

**CONTINUING Care Provider
Registration Annual Submission**

Kendal at Lexington

Submitted by

Lexington Retirement Community, Inc.

160 Kendal Drive

Lexington, VA 24450

April 30, 2015

Kendal at Lexington

CONTINUING CARE PROVIDER REGISTRATION STATEMENT

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Disclosure Statement

For

Lexington Retirement Community, Inc.

d/b/a Kendal at Lexington

April 30, 2015

The filing of the disclosure statement with the State Corporation Commission does not constitute approval, recommendation or endorsement of the facility by the State Corporation Commission.

Indented italicized paragraphs in this document are quotations of questions required by the State Corporation Commission.

Required Information

Continuing Care Provider

Give the name and business address of the provider and a statement of whether the provider is a partnership, foundation, association, corporation or other type of business or legal entity. Such statement shall also set forth the jurisdiction in which the provider is organized if applicable.

If the provider is composed of multiple legal entities, give the required information for all such entities and provide a specific description of their relationship to each other.

Provider: Lexington Retirement Community, Inc., d/b/a Kendal at Lexington
160 Kendal Drive
Lexington, VA 24450

Lexington Retirement Community, Inc. (hereafter LRC) (d/b/a Kendal at Lexington) is a 501(c)(3) not-for-profit corporation organized in the Commonwealth of Virginia.

LRC is a single legal entity. LRC is an affiliate of The Kendal Corporation, a Pennsylvania non-profit corporation that develops and supports services and accommodations for older people. The Kendal Corporation has no ownership of LRC, but The Kendal Corporation has eight specific reserve powers regarding LRC. Specifically, LRC shall seek and must obtain the approval of The Kendal Corporation with respect to the following:

- X Changes in corporate purpose;
- X Incurring of indebtedness of specified value;
- X The use of the name "Kendal";
- X The substance of resident contracts;
- X The purchase, sale, lease or other disposition of any real estate or improvements thereon of a specific value;
- X Dissolution, merger with another entity, division, or acquiring control of another entity;
- X The election of members of the Board of Directors of the LRC; and
- X Amendments to the Articles of Incorporation or specific sections of the Bylaws of Kendal at Lexington.

The Kendal Corporation shall have the right to review Kendal at Lexington's operations, strategic and other plans, and financial projections and performance. If, in the judgment of The Kendal Corporation, Kendal at Lexington is not in accord with the Values and Practices and affiliation agreement of Kendal affiliates as established from time to time by The Kendal Corporation, to the extent not prohibited by the laws of Virginia, The Kendal Corporation may request, and require if necessary, the affiliate to take appropriate action to address the situation.

A member of the Kendal at Lexington Board of Directors serves on The Kendal Corporation board.

Officers, Directors, Trustees, Managing and General Partners, and Certain Persons Who Hold Equity or Beneficial Interests

Give the names and business addresses of the officers, directors, trustees, managing or general partners, and any person having a ten percent or greater equity or beneficial interest in the provider, and a description of such person's interest in or occupation with the provider. In the case of a non-stock corporation also provide the information for members of the non-stock corporation.

No individual has any equity interest in the provider. There are no members of the corporation. Therefore, all the following information applies to the officers and directors of LRC. The names and addresses of the officers and directors of Lexington Retirement Community, Inc., are:

Chair: Robert B. Glidden, Retired
University President
140 Gibraltar Forge Road
Rockbridge Baths, Virginia 24473

Vice-Chair: Linda Wilder, Retired
Human Resources Consultant
725 Possum Hollow
Lexington, VA 24450

Secretary: Pamela Luecke, Professor
Washington & Lee University
16 Sixty West
Lexington, VA 24450

Treasurer: Beatrix Rumford, Retired
88 Sycamore Lane
Lexington, VA 24450

Kimberley A. Ruscio
Lee House
Washington & Lee University
Lexington, VA 24450

Charles F. Brower, IV, Professor
Virginia Military Institute
919 Ross Road
Lexington, VA 24450

Carol Wheeler, Retired
Accountant
20 Sellers Drive
Lexington, VA 24450

Farris Hotchkiss, Retired
VP for University Relations
62 Cliffnell Lane
Lexington, VA 24450

Dawn H. Peck, Retired
Physician
331 Enfield Road
Lexington, VA 24450

Marylin Alexander
Property Manager
212 Lewis Street
Lexington, VA 24450

Sarah K. Wiant, Professor
Washington & Lee University
P.O. Box 735
Lexington, VA 24450

Norman H. Jones, Retired
Engineer
160 Kendal Drive, Apt. 316
Lexington, VA 24450

Frank Friedman, Financial Advisor
Cornerstone Bank
54 Main Street
Lexington, VA 24450

Joan Robins, Retired
Director of Hillel House
Washington & Lee University
215 East Ridge Drive
Lexington, VA 24450

