

DISCLOSURE STATEMENT

May 31, 2022

**MATTHEWS GLEN
733 Pavilion View Drive
Matthews, NC 28105-9114
(704) 845-5900**

**A CONTINUING CARE COMMUNITY
OWNED BY**

ACTS RETIREMENT-LIFE COMMUNITIES, INC.®

The date of this continuing care disclosure statement is May 31, 2022. Article 64 of Chapter 58 of the North Carolina General Statutes, entitled "Continuing Care Retirement Communities," requires delivery of a current continuing care disclosure statement prior to the signing of a resident contract providing for continuing care. This continuing care disclosure statement shall be considered current and may be delivered by Matthews Glen at any time prior to September 28, 2023, unless Matthews Glen determines that a revision is necessary before that date. This continuing care disclosure statement has not been reviewed or approved by any government agency or representative to ensure the accuracy or completeness of the information set out.

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DISCLOSURE STATEMENT

In accordance with Article 64 of Chapter 58 of the North Carolina General Statutes, this statement is provided to all prospective residents of Matthews Glen, a continuing care retirement community.

ORGANIZATION INTRODUCTION AND INFORMATION (Corporation)

The provider and owner of Matthews Glen is ACTS Retirement-Life Communities, Inc.® (“Acts”), a Pennsylvania nonprofit corporation with business address at 420 Delaware Drive, P.O. Box 2222, Fort Washington, PA 19034. Acts is a nonprofit corporation which qualifies as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the “Code”). Acts is exempt from federal income taxes on its exempt income pursuant to Section 501(a) of the Code. Acts is affiliated with other nonprofit organizations with similar missions and purposes to serve senior adults. These affiliated organizations also qualify as organizations described in Section 501(c)(3) of the Code and are exempt from federal income taxes on their exempt income pursuant to Section 501(a) of the Code, and include ACTS Retirement Services, Inc., ACTS Legacy Foundation, Inc., ACTS Management Services, Inc., ACTS Signature Community Services, Inc., ACTS Acquisition and Development Company, LLC, Acts Alliance Management, LLC d/b/a Willow Valley Living, Heron Point of Chestertown, Inc., Presbyterian Retirement Corporation, Inc. d/b/a Westminster Village, The Evergreens, and Integrate, Inc. ACTS Retirement Services, Inc., the sole corporate member of Acts, will become the sole corporate member of Willow Valley Communities, effective May 1, 2022. Acts is not affiliated with any other religious, nonprofit or proprietary organizations or management entity. Acts, ACTS Management Services, Inc., ACTS Signature Community Services, Inc. and Acts Alliance Management, LLC (collectively, the “Obligated Group”) are jointly and severally obligated on certain debt and other obligations of the Obligated Group. Other than as set forth in the preceding sentence, the affiliates of Acts are not responsible for the financial and contractual obligations of Acts. Acts has extensive experience in the ownership of lifecare facilities and currently owns or is affiliated with the following lifecare facilities in Pennsylvania, New Jersey, Delaware, Maryland, North Carolina, South Carolina, Georgia, Alabama, and Florida:

Fort Washington Estates (PA)	Fairhaven (MD)
Gwynedd Estates (PA)	Buckingham’s Choice (MD)
Spring House Estates (PA)	Bayleigh Chase (MD)
Southampton Estates (PA)	Matthews Glen (NC)
Lima Estates (PA)	Tryon Estates (NC)
Normandy Farms Estates (PA)	Park Pointe Village (SC)
Granite Farms Estates (PA)	Lanier Village Estates (GA)
Brittany Pointe Estates (PA)	Magnolia Trace (AL)
Cokesbury Village (DE)	Westminster Village (AL)
Country House (DE)	St. Andrews Estates (FL)
Manor House (DE)	Edgewater at Boca Pointe (FL)

The Evergreens (NJ)
Heron Point of Chestertown (MD)

Indian River Estates (FL)
Azalea Trace (FL)

Presently, approximately 10,067 residents live in the above listed facilities.

COMMUNITY INTRODUCTION AND INFORMATION (Community)

Matthews Glen is a lifecare community owned by Acts, a nonprofit company incorporated in the Commonwealth of Pennsylvania. Matthews Glen is affiliated with the organizations listed on the previous page. Its Board of Directors is the same as that of Acts as set forth below. The business address for each is c/o ACTS Retirement-Life Communities, Inc., 420 Delaware Drive, P.O. Box 2222, Fort Washington, PA 19034.

With the exception of Gerald T. Grant, Marvin Mashner and Rev. George R. Gunn, Jr., the individuals listed below as members of the Board of Directors of Acts, while having broad experience in business, philanthropic and/or facility matters, have no direct business experience in the operation or management of lifecare facilities aside from their connection with Acts as members of its Board of Directors.

ACTS RETIREMENT-LIFE COMMUNITIES, INC. BOARD OF DIRECTORS

<u>Name</u>	<u>Title</u>
Gerald T. Grant	Chief Executive Officer
Karen I. Christiansen, CMA*	President and Assistant Treasurer
John L. Esterhai, Jr., MD	Chairman
Dilip A. Kulathum	Vice Chairman
Elric C. Gerner	Secretary
Michael D. Kelly	Treasurer
Glenn D. Fox, Esquire*	Assistant Secretary
Susan Allmond	Director
Warren Callaway	Director
Thomas D. Clemens	Director
H. Bruce Detweiler, CPA	Director
Thomas A. Dunn, III	Director
Robert B. Evans	Director
Jill Gilbert	Director
Jason Greer	Director
Rev. George R. Gunn, Jr.	Director
John E. Lammers, MD	Director

Paul M. Reinbold, MD, CMD	Vice President and Chief Medical Director
Peggy C. Valdivia	Vice President and Controller
Terri White	Vice President, Mid-Atlantic Region
Steve W. Messer	Campus Executive Director, Matthews Glen
Patrick Picciocchi	Executive Director, Matthews Glen

BACKGROUND OF OFFICERS AND SENIOR MANAGEMENT -- The management of Matthews Glen is provided at the direction of Acts' Board of Directors, Chief Executive Officer, and President. The following is a listing of and background information for the members of senior management for Acts.

Gerald T. Grant serves as Chief Executive Officer. He has been with Acts since 1988 and previously served as President and Chief Operating Officer and Executive Vice President & Chief Financial Officer. He currently serves as an officer and member of the board of Acts Retirement-Life Communities and affiliate entities. Mr. Grant has been active in various healthcare industry and financial organizations, including currently serving as a member of LeadingAge CEOMO. Mr. Grant has a Bachelor's Degree in Accounting from The Pennsylvania State University and a Master's Degree in Finance from LaSalle University.

Karen I. Christiansen serves as President, having most recently served as Executive Vice President & Chief Financial Officer. Ms. Christiansen has been with Acts since 1996. She serves on the Board of Deacons and is a member of Council for her church. In addition, Ms. Christiansen serves on the honorary council and previously served on the board of directors for a community not-for-profit organization that provides supportive programs and outreach services to those in need. She is a former member of the LeadingAge Budget and Finance Committee and previously served as a surveyor for CARF-CCAC and was a member of its Financial Advisory Panel. Ms. Christiansen is a Certified Management Accountant and a member of the Institute of Certified Management Accountants. She is a frequent speaker at regional and national conferences and was previously nominated for Philadelphia Business Journal's Women of Distinction Award. Ms. Christiansen has a Bachelor's degree in Accounting from Gwynedd-Mercy University, and a Master's degree in Finance from Temple University. In addition, she has completed a leadership program at The Wharton School of the University of Pennsylvania.

Glenn D. Fox, Esquire serves as Executive Vice President and General Counsel. Mr. Fox joined Acts in 2016 after having spent several years as its outside corporate counsel. Prior to joining Acts, Mr. Fox was a partner in a major law firm located in Philadelphia, Pennsylvania. He has more than 35 years of experience representing numerous business and nonprofit organizations, including senior living, long-term care and other health care providers, in corporate, transactional, tax and financial matters. Mr. Fox currently serves on the LeadingAge Legal

Committee, and previously served on the board of directors of a not-for-profit social service organization and as President of the board of directors of the foundation that supported that organization. Mr. Fox earned a Bachelor of Business Administration degree in Accounting from Temple University, a Juris Doctorate degree from Temple University School of Law, and a Master of Laws degree in Taxation from Villanova University. He is also a Certified Public Accountant.

Jonathan D. Grant serves as Executive Vice President and Chief Operating Officer effective March 3, 2022. He has over 38 years of experience in the retirement and health care environment. After joining the Acts Culinary Department in 1984 as a member of the wait staff, Mr. Grant held various positions within the organization, including Culinary Director, Administrator, Director of Community Information Technologies, Executive Director at St. Andrews Estates and Tryon Estates, Vice President Mid-Atlantic Region, and Senior Vice President Community Operations. Mr. Grant holds Bachelor of Arts and Master of Business Administration degrees from Florida Atlantic University and is a LeadingAge Leadership Fellow. In addition, Mr. Grant works with various industry related associations and boards.

Jefferson D. Kaighn serves as Executive Vice President and Chief Administrative Officer. He has over 30 years of executive management experience in a retirement and healthcare environment and is a licensed Nursing Home Administrator. Mr. Kaighn has been with Acts since 1994, having served as Administrator of Health Services, Executive Director, Vice President – Northeast Region, and Senior Vice President – Legislative Affairs & Organizational Development. He is a member of LeadingAge, and the various state affiliates of LeadingAge in which Acts operates. Mr. Kaighn is a frequent speaker at industry conferences. He is a past member of the LeadingAge PA Board of Directors and Budget & Finance Committee. He has served in the LeadingAge Public Policy Congress and as a member of the LeadingAge MD Public Policy Advisory Council, the LeadingAge NC Public Policy Committee, and the Abington Health Systems Lansdale – Community Advisory Board. Mr. Kaighn holds a Bachelor of Arts degree from Bucknell University and a Master of Business Administration degree from Eastern University.

Susan Ahern serves as Senior Vice President and Chief Financial Officer. Ms. Ahern has been with Acts since 2000, most recently serving as Vice President and Controller. She is a Certified Public Accountant and a Certified Management Accountant. Ms. Ahern is a member of the Pennsylvania Institute of Certified Public Accountants and the Institute of Certified Management Accountants. She is a former member of the CARF/CCAC Financial Advisory Panel and previously served as virtual financial surveyor for the organization. Ms. Ahern earned her bachelor's degree in Accounting from Messiah University, her Master of Business Administration degree from LaSalle University and is a Fellow in the LeadingAge Leadership Academy.

Gary J. N. Ginter serves as Senior Vice President, Procurement & Contract Management. Mr. Ginter has served Acts since 1989 in a variety of capacities and management supervision, previously serving as Vice President, Procurement and Contract Management. He has over 42 years of experience in healthcare procurement and supply chain management. Mr. Ginter holds a Bachelor of Science degree in Commerce from Rider University and a Master of Business Administration degree from Eastern University.

Deirdre E. Groenen, Esquire serves as Senior Vice President and Chief Human Resources Officer. Ms. Groenen joined Acts in 2020 and has a unique background of both legal and human resources experience. She practiced law in civil litigation for many years, including employment litigation and counseling. She also has significant experience in HR leadership, compliance, training and development, diversity and inclusion, discrimination and harassment training and prevention, federal and state leave laws, and employee benefits and compensation. Ms. Groenen is a frequent speaker on HR topics, including in the areas of diversity and inclusion and HR compliance, and is a member of the Society of Human Resources Management and Tristate HRMA. Ms. Groenen has a Bachelor's degree in Political Science from Temple University and a Juris Doctorate from Temple University's Beasley School of Law.

Kenneth J. Karmeris serves as Senior Vice President, Real Estate and Development Services. Mr. Karmeris began his career with Acts in 1995, serving as Executive Director at Indian River Estates, and then Southern Region Director of Construction and Project Management. After a brief departure from Acts in which he served as a partner at Contract Service Enterprises, Inc., he later returned to Acts as the Executive Director of Edgewater at Boca Pointe. Mr. Karmeris is a state certified licensed building contractor and has a Community Association Managers License. He maintains his CASP (Certified Aging Services Professional) Certification through the University of North Texas, along with his ALF (Assisted Living Facilities) Administrator's Certification through the University of South Florida.

Peter J. Kress serves as Senior Vice President and Chief Information Officer, and has been with Acts since 1993. Before joining Acts, Mr. Kress was President of his own software consulting company for over 10 years. He serves as a commissioner for the Center for Aging Services Technologies (CAST), an advisory board member for the CIO Consortium and is a co-founder of the LTPAC Health IT Collaborative. Mr. Kress is actively involved in promoting the use of technology to support well-being for seniors and frequently speaks on a variety of industry topics at regional, national and international conferences. He holds a Bachelor of Arts degree from Covenant College and a Master of Arts degree in Gerontology from the University of Southern California. Mr. Kress has also completed graduate studies in divinity and theology at Westminster Theological Seminary.

Jeremy O. Neely serves as Senior Vice President, Community Operations. Mr. Neely has 25 years of healthcare management and retirement living experience and is a licensed Nursing Home Administrator. He has served Acts in a number of roles since 1999, most recently as Vice President of the Northeast Region. He is a member of the LeadingAge PA board of directors, currently serving as Immediate Past Chair. He is also a Certified Aging Services Professional (CASP). Mr. Neely served as a CARF/CCAC surveyor and is a LeadingAge Leadership Fellow. He has a Bachelor's degree in Accounting and Economics from Eastern Connecticut State University and a Master of Business Administration degree from Eastern University.

James H. Petty serves as Senior Vice President, Strategy & Mission Development, previously serving as Vice President, Mid-South Region. He has 26 years' experience in the senior living industry. Mr. Petty has a varied background which began at Acts in 1996, and he previously served as the Executive Director at Park Pointe Village in Rock Hill, South Carolina. Licensed as a Nursing Home and Assisted Living Administrator, his background also extends into development and marketing, where he served as the vice president of marketing services for a senior living development firm. Mr. Petty has a Bachelor's degree in Business Administration from Gordon College and a Master of Business Administration degree from Augusta University. Mr. Petty is also a LeadingAge Leadership Fellow.

Holly S. Schade serves as Senior Vice President and Chief Clinical Officer. She has been with Acts since 1993, previously serving as Director of Nursing, Nursing Home Administrator, Information Systems medical liaison, and as the Executive Director of Spring House Estates. Ms. Schade is a licensed Nursing Home Administrator and a registered nurse certified in gerontology nursing. She holds a Bachelor's degree in Business Administration from Philadelphia University and a Master of Business Administration degree from Eastern University. Ms. Schade is also a Certified Aging Services Professional and a LeadingAge Leadership Fellow.

Lori M. Woodward serves as Senior Vice President and Chief Marketing Officer. Prior to joining Acts in 2012, Ms. Woodward held a series of leadership positions in the senior living industry, including positions with Hamlyn Senior Marketing, Springpoint Senior Living, Sunrise Senior Living and Presbyterian Homes of New Jersey. Ms. Woodward serves as a volunteer with Boys & Girls Club of Philadelphia. She earned a Bachelor's degree in English and Business from Millersville University, and a Master of Business Administration degree in Marketing from LaSalle University.

George R. Bryan serves as Vice President - Southeast Region. Mr. Bryan joined Acts in 1994 and has served in various roles throughout his career with Acts including Nursing Home Administrator, Executive Director, Campus Executive Director and now his current role as Vice President, Southeast Region. He has

served as a board member of the LeadingAge FL as well as a member of the CCRC Public Policy and Membership Committees. Mr. Bryan holds a bachelor's degree in Health Service Administration from the University of Central Florida, a Master of Business Administration degree from Florida Atlantic University and is a LeadingAge Leadership Fellow. He is a licensed Nursing Home Administrator in the state of Florida.

Stephen V. Eggles serves as Vice President, Mid-South Region. He has been with Acts since 1989, previously serving as Vice President, Nutrition and Wellness Services and as the Executive Director of Brittany Pointe Estates, Normandy Farms Estates, and Tryon Estates. Mr. Eggles serves on the Board of Directors for the Senior Dining Association and on the Public Committee with Leading Age NC. He holds a Bachelor of Science degree from The Pennsylvania State University and a Master's degree from Eastern University. Mr. Eggles is also a licensed Nursing Home Administrator.

Sean Fletcher serves as Vice President, Property Management and Construction Services. Mr. Fletcher has been with Acts since 2005, most recently serving as Corporate Director of Construction Services. He has a wide range of experience in construction and operations and has held positions as a project manager and estimator for Ernest Bock & Sons, a Philadelphia based general contractor, and spent 13 years in arena, stadium and convention center operations for Philadelphia based Spectacor. Mr. Fletcher also served eight years as Treasurer and Secretary of the Via Verde Master Home Owner's Association in Boca Raton, FL. He earned a Bachelor of Science degree in Sports Management from Temple University and has taken post graduate courses in Construction Management at Drexel University.

Christopher J. Hartman, Sr. serves as Vice President, IT Operations. He has been with Acts since 2003, most recently serving as Corporate Director of Technology Services. Mr. Hartman has over 27 years of experience in the information technology industry. He maintains his CASP (Certified Aging Services Professional) Certification through the University of North Texas, and he holds a Master's certificate in Business Leadership and Management from Michigan State University.

Stephen R. La Pierre serves as Vice President, Northeast Region. He joined Acts in 2018 and previously served as Executive Director at The Evergreens in Moorestown, New Jersey. Mr. La Pierre also worked for Acts in 2013 as the Executive Director at Manor House. He is a licensed Nursing Home Administrator in seven states and has over 30 years of experience in health care leadership. Mr. La Pierre earned his Bachelor of Science degree in Labor and Industrial Relations from the University of Wisconsin-Parkside, and his Master of Business Administration degree from the University of Wisconsin-Milwaukee.

Megan Longley serves as Vice President, Sales. Ms. Longley joined Acts in 2015 and has over 25 years' experience in sales and marketing, operations, and new business development in senior living services. At Acts, Ms. Longley provides leadership and guidance for the achievement of company-wide occupancy objectives and the strategic sales effort. She has held a series of senior leadership positions for senior living organizations operating in over 27 states to include adult daycare, CCRC, independent living, assisted living, memory care and home care. A few of her leadership positions have included Senior Vice President of Strategic Operations at Benchmark Senior Living and Director of Sales at Marriott Senior Living. She also holds a Personal Care Administrator license in the Commonwealth of Pennsylvania. She is an active supporter of ARC of Delaware County. Ms. Longley has presented sales and marketing best practices at multiple state and national conferences and has been awarded three National Mature Media promotion awards. Ms. Longley has a Bachelor of Arts degree in Gerontology/Social Work from The Pennsylvania State University and has completed post-graduate studies at Harvard University.

Teresa C. Moore serves as Vice President, Resident Health Services. Ms. Moore has more than 35 years of experience in healthcare and over 25 years of experience in the senior services industry. She has been with Acts since 1996 and most recently served as Corporate Director of Resident Health Services and, prior, as Regional Clinical Director, Nursing Home Administrator, and Director of Home Health. Ms. Moore has served as a CARF/CCAC surveyor and is a member of the American Association of Post-Acute Care Nursing. She is a registered nurse, a licensed Nursing Home Administrator, and holds a Bachelor's degree in Human Services from Gardner Webb University.

Patrick Plumadore serves as Vice President, Hospitality and Restaurant Services. He has held a series of leadership positions in the senior living and restaurant industry, including serving as Vice President of General Service, Vice President of Dining Services at Erickson Living in Catonsville, MD. In addition, he served as District Manager for the Guest Services company in Fairfax, VA. Mr. Plumadore holds an Associate's degree in Culinary Arts and a Bachelor's degree in Food Service Management from Johnson and Wales University. He also holds a Master of Business Administration degree from Frostburg State University.

Paul M. Reinbold, MD, CMD serves as Vice President and Chief Medical Director. Dr. Reinbold has provided services as a Medical Director to multiple skilled nursing facilities since 1995. He also previously served as the Corporate Medical Director and Clinical Operations Advisor to the CEO at Integrace, prior to the affiliation with Acts. Since 2010 he continues as the Medical Director of Bayleigh Chase in Easton, MD. He fulfilled a maximum term as Chief of the Medical Staff for the University of Maryland-Shore Medical Center Easton. Dr. Reinbold is certified as a Medical Director by the Society for Post-Acute and Long-Term Care Medicine

and is Board Certified in Internal Medicine by the American Board of Internal Medicine. He holds a Bachelor's degree in Biology from the University of Delaware, a Medical Degree from Hahnemann University School of Medicine and completed his residency in Internal Medicine at Lehigh Valley Hospital.

Peggy C. Valdivia serves as Vice President and Controller. Ms. Valdivia joined Acts in 2006, most recently serving as Corporate Director of Accounting. Ms. Valdivia is a member of the Pennsylvania Institute of Certified Public Accountants and a former member of the CARF/CCAC Financial Advisory Panel previously serving as virtual financial surveyor for the organization. Ms. Valdivia earned her Bachelor's degree in Accounting from Bloomsburg University of Pennsylvania, her Master of Business Administration degree from Eastern University and is a LeadingAge Leadership Fellow.

Terri White serves as Vice President, Mid-Atlantic Region. She has over 30 years of health care management experience. Ms. White is a licensed Delaware Nursing Home Administrator and is a Leading Age Leadership Fellow. She remains active in senior living as a member and chair elect of the Board of Directors for Leading Age New Jersey and Delaware. Ms. White also previously served on the Board of Directors for Delaware Health Care Facilities Association. Ms. White earned her Bachelor of Science degree in Organizational Communications from Ohio University and received her Master of Science management degree in Organizational Leadership from Wilmington University.

Steve W. Messer serves as the Campus Executive Director of Matthews Glen. He joined Acts in 1994 and has over 40 years' experience as a licensed Nursing Home Administrator and Executive Director. Mr. Messer holds a Bachelor's degree in History from the University of North Carolina in Charlotte.

Patrick Picciocchi serves as the Executive Director of Matthews Glen. Mr. Picciocchi has been with Acts since 2006. He is a licensed Nursing Home Administrator in the state of North Carolina and has served in several roles with Acts in his 15-year tenure. Mr. Picciocchi holds a Bachelor of Science degree in Hotel and Institutional Management from the University of Delaware and a Master of Business Administration degree from Delaware Valley College.

PROFESSIONAL SERVICES -- None of the individuals named above has a ten percent (10%) or greater interest in any professional service firm, association, trust, partnership or corporation which intends currently, or at some time in the future, to provide goods, leases, or services to the community, or to residents of the community, of an aggregate value of five hundred dollars (\$500.00) or more within any year. No professional service firm, association, trust, partnership, or corporation is providing services or goods of five hundred dollars (\$500.00) or more and/or has a ten percent (10%) or greater interest in any of the individuals named above.

CRIMINAL VIOLATION STATEMENT -- None of the previously listed officers or directors have been convicted of a felony or pleaded nolo contendere to a felony charge or have been held liable or enjoined in a civil action by final judgment for any felony or civil action involving fraud, embezzlement, fraudulent conversion, or misappropriation of property. None of the officers or directors listed above are currently subject to an injunctive or restrictive court order. None have had any state or federal license or permit suspended or revoked during the last five years as a result of an action brought about by a governmental agency or department that arose out of or related to the business activity of health care, including actions affecting a license to operate a foster care facility, nursing home, retirement home, home for aged, or facility subject to Article 64 or a similar law in another state.

LOCATION AND DESCRIPTION OF PHYSICAL PROPERTY -- The retirement community is situated in a suburban location on 50 acres in Matthews, North Carolina, approximately six miles southeast of Charlotte, in Mecklenburg County. Matthews Glen consists of: 1) 480 independent living apartments ranging in approximate sizes from 600 square feet to 1,693 square feet; 2) 20 independent living villas ranging in approximate sizes from 1,850 square feet to 2,100 square feet; 3) 60 assisted living rooms; and 3) 90 skilled nursing beds. The colonial style buildings are four stories and constructed of red brick with heated and enclosed walkways. The central facility includes the administrative offices and an auditorium, main dining room, craft room, recreational areas, multi-purpose room, woodworking shop, gift shop, café and beauty parlor.

ANTICIPATED EXPANSION OR DEVELOPMENT – Acts is in the process of expanding Matthews Glen through the development of land (approximately 45 acres) that is across the street from the existing continuing care campus. Through the end of 2018, phase one of the project added 146 independent living units consisting of 20 duplex villas and 126 apartments (within 7 buildings). The apartment buildings include 18 units each with underground parking. In addition to the independent living units, a clubhouse with dining facilities and other amenities was also constructed. Through the end of 2020, phase one of the project also added a new 90-bed skilled nursing facility that was constructed as a stand-alone building on the existing campus of Matthews Glen.

The final portion of phase one of the project also includes the conversion of the original skilled nursing center to assisted living units to accommodate the increase in independent living units, with the expected total unit count to be 100 assisted living units (an increase of 40). The conversion is expected to be completed by January 2022. A project development budget for phase one of the expansion is summarized on the following page.

<u>Sources:</u>	<u>\$ Millions</u>
Financing Proceeds*	<u>102.1</u>
Total Sources	<u>102.1</u>
<u>Uses:</u>	
Land Acquisition	5.6
Construction	86.8

Architectural and Design	5.0
Furniture, Fixtures and Equipment	2.2
Marketing and Development	<u>2.5</u>
Total Uses	<u>102.1</u>

*Phase one of the expansion project was initially funded through a revolving construction loan, which was partially repaid with proceeds from entrance fees for the new independent living units. Entrance fee proceeds for the new independent living units used to repay draws on the construction loan were estimated at \$51.4 million. The unpaid balance of the construction loan (approximately \$50.7 million) is expected to be permanently financed through two separate transactions. Approximately \$32.0 million was permanently financed in 2018 with the remaining \$38.6 million for the new skilled care center permanently financed in 2020.

Sitework for phase two of Matthews Glen expansion commenced in November, 2021. The final development phase of the 45 acre site project includes 8 duplexes and 4 apartment buildings (72 apartments), totaling an additional 88 Independent Living units. Phase two also includes numerous amenities between Matthews Glen original and expanded campus along with an expansion of the dining facilities within the expansion Clubhouse. The project is expected to be completed in Winter 2023.

