



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

MAY 2019

Equal Housing Opportunity

TABLE OF CONTENTS

INTRODUCTION		1
I. THE PEOPLE		2
StoneRidge Senior Care, LLC		3
Residents Association and Residents Council		4
Life Care Services LLC		4
Executive Director		6
Administrator		6
Director of Operations Management		6
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 <i>ContinuingCare</i>[™] Concept		14
Long-Term Care Insurance		14
The Return-of-Capital[™] Plan		15
Summary of Residency Agreements		16
Summary of Traditional Residency Agreement		18
Payment of First Person Fee and Second Person Fee		18
Payment of Loan		19
Transfer to Another StoneRidge Residence		19
Managed Care		20
Monthly Service Fee		21
Fee Schedules		21
Working Capital Account		22
Estate Planning		22
IV. FINANCIAL		23
Financial Projections		24
Cash Flow Projection (Pro Forma)		24
Residential Turnover Rates		29
Average Age of Residents		29
Number of Health Care Admissions		29
Health Care Utilization Rates		29
Days of Care		30
Number of Permanent Transfers		30
Occupancy Rates		30

	Audited Financial Statement	30
	Project Financing.....	31
	Provider’s Compensation.....	31
V.	REGULATORY MATTERS.....	32
	Continuing Care Retirement Community Registration.....	33
	Assisted Living Services Agency License and Managed Residential Community Registration.....	33
	Health Center Licensure	33
	Entrance Payment Escrow.....	33
	Reserve Fund Escrow	34
	Investment Direction	34
	Health Center Reserve.....	35
	Medical Expense Deductions	35
	Tax Discussion.....	35
	Judicial Proceedings	36
VI.	EXHIBITS	37
A.	Senior Living Communities Managed by Life Care Services LLC	
B.	Description of the Services and Commonly Discussed Topics	
C.	Residency Agreements	
D.	Audited Financial Statement	
E.	Statement from Escrow Agent	
F.	Historic Entrance Payments	
G.	Current Fee Schedules	

INDEX

**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*[™]." 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 assisted living services, 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. StoneRidge Senior Care, LLC ("we," "our," or "the Provider") is a Delaware limited liability company, 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

STONERIDGE SENIOR CARE, LLC

The Provider is a Delaware limited liability company organized for the purpose of operating a *ContinuingCare* senior living community that conducts business as StoneRidge. Its address is 1000 Legion Place, Suite 1600, Orlando, FL 32801. The member of the Provider ("Member") is Mystic CT Senior Holdings, LLC, a Delaware limited liability company, which is a wholly owned subsidiary of ROC-LCS JV1, LLC. Members of ROC-LCS JV1, LLC consist of LCS Milwaukee I LLC, an Iowa limited liability company and ROC Seniors Housing Holdings II, LLC, a Delaware limited liability company. LCS Milwaukee I 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 Managers of ROC Seniors Housing Holdings II, LLC, the managing member of ROC-LCS JV1, LLC are:

Dean Allara, 1000 Legion Place, Suite 1600, Orlando, FL 32801
Blake H. Peeper, 1000 Legion Place, Suite 1600, Orlando, FL 32801
Phillip M. Anderson, 1000 Legion Place, Suite 1600, Orlando, FL 32801
Robert W. Chapin, Jr., 1000 Legion Place, Suite 1600, Orlando, FL 32801
Jonathan P. Slager, 1000 Legion Place, Suite 1600, Orlando, FL 32801

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 Member. 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.

None of the persons described herein have been convicted of a felony or pled nolo contedere to a felony charge, held liable or enjoined in a civil action by final judgment, or are subject to a currently effective injunction or restrictive or remedial order of a court of record, within the past five years, nor has any individual had any state or federal license or permit suspended or revoked as a result of an action brought by a governmental agency or department, rising out of or relating to business activity or health care, including, but not limited to, actions affecting the operation of a foster care facility, nursing home, retirement home, residential care home, or any facility subject to sections 17b-520 to 17b-535, inclusive, or a similar statute in another state or country.

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 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 marketing, and management of quality senior living communities throughout the United States. Since 1971, LCS has been instrumental in the planning, developing, marketing, and managing of senior living communities throughout the United States. Management services are provided through Life Care Services, and it currently manages more than approximately 135 communities serving over 33,000 residents in 31 states (see Exhibit A attached to this Disclosure Statement).

Principal officers of LCS include Mr. Joel Nelson, Mrs. Diane Bridgewater, Mr. Jason, Victor, Mr. Rick Exline and Ms. Jill Sorenson.