J. Hardin Marion, Retired
Attorney
907 Sunset Drive
Lexington, VA 24450

Harlan R. Beckley, Retired
Professor
Washington & Lee University
503 Jackson Avenue
Lexington, VA 24450

Lexington Retirement Community, Inc. has entered into an agreement with The Kendal Corporation which includes mutual expectations, system services and financial understandings. The agreement calls for Kendal at Lexington to pay The Kendal Corporation a system fee. The fee has three components. The first component, known as the Base Fee, is calculated based on Kendal at Lexington's budgeted operating expenses for the current fiscal year (not including the Kendal System Fee) with a minimum fee payment for expenses less than \$5 million, and percentages for expenses between \$5 and \$15 million (3%), \$15-\$25 million (2.8%), and over \$25 million (2.5%). The second and third components of the fee structure, the Contingency Reserve and the System Growth Fund, each pays The Kendal Corporation a fee equal to .25% of Kendal at Lexington's budgeted operating expenses for the current fiscal year (not including the Kendal System Fee). Each of the reserves has a specific target for the total Kendal at Lexington will pay. When the target is met, the system fee will be decreased accordingly.

1. All forms of direct or indirect ownership of a provider, including ownership through another legal entity;

Lexington Retirement Community, Inc. is not owned in whole or in part, directly or indirectly by any other entity.

2. *Ownership or control of any voting class of securities issued by the provider; and*

Lexington Retirement Community, Inc. has not issued any voting class securities.

3. *Any contract, including a lease or management contract, with a provider where the amount of consideration under the contract is tied to the financial performance of the provider.*

None.

Business Experience of; Acquisition of Goods and Services from; and Criminal, Civil and Regulatory Proceedings Against the Provider; its Officers, Directors, Trustees, Managing and General Partners; Certain Persons Who Hold Equity or Beneficial Interests; and the Management.

For (i) the provider, (ii) any person named in the previous section or (iii) the proposed management, if the facility will be managed on a day-to-day basis by a person other than an individual directly employed by the provider:

a. Give a description of any specific business experience in the operation or management of similar facilities.

The Provider (i)

LRC as the provider is affiliated with The Kendal Corporation that has been developing and supporting not-for-profit retirement communities and other services for older people since 1971.

Prior to the work of developing Kendal at Lexington, LRC did not have any specific experience in the management or operation of retirement communities. Kendal at Lexington has been in operation since July 2000. Most members of the Board of Directors have served for several years and during that time have gained considerable experience with the issues attendant to operating a CCRC.

All the staff members at Kendal at Lexington are employed by LRC. The Executive Director serves at the mutual satisfaction of the LRC and the President of The Kendal Corporation. The LRC is the provider at Kendal at Lexington.

Named Persons (ii)

The Kendal Corporation, per se, does not own or operate any of the Kendal affiliates. At present, Kendal affiliates are operating services in Pennsylvania, Ohio, New Hampshire, Illinois, Maryland, Virginia, Massachusetts and New York. The Kendal Corporation has extensive experience in all aspects of the development process, including providing the essential systems and guidance to begin successful operations of a new retirement community. These systems include human resources, finance, health services, information services, marketing, and governance.

Kendal Affiliates

Affiliate	Facility/Community	Location
Kendal~Crosslands Communities	Kendal at Longwood: continuing care retirement community, 1973	Kennett Square, PA
	Crosslands: continuing care retirement community, 1977	Kennett Square, PA
	Coniston: senior housing, 1981	Kennett Square, PA
	Cartmel: senior housing, 1988	Kennett Square, PA
Kendal at Hanover	Kendal at Hanover: continuing care retirement community, 1991	Hanover, NH
Kendal Northern Ohio	Kendal at Oberlin: continuing care retirement community, 1993	Oberlin, OH
	Community Outreach Northern Ohio: community services, 2009	Oberlin, OH
	Kendal at Home: life care services at home, 2003	Westlake, OH
Kendal at Ithaca	Kendal at Ithaca: continuing care retirement community, 1995	Ithaca, NY

Affiliate	Facility/Community	Location
Barclay Friends Corporation	Barclay Friends: continuing care retirement community, 1994	West Chester, PA
Lexington Retirement Community, Inc.	Kendal at Lexington: continuing care retirement community, 2000	Lexington, VA
Kendal on Hudson	Kendal on Hudson: life care community, 2005	Sleepy Hollow, NY
Kendal at Granville	Kendal at Granville; life care retirement community, 2005	Granville, OH
The Lathrop Communities	The Lathrop Communities: continuing care retirement communities, 2004	Easthampton and Northampton, MA
Collington Episcopal Life Care Community	Collington: continuing care retirement community, 2011	Mitchellville, MD
The Admiral on the Lake	The Admiral on the Lake: continuing care retirement community, 2012	Chicago, IL
Chandler Hall Health Services	Chandler Hall: continuing care retirement community, 2013	Newtown, PA

Management (iii)

Kendal at Lexington is managed on a day-to-day basis by Lexington Retirement Community, Inc.

b. Give the name and address of any professional service, firm, association, foundation, trust, partnership or corporation or any other business or legal entity in which such person has, or which has in such person, a ten percent or greater direct or indirect interest and which it is presently intended will or may provide goods, leases or services to the provider of a value of \$500 or more, within any year, including:

(1) A description of the goods, leases or services and the probable or anticipated cost thereof to the provider;

(2) The process by which the contract was awarded;

(3) Any additional offers that were received; and

(4) Any additional information requested by the Commission detailing how and why a contract was awarded.

