-OF-CAPITAL™ PLAN

The *ContinuingCare* concept has evolved over the years in many ways. Probably the most dramatic change is the handling of the historical, one-time "Entrance Payment." Originally, the Entrance Payment paid by a Resident became the property of the provider on the day the Resident assumed occupancy. This appeared to some to be inequitable for an individual who was a Resident for only a short time, despite the balancing effect for the long-term Resident. As a consequence, providers began offering partial repayments to the estates of Residents based on a Resident's term of residency. In other words, the provider "earned" the Entrance Payment over a period of time until the repayment became zero.

The Provider's Return-of-Capital™ Plan for Residency Agreement (the "Residency Agreement") provide an additional benefit. Under the Return-of-Capital Plan, an Entrance Payment consists of a First Person Fee and a Loan. The Loan constitutes a significant portion of the Entrance Payment and is repayable upon cancellation of the Residency Agreement according to the schedule below. If a Resident dies or decides to leave StoneRidge, the Entrance Payment is repayable to the Resident or Resident's estate net of amounts subject to offset pursuant to the Residency Agreement in the following manner:

- During the first ten (10) months of occupancy the Loan and a portion of the First Person Fee equal to 90% of the Entrance Payment will be repayable;
- During months 11 through 30 of occupancy the First Person Fee will be reduced by 1 percent (1%) of the Entrance Payment per month of occupancy. The Loan, an amount equal to 70% of the Entrance Payment, will be repaid and the Second Person Fee, if there are two (2) Residents, will be non-repayable; and
- After 30 or more months of occupancy the Entrance Payment will be 70% repayable (i.e., the Loan) and the Second Person Fee, if there are two (2) Residents, will be non-repayable.

The Provider also offers a 50% Return-of-Capital™ Plan under its Residency Agreement for a limited number of Residences. The Provider may, at the Provider's sole discretion, offer the option of the 50% Return-of-Capital™ Plan for one or more Residences. The differences between these two Plans are the following:

- The Entrance Payment for the 70% Return-of-Capital™ Plan is greater than the Entrance Payment for the same residence under the 50% Return-of-Capital™ Plan;
- Under the 50% Return-of-Capital™ Plan, the Loan is 50% of the Entrance Payment and the First Person Fee is 50%; and
- Under the 50% Return-of-Capital™ Plan, during months 11 through 25 of occupancy the First Person Fee will be reduced by 2 percent (2%) of the Entrance Payment per month of occupancy.

In the event of death or cancellation of the Residency Agreement and removal of all property from the Residence, the repayment will be made 14 days from the date the Entrance Payment is collected from a new Resident for the vacated Residence. In the event the Residence is reoccupied by an existing Resident of StoneRidge, repayment will occur on the date an Entrance Payment is received for the Residence vacated by the existing Resident. If more than

one internal transfer of existing Residents occurs, repayment of the Loan will be tied to the last vacated Residence. However, in no event shall such date be more than 36 months from the date of cancellation of the Residency Agreement. If the Residency Agreement is not cancelled within 30 years from the date of the Loan Agreement, the Loan shall be immediately due and payable by StoneRidge to the Resident or the Resident's estate.

In anticipation of meeting the needs of Residents over time, the Provider recognizes the need to be able to modify and develop new forms of residency agreements. To meet those needs, the Provider reserves the right to offer new prospective Residents alternative forms of residency agreements from time to time without said change being applied to existing Residents.

The Residency Agreement is attached to this Disclosure Statement as Exhibit D.

### **SUMMARY OF RESIDENCY AGREEMENT**

Upon deciding to become a Resident of StoneRidge, a future Resident will execute a Residency Agreement to reserve the Residence selected. A prospective Resident will execute a Residency Agreement in the form of Exhibit D. The Entrance Payments and Monthly Fees for Phases I, II, and III Residences are attached as Exhibit C.

Residency Agreements are subject to acceptance by the Provider. At the time of executing a Residency Agreement, a determination needs to be made as to whether a prospective Resident meets the residency criteria: age, financial qualifications, and the ability to live in a Residence with or without reasonable accommodation or reasonable modification. To determine if the prospective Resident meets the age and financial residency guidelines, a Confidential Data Application is completed. The Application requires the prospective Resident's birth date as well as a summary of assets and monthly income. The prospective Resident's signature on the Application is an acknowledgment that the information provided is correct and the prospective Resident agrees throughout his or her residency to maintain the minimum level of assets and income that initially qualified him or her for residency.

A summary of the Residency Agreement and terms of residency are set forth below. The summary explanation of the Residency Agreement contained in this Disclosure Statement is qualified by reference to the Residency Agreement (see Exhibit D) which shall prevail in the event of any conflict.

The basic terms and conditions of the Residency Agreement are summarized as follows:

1. **Payment of First Person Fee and Second Person Fee.** At the time the Residency Agreement is executed by a Resident, he or she will be required to pay a partial First Person Fee in an amount equal to ten percent (10%) of the Entrance Payment which will be deposited into an escrow account and will be released to the Provider pursuant to the escrow agreement. The balance of the First Person Fee will be paid at the time of the Loan payment and payment of the Working Capital Fee. If there are two (2) Residents, a Second Person Fee will be paid at the time of the Loan payment.

Before occupancy, the 10 percent will be fully repayable without interest if: (i) the Provider does not accept the prospective Resident for residency; (ii) the prospective Resident changes his or her mind within the 30 day rescission period; or (iii) due to death, illness, injury or incapacity, the prospective Resident will be unable to occupy a Residence. In all other cases, if a Resident changes his or her mind prior to occupancy, the Provider will retain the lesser of two percent (2%) of the Resident's Entrance Payment or \$1,000 from the First Person Fee Resident paid, plus an amount equal to any costs specifically incurred by the Provider at the Resident's request, and will repay the balance without interest to the Resident within 60 days of written notice of cancellation.

After occupancy, the Resident's First Person Fee may be partially repayable as outlined in the Residency Agreement. After occupancy, the Second Person Fee is not repayable. Any non-repayable First Person Fee or Second Person Fee may be used by the Provider for any purpose related or unrelated to StoneRidge. The Provider may distribute any non-repayable First Person Fee or Second Person Fee to its Partners.

2. **Payment of Loan.** A Resident will be required to make a Loan to the Provider. On the earlier of the date the Resident moves into StoneRidge or within 90 days of the Provider's approval of the Residency Agreement, the Resident will be required to make a Loan to the Provider. The Loan will be fully repaid as set forth in the Residency Agreement and the Loan Agreement that is part of the Residency Agreement.
3. **Payment of a Working Capital Fee.** A Resident will be required to pay a one-time Working Capital Fee to the Provider at the time the Resident makes the Loan under the Residency Agreement. The Working Capital Fee will be an amount equal to two (2) times the then-current Monthly Fee, including the Second Person Monthly Fee if there are two (2) Residents for the Residence. The Working Capital Fee is intended to be used only for purposes related to StoneRidge and will be non-repayable.
4. **Payment of a Monthly Fee.** A Resident will be required to pay a Monthly Fee which is determined annually by the Provider. For a more complete description of the Monthly Fee, see the section titled "Monthly Fee" in this Disclosure Statement and Section 1 of the Residency Agreement.
5. **Miscellaneous Additional Services and Extra Charges.** Section 2 of the Residency Agreement describes certain items that may be available for an extra charge, including, but not limited to, additional meals beyond the meal plan included in the Monthly Fee, extended tray service beyond 14 days to Resident's Residence, Residential Health Services (home health care) provided in Resident's Residence, use of the beauty/barber shop, and additional housekeeping.
6. **Capital Asset Replacement Reserve Fund.** In addition to budgeted capital item expenses, a portion of the Monthly Fee will be used to maintain the Capital Asset Replacement Reserve Fund, which will be used for improving or replacing significant capital items of StoneRidge that cost in excess of fifty thousand dollars (\$50,000). The intent of this fund is to provide available funds for higher capital expenses. Therefore, items cannot be combined together to achieve the fifty thousand dollars (\$50,000) threshold to withdraw from this account.

7. **Charges for Memory Care, Rehabilitative Care and Nursing Care Services in the Avalon Health Care Center at StoneRidge.** Section 4 of the Residency Agreement establishes the basis for charges for Health Center Care Services in StoneRidge's Health Center. In general, during the first 90 cumulative days of private memory care or private or semiprivate nursing care in the Health Center, the Resident will be provided with a 50 percent discount from the market rate established as the per diem charge. After the first 90 days of accumulated private memory care or private or semiprivate nursing care in the Health Center, the Resident will receive a 10 percent discount from the per diem charge for care in the Health Center. Whether the Monthly Fee for the Residence continues will be based on whether the Residence is released or retained and whether there is one (1) Resident or two (2) Residents.
8. **Cancellation.** The Provider may cancel a Residency Agreement after it has been accepted only for the reasons set forth in Section 9 of the Residency Agreement. Prior to occupancy, the Residency Agreement may be rescinded by the Resident giving the Provider written notice within 30 days from the date of the Residency Agreement being executed. In such event, the First Person Fee paid by the Resident will be returned in full, without interest, less those costs specifically incurred by the Provider at the Resident's request and described in an addendum to the Residency Agreement executed by the Resident and the Provider.

During the right of rescission period the Resident is not required to move into StoneRidge. Should the Resident cancel the Residency Agreement during or after the 30-day right of rescission period, the timing and amount of repayment will depend upon the circumstances surrounding cancellation as set forth in Section 8 of the Residency Agreement. A Resident may cancel the Residency Agreement after occupancy in accordance with Section 8 of the Residency Agreement.

The Provider may not cancel the Residency Agreement after occupancy except for just cause as described under Section 9 of the Residency Agreement.

9. **Financial Assistance.** In cases where a Resident's financial resources prove inadequate, the Resident may apply for special financial consideration by the Provider. It is the policy of the Provider not to require a Resident to leave StoneRidge because of justifiable inability to pay the full Monthly Fees or Health Center per diem charges as long as it does not impair the Provider's ability to operate on a sound financial basis. If this occurs, any deferred charges will be offset against any Loan repayment due the Resident. The circumstances under which a Resident will be allowed to remain in StoneRidge in the event of financial difficulty are set forth in Section 9 of the Residency Agreement. Further, when the Resident initially applies for residency, the Resident agrees to maintain throughout his or her residency the minimum level of assets and income that initially qualified him or her for residency.



## SUMMARY OF TRADITIONAL RESIDENCY AGREEMENT

The Community will be offering a Traditional Plan for Repayment to prospective residents on a limited basis, in addition to the Return-of-Capital™ Plans. The primary difference between the Return-of-Capital Plans and the Traditional Plan is that the Traditional Plan will continue to amortize until the Resident's entire Entrance Payment has been earned by the Provider. There is no loan made to the Provider.

**Payment of Entrance Payment and Second Person Fee.** At the time the Residency Agreement is executed by a Resident, he or she will be required to pay an amount equal to 10% of the Entrance Payment, which will be deposited into an escrow account until it may be released to us pursuant to Connecticut law. The balance of the Entrance Payment will be paid on the earlier of the date the Resident moves into the Community or within 90 days of the Provider's approval of the Residency Agreement. If there are two (2) Residents, a Second Person Fee, if applicable, will be paid at the time of the balance of the Entrance Payment and payment of the Working Capital Fee.

Before occupancy, the 10% will be fully repayable without interest if: (i) the Provider does not accept the prospective Resident for residency, (ii) the prospective Resident changes his or her mind within the 30 day rescission period or (iii) due to death, illness, injury, or incapacity, the Resident will be unable to occupy a Residence. In all other cases, if a Resident changes his or her mind prior to occupancy, the Provider will retain \$1,000 of the Entrance Payment paid plus an amount equal to any costs specifically incurred by the Provider at the Resident's request, and will repay the balance, without interest, within 60 days of cancellation. After occupancy, the Resident's Entrance Payment and Second Person Fee may be fully repayable or non-repayable as outlined in the Residency Agreement and summarized below.

**No Loan.** As the entire Entrance Payment may become earned by the Provider, the Resident will not be required to make a Loan to the Provider. The Entrance Payment is instead earned by the Provider pursuant to the amortization schedule summarized below.

**Repayment of Entrance Payment After Occupancy.** If a Resident dies or decides to leave StoneRidge, the Entrance Payment is repayable to the Resident or Resident's estate net of amounts subject to offset, pursuant to the Residency Agreement in the following manner:

- After occupancy, the Second Person Fee is not repayable;
- During the first 10 months of occupancy, an amount equal to ninety percent (90%) of the Entrance Payment will be repayable;
- During months 11 through 47 of occupancy, the Entrance Payment will be reduced by the total of six percent (6%) plus two percent (2%) of the Entrance Payment per month of occupancy until the Entrance Payment has fully amortized down to zero; and
- After 48 months of occupancy, the Resident will not receive any repayment of their Entrance Payment.
- After you assume occupancy at StoneRidge, you may cancel your Residency Agreement at any time by giving us one hundred twenty (120) days' advance written notice signed by you (both of you if there are two (2) of you) and sent by registered or certified mail. You will continue to pay your Monthly Fee until the

later of (i) the expiration of such one hundred twenty (120) day period or (ii) your vacancy of the Residence, and removal of all your furniture and other property.

### **TRANSFER TO ANOTHER STONERIDGE RESIDENCE**

Residents may determine that a transfer to another Residence may better meet their needs. A transfer policy has been developed to support aging in place and to meet the financial needs of the Residents and StoneRidge. If so desired, Residents who have already taken occupancy of a Residence at StoneRidge may transfer to another available Residence in accordance with our then-current policy and practices. Any transfers to a new Residence are subject to management approval and will require an Amendment to a Resident's Residency Agreement. Based upon the repayable amount of the Resident's Entrance Payment under the Residency Agreement, a Resident desiring to transfer may be required to pay an additional Entrance Payment and Second Person Fee if the then-current Entrance Payment is higher than the repayable amount of the Entrance Payment. A Resident may need to complete a new Confidential Data Application and meet StoneRidge's financial qualifications to occupy the new Residence. A Refurbishment Fee to restore the condition of the previous Residence will be charged for each transfer. The Monthly Fee will also be adjusted to the then-current Monthly Fee for the new Residence. Unless a Resident transfers to a Residence with a lower Entrance Payment, upon transfer to a new Residence, the amortization of the new Residence's Entrance Payment shall be calculated based upon the date of transfer. All repayments of the any Entrance Payment paid by the Resident (previous or new Residence) will be repaid upon cancellation and pursuant to the terms of the Residency Agreement.

### **MANAGED CARE**

The Resident may choose to participate in a managed care program as an alternative to Medicare Part A, Medicare Part B, and one supplemental insurance coverage. If the Provider is a participating provider with the Resident's managed care program and the Resident's stay is a Medicare-qualified stay, the Provider agrees to be reimbursed at the rate negotiated with the Resident's managed care program. Such a managed care stay in the Health Center will not reduce the discount towards the per diem charge that the Resident is eligible for when receiving Health Center Care Services in the Health Center.

If the Provider is not an approved participating provider with the Resident's managed care program and the Resident chooses to receive nursing care services at a managed care participating provider during a Medicare qualified stay, then the Resident understands and agrees that he or she must relocate for as long as necessary for those services, and will be responsible for all charges for those health care services. In addition, while receiving health care services at the managed care participating provider, the Resident understands and agrees that unless the Residency Agreement is canceled, he or she will continue to pay the Monthly Fee if the Resident chooses not to release his or her Residence. Such a Medicare-qualified stay at a managed care participating provider will not reduce the discount towards the per diem charge that the Resident is eligible for when receiving Health Center Care Services in the Health Center.

If the Provider is not a participating provider in the Resident's managed care program and the Resident would still like to receive nursing care in the Health Center during a Medicare-qualified stay, the Provider will attempt to negotiate an acceptable reimbursement rate with the Resident's managed care program. If the Provider is able to negotiate an acceptable rate, the Provider agrees to accept as full payment the rate provided by the Resident's managed care program. Such a managed care stay in the Health Center will not reduce by one day the discount towards the per diem charge that the Resident is eligible for when receiving Health Center Care Services in the Health Center. If a negotiated rate cannot be agreed upon and the Resident would still like to receive nursing care in the Health Center during a Medicare-qualified stay, then each day of the Resident's stay in the Health Center will reduce the discount towards the per diem charge that the Resident is eligible for when receiving Health Center Care Services in the Health Center. At the conclusion of each such Medicare-qualified stay, the Resident will be entitled to nursing care in the Health Center under the terms of the Residency Agreement, as adjusted to reflect any reduction during such stay in the number of discounted days of care the Resident is eligible to receive as provided in paragraph 4.2 of the Residency Agreement.

### **MONTHLY FEE**

On the earlier of the date the Resident moves into StoneRidge or within 90 days of the date of the Provider's approval of the Residency Agreement, the Resident is required to pay the one-time Working Capital Fee, pay the balance of the First Person Fee, make the Loan, and begin paying the Monthly Fee (due upon receipt of a billing statement) as explained in Section 5 of the Residency Agreement.

The amount of the Monthly Fee in effect at the time the Residency Agreement is executed will be clearly stated in the Residency Agreement. The total Monthly Fee is higher when a second person also shares a Residence. The Monthly Fees for Residences are attached as Exhibit C. The amount of the Monthly Fee is determined by the operating cash requirements for the preceding year, which shall mean all recurring and nonrecurring costs, expenses, and outlays incurred in connection with the operation and administration of StoneRidge. Operating cash requirements shall be determined by StoneRidge management and shall include, but not be limited to, salaries and wages and all fringe benefits paid to employees of StoneRidge and other persons stationed at StoneRidge and other persons having day-to-day administrative, marketing and/or management responsibilities; telephone; utilities; license fees; occupational taxes, payroll taxes, property taxes, sales taxes, permits, etc., associated with StoneRidge; lease payments, if any; legal and accounting services; bad debts and other losses; deductibles related to insurance claims; consulting fees for specialists such as dietitians and medical directors; food and supplies; marketing and sales expenses; capital improvements; costs of repair, maintenance, replacement and improvements to equipment, furniture, fixtures and buildings, except those costs paid from the Capital Asset Replacement Reserve Fund, management fees and other reimbursable costs, including costs of reasonable expenses incurred in performing management services for StoneRidge, such as transportation, living expenses, telephone expense, and photocopying expense; cost of maintenance and normal replacement of landscaping; principal and interest payments on all loans, including "permitted encumbrances, but excluding Loans under the Residency Agreement; and other similar items related to StoneRidge. Operating cash requirements shall not include income taxes.

The Monthly Fee is adjusted upon 30 days' written notice to the Residents. The Monthly Fee will be increased only if it is necessary to meet the operating cash requirements of StoneRidge. Adjustments are intended to reflect anticipated changes in operating cash requirements and anticipated inflation related to the operating cash requirements during the coming year. Each Resident's Monthly Fee increase will be computed by the Provider. Any adjustment to the Monthly Fee will take into account the amount of reserves and working capital necessary to assure StoneRidge's financial independence and the ability to deal with unforeseen circumstances.

## **THE MORTGAGE AND INDENTURE OF TRUST**

Under the *ContinuingCare* senior living concept, no ownership interest in the real estate is transferred to the Resident. Instead, the Provider provides to the Residents a license for the lifetime use of the Residence, pursuant to the terms of the Residency Agreement, in exchange for paying the First Person Fee, paying the Second Person Fee (if there are two (2) Residents) paying the one-time Working Capital Fee, making the Loan, and paying the Monthly Fee.

Under the Return-of-Capital™ Plans, a significant portion of the Entrance Payment required to enter into residency at StoneRidge constitutes a Loan repayable to the Resident or his or her estate upon cancellation of residency at StoneRidge. As security for the Provider's obligation to repay the Loan, the Provider entered into a Mortgage and Indenture of Trust Agreement with a trustee. The Provider granted the trustee a mortgage on StoneRidge's real property for the benefit of the Residents of StoneRidge. The Mortgage and Indenture of Trust Agreement was filed upon initial occupancy of StoneRidge.

So long as there is no event of default by the Provider under the Mortgage and Indenture of Trust, the Provider after giving notice to the Trustee has the right to sell StoneRidge subject to the lien, if any, under the Mortgage and Indenture of Trust. The purchaser will assume all Residency Agreements and all Loan Agreements attached as Exhibit A to the Residency Agreements. Further, so long as there is no event of default by the Provider under the Mortgage and Indenture of Trust, the Provider has the right to sell or dispose of any part of the real property of StoneRidge. The proceeds from such sale will be returned to the Trustee.

Events of default by the Provider under the Mortgage and Indenture of Trust include failure to repay Loans within 90 days of the due dates, or the filing of a voluntary or involuntary bankruptcy or similar proceeding. Upon the occurrence and continuance of an event of default, the Trustee has the ability to foreclose on the property and take possession for the benefit of the Residents. Otherwise, the Trustee does not play an active role in the operation and management of StoneRidge. Upon the occurrence and continuance of an event of default, StoneRidge could be sold by the Trustee if it determined that such action was in the best interest of the Residents.

The Mortgage and Indenture of Trust will permit certain "permitted encumbrances," including but not limited to the following: (1) liens, encumbrances, restrictions, and other matters of record at the time of the filing of the Mortgage and Indenture of Trust; (2) construction mortgages now or later granted to secure short-term or long-term loans, the proceeds of which are used solely for purposes related to StoneRidge; (3) easements and other rights later granted which further the purpose of StoneRidge; and (4) non-construction mortgages now or later

granted to secure short-term or long-term loans, the proceeds of which are used for purposes related or unrelated to StoneRidge and which do not exceed 40% of the fair market value of StoneRidge. These permitted encumbrances are intended to allow alternative financing which would be more difficult and more expensive if the Mortgage and Indenture of Trust had total priority. The existing Project financing as described below in the Financial Section (and any future refinancing thereof) is a permitted encumbrance and is therefore senior to the Mortgage and Indenture of Trust. Except for the permitted encumbrances, the Loans of the Residents of StoneRidge have priority over most other claims with the exception of certain types of liens and taxes. The Loans of all Residents of StoneRidge are equally protected by the Mortgage and Indenture of Trust, and there is no priority among or between the various Residents. A copy of the Mortgage and Indenture of Trust is available for review by you or by your financial or legal advisor.

### **WORKING CAPITAL ACCOUNT**

The Provider uses the one-time Working Capital Fees to maintain a Working Capital Account. The funds maintained in the Working Capital Account may be used for any purpose related to StoneRidge including the working capital needs of StoneRidge, for capital refurbishment needs of StoneRidge, and to make capital improvements, replacements, or additions at StoneRidge. The Working Capital Account is funded by Resident's payment of a one-time Working Capital Fee. The Working Capital Fees and the interest earned on the fees will be used by the Provider only for purposes related to StoneRidge.

### **CAPITAL ASSET REPLACEMENT RESERVE FUND**

The Provider has established a Capital Asset Replacement Reserve Fund, which will be used for improving or replacing significant capital items of StoneRidge that cost in excess of fifty thousand dollars (\$50,000). The intent of this fund is to provide available funds for higher capital expenses. Therefore, items cannot be combined together to achieve the fifty thousand dollars (\$50,000) threshold to withdraw from this account. The Provider has initially funded the Capital Asset Replacement Reserve Fund. Ongoing funding will be directed from Monthly Fees.