Joel Nelson is president and chief executive officer of LCS, the 3rd largest senior living operator, which includes not-for-profit and for-profit assets across the continuum of senior living. He is an experienced leader in governance within the industry, including all phases of real estate acquisition, development, operations, marketing and sales. Joel is responsible for executing the business strategy across the six business lines in the LCS Family of Companies. He thrives on driving business growth, achieving service excellence, and enhancing the company's stability and value among financial partners, property owners, and other stakeholders in the senior living field.

Currently, Joel serves on the board of managers for Life Care Companies, LCS Holdings, is past-chair and a current member of the Investment Committee. Outside of LCS, Joel is a member of the National Investment Center (NIC) operator advisory board, the Central Iowa Alzheimer's Association board. He is also past chair and current board member of ChildServe, Inc., one of Des Moines largest not-for-profit organizations serving children and families with complex health care needs. Joel earned a Bachelor of Science degree in health service administration from Simpson College.

Mrs. Diane Bridgewater is Executive Vice President/Chief Financial and Administrative Officer of LCS. Diane joined the organization in 2006 after filling several executive level positions with Pioneer Hi-Bred International, a DuPont Company. In her years with Pioneer, she held a number of operational and financial roles including: Chief Financial Officer, Vice President and Business Director for North America, Director of Customer and Sales Services for Seed and Crop Protection, Worldwide Finance Director, and other roles. Diane started her career with KPMG. Diane earned her undergraduate degrees in Accounting and French from the University of Northern Iowa and received her CPA certification in 1986. Diane currently serves on the boards of LCS Holdings, Inc., Life Care Companies LLC, Casey's General Stores, and Bankers Trust.

Mr. Rick Exline joined the company in 1978 and is responsible for oversight of the company's life plan communities, including third party and investment senior living management services. Rick oversees the communities' senior living management teams, health care group, national sales, new business development and life plan community development teams. Rick serves on the Board of Managers for Life Care Services, the Board of Directors for LCS Holdings, Inc., Executive Leadership and Senior Living Management teams. Rick is also a trustee for the Company's 401K Benefit Program as well as serving on the board of trustees for Simpson College. He holds dual bachelor's degrees; one in Business Administration from Simpson College and one in Health Care Administration from Oklahoma Baptist University. He is also a graduate of the Executive Institute at The University of North Carolina at Chapel Hill.

Mr. Jason Victor is Vice President/Controller, Treasurer and a Manager of Life Care Services. Jason joined the organization in 2007 and currently has responsibility for the organization's Corporate Accounting, Treasury and Tax functions. He oversees all aspects of general accounting, cash management, payroll, consolidations, and financial reporting. In addition, Jason provides oversight and guidance related to audits, internal controls, technical accounting, tax, and financial management systems. Jason started his career with Ernst & Young and later spent 9 years in various finance positions with Praxair, a Fortune 500 organization. He earned his undergraduate degree in Accounting from the University of Northern Iowa and currently holds an active CPA license in the state of Iowa. Jason also serves on the board of directors of Hexagon Insurance Company, Ltd.

Ms. Jill Sorenson is Senior Vice President/Senior Director of Operations Management and a Manager of Life Care Services. She has been employed by Life Care Services since 1982. After spending 15 years at the Life Care Services corporate office, working in the areas of accounting, IT liaison, and corporate resource manager, Jill transferred to San Diego to work at a continuing care retirement community, and became the Executive Director of that community in 2000. She was promoted to Director of Operations Management in 2007, to Vice President in 2010, and Senior Vice President/Senior Director of Operations Management in 2012. Jill provides oversight for senior living communities in Oregon, California, Hawaii, Arizona, Utah, Ohio, and Indiana. She has her MBA and bachelor's degree in Business Administration from Simpson College. Jill also served as a CARF/CCAC site evaluator from 2000-2007. She has presented at various industry conferences on a state and national level on a variety of topics affecting the senior living industry.

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

Kathleen Dess is the Executive Director of The Community. Ms. Dess is a graduate of Central Connecticut State University with a bachelor of arts degree in psychology and biology. She has been a licensed nursing home administrator in the State of Connecticut since 1983, and an active member in several civic groups in Madison, Connecticut, and a member of the Guilford Arts Center. Ms. Dess currently serves as the treasurer for the Connecticut Assisted Living Association and the Chairman of the Madison Youth and Family Services Commission in Madison. In accordance with the management agreement with Life Care Services, Ms. Dess is an employee of Life Care Services. Prior to serving as Executive Director at the Community, Ms. Dess was the Administrator of Essex Meadows from 2009 to 2017.