The Provider (i)

No service, firm, association, foundation, trust, partnership or corporation or any other business has a ten percent or greater direct or indirect interest in LRC or Kendal at Lexington. LRC does not have any such direct or indirect interest in any service, firm, association, foundation, trust, partnership or corporation or any other business. All contracts awarded are based on the best combination of price and quality provided to LRC. LRC will provide any additional information requested by the Commission detailing how and why a contract was awarded.

Named Persons (ii)

No director or officer of LRC and no service, firm, association, foundation, trust, partnership or corporation has a ten percent or greater direct or indirect interest in LRC or Kendal at Lexington. No officer or director of LRC has a ten percent or greater direct or indirect interest in any entity that will provide goods, leases or services valued at \$500 or more per year.

Management (iii)

The provider will manage Kendal at Lexington.

c. Give a description of any matter in which such person:

(1) Has been convicted of a felony or pleaded nolo contendere to a criminal charge, or been held liable or enjoined in a civil action by final judgment, if the crime or civil action involved fraud, embezzlement, fraudulent conversion, or misappropriation of property or moral turpitude; or

(2) Is subject to an injunctive or restrictive order of a court of record, or within the past five years had any state or federal license or permit suspended or revoked as a result of an action brought by a governmental agency or department, arising out of or relating to business activity or health care, including without limitation actions affecting a license to operate a foster care facility, nursing home, retirement home, home for the aged or facility registered under this chapter or similar laws in another state; or

(3) Is currently the subject of any state or federal prosecution, or administrative investigation involving allegations of fraud, embezzlement, fraudulent conversion, or misappropriation of property.

The Provider (i)

- 1) Neither LRC nor any member of the Board of Directors has been convicted of a felony or pleaded nolo contendere to a criminal charge or been held liable or enjoined in a civil action by final judgment, if the crime or civil action involved fraud, embezzlement, fraudulent conversion, or misappropriation of property or moral turpitude.
- 2) Neither LRC nor any member of the Board of Directors is subject to an injunctive or restrictive order of a court of record, or within the past five years had any state or federal license or permit suspended or revoked as a result of an action brought by a governmental agency or department, arising out of or relating to business activity or health care, including without limitation actions affecting a license to operate a foster care facility, nursing home, retirement home, home for the aged or facility registered under this chapter or similar laws in another state.
- 3) Neither LRC nor any member of the Board of Directors is currently the subject of any state or federal prosecution, or administrative investigation involving allegations of fraud, embezzlement, fraudulent conversion, or misappropriation of property.

Named Persons (ii)

N/A

Management (iii)

The provider will manage Kendal at Lexington on a day-to-day basis. (See above.)

Ownership of Real Property

Give full and detailed information regarding direct and indirect ownership of the property on which the facility is or will be operated and of the buildings in which it is or will be operated.

The real property, including all the land on which the community is operated and the existing and planned buildings, is wholly and directly owned by the LRC. The property was donated to LRC in 1997. The land and existing buildings are pledged as collateral as security for tax-exempt bonds issued by the City of Lexington Industrial Development Authority.

Location and Description of Real Property

Give the location and description of the real property of the facility, existing or proposed, and to the extent proposed, the estimated completion date or dates of improvements, whether or not construction has begun and the contingencies under which construction may be deferred.

The location of the property is between Ross and Enfield Roads in Lexington, Virginia. Part of the land is in the City of Lexington, and part is in Rockbridge County. The parcel consists of approximately 82 acres, of which approximately 25 acres are within the city limits. The Rockbridge County parcel is fully described at Tax Map #74-A-35, 36, 36. The City of Lexington parcel is fully described at Tax Map #21-1-1. The street address is 160 Kendal Drive.

Kendal at Lexington consists of 120 independent living residences, 20 Assisted Living apartments, a licensed nursing facility and a community center. The 120 independent living residences are provided in two apartment buildings (55 apartments), nine cottage clusters (29 cottages), three duplexes (6 cottages) and 30 single cottages. Nursing care consists of 20 companion suites and 20 private rooms.

Size	Apartment	Cottage
Studio	4	0
1 bedroom	5	3
1 bedroom with den	14	11
2 bedroom	17	17
2 bedroom with den	11	18
Large 2 bedroom with den	4	16
Assisted Living	20	0

In addition, a large historic farmhouse has been renovated to supplement the community spaces.