### **ESTATE PLANNING**

The 70% Return-of-Capital™ Plan provides for the payment of the Entrance Payment in two (2) parts: a First Person Fee and a Loan. The First Person Fee is an amount equal to 30% of the Entrance Payment. An amount equal to 10% of the Entrance Payment is paid upon execution of the Residency Agreement. A Resident is then required to pay the balance of the First Person Fee, the Second Person Fee, if applicable, a one-time Working Capital Fee, and make the Loan on the earlier of the date Resident moves into StoneRidge or within 90 days of the Provider's approval of the Residency Agreement. The Loan is repayable to the Resident's estate upon the death of the Resident, or in the case of a double-occupied Residence, upon the death of the surviving Resident, in accordance with the terms of the Loan Agreement.

In the absence of any agreement between the Residents of a double-occupied Residence which has been provided to the Provider, the Loan repayment or Entrance Payment will be paid to the estate of the surviving Resident. Residents of double-occupied Residences who wish to make other provisions as to whom the Loan repayment or portion of the Entrance Payment is to be repayable should consult their attorney for an appropriate agreement. It is the responsibility of the Resident to make the Provider aware of the existence of any such agreement and to provide a copy of the agreement to the Provider. No other rights under the Residency Agreement are assignable. Forms of Assignment of Rights to Repayments are available for review by the Resident or by the Resident's financial or legal advisor upon request.

## **IV. FINANCIAL**

## **FINANCIAL PROJECTIONS**

The following information is provided to future Residents, their families, and their advisors so that they may understand the financial basis on which StoneRidge is operated. The Provider's past experience regarding such items as wage rates, utilities, real estate taxes, supplies, etc., and the past experience of Life Care Services in successfully managing senior living communities, has been the basis for financial planning for StoneRidge.

### **CASH FLOW PROJECTION (PRO FORMA)**

On the following pages are the January 1, 2014 through December 31, 2018 pro forma cash flow projection for the Provider. The pro forma projection is based on the assumptions stated in the notes attached thereto and are projections of future activity rather than historical financial statements. Such pro forma projection is based on cash flow concepts which make it unlike an income statement prepared in accordance with generally accepted accounting principles.

The pro forma cash flow projection is simply a projection of the estimated expenses and income of StoneRidge. The projected rates for income and expenses are not guaranteed. The percent of increase may be greater or lower based upon the increased cost to operate StoneRidge and other factors. Variances from these projections should be expected.



**STONERIDGE PHASES I - III**  
Mystic, Connecticut

**CASH FLOW PROJECTION**  
For the Period Beginning January 1, 2014

	Year 1 2014	Year 2 2015	Year 3 2016	Year 4 2017	Year 5 2018
Beginning Cash (1)	9,530,124	11,162,524	12,297,977	11,819,530	11,307,162
Additions:					
Apartment Service Fees (2)	10,363,015	11,468,240	12,259,135	12,937,517	13,473,290
Health Center Revenue, Net of Life Care Discount (3)	7,223,874	7,385,841	7,559,567	7,746,015	7,945,955
Miscellaneous Income (4)	27,427	28,525	29,667	30,853	32,086
Working Capital Reserve Fees (5)	324,070	290,246	299,705	273,558	296,577
Entrance Fee Receipts, Net of Refunds (6)	6,840,845	5,992,056	6,245,576	5,762,741	6,229,422
Interest Income (7)	15,513	17,588	18,081	17,338	17,638
Disbursements:					
Operating Expenses (8)	(16,078,611)	(16,549,979)	(17,065,042)	(17,497,428)	(17,929,689)
Phase III Marketing and Debt Service Paid By Partners (9)	215,555	0	0	0	0
Return to Partners (10)	(3,661,000)	(4,100,000)	(6,958,000)	(6,884,000)	(6,196,000)
Capital Expenses - Not Paid From Fund (11)	(1,040,550)	(759,156)	(639,029)	(808,440)	(865,917)
Capital Expenses -- Paid From Reserve Fund (12)	0	0	0	0	0
Debt Service (13)	(2,597,738)	(2,637,909)	(2,228,109)	(2,090,522)	(2,090,398)
Net Change	1,632,400	1,135,453	(478,447)	(512,368)	912,963
Ending Cash	11,162,524	12,297,977	11,819,530	11,307,162	12,220,125

**STONERIDGE PHASES I - III  
Mystic, Connecticut**

**PRO FORMA CASH FLOW ASSUMPTIONS**

- (1) Beginning Cash represents the Operations cash and Assets whose use is limited that are required to meet debt and statutory covenants at the beginning of each year. Below is the beginning balance at January 1, 2014.

Cash	\$3,621,483
Assets whose use is limited:	
Reserve Fund Escrow	3,907,918
Contingency Fund Reserve	1,000,000
Health Center Reserve	500,000
Capital Replacement Reserve	500,723
Total	\$9,530,124

The Reserve Fund Escrow, as required by the State of Connecticut, is equal to at least one month's cash operating costs of the project, plus one year's debt service.

The Contingency Fund Reserve provides a reserve for payment of the resident's monthly service fee or per diem charge, should the resident exhaust his or her financial resources and become a hardship to the project.

The Health Center Reserve is fully funded at \$500,000 as required for CON licensing.

The Capital Replacement Reserve fund will be used for asset purchases that are greater than \$50,000.

- (2) Apartment Service Fees represents the total of first-person monthly Service Fees for all apartments based on an assumed average occupancy of 229.8 units in Year 1, 243.0 in Year 2, 248.5 in Year 3, 251.0 in Year 4, and 251.5 thereafter.

Also included in Apartment Service Fees are double occupancy fees that represents revenue from monthly Service Fees required under the Residency Agreement for a second person occupying an apartment. The amount of second-person fees was projected based on apartment occupancy assumptions and the use of the mortality tables prepared by the consulting actuarial firm, Milliman, Inc. of Omaha, Nebraska. The average number of apartments occupied by more than one person projected for 2014 through 2018 is as shown in the following table:

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
56.59	60.99	62.66	63.07	62.74

- (3) Health Center Revenue, Net of Life Care Discount assumes a 2014 daily rate of \$405 for semiprivate beds and \$440 for private beds, and \$284 for ALU. Out of 40 total SNF beds (22 semiprivate beds and 18 private beds) and 12 Dementia beds (all Private), the average census is projected to be 49.5 in all five projection years.

The Life Care Discount represents the income never realized when residents become patients in the health center or assisted living center. Both "temporary assignments" and "permanent assignments" to the health center and assisted living center, based upon Milliman, Inc. population projections and LCS-generated data, are considered in determining life-care discount. Both temporary and permanent assignments are based upon the total number of life-care residents. The number of residents assigned temporarily to the health center is projected at 2.5 percent of the life-care residents (1.0% non-Medicare plus 1.5% Medicare).

- (4) Miscellaneous Income represents projected income from meals, garage rentals, guest rooms, and beauty and barber shop.
- (5) Working Capital Reserve Fee represents a one-time non-refundable working capital fee due at closing which will be used for purposes related to StoneRidge.
- (6) Entrance Fee Receipts, Net of Refunds represents Admission Payments received from residents for apartments being occupied for the first time and/or units turning over due to health center assignment, death or move-out.
- (7) Interest Income is assumed to be earned at an annual rate of 0.15 percent in all years.
- (8) Operating Expenses includes the expenses for staffing, materials, and services for the entire project. Expenses are projected to increase at 2.9% in Year 2, 3.1% in Year 3, and 2.5% in Years 4 and 5.
- (9) Phase III Marketing and Debt Service Paid By Partners represents Phase III Marketing-related costs that are being GAAP-expensed to the Community through General & Administrative Expense and thus included in Operating Expenses. It also includes the Phase III portion of principal and interest expense. The cash for these expenses is being funded separately through the partnership and not the community through 90% initial occupancy.
- (10) Return to Partners represents cash eligible for distribution in accordance with the partnership agreement.
- (11) Capital Expenses – not paid from fund represents the cost for replacement of interior finishes and elements of the buildings and equipment.
- (12) Capital Expenses – paid from Capital Replacement Reserve Fund represents the cost for replacement of interior finishes and elements of the buildings and equipment that are paid from the Capital Replacement Reserve Fund.

- (13) Debt Service is based on the current loan which matures in March 2016. Interest, based on LIBOR, is projected to increase through 2015. The principal and interest amount shown in 2016 is estimated, based on a revised amortization schedule, due to refinancing.

**STONERIDGE PHASES I - III**

Mystic, Connecticut

**FORECASTED STATEMENT OF REVENUES AND EXPENSES**

	Year 1 2014	Year 2 2015	Year 3 2016	Year 4 2017	Year 5 2018
<b>OPERATING INCOME</b>					
Earned Entrance Fee Income	345,355	821,026	1,321,574	1,795,257	2,260,452
Monthly Service Fees	10,363,015	11,468,240	12,259,135	12,937,517	13,473,290
Working Capital Fees	324,070	290,246	299,705	273,558	296,577
Health Center Revenues - Net	7,223,874	7,385,841	7,559,567	7,746,015	7,945,955
Interest Income	15,513	17,588	18,081	17,338	17,638
Other Income	27,427	28,525	29,667	30,853	32,086
<b>TOTAL INCOME</b>	<b>18,299,254</b>	<b>20,011,466</b>	<b>21,487,729</b>	<b>22,800,538</b>	<b>24,025,998</b>
<b>EXPENSES:</b>					
G&A	(4,297,927)	(4,541,278)	(4,621,255)	(4,792,022)	(4,963,836)
Plant	(2,905,593)	(2,862,664)	(3,017,957)	(3,056,585)	(3,018,666)
Housekeeping	(1,048,674)	(1,085,378)	(1,123,366)	(1,162,684)	(1,203,378)
Dietary	(3,055,132)	(3,162,062)	(3,272,734)	(3,387,280)	(3,505,835)
Resident Care	(4,771,285)	(4,898,598)	(5,029,730)	(5,098,857)	(5,237,975)
Interest Expense	(1,189,127)	(1,171,910)	(1,400,857)	(1,368,781)	(1,335,500)
Depreciation & Amortization	(4,218,053)	(3,934,237)	(3,643,096)	(3,145,876)	(3,122,396)
<b>TOTAL OPERATING EXPENSES</b>	<b>(21,485,792)</b>	<b>(21,656,125)</b>	<b>(22,108,995)</b>	<b>(22,012,084)</b>	<b>(22,387,585)</b>
<b>NET INCOME</b>	<b>(3,186,537)</b>	<b>(1,644,659)</b>	<b>(621,266)</b>	<b>788,454</b>	<b>1,638,413</b>

## **AUDITED FINANCIAL STATEMENT**

The fiscal year end of the Provider is December 31. An audited and certified financial statement for the Provider is attached as Exhibit E to this Disclosure Statement.

### **PREPAID HEALTH-CARE OBLIGATIONS**

No prepaid health-care obligations have been assumed by the Provider under the Residency Agreements. All such costs are funded by the Monthly Fees and Health Center per diem charges paid by Residents.

### **PROJECT FINANCING**

The original financing for StoneRidge matured in 2011. In early 2011, the Provider refinanced this original debt. The new loan is provided by a bank group for a total debt of \$38,000,000. The new loan is secured by a first mortgage and security agreement on the real and personal property of, and the revenues generated by, the Provider. The new loan has a five (5) year term maturing on March 31, 2016 and will amortize on a 20 year mortgage style amortization schedule. The Provider is working to extend the term of the loan and anticipates completing this extension during 2014. The new loan is a floating rate loan with Libor as an index. It has a number of financial covenants including a debt service coverage ratio, minimum day's cash on hand, as well as an ongoing minimum occupancy test. As set forth here, the Mortgage and Indenture of Trust is subordinate to the new loan (and any future refinancing of the new loan).

Ongoing debt service will be paid from operating revenues generated by StoneRidge. Operating revenues consists of net operating income derived from Monthly Fees and Health Center revenues. From time to time and at the Provider's sole discretion, the Provider and/or the Partners may provide financial support to StoneRidge in order to keep the Monthly Fees competitive.

### **PROVIDER'S COMPENSATION**

The Provider's compensation for the risks of ownership of StoneRidge is comprised of the First Person Fees, the Second Person Fees (if there are two (2) Residents), the Loans (subject to the Provider's obligation to repay the Loans under the Return-of-Capital™ Residency Agreement), the potential appreciation of StoneRidge, and the tax benefits generally associated with the ownership of real estate. The Provider may make distributions to the Partners that will be loaned or paid as cash to the extent there is excess cash. In order to maximize the appreciation of StoneRidge, there must be substantial future demand for StoneRidge's accommodations and services. This demand will, in part, be dependent upon maintaining viable, competitive Monthly Fees in connection with providing Residents services and amenities at StoneRidge.

# **V. REGULATORY MATTERS**

## **CONTINUING CARE RETIREMENT COMMUNITY REGISTRATION**

The Provider is subject to the provisions of Connecticut law on Management of Continuing Care Facilities, Chapter 319HH, Connecticut General Statutes Annotated. In compliance with the continuing care law, the Provider has filed the following documents with the Connecticut Department of Social Services:

- (1) a current Disclosure Statement;
- (2) Annual Filing Statement; and
- (3) Second Amended and Restated Admission Payments Escrow Agreement (Operations);

All documents filed are a matter of public record and may be reviewed at the Department's office at:

State Department of Social Services  
Office of Certificate of Need and Rate Setting  
25 Sigourney Street  
Hartford, Connecticut 06106-5033

## **ASSISTED LIVING SERVICES AGENCY LICENSE AND MANAGED RESIDENTIAL COMMUNITY REGISTRATION**

12 memory care suites in the Health Center were added in Phase III to StoneRidge and are licensed by the Connecticut Department of Public Health to provide memory care services in addition to assisted living services. The department monitors compliance with the requirements for licensure and registration. The state will perform periodic surveys to maintain licensure of the memory care suites.

## **HEALTH CENTER LICENSURE**

The construction of the Health Center beds was based upon an Agreed Settlement from the Office of CON & Rate Setting of the Department of Social Services. To obtain a Certificate of Need (CON) to construct Health Center beds, the Provider made a Request for Determination, which was granted in July 2001. The Provider subsequently filed for a CON based on the Department's determination and on May 12, 2003 received approval from the Office of CON & Rate Setting to construct 60 Health Center beds of which 40 would be constructed in Phase I with an opportunity to construct an additional 20 Health Center beds in future phases after attaining certain occupancy criteria.

In addition, the Health Center is licensed by the Connecticut Department of Public Health. The Provider has initially licensed 36 of the 40 Health Center beds that provide skilled nursing care in Phase I. The number of licensed beds may vary over time as Health Center census changes. In future phases the Provider may seek licensure for an additional 20 skilled nursing care beds as described above. All of the skilled nursing care beds are Medicare certified. The Health Center is required to pass periodic surveys to maintain licensure.



## **ENTRANCE PAYMENT ESCROW**

Under the provisions of the continuing care law, the Provider has established an Entrance Payment escrow account for all Residences (The "Entrance Payment Escrow") for purposes of depositing payments made by Residents prior to their Residences becoming available for occupancy. The Entrance Payment Escrow has been established with:

U.S. Bank National Association (formerly State Street Bank and  
Trust Company of Connecticut, N.A.)  
Goodwin Square, 225 Asylum Street, 23<sup>rd</sup> Floor  
Hartford, Connecticut 06103  
(860) 244-1800

Monies are released from the Entrance Payment Escrow pursuant to the terms of the escrow agreement and the statutory requirements imposed upon StoneRidge by the Connecticut law on Management of Continuing Care Facilities.

When approval was received from the Connecticut Department of Social Services to release Phases I, II, and III monies from escrow, a portion of the Entrance Payments were used to establish an operating reserve fund (the "Reserve Fund Escrow"). See the following section entitled "Reserve Fund Escrow".

Residents desiring to rescind or cancel their Residency Agreement should send a written notice of cancellation by registered or certified mail to:

StoneRidge  
186 Jerry Browne Road  
Mystic, Connecticut 06355

## **RESERVE FUND ESCROW**

The Provider established and maintains a Reserve Fund Escrow using the Entrance Payments released from the Entrance Payment Escrow account in an aggregate amount sufficient to cover:

- (1) all principal and interest, rental or lease payments, due during the next 12 months on account of any first mortgage loan or other long-term financing; and
- (2) the total cost of operations of StoneRidge for a one-month period, excluding debt service and capital expenditures.

The Reserve Fund Escrow account is established at:

U.S. Bank National Association  
Goodwin Square, 225 Asylum Street, 23<sup>rd</sup> Floor  
Hartford, Connecticut 06103  
(860) 244-1800

The Reserve Fund Escrow once established must be maintained. Each year at the time StoneRidge's annual financial filing is due with the Department of Social Services the amount required to maintain the Reserve Fund Escrow will be calculated and adjusted or funded, if necessary. Under the regulations governing the reserve fund escrow, the Commissioner of the Department of Social Services may approve a lesser amount. In order to fund an additional restricted account required by its 2014 financing amendment, StoneRidge received approval to reduce the amount required under item (1) above to be equal to six (6) months on account of any first mortgage loan or other long-term financing. It continues to reserve operations costs per (2) above.

### **INVESTMENT DIRECTION**

Investment direction for the escrow accounts is made in accordance with the terms of the escrow agreements and upon direction of an officer or agent of the Provider. Under the provisions of the continuing care law, funds in the Reserve Fund Escrow may not be invested in any building or health care facility of any kind, or used for capital construction or improvements, or for the purchase of real estate. Investment decisions are made with an expectation of reasonable return while maintaining the security of the funds.

### **CONTINGENCY FUND RESERVE**

Under the provisions of the Certificate of Need (CON) law, the Provider established a contingency fund in the initial amount of \$500,000. This amount was increased in equal annual increments of \$100,000 until the amount in the reserve reached \$1,000,000 which occurred in 2009.

The purpose of the contingency fund is to provide a reserve for payment of the Resident's Monthly Fee or per diem charge pursuant to the terms of the Resident's Residency Agreement should the Resident exhaust his or her financial resources and become a hardship to StoneRidge. Should the Provider draw upon the contingency fund to assist a Resident, the fund must be replenished within 12 months of any expenditure and the amount to be replenished cannot exceed \$250,000 annually until \$1,000,000 is reached.

### **HEALTH CENTER RESERVE**

The Provider voluntarily established a reserve in the amount of \$500,000 to secure repayment of the Loans which the Provider is obligated to repay under the terms of the Loan Agreement. The Loan repayments will continue to be secured by the Mortgage and Indenture of Trust. When a Resident moves permanently to StoneRidge's Health Center and chooses to release his or her Residence, the Provider will attempt to find a new Resident for the Residence. From the Entrance Payment paid by the new Resident, the Provider will deposit in the Health Center Reserve an amount equal to the balance of the Loan owed to the Resident residing in StoneRidge's Health Center. An exception is made to depositing the balance of the Loan if the reserve is fully funded at \$500,000. The deposit will be maintained jointly with all other similar deposits held in reserve for the benefit of Residents of the StoneRidge's Health Center whose

Residences have been released and reoccupied. Such deposits and any earnings realized on the funds held in the reserve will be used by the Provider only for purposes related to StoneRidge. Upon cancellation of the Residency Agreement of a Health Center Resident, funds from such escrow will be used to repay the Resident's Loan.

### **MEDICAL EXPENSE DEDUCTIONS**

Execution of the Residency Agreement and payment of the Monthly Fee gives rise to certain unique tax considerations. Each Resident is advised to consult with his/her personal tax advisor regarding the tax consideration associated with becoming a Resident of StoneRidge.

A Resident of StoneRidge may be allowed a tax benefit associated with his or her residency. A portion of the Monthly Fee paid by a Resident may be taken as a medical expense deduction each year. In February of each year, the Provider will issue a letter to the Residents stating the percentage of the prior year's Monthly Fee that has been determined to be attributable to health related expenses at StoneRidge.

All deductions are, of course, subject to limitations imposed by the Internal Revenue Code of 1986, as amended. It is advisable that the Resident seek the advice of tax counsel before taking this deduction. The Provider is not a tax advisor and disclaims any responsibility for any tax advice relating to becoming a Resident of StoneRidge.

### **JUDICIAL PROCEEDINGS**

No judicial proceedings have been initiated against the Provider as defined under Section 17b-522(b)(4) of the Connecticut General Statutes Annotated or pursuant to State Regulation 17b-533-3(c)(3) which govern the management of continuing care facilities.