ADMINISTRATOR

Allen Boutin, is the Administrator at Avalon Health Care Center at Stoneridge. He is responsible for overseeing operations of both TopSail and The Cottage at Avalon. He obtained his associate's in science degree at Briarwood College in Southington, CT, a bachelor's in science in psychology from Charter Oak College in New Britain, CT, and a master's in public administrator from the University of Connecticut. He has been a licensed and certified occupational therapist assistant and long-term care administrator. Allen has a long career in the post-acute industry. He has also served as Assistant Dean of Students at the American School for the Deaf. He joined LCS in 2018.

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) assisted living; (3) memory care; and (4) 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 Agreements (see Exhibit C) set 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 6 assisted living apartments, 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 Agreements are attached to this Disclosure Statement as Exhibit C.

THE RETURN-OF-CAPITAL™ PLAN

The *Continuing Care* 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 further reduced by 1 percent (1%) of the Entrance Payment per month of occupancy. The Loan, an amount equal to 65% 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 65% 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 65% 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 further 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 Agreements are attached to this Disclosure Statement as Exhibit C.

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 one of the forms attached in Exhibit C. The current Entrance Payments, Monthly Fees, and Ancillary charges for Phases I, II, and III Residences are attached as Exhibit E.

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 Agreements (see Exhibit C) 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 Member.

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. **Charges for Assisted Living, 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 assisted living or 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 assisted living or 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.

7. **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 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. Information regarding the disposition of a resident's personal property in the event of cancellation following occupancy is described in 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.

8. **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 two

apartments, a Resident desiring to transfer may be required to pay an additional 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. The amortization of the new Residence's Entrance Payment shall be calculated based upon the date of initial occupancy at Stoneridge. 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 current Monthly Fees for Residences are attached as Exhibit E. 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.

FEE SCHEDULES

Limited historical Entrance Payments and Monthly Fees are available as the Provider began operating Stoneridge in 2016. Current Entrance Payments, Monthly Fees and Extra Charges are included as Exhibit E to this Disclosure Statement.

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.

ESTATE PLANNING

The 65% 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 35% 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, 2019 through December 31, 2021 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, 2019

	Year 1	Year 2	Year 3
	2019	2020	2021
Beginning Cash (1)	8,631,556	10,351,198	11,171,487
Additions:			
Apartment Service Fees (2)	12,519,167	13,173,651	13,891,930
Health Center Revenue, Net of Life Care Discount (3)	8,084,427	8,337,249	8,529,705
Miscellaneous Income (4)	7,909	7,909	7,909
Working Capital Reserve Fees (5)	281,834	298,412	284,160
Entrance Fee Receipts, Net of Refunds (6)	4,116,497	4,206,915	3,852,756
Interest Income (7)	18,000	18,000	18,360
Disbursements:			
Operating Expenses (8)	(17,810,163)	(18,363,742)	(18,903,440)
Return to Partners (9)	(850,000)	(2,250,000)	(1,714,313)
Capital Expenses (10)	(1,324,700)	(958,500)	(1,369,800)
Debt Service (11)	(3,252,730)	(3,576,605)	(3,824,267)
Professional Fees (12)	(70,600)	(73,000)	(73,000)
Net Change	1,719,642	820,289	700,000
Ending Cash	10,351,198	11,171,487	11,871,487

- (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, 2019.

Cash

\$4,661,660

Assets whose use is limited:

Reserve Fund Escrow	\$2,187,933
Health Center Reserve	\$500,000
Capital Replacement Reserve	<u>\$1,281,963</u>
Total	\$8,631,556

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 six months' debt service.

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

The Capital Replacement Reserve fund will be used for funding certain capital expenditures and improvements.

- (2) Apartment Revenue represents the total of first-person monthly Service Fees for all apartments based on an assumed average occupancy of:

<u>2019</u>	<u>2020</u>	<u>2021</u>
228	236	241

Also included in Apartment Service Fees are double occupancy fees that represents revenues from monthly Service Fees required under the Residency Agreement for a second person occupying an apartment. The average number of apartments occupied by more than one person projected for 2019 through 2021 is:

<u>2019</u>	<u>2020</u>	<u>2021</u>
62	63	55

- (3) Health Center Revenue, Net of Life Care Discount assumes a 2019 daily rate of \$465 for semiprivate beds, \$515 for private beds, and \$229 for ALU. Out of 40 total SNF beds (22 semi-private and 18 private), 6 AL beds (all private), and 12 Dementia beds (all private), the average census projected for 2019 through 2021 is:

<u>2019</u>	<u>2020</u>	<u>2021</u>
52.42	52.86	54.07

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 temporary to the health center is projected at 1% percent of the non-Medicare life-care residents.