<u>Sources:</u>	<u>\$ Millions</u>
Financing Proceeds*	<u>44.2</u>
Total Sources	<u>44.2</u>
 <u>Uses:</u>	
Construction	40.7
Architectural and Design	1.3
Furniture, Fixtures and Equipment	<u>2.2</u>
Total Uses	<u>44.2</u>

*Phase two of the expansion is expected to be funded through an available bank line of credit, which will be fully repaid with the proceeds from entrance fees for the new villas and apartments.

ESTIMATED NUMBER OF RESIDENTS -- At December 31, 2021, there were approximately 753 residents at Matthews Glen with 474 of the independent living units occupied.

ADMISSION POLICIES

APPLICATION FOR RESIDENCY – Resident’s application to Acts for residency in facility shall include the following:

- a) Application Form
- b) Priority List Deposit
- c) Application Fee

HEALTH CRITERIA -- Acts' policy is that residents be able to live safely alone in their own apartment at the time they are accepted as residents.

MEDICAL EXAMINATION FORM. Approximately thirty (30) days prior to the execution of the Resident Contract and payment of the reservation fee, a medical form is mailed to resident which must be completed by a physician at resident's expense, and immediately returned.

INTERVIEW WITH ADMISSIONS COMMITTEE. Approximately thirty (30) days prior to the execution of the Resident Contract and payment of the reservation fee, resident is scheduled for a final interview with an admissions committee or other authorized person(s) to determine if resident is able to meet physical and mental conditions of entrance. If resident is deemed to have met the physical and mental requirements, he/she will be granted entrance upon meeting the financial requirements.

INABILITY TO MEET HEALTH REQUIREMENTS. In the event an applicant is denied admission, the priority list contract shall terminate and the priority list deposit shall be refunded within thirty (30) days of the date of termination. Acts reserves the right to determine whether the applicant is unable to take occupancy due to illness, injury or incapacity. Where two individuals have signed the priority list contract, the death or a substantial change in the physical, mental or financial condition of one applicant shall not constitute termination.

INABILITY OF ONE RESIDENT TO MEET PHYSICAL REQUIREMENTS. Please reference the previous section, "Inability to Meet Health Requirements."

FINANCIAL AND INSURANCE CRITERIA

REVIEW OF FINANCIAL CONDITION. Approximately thirty (30) days prior to the execution of the Resident Contract and payment of the reservation fee, resident will be given a financial qualification form which will be completed by resident and returned to Acts before the welcome interview is scheduled. The finance department will review the financial condition of the resident's estate and approve financial qualification prior to the execution of the Resident Contract. In the event that resident is unable to meet these financial conditions, the priority list contract shall terminate and the priority list deposit shall be refunded within thirty (30) days of the date of termination.

REQUIRED INSURANCE. As a condition to admission, resident will, prior to the date of availability, enroll in part A of the Medicare program and subscribe to and pay for coverage under part B of the Medicare program. If not eligible for Medicare, resident will enroll in some other insurance program providing equivalent benefits as approved in writing by Acts. Additionally, resident will subscribe to and pay for Medicare supplemental coverage (commonly referred to as "medigap insurance," covering days 21 through 100 of skilled care services), as approved by Acts.

Throughout the duration of the Resident Contract, resident shall maintain, at resident's expense, the required insurance coverage. Proof of required insurance coverage must be provided to Acts prior to the date of availability. Acts may require resident to provide proof of required insurance from time to time after occupancy. Should resident fail to arrange for or maintain required medical insurance coverage, resident will be responsible for all charges that otherwise would have been reimbursed through these required insurance programs and shall demonstrate adequate financial resources for such coverage to Acts upon request.

Medicare Part A co-insurance for skilled days 21 through 100, and Medicare Part B annual deductible and co-insurance are the responsibility of resident.

ASSIGNMENT OF REQUIRED INSURANCE AND THIRD PARTY PAYMENTS. Resident assigns and transfers over to Acts all rights of resident to required public and private insurance and benefits to the extent necessary to pay Acts for services provided to resident under the Resident Contract. If resident becomes eligible to receive payment from any third party for services provided under the Resident Contract by Acts, resident shall at all times cooperate fully with Acts and each third party payor so that Acts may make claim for and receive any applicable third party payments. Resident authorizes Acts to make any and all claims for such insurance and benefits and agrees to execute all documents necessary to enable Acts to collect or enforce such claims. If for any reason Acts cannot apply directly for such benefits, resident shall from time to time apply for the payments for services provided by Acts to which resident is entitled under applicable insurance benefit programs, and pay to Acts the benefits received within ten (10) days of payment by the third party payor.

ENROLLMENT IN A HEALTH MAINTENANCE ORGANIZATION ("HMO") OR OTHER MANAGED CARE PLAN. Resident may only enroll in a health maintenance organization ("HMO") or other managed care plan for which Acts is a network or participating provider unless Acts provides prior written consent. Prior to enrolling in any HMO or managed care plan, resident shall sign an addendum identifying the plan and reflecting Acts' approval or disapproval. In the event that resident subscribes to an HMO or other managed care plan, including a managed care plan that provides Medicare benefits, and Acts is not a participating provider in resident's managed care plan, Acts may elect, at its option, to attempt to negotiate a contract with and obtain payment from resident's managed care plan for covered services to be provided by Acts. If Acts is or becomes a network provider in resident's managed care plan, Acts reserves the right to withdraw from participation as a network provider. If resident's managed care plan and Acts do not reach an agreement on the terms under which services would be provided, or if resident's managed care plan does not agree to provide payment for covered services provided by Acts or if Acts withdraws from participation in resident's managed care plan, resident shall either transfer to and receive services from a participating provider in resident's managed care plan or shall pay Acts, in addition

to the monthly rate, the daily rate for routine nursing care services which would have been covered by Medicare indemnity coverage, but only for the limited period of time during which Medicare or other required insurance coverage would have been available. In the event that resident is transferred to a provider participating in resident's managed care plan, resident shall continue to pay the monthly rate and additionally all costs and charges related to the transfer to and occupancy of the participating provider. There will be no reduction in the monthly rate as a result of resident's participation in any health insurance program or managed care plans which provide for payment for services rendered or made available by Acts. Any co-insurance required by the HMO or managed care plan shall be paid by resident.

AGE REQUIREMENTS -- As a condition to admission, resident will supply satisfactory evidence that he/she has obtained his/her sixty-second (62nd) birthday by the date of availability.

CHANGES OF CONDITION OF RESIDENT PRIOR TO OCCUPANCY

a) Change in financial condition. If, after the date of accepting and signing a Resident Contract by both parties and prior to the date of occupancy of a residential unit, a change in resident's financial condition occurs and resident no longer qualifies under Section 2.1 of the Resident Contract, Acts reserves the right to terminate the Resident Contract. Any portion of the entrance fee that has been paid shall be refunded in full no later than sixty (60) days after the effective date of termination of the Resident Contract.

b) Change in medical condition. Once a Resident Contract is accepted and signed by both parties, the Resident Contract shall not terminate solely due to a change in medical condition. However, Acts reserves the right to determine the appropriate living accommodation.

CANCELLATION/TERMINATION -- (Please reference Section 13, "Termination of Resident Contract" of the Resident Contract and Section 5, "Termination of Addendum" of the Addendum for Modified Health Care Plan for more details).

TERMINATION BY RESIDENT PRIOR TO OCCUPANCY. If resident or resident's legal representative notifies Acts in writing of his/her election to withdraw or terminate the Resident Contract before resident takes occupancy, the Resident Contract with said resident shall automatically be terminated. If resident dies before the date of availability, or if, through illness, injury, or incapacity, resident is precluded from taking occupancy and becoming a resident under the terms of the Resident Contract, the Resident Contract shall be automatically rescinded. The resident or his/her designated beneficiary shall receive a refund in accordance with Subsection 14.1 of the Resident Contract.

TERMINATION BY RESIDENT DURING THIRTY (30) DAY RESCISSION PERIOD. Resident or resident's legal representative may terminate the Resident Contract within thirty (30) days of the later of the execution of the Resident Contract

or the receipt date of this disclosure statement by signing the 'Notice of Right to Rescind' and delivering it to Acts. Resident is not required to move into the retirement community before the expiration of this thirty (30) day rescission period.

TERMINATION BY RESIDENT DURING TRANSITION PERIOD. After the lapse of the thirty (30) day rescission period and before the lapse of a one hundred twenty (120) day period commencing on the earlier to occur of (i) the date resident takes occupancy or (ii) the date of availability of residential unit (the "transition period"), resident or resident's legal representative, may terminate the Resident Contract by giving written and personally signed notice of termination to Acts. Resident shall surrender the residential unit within a period of thirty (30) days from the date on which such notice is received by Acts. The Resident Contract shall terminate on the date of surrender. Resident shall be entitled to a refund, as provided in Subsection 14.1 of the Resident Contract.

TERMINATION BY RESIDENT AFTER THE TRANSITION PERIOD. Resident or resident's legal representative has the right, at any time, to terminate the Resident Contract by delivery to Acts of written notice of his/her intent to do so. The written notice need not cite a specific reason for the termination but it shall state a date, of not less than thirty (30) days or more than one hundred and twenty (120) days, when the termination is to become effective, and on or prior to such date resident shall surrender the living accommodation. On the effective date of such termination, and contingent upon surrender of the living accommodation, resident's obligation to continue monthly rate payments shall cease and resident shall be entitled to a refund, if any, as provided in Subsection 14.2 of the Resident Contract.

TERMINATION BY DEATH OF RESIDENT. Unless sooner terminated by its own provisions, the Resident Contract shall terminate at death of resident, whereupon all obligations of Acts under the Resident Contract, other than those relating to the removal of resident's personal property, shall cease. At the death of resident, resident shall have no further rights in the living accommodation, and Acts shall have immediate access to the living accommodation. The removal of any personal effects of resident in the living accommodation or from storage shall be the responsibility of resident's executor, administrator, or legal representative, or of other persons entitled by law to receive them. Acts will hold such personal effects for a period not to exceed thirty (30) days, but Acts is not responsible for loss or damage to personal property in its possession. At the death of resident, all entrance fee refunds, excess monthly rate payments (prorated daily to the date of surrender), and any other funds deposited with Acts under the Resident Contract shall be refunded in accordance with Section 14 of the Resident Contract.

In the event removal of resident's personal possessions is not accomplished within thirty (30) days, Acts has the right to continue charging the monthly rate or charge for storage of resident's personal possessions until such possessions have been removed from the living accommodation.

LIMITATIONS ON TERMINATION FOR SHARED OCCUPANCY. If any co-resident is precluded from taking occupancy of the residential unit because of death, illness, injury or incapacity, the Resident Contract shall remain in full force and effect as to the other co-resident(s), at the option of co-resident(s). The remaining co-resident(s) shall sign an addendum which changes the terms of the Resident Contract from shared occupancy to single occupancy, if applicable, and which reflects changes in the entrance fee and/or the monthly rate. As long as a co-resident continues to occupy any living accommodation within retirement community, the Resident Contract shall not terminate until the death, permanent transfer, discharge or voluntary departure of all co-residents from retirement community.

TERMINATION BY ACTS. Acts may terminate the Resident Contract prior to occupancy due to a change in financial condition or after occupancy for “just cause” (as described below), based on the judgment of Acts by providing resident with at least thirty (30) days written notice. If such action is taken by Acts, resident will have a maximum of sixty (60) days from the date of Acts’ notice to surrender the residential unit. On or before the termination date, resident shall surrender. On the date of surrender, resident’s obligation to continue monthly rate payments shall cease and resident or resident’s designated beneficiary shall be entitled to receive a refund, if any, as provided in Section 14 of the Resident Contract or Section 6 of the 50% Refundable Plan Addendum, whichever is applicable.

Just cause shall include, but not be limited to, (i) a default in payment (a default in payment occurs when monthly payments are not received in accordance with Section 9 of the Resident Contract), (ii) the submission or omission of any material false information in the application documents and process, (iii) the failure of resident to abide by Acts’ rules, regulations, policies and procedures, (iv) the breach of any of the other terms of the Resident Contract or addenda to the Resident Contract, or (v) a good faith determination in writing by Acts that continued occupancy by resident creates a serious threat or danger to the life, health, safety or peaceful enjoyment of resident or other residents or persons in retirement community. In situations where continued occupancy threatens the life, health, safety or peaceful enjoyment of resident or other residents, only such notice as is reasonably practicable under the circumstances will be provided to resident or resident’s legal representative, and termination may be effective immediately.

In the event the Resident Contract may be terminated contemporaneously with the Addendum for Modified Health Care Plan pursuant to Section 5 of the addendum, Acts, in its discretion, may provide resident an option to pay a lifecare conversion fee in accordance with Acts’ prevailing policy.

SURRENDER. The obligation to pay the monthly rate shall continue until surrender of the living accommodation by resident or by the estate or family or legal representative of resident in the case of death. The monthly rate shall be prorated for the month of surrender.

REFUND(S) APPLICABLE/NOT APPLICABLE -- (Please reference Section 14, "Refunds of Entrance Fee" of the Resident Contract for more details).

NOTICE OF TERMINATION PRIOR TO OR DURING TRANSITION PERIOD. Entrance fee payments will be refunded in full if the Resident Contract is terminated prior to occupancy or within the thirty (30) day rescission period, or if written notice of termination of the Resident Contract is received during the transition period and resident surrenders within thirty (30) days. The Entrance Fee refund will be reduced by any costs specifically incurred by Acts at the request of resident to the extent those charges were not paid by resident.

NOTICE OF TERMINATION AFTER TRANSITION PERIOD. In the event written notice of termination of the Resident Contract is received after the transition period and prior to death, resident is entitled to a refund of the entrance fee paid less the administrative fee and less a sum equal to two percent (2%) per month, or fraction thereof, of the amount of the entrance fee paid less the administrative fee for each month the Resident Contract has been in force, starting on the first day of the month after the earlier of the date of occupancy or date of availability, and ending on the date of surrender. The entrance fee refund will be reduced by any costs specifically incurred by Acts at the request of resident to the extent those charges were not paid by resident, and any amounts deducted to cover financial assistance.

In the event resident signed the 50% Refundable Plan Addendum to the Resident Contract for the Acts Life Care 50 plan, Acts will refund to the resident, resident's estate or designated beneficiary the refundable component of the entrance fee, which constitutes fifty percent (50%) of the net entrance fee plus any remaining balance of the amortizable portion of the net entrance fee, less any amounts deducted to cover financial assistance, as defined in the addendum, to cover costs incurred to refurbish, restore or repair the residential unit in the event of unreasonable wear and tear, or to cover costs incurred at the specific written request of resident, or to satisfy unpaid or subsidized charges.

TERMINATION BY DEATH OF RESIDENT PRIOR TO OCCUPANCY OR DURING TRANSITION PERIOD. In the event of the death of resident before occupancy or during the transition period, the entrance fee less those costs specifically incurred by Acts at the request of resident (to the extent those charges were not paid by resident), will be refunded to resident's estate or to resident's designated beneficiary. In situations of shared occupancy, in the event of the death of a co-resident before occupancy or during the transition period, resident's estate or his/her designated beneficiary shall receive a refund of the difference between the entrance fee for shared occupancy and the entrance fee for single occupancy for the residential unit at the time of signing the Resident Contract.

TERMINATION BY DEATH OF RESIDENT AFTER TRANSITION PERIOD. If death should occur after the transition period, resident is entitled to a refund of the entrance fee paid less the administrative fee and less a sum equal to two percent (2%) per month, or fraction thereof, of the amount of the entrance fee paid less the administrative fee for each month the Resident Contract has been in force, starting on the first day of the month after the earlier of the date of occupancy or the date of availability, and ending on the date of surrender. If death occurs after the fifty (50) month amortization period, the entrance fee is not refundable and shall automatically become the exclusive property of Acts upon the death of resident. In situations of shared occupancy, the amount of the entrance fee less the administrative fee shall be assigned to the surviving co-resident in the event of the death of a co-resident. Any entrance fee refund will be reduced by any costs specifically incurred by Acts at the request of resident to the extent those charges were not paid by resident, and any amounts deducted to cover financial assistance.

TERMINATION BY DEATH OF RESIDENT - ELECTION OF ACTS LIFE CARE 50 PLAN (FORMERLY 50% REFUNDABLE PLAN). In the event of the death of resident before occupancy or during the transition period, the entire entrance fee paid, less those costs specifically incurred by Acts at the specific written request of resident to the extent those charges were not paid by resident, will be refunded in full to resident's estate or to resident's designated beneficiary. If death should occur after the transition period, the refundable component of the net entrance fee shall be refunded to resident's estate or resident's designated beneficiary. Any unamortized balance of the amortizable portion of the net entrance fee shall be refunded with the refundable component. After the twenty-five (25) month amortization period, the amortizable portion of the net entrance fee shall not be refunded and automatically shall be retained by Acts upon the death of resident. In situations of shared occupancy, the amount of the amortizable portion of the net entrance fee shall be assigned to the surviving co-resident in the event of the death of a co-resident.

TERMINATION BY ACTS. In the event that Acts terminates the Resident Contract in accordance with Subsection 13.6 of the Resident Contract, resident shall be entitled to receive a refund, if any, for some or all of the entrance fee as provided in Section 14 of the Resident Contract or Section 6 of the 50% Refundable Plan Addendum, whichever is applicable.

CHANGE OF RESIDENTIAL UNIT. If resident is authorized by Acts to change and move to a smaller residential unit in accordance with the terms of the Resident Contract, resident is entitled to a refund of the difference, if any, between:

- a) Present residential unit. The current entrance fee, less a sum equal to two percent (2%) per month, or fraction thereof, of the amount of such

entrance fee for each month the Resident Contract has been in force, commencing from the date of availability, and,

b) Proposed residential unit. The current entrance fee, less a sum equal to two percent (2%) per month, or fraction thereof, of the amount of such entrance fee for each month the Resident Contract has been in force, commencing from the date of availability. This refund is payable pursuant to Section 14.6 of the Resident Contract.

TIME FRAME OF REFUND(S) -- As per Section 14.6, "Timing of Refund Payments", of the Resident Contract, prior to occupancy, any refunds of the entrance fee shall be made within sixty (60) days of Acts' receipt of resident's written notice of intent to cancel the Resident Contract. After occupancy, any refund of the entrance fee shall be made within one hundred twenty (120) days of the effective date of termination of the Resident Contract, or death. Please see Section 6(d) of the 50% Refundable Plan Addendum to Resident Contract for time frame of refunds applicable to the Acts Life Care 50 Plan.

MOVES -- (Please reference Section 11, "Relocation to a Different Living Accommodation or Outside Facility" of the Resident Contract for more details).

FROM ONE RESIDENTIAL UNIT TO ANOTHER AS REQUESTED BY RESIDENT. Upon resident's written request and written approval of Acts, resident may exercise a limited option to move from one residential unit to another in accordance with the prevailing policy. Resident must notify Acts in writing of the type of residential unit desired. Acts reserves the right in its sole discretion to approve or deny requests to move. In the event resident receives approval from Acts to move to another residential unit, resident shall sign an addendum to the Resident Contract reflecting all costs and charges related to exercising the option to move, including the entrance fee and monthly rate for the selected residential unit. Resident may be required to pay a refurbishment fee as determined by Acts in accordance with prevailing policy. If resident moves to a larger sized residential unit an additional entrance fee may be required in accordance with Subsection 11.1(a) of the Resident Contract.

FROM ONE RESIDENTIAL UNIT TO ANOTHER AS REQUIRED BY ACTS. Acts may relocate resident to a different residential unit in the retirement community, substantially similar to that selected by resident, if it determines that such a move should be made for the benefit of resident or for the proper operation of retirement community, as determined by Acts. In the event resident is directed to relocate, Acts shall be responsible for all reasonable moving and relocation expenses. Resident shall execute an addendum which shall reflect all changes in the monthly rate.

TRANSFER TO ASSISTED LIVING RESIDENCE, SKILLED CARE CENTER OR OUTSIDE FACILITY.

a) Conditions of continued occupancy. Resident shall have the right to occupy the residential unit for so long as resident satisfies the health and other conditions of continued occupancy.

b) Decision to Transfer.

(i) Authority to transfer. Acts may transfer resident from and between the residential unit and skilled care center or assisted living residence, or any other appropriate care facility, if it determines that such a move should be made because of the health and/or welfare of the resident, for the proper operation of the retirement community, to comply with regulations of the North Carolina Division of Facility Services, the North Carolina Department of Health, local regulations of the fire department, or any other duly constituted authority or agency, or to otherwise meet the requirements of law.

(ii) Role of Acts' utilization review committee. The decision as to whether a transfer shall be deemed temporary or permanent shall be made by Acts' utilization review committee. The utilization review committee shall consider the opinion of resident and the advice of a family representative, if available, and, if requested and at resident's expense, a private physician. The opinion of resident and advice of family and resident's physician is advisory only and shall not be binding on Acts. The utilization review committee's decision regarding the temporary or permanent nature of any transfer may be made at any time. Upon a determination by Acts' utilization review committee that resident is no longer capable of meeting the health or other requirements for occupancy of the residential unit, resident or resident's next of kin, legal representative or agent acting on resident's behalf, will be notified by Acts that arrangements will be made for resident's immediate transfer to an assisted living residence, a skilled care center or other appropriate care facility.

c) Transfer to assisted living residence. When resident is in need of assisted living services as determined by Acts' medical director and/or the utilization review committee, and does not need routine nursing care services, resident may be transferred permanently to Acts' assisted living residence, if available, or other facility providing assisted living services. If there is no co-resident in the residential unit, resident will, within thirty (30) days, surrender the residential unit. The residential unit then occupied by such resident shall be declared vacant and Acts may reassign the residential unit to another person.

d) Transfer to skilled care center. When resident is in need of routine nursing care services as determined by Acts' medical director and/or the utilization review committee, resident will be moved to a shared accommodation in the skilled care center or other facility providing routine nursing care services under the Resident Contract. Upon request, resident may have access to a private room, if available, in Acts' skilled care center for which an additional fee may apply. If, after continued evaluation, it is determined by Acts that resident cannot return to his/her residential unit, and if there is no co-resident in said accommodation, Acts may declare the residential unit vacant, and may reassign the residential unit to another person. Resident will, within a thirty (30) day period after such decision has been made, surrender the residential unit.

e) Transfer to outside facility. If it is determined by Acts' medical director and/or Acts' utilization review committee that resident cannot be cared for within the scope of the services Acts provides in the retirement community, or resident cannot otherwise meet the conditions of continued occupancy, and if there is no co-resident in the residential unit, Acts may declare the transfer permanent and the residential unit vacant, and reassign the residential unit to another person. Resident will, within a thirty (30) day period from the date the decision is made, surrender the residential unit and have all personal possessions removed from it.

f) Temporary and permanent transfers under Acts Modified Life Care Plan (formerly Modified Health Care Plan).

- (i) Temporary transfer. If resident is temporarily transferred to a skilled care center or assisted living residence, resident shall pay the then current per diem rate for routine nursing care or assisted living services and any other charges for ancillary or miscellaneous services, and shall pay the monthly rate to retain possession of the residential unit. In situations of shared occupancy where one co-resident is temporarily transferred to a skilled care center or assisted living residence, the monthly rate shall be reduced to the monthly rate for single occupancy of the residential unit, and the transferred co-resident shall be charged, and both co-residents shall be collectively responsible to pay, the then current per diem rate for routine nursing care or assisted living services, and any other additional charges for ancillary or miscellaneous services. In the event both co-residents are temporarily transferred to a skilled care center or assisted living residence, each co-resident shall be charged and shall pay the then current per diem rate for routine nursing care or assisted living services, and any additional charges for ancillary or miscellaneous services. In addition, the monthly rate shall be reduced to the monthly rate for single occupancy during any period of temporary transfer and will be paid by the resident or co-resident in order to retain possession of the residential unit.

- (ii) Permanent transfer. If resident is permanently transferred to a skilled care center or assisted living residence, then the obligation to pay the monthly rate shall cease, and resident shall be responsible for the payment of the then current per diem rate for routine nursing care or assisted living services, and any other additional charges for ancillary or miscellaneous services. In situations of shared occupancy where one co-resident is permanently transferred to a skilled care center or assisted living residence, the monthly rate shall be reduced to the monthly rate for single occupancy of the residential unit, and the transferred co-resident shall be charged, and both co-residents shall collectively be responsible to pay, the then current per diem rate for routine nursing care or assisted living services, and any other additional charges for ancillary or miscellaneous services, as well as the reduced monthly rate. In the event both co-residents are permanently transferred to a skilled care center or assisted living residence, each co-resident shall be charged and shall pay the then current per diem rate for routine nursing care or assisted living services, and any additional charges for ancillary or miscellaneous services and the obligation to pay the monthly rate shall cease and the residential unit shall revert to Acts.

After transfer to and occupancy in a skilled care center or assisted living residence for a cumulative period of three (3) years (calculated using the total number of days in which the then current per diem rate was paid for temporary or permanent use of a skilled care center or assisted living residence), the resident's obligation to pay the then current per diem rate for routine nursing care or assisted living services in accordance with the above terms and conditions shall be converted to an obligation to pay the then current monthly rate for routine nursing care or assisted living services under the "life care" arrangement provided for in the Resident Contract. Resident remains responsible for any other additional charges for ancillary or miscellaneous services. In situations of shared occupancy, the cumulative three (3) year period shall apply to each co-resident individually; meaning each co-resident pays the then current per diem rate during his/her first three (3) years of occupancy in a skilled care center or assisted living residence before his/her payment obligation is converted to the then current monthly rate.

g) Release of or return to residential unit after transfer.

- (i) Temporary transfer. If resident is admitted temporarily to Acts' skilled care center, assisted living residence, or a hospital or other outside facility, with a medical prognosis of recovery and return to health consistent with the conditions of continued occupancy, then resident shall retain occupancy of the residential unit for the purpose of resuming residency. During any period of temporary transfer,

resident shall continue to pay the applicable monthly rate for the residential unit. Resident may return to the residential unit which has been retained in accordance with the terms of this provision at such time as Acts determines that resident can satisfy the conditions of continued occupancy.

- (ii) Permanent Transfer. If resident is permanently transferred to Acts' skilled care center, assisted living residence, or a hospital or other appropriate outside facility, resident shall surrender the residential unit within thirty (30) days of written notice of Acts' decision to permanently transfer resident. If Acts, with the advice of Acts' medical director, determines that resident subsequently has recovered sufficiently to satisfy the conditions of continued occupancy of a residential unit, resident, upon request, shall be eligible for consideration to receive the next available residential unit with a floor plan comparable to the one relinquished, provided resident repays Acts any amounts refunded to resident under the resident contract and pays the applicable monthly rate.