# **VI. EXHIBITS**

**EXHIBIT A**  
**COMMUNITIES MANAGED**  
**BY LIFE CARE SERVICES**  
**AS OF 02/16/2015**

**Senior Living Communities Managed by Life Care Services**

Alabama, Hoover – Danberry at Inverness  
Arizona, Chandler – Chandler Memory Care  
Arizona, Peoria – Sierra Winds  
Arizona, Phoenix – Sagewood  
Arizona, Scottsdale – Scottsdale Memory Care  
Arizona, Tempe (Phoenix) – Friendship Village of Tempe  
California, Carlsbad – LaCosta Glen and GlenBrook  
California, Cupertino – The Forum at Rancho San Antonio  
California, Fullerton – Morningside of Fullerton and Park Vista  
California, Pleasanton – Stoneridge Creek Pleasanton and CreekView  
California, San Diego – Casa de las Campanas  
California, San Rafael – Aldersly Garden Retirement Community  
California, Thousand Oaks – University Village at Thousand Oaks and OakView  
Connecticut, Chester – Chester Village West  
Connecticut, Essex – Essex Meadows  
Connecticut, Mystic – StoneRidge  
Connecticut, Redding – Meadow Ridge  
Connecticut, Southbury – Pomperaug Woods  
District of Columbia – Residences at Thomas Circle  
Florida, Boca Raton - Sinai Residences of Boca Raton  
Florida, Jacksonville – The Beach House  
Florida, Miami – East Ridge at Cutler Bay  
Florida, Palm City – Sandhill Cove  
Florida, St. Petersburg – Bon Secours Place at St. Petersburg  
Georgia, Savannah – The Marshes of Skidaway Island  
Georgia, Stone Mountain – Park Springs  
Hawaii, Honolulu – Hale Ola Kino  
Illinois, Chicago – The Clare  
Illinois, Godfrey – The United Methodist Village  
Illinois, Lincolnshire – Sedgebrook  
Illinois, Naperville – Monarch Landing  
Illinois, Plainfield – Cedarlake Village  
Illinois, Tinley Park – Hanover Place of Tinley Park  
Illinois, Wheaton – Wyndemere  
Indiana, Carmel – Magnolia Springs at Bridgewater  
Indiana, Greenwood (Indianapolis) – Greenwood Village South  
Indiana, Indianapolis – Marquette  
Indiana, North Manchester – Peabody Retirement Community  
Indiana, Terre Haute – Westminster Village

Iowa, Ames – Green Hills Retirement Community  
Iowa, Cedar Rapids – Cottage Grove Place  
Kansas, Atchison – Dooley Center  
Kentucky, Louisville – Magnolia Springs East  
Kentucky, Louisville – Magnolia Springs at Whipps Mill  
Louisiana, Covington – Christwood  
Maryland, Columbia – Vantage House  
Maryland, Pikesville (Baltimore) – North Oaks  
Maryland, Towson (Baltimore) – Blakehurst  
Michigan, Battle Creek – NorthPointe Woods  
Michigan, Dearborn – Henry Ford Village  
Michigan, Jackson – Vista Grande Villa  
Michigan, Kalamazoo – Friendship Village  
Michigan, Waterford – Canterbury on-the-Lake  
Minnesota, Plymouth – Trillium Woods  
Missouri, Chesterfield (St. Louis) – Friendship Village Chesterfield  
Missouri, Ellisville – Gambrill Gardens  
Missouri, Higginsville – John Knox Village East  
Missouri, Kansas City – Kingswood Senior Living Community  
Missouri, Sunset Hills (St. Louis) – Friendship Village Sunset Hills  
New Jersey, Lakewood – Harrogate  
North Carolina, Arden – Ardenwoods  
North Carolina, Chapel Hill – The Cedars of Chapel Hill  
North Carolina, Charlotte – The Cypress of Charlotte  
North Carolina, Durham – Croasdaile Village  
North Carolina, Greensboro – WhiteStone  
North Carolina, Greenville – Cypress Glen Retirement Community  
North Carolina, Lumberton – Wesley Pines Retirement Community  
North Carolina, Raleigh – The Cypress of Raleigh  
North Carolina, Wilmington – Plantation Village  
Ohio, Dublin – Friendship Village of Dublin  
Oklahoma, Bartlesville – Green Country Village  
Oregon, Dallas – Dallas Retirement Village  
Oregon, Salem – Capital Manor  
Pennsylvania, Reading – Heritage of Green Hills  
South Carolina, Greenville – Rolling Green Village  
South Carolina, Hilton Head Island – The Cypress of Hilton Head  
South Carolina, Sumter – Covenant Place  
South Carolina, West Columbia – Laurel Crest  
Tennessee, Brentwood – The Heritage at Brentwood  
Tennessee, Franklin – Maristone of Franklin  
Tennessee, Germantown – The Gardens of Germantown  
Tennessee, Mt. Juliet – Maristone at Providence  
Texas, Austin – Longhorn Village  
Texas, Austin – Westminster

Texas, Bedford – Parkwood Healthcare  
Texas, Bedford – Parkwood Retirement  
Texas, Dallas – Autumn Leaves  
Texas, Dallas – Monticello West  
Texas, Dallas – Signature Pointe  
Texas, Dallas – Walnut Place  
Texas, Lubbock – Carillon Senior LifeCare Community  
Utah, Salt Lake City – Pacifica Senior Living Millcreek  
Virginia, Norfolk – Province Place of DePaul  
Virginia, Portsmouth – Province Place of Maryview  
Washington, Issaquah – Timber Ridge at Talus  
Wisconsin, Mequon – Newcastle Place  
Wisconsin, Milwaukee – Eastcastle Place

**Senior Living Communities Managed by CRSA/LCS Management, LLC, an affiliate of Life Care Services**

Arkansas, Fayetteville – Clarity Pointe Fayetteville  
Arkansas, Little Rock – Clarity Pointe Little Rock  
Georgia, Columbus – Spring Harbor  
Indiana, West Lafayette – Westminster Village West Lafayette  
Maryland, Annapolis – Baywoods of Annapolis  
Maryland, Timonium – Mercy Ridge  
Minnesota, Apple Valley – Timbers  
Minnesota, Brooklyn Center – Earle Brown Terrace  
Minnesota, Brooklyn Park – Tradition  
Minnesota, Brooklyn Park – Waterford Estates  
Minnesota, Brooklyn Park – Waterford Manor  
Minnesota, Burnsville – The Rivers  
Minnesota, Crystal – Heathers Estates  
Minnesota, Crystal – Heathers Manor  
Minnesota, Wayzata – Meridian Manor  
North Carolina, Pittsboro – Galloway Ridge  
Tennessee, Germantown – The Village at Germantown  
Tennessee, Knoxville – Clarity Pointe Knoxville  
Texas, Wichita Falls – Rolling Meadows

## **EXHIBIT B**

### **DESCRIPTION OF THE SERVICES**

The services available to Residents are listed in the Residency Agreement which governs all such obligations. To more fully explain the nature of these services, the following detailed description has been prepared. The procedures followed in furnishing these services may be modified by the Provider to allow the Provider to best meet the needs of StoneRidge Residents. Residents are advised of any changes in these services through StoneRidge's Residents Association.

#### **Avalon Health Care Center at StoneRidge**

A physician is retained on a consulting basis by the Provider to serve as the Health Center medical director. The Health Center medical director is responsible for medical supervision of Health Center operations, quality of care assurance, and Resident care planning. The Health Center medical director may also be called upon by StoneRidge staff to assist in determination of a Resident's health and whether or not the Resident requires additional care in the Health Center. The Resident is responsible for the services of his or her attending physician. In the event the Resident's attending physician or the Health Center medical director orders medication, therapy or various supplemental services for the Resident's care, the Resident will be responsible for the Extra Charge for such services and supplies.

Upon initial occupancy, a Resident will occupy a Residence. After occupancy, if a Resident requires Health Center Care Services, the Resident will be transferred to the Health Center. The Resident's attending physician or the Health Center medical director (after consultation with the Resident to the extent possible and Resident's responsible party, if any), will determine the appropriate level of Health Center services required by the Resident upon admission to the Health Center. As part of that determination, the Resident's long-term ability to return to his/her Residence will be evaluated. The nursing staff will provide an appropriate plan of care, the ultimate goal of which shall be, if at all possible, to return the Resident to his or her Residence as soon as possible. The Health Center is staffed to provide quality care to Residents of StoneRidge and to non-residents admitted from the surrounding area.

A Resident will receive nursing care services in a private or semiprivate suite in the Health Center. If a Resident desires an available private room, the Resident may obtain one upon agreement to pay the additional charge for the private room. Health center care includes basic nursing care services. The Health Center is not licensed to provide emergency medical care. However, if emergency medical care is needed, the Health Center staff will summon 911 services and the Resident's attending physician and the Resident's family or responsible party will be notified. Such emergency medical care will be at the Resident's expense. The Resident will be responsible for the services provided by his or her attending physician. In the event a Resident's attending physician or StoneRidge's medical director orders medication, therapy, or various supplemental services for the Resident's care, the Resident is responsible for the charges for such services and supplies.

Residents who are able to do so are encouraged to return to their Residences as soon as possible and may visit their Residences with the assistance of volunteers or home health aides as



part of the rehabilitation process. Family, friends, and volunteers are encouraged to visit Residents in the Health Center. Friends, relatives, or spouses are able to eat meals with Health Center Residents upon advance notice.

### **Health Center Enrichment**

The Provider provides a Therapeutic Recreation Director who is responsible for coordinating and directing the social and recreational activities for the Health Center Residents. The focus of these activities is to promote independence.

### **Cable Television**

Each Residence has cable television jacks in various locations throughout the Residence. The Residents are provided with basic cable service as part of the Monthly Fee. Expanded basic, premium and digital are available to the Resident for an extra charge.

### **Community Life Services Coordinator**

The Community Life Services Coordinator, with Resident input, is responsible for scheduling group events and transportation, preparing newsletters, conducting Resident orientation, and facilitating the cultural, social, physical, and recreational and education programs and activities of StoneRidge.

### **Dining Services**

The number of meals offered as part of the Monthly Fee is equal to the number of days in the month. The meals provided for in the Monthly Fee may be taken at any scheduled time during the month and may be used for guest meals, take out meals, coffee shop meals, or dining room meals. Additional Resident and guest meals are to be available to Residents for an extra charge billed monthly. Additional meals are also available to Residents for an extra charge to be billed monthly. Monthly Service Fees are not reduced for meals not taken. However, should the Resident notify StoneRidge that he or she will be absent from StoneRidge for more than 30 days, the Resident will receive a meal credit on his or her monthly billing statement.

Residents may dine in either the dining room or the Mariner Grille. The Mariner Grille is open for lunch and dinner daily and brunch on Sundays. There are service hours for meals offered in the dining venues. The usual form of food service in the dining room is waited-table service.

The Mariner Grille serves a number of breakfast items and light lunch fare.

The Services of a dietician are available to Residents for a limited period of time when ordered by the Resident's attending physician. Upon request, the dietitian will assist the Resident in choosing menu items that will help the Resident meet his or her special diet needs. The services of the dietitian are also available to the Resident for an extra charge when not ordered by the attending physician or when extended dietitian services are necessary.

Room service for up to 14 days is available to the Resident when ordered by the director of nursing services or the Health Care Navigator. Room service beyond 14 days will be available for an extra charge.

## **Emergency Call System**

All Residences have an emergency call system in each bedroom and bath. The purpose of the system is to summon help in an emergency. The emergency call system is connected to an indicator panel in the Health Center which identifies the Residence from which the signal initiated. Health Center personnel with emergency response training will respond to calls from the emergency call system and will summon any other appropriate emergency services that might be required. Personal pendants are available to Residents for an extra charge for coverage in an apartment Residence.

## **Health Center Ancillary Services**

Any Health Center services, whether or not ordered by a physician, which are not explicitly listed in the Residency Agreement as services and amenities provided to all Residents as part of the Monthly Fee, will be regarded as ancillary Health Center services. If ancillary Health Center services will be provided to a Resident, they will be at an extra charge. A schedule of charges for ancillary Health Center services is available upon initial occupancy of the Health Center.

## ***HealthyLife*<sup>™</sup> Services Program**

The objective of StoneRidge is to offer a lifestyle with services that will foster Residents maintaining and improving their overall health and well-being. To achieve this objective StoneRidge Residents will be offered opportunities to enrich their sense of well being through programs directed by Resident interests.

*HealthyLife Services* is a comprehensive program designed to enhance and enrich Residents' active lifestyle by offering new opportunities in five essential areas of life – fitness, health, nutrition, active life and well-being. Residents may choose from an array of one-on-one or group activities, including classes, workshops, lectures, physical activity and trips to meet their individual preferences. Each Resident has the opportunity to work with StoneRidge staff who are committed to maximizing the Residents' quality of life in eight dimensions of wellness: spiritual, physical, emotional, social, environmental, intellectual, vocational and health services.

The objective is to create opportunities that Residents prefer, facilitate their participation and monitor the satisfaction and success of these programs from an individual Resident perspective and make adjustments in the program to further enhance these opportunities on an ongoing basis. Key Components of the *HealthyLife Services* Program include:

- **Health Care Navigator.** The Residential Health Services director services as a Health Care Navigator ("Navigator") for StoneRidge Residents. At the Resident's direction, the Navigator may guide preventative wellness oriented services such as fitness and exercise activities, as well as healthy food choices. Other services may include wellness screenings such as blood pressure checks, health fairs and life-long learning seminars geared to health and wellness. Should health care needs arise, the Navigator may support the Resident with health and medical related services, such as assistance with physician appointments, emergency medical management, physician ordered on-site laboratory screenings, physical and other therapies, as well as private home health services designed to provide care in Resident's Residence during spells of illness or post hospitalization. For additional services provided to the resident, please see Residential Health

Services Program in this section. The goal of the Navigator is to provide as much support as the Resident desires to promote wellness and avoid admission to a more acute level of health care.

- **Residential Health Services Program.** The Residential Health Services Program provides the following: bathing, dressing, additional housekeeping, shopping, escort, and laundry. Limited Resident services are available as part of the Monthly Fee which include the following: internal transportation inside StoneRidge based on availability of staff, blood pressure clinics, and drop-in consultation with the resident services coordinator during office hours. All other Resident services are available for an extra charge. The Provider reserves the right to add, delete, or modify such additional services from time to time. The purpose of the Residential Health Services Program is to offer services that enable Residents to continue living in their Residence for as long as possible or to return to their Residence as soon as possible after a stay in the Health Center and/or an acute care hospital.
- **Administrator of *HealthyLife*<sup>™</sup> Services.** The Administrator of *HealthyLife Services* is responsible for the overall strategy, operations and performance of the *HealthyLife Services* program functions. *HealthyLife Services* is designed to support the health and well-being of the StoneRidge residents through physical, spiritual, emotional, intellectual, vocational, social, environmental, and health services programming. The Administrator of *HealthyLife Services* is also responsible for the contractual partnerships with other parties serving the StoneRidge residents.

Rounding out the *HealthyLife Services* Program are a variety of dining and beverage services designed to enhance the Resident's meal programming. Examples include: catering services, healthy food options identified on the menu, lite fare options, "to-go" take-out meals, and a variety of dining venues.

### **Housekeeping and Maintenance**

The Provider maintains all common areas and provides weekly housekeeping services for all Residences. Such services are included in the Monthly Fee. Maintenance of the Residences includes: (1) installed appliances; (2) plumbing; (3) heating, ventilation, and air conditioning systems; (4) windows; (5) installed lighting; and (6) cabinetry. Housekeeping services include cleaning, dusting, and vacuuming the interior of the Residence; washing of hard surface floors; and cleaning of ovens and windows (as needed). Carpets are cleaned approximately every 24 months and, at other times, spot cleaning is done. Residences may be painted every six (6) to eight (8) years, and furniture is moved at least once a year for cleaning hard-to-reach areas. Staff will assist Residents in arranging and moving furniture as needed during the first 12 months of occupancy at no extra charge. Rearranging of Residence furniture is possible after that time at the Resident's expense. Extra cleaning services are available at an extra charge. Residents will be able to alter the regular list of services from week to week, as they wish. The cleaning schedule will be set in consultation with each Resident.

**Internet Access**

StoneRidge provides cable TV and telephone jacks using category five cable to each Residence. Through service providers using these installations, Residents may obtain internet access and high speed internet access at the Residents' expense. StoneRidge provides a business center where Residents may access the internet through StoneRidge's owned computers and high speed internet access. Wireless internet access is also available in parts of the Clubhouse

**Laundry**

The Provider provides weekly flat laundry service to the Residents. Flat laundry items supplied by the Resident are washed, dried, folded, and returned. Such service includes sheets, pillowcases, towels, facecloths, and dishcloths to be provided by the Resident. Although the use of permanent-press linen is strongly recommended, the staff will launder nonpermanent-press items, but will not iron flat laundry. Personal laundry service is available for an extra charge.

**LifeSTYLE Promise™**

*LifeSTYLE Promise* is our all-encompassing ideology that residents deserve choices, control and flexibility when it comes to living their lives. At Life Care Services communities, we focus on delivering an extensive variety of services for a rare level of individualization. When it comes to service, every Resident is given a person, attentive approach to hospitality and customer service, at the highest standard. This is our approach to all areas of living at StoneRidge, including health care. Examples are:

- Our flexible Dining Services program
- Housekeeping services organized and delivered according to Resident's preferences
- Residents Association and Residents Council
- Choices in the Health Center, including when to start each day, which activities to enjoy, and when to enjoy meals

**Parking**

One surface parking spot is provided for each Residence. Uncovered surface parking is available to guests at no extra charge. In addition, carports are available as an alternative for the one surface parking spot on a first-come, first-served basis for an additional fee.

**Prescription Service**

Delivery service from a local pharmacy is provided for the Residents' convenience.

**Private Dining Room**

Private dining rooms are available for use by Residents and their guests. Special meals and catering for private parties, if desired, are available for an extra charge. Advance reservations for use of the private dining room are required.

**Receptionist**

A receptionist is on duty from approximately 8:00 a.m. to 8:00 p.m., seven days a week. Additional hours may be scheduled depending on the needs of the Residents and staff. All payments of monthly billing statements, as well as maintenance requests and messages, are handled at the reception desk.

### **Residents Association and Residents Council**

The Residents of StoneRidge established a Residents Association. Regularly scheduled Resident meetings are held to enable the Residents to ask questions and to permit the Provider to communicate with the Residents. These Resident meetings are usually held monthly. The Residents Association nominates and elects Residents to become members of the Residents Council. The Residents Council usually meets monthly with administration. The Residents Association is an advisory sounding board for the Provider. The Provider retains full decision-making authority for the operation of StoneRidge.

### **Salon, Spa, and Barber**

Salon, spa, and barber shop services will be available on-site at an extra charge.

### **Security**

The Provider provides security personnel. For the Residents added safety, all entrance and exit doors (except the main entrance and Health Center entrance during the day) are locked 24 hours a day, requiring the Residents to use a key or other secure means to gain entrance.

### **Services Available for an Extra Charge**

Additional services are provided to Residents for an extra charge, added to the monthly billing statement. Such services include guest accommodations (with a seven-day limit on usage), guest meals, beauty/barber shop services, additional Resident meals, additional housekeeping, Residential Health Services (home health care), ancillary Health Center services, and such other reasonable services as requested.

### **Telephone Service**

Each Residence has live telephone jacks in various locations. Local and long distance telephone service is the Resident's responsibility and expense.

### **The Cottage at Avalon**

Avalon Health Care Center at StoneRidge includes The Cottage at Avalon, with 12 memory care suites licensed as an Assisted Living Services Agency and registered as a Managed Residential Community. The Cottage at Avalon has licensed and registered direct care staff who have had Alzheimer's and dementia-specific training. Residents may be admitted directly to The Cottage at Avalon from their Residences and need not come from a hospital. Resident's attending physician or the Health Center medical director will determine the appropriate level of memory care services required by the Resident upon admission to The Cottage at Avalon. The memory care staff will provide an appropriate plan of care, the ultimate goal of which shall be to strive for the highest quality of life possible. The Cottage at Avalon is staffed adequately to provide a high quality level of care, consistent with the approved budget.

While in The Cottage at Avalon, the Residents are provided memory care services in a one-bedroom suite. If emergency medical care is needed, the memory care staff summons the Health Center medical director and the Resident's attending physician and the Resident's family or responsible party is notified. Such emergency medical care is at the Resident's expense.

The Resident is responsible for the charges for all memory care center meals in excess of the flexible meal program. Such extra charges are added to a Resident's monthly billing

statement when he or she is admitted to The Cottage at Avalon. In addition, the Resident is responsible for any ancillary memory care services.

Visitors and volunteers are encouraged to visit the Resident. Friends, relatives or spouses may take meals with the memory care cottage Resident(s) with advance notification.

**Transportation**

Scheduled bus or other transportation services are provided during the week. Areas of regularly scheduled transportation generally include shopping centers and medical and other professional offices. Special transportation may be provided at extra charge to the Resident.

## COMMONLY DISCUSSED TOPICS

Below is a brief overview of some commonly discussed topics. Should you have any questions about these or any other topics, you are encouraged to ask the Residency Counselor. At the time of closing on your Residence, you will receive a Resident Handbook that will address additional topics related to your residency at StoneRidge.

### **Financial Data**

StoneRidge follows a disclosure policy and provides information according to this policy. Information regarding personnel salaries and employees' disciplinary decisions will not be made available. Residents' financial information is handled on a confidential basis. This Exhibit B is a part of the current Disclosure Statement for StoneRidge, which is available for inspection by the Residents, as updated, and includes a current audited financial statement. The Provider will also make available for inspection by the Residents, the most current Annual Financial Filing. Residents are informed of the budgeting process annually. Reports and other data required under various statutes are also available for review.

### **Gratuities**

Gratuities are not permitted, and employees who accept them are subject to discharge. Residents may wish to contribute to the employee appreciation fund established for the benefit of employees. Proceeds from the fund will be distributed to employees on a basis determined by the Residents and administration.

### **Monthly Billing Statement**

A monthly billing statement outlining the Monthly Service Fee and any extra charges is placed in the Resident's mailbox by the fifth working day of the month and is payable upon receipt.

### **Pets**

The Provider permits pets. The current pet policy is available in the Resident Handbook.

### **Smoking**

StoneRidge has developed a Smoke Free Environment Policy. As part of the Smoke Free Environment Policy, new Residents are not allowed to smoke in their Residences. Smoking by all residents, employees and visitors is permitted in designated areas located outside of and adjacent to the buildings. The areas where smoking is permitted shall be clearly posted. The current Smoke Free Environment Policy is available in the Resident Handbook.

**EXHIBIT C**

**STONERIDGE PHASES I – III**

**ENTRANCE PAYMENT AND MONTHLY FEE SCHEDULES**

**Admission Payments represent the total of the Entrance Payment and the Loan.**

**50% ROC Agreements, offered for select apartments in 2009 through 2015, are priced at 81% to 85% of the 70% ROC Admission prices.**

**Traditional Agreements, offered for select apartments in 2015, are priced at 60% of the 70% ROC Admission prices.**



**ENTRANCE PAYMENTS – (PHASE I)**

<b><u>Residence Type</u></b>	<b><u>January 2009 Entrance Fees</u></b>	<b><u>January 2010 Entrance Fees</u></b>	<b><u>January 2011 Entrance Payments</u></b>	<b><u>January 2012 Entrance Payments</u></b>	<b><u>January 2013 Entrance Payments</u></b>	<b><u>January 2014 Entrance Payments</u></b>	<b><u>January 2015 Entrance Payments</u></b>
One Bedroom Traditional	\$189,000 or \$204,000	\$193,000 or \$208,000	\$199,000 or \$214,500	\$203,000 or \$219,000	\$209,000 - \$232,000	\$211,000 - \$234,000	\$220,000 - \$244,000
One Bedroom Deluxe	\$228,000 or \$248,000	\$232,500 or \$253,000	\$239,500 or \$260,500	\$244,000 or \$266,000	\$246,000 - \$282,000	\$248,000 - \$284,000	\$259,000 - \$267,000
One Bedroom w/Den	\$285,000	\$291,000	\$300,000	\$306,000	\$315,000 - \$318,000	\$318,000 - \$321,000	\$331,000 - \$334,000
One Bedroom w/Den Deluxe	\$304,000	\$310,000	\$319,500	\$326,000	\$336,000 - \$396,000	\$339,000 - \$400,000	\$353,000 - \$356,000
Two Bedroom Traditional	\$304,000 or \$325,000	\$310,000 or \$331,500	\$319,500 or \$341,500	\$326,000 or \$348,000	\$336,000 - \$396,000	\$339,000 - \$400,000	\$353,000 - \$388,000
Two Bedroom Deluxe	\$356,000 or \$372,000	\$363,000 or \$379,500	\$374,000 or \$391,000	\$381,000 or \$399,000	\$385,000 - \$423,000	\$389,000 - \$427,000	\$405,000 - \$444,000
Two Bedroom Corner	\$404,000	\$412,000	\$424,500	\$432,000	\$454,000 - \$458,000	\$459,000 - \$463,000	\$477,000 - \$481,000
Two Bedroom w/Den	\$424,000	\$432,500	\$445,500	\$454,000	\$477,000 - \$481,000	\$482,000 - \$486,000	\$501,000 - \$505,000
Two Bedroom End	\$424,000	\$432,500	\$445,500	\$479,000	\$498,000	\$503,000	\$523,000
Two Bedroom End w/Den	\$502,000	\$512,000	\$527,500	\$562,000	\$584,000 - \$596,000	\$590,000 - \$602,000	\$614,000 - \$626,000
Second Person Fee	\$9,400	\$9,600	\$9,800	\$10,000	\$10,500	\$10,920	\$11,250