- (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 interest earned on interest-bearing bank accounts.
- (8) Operating Expenses includes the expenses for staffing, materials, and services. Expenses are projected to increase at 3% in all three projection years.
- (9) Return to Partners represents cash eligible for distribution in accordance with the partnership agreement.

- (10) Capital Expenses represents the cost for replacement of interior finishes and elements of the buildings and equipment.
- (11) Debt Service is based on the current loan which matures March 2021; projection assumes continued financing on similar terms. The principal amounts are set forth in the amended loan documents. The interest portions are based on estimated LIBOR rates.
- (12) Professional Fees includes the cost of legal/professional expenses not related to operation of facility.

STONERIDGE PHASES I - III
Mystic, Connecticut

FORECASTED STATEMENT OF REVENUES & EXPENSES

	Year 1	Year 2	Year 3
	2019	2020	2021
OPERATING INCOME			
Apartment Revenue	12,519,167	13,173,651	13,891,930
Health Center Revenues - Net	8,084,427	8,337,249	8,529,705
Other Income	7,909	7,909	7,909
TOTAL INCOME	20,611,503	21,518,809	22,429,544
EXPENSES:			
G&A	(4,877,005)	(4,992,154)	(5,001,291)
Plant	(2,843,914)	(2,947,773)	(3,051,455)
Housekeeping	(1,146,088)	(1,178,536)	(1,244,383)
Dietary	(3,437,412)	(3,610,868)	(3,764,702)
Resident Care	(5,505,745)	(5,634,412)	(5,841,609)
TOTAL OPERATING EXPENSES	(17,810,163)	(18,363,742)	(18,903,440)
NET OPERATING INCOME	2,801,340	3,155,067	3,526,104
NON OPERATING INCOME & EXPENSE			
Working Capital Fees	281,834	298,412	284,160
Endowment Amortization Income	1,832,148	2,235,060	2,565,228
Interest Income	18,000	18,000	18,360
Amortization Expense	(137,383)	(111,618)	(111,618)
Depreciation Expense	(3,374,365)	(3,386,350)	(3,213,158)

Interest Expense	(2,196,934)	(2,477,111)	(2,593,892)
Financing Cost Amortization	(85,810)	(85,666)	(85,600)
Professional Fees	(70,600)	(73,000)	(73,000)
NET INCOME	(931,770)	(427,206)	316,584

Explanation of Material Differences - Operating Statement

	Budget 2018	Actual 2018	Variance	% Variance	Explanation Reference
Operating Income					
Earned Entrance Fee Income	874,124	2,029,268	1,155,144	132%	2
Monthly Service Fees	11,560,095	11,554,017	(6,078)	0%	1
Working Capital Fees	135,446	262,341	126,895	94%	3
Health Center Revenues - Net	7,844,092	7,760,367	(83,725)	-1%	1
Other Income	8,315	10,052	1,737	21%	1
Total Income	20,422,071	21,616,045	1,193,974	6%	
Expenses					
G&A	(4,706,280)	(4,857,129)	(150,849)	3%	4
Plant	(2,591,043)	(2,867,758)	(276,715)	11%	5
Housekeeping	(1,035,092)	(1,035,125)	(33)	0%	1
Dietary	(2,947,450)	(3,109,543)	(162,093)	5%	6
Resident Care	(5,281,685)	(5,252,518)	29,167	-1%	1
Depreciation & Amortization	(3,454,901)	(3,511,125)	(56,224)	2%	1
Total Operating Expenses	(20,016,450)	(20,633,198)	(616,748)	3%	
Income from Operations	405,621	982,847	577,226	142%	
Other Income/Expenses					
Interest Income	18,000	37,585	19,585	109%	1
Interest Expense	(2,000,272)	(2,001,497)	(1,225)	0%	1
Total Other Expenses	(1,982,272)	(1,963,912)	18,360	-1%	
Net Loss	(1,576,651)	(981,065)	595,586	-38%	

Variance Explanation

- 1 Actual performance in line with budgeted amount.
- 2 Amortization of nonrefundable entrance fee payments was underestimated in the budget.