The community center includes offices, social areas, library, fitness center, beauty/barber shop, kitchen, dining rooms, storage and a health office. The buildings and residences have been designed to promote accessibility and ease-of-use for residents. Aesthetically, the buildings have been designed to be consistent with the architectural style of Lexington, keying off the existing house on the property.

Occupancy of the community center, assisted living and residential accommodations began in July 2000. All of the initial construction was completed by December 2004. Construction of the nursing facility was completed in September of 2002. The renovation of the farmhouse was completed in 2006. In June 2007 Kendal at Lexington began construction of the Phase II expansion consisting of 35 cottages, a 14 apartment addition to the south apartment building, a fitness center and an expansion and renovation to the dining room and commons building. Construction was completed in Spring 2009.

Affiliation with Religious, Charitable or Other Nonprofit organizations; Tax Status of Provider

Give a statement as to:

- a. Whether the provider is or ever has been affiliated with a religious, charitable or other nonprofit organization, the nature of any such affiliation,*

and the extent to which the affiliate organization is or will be responsible for the financial and contractual obligation of the provider.

LRC is not affiliated with any religious organization. It is affiliated with The Kendal Corporation, a Pennsylvania not-for-profit IRS 501(c)(3) tax-exempt organization. As described previously, and more fully in the bylaws of LRC, The Kendal Corporation provides development, marketing and operational guidance to LRC and has a defined set of eight reserve powers. LRC has one member who is a member of the board of directors of The Kendal Corporation. The Kendal Corporation is not responsible for the financial and contractual obligations of the provider.

The Kendal Corporation is a Pennsylvania not-for-profit tax-exempt organization.

b. Any provision of the Federal Internal Revenue Code under which the provider is exempt from the payment of income tax.

LRC has been found to be a tax-exempt organization under the provisions of section 501(c)(3) of the IRS code. The Kendal Corporation is also tax-exempt under the provisions of section 501(c)(3) of the IRS code.

Services Provided Under Continuing Care Contracts

Describe the services provided or proposed to be provided under continuing care contracts, including the extent to which medical care is furnished or is available pursuant to any arrangement. The disclosure statement shall clearly state which services are included in basic continuing care contracts and which services are made available by the provider at extra charge.

Kendal at Lexington offers two types of continuing care contracts, one for extensive coverage of continuing care and one for modified coverage of continuing care. Residents who choose the Residence and Care Agreement for modified coverage will choose a Nursing Care Benefit Period of either sixty (60) days or one (1) year.

Under the Residence and Care Agreement for Modified Continuing Care Coverage the following services are included:

- 1) Occupancy of a specific residential unit, with standard floor coverings, window treatments and appliances (stove, refrigerator, disposal, washer and dryer).
- 2) Dining points meal program.

- 3) Unlimited lifetime use of Assisted Living, consistent with Virginia regulations and Kendal at Lexington's ability to meet the care needs of residents. Assisted living residents will pay an additional charge for the two additional meals per day,
- 4) Sixty (60) days or one (1) year per resident, of nursing care in the licensed nursing facility, depending on the Nursing Care Benefit Period chosen. Nursing facility residents will pay an additional charge for the two additional meals per day.
- 5) Participation in resident wellness, health education and assessment programs as provided by Kendal at Lexington's geriatric nurse practitioner (or professional equivalent).
- 6) Routine housekeeping once every two weeks and heavy house cleaning twice a year.
- 7) Scheduled local transportation.
- 8) Electricity, water, sewer, natural gas.
- 9) Real estate taxes.
- 10) Open parking.
- 11) Use of all community spaces and grounds.

Under the Residence and Care Agreement for Extensive Continuing Care the following services are included:

- 1) All of the above.
- 2) Unlimited lifetime use of the licensed nursing facility. Nursing facility residents will pay an additional charge for the two additional meals per day.

The following services are provided under both of the Residence and Care Agreements at an additional charge(s) according to a periodically published fee schedule.

- 1) Additional meals.
- 2) Weekly housekeeping.
- 3) Provision of weekly flat linens, including changing beds.
- 4) Unscheduled transportation.
- 5) Telephone, premium cable television, Internet service.
- 6) Covered reserved parking.
- 7) Primary care provided by the facility's geriatric nurse practitioner (or professional equivalent).
- 8) Upgrade options to residence features or appliances.

Fees Required of Residents

Give a description of all fees required of residents, including any entrance fee and periodic charges. The description shall include (i) a description of all proposed uses of any funds or property required to be transferred to the provider or any other person prior to resident's occupancy of the facility and of any entrance fee, (ii) a description of provisions for the escrowing and return of any such funds, assets or entrance fee, the manner and conditions of return and to whom earnings on escrowed funds are payable as discussed in Code Section 38.2-4904.1 and (iii) a description of the manner by which the provider may adjust periodic charges or other recurring fees and any limitations on such adjustments. If the facility is already in operation, or if the provider operates one or more similar facilities within this Commonwealth, there shall be included tables showing the frequency and average dollar amount of each increase in periodic rates at each facility for the previous five years or such shorter period that the facility has been operated by the provider.