**MONTHLY FEE SCHEDULE – (PHASE I)**

<b><u>Residence Type</u></b>	<b><u>January 2009 1<sup>st</sup> Person Monthly Fee</u></b>	<b><u>January 2010 1<sup>st</sup> Person Monthly Fee</u></b>	<b><u>January 2011 1<sup>st</sup> Person Monthly Fee</u></b>	<b><u>January 2012 1<sup>st</sup> Person Monthly Fee</u></b>	<b><u>January 2013 1<sup>st</sup> Person Monthly Fee</u></b>	<b><u>January 2014 1<sup>st</sup> Person Monthly Fee</u></b>	<b><u>January 2015 1<sup>st</sup> Person Monthly Fee</u></b>
One Bedroom Traditional	\$2,350	\$2,444	\$2,487	\$2,611	\$2,726	\$2,838	\$2,963
One Bedroom Deluxe	\$2,487	\$2,586	\$2,631	\$2,763	\$2,885	\$3,003	\$3,135
One Bedroom w/Den	\$2,600	\$2,704	\$2,751	\$2,889	\$3,016	\$3,140	\$3,278
One Bedroom w/Den Deluxe	\$2,727	\$2,836	\$2,886	\$3,030	\$3,163	\$3,293	\$3,438
Two Bedroom Traditional	\$2,727	\$2,836	\$2,886	\$3,030	\$3,163	\$3,293	\$3,438
Two Bedroom Deluxe	\$2,889	\$3,005	\$3,058	\$3,211	\$3,352	\$3,489	\$3,643
Two Bedroom Corner	\$3,039	\$3,161	\$3,216	\$3,377	\$3,526	\$3,671	\$3,833
Two Bedroom w/Den	\$3,166	\$3,293	\$3,351	\$3,519	\$3,674	\$3,825	\$3,993
Two Bedroom End	\$3,166	\$3,293	\$3,351	\$3,519	\$3,674	\$3,825	\$3,993
Two Bedroom End w/Den	\$3,442	\$3,580	\$3,643	\$3,825	\$3,993	\$4,157	\$4,340
Second Person Monthly Fee	\$889	\$915	\$931	\$978	\$1,021	\$1,082	\$1,130

**ENTRANCE PAYMENTS -- (PHASE II)**

<b><u>Residence Type</u></b>	<b><u>January 2009 Entrance Fees</u></b>	<b><u>January 2010 Entrance Fees</u></b>	<b><u>January 2011 Entrance Payments</u></b>	<b><u>January 2012 Entrance Payments</u></b>	<b><u>January 2013 Entrance Payments</u></b>	<b><u>January 2014 Entrance Payments</u></b>	<b><u>January 2015 Entrance Payments</u></b>
Sabino (One Bedroom Deluxe)	\$253,000 or \$273,000	\$258,000 or \$278,500	\$260,500 or \$281,500	\$266,000 or \$287,000	\$274,000 - \$301,000	\$277,000 - \$304,000	\$288,000 - \$313,000
Morgan (One Bedroom w/Den)	\$313,000 or \$334,000	\$319,000 or \$340,500	\$322,000 or \$344,400	\$328,000 or \$351,000	\$328,000 - \$372,000	\$331,000 - \$376,000	\$345,000 - \$391,000
Conrad (Two Bedroom Deluxe)	\$394,000	\$402,000	\$406,000	\$414,000	\$414,000 - \$461,000	\$418,000 - \$466,000	\$435,000 - \$480,000
Heritage (Two Bedroom w/Den)	\$474,000	\$483,500	\$488,500	\$498,000	\$488,000 - \$536,000	\$493,000 - \$541,000	\$550,000 - \$555,000
Herreshoff (Two Bedroom End)	\$498,000	\$508,000	\$513,000	\$552,000	\$533,000 - \$591,000	\$538,000 - \$597,000	\$621,000
Brilliant (Two Bedroom End /Den)	\$568,000	\$579,500	\$585,500	\$607,000	\$656,000	\$663,000	\$689,000
Second Person Fee	\$9,400	\$9,600	\$9,800	\$10,000	\$10,500	\$10,920	\$11,250

**MONTHLY FEE SCHEDULE -- (PHASE II)**

<b><u>Residence Type</u></b>	<b><u>January 2009 1<sup>st</sup> Person Monthly Fee</u></b>	<b><u>January 2010 1<sup>st</sup> Person Monthly Fee</u></b>	<b><u>January 2011 1<sup>st</sup> Person Monthly Fee</u></b>	<b><u>January 2012 1<sup>st</sup> Person Monthly Fee</u></b>	<b><u>January 2013 1<sup>st</sup> Person Monthly Fee</u></b>	<b><u>January 2014 1<sup>st</sup> Person Monthly Fee</u></b>	<b><u>January 2015 1<sup>st</sup> Person Monthly Fee</u></b>
Sabino (One Bedroom Deluxe)	\$2,487	\$2,586	\$2,631	\$2,763	\$2,885	\$3,003	\$3,135
Morgan (One Bedroom w/Den)	\$2,600	\$2,704	\$2,751	\$2,889	\$3,016	\$3,140	\$3,278
Conrad (Two Bedroom Deluxe)	\$2,889	\$3,005	\$3,058	\$3,211	\$3,352	\$3,489	\$3,643
Heritage (Two Bedroom w/Den)	\$3,166	\$3,293	\$3,351	\$3,519	\$3,674	\$3,825	\$3,993
Herreshoff (Two Bedroom End)	\$3,328	\$3,461	\$3,522	\$3,698	\$3,861	\$4,019	\$4,196
Brilliant (Two Bedroom End w/Den)	\$3,581	\$3,724	\$3,789	\$3,978	\$4,153	\$4,323	\$4,513
Second Person Monthly Fee	\$889	\$915	\$931	\$978	\$1,021	\$1,082	\$1,130

Prices are subject to change without notice.

**ENTRANCE PAYMENTS -- (PHASE III)**

<u>Residence Type</u>	<u>January 2009 Entrance Fees</u>	<u>July 2010 Entrance Fees</u>	<u>January 2011 Entrance Payments</u>	<u>January 2012 Entrance Payments</u>	<u>January 2013 Entrance Payments</u>	<u>January 2014 Entrance Payments</u>	<u>January 2015 Entrance Payments</u>
Morgan (One Bedroom w/Den)	\$325,000 or \$347,000	\$331,500 or \$354,000	\$325,000 or \$347,000	\$328,000 or \$350,500	\$328,000 - \$372,000	\$331,000 - \$376,000	\$345,000 - \$391,000
Conrad (Two Bedroom Deluxe)	\$410,000 or \$430,000	\$418,000 or \$438,500	\$410,000 or \$430,000	\$414,000 or \$435,000	\$414,000 - \$461,000	\$418,000 - \$466,000	\$435,000 - \$484,000
Heritage (Two Bedroom w/Den)	\$483,000 or \$505,000	\$492,500 or \$515,000	\$483,000 or \$505,000	\$488,000 or \$510,000	\$488,000 - \$536,000	\$493,000 - \$541,000	\$513,000 - \$568,000
Herreshoff (Two Bedroom End)	\$528,000	\$538,500	\$528,000	\$533,000	\$533,000 - \$591,000	\$538,000 - \$597,000	\$560,000
LA Dunton (Two Bedroom Corner)	\$556,000	\$567,000	\$556,000	\$561,500	\$565,000 - \$590,000	\$571,000 - \$596,000	\$594,000 - \$620,000
Brilliant (Two Bedroom End w/Den)	\$601,000	\$613,000	\$601,000	\$607,000	\$656,000	\$663,000	\$689,000
Eagle (Two Bedroom End w/Den Deluxe)	\$689,000	\$703,000	\$689,000	\$696,000	\$696,000	\$703,000	\$731,000
Second Person Fee	\$9,400	\$9,600	\$9,800	\$10,000	\$10,500	\$10,920	\$11,250

**MONTHLY FEE SCHEDULE -- (PHASE III)**

<u>Residence Type</u>	<u>January 2009 1<sup>st</sup> Person Monthly Fee</u>	<u>January 2010 1<sup>st</sup> Person Monthly Fee</u>	<u>January 2011 1<sup>st</sup> Person Monthly Fee</u>	<u>January 2012 1<sup>st</sup> Person Monthly Fee</u>	<u>January 2013 1<sup>st</sup> Person Monthly Fee</u>	<u>January 2014 1<sup>st</sup> Person Monthly Fee</u>	<u>January 2015 1<sup>st</sup> Person Monthly Fee</u>
Morgan (One Bedroom w/Den)	\$2,600	\$2,704	\$2,751	\$2,889	\$3,016	\$3,140	\$3,278
Conrad (Two Bedroom Deluxe)	\$2,889	\$3,005	\$3,058	\$3,211	\$3,352	\$3,489	\$3,643
Heritage (Two Bedroom w/Den)	\$3,166	\$3,293	\$3,351	\$3,519	\$3,674	\$3,825	\$3,993
Herreshoff (Two Bedroom End)	\$3,328	\$3,461	\$3,522	\$3,698	\$3,861	\$4,019	\$4,196
LA Dunton (Two Bedroom Corner)	\$3,510	\$3,650	\$3,714	\$3,900	\$4,072	\$4,239	\$4,426
Brilliant (Two Bedroom End w/Den)	\$3,581	\$3,724	\$3,789	\$3,978	\$4,153	\$4,323	\$4,513
Eagle (Two Bedroom End w/Den Deluxe)	\$4,013	\$4,174	\$4,247	\$4,459	\$4,655	\$4,846	\$5,059
Second Person Monthly Fee	\$889	\$915	\$931	\$978	\$1,021	\$1,082	\$1,130

Prices are subject to change without notice.

EXHIBIT D



186 Jerry Browne Road  
Mystic, CT 06355  
(860) 536-9700

## **RESIDENCY AGREEMENT**

## TABLE OF CONTENTS

<b>GLOSSARY</b> .....	v
1. SERVICES AND AMENITIES PROVIDED TO ALL RESIDENTS .....	2
2. ADDITIONAL SERVICES PROVIDED FOR AN EXTRA CHARGE.....	3
3. DURATION OF YOUR RIGHT TO OCCUPY THE RESIDENCE .....	3
4. AVALON HEALTH CENTER AT STONERIDGE.....	4
4.1 Health Center Care Services .....	4
4.2 Payment for Health Center Care Services .....	4
5. ENTRANCE PAYMENT AND WORKING CAPITAL FEE.....	4
5.1 Entrance Payment .....	4
5.2 First Person Fee and Second Person Fee .....	5
5.3 Loan .....	5
5.4 Working Capital Fee .....	5
6. MONTHLY CHARGES .....	5
6.1 Monthly Fee .....	5
6.2 Monthly Fee Changes .....	6
6.3 Payment.....	6
6.4 Late Payment .....	6
6.5 Cease Payment of Monthly Fee for Residence.....	6
7. REPAYMENT OF ENTRANCE PAYMENT .....	6
7.1 Refund of Entrance Payment Prior to Assuming Occupancy .....	6
7.1.1 Nonacceptance .....	6
7.1.2 Right of Rescission Period .....	7
7.1.3 Change in Condition .....	7
7.1.4 Cancellation for Reasons Other Than Set Forth in 7.1.1, 7.1.2, and 7.1.3 .....	7
7.2 Repayment of First Person Fee and Second Person Fee Following Occupancy.....	7
7.3 Repayment of Loan.....	8
7.4 Right of Offset .....	8
7.5 Beneficiary Designation .....	8
8. YOUR CANCELLATION RIGHTS.....	8
8.1 Prior to Occupancy .....	8



8.2	During First Ten Months of Occupancy .....	8
8.2.1	Written Notice.....	8
8.2.2	Monthly Fee.....	8
8.2.3	Removal of Property.....	8
8.2.4	Cancellation.....	8
8.2.5	Repayment of Entrance Payment .....	9
8.3	After First Ten Months of Occupancy.....	9
8.3.1	Written Notice.....	9
8.3.2	Monthly Fee.....	9
8.3.3	Removal of Property.....	9
8.3.4	Cancellation.....	9
8.3.5	Repayment of Entrance Payment .....	9
8.4	Death.....	10
8.4.1	Monthly Fee.....	10
8.4.2	Removal of Property.....	10
8.4.3	Cancellation.....	10
8.4.4	Repayment of Entrance Payment .....	10
9.	OUR CANCELLATION RIGHTS .....	10
9.1	Just Cause.....	10
9.1.1	Nonpayment.....	10
9.1.2	Failure to Comply .....	10
9.1.3	Threat to Health or Safety.....	11
9.1.4	Change in Condition.....	11
9.2	Financial Difficulty.....	11
9.2.1	Permitted to Stay.....	11
9.2.2	Terms of Stay.....	11
9.2.3	Guarantor .....	11
9.3	Notice of Cancellation .....	12
9.4	Emergency Notice.....	12
10.	MISCELLANEOUS PROVISIONS WITH RESPECT TO YOUR RESIDENCE.....	13
10.1	Use of Residence .....	13
10.2	Occupants of Residence.....	13
10.3	Emergency Entry and Relocation .....	13
10.4	Furnishings.....	13

10.5	Alterations by You.....	14
10.6	Refurbishment.....	14
11.	AMENDMENTS.....	14
11.1	This Agreement.....	14
11.2	All Agreements .....	14
11.3	Law Changes.....	14
12.	MISCELLANEOUS LEGAL PROVISIONS.....	14
12.1	Residents Association.....	14
12.2	Private Employee of Resident .....	15
12.3	Resident Representations .....	15
12.4	Adjustments for Absences .....	15
12.5	Governing Law .....	15
12.6	Separability .....	15
12.7	Capacity .....	15
12.8	Residents .....	16
12.9	Nature of Rights.....	16
12.10	Release .....	16
12.11	Indemnity .....	16
12.12	Entire Agreement .....	16
12.13	Tax Considerations .....	16
12.14	Security .....	17
12.15	Transfers .....	17
12.16	Responsible Party .....	17
12.17	Funeral and Burial Services.....	17
12.18	Arbitration.....	17
12.19	Acknowledgment of Receipt of Documents.....	18
12.20	Residency Agreement Terms.....	19
12.21	StoneRidge Residency Agreement Fee Summary.....	19

EXHIBIT A: REPAYMENT OF ENTRANCE PAYMENT

EXHIBIT B: PAYMENT FOR HEALTH CENTER CARE SERVICES

EXHIBIT C: ELECTION FOR FLEXIBLE DINING PROGRAM

EXHIBIT D: ASSISTANCE IN LIVING SERVICES AT STONERIDGE

EXHIBIT E: MRC RESIDENTS' BILL OF RIGHTS

EXHIBIT F: COMPLAINT RESOLUTION PROCESS

EXHIBIT G: ACKNOWLEDGMENT OF RECEIPT OF RESIDENT  
HANDBOOK

## GLOSSARY

The following terms are described as used in the accompanying Agreement. Reference to the Agreement and the context in which the terms are used is recommended to provide a fuller understanding of each of the terms:

**"Aging-in-Community Policy"** refers to that policy issued by LCS-Westminster Partnership I LLP ("LWPI," "we," "us," or "our") which outlines the requirements of the Resident to continue to live in a Residence at StoneRidge.

**"Agreement"** refers to this Residency Agreement between the Resident and LWPI which delineates the contractual obligations of LWPI to the Resident for accommodations, services, and amenities provided by LWPI.

**"Avalon Health Care Center at StoneRidge" or "Health Center"** refers to the facility where memory care, rehabilitative care and nursing care will be provided on the StoneRidge campus.

**"Clubhouse"** refers to the common areas housing the administrative office space, dining room(s), activity room(s), lounges, library, etc., located on the StoneRidge campus.

**"Community Related Costs"** refers to the operating costs to provide the accommodations, services and amenities listed in Section 1 of the Agreement and provided as a part of

the Monthly Fee and the current and anticipated financial needs related to StoneRidge including, but not limited to, operating costs, working capital, capital expenditures, reserves, and debt service payments, including permitted encumbrances.

**"Disclosure Statement"** refers to that document that outlines in detail the services and amenities to be provided by LWPI.

**"Entrance Payment"** refers to the payment made to LWPI to assure you a residence in StoneRidge pursuant to terms and conditions of this Agreement.

**"Extra Charges"** refers to the charges payable in consideration for the additional services and amenities requested by Resident, as set forth in Section 2 of the Agreement that are in addition to those set forth in the Monthly Fee.

**"Financial Assistance Amendment to Residency Agreement"** refers to that amendment that allows the Resident to remain at StoneRidge in the event of a change in the Resident's financial condition.

**"First Person Fee"** refers to the fee identified in Section 5 and Exhibit A of this Agreement and paid to LWPI.

**"Health Center Admission Agreement"** refers to that agreement entered into between LWPI and the Resident prior to admission to the Health Center that outlines the service obligations to be provided in the specially designated rehabilitative care and nursing care area of the Health Center.

**"Health Center Care Services"** refers to the scope of services that may be provided in the Health Center, including assisted living care, memory care, rehabilitative care and nursing care.

**"LCS-Westminster Partnership I, LLP ("LWPI," "we," "our," or "us")"** refers to the owner and operator of a *ContinuingCare*<sup>TM</sup> senior living community which conducts business as StoneRidge, which includes the Residences, Clubhouse, Health Center, common areas, and site amenities associated with these areas. LWPI is an Iowa limited liability partnership, qualified to do business in the State of Connecticut.

**"Loan"** (if applicable) refers to the Loan identified in Section 5 and Exhibit A of this Agreement and made to LWPI.

**"Medical Director"** refers to the physician identified by LWPI to assist in assuring that quality care is delivered in the Health Center. The Medical Director will also be called upon to assist LWPI, the Resident, and the Resident's family in determining the medical needs of the Resident of StoneRidge.

**"Memory Care Residency Agreement"** refers to the Agreement entered into between LWPI and the Resident prior to admission to the Health Center that outlines the service obligations to be provided in the specially designated memory care area of the Health Center.

**"Monthly Charges"** refers to all those Monthly Charges payable by the Resident pursuant to the terms of the Agreement, including the Monthly Fee, the Extra Charges for additional services, the additional Monthly Charges for Health Center services, if any, and all other fees and charges payable monthly pursuant to the terms of the Agreement, as appropriate in the particular instance.

**"Monthly Fee"** refers to that monthly fee payable in consideration for the amenities and services provided to all residents, as set forth in Section 1 of the Agreement and the financial needs related to StoneRidge, as set forth in Section 6. The Monthly Fee includes a second person Monthly Fee if there are two Residents.

**"Occupancy"** refers to the earlier of the date Resident moves into StoneRidge or the date Resident pays the balance of the Entrance Payment, and pays the Second Person Fee (if applicable) to LWPI pursuant to this Agreement.

**"Partners"** refers to LCS-StoneRidge LLC and Westminster-LCS LLC, the legal partnership entities that own LWPI.

**"Personal Service Provider"** refers to a private employee, an independent contractor, or a licensed home health care agency that may be contracted by the Resident to provide personal services requested or required by the Resident that are not covered by the Agreement.

**"Personal Service Provider Policy"** refers to the policy established by LWPI which sets forth the rules of conduct which must be followed by any Personal Service Provider providing services to residents of StoneRidge.

**"Provider"** refers to LCS-Westminster Partnership I, LLP ("LWPI") the legal entity that owns StoneRidge.

**"Rehabilitative Care"** refers to those short-term or temporary nursing care stays in the Health Center, where it is anticipated that the Resident will return to his/her Residence. A

Rehabilitative Care stay may include medicine, drugs, prescribed therapy or other supplies and services charged to the Resident as an Extra Charge.

**"Remarketing Agreement"** refers to that agreement between LWPI and the Resident stipulating the terms for remarketing the Residence and is executed upon (i) a Resident's release of the Residence upon transfer to the Health Center; (ii) upon a Resident's notice of cancellation of the Agreement or (iii) a Resident's decision to transfer to another Residence at the Community.

**"Residence"** refers to a residence at StoneRidge identified in the introductory paragraph of the Agreement in which the Resident is entitled to occupy a Residence pursuant to the Agreement in exchange for paying the Entrance Payment, the Second Person Fee (if applicable), the Working Capital Fee, and the Monthly Fee.

**"Residence Modification Agreement"** refers to that agreement between LWPI and the Resident which outlines the terms and conditions under which the Resident may make modifications to his/her Residence.

**"Residency Policy"** refers to that policy issued by LWPI which outlines the initial requirements of the Resident to live in a Residence at StoneRidge.

**"Resident"** or **"you"** refers to the Resident or Residents who execute the Agreement. Sometimes a second Resident (if there are two Residents) is referred to in the Agreement as the "second person." Unless otherwise indicated, "you" refers to both of you if there are two Residents.

**"Second Person Fee"** (if applicable) refers to the additional fee payable if there are two Residents.

**"StoneRidge"** refers to the senior living community including the Residences, the *HealthyLife™ Services* Center, the Health Center, and all site amenities associated with

these areas located in Mystic, Connecticut.

**"Transfer Policy"** refers to that policy issued by LWPI that outlines the process for a Resident to relocate to another Residence in StoneRidge.

**"Working Capital Fee"** refers to the one-time Fee paid by the Resident to LWPI at the time the balance of the Entrance Payment is paid and placed in a Working Capital Account to be used by LWPI only for purposes related to StoneRidge.

## **STONERIDGE RESIDENCY AGREEMENT**

This Residency Agreement (“Agreement”) is entered into by LCS-Westminster Partnership I, LLP, (“LWPI,” “we,” “us,” or “our”) and \_\_\_\_\_ (individually or collectively, “you,” “your,” or “Resident”). StoneRidge is a *ContinuingCare*<sup>™</sup> senior living community located in Mystic, Connecticut, whose purpose is to provide individuals of a qualifying age a way of living known as *ContinuingCare*.

StoneRidge provides quality residential housing for seniors along with a wide array of personal services and amenities outlined in this Agreement. Subject to the conditions contained in this Agreement, we agree to make available to you the residence (hereafter “Residence”) described as follows:

Residence Number: \_\_\_\_\_  
Residence Style: \_\_\_\_\_

StoneRidge is designed to offer an environment that enriches your life. The objective of StoneRidge is to offer a lifestyle with services and programs based on your interests that will complement or augment your current lifestyle and well-being. The design of StoneRidge allows for creative and healthy lifestyle activities in a comfortable environment.

In addition, there are health care benefits and convenient access to on-site long-term health care facilities including memory care, rehabilitative care or nursing care, if needed. One of the most significant benefits of StoneRidge's health care plan is that, as a Resident of a *ContinuingCare* senior living community, you are offered lifetime use of a Residence, services and amenities, and an on-site Health Center. The health care access is one of the many, and also one of the most important, benefits of becoming a Resident of StoneRidge.

To be accepted for residency, you must meet our residency criteria that include: age guidelines, financial guidelines, and ability to meet the requirements of Residence occupancy.

The purpose of this Residency Agreement is to set forth your rights and duties as a Resident of StoneRidge and to delineate the services to be provided at StoneRidge.



