

SHEEHAN PHINNEY

Boston • Concord • Manchester • Portsmouth • Upper Valley

Andrew B. Eills, Esq.
Direct Dial: 603-627-8116
aeills@sheehan.com

Reply to: Manchester Office
1000 Elm Street, 17th floor
P.O. Box 3701
Manchester, NH 03105-3701

January 13, 2023

Via Email (diane.quinlan@doj.nh.gov) and U.S. Mail

Diane Murphy Quinlan
Director of Charitable Trusts
Department of Justice
33 Capitol Street
Concord, NH 03301-6397

Re: Rannie Webster Holding Corporation and Rannie Webster Foundation – Change of Control Notice Pursuant to N.H. RSA 7:19-b

Dear Director Quinlan:

The following is in response to your December 12, 2022 request for additional information concerning the Change of Control Notice filed under RSA 7:19-b (the “Notice”) by Rannie Webster Holding Corporation (“RWHC”) and Rannie Webster Foundation (“RWF”) in connection with the proposed affiliation with SilverStone by Hunt (SilverStone). The responses follow each specific request in your December 12th letter. The parties reserve the right to supplement these responses if additional information becomes available after their submission. Capitalized terms used but not defined below will have the same meaning ascribed to them in the Notice or the Affiliation Agreement.

A. Board Due Diligence

1. To the extent not already provided, provide copies of RWF board meetings during which the proposed affiliation with Silverstone was discussed.

*Attached as **Attachment A** are copies of the minutes of meetings of the Rannie Webster Foundation Board of Trustees (“RWF Board”) and the RWF Board’s Executive Committee during which the proposed transaction with SilverStone by Hunt (“SilverStone”) was discussed and which were not provided with the Notice.*

2. To the extent not already provided, provide copies of any documents, including, but not limited to, reports, presentations, and analyses that were reviewed and/or considered

by the RWF board as part of its decision-making process to pursue affiliation with Silverstone.

*The RWF Board's deliberations and decision-making process included obtaining assistance from Ziegler Capital Management, LLC, an investment banking firm with expertise in senior care facility lending. Attached as **Attachment B** is a presentation on financing and strategic options provided by Keith Robertson of Ziegler presented to the RWF Board on July 22, 2021.*

3. Describe in detail the due diligence process conducted by RWF management and the RWF board. To the extent not already provided, provide the names of any consultants, advisors, or experts retained by RWF or the RWF board in connection with the due diligence process, the selection of Silverstone as a partner, the negotiation of the letter of intent, and the negotiation of the Affiliation Agreement.

The RWF Board initially considered the possibility of an opportunity to affiliate in some manner with SilverStone in 2021. In the spring of 2022, the RWF Board examined its options. At its April 28, 2022 Board meeting, the RWF Board received information about the benefits of affiliating with SilverStone if an affiliation agreement were deemed appropriate. While in general the RWF Board members were interested in exploring this option, they also desired additional information concerning SilverStone's finances and, significantly, whether the two organizations shared a common corporate culture and values.

Thus, while the RWF Board voted on June 16, 2022 to enter into a Letter of Intent, it did so with an understanding of the need for further analysis. On June 21, 2022, the RWF Board reviewed the potential transaction with Keith Robertson, of Zeigler Capital Management, LLC, and received background and information regarding the creation of intentional strategic partnerships and how best to enhance and to preserve the mission of RWF ("Webster-at Rye") through an affiliation with another organization.

In order to assess the efficacy of pursuing an affiliation with Silverstone by Hunt, on June 24, 2022, members of the RWF Board Executive Committee, along with RWF's CEO Thomas Argue and Human Resources Officer Todd Fernald, personally visited The Huntington at Nashua. While there, they met with the SilverStone Board Chair, Vice-Chair, and President/CEO. In addition, RWF Board members also met with Janet Brown, a former RWF Board member and officer, former Chair of Webster Continuing Care, and a resident herself of The Huntington as well as the Chair of Silverstone's Planning and Redesign Committee. The RWF Board members present came away from this with meeting with a better understanding of SilverStone's shared mission, common culture, respect for the independence of the RWF Board, and SilverStone's commitment to exacting standards of excellence and quality in the care provided to its residents.

SilverStone also engaged with the RWF Board in gaining additional perspective and knowledge. On August 31, 2022, the SilverStone by Hunt Chair and Vice-Chair visited Webster-at- Rye to evaluate the facility and to continue the discussion of the attributes of an affiliation.