The Residence and Care Agreement sets out in detail the fees required of residents both upon admission to Kendal at Lexington and adjustments that might be occasioned by changes in a resident's situation, and the reader should refer to those sections for complete information. Specifically, provisions regarding refunds are found in paragraphs 14.7 through 14.9. Provisions regarding fees charged in the case of transfer to another unit are found in section 13. Provisions regarding fees in the event of marriage are found in paragraph 11.4. Provisions regarding medical and surgical insurances are found in section 10.

Kendal at Lexington residents will pay an entry fee and a monthly fee. The entry fee is determined by the number of days of nursing care coverage, the size of residence, and the refund option chosen by the resident. Kendal at Lexington offers three refund options: a 2% declining balance, a 50% refund and a 90% refund.

Residents, within 30 days of signing a contract, will pay a 10% deposit. The remainder of the entry fee is due and payable prior to occupying the residence. Residents will pay a monthly fee that covers the occupancy of the residence and the basic services provided under the Residence and Care Agreement.

During the annual budgeting process, the volume and cost of providing the services enumerated in the Residence and Care Agreement is forecast. Rates (and increases or decreases) are calculated to provide sufficient revenue to meet those obligations. The

budget and all fee schedules require approval by the LRC board of directors. Residents will receive thirty (30) days written notices of any fee increases.

Independent Living Fee Schedule
Contract for Extensive Coverage of Continuing Care with Unlimited Nursing Care
Benefit Period
Table 1

Extensive Health Care

	Entrance	Fee	Monthly	Fee
	Single	Couple	Single	Couple
Apartments:				
Studio (A)	161,500		2,915	
One Bedroom (B)	224,000	296,000	3,189	4,629
One Bedroom/Den (C)	278,500	350,500	3,479	4,919
Two Bedroom (D&E)	333,000	405,000	3,740	5,180
Two Bedroom/Den (F)	377,500	449,500	3,946	5,386
One Bedroom/Den (G)	300,000	372,000	3,653	5,093
One Bedroom/Den (H)	337,500	409,500	3,720	5,160
Two Bedroom (I)	377,500	449,500	3,929	5,369
Two Bedroom/Den (J)	436,500	508,500	4,204	5,644
Two Bedroom/Den Deluxe(K)	497,500	569,500	4,411	5,851
Cottages:				
One Bedroom (L)	233,000	305,000	3,189	4,629
One Bedroom/Den (M)	295,500	367,500	3,479	4,919
Two Bedroom (N)	350,000	422,000	3,740	5,180
Two Bedroom/Den (O)	395,500	467,500	3,946	5,386
Two Bedroom/Den (P&Q)	425,000	497,000	4,083	5,523
Two Bedroom/Den (R)	461,000	533,000	4,220	5,660
One Bedroom/Den (S)	373,500	445,500	3,929	5,369
Two Bedroom (T)	443,500	515,500	4,204	5,644
Two Bedroom/Den (U)	525,000	597,000	4,411	5,851

Reduced Fees for 365-Day and 60-Day Modified Options

	Entrance Fee	Monthly Fee
365-Day Nursing Care	(\$9,000) per person	(\$164) per person
60-Day Nursing Care	(\$25,500) per person	(\$164) per person

The entrance fees above include a declining balance refund. The refund declines at 2% per month for each month that the resident resides at Kendal. After 50 months, there would be no refund.

Independent Living Fee Schedule

Additional Refund Options

Table 2

Extensive Option

Kendal offers two guaranteed refund options: 50% and 90%.

	50%	Refund	90%	Refund
	Single	Couple	Single	Couple
Apartments:				
Studio (A)	211,500		291,000	
One Bedroom (B)	293,500	379,500	403,000	531,500
One Bedroom/Den (C)	365,000	451,000	501,500	630,000
Two Bedroom (D&E)	435,500	521,500	598,500	727,000
Two Bedroom/Den (F)	494,500	580,500	679,500	808,000
One Bedroom/Den (G)	390,000	476,000	540,000	668,500
One Bedroom/Den (H)	438,500	524,500	607,500	736,000
Two Bedroom (I)	490,500	576,500	679,000	807,500
Two Bedroom/Den (J)	567,500	653,500	785,000	913,500
Two Bedroom/Den Deluxe (K)	647,000	733,000	896,000	1,024,500
Cottages:				
One Bedroom (L)	304,500	390,500	418,500	547,000
One Bedroom/Den (M)	387,000	473,000	532,000	660,500
Two Bedroom (N)	458,000	544,000	629,500	758,000
Two Bedroom/Den (O)	518,500	604,500	712,500	841,000
Two Bedroom/Den (P&Q)	556,000	642,000	764,500	893,000
Two Bedroom/Den (R)	604,000	690,000	829,500	958,000
One Bedroom/Den (S)	485,500	571,500	672,500	801,000
Two Bedroom (T)	576,000	662,000	798,000	926,500
Two Bedroom/Den (U)	683,000	769,000	945,500	1,074,000

Reduced Fees for 365-Day and 60-Day Options

	50% Refund	90% Refund
365-Day Health Care	(\$9,500) per person	(\$12,000) per person
60-Day Health Care	(\$27,000) per person	(\$39,000) per person

*Persons over 85 are ineligible for these refund options.