**1. SERVICES AND AMENITIES PROVIDED TO ALL RESIDENTS.** We will provide at StoneRidge, so long as you reside in a Residence therein, the following services and amenities, which are included in the Monthly Fee:

**1.1** Weekly housekeeping service;

**1.2** Weekly laundry service for personal flat linens;

**1.3** As part of StoneRidge's *HealthyLife™ Services* Program, you may choose to participate in fitness, nutrition, active life, and well-being activities to enhance your lifestyle;

**1.4** A flexible meal program based on your selection of a dining program option on Exhibit C of this Agreement;

**1.5** Dietitian services are available for a limited period of time when ordered by your attending physician to assist in meeting special diet needs;

**1.6** Room service for up to 14 consecutive days per occurrence if ordered by the Health Care Navigator director or the director of nursing services;

**1.7** One (1) outdoor parking space per Residence;

**1.8** Twenty-four hour emergency call monitoring in your Residence by nursing staff;

**1.9** Security services;

**1.10** Memory care, rehabilitative care and nursing care services in Avalon Health Care Center at StoneRidge as provided in Section 4;

**1.11** Water, sewer, utilities, and trash removal;

**1.12** Janitorial and maintenance services of buildings and Residences, including provided appliances;

**1.13** Carpeting (except in kitchen and bath where there will be alternate floor covering);

**1.14** Complete kitchen, including refrigerator with icemaker, range/oven, garbage disposal, and dishwasher;

**1.15** Washer/dryer in Residence;

**1.16** Local transportation scheduled by us;

**1.17** Use of all common areas in StoneRidge;

**1.18** Fire detection system;

**1.19** Storage area; and

**1.20** Standard cable TV service to the Residence.

**2.7** Extended dietitian services;

**2. ADDITIONAL SERVICES PROVIDED FOR AN EXTRA CHARGE.** We may also make available at StoneRidge, at your request, for as long as you reside in a Residence at StoneRidge, at the then prevailing rates of Extra Charge:

**2.8** Extended room service beyond 14 days to your Residence when ordered by the director of nursing services or the residential health services director;

**2.1** Residential Health Services (home health care) provided in your Residence as described in the Disclosure Statement;

**2.9** Additional housekeeping;

**2.2** Home health services provided in your Residence as described in the Disclosure Statement;

**2.10** Personal laundry service in addition to personal flat linen laundry service;

**2.3** Outpatient clinic services on-site for walk-ins and scheduled appointments during regularly scheduled hours;

**2.11** Guest rooms;

**2.4** Care or treatment in the Health Center or Outpatient Treatment Center for physician services, medicine, drugs, prescribed therapy or other similar services and supplies;

**2.12** Special activities and programs including services or programs offered under the *Healthy-Life™* Services Program; and

**2.5** Special events and transportation scheduled by you;

**2.13** Other services as may be provided from time to time.

**2.6** Meals, food, and beverage services in excess of those provided in consideration for the Monthly Fee;

**3. DURATION OF YOUR RIGHT TO OCCUPY THE RESIDENCE.** You may reside in your Residence for as long as you live unless you are not capable of living in a Residence as set forth in our Aging-in-Community Policy, or this Agreement is canceled by you or by us. If, in the opinion of your attending physician or the Medical Director, your physical or mental health requires that memory care, rehabilitative care or nursing care services be provided, you will be offered the opportunity to

relocate to the Health Center where we are licensed to provide such care or to secure the services from a Personal Service Provider. If there are two of you under this Agreement and one of you dies or relocates to the Health Center, or for some other reason is unable to occupy the Residence, the remaining person may continue to occupy the Residence under the terms of this Agreement.

#### **4. AVALON HEALTH CARE CENTER AT STONERIDGE.**

LWPI will provide memory care services, rehabilitative care and nursing care services (hereafter also collectively known as "Health Center Care Services") in a designated area of Avalon Health Care Center at StoneRidge (hereafter "Health Center").

**4.1 Health Center Care Services.** If, in the opinion of your attending physician or the Medical Director (after consultation with you to the extent possible and your responsible party, if any), you require Health Center Care Services in the Health Center, we will provide such care in the Health Center, and you agree to enter into a separate Memory Care Residency Agreement or Health Center Admission Agreement based on the type of care offered. Such Health Center Care Services will be provided in a semi-private or private suite and this care will be limited to the extent authorized by LWPI's

licenses issued from the Department of Public Health.

**4.2 Payment for Health Center Care Services.** Payment for Health Center Care Services provided by us in the Health Center will be in accordance with your selection of a payment option on Exhibit B of this Agreement.

#### **5. ENTRANCE PAYMENT AND WORKING CAPITAL FEE.**

**5.1 Entrance Payment.** To assure you a Residence in StoneRidge in accordance with all the terms of this Agreement, you will pay to us an Entrance Payment of \$\_\_\_\_\_. Depending on your selection of a repayment option on Exhibit A of this Agreement, your Entrance Payment is comprised of either (i) First Person Fee or (ii) sum of First Person Fee and Loan. Payment of 10% of your Entrance Payment at the time of executing this Agreement will reserve your Residence referenced on page 1 of this Agreement. This 10% amount will be held in escrow pursuant to Connecticut law. A copy of the Entrance Payment Escrow Agreement will be available for your review upon your request. The balance of the Entrance Payment (an amount equal to 90% of the Entrance Payment), or \$\_\_\_\_\_, will be paid to us on the earlier of (i) date of Occupancy or (ii) within 90 days of the date of our approval of this Agreement. Payment

of your Entrance Payment, Second Person Fee (if applicable), Working Capital Fee, and Monthly Charges (described below), entitles you to live in a Residence at StoneRidge. You may live in a Residence for as long as you are capable of living in a Residence and in the Health Center when you are no longer capable of living in a Residence as defined in our current Aging-in-Community Policy, and you will receive services that we are licensed to provide or we have contracted with another party to provide, all in accordance with the terms of this Agreement.

**5.2 First Person Fee and Second Person Fee.** An amount equal to 10% of your Entrance Payment, or \$\_\_\_\_\_, is paid herewith to reserve your Residence and is a part of the First Person Fee. If there are two of you, a Second Person Fee of \$\_\_\_\_\_ will be paid to LWPI on the earlier of (i) date of Occupancy or (ii) within 90 days of the date of our approval of this Agreement. Subject to the provisions of the Entrance Payment Escrow Agreement and our repayment obligations under Section 7 below, any non-repayable amounts paid to us as an First Person Fee and Second Person Fee (if applicable) will be the unrestricted property of the Provider, once it is earned by the Provider, and may be used by the Provider for any purpose unrelated to StoneRidge, at the Provider's sole

discretion. LWPI may distribute any such funds to its Partners.

**5.3 Loan.** Your Loan (if applicable) will be evidenced by the Loan Agreement attached to Exhibit A and will be secured by a lien on the real property and fixtures owned by LWPI and comprising StoneRidge.

**5.4 Working Capital Fee.** At the same time you pay the balance of the Entrance Payment and commence paying your Monthly Fee for your Residence, you will pay to us a Working Capital Fee that is an amount equal to two (2) times the then-current Monthly Fee for your Residence (including a second person Monthly Fee if there are two of you). This is a one-time non-repayable charge, which we will place in a Working Capital Account to be used by us only for purposes related to StoneRidge.

## **6. MONTHLY CHARGES**

**6.1 Monthly Fee.** You will pay a Monthly Fee for accommodations, services and amenities provided under Section 1 and for the financial needs related to the Community (e.g., operating costs, working capital, capital expenditures, reserves, and debt service payments, including permitted encumbrances) (collectively, the "Community Related Costs"). The current Monthly Fee is \$\_\_\_\_\_ per month for one

person and an additional \$\_\_\_\_\_ per month if there are two of you.

**6.2 Monthly Fee Changes.**

Adjustments to the Monthly Fee are intended to cover the current and anticipated changes in the Community Related Costs or as may be required by local, state or federal laws and regulations. We may adjust your Monthly Fee for current and anticipated Community Related Costs upon 30 days' advance written notice, if in our sole discretion or immediately without notice, if such change in the Monthly Fee is required by local, state, or federal laws or regulations.

**6.3 Payment.**

You will pay a pro rata portion of the Monthly Fee commencing on the earlier of (i) date of Occupancy or (ii) within 90 days of the date of our approval of this Agreement. Thereafter, your Monthly Fee will be payable each month in advance, upon receipt of a billing statement, including any Extra Charges for the additional services obtained during the preceding month.

**6.4 Late Payment.**

A late payment charge will be assessed 30 days from the date of the billing statement at the rate of 1% per month on the total delinquent amounts due. Late payment charges will not be compounded in the total delinquent amounts computed for determining any late payment charge assessed in any succeeding month. The late

payment charge will cease on the date we receive payment of the total delinquent amount. The 1% late payment charge is waived if payment is delayed due to slow processing by your supplemental insurance carrier. However, we do not waive our right to cancel this Agreement for nonpayment of fees subject to Section 9 of this Agreement.

**6.5 Cease Payment of Monthly Fee for Residence.**

The Monthly Fee for your Residence will cease in accordance with Section 8 or 9 if you (or both of you if there are two of you) or we cancel this Agreement and in accordance with Section 8.4 if you die (or if there are two of you, the death of the survivor). In the event there are two of you who occupy the Residence and only one of you cancels this Agreement or dies, the second person Monthly Fee will cease and the remaining person will continue to pay the first person Monthly Fee.

**7. REPAYMENT OF ENTRANCE PAYMENT.**

**7.1 Repayment of Entrance Payment Prior to Assuming Occupancy.**

**7.1.1 Nonacceptance.**

If we do not accept you for residency, we will repay to you the amount of the Entrance Payment you have paid,

without interest, within 30 days of our notice to you of nonacceptance.

**7.1.2 Right of Rescission Period.** If prior to assuming occupancy you change your mind and you give us written notice of cancellation by registered or certified mail within 30 days following the date this Agreement is executed by you and us, this Agreement will be automatically canceled. In such event, we will repay to you the amount of the Entrance Payment you have paid without interest within 30 days of notice, except that we will retain an amount equal to any costs specifically incurred by us at your request, if any, and which are set forth in a separate addendum to this Agreement. You shall not be required to move into StoneRidge before expiration of the 30 day rescission period.

**7.1.3 Change in Condition.** If prior to occupancy (i) you (or either of you if there are two of you) die or become unable to occupy your Residence because of illness, injury, or incapacity or (ii) you elect to cancel this Agreement because of a substantial change in your physical, mental, or financial condition, upon our receipt of your written notice to us by registered or certified mail this Agreement will be automatically canceled. In such event, we will repay to you or your legal representative, without interest, the amount of the Entrance Payment you have paid

to us within 60 days of our receipt of your written notice of cancellation, except that we will retain an amount equal to any costs specifically incurred by us at your request, if any, and which are set forth in a separate addendum to this Agreement.

**7.1.4 Cancellation for Reasons Other Than Set Forth in 7.1.1, 7.1.2, and 7.1.3.** If prior to assuming occupancy you give us written notice of cancellation by registered or certified mail and neither Sections 7.1.1, 7.1.2, nor 7.1.3 are applicable, this Agreement will be canceled. In such event, we will retain the lesser of 2% of your Entrance Payment or \$1,000 from the amount of the Entrance Payment you paid, plus an amount equal to any costs specifically incurred by us at your request, if any, and which are set forth in an addendum to this Agreement, and the balance will be repaid to you, without interest, within 60 days of our receipt of your written notice of cancellation.

**7.2 Repayment of First Person Fee and Second Person Fee Following Occupancy.** Except within the rescission period, which will be handled according to Section 7.1.2, repayment of the First Person Fee and Second Person Fee (if applicable) following occupancy shall be in accordance with your selection of a repayment option on Exhibit A of this Agreement.

**7.3 Repayment of Loan.**

The repayment of your Loan (if applicable) will be made in accordance with the Loan Agreement attached to Exhibit A.

**7.4 Right of Offset.**

We have the right to offset against any amount of the Entrance Payment that is repayable, any Second Person Fee (if applicable) that is repayable, any unpaid Monthly Charges owed by you, any unreimbursed Health Center charges we have advanced on your behalf, any amounts deferred by us under Section 9.2, and any other sums owed by you to us. Any amounts owed by you to us will be payable with interest.

**7.5 Beneficiary Designation.**

You may designate a beneficiary for receipt of any repayable portion of the Entrance Payment if the designation is in writing, is witnessed, is noncontingent, is specified in percentages and accounts for 100%, and has received our approval. An Assignment of Rights to Repayment may be obtained from the StoneRidge business office.

**8. YOUR CANCELLATION RIGHTS.**

**8.1 Prior to Occupancy.**

You may cancel this Agreement for any reason by giving us written notice executed by you (both of you, if there are two of you) and sent by registered

or certified mail. If you give such notice, prior to your occupancy of StoneRidge, the cancellation will be effective as described in Section 7.

**8.2 During First Ten Months of Occupancy.**

**8.2.1 Written Notice.**

During your first ten months of occupancy at StoneRidge, you may cancel this Agreement at any time by giving us written notice executed by you (both of you if there are two of you) and sent by registered or certified mail. Upon our receipt of your written notice of cancellation, you and we will execute a Remarketing Agreement for the resale of your Residence.

**8.2.2 Monthly Fee.**

You will continue to pay your Monthly Fee until the date you vacate your Residence or the Health Center and remove all your furniture and other property.

**8.2.3 Removal of Property.**

If removal of your furniture and other property is not accomplished after giving us written notice of cancellation, we may continue to charge the Monthly Fee, or we may remove and store your furniture and other property at the expense and risk of you or your estate.

**8.2.4 Cancellation.**

This Agreement will cancel, and the services provided under this Agreement

will cease after giving us written notice of cancellation and upon the date you vacate your Residence or the Health Center and remove all your furniture and other property.

**8.2.5 Repayment of Entrance Payment.** If you give us written notice of cancellation during the first ten months of your occupancy, your First Person Fee will not amortize, providing you vacate your Residence or the Health Center, and remove all your furniture and other property within the first ten months of occupancy. However, if you fail to vacate your Residence or the Health Center within the first ten months of occupancy, your First Person Fee will amortize from the date you gave us written notice of cancellation, until we remove and store your furniture and other property at the expense and risk of you or your estate. Your Entrance Payment will be repaid in accordance with Exhibit A.

### **8.3 After First Ten Months of Occupancy.**

**8.3.1 Written Notice.** After your first ten months of occupancy at StoneRidge, you may cancel this Agreement at any time by giving us 120 days' advance written notice executed by you (both of you if there are two of you) and sent by registered or certified mail. Upon our receipt of your written notice of cancellation, you and we will execute a Remarket-

ing Agreement for the resale of your Residence.

**8.3.2 Monthly Fee.** You will continue to pay your Monthly Fee until the later of (i) the expiration of the 120 day written notice of cancellation period, or (ii) the date you vacate your Residence or the Health Center and remove all your furniture and other property.

**8.3.3 Removal of Property.** If removal of your furniture and other property is not accomplished within 120 days of your written notice of cancellation, we may continue to charge the Monthly Fee or we may remove and store your furniture and other property at the expense and risk of you or your estate.

**8.3.4 Cancellation.** This Agreement will cancel, and the services provided under this Agreement will cease upon the later of (i) 120 days following the date you give us written notice of cancellation, or (ii) the date you vacate your Residence or the Health Center and remove all your furniture and other property.

**8.3.5 Repayment of Entrance Payment.** Your First Person Fee will amortize as set forth in Exhibit A, and will stop amortizing upon the earlier of (i) 120 days following the date you give us written notice of cancellation, or (ii) the date you vacate your Residence or the



Health Center and remove all your furniture and other property. However, if you fail to vacate your Residence or the Health Center with 120 days, your First Person Fee will amortize as set forth in Exhibit A, and will stop amortizing when we remove and store your furniture and other property at the expense and risk of you or your estate. Your Entrance Payment will be repaid in accordance with Exhibit A.

## **8.4 Death.**

**8.4.1 Monthly Fee.** You will continue to pay your Monthly Fee until the later of (i) your death (if there are two of you, the death of the survivor) or (ii) your vacancy of the Residence, or the Health Center, if applicable, and removal of all your furniture and other property.

**8.4.2 Removal of Property.** If removal of your furniture and other property is not accomplished within 30 days of your death (if there are two of you, the death of the survivor), we may continue to charge the Monthly Fee or we may remove and store your furniture and other property at the expense and risk of you or your estate.

**8.4.3 Cancellation.** This Agreement will cancel, and the services provided under this Agreement will cease, upon the later of (i) your death (if there are two of you, the

death of the survivor) or (ii) your vacancy of the Residence, or the Health Center, if applicable, and removal of all your furniture and other property.

**8.4.4 Repayment of Entrance Payment.** Your First Person Fee will amortize as set forth in Exhibit A and will stop amortizing upon the later of (i) your death (if there are two of you, the death of the survivor) or (ii) your vacancy of the Residence or the Health Center, if applicable, and removal of all your furniture and other property. Your Entrance Payment will be repaid in accordance with Exhibit A.

## **9. OUR CANCELLATION RIGHTS.**

**9.1 Just Cause.** After we have accepted you for residency, we will not cancel this Agreement except for just cause. Just cause is defined as:

**9.1.1 Nonpayment.** Except as set forth below, nonpayment of fees or charges; or

**9.1.2 Failure to Comply.** You do not comply with the terms of this Agreement or the published operating procedures, covenants, rules, regulations, and policies now existing or later amended by us; or

**9.1.3 Threat to Health or Safety.** Health status or behavior which constitutes a substantial threat to the health or safety of yourself, other residents, or others including your refusal to consent to relocation or would result in physical damage to the property of others; or

**9.1.4 Change in Condition.** There is a major change in your physical or mental condition that would preclude caring for you in the Health Center within the limits of our license.

**9.2 Financial Difficulty.** If, after you have paid the Entrance Payment, you encounter financial difficulties making it impossible for you to pay the full Monthly Charges, then:

**9.2.1 Permitted to Stay.** You shall be permitted to remain at StoneRidge for 120 days after the date of failure to pay, during which time you shall continue to pay reduced Monthly Charges based on your current income. Pursuant to Section 7.4, any amounts owed by you to us will be payable with interest;

**9.2.2 Terms of Stay.** After the 120 days, you shall be permitted to remain at StoneRidge at reduced Monthly Charges based on your ability to pay for so long as you establish facts to justify deferral of

such charges, and the deferral of such charges can, in our sole discretion, be granted without impairing our ability to operate on a sound financial basis. This provision shall not apply if you have impaired your ability to meet your financial obligations hereunder by transfer of assets, after assuming residency, other than to meet ordinary and customary living expenses, or by not maintaining Medicare Part A, Medicare Part B, and/or supplemental insurance coverages. To evidence these agreements based on the circumstances at the time, you agree to enter into a special Financial Assistance Amendment to Residency Agreement with us at the time of any such deferrals to reflect the deferred charges currently payable and the interest rate to be applied to the deferrals and to provide us with a perfected first security interest in your Loan repayment rights (if applicable). Any payments otherwise due to you from us, including the repayment of your Loan (if applicable), will be offset against any such deferred charges; and

**9.2.3 Guarantor.** Sections 9.2.1 and 9.2.2 are not applicable if, to initially qualify for residency at StoneRidge, a third party(ies) with adequate resources agreed in writing, prior to your acceptance for residency, to guarantee payment of your obligations and is fulfilling their obligations pursuant to a Guaranty of

Fees and Other Payments under the Residency Agreement.

### **9.3 Notice of Cancellation.**

Prior to any cancellation of this Agreement by us, we will give you notice in writing of the reasons, and you will have 60 days thereafter to correct the problem. If we determine that the problem is corrected within such time, this Agreement shall remain in effect. If we determine that the problem is not corrected within such time, you must leave StoneRidge within 30 days after we notify you of our determination. You will continue to pay your Monthly Fee until removal of your furniture and other property has occurred. If removal of your furniture and other property is not accomplished, we may remove and store your furniture and other property at the expense and risk of you or your estate. This Agreement will cancel upon the removal of your furniture and other property. Your First Person Fee will amortize as set forth in Exhibit A and will stop amortizing on the date you vacate the Residence or the Health Center and remove all your furniture and other property. Your Entrance Payment will be repaid in accordance with Exhibit A.

### **9.4 Emergency Notice.**

Should your continued residency pose an imminent threat of serious harm to you or other residents, and the Medical Director determines that either the

giving of notice or the waiting period described above might be detrimental to you or other residents, then such notice and/or waiting period shall not be required before relocation to a hospital or other appropriate facility. If there is one of you under this Agreement, we are expressly authorized to transfer you to such hospital or other facility, and we will promptly notify your responsible party and your attending physician. After transferring you to such hospital or other facility, we will provide you with a notice of cancellation if you will be unable to return to the Health Center or your Residence at StoneRidge. You will continue to pay the Monthly Fee until removal of your furniture and other property has occurred. If removal of your furniture and other property is not accomplished we may remove and store your furniture and other property at the expense and risk of you or your estate. This Agreement will cancel upon the removal of your furniture and other property. Your First Person Fee will amortize as set forth in Exhibit A and will stop amortizing on the date you vacate the Residence or the Health Center and remove all your furniture and other property. Your Entrance Payment will be repaid in accordance with Exhibit A. If there are two of you under this Agreement, and one of you is transferred to a hospital or other appropriate facility under the circumstances described in this section, the other person may continue to occupy

the Residence or the Health Center under the terms of this Agreement as the first person. We are not responsible for any charges related to such transfer or relocation to a hospital or other appropriate facility.

## **10. MISCELLANEOUS PROVISIONS WITH RESPECT TO YOUR RESIDENCE.**

**10.1 Use of Residence.** The Residence is for living only and shall not be used for carrying on any business or profession, nor in any manner in violation of zoning restrictions. This Agreement is not a lease, and entitles you only to the lifetime use of the Residence and other amenities of StoneRidge and to available services, subject to the terms and conditions of this Agreement.

**10.2 Occupants of Residence.** Except as hereinafter provided, no person other than you (or both of you if there are two of you) may occupy the Residence except with our express written approval. In the event that a second person who is not a party to this Agreement wishes to be accepted for residency under this Agreement, after the date we execute this Agreement, said second person's acceptance will be based upon our then-current Residency Policy. If accepted, payment of the then-current Second Person Fee (if applicable) as determined by us, and payment of the then-current additional

Monthly Charges for second persons shall be due. If such second person does not meet the requirements for residency, such second person will not be permitted to occupy the Residence for more than 30 days (except with our express written approval).

**10.3 Emergency Entry and Relocation.** We may enter your Residence should it be necessary in an emergency to protect your health or safety or the health or safety of other residents. Should it be necessary to modify facilities to meet the requirements of any applicable law or regulation which necessitate temporarily vacating your Residence, we will provide alternate facilities for you without Extra Charge within or outside StoneRidge. Further, if relocation is recommended by the Medical Director or your attending physician, we will request that you relocate to another Residence within StoneRidge or to the Health Center for the protection of your health or safety or for the health or safety of the other residents of StoneRidge.

**10.4 Furnishings.** Furnishings within the Residence will be provided by you except as listed in Sections 1.13, 1.14, and 1.15. Furnishings provided by you shall not interfere with the health or safety of you or other residents or others.

**10.5 Alterations by You.** You may undertake alterations to your Residence with our prior written approval as set forth in a separate Residence Modification Agreement.

**10.6 Refurbishment.** Customary and normal refurbishment costs of your Residence will be borne by all residents of StoneRidge as part of the Monthly Fee. Any necessary refurbishment costs beyond those which are customary and normal are your responsibility and will be offset against any amount of the Entrance Payment that is repayable. Further, should you relocate to another residence in StoneRidge, you may be subject to a transfer fee as set forth in our current Residence Transfer Policy.

## **11. AMENDMENTS.**

**11.1 This Agreement.** This Agreement may be amended by agreement of the parties to this Agreement (subject to any necessary regulatory approval). No amendment of this Agreement will be valid unless in writing and executed by you and us.

**11.2 All Agreements.** In addition, with the approval of (i) at least 67% of the residences with one vote per residence who have this type of residency agreement in StoneRidge, and (ii) us, all residency agreements of this type, may be amended in any

respect; provided, however, that no such amendment shall:

**11.2.1** Reduce the aforesaid percentage of residences which is required to consent to any such amendment; or

**11.2.2** Permit the preference or priority of any residence over any other residence without the consent of each residence.

Upon our approval and upon our receipt of evidence of the approval of at least 67% of the residences with one vote per residence, such amendment shall be effective and any designated residency agreements, which may include this Agreement, shall automatically be amended. Accordingly, any of the terms of this Agreement may be amended, including the scope and type of services provided, upon our approval and approval of at least 67% of the residences with one vote per residence.

**11.3 Law Changes.** This Agreement may be modified by us at any time in order to comply with applicable federal or state laws or regulations.

## **12. MISCELLANEOUS LEGAL PROVISIONS.**

**12.1 Residents Association.** Residents shall have the right to organize and operate a Residents Asso-

ciation at StoneRidge and to meet privately to conduct business of the Residents Association. It is our policy to encourage the organization and operation of a Residents Association.