MARRIAGES/SECOND OCCUPANT

NEW SECOND OCCUPANT. As per Section 10 of the Resident Contract, if resident decides to marry/reside with a non-resident while occupying the residential unit and desires that the new spouse/additional occupant share the residential unit, the spouse/additional occupant must comply with the entrance procedure outlined in the Resident Contract and shall execute a then current version of the Resident Contract. The spouse/additional occupant shall pay an entrance fee equal to the then current entrance fee for the smallest residential unit in the retirement community at the time the spouse/additional occupant takes occupancy. The prevailing monthly rate for shared occupancy will commence on the day the spouse/second occupant moves into the residential unit. In the event the spouse/additional occupant is not accepted as a new resident, resident may terminate the Resident Contract pursuant to Section 13 and receive any refund as set forth in Section 14.

RESIDENT MOVES INTO ANOTHER RESIDENT'S RESIDENTIAL UNIT. The resident vacating his/her residential unit is entitled to a refund of the original entrance fee determined by the following calculation: depreciation of the original entrance fee as per Section 14.2 of the Resident Contract or Section 5 of the 50% Refundable Plan Addendum, whichever is applicable, less one-half (1/2) of the entrance fee of the retirement community's smallest residential unit at the time the first of the two residents took occupancy. If the resident vacating his/her residential unit selected the Acts Life Care 50 Plan (formerly 50% Refundable Plan) at the time of original occupancy, only the amount that causes the vacating resident's refund to equal the refundable component of the entrance fee, as defined in Section 4 of the 50% Refundable Plan Addendum, shall be subtracted. If the

depreciated entrance fee is less than one-half (1/2) of the smallest residential unit, then one-half (1/2) of the smallest residential unit shall not be subtracted. If the entrance fee is fully depreciated, the vacating resident shall receive a refund of ten percent (10%) of the net original entrance fee paid and payment of one-half (1/2) of the smallest residential unit shall be waived. The monthly rate for shared occupancy established for the original occupant of the residential unit will commence on the day the spouse/second occupant moves into the residential unit.

RESIDENTS LEAVE CURRENT RESIDENTIAL UNITS TO SHARE/OCCUPY LARGER RESIDENTIAL UNIT.

(a) If a larger residential unit is available when both residents choose to vacate the two smaller residential units: (1) the resident with the earlier Resident Contract will pay the difference between the smaller and the larger residential unit based upon the entrance fee schedule in effect at the time the first resident signed the Resident Contract, and (2) the other resident will be entitled to a refund of the original entrance fee determined by calculating the refund to which the resident would be entitled if he/she vacated the premises less one-half (1/2) of the entrance fee of the retirement community's smallest residential unit in effect at the time the earlier of the two residents took occupancy. If the depreciated entrance fee is less than one-half (1/2) of the smallest residential unit entrance fee, one-half (1/2) of the smallest residential unit shall not be retained by Acts. The prevailing monthly rate for shared occupancy will commence on the day both residents occupy the larger residential unit. However, residents must move to the new residential unit the earlier to occur of sixty (60) days from the date of selection or on the date the restoration of the new residential unit is completed. Failure to move will result in resident paying a prorated monthly fee for all three residential units from the date the new residential unit is available until the date of the move.

(b) If a larger residential unit is not immediately available, residents may choose to vacate one residential unit until a larger residential unit is available. The resident vacating the residential unit will be entitled to a refund as stated in RESIDENT MOVES INTO ANOTHER RESIDENT'S RESIDENTIAL UNIT. When a larger residential unit becomes available, the residents will move at their own expense from the smaller to the larger residential unit and will pay the difference between the smaller and larger residential unit based upon the entrance fee schedule in effect at the time the first resident signed the Resident Contract. The prevailing monthly rate for shared occupancy will commence on the day both residents occupy the smaller/larger residential unit.

(c) If transfers result in residents paying more for the larger residential unit than they would have paid for the residential unit as new residents at current prices, then residents may elect to cancel their current Resident Contracts and reenter the retirement community in the larger residential unit at the current entrance fee.

INABILITY TO PAY -- (Please reference Section 12 of the Resident Contract for more details).

FAILURE TO MAKE PAYMENTS. If resident fails to make any of the monthly rate payments at the required time, or to pay any other amounts shown on the monthly statement within thirty (30) days after the first day of the month, then Acts may give written notice to resident to pay all such amounts and furnish most recent financial records. If resident fails to comply with such notice, Acts may terminate the Resident Contract, and shall provide resident with the refund, if any, set forth in Section 14, less any outstanding balances or financial obligations.

SPECIAL CONSIDERATION. Without in any way qualifying the right of Acts to terminate the Resident Contract, if the sole reason for non-payment is insufficient funds, beyond the control of resident, the matter will be reviewed by Acts with resident. If resident presents facts which justify special financial consideration, Acts may solely at its discretion, partly subsidize resident's monthly rate, provided that such subsidy can be granted without impairing the ability of Acts to meet and continue its objectives while operating on a sound financial basis. All determinations made by Acts shall be regarded as a confidential transaction between Acts and resident except for reports required by regulatory or other government bodies.

SUBSIDY BY ACTS. Should Acts subsidize resident's monthly rate, resident agrees that any property which was his/hers at, or subsequent to the date of the Resident Contract, and remaining in his/her possession at death, is to be transferred to Acts for the purpose of repaying (at least to the extent of the value of such property) an amount equal to the aggregate amount of subsidy furnished resident by Acts during the period of residency. If the value of resident's possessions/property exceeds the aggregate amount of subsidy furnished by Acts, all excess proceeds will be returned to resident's estate. The Resident Contract shall operate as a grant, assignment, transfer and conveyance to Acts of such property, and resident hereby grants to Acts a security interest in such property, all of which may be enforced as a claim against resident's estate, and to effect such assignment and to enable Acts to enforce such claim, resident shall execute such further documents, instruments or contracts, such as stock powers, Uniform Commercial Code financing statements, deeds, bills of sale and the like, as Acts shall deem necessary or appropriate to protect or perfect its rights, interest and claims granted in this subsection. Acts may, from time to time, request financial statements from any resident whose monthly rate is subsidized by Acts. This section shall apply whether or not resident is in residence at retirement community at time of death and shall survive termination of the Resident Contract.

REDUCTION OF INCOME. Resident believes that his/her sources of income are adequate to meet his/her financial responsibility to Acts and to meet and pay any additional costs to resident, and to pay personal and incidental expenses during

the period of residency. If resident's sources of income do not meet these requirements, resident may be required to relocate to a smaller unit in the retirement community at the discretion of Acts, and resident will make every reasonable effort to obtain assistance from family or other available means, and from public benefits, to the extent that resident is eligible to receive them, including, but not limited to federal, state or county aid or assistance, Aid to the Blind, veterans' pension, etc. resident agrees that he/she will apply for and diligently seek such benefits.

SERVICES

STANDARD SERVICES AVAILABLE -- (Please reference Sections 4, "Living Accommodation and Common Areas" and 5, "Services Provided by Company to Resident and Resident's Responsibilities", of the Resident Contract for more details).

LIVING ACCOMMODATION. From and after the date of availability, resident has the right to occupy and use, in accordance with terms of the Resident Contract, the residential unit designated in Section 3, and accommodations in assisted living residence and skilled care center as defined in Section 11 of the Resident Contract.

FURNISHINGS. Acts will furnish wall to wall carpeting (except in kitchen and bath), range with oven, microwave oven, refrigerator, window blinds, and other fixtures in the residential unit in accordance with Acts' prevailing policy. Resident may upgrade, change or replace the furnishings provided by Acts at resident's cost. These furnishings, even if upgraded, changed or replaced at resident's cost, shall become the permanent property of Acts unless otherwise agreed to in writing by both parties. All other furnishings shall be furnished by resident, subject to supervision of, and approval by, Acts, and shall remain as resident's personal property, except as set forth in Subsections 5.6 and 5.9 of the Resident Contract.

COMMON AREAS. Subject to scheduling requirements and availability as established by Acts and as part of the services included in the monthly rate, resident may use, in common with all other residents, the dining room(s), lobby or lobbies, auditorium, social and recreational rooms, and other common areas furnished by Acts.

UTILITIES AND TAXES. As part of the services included in the monthly rate, Acts will furnish water, light, heat, electricity, air conditioning, and standard cable television service (excluding premium channels). Payments of real estate taxes are also included in the monthly rate. Payment of the monthly rate does not give the resident any interest in the land, improvements, or real estate of Acts and the retirement community. Resident shall participate in and assign all rights to any real estate, property tax or utility credit program.

TELEPHONE. Resident is required to have a telephone, or alternative communication device which is approved by Acts, in the residential unit, at resident's expense. Telephone service charges (excluding international calls) and connection charges are included in the monthly rate. Acts shall provide a directory of telephone numbers for access to retirement community personnel. Resident may have an option, at resident's expense, to add international calling plans.

TELEVISION AND INTERNET. Acts shall provide each residential unit with connection(s) for television signal and internet access through either an external antenna or cable system. Acts shall provide standard cable television service (excluding premium channels) and internet service. Costs for cable premium channels are not included in the monthly rate and shall be paid by resident. Resident may have an option, at resident's expense, to upgrade the internet service provided by Acts.

HOUSEKEEPING. Resident shall maintain the residential unit in a clean, sanitary and orderly condition, and is responsible for all usual light housekeeping tasks. Annually, Acts will provide such heavier cleaning services as it deems necessary. Acts reserves the right to inspect the residential unit periodically for cleanliness and safety. If resident fails to maintain the residential unit in a clean, sanitary and orderly condition as determined by Acts, then Acts reserves the right to clean the residential unit and resident shall pay the charges assessed by Acts for cleaning the residential unit. Additional housekeeping services are available to resident for an additional fee.

MAINTENANCE AND REPAIRS. Necessary repairs, maintenance and replacement of property and equipment owned by Acts will be performed and provided at the discretion of Acts. Repairs, maintenance, and replacement of property of resident will be the responsibility of resident.

LAUNDRY. Automatic washers and dryers for personal laundry are located within retirement community and are available to all residents. Acts will provide laundry service for flat linens, provided by resident, on a weekly basis as part of the monthly rate.

STORAGE. For each apartment style residential unit, Acts will make available additional storage in a designated area upon request of resident. Use of storage facilities shall be subject to direction and supervision of Acts. Resident is responsible for the risk of loss for all items stored in the storage units.

GROUNDS. Acts will furnish basic grounds keeping care including lawn service. Resident, at his/her own expense may plant and maintain the area adjacent to his/her residential unit, subject to the approval of Acts. All plants, trees and shrubs so planted shall immediately become and remain the permanent property of Acts.

TRANSPORTATION. Acts will provide transportation services on a scheduled basis, for purposes such as shopping, certain medical care services and other special functions, as defined by Acts.

FOOD AND MEALS - DINING ROOM SERVICE. Acts will, as part of the services included in the monthly rate, provide to resident, one meal for each day of the month (e.g. 30 meals in the month of November, 31 meals in the month of December), which may be utilized at resident's discretion, up to a maximum of three (3) meals per day, until the monthly meal allocation is exhausted for the applicable calendar month. Unused meals in one month may not be carried over to another month. Meals may be taken in excess of the monthly allocation and will be an additional charge. Meals shall be taken in a designated dining area at any time during the calendar month, at resident's discretion, although reasonable advance notice of attendance may be requested. Special dietary needs may be provided on request and subject to availability and Acts' policies and procedures. In addition, Acts will make available, in accordance with its scheduling policies, a private dining room for family gatherings or other special occasions of resident. For these occasions, in accordance with Acts' policies and procedures, resident may supply food from outside sources or use catering services provided by retirement community on a fee-for-service basis.

FOOD AND MEALS - TRAY SERVICE. Acts will, as part of the services included in the monthly rate, provide to resident tray service if ordered by Acts' medical director or persons authorized by Acts. Tray service shall be on a temporary basis, not to exceed three (3) days or fourteen (14) days following a three (3) day stay in the hospital or the skilled care center. Any resident requesting further tray service shall be evaluated by Acts' medical director and/or resident's physician to determine whether routine nursing care services are required. In the event that tray service extend beyond the above limits, Acts may charge resident for tray service meals in an amount determined by Acts, except if ordered by Acts' medical director.

FOOD AND MEALS - MEAL ALLOWANCE. If resident is away from retirement community for a period of fourteen (14) consecutive days or more, he/she may qualify for a limited meal allowance in accordance with Acts' prevailing policy which is subject to change. If the resident qualifies, the meal allowance will be applied as a credit on the monthly statement. Arrangements for this allowance must be made in advance and in writing, and is applicable only when resident is away from his/her residential unit, excluding stays in an assisted living residence or a skilled care center.

OUTPATIENT NURSING SERVICES. Outpatient nursing services are made available to resident in the retirement community during regular office hours in accordance with prevailing policy which is subject to change from time to time. Certain outpatient nursing services including routine nursing consultations, weight checks and blood pressure readings are included in the monthly rate. Other

services may be provided at a fee published in the nurse's office. Acts reserves the right to limit the outpatient nursing services which are included in the monthly rate.

SECURITY. Acts will, as part of the services included in the monthly rate, provide certain security services at the retirement community in accordance with Acts' prevailing policy which is subject to change from time to time.

PARKING. If resident owns and operates a registered motor vehicle, Acts shall provide a minimum of one uncovered parking space for each residential unit, which is included in the monthly rate. Any assignment of parking spaces will be made in accordance with prevailing policy which is subject to change from time to time. Guest parking is available in designated areas.

SERVICES AVAILABLE AT EXTRA CHARGE -- (Please reference Sections 4, "Living Accommodation and Common Areas" and 5, "Services Provided by Company to Resident and Resident's Responsibilities", of the Resident Contract for more details).

STRUCTURAL CHANGES. All structural or physical changes of any kind within or about the residential unit (i.e. shelves, framework, awnings, etc.) will be made only upon first being approved by Acts in writing and thereafter being subject to the supervision of Acts. The cost of any such change requested by resident shall be borne by resident and paid for before work begins, unless otherwise agreed to in writing by both parties, and all such changes shall immediately become and remain the permanent property of Acts.

GUEST USE OF DINING ROOM. Acts will serve meals to resident's guest in the dining room at an extra charge. Charges for guest meals will be included on resident's monthly statement. Resident is requested to provide Acts with advance notice of any anticipated guests.

GUEST MEAL CHARGES. Amounts charged to resident's monthly statement for guest meals will be made according to the currently established rates as set and periodically adjusted by Acts.

RESPONSE SYSTEM. Resident may contact retirement community personnel (i.e. security personnel or administrative staff) who will be available to respond twenty-four (24) hours a day. Retirement community personnel will contact emergency response personnel provided by county or city governments, or by various health care providers unaffiliated with Acts. Acts does not provide Emergency Medical Services ("EMS") or Emergency Medical Technicians ("EMT"). While the response system may be used to inform retirement community personnel of a medical emergency or a security concern, Acts disclaims any and all responsibility or liability for responding to medical emergencies or security concerns. Any costs associated with external emergency response personnel shall be payable by resident directly to the emergency response organization.

PROPERTY INSURANCE. Acts shall maintain insurance for Acts' property only, which is included in the monthly rate. Resident is required to purchase and maintain personal property and liability insurance in an amount acceptable to Acts as may be determined from time to time by Acts.

CHANGES IN THE SCOPE OF SERVICE AND ANCILLARY FEE SCHEDULE. The scope of services and related fees as reflected in the ancillary fee schedule for services not included in the monthly rate are subject to change and may be modified by Acts from time to time with sixty (60) days advance written notice of any changes, except for changes required by State or Federal assistance programs.

HEALTH AND ASSISTED LIVING SERVICES AVAILABLE -- (Please reference Section 6, "General Medical, Nursing and Assisted Living Services", of the Resident Contract for more details).

ASSISTED LIVING AND ROUTINE NURSING CARE SERVICES. As part of the monthly rate, Acts shall provide, or make available, in accordance with resident's needs, assisted living services in private accommodations and routine nursing care services in shared accommodations. In addition, residents who have executed the Addendum for Modified Health Care Plan shall be charged the then current per diem rate for assisted living services and routine nursing care services for a cumulative period of three (3) years (calculated using the total number of days in which the then current per diem rate is paid for temporary or permanent use of an assisted living residence or skilled care center). In the event that those services are provided on the campus of retirement community, resident shall sign an admission contract upon transfer to either the assisted living residence or skilled care center, which contract(s) will supplement the terms of the Resident Contract. In the event that any payment provision of the admission contracts in the assisted living residence or skilled care center are in conflict or inconsistent with any terms or provisions of the Resident Contract, then the Resident Contract shall control and govern the relationship between resident and Acts. As part of the monthly rate, Acts shall provide to resident three (3) meals per day when resident is in assisted living residence or skilled care center.

HOME CARE SERVICES. As part of the monthly rate, resident may be eligible for qualified home care services, as determined by Acts and in accordance with prevailing policy. Additional home care services may be available on a fee-for-service basis.

EXCLUSIONS (ITEMS AND SERVICES NOT COVERED BY THE MONTHLY RATE). Medical, health and ancillary services not included in or covered by the monthly rate include, but are not limited to, the cost of hospitalization, ambulance service, therapist or rehabilitation services, psychotherapy and psychiatric consultations or services, physician services, diagnostic services, private duty nurses, nursing assistants or companions, including temporary nursing or assistive

services in the residential unit, specialized treatment, refractions, eyeglasses, contact lenses, hearing aids, podiatry, dentistry, dentures, inlays, orthopedic devices and appliances such as walkers, braces, wheelchairs, special beds or chairs, incontinence supplies, personal care supplies such as disposable underpads, toiletries, digestive aids and pharmacy medications, drugs, including prescription and over-the-counter medications, medical equipment and supplies such as syringes, respirators, ventilators, oxygen tanks, intravenous items, catheterization materials, specialized treatment including ventilator dependent treatment, dialysis, and higher acuity nursing care services such as subacute care, transitional care or special rehabilitation services. Acts, in its discretion, may provide any or all of the services not covered by the monthly rate at an additional charge, or refer the resident to another provider capable of providing higher acuity care services. Ancillary and miscellaneous charges in an assisted living residence or skilled care center are not included in the monthly rate.

TRANSFER TO HOSPITAL OR OTHER SPECIALIZED SERVICE FACILITY. Acts does not provide ambulance services, hospital care, acute care, transitional care or subacute care or other services provided by a special service facility. Acts shall have the right to transfer resident to a hospital or other facility in accordance with the provisions of Subsection 11.3 of the Resident Contract.

ILLNESS OR ACCIDENT AWAY FROM RETIREMENT COMMUNITY. If resident suffers an accident or illness while away from retirement community, Acts will have no responsibility to pay for resident's medical, surgical, hospital or nursing care obtained offsite; however, after resident returns to retirement community, Acts shall assume its responsibility to provide those services as specified in the Resident Contract that are deemed necessary by Acts.

ACCIDENT OR ILLNESS CAUSED BY OTHERS. In the event resident is physically injured by an individual or entity not a party to the Resident Contract, resident grants to Acts a right of subrogation, and authorizes Acts to bring such demands, claims or legal proceedings in the name of or on behalf of resident for purposes of recovering from any third party or third party's insurer responsible for resident's injury, the dollar value of all care provided by Acts to resident as a result of any such injury. Resident shall cooperate and sign any documents necessary to facilitate Acts' ability to exercise its subrogation right. After all costs and expenses incurred by Acts (including legal fees and cost of care furnished to resident by Acts because of such injury) have been reimbursed to Acts through subrogation, the balance of any recovery, will be refunded to resident.

LIMITATIONS ON CARE. Acts is not designed to care for persons who abuse alcohol or drugs or who require specialized psychiatric care or service not authorized or permitted under the skilled care or assisted living licensing regulations. If Acts determines that resident's continued presence in retirement community is either dangerous or detrimental to the health, safety or peace of

resident or other residents, then Acts may temporarily transfer resident to an appropriate institution of Acts' choosing and resident shall continue to pay the monthly rate directly to Acts. Acts will then be responsible to pay to the institution an amount that shall not exceed Acts' prevailing daily rate for shared accommodations in the skilled care center. Any additional charges beyond the amount paid by Acts are the obligation of and shall be paid by resident. If resident prefers an institution other than that chosen by Acts, Acts will then be responsible to pay the lesser of Acts' daily rate for shared accommodations in the skilled care center or the daily rate of the institution chosen by Acts.

RESPONSIBILITY OF ACTS FOR SERVICES INCLUDED IN MONTHLY RATE. Resident shall not be liable to any health care provider for the cost of any services which are covered by Acts under the Resident Contract and which are paid for by resident through payment of the monthly rate. In the event that Acts authorizes any health care provider to provide services, which Acts is required to provide under the Resident Contract, Acts shall assume responsibility for the payment of those health care services.

PRIVATELY EMPLOYED PRIVATE DUTY CONTRACTORS. Subject to the approval of Acts, resident may utilize the services of privately employed private duty contractors, or other licensed agencies unrelated to Acts, who provide personal or health care services in the residential unit. Such services are subject to Acts' prevailing policy and requirements, which are subject to change, and must be approved in advance and in writing by Acts. Resident is responsible to pay for all such services. In exchange for Acts' approval of resident's utilization of a private duty contractor or other licensed agencies unrelated to Acts, resident releases Acts from any liability for the acts or omissions of any individual or agency providing services to resident in the residential unit. Live-in companions, whether paid or unpaid by resident are not permitted, except with Acts' advance written consent.

AVERAGE ANNUAL COST OF SERVICES – The average annual cost to Acts (Obligated Group) of providing to resident the care specified in the Resident Contract, based on 2021 information, is \$58,880 for residential services and \$153,246 for medical care services.

FEES

APPLICATION FEE/PRIORITY LIST DEPOSIT – Each resident, or couple of residents, executing a Resident Contract has paid to Acts a priority list deposit of one thousand (\$1,000) dollars. Additionally, a non-refundable application fee of two hundred (\$200) dollars is paid for each residential unit selected. The priority list deposit will be applied as a credit toward the reservation fee. If resident elects to terminate the Resident Contract before moving into and occupying his/her residential unit, the priority list deposit will be refunded. The application fee is not refundable in accordance with Acts' prevailing policy which is subject to change.

If resident elects to rescind the Resident Contract within thirty (30) days of the later of: (i) the date on which the Resident Contract is executed, or (ii) the date on which resident receives the disclosure statement required by North Carolina General Statutes, Section 58-64-20, resident shall receive reimbursement for all amounts paid, less any monthly fee applicable to any time resident actually occupied the apartment, the non-refundable application fee, and those nonstandard costs specifically incurred by Acts at the request of resident, as specified on the addendum to the agreement. Resident shall not be required to move into the living accommodation prior to the expiration of the latest thirty (30) day period described above.

ADMINISTRATIVE FEE – An administrative fee in an amount equal to five percent (5%) of the total entrance fee paid will be retained by Acts. The administrative fee is non-refundable after the transition period.

ENTRANCE FEE/MONTHLY FEE – Persons entering Matthews Glen as residents will be offered the option of choosing between three different financial arrangements, as shown on Attachment No. 10.

*The entrance fee of a specific living accommodation may be higher or lower depending on certain attributes of the living accommodation. Please contact a Matthews Glen Life Care Consultant for further information.

The entrance fees in Attachment No. 10, including the independent living units that are expected to be constructed as part of phase two of the expansion project identified on pages 11 and 12 of this disclosure statement, are subject to change without notice, and the monthly fees are subject to change with sixty (60) days prior written notice (in accordance with the terms of the Resident Contract).

The entrance fee is a one-time fee paid to Acts prior to the admission of resident to Matthews Glen. The entrance fee assures residents lifetime access to a living accommodation at Matthews Glen (subject to the terms and conditions of the Resident Contract). The amount of the entrance fee is based on the model, size, location and number of occupants of the residential unit. Residents who have chosen to enter Matthews Glen under the financial arrangement described as Acts Life Care 50 Plan will pay a greater entrance fee and a greater monthly fee than residents choosing the financial arrangement described as Acts Life Care Premier Plan. Residents who have chosen to enter Matthews Glen under the financial arrangement described as Acts Modified Life Care Plan will pay a lesser entrance fee and a lesser monthly fee than residents choosing the financial arrangement described as Acts Life Care Premier Plan.

For the financial arrangements described as Acts Life Care Premier Plan and Acts Modified Life Care Plan, the entrance fee less the administrative fee (the “net entrance fee”) is amortized by Acts in the amount of two percent (2%) per month for a period of fifty (50) months from the date resident actually takes occupancy of the residential unit or the date designated by Acts for resident to accept occupancy of the residential unit,

whichever is earlier. After the fifty (50) month period, there will be no refund of the net entrance fee. For the financial arrangement described as Acts Life Care 50 Plan, the net entrance fee shall be amortized by Acts in the amount of two percent (2%) per month for a period of twenty five (25) months from the date resident actually takes occupancy of the residential unit or the date designated by Acts for resident to accept occupancy of the residential unit, whichever is earlier. After the twenty five (25) month period, an amount equivalent to fifty percent (50%) of the net entrance fee shall be retained in full by Acts and amortization of the net entrance fee shall cease. The remaining refundable component of the net entrance fee shall not be amortized. Please see pages 18 through 20 of this disclosure statement for details surrounding situations in which resident would be due an entrance fee refund under either financial arrangement.

The entrance fee may be used by Acts for any proper corporate purposes of Acts, whether or not directly related to the contract and without consulting resident. Acts reserves the right to establish entrance fee and monthly fee rates of a different amount for persons entering Matthews Glen, and the rates need not be uniform with or proportional to those charged to resident.

The monthly fee is the charge per month for occupancy of the residential unit and shall commence on the date resident occupies a residential unit in Matthews Glen. Payment of the monthly fee will entitle resident to receive (i) the services that are specifically identified in Section 5 of the Resident Contract (and on pages 27 through 30 of this disclosure statement) as being provided to resident without additional charge by Acts and (ii) the general medical, nursing and assisted living services that are specifically identified in Section 6 of the Resident Contract (and on pages 31 through 33 of this disclosure statement) as being provided to resident without additional charge by Acts.