*There is no additional monthly fee when choosing the 50% or the 90% guaranteed refund.

Per Diem Rates

For Non-Contract Residents

Table 3

Assisted Living-basic level	\$161/day
Skilled Nursing Care-companion suite	\$231/day

- i) No entry fee funds will be used by the community prior to occupancy. As described in the Residence and Care Agreement, all deposits are fully refundable prior to occupancy and for the first ninety days of occupancy less 2% of the total entry fee for the reserved residence. All entry fees must be paid in funds; no property will be accepted in lieu of funds.
- ii) LRC has an established escrow account with Sun Trust Bank. All escrowed deposits remain the property of the depositor and are not the property of LRC until the resident enters the community. A copy of the escrow agreement is provided to every depositor and is on file with the State Corporation Commission.
- iii) The entry fees for Kendal at Lexington are subject to periodic adjustment as necessary. When a resident signs a Residence and Care Agreement, the entry fee for that resident is fixed by contract. Subsequent increases only apply to future residents. Prospective residents on our mailing list are given thirty (30) days written advance notice of fee increases. Entry fees are always stated in current year dollars.

The monthly fees for Kendal at Lexington are subject to periodic adjustment to assure sufficient funds to provide the services guaranteed by the Residence and Care Agreement. Increases in the monthly fee will usually occur annually. Current and prospective residents are given thirty (30) days written advance notice of fee increases.

The table shows the frequency of fee increases at Kendal at Lexington from January 1, 2010. The last fee increase went into effect January 1, 2015. Neither LRC nor The Kendal Corporation operates any other facilities in the Commonwealth of Virginia.

History of Fee Increases

	2010	2011	2012	2013	2014	2015
Frequency in fee increases	Jan. 1	Jan. 1	Jan. 1	Jan. 1	Jan. 1	Jan. 1
Monthly Fees	4.0%	4.5%	4% 1 st person 6% 2 nd person	3.75%	3.5%	3.25%
Assisted Living Per Diem	5.0%	5.0%	5.0%	5.0%	4.0%	4.0%

Frequency in fee increases	July 1	July 1	July 1	July 1	July 1	July 1
Entry Fees	4.0-4.5%	4.0%	4.0%	4.0%	4.0%	4.0%

Reserve Funding

Describe any provisions that have been made or will be made to provide reserve funding or security to enable the provider to fully perform its obligations under continuing care contracts, including the establishment of escrow accounts, trusts or reserve funds, together with the manner in which such funds will be invested and the names and experience of persons who will make the investment decisions. The disclosure statement shall clearly state whether or not reserve funds are maintained.

This description shall include a specific explanation of how the value of any such reserve funding was established and, if available, it shall include the opinion of a qualified actuary.

On June 29, 2007 Lexington Retirement Community, Inc.:

1. Refinanced all existing debt including the Series 1999 Bonds, Series 2001 SunTrust note and Stonewall Jackson Hospital note.
2. Funded \$25,612,966 in project costs to develop and construction the Phase II expansion.
3. Funded the cost of issuance associated with the transaction including feasibility, legal and underwriting expenses.

The Series 2007 transaction totaled \$43,800,000 and was comprised of three individual series:

1. Series 2007A - \$35,155,000 Tax-exempt fixed rate obligations that mature beginning January 1, 2009 with a final maturity of January 1, 2037. Fixed interest rates range from 4.375% in 2008 to 5.058% in 2037. The security includes first mortgage on all property and a pledge of gross receipts.
2. Series 2007B - \$10,000,000 Variable rate obligations (paid in full November 28, 2008).
3. Series 2007C - \$645,000 Taxable fixed rate obligations with a final maturity of January 1, 2015 and an interest rate of 8%. The proceeds were used to fund the costs that do not qualify for tax-exempt financing.

Kendal at Lexington has funded a debt service reserve fund held by the bond trustee (US Bank Corporate Trust Services), equal to the maximum annual debt service (of \$2,386,156) on the long-term bonds. The reserve fund is invested in high-grade investments, rated AA- or better by Standard & Poor's.

Entry fee deposits for cottages and apartments are held in an interest bearing savings account.