**12.2 Private Employee of Resident.** If you need additional services, you can obtain these needed services from a private employee, an independent contractor, or through an agency ("Personal Service Provider"). In such instances, we strongly advise you to obtain these needed services from a licensed and/or certified home health agency. In any event, you must comply with our policy regarding Personal Service Providers and ensure that he/she/they complies with our policies and rules of conduct as set forth in our Personal Service Provider Policy. If you fail to follow or enforce the rules set forth in the Personal Service Provider Policy, then we may elect at our sole option to cancel this Agreement.

**12.3 Resident Representations.** By executing this Agreement, you represent and warrant that: (i) you will be least 62 years of age or older at the time of residency or you will share your Residence with another person who will be 62 years of age or older at the time of residency; (ii) you are capable of living in your Residence in accordance with StoneRidge Residency Policy; (iii) you have assets and income which are sufficient under foreseeable circumstances and

after provision for payment of your obligations under this Agreement to meet your ordinary and customary living expenses after assuming occupancy; and (iv) all written representations made to us with respect to such matters by you or on your behalf during the residency process are true.

**12.4 Adjustments for Absences.** You will receive a credit toward your Monthly Fee if you are absent from StoneRidge for more than 30 consecutive days. The amount of the credit shall be determined by us in our sole discretion based on our then-current policy regarding absences from StoneRidge.

**12.5 Governing Law.** This Agreement will be interpreted according to the laws of the State of Connecticut and will become effective upon acceptance and execution by us. The Glossary which sets forth the definitions of certain terms used in this Agreement is by this reference incorporated herein and made a part of this Agreement.

**12.6 Separability.** The invalidity of any restriction, condition, or other provision of this Agreement, or any part of the same, shall not impair or affect in any way the validity or enforceability of the rest of this Agreement.

**12.7 Capacity.** This Agreement has been executed by our duly

authorized agent, and no partner, officer, director, agent, or employee of ours shall have any personal liability to you hereunder under any circumstances. This Agreement will become effective upon acceptance and execution by us.

**12.8 Residents.** When Resident consists of more than one person, the rights and obligations of each are joint and several, except as the context of this Agreement otherwise requires.

**12.9 Nature of Rights.** You understand and agree that (i) this Agreement or your rights (including the use of the Residence) under it may not be assigned, and no rights or benefits under this Agreement shall inure to the benefit of your heirs, legatees, assignees, or representatives, except as to repayment of the amounts described in Section 7; (ii) this Agreement and your contractual right to occupy StoneRidge will exist and continue to exist during your lifetime unless canceled as provided herein; (iii) this Agreement grants you the right to occupy and use space in StoneRidge but does not give you exclusive possession of the Residence against us; (iv) you will not be entitled to any rights of specific performance but will be limited to such remedies as set forth herein and as provided by continuing care law; (v) this Agreement is not a lease or easement and does not transfer or

grant you any interest in real property owned by LWPI; and (vi) this Agreement grants to us complete decision-making authority regarding the management and operation of StoneRidge.

**12.10 Release.** We are not responsible for loss of or damage to your personal property, unless such loss or damage is caused by our negligence or the negligence of our agents or employees, and you hereby release us from any such liability. You may want to obtain, at your own expense, insurance to protect against such losses.

**12.11 Indemnity.** To the extent allowed by law, we will not be liable for, and you agree to indemnify, defend, and hold us harmless, from claims, damages, and expenses, including attorneys' fees and court costs, resulting from any injury or death to persons and any damages to property to the extent caused by, resulting from, attributable to, or in any way connected with your negligent or intentional act or omission.

**12.12 Entire Agreement.** This Agreement and any addenda or exhibits hereto contain our entire understanding with respect to your residency.

**12.13 Tax Considerations.** Each person considering executing this Agreement should consult with his or her tax advisor regarding the

tax considerations associated with this Agreement.

**12.14 Security.** Your mortgage rights which secure the repayment of your Loan (if applicable) will always be prior to the lien of all indentures of trust, mortgages, or other documents creating liens encumbering StoneRidge or any of the assets of StoneRidge, which have been or will be executed by us, with the exception of the "permitted encumbrances" as described in the Mortgage and Indenture of Trust, which are senior to your mortgage rights. Upon request, you agree to execute, acknowledge, and deliver to such holders of any permitted encumbrances such further written evidence of such subordination as such holders may reasonably require. Except to the extent of your obligation to pay the Monthly Charges or per diem charges, which in turn may be used to make payments on permitted encumbrances, you will not be personally liable for any indebtedness evidenced by the permitted encumbrances.

**12.15 Transfers.** We may from time to time issue additional equity interests or sell or transfer interest in StoneRidge, provided that, in such later event, the buyer will agree to assume this Agreement and all other existing Residency Agreements. In addition, we may sell or otherwise transfer the land or other portions of StoneRidge. Your signa-

ture hereto constitutes your consent and approval to any such future transfer.

**12.16 Responsible Party.** You agree to execute and deliver to us within 60 days after assuming occupancy in your Residence, a Durable Power of Attorney, trust documents, or other documentation naming a responsible party for business and financial decision-making. These documents should be drafted to remain effective notwithstanding your incompetence or disability and will be in a form acceptable to us. You agree to keep such documents in effect as long as this Agreement is in effect. The person(s) named as your responsible party will not be a person(s) employed by us or any other entity engaged in the management of StoneRidge.

**12.17 Funeral and Burial Services.** No funeral or burial services or expenses are provided by us pursuant to this Agreement.

**12.18 Arbitration.** You agree that any dispute, claim, or controversy of any kind between you and us arising out of, in connection with, or relating to this Agreement and any amendment hereof, or the breach hereof, which cannot be resolved by mutual agreement or in small claims court, will be submitted to and determined by arbitration in New London County, Connecticut in accordance



with the Federal Arbitration Act and the then-current commercial arbitration rules of the Federal Arbitration Act. You and we will jointly agree on an arbitrator and the arbitrator will be selected according to the procedure set forth in state law, if applicable. In reaching a decision, the arbitrator shall prepare findings of fact and conclusions of law. Any direct arbitration costs incurred by you will be borne by you. Costs of arbitration, including our legal costs and attorneys' fees, arbitrators' fees, and similar costs, will be borne by all residents of StoneRidge provided that the arbitrator may choose to award the costs of arbitration against us if the arbitrator determines that the proposed resolution urged by us was not reasonable. If the issue affects more than one resident, we may elect to join all affected residents into a single arbitration proceeding, and you hereby consent to such joinder.

You may withdraw your agreement to arbitrate within 30 days after executing this Agreement by giving written notice of your withdrawal to us. This arbitration clause binds all parties to this Agreement and their spouses, heirs, representatives, executors, administrators, successors, and assigns, as applicable. After cancellation of this Agreement, this arbitration clause shall remain in effect for the resolution of all claims and disputes that are unresolved as of that date.

**12.19 Acknowledgment of Receipt of Documents.** You hereby certify that you (i) received a copy of this Agreement, (ii) received a copy of our most current Disclosure Statement, and (iii) have been permitted to inspect any additional relevant materials requested to be reviewed by you or your representatives prior to executing this Agreement. Included in this Agreement are the following:

**12.19.1** Schedule of Ancillary Charges attached as Exhibit D;

**12.19.2** Residents' Bill of Rights attached as Exhibit E;

**12.19.3** Complaint Resolution Process attached as Exhibit F; and

**12.19.4** Acknowledgment of Receipt of Resident Handbook attached as Exhibit G.

**12.20 Residency Agreement Terms.** You hereby certify that you have executed the following exhibits and that, unless stipulated otherwise, the selections made by you shall govern for the term of this Residency Agreement. By your initials below, you have executed the following exhibits:

**Exhibit A – Repayment of Entrance Payment**

\_\_\_\_\_ 70% Return-of-Capital™ Repayment Plan, including execution of Exhibit A-1, Loan Agreement

\_\_\_\_\_ 50% Return-of-Capital™ Repayment Plan, including execution of Exhibit A-1, Loan Agreement

\_\_\_\_\_ Traditional Repayment Plan

**Exhibit B – Payment for Health Center Care Services**

\_\_\_\_\_ *ContinuingCare*™ Reduced Health Center Fees Plan

\_\_\_\_\_ *ContinuingCare*™ Priority Access Plan

**Exhibit C – Election for Flexible Dining Program:**

\_\_\_\_\_ Standard Plan

\_\_\_\_\_ Alternative Plan

**12.21 StoneRidge Residency Agreement Fee Summary.**

**Initial Payment of the Entrance Payment** (equal to 10% of the Entrance Payment, which is to be paid upon executing this Agreement ) \$ \_\_\_\_\_

**Balance of the Entrance Payment** (to be paid within 90 days of the date of our approval of this Agreement or upon occupancy, whichever is earlier, equal to 90% of Entrance Payment) \$ \_\_\_\_\_

**Total Entrance Payment** \$ \_\_\_\_\_

**Second Person Fee** (to be paid within (90) days of the date of our approval of this Agreement or upon occupancy, whichever is earlier) \$ \_\_\_\_\_

**Working Capital Fee** (to be paid within 90 days of the date of our approval of this Agreement or upon occupancy, whichever is earlier, equal to two (2) times the Monthly Fee including a second person Monthly Fee, if applicable) \$ \_\_\_\_\_\*

**Monthly Fee** \$ \_\_\_\_\_\*

**Second Person Monthly Fee** (if applicable) \$ \_\_\_\_\_\*

Executed this \_\_\_\_\_ day of \_\_\_\_\_,  
20\_\_\_\_.

\_\_\_\_\_  
**RESIDENT**

\_\_\_\_\_  
Witness

\_\_\_\_\_  
**RESIDENT**

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Residence Type

\_\_\_\_\_  
Residence Number

Approved this \_\_\_\_\_ day of \_\_\_\_\_,  
20\_\_\_\_.

**LCS-WESTMINSTER  
PARTNERSHIP I, LLP  
d/b/a StoneRidge**

By \_\_\_\_\_  
(Authorized Representative)



2/6/15

J:\Complnc\Stoneridge - CT\Agreements URM\Residency  
Agreements URM\Residency Agreement (2015-2-6).doc

**EXHIBIT A**

**REPAYMENT PLAN**

## EXHIBIT A

### REPAYMENT OF ENTRANCE PAYMENT 70% RETURN-OF-CAPITAL™ PLAN

**1. Entrance Payment.** Your Entrance Payment is comprised of two payments: (i) First Person Fee paid to LWPI; and (ii) Loan made to LWPI. Your total Entrance Payment is \$\_\_\_\_\_. The First Person Fee is 30% of the Entrance Payment, or \$\_\_\_\_\_. In accordance with Section 5 of this Agreement, your payment of 10% of the Entrance Payment at the time of executing this Agreement will be part of the First Person Fee. Your Loan is 70% of your Entrance Payment, or \$\_\_\_\_\_. In accordance with Section 5 of this Agreement, the balance of the First Person Fee will be paid to LWPI and Loan will be made to LWPI on the earlier of (i) the date of Occupancy or (ii) within 90 days of the date of our approval of this Agreement. Your Loan will be evidenced by the Loan Agreement attached as Exhibit A-1.

**2. Repayment of First Person Fee and Second Person Fee Following Occupancy.**

**2.1 Repayment Within First Ten Months of Occupancy.** Except within the rescission period which will be handled according to Section 7.1.2 of this Agreement, should you or we cancel the Agreement pursuant to Section 8 or 9 of this Agreement, , we will repay to you (or to your estate) \$\_\_\_\_\_, an amount equal to 90% of your Entrance Payment. For purposes of calculating the repayment, occupancy will end when this Agreement is cancelled pursuant to Section 8 or 9 of this Agreement. Such repayment will be paid without interest at the same time your Loan is repaid. The Second Person Fee (if applicable) is not repayable.

**2.2 Repayment After Ten Months of Occupancy.** After the first ten months of your occupancy, should you or we cancel this Agreement pursuant to Section 8 or 9 of this Agreement, we will repay to you (or to your estate) the amount of the First Person Fee paid by you, reduced by 1% of the Entrance Payment per full month of your occupancy, until your First Person Fee is fully amortized, leaving a repayment equal to your Loan amount of \$\_\_\_\_\_. For

purposes of calculating the repayment, amortization will begin on the eleventh month of occupancy and will end when this Agreement is cancelled pursuant to Section 8 or 9 of this Agreement. Such repayment will be paid without interest at the same time your Loan is repaid. The Second Person Fee (if applicable) is not repayable.

**3. Repayment of Loan.** The repayment of your Loan will be made in accordance with the Loan Agreement, attached as Exhibit A-1.

## EXHIBIT A

### REPAYMENT OF ENTRANCE PAYMENT 50% RETURN-OF-CAPITAL™ PLAN

**1. Entrance Payment.** Your Entrance Payment is comprised of two payments: (i) First Person Fee paid to LWPI; and (ii) Loan made to LWPI. Your total Entrance Payment is \$\_\_\_\_\_. The First Person Fee is 50% of the Entrance Payment, or \$\_\_\_\_\_. In accordance with Section 5 of this Agreement, your payment of 10% of the Entrance Payment at the time of executing this Agreement will be part of the First Person Fee. Your Loan to LWPI is 50% of your Entrance Payment, or \$\_\_\_\_\_. In accordance with Section 5 of this Agreement, the balance of the First Person Fee will be paid to LWPI and the Loan will be made to LWPI on the earlier of (i) date of Occupancy or (ii) within 90 days of the date of our approval of this Agreement. Your Loan will be evidenced by the Loan Agreement attached as Exhibit A-1.

#### **2. Repayment of First Person Fee and Second Person Fee Following Occupancy.**

**2.1 Repayment Within First Ten Months of Occupancy.** Except within the rescission period which will be handled according to Section 7.1.2 of this Agreement, should you or we cancel the Agreement pursuant to Section 8 or 9 of this Agreement, we will repay to you (or to your estate) \$\_\_\_\_\_, an amount equal to 90% of your Entrance Payment. For purposes of calculating the repayment, occupancy will end when this Agreement is cancelled pursuant to Section 8 or 9 of this Agreement. Such repayment amount will be paid without interest at the same time your Loan is repaid. The Second Person Fee (if applicable) is not repayable.

**2.2 Repayment After Ten Months of Occupancy.** After the first ten months of your occupancy, should you or we cancel the Agreement pursuant to Section 8 or 9 of this Agreement, we will pay to you (or to your estate) the amount of the First Person Fee paid by you, reduced by 2% of the Entrance Payment per full month of your occupancy, until your First Person Fee is fully amortized, leaving a repayment equal to your Loan amount of \$\_\_\_\_\_. For purposes of

calculating the repayment, amortization will begin on the eleventh month of occupancy and will end when this Agreement is cancelled pursuant to Section 8 or 9 of this Agreement. Such repayment will be paid without interest at the same time your Loan is repaid. The Second Person Fee (if applicable) is not repayable.

**3. Repayment of Loan.** The repayment of your Loan will be made in accordance with the Loan Agreement, attached as Exhibit A-1.



## **EXHIBIT A-1 OF RETURN-OF-CAPITAL™ RESIDENCY AGREEMENT**

### **LOAN AGREEMENT (TO BE EXECUTED AT OCCUPANCY)**

Pursuant to your Residency Agreement for a Return-of-Capital™ Plan with LCS-Westminster Partnership I, LLP ("LWPI," "we," "our," or "us"), you agreed to loan \$\_\_\_\_\_ to LWPI, and we hereby promise to repay your Loan upon the terms and conditions hereinafter set forth in this Loan Agreement ("Agreement"). Capitalized terms used herein shall have the same meanings as set forth in the Residency Agreement.

- 1. Making of Loan.** Your Loan shall be made to LWPI on the earlier of (i) occupancy or (ii) within 90 days of our approval of this Agreement.
- 2. Security.** Your Loan and the loans of all other residents of StoneRidge will be guaranteed and secured by a mortgage on the real estate owned by LWPI and comprising StoneRidge. The mortgage will be subject to certain "permitted encumbrances" as defined in the Mortgage and Indenture of Trust. A copy of the Mortgage and Indenture of Trust is available for your review upon your request.
- 3. Repayment.** In the event you or we cancel your Residency Agreement and remove your furniture and other property, your Loan shall become due and payable in accordance with Exhibit A of your Residency Agreement upon 14 days from the date the Entrance Payment is collected for your Residence from a new resident to StoneRidge. If your Residence is reoccupied by an existing resident of StoneRidge who transfers from another residence ("Transferring Resident"), your Loan shall be due and payable upon the date we receive the next Entrance Payment (First Person Fee plus Loan) for the residence vacated by the Transferring Resident. If more than one internal transfer of existing residents occurs, repayment of your Loan will be tied to the last vacated residence. However, in no event shall such date be more than 36 months from the date of cancellation of your Residency Agreement, at which time your Loan shall become immediately due and payable to you or your estate. If your Residency Agreement is not cancelled within 30 years from the date of this Agreement, your Loan shall become immediately due and payable by us. You agree to look solely to the assets of LWPI for the repayment of your Loan. We may offset against any Loan repayment any amounts then due by you to us pursuant to Section 7.4 of your Residency Agreement.

**4. Right of Offset.** You agree that we have the right to offset against any First Person Fee, Second Person Fee (if applicable) or Loan repayment due you, any unpaid Monthly Charges owed by you, any unreimbursed Health Center expenses we have advanced on your behalf, any amounts deferred by us under Section 7.4 of the Residency Agreement, and any other sums owed by you to us with interest.

**5. No Assignment of Loan; Successors and Assigns.** Your rights under this Agreement may not be sold, assigned or otherwise transferred, except to your estate, another individual(s) or to certain trusts established for your benefit, subject to our prior approval in our sole discretion. All terms and provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

\_\_\_\_\_  
**RESIDENT**

**LCS-WESTMINSTER  
PARTNERSHIP I, LLP  
d/b/a StoneRidge**

\_\_\_\_\_  
Witness

By \_\_\_\_\_  
(Authorized Representative)

\_\_\_\_\_  
**RESIDENT**

\_\_\_\_\_  
Witness



2/6/15

## EXHIBIT A

### REPAYMENT OF ENTRANCE PAYMENT TRADITIONAL PLAN

**1. Entrance Payment.** Your Entrance Payment is comprised of the First Person Fee. The total Entrance Payment (or First Person Fee) is \$\_\_\_\_\_. In accordance with Section 5 of this Agreement, you will make a payment of 10% of the Entrance Payment at the time of executing this Agreement and you will make a payment of the balance of the Entrance Payment on the earlier of (i) the date of Occupancy or (ii) within 90 days of the date of our approval of this Agreement.

**2. Repayment Within First Ten Months of Occupancy.** Except within the rescission period which will be handled according to Section 7.1.2 of this Agreement, should you or we cancel the Agreement pursuant to Section 8 or 9 of this Agreement, we will repay to you (or to your estate) \$\_\_\_\_\_, an amount equal to 90% of your First Person Fee. For purposes of calculating the repayment, occupancy will end when the Agreement is cancelled pursuant to Section 8 or 9 of this Agreement. Such repayment amount will be paid without interest according to Section 4 of this Exhibit A. The Second Person Fee (if applicable) is not repayable.

**3. Repayment of Entrance Payment After First Ten Months of Occupancy.** If you or we cancel this Agreement pursuant to Section 8 or 9 of this Agreement, we will repay to you (or to your estate), without interest, the amount of the Entrance Payment paid by you reduced by six percent (6%) earned by us upon occupancy and two percent (2%) per full month of occupancy until the First Person Fee is fully amortized. For purposes of calculating the repayment, amortization will begin on the month when occupancy began and will end when this Agreement is cancelled pursuant to Section 8 or 9 of this Agreement. Such repayment amount will be paid without interest according to Section 4 of this Exhibit A. The Second Person Fee (if applicable) is not repayable.

**4. Timing of Repayment.** Your repayment, if applicable, shall become due and payable upon 14 days from the date the Entrance Payment is collected for your Residence from a new resident to StoneRidge. If your Residence is reoccupied by

an existing resident of StoneRidge who transfers from another residence ("Transferring Resident"), your repayment shall be due and payable upon the date we receive the next full Entrance Payment for the residence vacated by the Transferring Resident. If more than one internal transfer of existing residents occurs, repayment of your Entrance Payment will be tied to the last vacated residence. However, in no event shall such date be more than 36 months from the date of cancellation of your Residency Agreement at which time your repayment shall become immediately due and payable to you or your estate. We may offset against any repayment any amounts then due by you to us pursuant to Section 7.4.

**EXHIBIT B**

**PAYMENT FOR HEALTH CENTER CARE  
SERVICES**

## **EXHIBIT B**

### **PAYMENT FOR HEALTH CENTER CARE SERVICES REDUCED HEALTH CENTER FEES PLAN**

**1. First 90 Days of Health Center Care Services.** Health Center Care Services will be provided in a private or semi-private nursing care in the Health Center at a discounted rate for 90 cumulative days for you (90 days for each of you if there are two of you) but the allowance for one Resident cannot be used by the other. During your first 90 cumulative days of Health Center Care Services, you shall receive a 50% discount from the per diem charge for care in the Health Center. If your stay in the Health Center is fully covered as a Medicare-qualified stay, the discounted 90 cumulative days offered per Resident in this paragraph will not take effect until the termination of your Medicare-qualified stay. While in the Health Center the Monthly Fee for your Residence will continue as before. Further, whether you release or retain your Residence while you are in the Health Center, you will not be entitled to repayment of your Entrance Payment.

**[NOTE: The (90) cumulative days at 50% is the total number of days allowed per Resident during your lifetime for a combined total for memory care, rehabilitative care and nursing care in the Health Center. After the (90) cumulative days are exhausted, your care will be in accordance with Sections 2 or 3 below, as applicable.]**

**2. More Than 90 Days of Health Center Care Services When There is One of You.** If you require Health Center Care Services beyond the 90 cumulative days, your monthly fees will depend upon whether you choose to release or retain your Residence.

**2.1 Release Residence When There is One of You.** If you choose to release your Residence for occupancy by someone else, the Monthly Fee for your Residence will cease upon the date all of your furniture and other property have been removed from your Residence. Beyond the 90 cumulative days, you shall receive a 10% discount on the per diem charges for your care in the Health Center. If removal of your furniture and other property is not accomplished within 30 days of your determination to release your Residence, we may remove and store your furniture and other property at the expense and risk of you or your estate. As

part of your release of your Residence, you and we will execute a Remarketing Agreement for the resale of your Residence.

**2.2 Retain Residence When There is One of You.** If you choose to retain your Residence, the Monthly Fee for your Residence will continue. You will receive a meal credit for one meal per day. You will also pay the charges for your Health Center Care Services. Beyond the 90 cumulative days, you shall receive a 10% discount on the per diem charge for your care in the Health Center.

**3. More than 90 Days of Health Center Care Services When There are Two of You.** If there are two of you and one of you requires Health Center Care Services beyond the 90 cumulative days, your monthly fees will depend upon whether one or two of you require Health Center Care Services and whether you choose to release or retain your Residence.

**3.1 Retain Residence When There are Two of You and Only One of You Requires Care.** If there are two of you and one of you requires Health Center Care Service, you shall pay the Monthly Fee for the Residence and the charges for care in the Health Center. Beyond the 90 cumulative days, you will receive a 10% discount on the per diem charge for your care in the Health Center. The second person Monthly Fee for the Residence shall cease.