The monthly fee is payable in advance each month within five (5) days of resident's receipt of the monthly statement. In the event that the date of occupancy occurs after the first day of the month, the monthly fee shall be reduced on a pro-rata basis for the number of days between the first day of the applicable month and the date of occupancy.

NOTIFICATION OF FEE INCREASE(S) -- Resident is required to pay a standard monthly fee for the size of unit selected effective as of the first day of occupancy or the date of availability, whichever occurs first. The amount may be increased or decreased, but no such increase or decrease shall be effective until resident shall have received at least sixty (60) days prior written notice of such change unless such change is required by state or federal assistance programs. The obligation to begin paying the monthly fee shall be due and payable within five (5) days of the date of resident's monthly statement.

CHANGES IN FEES FOR THE PREVIOUS FIVE YEARS -- Set forth below is a table which shows the average amount of the increase in the first person/second person monthly fees for occupancy in all units at Matthews Glen for the past five years:

<u>Unit Size</u> (approx. sq. ft.)	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>Average</u>
635	112 / N/A	90 / N/A	70 / N/A	79 / N/A	71 / N/A	84 / N/A
750-820	119 / 63	95 / 67	74 / 52	84 / 59	75 / 53	89 / 59
964	128 / 63	103 / 67	80 / 52	90 / 59	81 / 53	96 / 59
1,066	139 / 63	112 / 67	87 / 52	98 / 59	88 / 53	105 / 59
1,141-1,385	155 / 63	124 / 67	96 / 52	109 / 59	98 / 53	116 / 59
1,400	168 / 63	135 / 67	105 / 52	118 / 59	106 / 53	126 / 59
1,489-1,495	164 / 63	131 / 67	102 / 52	115 / 59	103 / 53	123 / 59
1,600	179 / 63	143 / 67	111 / 52	126 / 59	113 / 53	134 / 59
1,693	164 / 63	131 / 67	102 / 52	115 / 59	103 / 53	123 / 59
1,850	195 / 63	157 / 67	122 / 52	137 / 59	124 / 53	147 / 59
2,100	207 / 63	166 / 67	129 / 52	145 / 59	131 / 53	156 / 59
% Increase	4.50% / 3.38%	3.75% / 3.75%	3.00% / 3.00%	3.50% / 3.50%	3.25% / 3.25%	3.60% / 3.40%

FINANCIAL INFORMATION

RESERVES, ESCROWS AND TRUSTS -- Acts has established reserve accounts in accordance with the terms of its debt obligations and to satisfy statutory requirements in Pennsylvania, Maryland, Georgia, Florida and North Carolina. The reserve accounts provide contingency funds for debt service requirements, renovation of physical plant and contractual obligations.

In compliance with North Carolina statutory regulations, Acts maintains a minimum reserve of \$9,110,576. Acts also participates in an Obligated Group financing which maintains a total debt service reserve of \$7,162,000 and cash and discretionary reserves totaling \$259,065,000 at year end 2021. These funds are invested in U.S. Treasury Notes, certificates of deposits, and other approved investments by designated trustees. Further explanation for the purpose and commitments on these reserves are detailed more fully in the audited financial statements (see Attachment Number 1).

COMPLIANCE WITH OPERATING RESERVE REQUIREMENT– In accordance with North Carolina General Statute 58-64-33, Acts maintains an operating reserve equal to twenty-five (25%) percent of the total projected operating costs, excluding depreciation and amortized expenses, of Matthews Glen for the period ending December 31, 2022 based on community occupancy in excess of ninety percent (90%) (the "Operating Reserve Requirement"). Matthews Glen has historically maintained an occupancy rate in excess of ninety percent (90%) and expects to continue to do so throughout 2022.

Assets Designated For Operating Reserve

The following assets are designated as the operating reserve as required by North Carolina General Statute 58-64-33:

Matthews Glen Operating Reserve	\$ 5,900,966
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These assets are invested in money market funds, short term investment funds and treasury securities. Future investment strategies will, of course, depend on market conditions as well as statutory requirements applicable to Acts.

Company policies and decisions relative to the investment of reserve and financial assistance funds and the application of financial assistance funds are under the direction of the finance committee of the board of directors. Within the parameters of these policies, specific investment decisions may be suggested by any of the five (5) finance committee members who may then forward their conclusions to the board of directors for formal authorization and enactment.

SUMMARY OF ACTUARIAL REPORTS – Acts engages an independent actuary to prepare actuarial compilations and compute future service obligations for management purposes only. Acts has had a comprehensive actuarial study completed for Matthews Glen as of December 31, 2019 that considered the anticipated expansion identified on pages 11 and 12 of this disclosure statement. The study resulted in the finding that the financial condition of Matthews Glen is in satisfactory actuarial balance as defined by the Actuarial Standards of Practice as they relate to continuing care retirement communities.

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ATTACHMENT NO. 1

**SPECIAL-PURPOSE COMBINED
FINANCIAL STATEMENTS FOR 2021 AND 2020**

ACTS RETIREMENT-LIFE COMMUNITIES, INC. (OBLIGATED GROUP)

**ACTS Retirement-Life Communities, Inc.
(Obligated Group)**

Special-Purpose Combined
Financial Statements and
Supplementary Information

December 31, 2021 and 2020

ACTS Retirement-Life Communities, Inc. (Obligated Group)

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December 31, 2021 and 2020

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Independent Auditors' Report

To the Board of Directors of
ACTS Retirement-Life Communities, Inc.

Opinion

We have audited the special-purpose combined financial statements of ACTS Retirement-Life Communities, Inc. Obligated Group (the Obligated Group), which comprise the special-purpose combined balance sheets as of December 31, 2021 and 2020, and the related special-purpose combined statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the special-purpose combined financial statements.

In our opinion, the accompanying special-purpose combined financial statements present fairly, in all material respects, the combined financial position of the Obligated Group as of December 31, 2021 and 2020, and the results of its operations and changes in net assets and its cash flows for the years then ended in accordance with the financial reporting provisions specified in the Master Trust Indenture dated December 1, 1996, as supplemented (the Agreement).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Special-Purpose Combined Financial Statements section of our report. We are required to be independent of the Obligated Group and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter - Basis of Accounting

We draw attention to Note 1 of the special-purpose combined financial statements, which describes the basis of accounting. The special-purpose combined financial statements are prepared on the basis of the financial reporting provisions specified in the Agreement, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the financial reporting provisions of the Agreement. As a result, the special-purpose combined financial statements may not be suitable for another purpose. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Special-Purpose Combined Financial Statements

Management is responsible for the preparation and fair presentation of the special-purpose combined financial statements in accordance with the financial reporting provisions specified in the Agreement. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of special-purpose combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the special-purpose combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Obligated Group's ability to continue as a going concern within one year after the date that the special-purpose combined financial statements are issued.

Auditors' Responsibilities for the Audit of the Special-Purpose Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the special-purpose combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the special-purpose combined financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the special-purpose combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the special-purpose combined financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Obligated Group's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the special-purpose combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Obligated Group's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Restriction on Use

Our report is intended solely for the information and use of the Board of Directors and management of the Obligated Group, the Master Trustee under the Agreement, and other parties as required under the related Master Continuing Disclosure agreement and is not intended to be and should not be used by anyone other than these specified parties.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the special-purpose combined financial statements as a whole. The combining information on pages 29 to 34 is presented for purposes of additional analysis and is not a required part of the special-purpose combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the special-purpose combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the special-purpose combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the special-purpose combined financial statements or to the special-purpose combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the special-purpose combined financial statements as a whole.

This report is intended solely for the information and use of the board of directors and management of the Obligated Group, and the North Carolina Department of Insurance and is not intended to be used and should not be used by anyone other than these specified parties.

Baker Tilly US, LLP

Philadelphia, Pennsylvania

April 29, 2022, except for our report above on the supplementary information,
as to which the date is May 26, 2022

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Special-Purpose Combined Balance Sheets

December 31, 2021 and 2020

(In Thousands)

	<u>2021</u>	<u>2020</u>		<u>2021</u>	<u>2020</u>
Assets			Liabilities and Net Assets		
Current Assets			Current Liabilities		
Cash and cash equivalents	\$ 18,417	\$ 19,166	Accounts payable and accrued expenses	\$ 89,906	\$ 90,270
Current portion of board-designated funds	228,771	220,727	Entrance fee deposits	17,334	13,150
Current portion of assets whose use is limited	66,557	80,380	Short-term indebtedness	67,993	46,880
Receivables, net of allowances for uncollectible accounts of \$2,990 in 2021 and \$1,561 in 2020	19,582	29,923	Nonrecourse indebtedness	17,912	11,740
Short-term note receivable			Current maturities of long-term debt	20,506	19,102
Prepaid expenses, inventory and deposits	11,718	9,728			
Due from affiliated organizations	26,880	17,913	Total current liabilities	213,651	181,142
Total current assets	<u>371,925</u>	<u>377,837</u>	Long-Term Debt	719,768	742,914
Board-Designated Funds	<u>10,000</u>	<u>10,000</u>	Accumulated Loss on Investment Contracts	8,049	11,045
Assets Whose Use is Limited	<u>90,521</u>	<u>105,935</u>	Refundable Portion of Entrance Fees	5,268	6,242
North Carolina Operating Reserve Funds	<u>8,566</u>	<u>8,150</u>	Deferred Revenue From Entrance Fees	<u>750,469</u>	<u>713,654</u>
Assets Held for Sale	<u>2,701</u>	<u>6,749</u>	Total liabilities	<u>1,697,205</u>	<u>1,654,997</u>
Intangible Asset	<u>4,450</u>	<u>-</u>			
Property and Equipment			Net Assets		
Land and improvements	95,030	94,764	Without donor restrictions	125,955	117,490
Building and improvements	1,965,955	1,879,147	With donor restrictions	25,109	33,856
Furniture, fixtures and equipment	158,980	153,455			
Construction in progress	112,266	80,798	Total net assets	<u>151,064</u>	<u>151,346</u>
	2,332,231	2,208,164			
Accumulated depreciation	<u>(978,870)</u>	<u>(915,336)</u>			
Property and equipment, net	<u>1,353,361</u>	<u>1,292,828</u>			
Deferred Costs, Net	<u>6,745</u>	<u>4,844</u>			
Total	<u>\$ 1,848,269</u>	<u>\$ 1,806,343</u>	Total	<u>\$ 1,848,269</u>	<u>\$ 1,806,343</u>

See notes to special-purpose combined financial statements

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Special-Purpose Combined Statements of Operations and Changes in Net Assets

Years Ended December 31, 2021 and 2020

(In Thousands)

	<u>2021</u>	<u>2020</u>
Operating Revenue		
Resident services revenue, net of amortization of entrance fees	\$ 318,599	\$ 314,674
Patient revenue from third-party payors	34,271	33,410
Investment income	12,889	9,254
Net assets released from restrictions to provide resident services	1,870	2,187
Other revenue	<u>15,528</u>	<u>14,866</u>
Total operating revenue before amortization of entrance fees	383,157	374,391
Amortization of Entrance Fees	<u>101,964</u>	<u>104,221</u>
Total operating revenue	<u>485,121</u>	<u>478,612</u>
Operating Expenses		
Salaries, wages and benefits	254,974	254,836
Contracted services	24,895	18,183
Utilities	22,554	22,373
Food	22,706	23,161
Supplies	19,862	20,562
Real estate taxes	11,335	11,251
Insurance	6,598	4,742
Other	<u>16,289</u>	<u>16,410</u>
Total operating expenses before depreciation, amortization and interest	379,213	371,518
Depreciation and Amortization	79,632	77,493
Interest, Net	<u>24,795</u>	<u>24,551</u>
Total operating expenses	<u>483,640</u>	<u>473,562</u>
Operating income	<u>\$ 1,481</u>	<u>\$ 5,050</u>

See notes to special-purpose combined financial statements

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Special-Purpose Combined Statements of Operations and Changes in Net Assets

Years Ended December 31, 2021 and 2020

(In Thousands)

	<u>2021</u>	<u>2020</u>
Changes in Net Assets Without Donor Restrictions		
Operating income	\$ 1,481	\$ 5,050
Net unrealized (loss) gain on investments and investment contracts	(4,649)	10,173
Loss on early extinguishment of debt	-	(4,652)
Net loss on nonoperating events	<u>(184)</u>	<u>-</u>
Net operating (loss) income	(3,352)	10,571
Net assets released from restrictions to acquire property and equipment	1,473	439
Reclassification of prior years investment return	<u>10,344</u>	<u>-</u>
Change in net assets without donor restrictions	<u>8,465</u>	<u>11,010</u>
Changes in Net Assets With Donor Restrictions		
Change in beneficial interest in the investments of ACTS Legacy Foundation, Inc.	1,597	3,212
Reclassification of prior years investment return	<u>(10,344)</u>	<u>-</u>
Change in net assets with donor restrictions	<u>(8,747)</u>	<u>3,212</u>
(Decrease) increase in net assets	(282)	14,222
Net Assets, Beginning	<u>151,346</u>	<u>137,124</u>
Net Assets, Ending	<u>\$ 151,064</u>	<u>\$ 151,346</u>

See notes to special-purpose combined financial statements

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Special-Purpose Combined Statements of Cash Flows

Years Ended December 31, 2021 and 2020

(In Thousands)

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
(Decrease) increase in net assets	\$ (282)	\$ 14,222
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	79,632	77,493
Amortization of entrance fees	(101,964)	(104,221)
Amortization of bond discount and premium, net	(3,245)	(3,387)
Amortization of deferred financing costs	605	838
Entrance fees and deposits from nonrefundable resale contracts	149,430	125,286
Refunds of entrance fees and deposits from nonrefundable resale contracts	(10,665)	(13,049)
Administrative fee included in gross entrance fees	(7,441)	(6,570)
Increase in deferred costs	(2,663)	(1,668)
Net realized and unrealized loss (gain) on investments	5,353	(13,055)
Change in fair value of investment contracts	(2,996)	1,630
Loss on early extinguishment of debt	-	4,652
Change in beneficial interest in the investments of ACTS Legacy Foundation, Inc.	8,747	(3,212)
Net change in due from affiliated organizations	(8,967)	(3,866)
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	4,836	(4,851)
Increase in prepaid expenses, inventory and deposits	(1,990)	(2,547)
(Decrease) increase in accounts payable and accrued expenses	(10,645)	17,630
Net cash provided by operating activities	<u>97,745</u>	<u>85,325</u>
Cash Flows From Investing Activities		
Increase in intangible asset	(4,450)	-
Purchase of property and equipment, net	(109,314)	(86,104)
(Increase) decrease in investments	<u>(12,424)</u>	<u>12,599</u>
Net cash used in investing activities	<u>(126,188)</u>	<u>(73,505)</u>
Cash Flows From Financing Activities		
Entrance fees and deposits from initial sale contracts	16,863	12,823
Refunds of deposits from initial sale contracts	(1,643)	(728)
Entrance fees from refundable contracts	202	-
Refunds of refundable entrance fees	(955)	(1,353)
Payment of accounts payable, construction	(14,057)	(29,824)
Proceeds from short-term indebtedness	61,416	69,076
Proceeds from nonrecourse debt	6,463	-
Payments on nonrecourse debt	(291)	-
Net proceeds from long-term indebtedness	-	126,000
Increase in deferred financing costs	-	(1,803)
Payments on short-term indebtedness	(40,303)	(111,516)
Payments on long-term indebtedness	<u>(19,102)</u>	<u>(17,413)</u>
Net cash provided by financing activities	<u>8,593</u>	<u>45,262</u>
Net (decrease) increase in cash, cash equivalents and restricted cash and cash equivalents	(19,850)	57,082
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning	<u>126,453</u>	<u>69,371</u>
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Ending	<u>\$ 106,603</u>	<u>\$ 126,453</u>
Supplemental Disclosure of Cash Flow Information		
Interest paid, net of amounts capitalized	<u>\$ 27,620</u>	<u>\$ 26,810</u>
Supplemental Disclosure of Noncash Investing and Financing Activities		
Obligations incurred for the acquisition of property and equipment	<u>\$ 26,041</u>	<u>\$ 14,057</u>
Proceeds from nonrecourse debt used to repay other nonrecourse debt	<u>\$ 11,740</u>	<u>\$ -</u>
Proceeds from long-term debt deposited in trustee-held escrow	<u>\$ -</u>	<u>\$ 87,594</u>

See notes to special-purpose combined financial statements

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Notes to Special-Purpose Combined Financial Statements

December 31, 2021 and 2020

1. Nature of Operations and Organizational Matters

ACTS Retirement Services, Inc. (ARS) is a not-for-profit Pennsylvania corporation that serves as the parent organization providing the highest level of governance and control over all of its controlled entities. The following is a listing of ARS' controlled entities:

ACTS Management Services, Inc. (AMS), a not-for-profit Pennsylvania corporation providing management, marketing and development services to ACTS and affiliated entities. AMS is the sole member of ACTS Alliance Management, LLC (AAM), a Pennsylvania limited liability company that provides management and related services to senior living providers.

ACTS Signature Community Services, Inc. (ASCS), a not-for-profit Pennsylvania corporation providing home and community-based services to ACTS and affiliated entities.

ACTS Legacy Foundation, Inc. (ALF), a not-for-profit Delaware corporation that provides fundraising, supports all charitable programs and manages the donor restricted funds for ACTS and affiliated entities.

ACTS Retirement-Life Communities, Inc. (ACTS), a not-for-profit Pennsylvania corporation that, along with the affiliates (as herein defined), provides residential, assisted living and skilled care services to senior adults in its 26 continuing care retirement communities (CCRCs), located in Alabama (2), Delaware (3), Florida (4), Georgia (1), Maryland (4), New Jersey (1), North Carolina (2), Pennsylvania (8) and South Carolina (1). ACTS operates 20 CCRCs as divisions within the legal entity of ACTS, and 6 CCRCs within 4 separate, related legal entities (the Affiliates). ACTS is also the sole member of ACTS Acquisition and Development Company, LLC (AADC), a Florida limited liability company that engages in acquisition and development related activity on behalf of ACTS. AADC is the sole corporate member of the following Affiliates:

Heron Point of Chestertown, Inc. (HP), a not-for-profit Maryland corporation which operates a CCRC located in Chestertown, Maryland.

Presbyterian Retirement Corporation, Inc. (PRC), a not-for-profit Alabama corporation which operates Westminster Village, a CCRC located in Spanish Fort, Alabama.

The Evergreens (EG), a not-for-profit New Jersey corporation which operates a CCRC located in Moorestown, New Jersey.

Integrace, Inc. (IG), a not-for-profit Maryland corporation operates 3 CCRCs as a result of the mergers of FH, BC and BAY into IG on March 31, 2020. IG is also the sole member of Copper Ridge, Inc., a not-for-profit Maryland corporation. IG was the sole member of Integrace Health, Inc. until it was dissolved on March 31, 2020 and its activities moved to IG.

Copper Ridge, Inc. (CR), a not-for-profit Maryland corporation which operated a memory support residence located in Sykesville, Maryland until July 1, 2020 when CR sold its assets and operating licenses to an unrelated entity. CR remains a separate legal entity.

Integrace Health, Inc. (IH) was a not-for-profit Maryland corporation which arranged for the provision of medical services to residents of FH, CR, BC and BAY. IH was dissolved on March 31, 2020 and the activities moved to IG.

Fairhaven, Inc. (FH) was a not-for-profit Maryland corporation which operated a CCRC located in Sykesville, Maryland. FH was merged into IG on March 31, 2020 as an operating division.

Buckingham's Choice, Inc. (BC) was a not-for-profit Maryland corporation which operated a CCRC located in Adamstown, Maryland. BC was merged into IG on March 31, 2020 as an operating division.

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Notes to Special-Purpose Combined Financial Statements
December 31, 2021 and 2020

Bayleigh Chase, Inc. (BAY) was a not-for-profit Maryland corporation which operated a CCRC located in Easton, Maryland. BAY was merged into IG on March 31, 2020 as an operating division.

The ACTS Obligated Group includes ACTS, AMS, AAM and ASCS under the terms of a Master Trust Indenture (Note 9).

All of the above organizations, with the exception of AADC and AAM, are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and are exempt from federal income taxes on their exempt income under Section 501(a) of the IRC. AADC and AAM, as a single member limited liability companies, are considered "disregarded entities" for federal tax purposes. Because ACTS and AMS are exempt from federal income tax under Section 501(a) of the IRC, as charitable organizations described in Section 501(c)(3) of the IRC, and because AADC and AAM are disregarded entities for federal tax purposes, AADC and AAM are considered exempt under Section 501(a) of the IRC as a charitable organization described in Section 501(c)(3) of the IRC.

Basis of Presentation and Principles of Combination

The ACTS Obligated Group (the Company) prepares special-purpose combined financial statements in accordance with the financial reporting provisions specified in the disclosure requirements of the Master Trust Indenture. The Master Trust Indenture specifies the preparation of combined financial statements of the Obligated Group members; accordingly, the accompanying special-purpose combined financial statements include only the accounts of the Obligated Group members and exclude the accounts of ARS, BAY, BC, CR, EG, FH, HP, IG, IH, PRC, ALF and AADC. The combination of financial statements for only certain controlled organizations differs from accounting principles generally accepted in the United States of America.

All inter-affiliate transactions between the members of the Company have been eliminated in combination.

2. Summary of Significant Accounting Policies

Cash, Cash Equivalents and Restricted Cash and Cash Equivalents

For purposes of the special-purpose combined statements of cash flows, cash, cash equivalents and restricted cash and cash equivalents include working capital accounts invested in highly liquid instruments purchased with an original maturity of three months or less. Cash and cash equivalents include investments comprised of debt related reserves and state reserves. The following table provides a reconciliation of cash, cash equivalents and restricted cash and cash equivalents reported within the special-purpose combined balance sheets that sum to the total of the same such amounts reported in the special-purpose combined statements of cash flows.

	<u>2021</u>	<u>2020</u>
	(In Thousands)	
Cash and cash equivalents	\$ 18,417	\$ 19,166
Cash and cash equivalents included in investments	<u>88,186</u>	<u>107,287</u>
Total cash, cash equivalents and restricted cash and cash equivalents	<u>\$ 106,603</u>	<u>\$ 126,453</u>

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Notes to Special-Purpose Combined Financial Statements

December 31, 2021 and 2020

Investments and Investment Risk

Investments with readily determinable fair values are measured at fair value in the special-purpose combined balance sheets. Investment income (including realized and unrealized gains and losses on investments, interest and dividends) is included in net operating (loss) income in the special-purpose combined statements of operations and changes in net assets unless the income is restricted by donor or law. Interest income is measured as earned on the accrual basis. Dividends are measured based on the ex-dividend date. Purchases and sales of securities and realized gains and losses are recorded on a trade-date basis.

The Company's investments are comprised of a variety of financial instruments. The fair values reported in the special-purpose combined balance sheets are subject to various risks, including changes in the equity markets, the interest rate environment and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported on the special-purpose combined balance sheets could materially change in the near term.

Investments include assets without restrictions and assets with restrictions. Assets without restrictions represent assets that are available for the general use and purposes of the Company and assets that are used to meet statutory reserve requirements. Assets with restrictions include amounts held in trust to meet debt related requirements and amounts restricted by donors for specific purposes or time periods.

Accounts Receivable and Entrance Fee Receivables

The Company assesses collectability on all resident accounts prior to providing services. An allowance for uncollectible accounts is recognized to reduce accounts receivable to its net realizable value for impairment of revenues for changes in resident credit worthiness. The allowance is estimated by management based on factors such as aging of the accounts receivable, and anticipated collection of the consideration. Accounts are written off through bad debt expense when the Company has exhausted all collection efforts and accounts are deemed impaired.

Entrance fee receivables are evaluated for collectability prior to residents being admitted to the communities based on the resident's credit worthiness. The terms and conditions of each entrance fee receivable are determined when a resident agreement is executed.

Property and Equipment

Property and equipment are stated at cost. Donated assets are recorded at their fair value at the date of donation. Depreciation is computed using the straight-line method based on the following estimated useful lives:

Land improvements	10 to 25 years
Building and improvements	8 to 50 years
Furniture, fixtures and equipment	3 to 10 years

When assets are sold or retired, the asset values and related accumulated depreciation are eliminated from the accounts and any gain or loss is included in the special-purpose combined statements of operations and changes in net assets. The cost of maintenance and repairs is charged to expense as incurred. Significant renewals and betterments are capitalized.

Gifts of long-lived assets such as land, buildings or equipment are reported as other revenue unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted contributions. Expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Notes to Special-Purpose Combined Financial Statements

December 31, 2021 and 2020

Depreciation expense was \$78,870,000 in 2021 and \$76,703,000 in 2020.

Interest is capitalized for assets that require a period of time to be constructed or to prepare them for their intended use. The amount of interest capitalized was \$4,179,000 in 2021 and \$3,752,000 in 2020.

Deferred Costs

Deferred costs include incremental costs of obtaining agreements that would not have been incurred if the agreements were not obtained and are recorded at cost. Deferred costs are amortized over the estimated life expectancy of the residents using the straight-line method, which approximates the period of time that services are expected to be transferred to residents. Amortization of deferred costs was \$762,000 in 2021 and \$790,000 in 2020.

Deferred Financing Costs

Deferred financing costs are amortized straight-line over the terms of the related debt, which approximates using the effective interest method and are classified net with the related debt. Amortization expense, which is included as a component of interest expense, was \$605,000 in 2021 and \$838,000 in 2020. The Company wrote off \$467,000 of deferred financing costs during 2020, which is classified as loss on early extinguishment of debt on the special-purpose combined statements of operations and changes in net assets.

Derivative Financial Instruments

The Company uses interest rate swap agreements which are considered derivative financial instruments, to manage its interest rate risk on its long-term debt. The interest rate swap agreements are reported at fair value in the special-purpose combined balance sheets and related changes in fair value are reported on the special-purpose combined statements of operations and changes in net assets as a component of net unrealized (loss) gain on investments and investment contracts.

Deferred Revenue From Entrance Fees

Under a continuing care contract (resident agreement) for a residential living unit, the Company receives entrance fee payments in advance. The Company offers both nonrefundable and refundable resident agreements. As of December 31, 2021 and 2020, the majority of the Company's resident agreements are nonrefundable.