*In addition, the parties exchanged documentation and information through formal due diligence requests. Management and legal counsel reviewed the responses to the Due Diligence list requested of SilverStone by Hunt; the Due Diligence requests are set forth in **Attachment C**.*

4. Provide current occupancy statistics for Webster at Rye, including the total number of residents as well as the numbers of independent units, assisted living units, long-term

nursing care units, and memory care units that are available and the numbers of those units that are occupied.

The resident census and licensure summary is set forth in Attachment D.

5. Provide the current numbers of management, clinical, and staff employees of RWF.

Management, Clinical, and Staff statistics:

- Administration: 8; 4 management, 4 support staff
- Maintenance: 6: 1 manager, 5 staff
- Housekeeping: 12: 1 manager, 11 staff
- Dietary 26: 1 manager, 25 staff
- Nursing in nursing home 27: 2 managers, 23 clinical, 2 support staff
- Nursing in Assisted Living 35: 3 managers, 30 clinical, 2 staff
- Activities 8: 1 manager, 7 staff
- Total: 122

6. Provide copies of any written comments, complaints, questions, and other input submitted to RWF management or the RWF board by employees, residents, and community members related to the proposed transaction.

As of the date of this letter, RWF has not received, nor is it aware of, any written comments, complaints, questions, or other input concerning the proposed affiliation with SilverStone by Hunt. Upon the announcement to staff of the proposed affiliation and during subsequent meetings with managers and staff, RWF department heads directed questions verbally to management concerning possible administrative changes as a result of an affiliation. With the support of the Board, during meetings with managers and staff to discuss the affiliation, the administration encouraged them to voice their concerns and questions through follow-up communications. Based upon oral input subsequently received, staff supported the initiative to secure RWF's future through the affiliation.

During the Listening Session conducted on September 29, 2022, the RWF Board received comments from attendees in strong support of the proposal.

7. Provide copies of any minutes of RWF board meetings at which partnerships, affiliations, or mergers with organizations other than Silverstone were proposed or discussed. In addition, provide copies of any documents relative to such potential partnerships, affiliations, or mergers that were reviewed and/or considered by the RWF board.

During the 2000s, RWF's Board on occasion discussed possible affiliations or arrangements with other organizations, but none of these resulted in any formal documentation. These discussions concerned at various times organizations such as The Kendall Corporation, Exeter Hospital, Dartmouth Hitchcock Medical Center, New England Deaconess: Deaconess Abundant Life Communities, New Life

Management & Development, Inc., and The Huntington at Nashua. As late as June, 2021, Thomas Argue, CEO, met with the CEO of Wentworth Senior Living to review the ways in which the two organizations might be able to work together.

8. Provide the proposed amendments to RWF's articles of agreement and bylaws by which RWF plans to consummate the proposed transaction.

*Attached as **Attachment E** are the proposed amendments to the RWF Articles of Agreement and Bylaws to be adopted upon the closing of the affiliation.*

9. Please describe in detail the services that RWF intends to benefit from as a result of the Management Services Agreement provided as part of the notice. Please provide any analyses, estimates, reports, or other documentation discussing the financial impact to RWF as a result of obtaining these services through the Master Services Agreement.

Prior to Webster-at-Rye's CEO's retirement as of December 17, 2022, the management team at Rannie Webster Foundation consisted of a CEO, an Executive Director/Human Resource Director, and a Director of Nursing. Webster-at-Rye also employed a Business Office Manager and a Marketing Coordinator. Leading up to the decision to enter into the Affiliation Agreement, Webster-at-Rye's CEO and Executive Director were often required to wear multiple hats and spend critical time on administrative tasks due to the lack of "back of the house" support. Employee recruitment/retention and sales/marketing are two areas which RWF has identified as opportunities for cost reduction and increased revenue. Unfortunately, a lack of personnel and resources dedicated to these efforts has resulted in little to no change in the past two years.

By comparison, the management team at SilverStone includes a CEO, a CFO, a Human Resources Director, and a VP of Sales and Marketing. The business office employs four (4) employees, the HR department employs four (4) employees, and the sales office employs five (5) employees. This team provides the executive, administrative, financial, human resources and sales support for SilverStone's three separate entities: Hunt Community, The Huntington, and Hunt at Home. Each entity employs an executive director responsible for day-to-day management. The subsidiary entities share the expense of the management team.