Under the Master Trust Indenture, LRC is required to maintain a long-term debt service coverage ratio, calculated at the end of each fiscal year beginning in 2010, of at least 1.20. If for any fiscal year the long-term debt service coverage ratio is less than 1.20 but greater than 1.10 and the reserve ratio is not less than 35%, the covenant is deemed to have been met. If the long-term debt service coverage ratio is less than 1.20 but greater than 1.10, and the reserve ratio is less than 35%, Kendal at Lexington shall retain a consultant to analyze the reasons for the failure and make recommendations to increase the long term debt service coverage ratio for the following fiscal year.

Certified Financial Statements

Give certified financial statements of the provider, including (i) a balance sheet as of the end of the two most recent fiscal years and (ii) income statements of the provider for the two most recent fiscal years or such shorter period that the provider has been in existence. Such statements shall conform to generally accepted accounting principles and shall be certified by an independent, certified public accountant. The opinion of the independent, certified public accountant shall be included in this section.

Certified financial statements are included as Attachment 2

Pro Forma Income Statement

Give a pro forma income statement for the current fiscal year. This statement shall conform to generally accepted accounting principles and shall include a specific description of the major assumptions used in developing the pro forma statement.

Forecasted Statement of Revenues and Expenses	Budget FY 2015
Operating Revenues	
Entrance fee amortization	2,438,000
Monthly service fees	5,753,461
Other Income	263,870
Investment Income	341,829
Health Center fees	6,032,179
Total Operating Revenues	<hr/> 14,829,339 <hr/>
Operating Expenses	
General & administrative	1,649,748
Housekeeping & laundry	290,437
Plant operations	754,891
Food service	1,481,964
Health services	4,143,435
Depreciation & amortization	2,125,000
Staff Benefits	1,370,603
Utilities	590,272
Real Estate Taxes	210,000
Interest	1,688,392
Management fee	479,904
Total Operating Expenses	<hr/> 14,784,646 <hr/>
Excess or (Deficiency) of Operating Revenues over Operating Expenses	<hr/> 44,693 <hr/>

Major Assumptions:

Monthly service fees and Health Center fees are based on a projected occupancy of 91.7%, 85.0%, and 90.8% for residential living, assisted living, and skilled nursing, respectively.

Salary and related costs represent the wages and related payroll taxes for the planned staffing level with budgeted increases of 2.5%.

Admission of New Residents

Give a description of the provider's criteria for admission of new residents.

To be eligible for admission to independent living residences at Kendal at Lexington, prospective residents must be capable of living safely in a residential setting and must be able to demonstrate the availability of financial assets and income sufficient to support their residency at Kendal at Lexington. To be covered by the full Residence and Care Agreement, individual residents must be age 65 or older. In the case of a couple, at least one of the residents must be age 65 or older; Kendal at Lexington reserves unilateral discretion as to whether to extend the full coverage of the Residence and Care Agreement to an applicant who is younger than age 65.

Each prospective resident submits a two-part health assessment form that includes a health history and a physician assessment of the prospective resident's ability to live safely in a residential setting. If the resident's physician's assessment is more than ninety days old, it will be necessary to have the assessment updated prior to occupancy.

Each prospective resident submits a financial statement that quantifies the resident's assets and income. Kendal staff assesses the resident's resources and compares them with the projected expenses of occupancy. During the admissions process, Kendal staff review the adequacy of resources with the prospective resident.

Access to Facility by Nonresidents

Give a description of the provider's policies regarding access to the facility and its services for nonresidents.

Kendal at Lexington is designed primarily for the use of residents who enter into a Residence and Care Agreement with the provider. Because the residents of retirement communities have generally been actively involved in community life, it is common for community areas to be available on a scheduled basis for use by community groups. Non-residents who need care that can be provided in the health centers may be eligible for admission on a per diem basis.

Kendal at Lexington has a Residents Association that is empowered to set and modify many of the policies that govern life in the retirement community. The Residents Association has established that residents are welcome to reserve and use common space for events related to their involvement in outside organizations.

Overnight lodging accommodations are available for resident and staff guests at Sunnyside, the historic renovated farmhouse, for a fee. In addition, civic and professional organizations may rent rooms for meetings or events. Guests of Kendal residents and staff may purchase guest meals in the dining room.

Procedure for Resident to File a Complaint or Disclose Concern

Give a description of the procedure by which a resident may file a complaint or disclose any concern.

Residents and staff, working together in good spirit, generally will be able to resolve issues successfully and easily. Should there be an instance in which a problem is not resolved satisfactorily, residents are invited to ask assistance from the appropriate supervisor, department head, or area administrator, in that order. Residents may invite the participation of the Area Agency on Aging ombudsman, the name and address of which are on file in the office of the Executive Director. The Residents Association can also serve as an avenue for the discussion and resolution of issues. Should satisfactory resolution still not be achieved, the matter may be referred to the Executive Director of Kendal at Lexington. In deciding the issue, the Executive Director will review our policies and procedures with the resident and any representative the resident chooses to include. Residents may present any information concerning the issue. The Executive Director will consult with appropriate staff or seek other input as necessary and after considering all the information presented shall make a decision.