Under the majority of nonrefundable resident agreements, residents who terminate their contracts will generally be entitled to a full refund less an administrative fee of up to 5%, and less 1%-2% (based on the resident agreement) of the remaining entrance fee per each month of residency. Under refundable resident agreements, the entrance fee is reduced to no less than the guaranteed refund, as specified in the resident agreement and refunds to residents are generally paid by the Company after a new resident occupies the residential living unit vacated by the former resident.

The nonrefundable portion of entrance fees is amortized to revenue over the actuarially computed life expectancy of the residents using the straight-line method, which approximates the period of time that services under the resident agreements are expected to be transferred to residents and the Company's performance obligation to the residents is satisfied, and is classified as deferred revenue from entrance fees on the special-purpose combined balance sheets. Amortization of entrance fees was \$101,964,000 in 2021 and \$104,221,000 in 2020.

The guaranteed refundable portion of entrance fees is classified as refundable portion of entrance fees on the special-purpose combined balance sheets and is not amortized to revenue.

The gross contractual refund obligations under existing resident agreements were approximately \$302,903,000 and \$295,342,000 at December 31, 2021 and 2020, respectively.

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Notes to Special-Purpose Combined Financial Statements

December 31, 2021 and 2020

Under the majority of existing resident agreements, residential living residents are entitled to assisted living or skilled care services, as needed, with no increases in the current monthly service fees as a result of transferring to a higher level of care.

Obligation to Provide Future Services

The Company engages an independent actuary once every three years to calculate the present value of the net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from entrance fees. Based upon the last calculation performed (as of December 31, 2020), the present value of the net cost of future services and the use of facilities, based on a discount rate of 5%, did not exceed the balance of deferred revenue from entrance fees. Based upon this calculation, and the analysis of management, no liability for the obligation to provide future services has been recorded at December 31, 2021 and 2020.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions. All revenue not restricted by donors and donor restricted contributions whose restrictions are met in the same period in which they are received are accounted for in net assets without donor restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. All revenues restricted by donors as to either timing or purpose of the related expenditures or required to be maintained in perpetuity as a source of investment income are accounted for in net assets with donor restrictions. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Resident Services and Patient Revenues

Resident services and patient revenues are reported at the amount that reflects the consideration the Company expects to receive in exchange for the services provided. These amounts are due from residents or third party payors and include variable consideration for retroactive adjustments, if any, under reimbursement programs. Performance obligations are determined based on the nature of the services provided. Resident services and patient revenues are recognized as performance obligations are satisfied.

Payment terms and conditions for the Company's resident agreements vary by contract type and payor source, although terms generally include payment to be made within 30 days. Resident services and patient revenues for recurring and routine monthly services due from self-pay residents are generally billed monthly in advance. Resident services and patient revenues for ancillary services due from self-pay residents are generally billed monthly in arrears. Patient revenues due from Medicare, Medicaid and other third party payor programs are billed monthly in arrears.

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Notes to Special-Purpose Combined Financial Statements

December 31, 2021 and 2020

Resident services and patient revenues are primarily comprised of skilled nursing, assisted living and independent living revenue streams, which are primarily derived from providing nursing, assisted living and housing services to residents at a stated daily or monthly fee, net of any explicit or implicit price concessions. The Company has determined that the services included in the stated daily or monthly fee for each level of care represents a series of distinct services that have the same timing and pattern of transfer. Therefore, the Company considers the services provided to residents in each level of care to be one performance obligation which is satisfied over time as services are provided. As such, skilled nursing, assisted living and independent living revenues are recognized on a daily or month-to-month basis as services are rendered.

The Company receives revenue for services under third party payor programs, including Medicare, Medicaid and other third party payors. Settlements with third party payors for retroactive adjustments due to audits, reviews or investigations are included in the determination of the estimated transaction price for providing services. The Company estimates the transaction price based on the terms of the contract and correspondence with the third party payor and historical payment trends, and retroactive adjustments are recognized in future periods as final settlements are determined.

Financial Support From Provider Relief Funds

The Company received financial support from federal and state funding sources related to the COVID-19 pandemic. The Company accounts for this funding in accordance with the Financial Accounting Standards Board Accounting Standards Codification (ASC) 958-605 guidance for conditional contributions, and accordingly, support is measured and recognized when barriers are substantially met, which occurs when the Company complies with the terms and conditions related to the purpose of the grant rather than those that are administrative in nature.

The Coronavirus Aid, Relief and Economic Security Act and the American Rescue Plan Act were signed into law and created Provider Relief Funds (PRF) to combat the financial effects of COVID-19. The Company received \$2,724,000 in 2021 and \$17,810,000 in 2020 related to these Acts. In accordance with the terms and conditions, the Company could apply the funding against eligible expenses and lost revenues. The Company incurred eligible expenses and lost revenues in accordance with the terms and conditions of the PRF of \$2,724,000 in 2021 and \$17,810,000 in 2020.

Management believes that the Company complied with all terms and conditions of the PRF. However, the PRF is subject to future reporting and audit requirements. Noncompliance with the terms and conditions of the PRF could result in repayment of some or all of the support received, which can be subject to future government review and interpretation. An estimate of the possible effects cannot be made as of the date these special-purpose combined financial statements were issued.

During 2021 and 2020, the PRF was reported in the special-purpose combined statements of operations and changes in net assets in the functional line impacted by the lost revenues or eligible expense incurred as set forth in the following table:

	2021	2020
	(In Thousands)	
Resident services revenue	\$ 123	\$ -
Patient revenue from third party payors	127	-
Salary, wages and benefits	604	12,182
Contracted services	1,123	1,804
Supplies	747	3,824
Total	<u>\$ 2,724</u>	<u>\$ 17,810</u>

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Notes to Special-Purpose Combined Financial Statements

December 31, 2021 and 2020

Income Taxes

AMS, ASCS and ACTS are not-for-profit corporations. Each is exempt from federal income taxes under Section 501(a) of the IRC and other income taxes under similar statutes. Accordingly, no provision for income taxes has been recorded in the special-purpose combined financial statements.

Measure of Operations and Performance Indicator

The special-purpose combined statements of operations and changes in net assets include the determination of operating income and net operating (loss) income (the performance indicator). Operating income includes only those operating revenues and expenses that are an integral part of the Company's program activities and net assets released from donor restrictions to provide resident services. Net operating (loss) income includes all operating activities, as well as changes in unrealized gains and losses on investments and investment contracts, the loss on early extinguishment of debt and net loss on nonoperating events.

Changes in net assets without donor restrictions which are excluded from the determination of the performance indicator, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets, if any).

Use of Estimates

The preparation of financial statements in accordance with the basis of accounting described in Note 1 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the special-purpose combined financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Company evaluated subsequent events for recognition or disclosure through April 29, 2022, the date the special-purpose combined financial statements were issued.

3. Liquidity and Availability of Resources

As of December 31, the Company has financial assets available for general expenditures within one year of the date of the special-purpose combined balance sheets, consisting of the following:

	<u>2021</u>	<u>2020</u>
	(In Thousands)	
Cash and cash equivalents	\$ 18,417	\$ 19,166
Accounts receivable, entrance fee receivables and other receivables, net	19,582	29,923
Investments without donor restrictions	<u>226,643</u>	<u>219,008</u>
Total	<u>\$ 264,642</u>	<u>\$ 268,097</u>

The Company has other assets restricted as to use: deposits from initial sales contracts, assets held by a trustee under a trust indenture, reserves for future gift annuity payments and assets held for other donor restricted purposes. These amounts have been excluded from the amounts above.

As part of the Company's liquidity management, cash in excess of daily requirements is invested in short-term investments and money market funds. The Company may designate a portion of any operating surplus to a general reserve. This fund may be drawn upon to meet unexpected liquidity needs.

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Notes to Special-Purpose Combined Financial Statements
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Donor restricted funds of \$22,179,000 and \$31,242,000 at December 31, 2021 and 2020, respectively, can be made available based on the passage of time or other events specified by the donor. The Company has certain investments without donor restrictions that have been internally designated for long-term purposes of \$14,005,000 and \$11,724,000 at December 31, 2021 and 2020, respectively, which have been excluded from the amounts above.

Additionally, the Company maintains \$175,000,000 available on lines of credit as discussed in more detail in Note 7.

4. Investments, Fair Value Measurements and Financial Instruments

Investments

The classification of the Company's investments as of December 31 is set forth in the following table:

	<u>2021</u>	<u>2020</u>
	(In Thousands)	
Current portion of board-designated funds	\$ 226,718	\$ 220,727
Current portion of assets whose use is limited	66,273	80,380
Board-designated funds, noncurrent	10,000	10,000
Assets whose use is limited, noncurrent	92,858	105,935
North Carolina Operating Reserve funds	8,566	8,150
	<u>404,415</u>	<u>425,192</u>
Total	\$ 404,415	\$ 425,192

Investment performance is as follows:

	<u>2021</u>	<u>2020</u>
	(In Thousands)	
Without donor restrictions:		
Interest and dividend income	\$ 10,597	\$ 8,002
Net realized gain on investments	2,292	1,252
	<u>12,889</u>	<u>9,254</u>
Total investment income	12,889	9,254
Net unrealized (loss) gain on investments	(7,645)	11,803
	<u>5,244</u>	<u>21,057</u>
Total investment return	\$ 5,244	\$ 21,057

Fair Value Measurements

The Company measures its investments and derivative financial instruments at fair value on a recurring basis in accordance with accounting principles generally accepted in the United States of America.

Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework that the authoritative guidance establishes for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

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The levels of the fair value hierarchy are as follows:

Level 1 - Fair value is based on unadjusted quoted prices in active markets that are accessible to the Company for identical assets or liabilities. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 - Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset or liability through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets or liabilities, quoted market prices in markets that are not active for identical or similar assets or liabilities and other observable inputs.

Level 3 - Fair value would be based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows and other similar techniques.

The fair value of the Company's investments (including alternative investments) and derivative financial instruments were measured using the following inputs at December 31:

	2021			
	Total	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Other Unobservable Inputs (Level 3)
	(In Thousands)			
Instruments measured and reported at fair value:				
Investments:				
Money market funds	\$ 95,704	\$ 95,704	\$ -	\$ -
U.S. government securities	86,916	-	86,916	-
Corporate debt securities	79,291	-	79,291	-
Mutual and exchange traded funds, fixed income	46,444	46,444	-	-
Mutual and exchange traded funds, equity	26,546	26,546	-	-
Beneficial interest in the investments of ALF	25,109	-	25,109	-
Equities	22,885	22,885	-	-
Other	6,793	-	6,793	-
Guaranteed investment contracts	6,743	-	-	6,743
Municipal bonds	5,480	-	5,480	-
Time deposits	1,105	1,105	-	-
Total	\$ 403,016	\$ 192,684	\$ 203,589	\$ 6,743
Reconciliation of investments to the special-purpose combined balance sheet:				
Cash and cash equivalents	\$ 1,399			
Investment measured at fair value	403,016			
Total investments	\$ 404,415			
Liabilities:				
Accumulated loss on investment contracts	\$ 8,049	\$ -	\$ 8,049	\$ -

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	2020			
	Total	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Other Unobservable Inputs (Level 3)
	(In Thousands)			
Instruments measured and reported at fair value:				
Investments:				
Money market funds	\$ 119,007	\$ 119,007	\$ -	\$ -
Corporate debt securities	95,911	-	95,911	-
U.S. government securities	93,138	-	93,138	-
Mutual and exchange traded funds, fixed income	40,732	40,732	-	-
Beneficial interest in the investments of ALF	33,856	-	33,856	-
Equities	15,975	15,975	-	-
Other	8,614	-	8,614	-
Guaranteed investment contracts	6,250	-	-	6,250
Municipal bonds	5,286	-	5,286	-
Mutual and exchange traded funds, equity	2,378	2,378	-	-
Time deposits	1,361	1,361	-	-
Total	<u>\$ 422,508</u>	<u>\$ 179,453</u>	<u>\$ 236,805</u>	<u>\$ 6,250</u>
Reconciliation of investments to the special-purpose combined balance sheet:				
Cash and cash equivalents	\$ 2,684			
Investment measured at fair value	<u>422,508</u>			
Total investments	<u>\$ 425,192</u>			
Liabilities:				
Accumulated loss on investment contracts	<u>\$ 11,045</u>	<u>\$ -</u>	<u>\$ 11,045</u>	<u>\$ -</u>

The Company's guaranteed investment contracts increased \$493,000 in 2021 and decreased \$4,347,000 in 2020, due to net deposits and withdrawals and the dissolution of certain debt service reserve funds.

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Financial Instruments

Money market funds, mutual and exchange traded funds, equities and time deposits are valued based on quoted market prices in active markets, which are considered Level 1 inputs. U.S. government securities, corporate debt securities, other investments and municipal bonds are generally valued using quoted market prices of similar securities, which are considered Level 2 inputs. The Company has a beneficial interest in the investments of ALF. Since ALF generally invests the Company's funds in U.S. government securities, corporate debt securities, other investments and municipal bonds, the fair value of the beneficial interest in the investments of ALF was deemed to be determined using Level 2 inputs.

The guaranteed investment contracts are reported at contract value, which approximates fair value, based on the ability of the counterparties to pay the guaranteed claims in accordance with the terms of the contracts. The credit ratings of the counterparties as of the measurement date uphold the guaranteed investment contracts ability to meet obligations set forth in the contracts. Contract value is the aggregation of contributions, plus interest, less withdrawals. Contract value approximates a discounted cash flow value calculated using an appropriate risk-adjusted market discount rate which correlates closely with the counterparties historical crediting rates. The guaranteed investment contracts have redemption restrictions based on the terms of the underlying contracts. The redemption restrictions do not have a material impact on the contract value of the guaranteed investment contracts.

The Company measures its accumulated loss on investment contracts at fair value based on proprietary models of an independent third party valuation specialist. The fair value takes into consideration the prevailing interest rate environment and the specific terms and conditions of the derivative financial instruments and considers the credit risk of the counterparty to the agreements and the Company. The method used to determine the fair value calculates the estimated future payments required by the derivative financial instruments and discounts these payments using an appropriate discount rate. The value represents the estimated exit price the Company would pay to terminate the agreements.

5. Accounts Receivable, Entrance Fee Receivables and Other Receivables

Accounts receivable, entrance fee receivables and other receivables are comprised of the following at December 31:

	2021	2020
	(In Thousands)	
Resident monthly fees	\$ 3,176	\$ 3,657
Resident entrance fees	5,386	10,891
Third-party accounts	11,537	9,122
Other	2,473	7,814
Total receivables	22,572	31,484
Allowance for uncollectible accounts	(2,990)	(1,561)
Accounts receivable, entrance fee receivables and other receivables, net	\$ 19,582	\$ 29,923

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6. Property and Equipment

Property and equipment is comprised of the following at December 31:

	2021	2020
	(In Thousands)	
Land and improvements	\$ 95,030	\$ 94,764
Building and improvements	1,965,955	1,879,147
Furniture, fixtures and equipment	158,980	153,455
Construction in progress	112,266	80,798
Total property and equipment	2,332,231	2,208,164
Accumulated depreciation	(978,870)	(915,336)
Property and equipment, net	<u>\$ 1,353,361</u>	<u>\$ 1,292,828</u>

7. Short-Term Indebtedness

ACTS has an available \$85,000,000 revolving line of credit with a financial institution allowing for cash advances. Interest on amounts outstanding on the line of credit is 1.25% at December 31, 2021. Interest is calculated monthly based on changes to the LIBOR Rate, as defined. Borrowings were \$44,650,000 and \$40,900,000 at December 31, 2021 and 2020, respectively. The line of credit is set to expire in October 2024.

ACTS also has an available \$90,000,000 revolving line of credit with another financial institution allowing for cash advances. Interest on amounts outstanding on the line of credit is 1.31% at December 31, 2021. Interest is calculated monthly based on changes to the LIBOR Rate, as defined. Borrowings were \$23,343,000 and \$5,980,000 at December 31, 2021 and 2020, respectively. The line of credit is set to expire in June 2024.

The Company's obligations under the line of credit agreements are secured under the terms of a Master Trust Indenture dated December 1, 1996, as supplemented, on a parity basis by a pledge of gross revenues (as defined), a covenant not to create or allow to exist upon its property any lien except for permitted liens and a promise to deliver mortgages and/or deeds of trust granting liens upon and security interest in its facilities to the Master Trustee if certain events occur, as defined.

8. Nonrecourse Indebtedness

In May 2019, the Company purchased a corporate services center located in Pennsylvania. The purchase was financed by an \$11,740,000 loan secured by the building. The loan was nonrecourse indebtedness under the Master Trust Indenture (Note 9) and was refinanced during 2021.

In February 2021, the Company closed on a \$13,800,000 debt financing consisting of a nonrecourse, nonbank qualified tax-free mortgage loan. The proceeds from the financing were used to refinance the existing nonrecourse indebtedness, reimburse for the costs of capital improvements and finance closing costs. The nonbank qualified tax-free mortgage loan amortizes over 25 years and has a 2.61% fixed rate of interest for five years. The outstanding balance was \$13,549,000 (which is reported net of deferred financing costs of \$137,000 on the special-purpose combined balance sheets) at December 31, 2021.

In addition, in December, 2021, the Company established a \$4,500,000 promissory note with an unrelated third party in connection with an asset purchase transaction (Note 18). The noninterest bearing note amortizes over three years with the final payment due on May 1, 2025. The outstanding balance was \$4,500,000 at December 31, 2021.

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9. Long-Term Indebtedness

The Company's long-term indebtedness has been issued under a Master Trust Indenture dated December 1, 1996, as supplemented, which secures the obligations of the Company and includes a pledge of gross revenues (as defined), a covenant not to create or allow to exist upon its property any lien except for permitted liens and a promise to deliver mortgages and/or deeds of trust granting liens upon and security interest in its facilities to the Master Trustee if certain events occur, as defined. The Company is required to maintain certain reserves with a trustee. Such reserves are included in investments. The Company is also required to meet certain financial covenants.

The Company's long-term indebtedness consists of the following at December 31:

	<u>2021</u>	<u>2020</u>
	(In Thousands)	
Public Finance Authority Retirement Communities Revenue Bonds Series 2020A. The interest rates range from 4% to 5% and principal matures in varying amounts from 2037 through 2041 (yield to maturity 3.16% at December 31, 2021).	\$ 48,460	\$ 48,460
Palm Beach County Health Facilities Authority (FL) Retirement Communities Revenue Bonds Series 2020B. The interest rates range from 4% to 5% and principal of \$9,480,000 and \$9,880,000 matures in 2041 and 2042, respectively, (yield to maturity 3.99% at December 31, 2021).	19,360	19,360
Montgomery County Industrial Development Authority (PA) Retirement Communities Revenue Bonds Series 2020C. The interest rates range from 4% to 5% and principal matures in varying amounts from 2042 through 2045 (yield to maturity 4.10% at December 31, 2021).	47,290	47,290
Montgomery County Industrial Development Authority (PA) Retirement Communities Revenue Bonds Series 2020D (Taxable). The interest rates range from 2.3% to 3.2% and principal matures in varying amounts from 2021 through 2029.	83,275	84,295
Palm Beach County Health Facilities Authority (FL) Retirement Communities Revenue Bonds Series 2018A. The interest rate is 5% and principal matures in varying amounts from 2042 through 2045 (yield to maturity 4.40% at December 31, 2021).	46,815	46,815
Delaware Economic Development Authority Retirement Communities Revenue Bonds Series 2018B. The interest rate is 5% and principal of \$17,325,000 and \$18,450,000 matures in 2047 and 2048, respectively, (yield to maturity 4.45% at December 31, 2021).	35,775	35,775
South Carolina Jobs-Economic Development Authority Retirement Communities Revenue Bonds Series 2018C. The interest rate is 5% and principal matures in varying amounts from 2045 through 2047 (yield to maturity 4.43% at December 31, 2021).	21,540	21,540

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	<u>2021</u>	<u>2020</u>
	(In Thousands)	
Public Finance Authority Retirement Communities Revenue Bonds Series 2018D. The interest rate is 3.51% and resets in June 2025. Principal matures in varying amounts from 2037 through 2040.	\$ 32,065	\$ 32,065
Montgomery County Industrial Development Authority (PA) Retirement Communities Revenue Bonds Series 2018E. The interest rate is 3.51% and resets in June 2025. Principal matures in varying amounts from 2040 through 2042.	31,615	31,615
Montgomery County Industrial Development Authority (PA) Retirement Communities Revenue Bonds Series 2016. The interest rate is 5% and principal matures in varying amounts from 2033 through 2036 (yield to maturity 4.09% at December 31, 2021).	97,165	97,165
Palm Beach County Health Facilities Authority (FL) Retirement Communities Revenue Bonds Series 2016. The interest rates range from 3% to 5% and principal matures in varying amounts through 2032 (yield to maturity 3.79% at December 31, 2021).	79,150	88,930
Gainesville and Hall County Development Authority (GA) Retirement Community Revenue Refunding Bonds Series 2016. The interest rates range from 4% to 5% and principal of \$435,000 and \$6,755,000 matures in 2032 and 2033, respectively, (yield to maturity 3.89% at December 31, 2021).	7,190	7,190
Taxable Term Loan dated December 19, 2013. The interest rate is 4.07% and resets in December 2023. Principal is anticipated to mature in varying amounts through November 2038.	19,276	20,068
Taxable Term Loan dated December 19, 2013. The interest rate is 1.45% and resets in December 2023 and every five years thereafter. Principal matures in varying amounts through 2038.	11,520	12,830
Palm Beach County Health Facilities Authority (FL) Retirement Communities Revenue Refunding Bonds Series 2012. The interest rate is 5% and principal of \$5,735,000 and \$7,595,000 matures in 2022 and 2023, respectively, (yield to maturity 4.72% at December 31, 2021).	13,330	13,330
Gainesville and Hall County Development Authority (GA) Retirement Community Revenue Refunding Bonds Series 2012. The interest rate is 5% and principal matures in varying amounts through 2022 (yield to maturity 2.73% at December 31, 2021).	5,115	6,150

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	<u>2021</u>	<u>2020</u>
	(In Thousands)	
Delaware Economic Development Authority Variable Rate Demand Revenue Bonds Series 2007A. The interest rate is fixed at 3.32% and resets in December 2023 on \$32,560,000 of the bonds, and variable at 0.89% at December 31, 2021 on \$13,550,000 of the bonds. Principal matures in varying amounts through 2037.	\$ 46,110	\$ 47,675
Gainesville and Hall County Development Authority (GA) Senior Living Facility Variable Rate Demand Revenue Bonds Series 2003B. The interest rate was 0.72% at December 31, 2021 and principal matures in varying amounts through 2033. Security is provided through a bond insurance commitment enhanced by a standby bond purchase agreement.	26,280	27,505
Escambia County Health Facilities Authority (FL) Healthcare Facilities Variable Rate Revenue Refunding Bonds Series 2003B. The interest rate was 0.72% at December 31, 2021 and principal matures in varying amounts through 2029. Security is provided through a bond insurance commitment enhanced by a standby bond purchase agreement.	16,100	17,795
Montgomery County Industrial Development Authority (PA) Retirement Community Variable Rate Demand Revenue Bonds Series 2002. The interest rate was 0.72% at December 31, 2021 and principal matures in varying amounts through 2029. Security is provided through a bond insurance commitment enhanced by a standby bond purchase agreement.	8,340	9,020
	695,771	714,873
Bond premiums and discounts, net	52,216	55,461
Unamortized deferred financing costs	(7,713)	(8,318)
Total long-term indebtedness	<u>\$ 740,274</u>	<u>\$ 762,016</u>

Variable rates are determined based on prevailing market rates and general financial conditions. The variable interest rates above include letter of credit and remarketing fees. The letter of credit fees are subject to change if the rating for the Company changes in the future. Certain debt provisions require the maintenance of the standby bond purchase agreements. Any standby bond purchase agreement used as security, if executed, has a five-year repayment term.

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Anticipated principal repayments on long-term indebtedness are as follows (in thousands):

Years ending December 31:		
2022	\$	20,506
2023		39,095
2024		21,095
2025		21,710
2026		22,355
2027-2031		127,815
2032-2036		154,850
2037-2041		118,960
2042-2046		133,360
2047-2048		36,025
		<hr/>
Total	\$	<u>695,771</u>

Loss on Early Extinguishment of Debt

During 2020, the Company completed financing transactions through the issuance of four series of revenue bonds to provide for overall debt service savings, while also establishing a project fund for certain capital projects in the Pennsylvania, Florida and North Carolina CCRCs. A portion of the proceeds from the bonds were used to refund the Series 2012 (PA) bonds. In conjunction with this transaction, the Company recorded a loss on early extinguishment of debt that is included in the special-purpose combined statements of operations and changes in net assets. The loss consists of (\$2,944,000) of unamortized bond premium, \$467,000 in unamortized deferred financing costs and \$7,129,000 in amounts held in escrow for the refunding. The Series 2012 (PA) bonds are expected to be paid in full on May 15, 2022.

10. Derivative Instruments and Hedging Activities

The Company has interest rate swap agreements with financial institutions that are considered derivative financial instruments. The objective of the swap agreements is to minimize the risks associated with financing activities by reducing the impact of changes in the interest rates on variable rate debt. The swap agreements are contracts to exchange variable rate for fixed rate payments over the terms of the swap agreements without the exchange of the underlying notional amount. The notional amount of the swap agreements is used to measure the interest to be paid or received and does not represent the amount of exposure to credit loss. Exposure to credit loss is limited to the receivable amount, if any, which may be generated as a result of the swap agreements. Management believes that losses related to credit risk are remote and that the swap agreements are continuing to function as intended.

The net cash paid or received under the swap agreements is recognized as an adjustment to interest expense. The Company does not utilize interest rate swap agreements or other financial instruments for trading or other speculative purposes.

Changes in fair value of the interest rate swap agreements are recorded as a component of net unrealized (loss) gain on investments and investment contracts. The change in fair value was \$2,996,000 in 2021 and \$(1,630,000) in 2020.

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At December 31, 2021, the Company had the following interest rate swaps in effect:

<u>Debt Series</u>	<u>Notional Amount</u>	<u>Maturity Date</u>	<u>Effective Interest Rate</u>	<u>Accumulated Unrealized Loss</u>
Series 2002 (PA)	\$ 8,340,000	2029	3.64%	\$ 1,146,000
Series 2003B (GA)	26,280,000	2033	3.54%	5,133,000
Series 2003B (FL)	16,100,000	2029	3.35%	1,770,000

The fair value of the interest rate swap agreements was \$(8,049,000) and \$(11,045,000) at December 31, 2021 and 2020, respectively, and was obtained from an independent third party valuation specialist.