The proposed Affiliation Agreement and Management Services Agreement present an ideal solution for Webster-at-Rye's financial challenges. The current management team does not have the bandwidth and financial resources to design and implement the kinds of changes needed to turn things around for Webster-at-Rye, and the organization is not in a financial position to expand its executive team. While an infusion of cash will provide immediate and short-term relief, without significant effort, the staffing shortages and occupancy rates will not improve. SilverStone has the manpower and the experience to bring about the necessary changes. By joining the SilverStone family, Webster-at-Rye will have access to the full range of management services which Hunt Community, The Huntington, and Hunt at Home have enjoyed.

By sharing management services with the existing SilverStone subsidiaries, Webster-at-Rye's costs for these services will be significantly less than if it were to contract these services individually. In addition,

for the initial three (3) years following the affiliation, SilverStone has agreed to a fee of 3% of net resident service revenue, which is significantly below market for these services.¹

10. Please explain the RWF board's decision to amend the Affiliation Agreement following submission of its Notice to the Director of Charitable Trusts.

The RWF Board approved an amendment to Section 2.7.1 of the Affiliation Agreement to comply with HUD's requirements that, as a borrower, RWF not incur any other debt. Thus, under the amendment to the Affiliation Agreement, in lieu of a revolving credit loan agreement and revolving credit promissory note, SilverStone has agreed to provide financial support to RWF through equity contributions of up to \$250,000 per quarter for a period of two years following the Closing of the Affiliation. After discussing the need for the change based on HUD's position, the RWF Board reviewed the proposed changes to ensure such an amendment did not create any unintended consequences or vulnerabilities. After review, the RWF Board was satisfied both organizations were still afforded the protections that had been built into the original document. The RWF Board especially welcomed the interim management services agreement based on Thomas Argue's earlier than anticipated departure, recognizing that this provides both organizations a jump start in implementing important procedural changes and avoiding a period without the professional oversight required after Mr. Argue's retirement as CEO.

11. Please provide the detailed terms of any and all bonds identified on Silverstone's consolidated financial statements for FY 2021 and 2022.

*SilverStone is subject to two outstanding bonds - Hunt Community and The Huntington at Nashua, respectively. Attached as **Attachment F** is a summary of the bonds. Please note that **Attachment F** contains a redaction pursuant to RSA 91-A:5, IV. A non-redacted copy has been separately submitted.*

B. Charitable Assets and Purpose

12. Provide a copy of RWF's current charity care policy, as well as an anonymized list of charity care recipients and value of charity care provided for the previous three fiscal years.

*Attached as **Attachment G** is a summary of the Webster at Rye Retirement Community Subsidy Program. This Program stems from the Consent Decree entered into between RWF and the Charitable Trusts Unit approximately 35 years ago, which required interest earned from investments to be used within a one-year period to provide subsidized care.*

13. Describe in detail what changes, if any, will occur as a result of the proposed transaction to RWF's charity care policy and the charity care provided pursuant thereto.

¹ It should also be noted that the Webster CEO, Thomas Argue, retired effective December 17, 2022 and no replacement has been hired. Due to the need for executive leadership pending approval of this affiliation, the parties have entered into an Interim Management Services Agreement under which SilverStone has begun providing all of the same management support at an even further reduced fee of \$10,000 per month.

There are no plans to change the amount of charity care provided. Webster-at-Rye does not require residents to vacate their units if they run out of money. This is especially significant in assisted living and memory care because the State's reimbursement at present is extremely low at \$56.88 per diem, resulting in a large subsidy.

14. Please provide a detailed explanation of how the proposed transaction will address the needs identified in RWF's most recent community needs assessment.

Community Needs Assessment items have been identified to include additional skilled nursing, Alzheimer's care, hospice, mental health services, family support services, and respite care therapy and exercise programs; each of these services have been identified in the community needs assessment, and each is a service that would grow with this project. Adult day care has a greater probability of being added to Webster-at-Rye's continuum-of-care because Silverstone's financial strength increases the likelihood of the Rye Planning Board's approval of this project. In addition, Webster-at-Rye has unused, but eligible, nursing home bed licenses which can be placed into active use despite the existence of the state-wide moratorium on new bed licenses. This provides Webster-at-Rye with a unique opportunity held by no other New Hampshire nursing home and represents an opportunity that RWF could only undertake as a result of SilverStone's financial support through the Affiliation.