- 3 Working Capital Reserve Fees were underestimated in the budget.
- 4 G&A expenses were over budget due to wage expenses in marketing and increased benefit elections.
- 5 Plant expenses were over budget due to utility and maintenance & repair expenses.
- 6 Dietary expenses were over budget due to wage expenses.

RESIDENTIAL TURNOVER RATES

The residential turnover rate is calculated by dividing the number of apartments released by the average number of occupied apartments.

The residential turnover rates for the most recently completed fiscal year, and anticipated for the next three years, are as follows:

<u>2019</u>	<u>2020</u>	<u>2021</u>
12.8%	13.3%	13.8%

AVERAGE AGE OF RESIDENTS

The projected average age of residents for the next three years is as follows:

<u>2019</u>	<u>2020</u>	<u>2021</u>
86.1	86.29	86.44

NUMBER OF HEALTH CARE ADMISSIONS*

The number of health care admissions pursuant to continuing-care contracts for the most recently completed fiscal year, and anticipated for the next three years, is as follows:

<u>2019</u>	<u>2020</u>	<u>2021</u>
94	105.5	111.8

* Skilled Nursing Only

HEALTH CARE UTILIZATION RATES*

Health care utilization rates, including admission rates and days per 100 residents by level of care for continuing care residents for the most recently completed fiscal year, and anticipated for the next three years, are as follows:

<u>Year</u>	<u>Utilization Rate</u>
FY 2019	60.3%
FY 2020	61.78%
FY 2021	62.97%

* Skilled Nursing Only

DAYS OF CARE*

The days of care per year for the most recently completed fiscal year, and anticipated for the next three years for continuing care residents, are as follows:

<u>2019</u>	<u>2020</u>	<u>2021</u>
8,033	8,230	8,389

* Skilled Nursing Only

NUMBER OF PERMANENT TRANSFERS*

The number of permanent transfers of continuing care residents to the health center anticipated for the next three years is as follows:

<u>2019</u>	<u>2020</u>	<u>2021</u>
7	8	9

* Skilled Nursing Only

OCCUPANCY RATE

The Occupancy rate for the most recently completed fiscal year is 87.5%.

AUDITED FINANCIAL STATEMENT

The fiscal year end of the Provider is December 31. Audited financial statements for the Provider's parent company covering the fiscal year end December 31, 2018 are attached as Exhibit D to this Disclosure Statement.

PROJECT FINANCING

Long term financing for StoneRidge is provided for by a loan with an original balance of \$43.3 million, secured by a first mortgage and security agreement on the real and personal property of, and the revenues generated by the Provider. The bank loan is structured with a 5-year floating rate transaction utilizing the LIBOR index and contains a number of financial covenants including debt service coverage ratio, minimum days cash on hand, and minimum occupancy test. Under the loan agreement, payments due during the first year of the loan will be interest only with an amortization schedule of 25 years thereafter.

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 its Member 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 its Member 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

6 assisted living apartments were added to Stoneridge in late 2017. 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. The Managed Residential Community is not licensed by the Department of Health Systems Regulation.

HEALTH CENTER LICENSURE

The Health Center is licensed by the Connecticut Department of Public Health. The Provider has licensed 40 Health Center beds that provide skilled nursing care. 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, 23rd 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. The Provider shall retain any interest earned on the monies in the Entrance Payment 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

Included as Exhibit E to this Disclosure Statement is a signed statement from the escrow agent, US Bank, verifying that the required Entrance Payments Escrow has been established and maintained.

RESERVE FUND ESCROW

As required by Section 9 of Section 17b-525 of the Connecticut General Statutes, the Provider has established and maintains reserves which shall cover:

- (1) all principal and interest, rental or lease payments, due during the next 6 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.

As of the date of this filing, the funds maintained in the Provider's accounts pursuant to the terms of its long-term financing, which require Provider to maintain a certain number of days cash on hand, adequately satisfy the requirements of the statute.

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.

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. 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 Entrance Payment and 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 initial lump sum Entrance Fee and the ongoing Monthly Fees paid by a Resident may be taken as a medical expense deduction. In February of each year, the Provider will issue a letter to the Residents stating the portion of the prior year's fees paid 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.

TAX DISCUSSION

The executing of the Residency Agreement and payment of the First Person Fee and Monthly Fee may give rise to certain unique tax considerations. Each Resident is advised to consult with his/her personal tax advisor regarding the tax considerations associated with becoming a Resident of StoneRidge. StoneRidge 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