11. Net Assets

Net assets with donor restrictions are available for the following purposes at December 31:

	<u>2021</u>	<u>2020</u>
	(In Thousands)	
Financial assistance to residents	\$ 11,699	\$ 13,078
Purchase of property and equipment	5,736	6,781
Resident services	937	1,788
Other	3,807	9,595
Restricted in perpetuity	2,930	2,614
Total net assets with donor restrictions	<u>\$ 25,109</u>	<u>\$ 33,856</u>

The income distributions from net assets held in perpetuity are available to fund financial assistance to residents and other donor restricted purposes.

Net assets were released from donor restrictions by incurring costs satisfying the restricted purpose or by occurrence of other events specified by donors.

12. Resident Services and Patient Revenues

The Company disaggregates revenue from contracts with residents and patients by type of service and payor source as this depicts the nature, amount, timing and uncertainty of its revenues and cash flows as affected by economic factors. Resident services and patient revenues consist of the following for the years ended December 31:

	<u>2021</u>			
	<u>Independent Living</u>	<u>Assisted Living</u>	<u>Skilled Nursing</u>	<u>Total</u>
	(In Thousands)			
Self-pay	\$ 239,750	\$ 29,498	\$ 49,351	\$ 318,599
Medicare and other	5,368	2	25,224	30,594
Medicaid	-	-	3,677	3,677
Total resident services and patient revenues	<u>\$ 245,118</u>	<u>\$ 29,500</u>	<u>\$ 78,252</u>	<u>\$ 352,870</u>
Amortization of entrance fees				<u>\$ 101,964</u>

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	2020			Total
	Independent Living	Assisted Living	Skilled Nursing	
	(In Thousands)			
Self-pay	\$ 232,022	\$ 31,801	\$ 50,851	\$ 314,674
Medicare and other	4,020	6	25,441	29,467
Medicaid	-	-	3,943	3,943
Total resident services and patient revenues	<u>\$ 236,042</u>	<u>\$ 31,807</u>	<u>\$ 80,235</u>	<u>\$ 348,084</u>
Amortization of entrance fees				<u>\$ 104,221</u>

13. Retirement Plans

The Company participates in a 401(k) Plan (the ACTS 401(k) Plan) covering substantially all full-time employees. The ACTS 401(k) Plan allows for qualified employees to voluntarily contribute up to the IRS maximum. In accordance with the terms of the ACTS 401(k) Plan, the Company matches up to 100% of the first 3% of the employee's contribution, plus an additional 50% of the next 2% of the employee's contribution. Plan expense was \$5,152,000 in 2021 and \$5,343,000 in 2020.

AMS provides a nonqualified Supplemental Executive Retirement Plan (SERP) to certain members of senior executive management in addition to those benefits available under the ACTS 401(k) Plan. Retirement benefits, as defined in the plan document and amendments, are based on age, years of service and average compensation during the last five years of employment. SERP expense was \$1,423,000 in 2021 and \$1,037,000 in 2020. The SERP liability is included in accounts payable and accrued expenses on the special-purpose combined balance sheets and was \$6,038,000 and \$4,615,000 at December 31, 2021 and 2020, respectively.

14. Concentrations of Credit Risk

The Company grants credit without collateral to its residents, some of whom are insured under third-party payor arrangements, primarily related to providing residential and healthcare related services.

The Company maintains cash accounts, which, at times, may exceed federally insured limits. The Company has not experienced any losses resulting from this, and management believes it is not subject to any significant credit risk related to cash accounts.

15. Commitments and Contingencies

Senior Living Services Industry

The senior living services industry is subject to numerous laws, regulations and administrative directives of federal, state and local governments and agencies. Compliance is subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Government activity continues to increase with respect to investigations and allegations concerning possible violations by healthcare providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for resident services previously billed. Management is not aware of any material incidents of noncompliance.

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Workers' Compensation

The Company maintains a self-insured workers' compensation program with a per occurrence retention limit of \$600,000. At December 31, 2021 and 2020, the reserve for workers' compensation liability claims was \$4,065,000 and \$4,153,000, respectively, and is included in accounts payable and accrued expenses on the special-purpose combined balance sheets. Reserves are based upon fully developed cases and are actuarially determined. These estimates are based on historical loss experience along with certain assumptions about future events. Changes in assumptions for such things as medical costs, as well as changes in actual loss experience could cause these estimates to change in the near term.

Construction Agreements

The Company entered into construction agreements for certain development and renovation activities at various communities. Commitments were approximately \$102,613,000 as of December 31, 2021.

Litigation

The Company operates in an industry where various suits and claims arise in the normal course of business. Management is not currently aware of any claims that have been or will be asserted that will, after consideration of applicable insurance coverages, have a material adverse effect on the special-purpose combined financial statements.

COVID-19

The spread of COVID-19 around the world has caused volatility in the U.S. market, supply chains, businesses and communities. The Company's evaluation of the effects of these events is ongoing as of the date the accompanying special-purpose combined financial statements were issued. COVID-19 may impact various parts of the Company's 2022 operations and financial performance, including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of personnel, supply chain disruption, sales of independent living units or declines in revenue related to decreases in occupancy or volumes of certain revenue streams. The extent of the impact will depend on future developments, including the duration and spread of the outbreak and related governmental or other regulatory actions.

16. Related-Party Transactions

Management Agreements

AMS entered into Management, Marketing and Development Agreements (the Agreements) with EG, HP, IG and PRC, which are automatically renewable for one year on each anniversary date. AMS also had Agreements with BAY, BC and FH until they merged into IG on March 31, 2020, and CR until its sale of assets and operating licenses on July 1, 2020. Management fees are equal to 4% of gross revenues, plus any out-of-pocket expenses. Marketing fees are equal to 4% of gross entrance fee proceeds, plus any out-of-pocket expenses. Development fees are equal to 4% of project costs for qualified capital projects. AMS is also reimbursed for the costs related to certain key employees.

AMS has a management agreement with ALF, which is automatically renewable for one year on each anniversary date. Management fees are equal to 5% of gross program receipts (excluding investment income), plus any out-of-pocket expenses.

Total fees earned by AMS were \$9,002,000 in 2021 and \$8,932,000 in 2020. These balances are generally settled currently in the normal course of business.

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AMS receives a fixed premium from EG, HP, IG and PRC for their participation in workers' compensation and health insurance programs, which is adjusted from time to time. AMS received fixed premiums from BAY, BC and FH from January 2020 until they merged into IG on March 31, 2020. AMS also received a fixed premium from CR from January 2020 to June 30, 2020. Premiums collected by AMS in connection with these programs were \$5,781,000 in 2021 and \$4,303,000 in 2020.

At December 31, 2021 and 2020, the Company has a beneficial interest in the investments of ALF of \$25,109,000 and \$33,856,000, respectively, related to donor restricted funds. These amounts are included in investments on the special-purpose combined balance sheets.

17. Functional Expenses

The Company provides housing, healthcare and other related services to residents within its geographic location. The special-purpose combined financial statements report certain expense categories that are attributable to more than one program service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, including depreciation and amortization, interest and other occupancy costs, are allocated to a function based on usage of space. Expenses relating to providing these services are approximately as follows for 2021 and 2020:

	2021			
	Program Services	General and Administrative	Fundraising	Total
	(In Thousands)			
Salaries, wages and benefits	\$ 233,802	\$ 20,569	\$ 603	\$ 254,974
Contracted services	22,019	2,861	15	24,895
Utilities	22,299	73	182	22,554
Food	22,231	453	22	22,706
Supplies	12,418	7,293	151	19,862
Real estate taxes	10,501	834	-	11,335
Insurance	6,575	23	-	6,598
Other	8,029	7,680	580	16,289
Depreciation and amortization	74,662	4,970	-	79,632
Interest, net	24,726	69	-	24,795
Total	\$ 437,262	\$ 44,825	\$ 1,553	\$ 483,640

	2020			
	Program Services	General and Administrative	Fundraising	Total
	(In Thousands)			
Salaries, wages and benefits	\$ 232,284	\$ 21,562	\$ 990	\$ 254,836
Contracted services	15,242	2,935	6	18,183
Utilities	22,111	63	199	22,373
Food	22,579	572	10	23,161
Supplies	12,200	8,213	149	20,562
Real estate taxes	10,485	766	-	11,251
Insurance	4,690	52	-	4,742
Other	7,526	8,820	64	16,410
Depreciation and amortization	72,606	4,887	-	77,493
Interest, net	24,497	54	-	24,551
Total	\$ 424,220	\$ 47,924	\$ 1,418	\$ 473,562

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Notes to Special-Purpose Combined Financial Statements
December 31, 2021 and 2020

18. Subsequent Event

In November 2021, ARS, who is the sole corporate member of ACTS, and Willow Valley Communities (WVC) entered into a definitive agreement to create a Strategic Alliance. This relationship brings the two organizations together in a mutually beneficial relationship and enhances the ability of both organizations to serve seniors and advance their shared missions.

AAM purchased the management contract of WVC's previous management company on December 31, 2021. As a result of this transaction, AMS, through its affiliate AAM, assumed overall management responsibilities for WVC on December 31, 2021. AAM was admitted as a member of the ACTS Obligated Group in December 2021.

The Strategic Alliance is planned to commence on May 1, 2022. At that time, ARS will become the sole corporate member of WVC, which will remain a separate legal entity, and will not be a member of the ACTS Obligated Group.

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Special-Purpose Combining Balance Sheet Schedule

December 31, 2021

(In Thousands)

	<u>Matthews Glen**</u>	<u>Tryon Estates**</u>	<u>Other Obligated Group Members*</u>	<u>Total Obligated Group</u>
Assets				
Current Assets				
Cash and cash equivalents	\$ -	\$ -	\$ 18,417	\$ 18,417
Current portion of board-designated funds	-	-	228,771	228,771
Current portion of assets whose use is limited	4,035	-	62,522	66,557
Accounts receivables, entrance fee receivables and other receivables, net	1,142	634	17,806	19,582
Prepaid expenses, inventory and deposits	112	37	11,569	11,718
Due from affiliated organizations	-	-	26,880	26,880
Total current assets	<u>5,289</u>	<u>671</u>	<u>365,965</u>	<u>371,925</u>
Board-Designated Funds	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>10,000</u>
Assets Whose Use is Limited	<u>833</u>	<u>413</u>	<u>89,275</u>	<u>90,521</u>
North Carolina Operating Reserve Funds	<u>5,645</u>	<u>2,921</u>	<u>-</u>	<u>8,566</u>
Assets Held For Sale	<u>-</u>	<u>-</u>	<u>2,701</u>	<u>2,701</u>
Intangible Asset	<u>-</u>	<u>-</u>	<u>4,450</u>	<u>4,450</u>
Property and Equipment				
Land and improvements	14,969	2,458	77,603	95,030
Building and improvements	220,383	100,619	1,644,953	1,965,955
Furniture, fixtures and equipment	11,310	5,248	142,422	158,980
Construction in progress	9,240	428	102,598	112,266
	<u>255,902</u>	<u>108,753</u>	<u>1,967,576</u>	<u>2,332,231</u>
Accumulated depreciation	<u>(67,539)</u>	<u>(50,926)</u>	<u>(860,405)</u>	<u>(978,870)</u>
Property and equipment, net	<u>188,363</u>	<u>57,827</u>	<u>1,107,171</u>	<u>1,353,361</u>
Deferred Costs, Net	<u>134</u>	<u>-</u>	<u>6,611</u>	<u>6,745</u>
Total	<u>\$ 200,264</u>	<u>\$ 61,832</u>	<u>\$ 1,586,173</u>	<u>\$ 1,848,269</u>

* Includes ACTS Retirement-Life Communities, Inc., other than the North Carolina divisions (**), ACTS Management Services, Inc., ACTS Signature Community Services, Inc., ACTS Alliance Management, LLC and associated intercompany eliminations.

** Continuing care retirement community operates as a division of ACTS Retirement-Life Communities, Inc.

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Special-Purpose Combining Balance Sheet Schedule (Continued)

December 31, 2021

(In Thousands)

	<u>Matthews Glen**</u>	<u>Tryon Estates**</u>	<u>Other Obligated Group Members*</u>	<u>Total Obligated Group</u>
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued expenses	\$ 1,251	\$ 624	\$ 88,031	\$ 89,906
Entrance fee deposits	4,435	222	12,677	17,334
Short-term indebtedness	-	-	67,993	67,993
Nonrecourse indebtedness	-	-	17,912	17,912
Current maturities of long-term debt	-	-	20,506	20,506
	<u>5,686</u>	<u>846</u>	<u>207,119</u>	<u>213,651</u>
Total current liabilities				
Long-Term Debt	-	-	719,768	719,768
Accumulated Loss on Investment Contracts	-	-	8,049	8,049
Refundable Portion of Entrance Fees	-	-	5,268	5,268
Deferred Revenue From Entrance Fees	79,391	34,223	636,855	750,469
Corporate Advances and Transfers	34,082	10,248	(44,330)	-
	<u>119,159</u>	<u>45,317</u>	<u>1,532,729</u>	<u>1,697,205</u>
Total liabilities				
Net Assets				
Without donor restrictions	80,546	16,343	29,066	125,955
With donor restrictions	559	172	24,378	25,109
	<u>81,105</u>	<u>16,515</u>	<u>53,444</u>	<u>151,064</u>
Total net assets				
Total	<u>\$ 200,264</u>	<u>\$ 61,832</u>	<u>\$ 1,586,173</u>	<u>\$ 1,848,269</u>

* Includes ACTS Retirement-Life Communities, Inc., other than the North Carolina divisions, ACTS Management Services, Inc., ACTS Signature Community Services, Inc., ACTS Alliance Management, LLC and associated intercompany eliminations.

** Continuing care retirement community operates as a division of ACTS Retirement-Life Communities, Inc.

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Special-Purpose Combining Statement of Operations and Changes in Net Assets Schedule

Year Ended December 31, 2021

(In Thousands)

	Matthews Glen**	Tryon Estates**	Other Obligated Group Members*	Total Obligated Group
Operating Revenue				
Resident services revenue, net of amortization of entrance fees	\$ 25,837	\$ 15,413	\$ 277,349	\$ 318,599
Patient revenue from third-party payors	1,645	953	31,673	34,271
Investment income	796	443	11,650	12,889
Net assets released from restriction to provide resident services	74	50	1,746	1,870
Other revenue	761	680	14,087	15,528
Total operating revenue before amortization of entrance fees	29,113	17,539	336,505	383,157
Amortization of entrance fees	9,601	4,352	88,011	101,964
Total operating revenue	38,714	21,891	424,516	485,121
Operating Expenses				
Salaries, wages and benefits	13,649	7,789	233,536	254,974
Contracted services	2,909	1,459	20,527	24,895
Utilities	1,685	1,120	19,749	22,554
Food	1,905	1,079	19,722	22,706
Supplies	1,154	604	18,104	19,862
Real estate taxes	739	300	10,296	11,335
Insurance	592	287	5,719	6,598
Other	5,510	3,075	7,704	16,289
Total operating expenses before depreciation, amortization and interest	28,143	15,713	335,357	379,213
Depreciation and amortization	7,663	4,532	67,437	79,632
Interest, net	2,523	819	21,453	24,795
Total operating expenses	38,329	21,064	424,247	483,640
Operating income	385	827	269	1,481

* Includes ACTS Retirement-Life Communities, Inc., other than the North Carolina divisions (**), ACTS Management Services, Inc., ACTS Signature Community Services, Inc., ACTS Alliance Management, LLC and associated intercompany eliminations.

** Continuing care retirement community operates as a division of ACTS Retirement-Life Communities, Inc.

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Special-Purpose Combining Statement of Operations and Changes in Net Assets Schedule (Continued)

Year Ended December 31, 2021

(In Thousands)

	<u>Matthews Glen**</u>	<u>Tryon Estates**</u>	<u>Other Obligated Group Members*</u>	<u>Total Obligated Group</u>
Changes in Net Assets Without Donor Restrictions				
Operating income	\$ 385	\$ 827	\$ 269	\$ 1,481
Net unrealized loss on investments and investment contracts	(730)	(437)	(3,482)	(4,649)
Net loss on nonoperating events	-	-	(184)	(184)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net operating (loss) income	(345)	390	(3,397)	(3,352)
Net assets released from restrictions to acquire property and equipment	-	-	1,473	1,473
Reclassification of prior years investment return	66	40	10,238	10,344
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Change in net assets without donor restrictions	(279)	430	8,314	8,465
Changes in Net Assets With Donor Restrictions				
Change in beneficial interest in the investments of ACTS Legacy Foundation, Inc.	134	33	1,430	1,597
Reclassification of prior years investment return	(66)	(40)	(10,238)	(10,344)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Change in net assets with donor restrictions	68	(7)	(8,808)	(8,747)
(Decrease) increase in net assets	(211)	423	(494)	(282)
Net Assets, Beginning	<u>81,316</u>	<u>16,092</u>	<u>53,938</u>	<u>151,346</u>
Net Assets, Ending	<u>\$ 81,105</u>	<u>\$ 16,515</u>	<u>\$ 53,444</u>	<u>\$ 151,064</u>

* Includes ACTS Retirement-Life Communities, Inc., other than the North Carolina divisions (**), ACTS Management Services, Inc., ACTS Signature Community Services, Inc., ACTS Alliance Management, LLC and associated intercompany eliminations.

** Continuing care retirement community operates as a division of ACTS Retirement-Life Communities, Inc.

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Special-Purpose Combining Statement of Cash Flows Schedule

Year Ended December 31, 2021

(In Thousands)

	<u>Matthews Glen**</u>	<u>Tryon Estates**</u>	<u>Other Obligated Group Members*</u>	<u>Total Obligated Group</u>
Cash Flows From Operating Activities				
(Decrease) increase in net assets	\$ (211)	\$ 423	\$ (494)	\$ (282)
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:				
Depreciation and amortization	7,663	4,532	67,437	79,632
Amortization of entrance fees	(9,601)	(4,352)	(88,011)	(101,964)
Amortization of bond discount and premium, net	-	-	(3,245)	(3,245)
Amortization of deferred financing costs	-	-	605	605
Entrance fees and deposits from nonfundable resale contracts	15,642	7,511	126,277	149,430
Refunds of entrance fees and deposits from nonfundable resale contracts	(963)	(378)	(9,324)	(10,665)
Administrative fee included in gross entrance fees	(738)	(356)	(6,347)	(7,441)
Increase in deferred costs	17	-	(2,680)	(2,663)
Net realized and unrealized loss on investments	119	325	4,909	5,353
Change in fair value of investment contracts	-	-	(2,996)	(2,996)
Change in beneficial interest in the investments of ACTS Legacy Foundation, Inc.	(68)	7	8,808	8,747
Net change in due from affiliated organizations	-	-	(8,967)	(8,967)
Changes in assets and liabilities:				
Decrease in accounts receivable and other receivables	674	1,291	2,871	4,836
(Increase) decrease in other prepaid expenses, inventory, and deposits	(10)	2	(1,982)	(1,990)
Decrease in accounts payable and accrued expenses	(1,063)	(1,873)	(7,709)	(10,645)
Net cash provided by operating activities	<u>11,461</u>	<u>7,132</u>	<u>79,152</u>	<u>97,745</u>
Cash Flows From Investing Activities				
Increase in intangible asset	-	-	(4,450)	(4,450)
Purchase of property and equipment	(12,293)	(4,255)	(92,766)	(109,314)
Increase in investments and assets whose use is limited	(243)	(70)	(12,111)	(12,424)
Net cash used in investing activities	<u>(12,536)</u>	<u>(4,325)</u>	<u>(109,327)</u>	<u>(126,188)</u>

* Includes ACTS Retirement-Life Communities, Inc., other than the North Carolina divisions (**), ACTS Management Services, Inc., ACTS Signature Community Services, Inc., ACTS Alliance Management, LLC and associated intercompany eliminations.

** Continuing care retirement community operates as a division of ACTS Retirement-Life Communities, Inc.

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Special-Purpose Combining Statement of Cash Flows Schedule (Continued)

Year Ended December 31, 2021

(In Thousands)

	<u>Matthews Glen**</u>	<u>Tryon Estates**</u>	<u>Other Obligated Group Members*</u>	<u>Total Obligated Group</u>
Cash Flows From Financing Activities				
Entrance fees and deposits from initial sale contracts	\$ 1,980	\$ -	\$ 14,883	\$ 16,863
Refunds of entrance fees and deposits from initial sale contracts	(531)	-	(1,112)	(1,643)
Entrance fees from refundable contracts	-	-	202	202
Refunds of refundable entrance fees	-	-	(955)	(955)
Payment of accounts payable, construction	(746)	(52)	(13,259)	(14,057)
Proceeds from short-term indebtedness	-	-	61,416	61,416
Net proceeds from non-recourse debt	-	-	6,463	6,463
Payments on non-recourse debt	-	-	(291)	(291)
Payments on short-term indebtedness	-	-	(40,303)	(40,303)
Payments on long-term indebtedness	-	-	(19,102)	(19,102)
Net change in corporate advances and transfers	1,663	(2,726)	1,063	-
Net cash provided by (used in) financing activities	<u>2,366</u>	<u>(2,778)</u>	<u>9,005</u>	<u>8,593</u>
Net increase (decrease) in cash, cash equivalents and restricted cash and cash equivalents	1,291	29	(21,170)	(19,850)
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning	<u>2,720</u>	<u>44</u>	<u>123,689</u>	<u>126,453</u>
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Ending	<u><u>\$ 4,011</u></u>	<u><u>\$ 73</u></u>	<u><u>\$ 102,519</u></u>	<u><u>\$ 106,603</u></u>
Supplemental Disclosure of Cash Flow Information				
Interest paid, net of amounts capitalized	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 26,810</u></u>	<u><u>\$ 26,810</u></u>
Supplemental Disclosure of Noncash Investing and Financing Activities				
Obligations incurred for the acquisition of property and equipment	<u><u>\$ 2,097</u></u>	<u><u>\$ 37</u></u>	<u><u>\$ 25,486</u></u>	<u><u>\$ 27,620</u></u>
Proceeds from nonrecourse debt used to repay other non recourse debt	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 11,740</u></u>	<u><u>\$ 11,740</u></u>
Reconciliation of Cash, Cash Equivalents and Restricted Cash and Cash Equivalents to Balance Sheet				
Cash and cash equivalents	\$ -	\$ -	\$ 18,417	\$ 18,417
Cash and cash equivalents included in investments and assets whose use is limited	<u>4,011</u>	<u>73</u>	<u>84,102</u>	<u>88,186</u>
Total cash, cash equivalents and restricted cash and cash equivalents	<u><u>\$ 4,011</u></u>	<u><u>\$ 73</u></u>	<u><u>\$ 102,519</u></u>	<u><u>\$ 106,603</u></u>

* Includes ACTS Retirement-Life Communities, Inc., other than the North Carolina divisions (**), ACTS Management Services, Inc., ACTS Signature Community Services, Inc., ACTS Alliance Management, LLC and associated intercompany eliminations.

** Continuing care retirement community operates as a division of ACTS Retirement-Life Communities, Inc.

ATTACHMENT NO. 2

INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2022

(UNAUDITED)

ACTS RETIREMENT-LIFE COMMUNITIES, INC. (OBLIGATED GROUP)



Fifty Years of Loving-Kindness

ACTS OBLIGATED GROUP

*ACTS Retirement-Life Communities, Inc.,
ACTS Management Services, Inc.,
ACTS Signature Community Services, Inc., and
ACTS Alliance Management, LLC*

**QUARTERLY
DISCLOSURE
PACKAGE**

FOR THE QUARTER ENDED

MARCH 31, 2022

GENERAL BUSINESS DISCUSSION

The financial results presented within this package are those of the Acts Obligated Group. The Obligated Group, originally formed in 1996, has since admitted additional members including: Lanier Village Estates, Inc. ("LVE"), Azalea Trace, Inc. ("AT"), ACTS Management Services, Inc., ACTS Signature Community Services, Inc., Magnolia Trace, An ACTS Retirement-Life Community, LLC ("MT"), Peninsula United Methodist Homes, Inc. ("PUMH"), Park Pointe Village, Inc. ("PPV"), and ACTS Alliance Management, LLC ("AAM"). LVE, AT, MT, PUMH and PPV all formally affiliates of Acts merged into the legal entity of Acts and are now operating divisions. The Acts organization is comprised of the Obligated Group and other affiliated entities. Those other affiliated entities include ACTS Retirement Services, Inc., ACTS Acquisition and Development Company, LLC, Heron Point of Chestertown, Inc., Presbyterian Retirement Corporation, Inc. dba Westminster Village, The Evergreens, ACTS Legacy Foundation, Inc., Integrate, Inc. and its affiliated entity.

The accompanying financial statements have been prepared in accordance with GAAP, generally accepted accounting principles, and present fairly the financial condition of the ACTS Obligated Group and result of its operations, subject to year-end adjustments.

Statements made in this report which are not historical facts contain "forward-looking" statements (as defined in the Private Securities Litigation Reform Act of 1995) that involve risks and uncertainties and are subject to change at any time. Although Acts believes the expectations reflected in such forward-looking statements are reasonable assumptions, it can give no assurance that its expectations will be attained. The Company assumes no obligation to update or supplement forward-looking statements that become untrue because of subsequent events.

As we begin a new year, the Acts organization continues to move beyond the pandemic, returning to pre-pandemic lifestyles, activities, procedures and policies, while implementing best practices and silver linings gleaned throughout the pandemic period. We are pleased that COVID cases within our communities are uncommon due to the effectiveness of the vaccine and booster(s). The Acts organization continues to monitor the lingering effects of the pandemic including the national labor shortage and supply chain issues while focusing on moving many strategic initiatives forward.

The strategic initiatives are focused on community, operational and marketing enhancements to support high levels of occupancy and strong financial performance. Independent living occupancy was 91% at the end of the quarter and improves to an impressive 96% when including units currently reserved by prospective residents. Census in WillowBrooke Court (skilled nursing) and OakBridge Terrace (assisted living) approached 80%, compared to 74% during the first quarter of 2021, and 76% for the year.