**3.2 Retain Residence When Two of You Require Health Center Care Services.** If there are two of you who require Health Center Care Services and you choose to retain your Residence, the then-current first person and second person Monthly Fees will continue. You will also pay the charges for care in the Health Center. Beyond the 90 cumulative days, you will receive a 10% discount on the per diem charge for your care in the Health Center. In addition, you shall receive a meal credit for your absence in the Residence.

**3.3 Release Residence When Two of You Need Memory Care or Nursing Care.** If you choose to release your Residence for occupancy by someone else, you will pay the charges for care in the Health Center. Beyond the 90 cumulative days, you will receive a 10% discount on the per diem charge for your care in the Health Center. The first and second person Monthly Fees for your Residence will cease upon the date all your furniture and other property have been removed from your Residence. If removal of your furniture and other property is not accomplished within 30 days of your determination to release your Residence, we may remove and store your furniture and other property at the expense and risk

of you or your estate. As part of your release of your Residence, you and we will execute a Remarketing Agreement for the resale of your Residence.

**4. Alternate Accommodations.** You shall be given priority over non-residents for admission to the Health Center. In the event you need memory care or nursing care and the Health Center is fully occupied, you will be provided care at another comparable health care facility. Upon your relocation, you shall continue to be responsible for the charges set forth in the Residency Agreement and this Exhibit B herein. To the extent we would be liable for your care and accommodations in the Health Center under this Agreement, we will be responsible for the charges associated with alternate Health Center Care Services. Such accommodations will be comparable to that provided at the Health Center. You agree to relocate to the Health Center when a suite becomes available. However, should you need care which LWPI is not licensed to provide or which the Health Center does not have the appropriately trained staff to provide, or does not routinely provide, you agree to relocate to a facility that can provide you with the appropriate level of care. We will not be responsible for the charges for this higher level of care or private duty care.

**5. Return to Residence.** If you release your Residence because you have moved to the Health Center, and if later you are able, in the opinion of the Medical Director or your attending physician with the concurrence of the Medical Director, to return to a Residence, we will provide you a Residence of the same type as your previous Residence as soon as one becomes available. Upon reoccupying a Residence, your Monthly Fee will be based on the then-current Monthly Fee for the Residence.

**6. Medical Director and Ancillary Services.** A member in good standing of the New London County Medical Association will be designated to act as Medical Director for StoneRidge. You will be at liberty to engage the services of the Medical Director or the services of a physician of your choice at your own expense. We will not be responsible for the charges for medical treatment by the Medical Director, or any other physician, nor will we be responsible for the charges for medicine, drugs, prescribed therapy, and other similar services and supplies. In the event we incur or advance charges for your medical treatment or for medicine, drugs, prescribed therapy, pharmaceutical supplies, personal laundry, rental of equipment, and other similar services and supplies, you will reimburse us for such charges.



**7. Non-Resident Use of the Health Center** LWPI will offer Health Center Care Services in the Health Center to qualified non-residents for a fee, to the extent suites are available and as allowed by Connecticut law. However, Residents of StoneRidge will be given priority access to available suites.

**8. Long-Term Care Insurance.** We will use reasonable efforts to assist you in working with your long-term care insurance provider to obtain the benefits to which you may be entitled.

**9. Health Care Outside StoneRidge.** In the event you receive care, or choose to receive care at another health care facility not designated by us, we will not be responsible for the charges incurred there by you.

**10. Memory Care Residency Agreement or Health Center Admission Agreement.** If you require Health Center Care Services in the Health Center, you agree to enter into a separate Memory Care Residency Agreement or Health Center Admission Agreement based on the type of care needed. The Agreement to be executed by you or your designated party and LWPI will be available for your review prior to move-in.

**11. Under Age 62.** Pursuant to our Residency Policy, if you are under age 62 when you occupy a Residence under this Agreement, you shall be entitled to care in the Health Center. However, you will be charged the then-current per diem rate being charged to non-residents until you attain the age of 62.

**[NOTE: Sections 12 through 13.5 are applicable only to rehabilitative care and nursing care offered in the Health Center.]**

**12. Supplemental Insurance.** You are required to maintain Medicare Part A, Medicare Part B, and one supplemental health insurance policy or equivalent insurance coverage acceptable to us to assure your ability to fully cover a Medicare-qualified stay in the Health Center. Such supplemental insurance should cover Medicare co-insurance and deductibles. You shall furnish to us such evidence of coverage as we may from time to time request. Should your supplemental health insurance or equivalent coverage not fully cover a Medicare-qualified stay in the Health Center, or should you fail to purchase supplemental health insurance or equivalent coverage to fully cover a Medicare-qualified stay in the Health Center, you shall be financially responsible for paying to LWPI deductibles, co-insurance amounts, and any other charges for each Medicare-qualified stay in the Health Center. If you are eligible to receive the discount provided in

Sections 1, 2 or 3 of this Exhibit B, as applicable, and your stay in the Health Center is a Medicare-qualified stay, such discount will be applied after the expiration of your Medicare-qualified stay providing you have Medicare Part A, Medicare Part B, and acceptable supplemental health insurance or equivalent insurance coverage. If failure to maintain Medicare Part A, Medicare Part B, or supplemental health insurance is causing depletion of your resources and impairs your ability to meet your financial obligations, we need not defer your financial obligations as provided in Section 9.2 of the Agreement, and we retain the right to revoke your entitlement to reside at StoneRidge and we retain the right to cancel this Agreement as provided in Section 9 of the Agreement.

**13. Managed Care.** If you have chosen to participate in a managed care program as an alternative to Medicare Part A, Medicare Part B, and supplemental insurance coverage, the terms governing Health Center care will be as follows:

**13.1 Participating Provider.** If we are a participating provider with your managed care program and your stay is a Medicare-qualified stay, we will agree to accept, as full payment, reimbursement at the rate we negotiate with your managed care program. Such a managed care stay in the Health Center will not reduce the discounts that you are eligible to receive pursuant to Sections 1, 2 or 3 of this Exhibit B, as applicable.

**13.2 Not a Participating Provider.** If we are not a participating provider with your managed care program and you choose to receive health care services at a managed care participating provider during a Medicare-qualified stay, then you understand and agree that you must relocate for as long as necessary for those services, and be responsible for all charges for those health care services. In addition, while receiving health care services at the managed care participating provider, you understand and agree that unless this Agreement is cancelled, you will continue to pay the Monthly Fee for your Residence. Such a Medicare-qualified stay at a managed care participating provider other than StoneRidge will not reduce the discounts that you are eligible to receive pursuant to Sections 1, 2 or 3 of this Exhibit B, as applicable. If we are unable to negotiate an acceptable rate and you choose to receive Health Center Care Services in the Health Center, you agree to be responsible for all charges for care in the Health Center, as set forth in Section 13.4 of this Exhibit B.

**13.3 Negotiated Managed Care Rate.** If we are not a participating provider in your managed care program and you would still like to receive health care services in the Health Center during a Medicare-qualified stay, we will

attempt to negotiate an acceptable reimbursement rate with your managed care program. If we are able to negotiate an acceptable rate, we will agree to accept as full payment the rate provided by your managed care program. Such a managed care stay in the Health Center will not reduce the discount towards the per diem charge that you are eligible to receive pursuant to Sections 1, 2 or 3 of this Exhibit B, as applicable.

**13.4 No Negotiated Managed Care Rate.** If we are not a participating provider in your managed care program and a negotiated rate is not agreed upon between us and your managed care program and you would still desire to receive health care services in the Health Center during a Medicare-qualified stay, then each day of your stay in the Health Center will be paid pursuant to Sections 1, 2 or 3 of this Exhibit B, as applicable. If you choose to retain your Residence, the Monthly Fee for your Residence will continue. In addition, you will pay meal charges for meals that are in excess of those provided for by the Monthly Fees at the then-current charges for meals and any additional services as described in Section 6 of this Exhibit B.

**13.5 Post Medicare-Qualified Stay.** At the conclusion of each such Medicare-qualified stay, you will be entitled to health care services in the Health Center in accordance with the terms of this Agreement other than as set forth in this Section 13, as adjusted to reflect any reduction during such stay in the discounts that you are eligible to receive as provided in Sections 1, 2 or 3 of this Exhibit B, as applicable.

## **EXHIBIT B**

### **PAYMENT FOR HEALTH CENTER CARE SERVICES PRIORITY ACCESS PLAN**

**1. Health Center Care Services.** We will provide you with priority over non-residents for admission to the Health Center. While receiving Health Center Care Services in the Health Center, you will pay the per diem charge in effect for such level of care. You will also pay for any additional services as described in paragraph 6 of this Exhibit B. While in the Health Center, payment of Monthly Fees for your Residence will be in accordance with Section 2 of this Exhibit B when there is one of you and Section 3 of this Exhibit B when there are two of you. Further, whether you release or retain your Residence while you are in the Health Center, you will not be entitled to repayment of the Entrance Payment.

**2. Health Center Care Services When There is One of You.** If there is one of you and you require Health Center Care Services, your monthly fees will depend upon whether you choose to release or retain your Residence.

**2.1 Release Residence When There is One of You.** If you choose to release your Residence for occupancy by someone else, the Monthly Fee for your Residence will cease upon the date all of your furniture and other property have been removed from your Residence. If removal of your furniture and other property is not accomplished within 30 days of your determination to release your Residence, we may remove and store your furniture and other property at the expense and risk of you or your estate. As part of your release of your Residence, you and we will execute a Remarketing Agreement for the resale of your Residence. Charges for your care in the Health Center will be equal to the then-current per diem charge in effect for such level of care.

**2.2 Retain Residence When There is One of You.** If you choose to retain your Residence, the Monthly Fee for your Residence will continue. You will receive a meal credit for one meal per day. You will also pay the charges equal to the then-current per diem charge in effect for such level of care.

**3. Health Center Care Services When There are Two of You.** If there are two of you and one of you requires Health Center Care Services, your monthly fees will depend upon whether one or two of you require Health Center Care Services and whether you choose to release or retain your Residence.

**3.1 Retain Residence When There are Two of You and Only One of You Requires Care.** If there are two of you and one of you requires Health Center Care Service, you shall pay the Monthly Fee for the Residence and the charges for care in the Health Center equal to the then-current per diem charges in effect for the level of care provided. The second person Monthly Fee for the Residence shall cease.

**3.2 Retain Residence When Two of You Require Health Center Care Services.** If there are two of you who require Health Center Care Services and you choose to retain your Residence, the then-current first person and second person Monthly Fees will continue. You will also pay the charges for care in the Health Center equal to the then-current per diem charges in effect for the level of care provided. In addition, you shall receive a meal credit for your absence in the Residence.

**3.3 Release Residence When Two of You Need Health Center Care Services.** If you choose to release your Residence for occupancy by someone else, you will pay the charges for care in the Health Center. Charges for your care will be equal to the then-current per diem charges in effect for the level of care provided. The first and second person Monthly Fees for your Residence will cease upon the date all your furniture and other property have been removed from your Residence. If removal of your furniture and other property is not accomplished within 30 days of your determination to release your Residence, we may remove and store your furniture and other property at the expense and risk of you or your estate. As part of your release of your Residence, you and we will execute a Remarketing Agreement for the resale of your Residence.

**4. Alternate Accommodations.** You shall be given priority over non-residents for admission to the Health Center. In the event you need memory care or nursing care and the Health Center is fully occupied, you will be provided care at another comparable health care facility. Upon your relocation, you shall continue to be responsible for the charges set forth in the Residency Agreement and this Exhibit B herein. To the extent we would be liable for your care and accommodations in the Health Center under this Agreement, we will be responsible for the charges associated with alternate Health Center Care Services.

Such accommodations will be comparable to that provided at the Health Center. You agree to relocate to the Health Center when a suite becomes available. However, should you need care which LWPI is not licensed to provide or which the Health Center does not have the appropriately trained staff to provide, or does not routinely provide, you agree to relocate to a facility that can provide you with the appropriate level of care. We will not be responsible for the charges for this higher level of care or private duty care.

**5. Return to Residence.** If you release your Residence because you have moved to the Health Center, and if later you are able, in the opinion of the Medical Director or your attending physician with the concurrence of the Medical Director, to return to a Residence, we will provide you a Residence of the same type as your previous Residence as soon as one becomes available. Upon reoccupying a Residence, your Monthly Fee will be based on the then-current Monthly Fee for the Residence.

**6. Medical Director and Ancillary Services.** A member in good standing of the New London County Medical Association will be designated to act as Medical Director for StoneRidge. You will be at liberty to engage the services of the Medical Director or the services of a physician of your choice at your own expense. We will not be responsible for the charges for medical treatment by the Medical Director, or any other physician, nor will we be responsible for the charges for medicine, drugs, prescribed therapy, and other similar services and supplies. In the event we incur or advance charges for your medical treatment or for medicine, drugs, prescribed therapy, pharmaceutical supplies, personal laundry, rental of equipment, and other similar services and supplies, you will reimburse us for such charges.

**7. Non-Resident Use of the Health Center** LWPI will offer Health Center Care Services in the Health Center to qualified non-residents for a fee, to the extent suites are available and as allowed by Connecticut law. However, Residents of StoneRidge will be given priority access to available suites.

**8. Long-Term Care Insurance.** We will use reasonable efforts to assist you in working with your long-term care insurance provider to obtain the benefits to which you may be entitled.

**9. Health Care Outside StoneRidge.** In the event you receive care, or choose to receive care at another health care facility not designated by us, we will not be responsible for the charges incurred there by you.

**10. Memory Care Residency Agreement or Health Center Admission Agreement.** If you require Health Center Care Services in the Health Center, you agree to enter into a separate Memory Care Residency Agreement or Health Center Admission Agreement based on the type of care needed. The Agreement to be executed by you or your designated party and LWPI will be available for your review prior to move-in.

**11. Under Age 62.** Pursuant to our Residency Policy, if you are under age 62 when you occupy a Residence under this Agreement, you shall be entitled to care in the Health Center.

**[NOTE: Sections 12 through 13.5 are applicable only to rehabilitative care and nursing care offered in the Health Center.]**

**12. Supplemental Insurance.** You are required to maintain Medicare Part A, Medicare Part B, and one supplemental health insurance policy or equivalent insurance coverage acceptable to us to assure your ability to fully cover a Medicare-qualified stay in the Health Center. Such supplemental insurance should cover Medicare co-insurance and deductibles. You shall furnish to us such evidence of coverage as we may from time to time request. Should your supplemental health insurance or equivalent coverage not fully cover a Medicare-qualified stay in the Health Center, or should you fail to purchase supplemental health insurance or equivalent coverage to fully cover a Medicare-qualified stay in the Health Center, you shall be financially responsible for paying to LWPI deductibles, co-insurance amounts, and any other charges for each Medicare-qualified stay in the Health Center. If failure to maintain Medicare Part A, Medicare Part B, or supplemental health insurance is causing depletion of your resources and impairs your ability to meet your financial obligations, we need not defer your financial obligations as provided in Section 9.2 of the Agreement, and we retain the right to revoke your entitlement to reside at StoneRidge and we retain the right to cancel this Agreement as provided in Section 9 of the Agreement.

**13. Managed Care.** If you have chosen to participate in a managed care program as an alternative to Medicare Part A, Medicare Part B, and supplemental insurance coverage, the terms governing Health Center care will be as follows:

**13.1 Participating Provider.** If we are a participating provider with your managed care program and your stay is a Medicare-qualified stay, we

will agree to accept, as full payment, reimbursement at the rate we negotiate with your managed care program.

**13.2 Not a Participating Provider.** If we are not a participating provider with your managed care program and you choose to receive health care services at a managed care participating provider during a Medicare-qualified stay, then you understand and agree that you must relocate for as long as necessary for those services, and be responsible for all charges for those health care services. In addition, while receiving health care services at the managed care participating provider, you understand and agree that unless this Agreement is cancelled, you will continue to pay the Monthly Fee for your Residence. If we are unable to negotiate an acceptable rate and you choose to receive Health Center Care Services in the Health Center, you agree to be responsible for all charges for care in the Health Center, as set forth in Sections 2 and 3 of this Exhibit B.

**13.3 Negotiated Managed Care Rate.** If we are not a participating provider in your managed care program and you would still like to receive health care services in the Health Center during a Medicare-qualified stay, we will attempt to negotiate an acceptable reimbursement rate with your managed care program. If we are able to negotiate an acceptable rate, we will agree to accept as full payment the rate provided by your managed care program.

**13.4 No Negotiated Managed Care Rate.** If we are not a participating provider in your managed care program and a negotiated rate is not agreed upon between us and your managed care program and you would still desire to receive health care services in the Health Center during a Medicare-qualified stay, then each day of your stay in the Health Center will be equal to the then-current per diem rate. If you choose to retain your Residence, the Monthly Fee for your Residence will continue. In addition, you will pay for any additional services as described in Section 6 of this Exhibit B.

**13.5 Post Medicare-Qualified Stay.** At the conclusion of each such Medicare-qualified stay, you will be entitled to health care services in the Health Center in accordance with the terms of this Agreement other than as set forth in this Section 13, for the charges identified in this Exhibit B, as applicable.



# **EXHIBIT C**

## **DINING PLAN SELECTION FORM**

**EXHIBIT C**  
**ELECTION FOR FLEXIBLE DINING PROGRAM**

As a commitment to promote the flexibility of resident lifestyles at StoneRidge, we are offering two distinct dining allocations under our flexible dining program for residents. For more information on the Dining Program, please refer to the Resident Handbook.

1. **Standard Plan.** Selection of the Standard Plan includes the full meal allocation at the published monthly fee:

**Dining Allocation:** \_\_\_\_\_ Meals  
**Published Monthly Fee:** \$ \_\_\_\_\_

2. **Alternative Plan.** Selection of the Alternative Plan includes a lesser meal allocation for a discount off the published monthly fee:

**Dining Allocation:** \_\_\_\_\_ Meals  
**Published Monthly Fee:** \$ \_\_\_\_\_  
**Discount:** \$ \_\_\_\_\_  
**Discounted Monthly Fee:** \$ \_\_\_\_\_

3. **Resident's Selection of the Dining Plan.** Upon review of the available dining plan options, you have selected:

\_\_\_\_\_ Standard Plan  
\_\_\_\_\_ Alternative Plan

4. **Term and Renewal of Selection.** The rates described above shall be valid until [Date of Enrollment Term]. Upon occupancy, your selection will be valid through the end of the initial term. Prior to each new annual term, we shall offer you the chance to change your selection or continue with the plan previously chosen. If a Dining Plan Election Form is not delivered to us by the annual renewal date, your previous selection will be renewed.

5. **Changes to Dining Plan Options.** We reserve the right to change the available options and scope of services provided to Residents, upon written notice, in accordance with Residency Agreement. This may include the withdrawal or cancellation of alternative dining plans and discounts.

**EXHIBIT D**



**Ancillary Charges**

Effective January 1, 2015

<b><u>Service</u></b>	<b><u>Charge</u></b>
Extra Lunch/Dinner	\$ 14.75
Guest Meal	\$ 14.75
Guest Meal in Health Care Center	\$ 14.75
Meal Delivery to Apartment	\$ 3.25
Meal Credit (per Absence Policy)	\$ 5.00
Guest Suite Apartment	\$144.00 (per night, includes tax)
Guest Room	\$ 98.00 (per night, includes tax)
Cot Rental	\$ 8.00 (per visit)
Postage Meter	Billed at cost
Fax Machine	\$.50 per page
Copy Machine	\$.10 per b&w copy, \$.20 per color copy
Activities	Billed at cost
Special Housekeeping Services	\$ 6.00 (per 15 minute interval)
Special Maintenance Service	\$ 40.00 (per hour, plus parts)
Notary Service	\$ 2.00 (per visit)
Medical Appointment Transportation	\$ 25.00 (per medical trip per hour, per policy) (plus mileage if applicable)
SAIL (StoneRidge Assistance in Living Services)	Please see Gina Pucci, Supervisor of SAIL, at 860.572.5693

## **EXHIBIT E**

### **MANAGED RESIDENTIAL COMMUNITY RESIDENTS' BILL OF RIGHTS**

You have the right to:

- Live in a clean, safe and habitable private residential unit;
- Be treated with consideration, respect and due recognition of your personal dignity, individuality and the need for privacy;
- Privacy within your private residential unit, subject to StoneRidge's rules reasonably designed to promote your health, safety and welfare;
- Retain and use your personal property within your apartment so as to maintain individuality and personal dignity, provided that your use of personal property does not infringe on the rights of other residents or threaten the health, safety and welfare of other residents;
- Private communications, including receiving and sending unopened correspondence, telephone access and visiting with persons of your choice;
- Freedom to participate in and benefit from community services and activities so as to achieve the highest possible level of independence, autonomy and interaction within the community;
- Directly engage or contract with licensed health care professionals and providers of your choice to obtain necessary health care services in your private apartment, or such other space in StoneRidge as may be available to residents for such purposes;
- Manage your own financial affairs;
- Exercise civil and religious liberties;
- Present grievances and recommend changes in policies, procedures and services to our Executive Director or staff, government officials or any other person without restraint, interference, coercion, discrimination or reprisal from StoneRidge, including access to representatives of the Department of Public Health or the Office of the Long-Term Care Ombudsman;

- Upon request, obtain the name of the Resident Health Services Director or any other persons responsible for resident care or the coordination of resident care;
- Confidential treatment of all records and communications to the extent required by state and federal law;
- Have all reasonable requests responded to promptly and adequately within the capacity of StoneRidge and with due consideration given to the rights of other residents;
- Be fully advised of the relationship that StoneRidge has with any Assisted Living Services Agency, health care facility or educational institution to the extent that such relationship relates to resident medical care or treatment and to receive an explanation about the relationship;
- Receive a copy of any rules or regulations of StoneRidge;
- Refuse care and treatment and participate in the planning for the care and services you need or receive, provided, however, that your refusal of care and treatment may preclude you from being able to continue to reside in StoneRidge; and
- If you are a continuing care resident, all rights afforded under Conn. Gen. Stat. § 17b-520 *et seq.* and any other applicable laws. If you rent your apartment, all rights and privileges afforded to tenants under title 47a of the Connecticut General Statutes (Connecticut's landlord tenant laws).

We hope that any complaints or concerns that you have can be resolved by our staff. However, you also have the right to contact the following state agencies regarding complaints or concerns:

Department of Public Health  
 Faculty Licensing and Investigations  
 410 Capitol Ave., P.O. Box 340308  
 MS#12HSR  
 Hartford, CT 06134-0308

Information/General: Victoria Carlson, R.N.  
 Supervising Nurse Consultant (860) 509-7400

Complaints: Janet Williams, R.N.  
 Public Health Services Manager (860) 509-7400

Nancy Shaffer, State Long Term Care Ombudsman  
Office of the Long Term Care Ombudsman  
25 Sigourney Street  
Hartford, CT 06106  
(866) 388-1888 or (860) 424-5200

Dan Lerman, Regional Ombudsman  
Long-Term Care Ombudsman Program  
249 Thomaston Avenue  
Waterbury, CT 06702  
(203) 597-4181  
1-866-388-1888

If you are receiving nursing or personal care from an Assisted Living Services Agency, you also have other rights set forth separately in the Assisted Living Clients' Bill of Rights.