Residents may request the Board of Directors to review the matter after the Executive Director's decision. The Board, or its designees, will review all relevant information, including any presented by the resident and decide whether to direct the Executive Director to reconsider the issue. The Board's recommendation will be final.

List of Attachments

- 1 - Residence and Care Agreements
- 2 - Certified Financial Statements
- 3 - Priority List Agreement
- 4 - Residence Reservation Agreement
- 5 – Narrative of material differences and comparison of prior year actual and prior year pro forma statement of revenue and expenses
- 6 – Resident’s Financial Statement
- 7 – Summary of Financial Information

Attachment 1 - Residence and Care Agreements

A. For Modified Coverage of Continuing Care

B. For Extensive Coverage of Continuing Care

Attachment 2 - Certified Financial Statements

Attachment 3 - Priority List Agreement

Attachment 4 – Resident Reservation Agreement

Attachment 5 – Narrative of material differences

Code of Virginia: Section 38.2-4904B Narrative describing any material differences between prior fiscal year's pro forma income statement and the actual results of operations during that fiscal year.

Operating Revenues:

Forecasted revenue for Kendal at Lexington was appropriately \$1.1 million (7.5%) over budget. Half of the overage was due to the recognition of entrance fee amortization that resulted from the death of contract residents. In addition, investment income, specifically realized gains of \$164,000, were recorded. Kendal at Lexington does not budget for the sale of investments. Both monthly service fees and health center fees were above budget because larger than expected occupancy.

Operating Expenses:

Total expenses were under budget by \$254,000 (1.7%) with food services and plant operations reporting overages. Plant operations included general maintenance and repairs of the facilities and equipment and expenses related to alarm and safety system apparatus. Overage in dining included actual food costs and wages. Under budget was employee benefits. Kendal at Lexington recognized a refund of \$87,000 from the participation in a self-insured medical and prescription drug plan for its employees.

In summary, Kendal at Lexington outperformed budget with an operating gain of \$1,383,429 versus a budgeted gain of \$40,505.

Lexington Retirement Community, Inc. Statement of Revenues and Expenses	Actual FY 2014	Budget FY 2014
Operating Revenues		
Entrance fee amortization	2,751,320	2,202,000
Monthly service fees	5,795,003	5,715,963
Other Income	321,127	251,500
Investment Income	489,482	282,456
Health Center fees	6,087,352	5,903,783
Total Operating Revenues	15,444,284	14,355,702
Operating Expenses		
General & administrative	1,602,598	1,609,247
Housekeeping & laundry	287,863	286,383
Plant operations	708,197	670,634
Food service	1,454,264	1,340,807
Health services	3,914,751	4,113,196
Depreciation & amortization	1,992,375	2,071,460
Staff Benefits	1,114,149	1,236,387
Utilities	581,865	588,400
Real Estate Taxes	208,111	202,000
Interest	1,726,192	1,726,192
Management fee	470,491	470,491
Total Operating Expenses	14,060,856	14,315,197
Excess or (Deficiency) of Operating Revenues over Operating Expenses	1,383,428	40,505

Attachment 6 – Resident’s Financial Statement

Attachment 7 – Summary of Financial Information

Lexington Retirement Community, Inc.
d/b/a Kendal at Lexington
Summary of Financial Information
As of December 31, 2014

	Current Year 2014	Prior Year 2013
Total Assets	59,851,676	59,814,140
Total Liabilities	59,875,953	(61,507,170)
Total Net Deficit	24,277	1,693,030
Total Revenues	15,444,284	14,368,687
Total Expenses	(14,060,856)	(13,671,801)
Operating Income	1,383,428	696,886
Net Income	1,668,753	1,240,562

Narrative on financial condition:

Kendal at Lexington's increase in net assets was a direct result of an increase in revenues of 7.5% and an increase in expenses of 2.8%. Independent living occupancy increased from a year-to-date average in 2013 of 92.7% to a year-to-date average in 2014 of 94.4%. While assisted living occupancy was fairly constant, occupancy in the nursing home increased from 90.5% in 2013 to 93.5% in 2013. Lastly, the amortization of deferred entry fees increased by approximately \$548,800 (24.9%) because of income recognized as residents pass away. Kendal at Lexington continues to improve operations through strong occupancy in all levels of care.

While 2014 expenses increased in various categories over 2013, many of those increased were deliberate. In general and administrative, Kendal at Lexington incurred expenses related to a capital reserve study to assist in planning for major capital and maintenance replacements. And marketing studies were completed for strategic planning purposes. One area Kendal at Lexington experienced an overage in was dining expenses as the community saw large increases in food costs in 2014. Regarding employee benefits, the increase was primarily due to one-time refund in premiums of \$319,000 recognized in 2013.

Occupancy Information:	Capacity of Units	2014 Average occupancy	Percentage Occupancy
Independent Living	120	113.3	94.4%
Assisted Living	20	17.9	89.3%
Nursing	60	56.1	93.5%