The high level of independent living census continues to be supported by strong sales activity. Resale move-ins during the first quarter exceeded the same period last year by over 30%, with resale move-ins totaling 511 over the past twelve-month period, compared to 422 for the same period of the prior year; a 21% increase. This provides for a strong debt service coverage ratio of 3.2x on a rolling twelve-month basis. Days cash on hand also remained healthy at 257 days. Increased census also provided for an increase in operating revenue over 4% compared to the first quarter of 2021. Expenses increased just under 8% as the organization increased wages in response to the labor market, as well as the unusual and unexpected rise in the costs of outsourced labor for clinical positions. This caused operating income to be \$4 million less than the same quarter of 2021. Revenue is anticipated to continue to increase, as supported by future initial sale move-ins.

Initial sale activity and related construction also continues as follows: i) at Lanier Village Estates all 31 cottages are reserved and 15 are currently occupied, ii) at Country House all 20 cottages are

currently occupied, 39 of 62 apartments are reserved; iii) for Indian River Estates, all 16 of the new villas are reserved, and iv) for Matthews Glen Expansion Phase 2, all 16 villas are reserved and 49 out of 72 apartments are reserved.

Other Notable Activities

As previously announced, Acts Retirement Services, the sole corporate member of Acts Retirement-Life Communities (“Acts”), and Willow Valley Communities (“WVC”) entered into a Definitive Agreement to create a Strategic Alliance. This relationship brings the two organizations together in a mutually beneficial relationship and enhances the ability of both organizations to serve seniors and advance their shared missions. As part of the Strategic Alliance, Acts Management Services (“AMS”), through its affiliate Acts Alliance Management (“AAM”), assumed overall management responsibilities for WVC on January 1, 2022. AAM was admitted as a member of the ACTS Obligated Group in December 2021. The Strategic Alliance commenced on May 1, 2022, at which time ARS became the sole corporate member of WVC, which remains a separate legal entity, and is not a member of the ACTS Obligated Group.

The Acts organization is recognizing its 50th anniversary in 2022 with a year-long commemoration of its mission serving older adults. Please visit our website for more information and updates.

<https://www.actsretirement.org/acts-celebrates-50-years-of-loving-kindness/>

FINANCIAL SUMMARY

The financial results and discussion presented within this package are those of the Acts Obligated Group. Therefore, these results do not include those of other affiliated organizations, including ACTS Retirement Services, Inc., ACTS Acquisition and Development Company, LLC, Heron Point of Chestertown, Inc., Presbyterian Retirement Corporation, Inc., The Evergreens, ACTS Legacy Foundation, Inc., and Integrace, Inc. and its affiliated entity. (See Combining Schedules).

Below is a summary explanation of the significant variances between the periods ended March 31, 2022, and 2021.

Statement of Financial Position:

Assets:

Assets increased \$74 million (4.2%) primarily due to an \$81 million increase in net property and equipment and intangible asset as additions significantly outpaced the level of depreciation. The additions were reflective of ordinary capital improvements along with strategic capital initiatives to add additional independent living units to existing communities (Country House, Lanier Village Estates, Matthews Glen, and Indian River Estates) and enhance privacy in WillowBrooke Court Skilled Nursing Centers. With much of these capital improvements funded by project funds, investments decreased \$34 million, which was also offset by an increase in cash of \$19 million. Other asset increases included i) a combined increase in receivables and due from affiliates of \$6 million, due to the timing of payments and releases from Acts Legacy Foundation, and ii) an increase in deferred costs of \$2 million.

Liabilities:

Total liabilities increased \$86 million (5.3%) primarily due to a \$49 million increase in deferred revenue from entrance fees and entrance fee deposits supported by strong sales activity, offset slightly by a \$1 million decrease in refundable entrance fees. Other increases included i) a \$44 million increase in short-term debt as independent living expansion projects are temporarily funded by lines of credit, ii) a \$14 million increase in accounts payable and accrued expenses due to the timing of payments and iii) a \$4 million increase in non-recourse indebtedness due to the refinancing of the Corporate Services Center and the promissory note related to AAM. These increases were offset by \$21 million in long-term debt payments, and a \$3 million decrease in the accumulated loss on investment contracts due to changes in the fair market valuation related to the interest rate swap agreements.

Net Assets:

The decrease in net assets of \$12 million is primarily attributed to operations and decreases in net assets with donor restrictions as funds were released as designated purposes were met.

Statement of Operations and Changes in Net Assets:

Revenue:

Operating revenue increased by \$5 million (4.3%) due to a \$4 million increase in resident services revenue from a 4.5% monthly fee increase effective January 1, 2022, and an increase in other revenue of \$1 million due to apartment modification income. The slight decrease in patient revenue from third-party payors related to a decline in COVID vaccine and testing related revenue that was offset by minor changes in all other revenue categories.

Expenses:

Operating expenses increased by \$9 million (7.8%) predominantly related to staffing challenges and wage pressures that caused an increase in salary, wages and benefits and contracted services (\$6 million). In addition, inflationary increases resulted in growth in utilities, food, supplies, insurance and other for an aggregate increase of \$2 million. Depreciation, amortization, and interest expense also increased in the aggregate by approximately \$1 million.

Operating Income:

The decrease in Operating Income of \$4 million was predominantly attributed to the costs of salary, wages, and contracted services, due to the unusual and unexpected rate increases.

Statement of Cash Flows:

Cash Flows from Operating Activities:

Net cash flows provided by operating activities increased by \$21 million primarily due to a \$25 million increase in accounts payable and accrued expenses due to the timing of payments, largely related to the increase in the purchase of property and equipment. This increase was offset by the net changes in operating activity described above.

Cash Flows from Investing Activities:

Net cash flows used in investing activities increased by \$15 million. This is primarily due to a \$21 million increase in property and equipment purchases, offset by an increase in the use of investments of \$6 million.

Cash Flows from Financing Activities:

Net cash flows provided by financing activities increased by \$14 million. This is primarily due to a \$21 million increase in net proceeds related to short-term indebtedness and non-recourse indebtedness as borrowing and payments were made primarily related to expansion projects. This activity provided for an increase in entrance fees from initial sale contracts net of refunds of \$5 million. These were offset by a \$12 million decrease in payments of accounts payable related to construction.

ACTS OBLIGATED GROUP
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2022 AND 2021

	ACTS Obligated Group* 3/31/22	ACTS Obligated Group* 3/31/21
ASSETS		
Cash and cash equivalents	\$ 25,240,552	\$ 6,471,296
Investments	382,691,981	417,103,726
Accounts receivable and entrance fee receivables, net	16,013,208	18,759,664
Prepaid expenses, inventory, and deposits	9,667,495	10,087,108
Property and equipment, net	1,374,420,102	1,297,226,096
Intangible asset	4,450,000	-
Deferred costs, net	7,287,706	5,010,351
Due from affiliated organizations	27,032,011	18,337,684
	<u>\$ 1,846,803,055</u>	<u>\$ 1,772,995,925</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 91,697,583	\$ 78,035,003
Short-term indebtedness	95,258,429	51,197,554
Non-recourse indebtedness	17,812,403	13,699,852
Long-term indebtedness	739,486,934	761,160,098
Entrance fee deposits	18,388,933	14,299,521
Refundable portion of entrance fees	4,893,414	5,857,553
Deferred revenue from entrance fees	740,109,448	694,514,027
Accumulated loss on investment contracts	5,607,330	8,905,896
	<u>1,713,254,474</u>	<u>1,627,669,504</u>
NET ASSETS		
Without donor restrictions	107,735,881	111,346,928
With donor restrictions	25,812,700	33,979,493
	<u>133,548,581</u>	<u>145,326,421</u>
	<u>\$ 1,846,803,055</u>	<u>\$ 1,772,995,925</u>

* Includes intercompany eliminations

ACTS OBLIGATED GROUP
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE PERIODS ENDED MARCH 31, 2022 AND 2021

	YEAR TO DATE	
	ACTS Obligated Group* 3/31/22	ACTS Obligated Group* 3/31/21
OPERATING REVENUE		
Resident services revenue, net of amortization of entrance fees	\$ 81,727,446	\$ 77,699,850
Patient revenue from third-party payors	8,872,375	9,134,868
Investment income	2,034,516	2,089,119
Net assets released from restriction to provide resident services	388,861	420,382
Other revenue	4,209,003	2,804,093
	<hr/>	<hr/>
Total operating revenue before amortization of entrance fees	97,232,201	92,148,312
Amortization of entrance fees	25,401,333	25,469,409
	<hr/>	<hr/>
Total operating revenue	122,633,534	117,617,721
OPERATING EXPENSES		
Salary, wages, and benefits	66,745,263	62,872,696
Contracted services	7,072,797	5,155,582
Utilities	6,267,838	5,955,204
Food	5,644,264	5,309,716
Supplies	5,389,959	4,712,937
Real estate taxes	2,884,502	2,892,232
Insurance	1,718,199	1,580,236
Other	4,352,488	3,233,884
	<hr/>	<hr/>
Total operating expenses before depreciation, amortization and interest	100,075,310	91,712,487
Depreciation and amortization	20,193,408	19,629,411
Interest, net	6,331,411	6,124,147
	<hr/>	<hr/>
Total operating expenses	126,600,129	117,466,045
	<hr/>	<hr/>
OPERATING INCOME (LOSS)	\$ (3,966,595)	\$ 151,676

* Includes intercompany eliminations

ACTS OBLIGATED GROUP
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (CONTINUED)
FOR THE PERIODS ENDED MARCH 31, 2022 AND 2021

	YEAR TO DATE	
	ACTS Obligated Group* 3/31/22	ACTS Obligated Group* 3/31/21
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Operating income (loss)	\$ (3,966,595)	\$ 151,676
Net unrealized income (loss) on investments and investment contracts	(14,906,023)	(6,439,725)
Net gain on non-operating events	622,655	-
	<hr/>	<hr/>
Net operating income (loss)	(18,249,963)	(6,288,049)
Net assets released from restriction to acquire property and equipment	30,274	144,634
	<hr/>	<hr/>
Change in net assets without donor restrictions	(18,219,689)	(6,143,415)
	<hr/>	<hr/>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS		
Change in beneficial interest in investments of ACTS Legacy Foundation, Inc.	703,525	123,405
	<hr/>	<hr/>
Change in net assets with donor restrictions	703,525	123,405
	<hr/>	<hr/>
DECREASE IN NET ASSETS	(17,516,164)	(6,020,010)
NET ASSETS, BEGINNING	151,064,745	151,346,431
	<hr/>	<hr/>
NET ASSETS, ENDING	\$ 133,548,581	\$ 145,326,421
	<hr/> <hr/>	<hr/> <hr/>

* Includes intercompany eliminations

**ACTS OBLIGATED GROUP
STATEMENT OF CASH FLOWS
FOR THE PERIODS ENDED MARCH 31, 2022 AND 2021**

	YEAR TO DATE	
	ACTS Obligated Group* 3/31/22	ACTS Obligated Group* 3/31/21
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	\$ (17,516,164)	\$ (6,020,010)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	20,193,408	19,629,411
Amortization of entrance fees	(25,401,333)	(25,469,409)
Amortization of bond discount and premium	(753,778)	(817,814)
Amortization of deferred financing costs	171,407	161,283
Entrance fees from non-refundable resale contracts	17,340,208	19,192,398
Refunds of non-refundable entrance fees and deposits from resale contracts	(2,185,194)	(3,769,567)
Administrative fee included in gross entrance fees	(861,253)	(493,334)
Increase in deferred costs	(770,217)	(322,175)
Net realized and unrealized loss (gain) on investments	17,171,404	8,261,231
Change in fair value of investment contracts	(2,441,348)	(2,139,435)
Change in beneficial interest in investments of ACTS Legacy Foundation, Inc.	(703,525)	(123,405)
Net change in due to/from affiliated organizations	(152,120)	(424,812)
Changes in assets and liabilities:		
Decrease in accounts receivable	685,764	3,434,713
Decrease (increase) in prepaid expenses, inventory, and deposits	2,050,776	(358,880)
Increase in accounts payable and accrued expenses	27,119,557	1,700,418
	<u>33,947,592</u>	<u>12,440,613</u>
Net cash provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(38,323,846)	(17,122,518)
(Increase) decrease in investments	8,137,208	1,795,004
	<u>(30,186,638)</u>	<u>(15,327,514)</u>
Net cash used in investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Entrance fees from initial sale contracts	6,282,010	857,765
Refunds of entrance fees and deposits from initial sale contracts	(882,740)	(467,420)
Refunds of refundable entrance fees	(373,310)	(375,435)
Payment of accounts payable, construction	(26,040,976)	(14,057,480)
Proceeds from short-term indebtedness	30,660,025	8,762,698
Proceeds from non-recourse indebtedness	-	2,100,000
(Increase) decrease in deferred financing costs	-	(140,929)
Payments on short-term indebtedness	(3,394,890)	(4,445,026)
Payments on non-recourse indebtedness	(101,236)	-
Principal payments on long-term indebtedness	(204,000)	(198,000)
Payments related to subordinated notes	-	-
	<u>5,944,883</u>	<u>(7,963,827)</u>
Net cash (used in) provided by financing activities		
NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS	9,705,837	(10,850,728)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS, BEGINNING	<u>106,603,337</u>	<u>126,453,294</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 116,309,174</u>	<u>\$ 115,602,566</u>
Supplemental Disclosure of Noncash Investing and Financing Activities		
Proceeds from non-recourse indebtedness used to repay non-recourse indebtedness	\$ -	\$ 11,740,000
Reconciliation of Cash and Restricted Cash to Balance Sheet		
Cash and cash equivalents	\$ 25,240,552	\$ 6,471,296
Cash and cash equivalents included in investments	91,068,622	109,131,270
	<u>\$ 116,309,174</u>	<u>\$ 115,602,566</u>
Total cash, cash equivalents and restricted cash and cash equivalents		

* Includes intercompany eliminations

ACTS OBLIGATED GROUP AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
MARCH 31, 2022 AND 2021

	ACTS Obligated Group	Other Affiliates*	3/31/22 Consolidated	3/31/21 Consolidated
ASSETS				
Cash and cash equivalents	\$ 25,240,552	\$ 6,275,047	\$ 31,515,599	\$ 14,499,260
Investments	382,691,981	105,275,236	487,967,217	520,492,341
Accounts receivable and entrance fee receivables, net	16,013,208	5,932,498	21,945,706	27,253,895
Prepaid expenses, inventory, and deposits	9,667,495	1,717,524	11,385,019	11,990,947
Property and equipment, net	1,374,420,102	277,982,610	1,652,402,712	1,563,294,661
Intangible asset	4,450,000	109,463,908	113,913,908	109,463,908
Deferred costs, net	7,287,706	2,185,019	9,472,725	6,509,814
Due from affiliated organizations	27,032,011	(27,032,011)	-	-
TOTAL ASSETS	\$ 1,846,803,055	\$ 481,799,831	\$ 2,328,602,886	\$ 2,253,504,826
LIABILITIES				
Accounts payable and accrued expenses	\$ 91,697,583	\$ 18,550,943	\$ 110,248,526	\$ 94,988,848
Short-term indebtedness	95,258,429	-	95,258,429	51,197,554
Non-recourse indebtedness	17,812,403	-	17,812,403	13,699,852
Long-term indebtedness	739,486,934	211,672,781	951,159,715	975,802,448
Charitable gift annuity obligations	-	2,546,223	2,546,223	2,632,537
Entrance fee deposits	18,388,933	1,470,150	19,859,083	15,671,205
Refundable portion of entrance fees	4,893,414	87,775,406	92,668,820	109,454,827
Deferred revenue from entrance fees	740,109,448	121,649,109	861,758,557	796,857,661
Accumulated loss on investment contracts	5,607,330	-	5,607,330	8,905,896
TOTAL LIABILITIES	1,713,254,474	443,664,612	2,156,919,086	2,069,210,828
NET ASSETS				
Without donor restrictions	107,735,881	19,519,746	127,255,627	130,040,737
With donor restrictions	25,812,700	18,615,473	44,428,173	54,253,261
TOTAL NET ASSETS	133,548,581	38,135,219	171,683,800	184,293,998
TOTAL LIABILITIES AND NET ASSETS	\$ 1,846,803,055	\$ 481,799,831	\$ 2,328,602,886	\$ 2,253,504,826

* Includes ACTS Legacy Foundation, Inc., Heron Point of Chestertown, Inc., The Evergreens, Integrate, Inc. and affiliate, Presbyterian Retirement Corporation, Inc. (dba Westminster Village), ACTS Acquisition and Development Company, and associated intercompany eliminations.

ACTS OBLIGATED GROUP AND AFFILIATES
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE PERIODS ENDED MARCH 31, 2022 AND 2021

	ACTS Obligated Group	Other Affiliates*	3/31/22 Consolidated	3/31/21 Consolidated
OPERATING REVENUE				
Resident services revenue, net of amortization of entrance fees	\$ 81,727,446	\$ 19,540,224	\$ 101,267,670	\$ 95,855,610
Patient revenue from third-party payors	8,872,375	3,645,116	12,517,491	12,468,876
Investment income	2,034,516	426,609	2,461,125	2,526,232
Net assets released from restriction to provide resident services	388,861	213,787	602,648	652,605
Other revenue (loss)	4,209,003	(1,199,992)	3,009,011	1,565,607
Total operating revenue before amortization of entrance fees	97,232,201	22,625,744	119,857,945	113,068,930
Amortization of entrance fees	25,401,333	4,580,967	29,982,300	30,253,102
Total operating revenue	122,633,534	27,206,711	149,840,245	143,322,032
OPERATING EXPENSES				
Salaries, wages, and benefits	66,745,263	14,874,740	81,620,003	76,731,568
Contracted services	7,072,797	1,654,633	8,727,430	5,944,357
Utilities	6,267,838	1,601,951	7,869,789	7,560,916
Food	5,644,264	1,231,738	6,876,002	6,436,745
Supplies	5,389,959	1,070,094	6,460,053	5,778,596
Real estate taxes	2,884,502	507,801	3,392,303	3,398,910
Insurance	1,718,199	307,492	2,025,691	1,898,276
Other	4,352,488	971,456	5,323,944	4,183,557
Total operating expenses before depreciation, amortization and interest	100,075,310	22,219,905	122,295,215	111,932,925
Depreciation and amortization	20,193,408	3,069,942	23,263,350	22,360,675
Interest, net	6,331,411	1,547,676	7,879,087	7,613,106
Total operating expenses	126,600,129	26,837,523	153,437,652	141,906,706
OPERATING INCOME	\$ (3,966,595)	\$ 369,188	\$ (3,597,407)	\$ 1,415,326

* Includes ACTS Legacy Foundation, Inc., Heron Point of Chestertown, Inc., The Evergreens, Integrate, Inc. and affiliate, Presbyterian Retirement Corporation, Inc. (dba Westminster Village), ACTS Acquisition and Development Company, and associated intercompany eliminations.

ACTS OBLIGATED GROUP AND AFFILIATES
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (CONTINUED)
FOR THE PERIODS ENDED MARCH 31, 2022 AND 2021

	ACTS Obligated Group	Other Affiliates*	3/31/22 Consolidated	3/31/21 Consolidated
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS				
Operating income	\$ (3,966,595)	\$ 369,188	\$ (3,597,407)	\$ 1,415,326
Net unrealized (loss) gain on investments and investment contracts	(14,906,023)	(3,648,325)	(18,554,348)	(6,647,390)
Other valuation adjustment	-	(373,834)	(373,834)	(369,028)
Net gain (loss) on non-operating events	622,655	-	622,655	-
Net assets released from restriction to acquire property and equipment	30,274	15,060	45,334	144,634
	<u>\$ (18,219,689)</u>	<u>\$ (3,637,911)</u>	<u>\$ (21,857,600)</u>	<u>\$ (5,456,458)</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS				
Contributions, net of valuation	-	1,222,884	1,222,884	895,566
Investment income	-	34,963	34,963	3,045,659
Net unrealized gain on investments	-	-	-	(3,471,858)
Change in split interest agreements	-	(27,348)	(27,348)	101,911
Net assets released from restriction to provide resident services	-	(646,748)	(646,748)	(652,605)
Net assets released from restriction to acquire property and equipment	-	(45,334)	(45,334)	(144,634)
Change in beneficial interest in investments of ACTS Legacy Foundation, Inc.	703,525	(703,525)	-	-
	<u>703,525</u>	<u>(165,108)</u>	<u>538,417</u>	<u>(225,961)</u>
Change in net assets without donor restrictions	703,525	(165,108)	538,417	(225,961)
(DECREASE) INCREASE IN NET ASSETS	(17,516,164)	(3,803,019)	(21,319,183)	(5,682,419)
NET ASSETS, BEGINNING	151,064,745	41,938,238	193,002,983	189,976,417
NET ASSETS, ENDING	\$ 133,548,581	\$ 38,135,219	\$ 171,683,800	\$ 184,293,998

* Includes ACTS Legacy Foundation, Inc., Heron Point of Chestertown, Inc., The Evergreens, Integrate, Inc. and affiliate, Presbyterian Retirement Corporation, Inc. (dba Westminster Village), ACTS Acquisition and Development Company, and associated intercompany eliminations.

**ACTS OBLIGATED GROUP AND AFFILIATES
CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE PERIODS ENDED MARCH 31, 2022 AND 2021**

	ACTS Obligated Group	Other Affiliates*	3/31/22 Consolidated	3/31/21 Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES				
(Decrease) increase in net assets without donor restrictions	\$ (17,516,164)	\$ (3,803,019)	\$ (21,319,183)	\$ (5,682,419)
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:				
Depreciation and amortization	20,193,408	3,069,942	23,263,350	22,360,675
Other valuation adjustment	-	373,834	373,834	369,028
Amortization of entrance fees	(25,401,333)	(4,580,967)	(29,982,300)	(30,253,102)
Amortization of bond premium and discount	(753,778)	(222,196)	(975,974)	(1,032,741)
Amortization of deferred financing costs	171,407	21,781	193,188	186,241
Entrance fees from non-refundable resale contracts	17,340,208	4,091,421	21,431,629	21,462,294
Refunds of non-refundable entrance fees and deposits from resale contracts	(2,185,194)	(1,139,046)	(3,324,240)	(4,857,416)
Administrative fee included in gross entrance fees	(861,253)	(144,020)	(1,005,273)	(529,599)
Increase in deferred costs	(770,217)	(227,274)	(997,491)	(425,265)
Net realized and unrealized loss (gain) on investments	17,171,404	3,430,451	20,601,855	11,786,363
Change in fair value of investment contracts	(2,441,348)	-	(2,441,348)	(2,139,435)
Change in beneficial interest in investments of ACTS Legacy Foundation, Inc.	(703,252)	703,525	-	-
Net change in due to/from affiliated organizations	(152,120)	152,120	-	-
Changes in assets and liabilities:				
Decrease (increase) in accounts receivables	685,764	198,575	884,339	3,677,650
Increase in prepaid expenses, inventory, and deposits	2,050,776	429,129	2,479,905	3,964
(Decrease) increase in accounts payable and accrued expenses	27,119,557	3,429,260	30,548,817	2,204,971
Net cash provided by operating activities	33,947,592	5,783,516	39,731,108	17,131,209
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property and equipment	(38,323,846)	(6,003,128)	(44,326,974)	(22,244,479)
(Increase) decrease in investments	8,137,208	2,861,469	10,998,677	7,703,298
Net cash used in investing activities	(30,186,638)	(3,141,659)	(33,328,297)	(14,541,181)
CASH FLOWS FROM FINANCING ACTIVITIES				
Entrance fees from initial sale contracts	6,282,010	-	6,282,010	857,765
Refunds of entrance fees and deposits from initial sale contracts	(882,740)	-	(882,740)	(467,420)
Refunds of refundable entrance fees	(373,310)	(6,497,489)	(6,870,799)	(3,544,287)
Payment of accounts payable, construction	(26,040,976)	(3,240,364)	(29,281,340)	(16,939,417)
Proceeds from short-term indebtedness	30,660,025	-	30,660,025	8,762,698
Proceeds from non-recourse indebtedness	-	-	-	2,100,000
Increase in deferred financing costs	-	-	-	(140,929)
Increase in charitable gift annuity obligations	-	44,497	44,497	267,896
Payments on charitable gift annuity obligations	-	(160,159)	(160,159)	(128,636)
Payments on short-term indebtedness	(3,394,890)	-	(3,394,890)	(4,445,026)
Payments on non-recourse indebtedness	(101,236)	-	(101,236)	-
Principal payments on long-term indebtedness	(204,000)	(611,000)	(815,000)	(448,000)
Net cash provided by (used in) financing activities	5,944,883	(10,464,515)	(4,519,632)	(14,125,356)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	9,705,837	(7,822,658)	1,883,179	(11,535,328)
CASH AND CASH EQUIVALENTS, BEGINNING	106,603,337	47,199,428	153,802,765	175,402,627
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 116,309,174</u>	<u>\$ 39,376,770</u>	<u>\$ 155,685,944</u>	<u>\$ 163,867,299</u>
Supplemental Disclosure of Noncash Investing and Financing Activities				
Proceeds from non-recourse debt to repay non-recourse debt	\$ -	-	\$ -	\$ 11,740,000
Reconciliation of Cash and Restricted Cash to Balance Sheet				
Cash and cash equivalents	\$ 25,240,552	\$ 6,275,047	\$ 31,515,599	\$ 14,499,260
Cash and cash equivalents included in investments	91,068,622	33,101,723	124,170,345	149,368,039
Total cash, cash equivalents and restricted cash and cash equivalents	<u>\$ 116,309,174</u>	<u>\$ 39,376,770</u>	<u>\$ 155,685,944</u>	<u>\$ 163,867,299</u>

* Includes ACTS Legacy Foundation, Inc., Heron Point of Chestertown, Inc., The Evergreens, Integrate, Inc. and affiliate, Presbyterian Retirement Corporation, Inc. (dba Westminster Village), ACTS Acquisition and Development Company, and associated intercompany eliminations.