Please sign below to acknowledge that we have provided you with a copy of the Managed Residential Community Residents' Bill of Rights and explained them to you.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Resident

\_\_\_\_\_  
Resident's Representative

\_\_\_\_\_  
Relationship to Resident

## **EXHIBIT F**

### **COMPLAINT RESOLUTION PROCESS**

#### **Policy:**

Residents are free to communicate grievances to the staff of StoneRidge without restraint, interference, coercion, discrimination, or reprisal. All grievances will be properly documented and responded to. In the event a Resident is dissatisfied with treatment or services received at StoneRidge, the Resident has the opportunity to present his/her complaints through our defined grievance procedures.

#### **Procedures:**

Following are the procedures for a Resident or his/her representative to follow in order to file a grievance with StoneRidge. We reserve the right to change these procedures in order to better accommodate our residents:

1. The grievance may be filed in writing with the Department Director of the area where the grievance occurs. Assistance, if necessary, will be available through Resident Services and/or the Administration office.
2. Information contained in the grievance will include the following:
  - Description of the grievance;
  - A list of all parties involved; and
  - Dates of specific incidents related to the grievance.
3. The Department Director will acknowledge in writing receipt of the grievance within five (5) business days and provide the Resident or his/her representative with a time frame for an appropriate response.
4. If the grievance remains unresolved for thirty (30) days after initial submission, the Department Director will address the grievance with the Executive Director.
5. The Executive Director will address, in writing, the grievance within ten (10) business days.

6. If the grievance remains unresolved for sixty (60) days after the initial submission, the Executive Director will address the grievance with the StoneRidge Board of Directors and with the Management Company's Vice President.
7. The Community's Board of Directors and the Management Company's Vice President will address the grievance within ten (10) business days.
8. If the grievance remains unresolved, the Resident will be informed of his/her right to contact appropriate State agencies, the State Long-Term Care Ombudsman or the Regional Long-Term Care Ombudsman.
9. All attempts at resolution will be documented in writing to the Resident with copies on file in the administrative office.



**EXHIBIT G**

**Acknowledgment of Receipt of Resident Handbook**

I, the undersigned, acknowledge receipt of the StoneRidge Resident Handbook dated \_\_\_\_\_, 20\_\_\_\_, which contains certain rules, policies, and guidelines in order to promote the health, safety and welfare of the residents of the Community.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Resident

\_\_\_\_\_  
Resident's Representative

\_\_\_\_\_  
Relationship to Resident

\_\_\_\_\_  
Date

\_\_\_\_\_  
Resident

\_\_\_\_\_  
Resident's Representative

\_\_\_\_\_  
Relationship to Resident

**EXHIBIT E**

**LCS-Westminster Partnership I LLP  
d/b/a StoneRidge  
Des Moines, Iowa**

**FINANCIAL REPORT**

**December 31, 2013**

## CONTENTS

	<u>Page</u>
<b>INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS</b>	3
<b>FINANCIAL STATEMENTS</b>	
Balance sheets	4
Statements of operations	5
Statements of partners' (deficit)	6
Statements of cash flows	7
Notes to financial statements	8-14



## INDEPENDENT AUDITOR'S REPORT

To the Partners  
LCS-Westminster Partnership I LLP  
Des Moines, Iowa

We have audited the accompanying financial statements of LCS-Westminster Partnership I LLP, which comprise the balance sheets as of December 31, 2013 and 2012, and the related statements of operations, partners' (deficit) and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LCS-Westminster Partnership I LLP as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Denman &amp; Company, LLP".

DENMAN & COMPANY, LLP

West Des Moines, Iowa  
January 20, 2014

**LCS-Westminster Partnership I LLP  
d/b/a StoneRidge  
BALANCE SHEETS**

	<b>December 31</b>	
<b>ASSETS</b>	<b>2013</b>	<b>2012</b>
Current assets		
Cash and cash equivalents	\$ 3,621,483	\$ 4,290,310
Accounts receivable, net of allowance for doubtful accounts (2013, \$31,220; 2012, \$31,220)	545,895	609,123
Prepaid expenses and other	492,032	810,465
Assets whose use is limited or restricted	189,414	164,128
Total current assets	4,848,824	5,874,026
Assets whose use is limited or restricted	5,908,641	5,902,945
Operating property, at cost, net of accumulated depreciation	65,049,382	68,000,714
Development fee, net of accumulated amortization	-	91,173
Financing costs, net of accumulated amortization	209,292	302,312
Cost of acquiring initial contracts, net of accumulated amortization	2,803,782	3,501,770
Refundable deposits	-	14,000
Total assets	\$ 78,819,921	\$ 83,686,940
<b>LIABILITIES AND PARTNERS' (DEFICIT)</b>		
Current liabilities		
Term loans payable, current portion	\$ 1,408,610	\$ 1,353,468
Accounts payable, trade	935,009	855,044
Accounts payable, affiliates	33,106	111,557
Accrued expenses	348,412	429,577
Accrued interest	94,047	96,033
Refundable deposits from prospective residents, escrowed	189,414	164,128
Loans from residents, current portion	3,811,395	2,402,250
Total current liabilities	6,819,993	5,412,057
Resident security deposits	11,500	12,000
Deferred revenue	4,409,897	3,136,244
Term loans payable, less current portion	33,098,857	34,507,467
Loans from residents, less current portion	61,825,880	62,275,730
Total liabilities	106,166,127	105,343,498
Commitments and contingencies	-	-
Partners' (deficit)	(27,346,206)	(21,656,558)
Total liabilities and partners' (deficit)	\$ 78,819,921	\$ 83,686,940

See Notes to Financial Statements.

**LCS-Westminster Partnership I LLP**  
**d/b/a StoneRidge**  
**STATEMENTS OF OPERATIONS**

	<b>Year ended December 31</b>	
	<b>2013</b>	<b>2012</b>
<b>REVENUES</b>		
Amortization of nonrefundable entrance payments	\$ 1,082,478	\$ 2,231,603
Nonrefundable entrance payments	-	230,835
Working capital fee	138,286	92,181
Apartment revenues	9,938,728	9,712,536
Health center revenues	7,010,325	6,819,916
Other revenues	11,869	8,896
Total revenues	<u>18,181,686</u>	<u>19,095,967</u>
<b>OPERATING EXPENSES</b>		
General and administrative	3,965,982	3,766,261
Plant	2,396,414	2,298,296
Housekeeping	913,987	933,152
Dietary	2,943,296	2,836,543
Medical and resident care	4,696,926	4,840,165
Depreciation and amortization	4,300,553	4,858,023
Total operating expenses	<u>19,217,158</u>	<u>19,532,440</u>
(Loss) from operations	(1,035,472)	(436,473)
<b>OTHER INCOME (EXPENSES)</b>		
Interest income	21,470	4,670
Interest expense	(1,142,800)	(1,201,533)
Loss on disposal of assets	(37,488)	(33,184)
Total other income (expenses)	<u>(1,158,818)</u>	<u>(1,230,047)</u>
Net (loss)	<u>\$ (2,194,290)</u>	<u>\$ (1,666,520)</u>

See Notes to Financial Statements.

**LCS-Westminster Partnership I LLP  
d/b/a StoneRidge  
STATEMENTS OF PARTNERS' (DEFICIT)**

	<b>Year ended December 31</b>	
	<b>2013</b>	<b>2012</b>
<b>BALANCE (DEFICIT), beginning</b>	\$ (21,656,558)	\$ (16,655,488)
Contributions from partners	666,960	-
Distributions to partners	(4,162,318)	(3,334,550)
Net (loss)	(2,194,290)	(1,666,520)
<b>BALANCE (DEFICIT), ending</b>	<b>\$ (27,346,206)</b>	<b>\$ (21,656,558)</b>

See Notes to Financial Statements.

**LCS-Westminster Partnership I LLP**  
**d/b/a StoneRidge**  
**STATEMENTS OF CASH FLOWS**

	<b>Year ended December 31</b>	
	<b>2013</b>	<b>2012</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net (loss)	\$ (2,194,290)	\$ (1,666,520)
Adjustments to reconcile net (loss) to net cash provided by operating activities		
Depreciation	3,398,779	3,593,593
Amortization	901,774	1,264,430
Amortization of nonrefundable entrance payments	(1,082,478)	(2,231,603)
Loss on disposal of assets	37,488	33,184
Change in operating assets and liabilities		
Accounts receivable	63,228	23,814
Prepaid expenses and other	318,433	(411,407)
Accounts payable	(472)	338,708
Accrued expenses	(81,165)	36,487
Refundable deposits from prospective residents, net	25,286	(114,265)
Resident security deposits	(500)	-
Deferred revenue, net	2,356,131	2,114,435
Net cash provided by operating activities	<u>3,742,214</u>	<u>2,980,856</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(Increase) decrease in funds escrowed under residency agreement	(25,286)	114,265
(Increase) in assets whose use is limited or restricted	(5,696)	(2,490)
Additions to operating property	(504,528)	(527,156)
Decrease in refundable deposits	14,000	-
Net cash (used in) investing activities	<u>(521,510)</u>	<u>(415,381)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions from partners	666,960	-
Distributions to partners	(4,162,318)	(3,334,550)
Proceeds from resident loans	6,630,261	6,756,075
Repayment of resident loans	(5,670,966)	(4,576,570)
Repayment of term loan payable	(1,353,468)	(1,300,484)
Net cash (used in) financing activities	<u>(3,889,531)</u>	<u>(2,455,529)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(668,827)	109,946
<b>CASH AND CASH EQUIVALENTS, beginning</b>	<u>4,290,310</u>	<u>4,180,364</u>
<b>CASH AND CASH EQUIVALENTS, ending</b>	<u>\$ 3,621,483</u>	<u>\$ 4,290,310</u>

See Notes to Financial Statements.



**LCS-Westminster Partnership I LLP  
d/b/a StoneRidge  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

LCS-Westminster Partnership I LLP, an Iowa limited liability partnership (the Partnership), was formed on December 27, 2000. LCS Stoneridge LLC (LCSSR), an Iowa limited liability company (the Managing Partner) owns a 15 percent interest and Westminster-LCS LLC, an Illinois limited liability company (WLCS) owns an 85 percent interest in the Partnership. LCSSR and WLCS, collectively the Capital Balance Partners, formed the Partnership to acquire, develop, manage, own and operate a continuing care retirement community in Mystic, Connecticut (Project).

**Use of Estimates**

Due to normal business uncertainties, management must estimate some information included in financial statements presented in conformity with generally accepted accounting principles. Actual results could, and probably will, differ from those estimates.

**Cash and Cash Equivalents**

The Partnership considers investments with maturities of three months or less when purchased to be cash equivalents.

**Accounts Receivable**

Accounts receivable are stated net of allowance for doubtful accounts. Management determines the allowance for doubtful accounts by reviewing each account for its potential for collection. Accounts are routinely reviewed and written off when deemed uncollectible.

**Assets Whose Use is Limited or Restricted**

Entrance Payments, prior to occupancy, are held in escrow and invested in shares of a money market fund investing in short-term United States Treasury obligations and in commercial paper that at the time of investment is rated at least A-1 by Standard & Poor's Corporation or Prime-I by Moody's Investor's Service, Inc. These funds remain the property of the prospective occupants unless and until available to be released to the Partnership as provided for in the escrow agreement. The amount of the escrowed Entrance Payments at December 31, 2013 and 2012 were \$189,414 and \$164,128 and were classified as current assets, respectively.

The Reserve Fund Escrow, as required by the State of Connecticut, is to be equal to at least one month's cash operating costs of the Project, plus one year's debt service. The amount of the Reserve Fund Escrow at December 31, 2013 and 2012 was \$3,907,918 and \$3,902,222, respectively.

The Contingency Fund Reserve, under the provisions of the Certificate of Need law, is required to provide for payment of the resident's monthly fee or per diem charge, should the resident not have adequate financial resources and become a hardship to the Project. The amount of the Contingency Fund Reserve at December 31, 2013 and 2012 was \$1,000,000.

The Health Center Reserve, established by the Partnership in 2007 in the amount of \$500,000, is to secure a portion of the loans of the residents who are permanently assigned to the health center.

The Capital Asset Replacement Reserve, established by the Partnership in 2011, pursuant to the Loan Agreement (see Note 5), will be used for improving or replacing significant capital items. The amount of the Capital Asset Replacement Reserve at December 31, 2013 and 2012 was \$500,723.

**LCS-Westminster Partnership I LLP  
d/b/a StoneRidge  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Operating Property**

Costs incurred for the acquisition of land and the design, development, construction, marketing and interest of the Project have been capitalized and are being depreciated or amortized over the life of the respective assets or the period of anticipated benefits.

The Project began operations in November 2004 when the initial occupancy of the Project occurred. Phase I of the Project consists of 166 residential units and a 40 bed health center. Phase II of the Project began operations in 2007 and consists of 51 residential units, a pool, and common area expansion. Phase III of the Project began operations in 2008 and consists of 53 residential units and common area expansion, as well as a 12 bed assisted living facility. Construction of Phase III was finalized and costs were capitalized in 2009.

**Development Fee**

Development fees incurred in connection with the development of the Project are amortized pro rata as the Entrance Payment revenue is recognized from the initial contracts.

**Deferred Financing Costs**

Financing costs represent expenses incurred in obtaining long-term financing. These costs are being amortized over the term of the related debt by the straight-line method.

**Cost of Acquiring Initial Contracts**

Costs incurred to originate a resident contract that result from and are essential to acquire initial contracts for each unit are capitalized until the Project Phase achieves 90 percent occupancy or one year from initial occupancy, whichever occurs first. Otherwise, these costs are expensed as incurred. Capitalized costs are being amortized on a straight-line basis over the average expected remaining lives of the residents under contract.

**Refundable Deposits**

A deposit with the Town of Stonington ensures payment for erosion and sedimentation control measures, landscaping, public improvement, lighting, performance and site completion and drainage and detention facilities required by the building permit or any other ordinance or law binding upon StoneRidge or the site. The Phase I deposit of \$14,000 was returned in 2013.

**Income Taxes**

The Partnership is not subject to income taxes. Each Partner is taxed on its share of the Partnership's taxable income, whether or not distributed, and reports on its tax return, its share of any net income or loss of the Partnership. As a consequence, no provision is made in these financial statements for income taxes, or penalties and interest thereon.

As required by the Income Taxes Topic of the *FASB Accounting Standards Codification*, management has evaluated their material tax positions and determined no income tax effects with respect to the financial statements. The Partnership is no longer subject to U.S. federal or state income tax examinations by tax authorities for the years before 2010. The Partnership has not been notified of any impending examinations by tax authorities, and no examinations are in process.

**LCS-Westminster Partnership I LLP  
d/b/a StoneRidge  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Fair Value of Financial Instruments**

Financial instruments include cash and cash equivalents, accounts receivable, assets whose use is limited or restricted, refundable deposits, accounts payable, trade, accounts payable, affiliates, refundable deposits from prospective residents, term loans payable, and loans from residents. See further discussion regarding the fair value of these financial instruments in Note 9 of the financial statements.

**Revenues and Expenses**

The resident pays an Entrance Payment, net of funds previously escrowed, consisting of a non-refundable First Person Fee (and Second Person Fee, if applicable) and a Loan. For Residency Agreements marketed through December 2011, the First Person Fee (and Second Person Fee, if applicable) is recognized as income at the time of closing. The portion of the Loan subject to amortization is recorded as deferred revenue and amortized to revenue per the terms of the Residency Agreements. In January 2012, the Partnership began to market a new Residency Agreement which redefined the First Person Fee as the portion of the Entrance Payment that is ultimately nonrefundable. For these Residency Agreements, the First Person Fee is recorded as deferred revenue and is amortized into income over the estimated life expectancy of the residents, adjusted annually based on the actuarially determined life expectancy of the individuals occupying the unit.

The resident pays a working capital fee equal to the then-current monthly fee (described below). When the right to access a residential unit is established, this one-time non-refundable fee is recognized as income. Its use is restricted for purposes specified in the Residency Agreements.

Residents pay a monthly fee, determined annually. The Residency Agreements provide that residents pay the funds required to operate the Project, which includes all operating expenses, debt service for nonresident debt, repairs and replacements, capital improvements, and working capital. The monthly fee may only be used for purposes specified in the Residency Agreements.

**Health Center Revenues**

The Partnership has agreements with third-party payors that provide for payments to the Partnership at amounts different from the Partnership's established rates. Payment arrangements include prospectively determined per diem payments. Health center revenues are reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered. See Note 7 for additional information on health center revenues.

**NOTE 2 RELATED PARTY TRANSACTIONS**

The Partnership has a development agreement with LCS Development LLC (affiliated through common ownership with LCSSR) to coordinate the planning and development, financing, initial occupancy development, and design and construction of the Project. At December 31, 2013, amounts earned under the agreement totaled \$6,644,596 and are included in the assets of the Project. The amount of development fees that have been paid and capitalized under the agreement relating to Phase I, Phase II and Phase III at December 31, 2013 were \$3,158,755, \$1,695,433 and \$1,790,408, respectively.

**LCS-Westminster Partnership I LLP  
d/b/a StoneRidge  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 RELATED PARTY TRANSACTIONS (continued)**

The Partnership has a client services agreement with Life Care Services LLC (affiliated through common ownership with LCSSR) to provide management services relating to the operations of the Project. Amounts expensed under the agreement amounted to \$907,009 and \$869,747 for the years 2013 and 2012, respectively.

In the normal course of operations, the Partnership purchases from affiliates of LCSSR services for group purchasing, insurance, computing technology and related ancillary matters.

Home Health Care Services LLC (HHCS), an entity affiliated through common ownership, has been retained to provide various consulting and staff support services on an as-needed basis. Fees earned by HHCS for these services were \$1,023 and \$3,777 in 2013 and 2012, respectively.

**NOTE 3 RESIDENCY AGREEMENTS**

The Partnership has entered into Residency Agreements (Agreements) with occupants and prospective occupants of the Project. The Agreements provide for the lifetime use, under certain conditions, of a living unit upon receipt of an Entrance Payment consisting of a First Person Fee (and Second Person Fee, if applicable) and a Loan. The Entrance Payment is deposited in an escrow account and will be released to the Partnership only after the occurrence of certain events as described in the Agreements. Prior to occupancy, Entrance Payments are refundable, subject to limitations in the Agreements. The amount of Entrance Payments that were escrowed relating to Phase I, Phase II, and Phase III and refundable at December 31, 2013 were \$118,829, \$70,585 and \$0, respectively.

At the time of occupancy, the portion of the Entrance Payment that is ultimately non-refundable is recorded as deferred revenue and is amortized to the revenue as described in Note 1.

The Agreements also provide that at occupancy or within a period of time as defined in the Agreements, the resident will make a Loan to the Partnership. The Loans bear no interest and shall be repaid per the terms of the Agreements. The Loans of all residents will be secured by a mortgage on the real estate owned by the Partnership and will be subject to certain permitted encumbrances.

The Agreements also provide for the occupants to pay a monthly fee.

**LCS-Westminster Partnership I LLP  
d/b/a StoneRidge  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 OPERATING PROPERTY**

Operating property consists of the following:

	Estimated useful lives	December 31	
		2013	2012
Land	-0-	\$ 1,618,512	\$ 1,618,512
Land improvement	15 years	5,703,983	5,695,190
Buildings and fixed equipment	7 - 39 years	76,760,298	76,690,310
Equipment and furnishings	7 - 10 years	4,909,100	4,633,795
		<u>88,991,893</u>	<u>88,637,807</u>
Less accumulated depreciation		<u>(23,942,511)</u>	<u>(20,637,093)</u>
		<u>\$ 65,049,382</u>	<u>\$ 68,000,714</u>

**NOTE 5 TERM LOANS PAYABLE**

**Loan Agreement**

On March 31, 2011, the Partnership entered into a Loan Agreement for a term loan of \$38,000,000. The Loan Agreement is secured by substantially all assets of the Partnership. The Loan Agreement matures on March 31, 2016. Principal payments were made on the Loan Agreement of \$1,353,468 and \$1,300,484 in 2013 and 2012, respectively.

Under the Loan Agreement, borrowings will bear interest at the British Bankers Association (BBA) LIBOR rate plus 3.00% per annum. The base rate borrowings will accrue interest at the higher of the latest Federal Funds Rate plus 1.50% per annum, or the Prime Rate for such day plus 1.50% per annum. The interest rate on the Loan Agreement at December 31, 2013 was 3.17%.

**NOTE 6 LOAN COVENANTS AND MATURITIES**

On March 31, 2011, the Partnership entered into a Loan Agreement. The Partnership must meet required levels of occupancy targets, a minimum debt service coverage ratio and a minimum 200 day's cash on hand requirement. Other financial covenants must also be met. The Partnership did not meet its debt service coverage ratio at June 30, 2013. However, per the Loan Agreement, capital contributions were made to resolve the deficiency. At December 31, 2013, the Partnership was in compliance with all covenants.

Approximate aggregate maturities of long-term debt are as follows:

December 31	
2014	1,408,610
2015	1,465,999
2016	<u>31,632,858</u>
Total	<u>\$ 34,507,467</u>

**LCS-Westminster Partnership I LLP  
d/b/a StoneRidge  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 HEALTH CENTER REVENUES**

The Partnership has agreements with third-party payors that provide for payments to the Partnership at amounts different from its established rates. A summary of the payment arrangements with the major third-party payor follows:

- Medicare. Skilled nursing services rendered to Medicare program beneficiaries are paid at prospectively determined per diem rates. The prospective rate is based upon a classification system called Resource Utilization Groups (RUGS), with reimbursement based upon resident acuity.

Health center revenues from the Medicare program accounted for approximately 33 percent and 38 percent of the total health center revenues in 2013 and 2012, respectively. Revenues from the Medicare program accounted for approximately 13 percent and 14 percent of total revenues in 2013 and 2012, respectively.

**NOTE 8 EMPLOYEE RETIREMENT BENEFIT PLAN**

Available to all eligible employees of the Partnership is a defined contribution employee retirement benefit plan (the Plan). The Partnership accrued matching contributions of \$35,400 and \$37,717 in 2013 and 2012, respectively, to be remitted to the Plan in 2014 and 2013, respectively, which were equal to 50% of the participant's eligible contributions up to 3% of the participant's compensation for the plan year.

**NOTE 9 FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Partnership measures the fair value of financial instruments as required by the Fair Value Measurements and Disclosures Topic of the FASB *Accounting Standards Codification*, using a fair value hierarchy consisting of three input levels, generally ranging from the most objective to the most subjective. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Partnership has the ability to access at the measurement date. Level 2 inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

Included in cash and cash equivalents and assets whose use is limited or restricted is approximately \$35,000 and \$500,000, respectively, as of December 31, 2013 and 2012, subject to fair value measurements. These have quoted prices in active markets, and therefore are measured using Level 1 inputs.

**NOTE 10 STATEMENTS OF CASH FLOWS INFORMATION**

The Partnership made cash payments for interest of \$1,138,383 and \$1,213,174 during the years ended December 31, 2013 and 2012, respectively.

**NOTE 11 COMMITMENTS AND CONTINGENCIES**

The Partnership in the normal course of operations is exposed to risk and involvement in legal actions and proceedings. To the extent available at costs believed reasonable by the Partnership, it maintains insurance coverages for various types of risk. Based on the Partnership's past experience, management believes that any legal actions or proceedings will not have a material effect on the financial position of the Partnership.

Because of the various regulations surrounding government reimbursed medical costs, there can be no assurance that the reimbursements will be equal to or exceed costs to provide such services.

**LCS-Westminster Partnership I LLP  
d/b/a StoneRidge  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 12 SUBSEQUENT EVENTS**

The Partnership has evaluated subsequent events through January 20, 2014, the date which the financial statements were available to be issued. There were no subsequent events requiring accrual or disclosure.