15. Confirm that RWF is not a Continuing Care Retirement Community ("CCRC"), and that this transaction will not bring RWF within the definition of a CCRC in RSA 420-D.

Webster at Rye is not a CCRC, nor will this affiliation bring RWF within the definition of a CCRC.

16. Provide a list of all donor restricted funds held by RWF, include a description of the purpose of each of the funds, the dates and amounts of the initial and any subsequent contributions, the current values of each of the funds, and the annual appropriation for expenditure from each of the funds.

*Webster has three donor restricted funds, the two trust funds, Fiscal Prudence and Residents' Assistance, and a much smaller donor restricted fund for small donations made with a specific intent. Both trust funds were established as a result of a Consent Decree entered into with Charitable Trusts with an initial market value of \$800,000 each. As of November 30, 2022, the Fiscal Prudence Fund has a market value of \$982,409.85 and the Residents' Assistance fund has a market value of \$1,767,705.36. The Fiscal Prudence fund was so named as the Consent Decree made it available to support operations in difficult years. This was utilized for that purpose many years ago. Subsequently years passed without any UPMIFA or other withdrawals. Over the past 3-4 years a 7% UPMIFA withdrawal has been made from both funds based on a rolling 36-month market value average. Attached as **Attachment H** are the December 2022 Residence Assistance statement and December 2022 Fiscal Prudence Statement. Please note that **Attachment H** has been redacted pursuant to the provisions of RSA 91-A:5, IV. A non-redacted copy has been separately submitted.*

C. Notice

17. To the extent not already provided, provide copies of any communications from RWF or Silverstone to RWF residents regarding the proposed transaction.

*Attached as **Attachment I** is the correspondence regarding the Affiliation.*

18. Describe any changes made to the proposed transaction as a result of the public listening session conducted on September 29, 2022.

The Listening Session demonstrated to the RWF Board that the Rye community considers Webster-at-Rye an important and unique institution integral to the health of the community, and that Webster-at-Rye's reputation historically has augmented the community's sense of well-being. As a result, the parties amended the Affiliation Agreement by adding a new section 2.4.5 to clarify that the trade name "Webster-at-Rye" will continue to be employed.

D. Other

19. Describe any plans developed by Silverstone and RWF for integrating their cultures, processes, employment practices and policies, pay and benefits, and philosophies. If the plans include engaging an organizational consultant, provide the name of the consultant.

The first topic of discussion when the two Boards' met concerned the integration of their respective cultures and whether, indeed, successful integration could occur. The Boards exchanged and evaluated employee personnel policy manuals, pay scales and benefits, and discussed the variances attributable to the organizations' different employment markets. In addition, each Board examined the management philosophy of the other as well as that of management and staff. Both teams were pleased to find philosophies, cultures, and management styles closely aligned. Since then, Department heads from both organizations have met to share their individual approach.

It is anticipated that the integration of Webster and SilverStone will occur gradually over the course of several years. As described in the Notice, Webster will continue to have its own independent board of directors. However, immediately following the closing, up to three new members will be appointed by SilverStone and two members of the Webster Board will be appointed to the SilverStone Board. This will create an immediate channel for communication between the two entities at the highest level. In addition, as also described in the Notice and in response to Request A(9) above, SilverStone will immediately begin providing management services to Webster under the terms of the Management Services Agreement. In fact, those services are already being provided under the Interim Management Services Agreement. A notable change will be the appointment of SilverStone's CEO, Brian Newman, as CEO of Webster (to replace Webster's now-retired CEO, Thomas Argue). This will give SilverStone direct oversight over Webster's operations and will align Webster with the management structure of the existing SilverStone subsidiaries. The transition of other management services may occur more gradually but one of the initial goals is for SilverStone's Human Resource and Sales staff to begin working with Webster to implement new strategies for addressing employee recruitment/retention and resident occupancy rates. Thus, it is expected that these two areas of Webster-at-Rye's operations will be the first to implement changes modeled after SilverStone strategies. In addition, there are likely to be opportunities to achieve savings

through combined purchasing power and sharing of services. Although there is not a timeline for these measures, it is anticipated that the Boards will begin exploring these opportunities soon after the closing.

Please let me know if you have any other questions or would like to follow up any of these responses.

Very truly yours,



Andrew B. Eills

Attachments

cc: Michael R. Haley, Assistant Director (via email michael.r.haley@doj.nh.gov)
Rannie Webster Foundation Board of Trustees
Kathleen C. Peahl, Esq.