**ACTS OBLIGATED GROUP
CENSUS SUMMARY
AS OF MARCH 31, 2022 AND 2021**

CENSUS SUMMARY	<u>2022 ACTUAL</u>	<u>2021 ACTUAL</u>
INDEPENDENT LIVING UNITS		
AVAILABLE	5,494	5,499
OCCUPIED	5,021	5,074
OCCUPANCY %	91.4%	92.3%
# OF RESIDENTS:		
LIFECARE	6,546	6,602
NON-LIFECARE	63	60
TOTAL	6,609	6,662
RESIDENTS PER INDEPENDENT LIVING UNIT	1.32	1.31
ASSISTED LIVING UNITS		
AVAILABLE	868	869
OCCUPIED	671	635
OCCUPANCY %	77.3%	73.1%
# OF RESIDENTS:		
LIFECARE	615	583
PRIVATE PAY	56	52
SKILLED NURSING FACILITY		
AVAILABLE	1,227	1,227
OCCUPIED	991	918
OCCUPANCY %	80.8%	74.8%
# OF RESIDENT DAYS:		
LIFECARE RESIDENTS	69,592	65,575
MEDICARE/MEDICAID	11,998	10,881
PRIVATE PAY/CONT. CARE CONTRACT	7,606	6,163
TOTAL	89,196	82,619

**ACTS OBLIGATED GROUP
MARKETING SUMMARY
FOR THE PERIODS ENDED MARCH 31, 2022 AND 2021**

	<u>2022 ACTUAL</u>	<u>2021 ACTUAL</u>
INDEPENDENT LIVING UNITS RESALE ACTIVITY		
CASH BASIS		
GROSS ENTRANCE FEES \$	17,340,208	19,192,398
REFUNDS \$	(2,558,504)	(4,145,002)
NET ENTRANCE FEES	14,781,704	15,047,396
MOVE IN BASIS		
GROSS RESALE \$	13,144,430	10,194,065
RESALE #	42	32
AVERAGE \$	312,963	318,565
INDEPENDENT LIVING UNITS INITIAL SALE ACTIVITY		
CASH BASIS		
GROSS ENTRANCE FEES \$	6,282,010	857,765
REFUNDS \$	(882,740)	(467,420)
NET ENTRANCE FEES	5,399,270	390,345
MOVE IN BASIS		
GROSS INITIAL SALE \$	4,924,200	0
INITIAL SALE #	8	0
AVERAGE \$	615,525	0

ACTS OBLIGATED GROUP
ACTS Retirement-Life Communities, Inc., ACTS Management Services, Inc.,
ACTS Signature Community Services, Inc., and ACTS Alliance Management, LLC

Bond Issues and Related Loans in the Original Amounts of:

\$16,400,000 Montgomery County Industrial Development Authority Retirement Community Revenue Bonds Series 2002

\$38,500,000 Gainesville and Hall County Development Authority (State of Georgia) Senior Living Facility Revenue Bonds Series 2003B

\$25,395,000 Escambia County Health Facilities Authority (State of Florida) Healthcare Facilities Revenue Refunding Bonds Series 2003B

\$47,675,000 Delaware Economic Development Authority Variable Rate Demand Revenue Bonds Series 2007A

\$13,330,000 Palm Beach County Health Facilities Authority (Florida) Retirement Communities Revenue Refunding Bonds Series 2012

\$12,080,000 Gainesville and Hall County Development Authority (Georgia) Retirement Community Revenue Refunding Bonds Series 2012

\$25,500,000 Term Loan, dated December 19, 2013

\$15,000,000 Term Loan, dated December 19, 2013

\$105,585,000 Palm Beach County Health Facilities Authority (Florida) Retirement Communities Revenue Bonds Series 2016

\$97,165,000 Montgomery County Industrial Development Authority (Pennsylvania) Retirement Communities Revenue Bonds Series 2016

\$7,190,000 Gainesville and Hall County Development Authority (Georgia) Retirement Community Revenue Refunding Bonds Series 2016

\$46,815,000 Palm Beach County Health Facilities Authority (Florida) Retirement Communities Revenue Bonds Series 2018A

\$35,775,000 Delaware Economic Development Authority (Delaware) Retirement Communities Revenue Bonds Series 2018B

\$21,540,000 South Carolina Jobs-Economic Development Authority (South Carolina) Retirement Community Revenue Bonds, Series 2018C

\$32,065,000 Public Finance Authority Retirement Communities Revenue Bonds Series 2018D

\$31,615,000 Montgomery County Industrial Development Authority (Pennsylvania) Retirement Communities Revenue Bonds Series 2018E

\$48,460,000 Public Finance Authority Retirement Communities Revenue Bonds, Series 2020A

\$19,360,000 Palm Beach County Health Facilities Authority (Florida) Retirement Communities Revenue Bonds, Series 2020B

\$47,290,000 Montgomery County Industrial Development Authority (Pennsylvania) Retirement Communities Revenue Bonds, Series 2020C

\$84,295,000 Montgomery County Industrial Development Authority (Pennsylvania) Retirement Communities Revenue Bonds, Series 2020D

CERTIFICATION

Page 2

In accordance with Section 7.10 of the Master Trust Indenture between the Obligated Group and U.S. Bank National Association as successor trustee dated December 1, 1996, and Section 7.4 of the Supplement No. 14 to the Master Trust Indenture dated December 1, 2002, and related loan agreements for the above referenced issues, I hereby certify that:

- (i) the Obligated Group is in compliance with the rate covenant of Section 7.4 of the Master Trust Indenture, which Historical Debt Service Coverage Ratio for the four most recent fiscal quarters ended March 31, 2022 is shown on the attached page,
- (ii) the Obligated Group is in compliance with the liquidity covenant of Section 7.4 of the Supplement No. 14 to the Master Trust Indenture, which Days Cash on Hand for the most recent fiscal quarter ended March 31, 2022 is shown on the attached page,
- (iii) as of the date of the accompanying financial statements there did not exist and, to the best of my knowledge, at no time during the period covered by the accompanying financial statements did there exist, nor to the best of my knowledge does there exist on the date of this certification, any Default or Potential Default (or, with the giving of notice or the passage of time or both, would be in default) as more fully described in the agreements referred to above.



Susan Ahern
Senior Vice President and CFO
ACTS Retirement-Life Communities, Inc.

05/16/2022

Date

ACTS OBLIGATED GROUP
DEBT SERVICE COVERAGE RATIO
FOR THE TWELVE MONTHS ENDED MARCH 31, 2022 AND DECEMBER 31, 2021

	ACTS Obligated Group * 12 Months Ended 3/31/22	ACTS Obligated Group * 12 Months Ended 12/31/21
Change in Net Assets without Donor Restrictions	\$ (3,611,047)	\$ 8,465,000
Plus:		
Depreciation and Amortization	80,196,261	79,632,000
Interest, net	24,445,190	24,476,000
Net Entrance Fees from Resale Contracts	129,937,044	130,571,000
Net Entrance Fees from New Apartments (30% of all initial sales, excluding entrance fees related to Qualifying Intermediate Term Indebtedness)	6,068,596	4,566,000
Total	240,647,091	239,245,000
Less:		
Amortization of Entrance Fees	101,896,283	101,964,000
Unrealized (Loss) Gain on Investments and Investment Contracts	(13,115,313)	(4,649,000)
Net Assets released from restriction to provide property and equipment	1,359,112	1,473,000
Total	90,140,082	98,788,000
Revenue Available for Debt Service	\$ 146,895,962	\$ 148,922,000
Maximum Annual Debt Service	\$ 49,945,521	\$ 49,946,000
Less: Funded Interest	(5,517,204)	(5,512,000)
Revised Maximum Annual Debt Service	\$ 44,428,317	\$ 44,434,000
Debt Service Coverage Ratio	3.3:1	3.4:1
Maximum Annual Debt Service	\$ 49,945,521	\$ 49,946,000
Less: Funded Interest	(5,525,397)	(5,512,000)
Plus: Excess Short-term Indebtedness	1,262,892	614,000
Revised Maximum Annual Debt Service	\$ 45,683,016	\$ 45,048,000
Adjusted Debt Service Coverage Ratio	3.2:1	3.3:1

* Includes intercompany eliminations

Per section 7.4(a)(i) of Supplement No. 14 to the Master Trust Indenture dated December 1, 1996, the Borrower will maintain, for each fiscal year an aggregate Debt Service Coverage Ratio of not less than 1.20.

**ACTS OBLIGATED GROUP
DAYS CASH ON HAND RATIO
FOR THE PERIODS ENDED MARCH 31, 2022 AND DECEMBER 31, 2021**

	ACTS Obligated Group * 3 Months Ended 3/31/22	ACTS Obligated Group * 12 Months Ended 12/31/21
Cash and Equivalents	\$ 25,240,552	\$ 18,417,000
Investments without Donor Restrictions	224,202,213	240,471,000
State Escrow and Reserve Requirements	53,060,907	56,740,000
Restricted Assets Designated to Support Operating Programs and Services	290,173	1,277,000
Total Unrestricted Cash and Reserves	<u>\$ 302,793,845</u>	<u>\$ 316,905,000</u>
Total Operating Expenses	\$ 126,600,129	\$ 483,640,000
Less: Depreciation and Amortization	20,193,408	79,632,000
Less: Amortization of Deferred Financing Costs (included in interest expense)	171,407	605,000
Net Operating Expenses	<u>\$ 106,235,314</u>	<u>\$ 403,403,000</u>
Days Cash on Hand	<u>257</u>	<u>287</u>

* Includes intercompany eliminations.

Per section 7.4(a)(ii) of Supplement No. 14 to the Master Trust Indenture dated December 1, 1996, the Borrower will maintain, for each second fiscal quarter and fiscal year a Days Cash on Hand of at least 90 days.

**ACTS OBLIGATED GROUP
OPERATING RATIO CALCULATION**
FOR THE PERIODS ENDED MARCH 31, 2022 AND 2021**

	ACTS Obligated Group * 3 Months Ended 3/31/22	ACTS Obligated Group * 12 Months Ended 12/31/21
Total Operating Revenue Before Amortization of Entrance Fees	\$ 97,232,201	\$ 383,157,000
Total Operating Expenses Before Depreciation, Amortization and Interest	<u>100,075,310</u>	<u>379,213,000</u>
Total Operating Surplus	<u>\$ (2,843,109)</u>	<u>\$ 3,944,000</u>
Operating Ratio	<u>102.9%</u>	<u>99.0%</u>

* Includes intercompany eliminations.

** Provided for informational purposes only.

ATTACHMENT NO. 3

FIVE YEAR FINANCIAL FORECAST

ACTS RETIREMENT-LIFE COMMUNITIES, INC. (OBLIGATED GROUP)

**ACTS Retirement-Life Communities, Inc.
(Obligated Group)**

Projected Special-Purpose
Combined Financial Statements
for Each of the Five Years Ending
December 31, 2026 and
Accountants' Compilation Report

Acts Retirement-Life Communities, Inc. (Obligated Group)

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Projected Special-Purpose Combined Statements of Operations and Changes in Net Assets	3
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Summary of Significant Projection Assumptions and Accounting Policies	6

Accountants' Compilation Report

To the Board of Directors of
ACTS Retirement-Life Communities, Inc.

Management is responsible for the accompanying financial projection of ACTS Retirement-Life Communities, Inc. (Obligated Group), which comprises the projected special-purpose combined balance sheets, statements of operations and changes in net assets, and cash flows as of and for each of the five years ending December 31, 2026, and the related summaries of significant assumptions and accounting policies in accordance with guidelines for the presentation of a financial projection established by the American Institute of Certified Public Accountants (AICPA). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the financial projection nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any form of assurance on this financial projection.

The projected results may not be achieved as there will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and these differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The accompanying financial projection and this report are intended solely for the information and use of ACTS Retirement-Life Communities, Inc. (Obligated Group) and the North Carolina Department of Insurance and are not intended to be and should not be used by anyone other than these specified parties.

Baker Tilly US, LLP

Philadelphia, Pennsylvania
June 24, 2022

ACTS Retirement-life Communities, Inc. (Obligated Group)

Projected Special-Purpose Combined Balance Sheets
Under the Hypothetical Assumptions Described in Note 1
December 31, 2022 Through 2026
(In Thousands)

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Assets					
Current Assets					
Cash and cash equivalents	\$ 20,366	\$ 22,525	\$ 22,862	\$ 23,118	\$ 21,691
Board-designated funds	230,884	235,750	243,745	251,902	263,253
Accounts receivables and entrance fee receivables, net	19,699	20,603	21,193	21,809	22,443
Prepaid expenses, inventory and deposits	12,016	12,536	12,899	13,258	13,640
Due from affiliated organizations	25,244	24,219	23,394	22,119	20,844
Total current assets	308,209	315,633	324,093	332,206	341,871
Board-Designated Funds	10,000	10,000	10,000	10,000	10,000
Assets Whose Use is Limited	120,279	107,173	110,536	113,968	117,471
North Carolina Operating Reserve Funds	9,111	9,207	9,306	9,408	9,513
Property and Equipment, Net	1,484,565	1,534,250	1,547,088	1,555,379	1,564,106
Intangible Asset	4,450	4,450	4,450	4,450	4,450
Deferred Costs, Net	9,211	12,012	13,348	14,453	15,319
Total assets	\$ 1,945,825	\$ 1,992,725	\$ 2,018,821	\$ 2,039,864	\$ 2,062,730
Liabilities and Net Assets					
Current Liabilities					
Accounts payable and accrued expenses	\$ 91,076	\$ 93,967	\$ 96,454	\$ 98,824	\$ 101,433
Entrance fee deposits	17,935	18,563	19,212	19,885	20,581
Short-term indebtedness	118,661	38,529	43,806	43,806	43,806
Current maturity of nonrecourse indebtedness	1,615	1,625	1,637	450	462
Current maturities of long-term debt	22,164	22,303	22,967	23,662	24,415
Total current liabilities	251,451	174,987	184,076	186,627	190,697
Long-Term Indebtedness	695,269	707,889	682,633	656,573	629,654
Nonrecourse Indebtedness	14,993	13,368	11,731	11,281	10,819
Refundable Portion of Entrance Fees	4,368	3,513	2,701	1,929	1,196
Deferred Revenue From Entrance Fees	812,581	918,074	953,954	990,638	1,028,204
Accumulated Loss on Investment Contracts	8,049	8,049	8,049	8,049	8,049
Total liabilities	1,786,711	1,825,880	1,843,144	1,855,097	1,868,619
Net Assets					
Without donor restrictions	132,488	138,671	145,923	153,402	161,102
With donor restrictions	26,626	28,174	29,754	31,365	33,009
Total net assets	159,114	166,845	175,677	184,767	194,111
Total liabilities and net assets	\$ 1,945,825	\$ 1,992,725	\$ 2,018,821	\$ 2,039,864	\$ 2,062,730

See summary of significant projection assumptions and accounting policies

ACTS Retirement-life Communities, Inc. (Obligated Group)

Projected Special-Purpose Combined Statements of Operations and Changes in Net Assets

Under the Hypothetical Assumptions Described in Note 1

For Each of the Five Years Ending December 31, 2026

(In Thousands)

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Operating Revenue					
Resident services revenue, net of amortization of entrance fees	\$ 340,772	\$ 357,010	\$ 367,302	\$ 378,051	\$ 389,117
Patient revenue from third-party payors	37,664	38,776	39,832	40,917	42,031
Investment income	7,415	7,567	7,811	8,048	8,303
Net assets released from restrictions to provide resident services	2,269	2,314	2,361	2,408	2,456
Contributions	85	87	88	90	92
Other revenue	19,468	19,989	20,584	21,212	21,776
Total operating revenue before amortization of entrance fees	407,673	425,743	437,978	450,726	463,775
Amortization of entrance fees	104,271	105,526	110,581	114,834	119,190
Total operating revenue	511,944	531,269	548,559	565,560	582,965
Operating Expenses					
Administrative and general	113,755	118,661	121,693	124,553	127,994
Health care	82,655	86,415	88,998	91,647	94,365
Property management	72,497	74,987	77,187	79,403	81,637
Culinary services	69,872	73,196	75,538	77,796	80,118
Resident care	44,116	46,179	47,561	48,983	50,444
Environmental services	15,807	16,530	17,024	17,531	18,052
Total operating expenses before depreciation, amortization and interest	398,702	415,968	428,001	439,913	452,610
Depreciation and amortization	81,695	86,063	91,182	96,911	102,290
Interest, net	27,196	24,692	23,810	22,993	22,153
Total operating expenses	507,593	526,723	542,993	559,817	577,053
Net operating income	4,351	4,546	5,566	5,743	5,912

See summary of significant projection assumptions and accounting policies

ACTS Retirement-life Communities, Inc. (Obligated Group)

Projected Special-Purpose Combined Statements of Operations and Changes in Net Assets (continued)

Under the Hypothetical Assumptions Described in Note 1

For Each of the Five Years Ending December 31, 2026

(In Thousands)

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Changes in Net Assets Without Donor Restrictions					
Net operating income and net operating income	\$ 4,351	\$ 4,546	\$ 5,566	\$ 5,743	\$ 5,912
Net assets released from restrictions to acquire property and equipment	2,182	1,637	1,686	1,736	1,788
Changes in net assets without donor restrictions	6,533	6,183	7,252	7,479	7,700
Changes in Net Assets With Donor Restrictions					
Change in beneficial interest in investments of ACTS Legacy Foundation, Inc.	1,517	1,548	1,580	1,611	1,644
Increase in net assets	8,050	7,731	8,832	9,090	9,344
Net Assets, Beginning	151,064	159,114	166,845	175,677	184,767
Net Assets, Ending	<u>\$ 159,114</u>	<u>\$ 166,845</u>	<u>\$ 175,677</u>	<u>\$ 184,767</u>	<u>\$ 194,111</u>

See summary of significant projection assumptions and accounting policies

ACTS Retirement-life Communities, Inc. (Obligated Group)

Projected Special-Purpose Combined Statements of Cash Flows
Under the Hypothetical Assumptions Described in Note 1
For Each of the Five Years Ending December 31, 2026
(In Thousands)

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Cash Flows From Operating Activities					
Increase in net assets	\$ 8,050	\$ 7,731	\$ 8,832	\$ 9,090	\$ 9,344
Adjustments to reconcile increase in net assets to net cash provided by operating activities:					
Depreciation and amortization	81,695	86,063	91,182	96,911	102,290
Amortization of entrance fees	(104,271)	(105,526)	(110,581)	(114,834)	(119,190)
Amortization of bond discount and premium, net	(3,005)	(2,911)	(2,946)	(3,049)	(3,155)
Amortization of deferred financing costs	669	664	657	651	651
Entrance fees and deposits from nonrefundable resale contracts	155,212	160,651	166,272	172,093	178,116
Refunds of entrance fees and deposits from nonrefundable resale contracts	(11,056)	(10,443)	(10,881)	(11,331)	(11,793)
Administrative fee included in gross entrance fees	(9,637)	(11,656)	(8,281)	(8,571)	(8,871)
Increase in deferred costs	(3,180)	(3,963)	(2,816)	(2,914)	(3,016)
Change in beneficial interest in investments of ACTS Legacy Foundation, Inc.	(1,517)	(1,548)	(1,580)	(1,611)	(1,644)
Net change in due from affiliated organizations	1,636	1,025	825	1,275	1,275
Changes in assets and liabilities:					
Increase in accounts receivable and entrance fee receivables	(117)	(904)	(590)	(616)	(634)
Increase in prepaid expenses, inventory and deposits	(298)	(520)	(363)	(359)	(382)
Increase in accounts payable and accrued expenses	1,170	2,891	2,487	2,370	2,609
Net cash provided by operating activities	<u>115,351</u>	<u>121,554</u>	<u>132,217</u>	<u>139,105</u>	<u>145,600</u>
Cash Flows From Investing Activities					
Purchase of property and equipment	(198,044)	(113,638)	(89,081)	(93,139)	(98,528)
Increase in investments	(7,191)	(3,506)	(9,561)	(9,756)	(12,981)
Net cash used in investing activities	<u>(205,235)</u>	<u>(117,144)</u>	<u>(98,642)</u>	<u>(102,895)</u>	<u>(111,509)</u>
Cash Flows From Financing Activities					
Entrance fees from initial sale contracts	32,465	73,095	-	-	-
Refunds of refundable entrance fees	(900)	(855)	(812)	(772)	(733)
Payment of accounts payable, construction	(11,440)	(20,948)	(13,459)	(10,254)	(10,339)
Proceeds from short-term indebtedness	83,133	27,962	5,277	-	-
Increase in deferred financing costs	-	(350)	-	-	-
Payments on short-term indebtedness	(32,465)	(70,574)	-	-	-
Payments on nonrecourse indebtedness	(1,304)	(1,615)	(1,625)	(1,637)	(450)
Payments on long-term indebtedness	(20,505)	(22,164)	(22,303)	(22,967)	(23,662)
Net cash provided by (used in) financing activities	<u>48,984</u>	<u>(15,449)</u>	<u>(32,922)</u>	<u>(35,630)</u>	<u>(35,184)</u>
Net (decrease) increase in cash, cash equivalents and restricted cash and cash equivalents	(40,900)	(11,039)	653	580	(1,093)
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning	<u>106,603</u>	<u>65,703</u>	<u>54,664</u>	<u>55,317</u>	<u>55,897</u>
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Ending	<u>\$ 65,703</u>	<u>\$ 54,664</u>	<u>\$ 55,317</u>	<u>\$ 55,897</u>	<u>\$ 54,804</u>
Supplemental Disclosure of Noncash Financing Activities					
Proceeds from long-term debt to repay short-term debt	<u>\$ -</u>	<u>\$ 37,520</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See summary of significant projection assumptions and accounting policies

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Summary of Significant Projection Assumptions and Accounting Policies

This financial projection presents, to the best of management's knowledge and belief, the expected financial position, results of operations and changes in net assets, and cash flows of ACTS Retirement-Life Communities, Inc. (Obligated Group) for the projection period if the hypothetical assumptions occur. Accordingly, the projection reflects management's judgment as of June 24, 2022, the date of the projection, of the expected conditions and its expected course of action if the hypothetical assumptions occur. The assumptions disclosed herein are those that management believes are significant to the projection. There will usually be differences between the projected and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

This projection was prepared for submission to the North Carolina Department of Insurance as required by North Carolina General Statute 58-64-20(a)(12) and should not be used for any other purpose. This projection is not strictly limited to the North Carolina communities. As such, this projection includes all 20 communities considered part of the Obligated Group.

1. Hypothetical Assumptions

A hypothetical assumption is an assumption used in a financial projection to present a condition or course of action that is not necessarily expected to occur, but is consistent with the purpose of the presentation. Because of the nature of financial projections, management need not have a reasonable basis for the hypothetical assumptions.

Management has elected to use certain hypothetical assumptions in the preparation of the accompanying financial projections but does not have documented support for these assumptions. The hypothetical assumptions used by management in the preparation of the accompanying financial projections are that:

- (a) Derivative instruments and investments do not reflect unrealized gains or losses or changes in the fair value of the asset or liability due to the inability to predict fair value changes.
- (b) Interest rates for fixed rate debt are based upon actual interest rates, while variable rate bonds are based upon historical rates for similar debt outstanding.
- (c) The composition of ACTS Retirement-Life Communities, Inc. (Obligated Group) will not change during the projection period.
- (d) ACTS Retirement-Life Communities, Inc. (Obligated Group) will complete the proposed renovation and expansion projects at the campuses described in Note 10, obtain the related financing, and sell and collect entrance fees on the new independent living units.

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Summary of Significant Projection Assumptions and Accounting Policies

2. Organization

ACTS Retirement Services, Inc. (ARS) is a not-for-profit Pennsylvania corporation that serves as the parent organization providing the highest level of governance and control over all of its controlled entities.

The following is a listing of ARS' controlled entities:

ACTS Management Services, Inc. (AMS), a not-for-profit Pennsylvania corporation providing management, marketing and development services to ACTS and affiliated entities. AMS is the sole member of ACTS Alliance Management, LLC (AAM), a Pennsylvania limited liability company that provides management and related services to senior living providers.

ACTS Signature Community Services, Inc. (ASCS), a not-for-profit Pennsylvania corporation providing home and community-based services to ACTS and affiliated entities.

ACTS Legacy Foundation, Inc. (ALF), a not-for-profit Delaware corporation that provides fundraising, supports all charitable programs, and manages the donor restricted funds for ACTS and affiliated entities.

ACTS Retirement-Life Communities, Inc. (ACTS), a not-for-profit Pennsylvania corporation that, along with the affiliates (as herein defined), provides residential, assisted living, and skilled care services to senior adults in its 26 continuing care retirement communities (CCRCs), located in Alabama (2), Delaware (3), Florida (4), Georgia (1), Maryland (4), New Jersey (1), North Carolina (2), Pennsylvania (8), and South Carolina (1). As of the date of the projection, ACTS operates 20 CCRCs as divisions within the legal entity of ACTS, and 6 CCRCs within 4 separate, related legal entities (the Affiliates). ACTS is also the sole member of ACTS Acquisition and Development Company, LLC (AADC), a Florida limited liability company that engages in acquisition related activity on behalf of ACTS. The Affiliates are as follows:

Heron Point of Chestertown, Inc. (HP), a not-for-profit Maryland corporation which operates a CCRC located in Chestertown, Maryland.

Presbyterian Retirement Corporation, Inc. (PRC), a not-for-profit Alabama corporation which operates Westminster Village, a CCRC located in Spanish Fort, Alabama.

The Evergreens (EG), a not-for-profit New Jersey corporation which operates a CCRC located in Moorestown, New Jersey.

Integrace, Inc. (IG), a not-for-profit Maryland corporation which operates Fairhaven, a CCRC located in Sykesville, Maryland, Buckingham's Choice, a CCRC located in Adamstown, Maryland, and Bayleigh Chase, a CCRC located in Easton, Maryland.

The ACTS Obligated Group includes ACTS, AMS, AAM and ASCS under the terms of a Master Trust Indenture (Note 6).

All of the above organizations, with the exception of AADC and AAM, are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and are exempt from federal income taxes on their exempt income under Section 501(a) of the Code. AADC and AAM, as single member limited liability companies, are considered "disregarded entities" for federal tax purposes. Because ACTS and AMS are exempt from federal income tax under Section 501(a) of the Code, as a charitable organization described in Section 501(c)(3) of the Code, and because AADC and AAM are disregarded entities for federal tax purposes, AADC and AAM are considered exempt under Section 501(a) of the Code as a charitable organization described in Section 501(c)(3) of the Code.

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Summary of Significant Projection Assumptions and Accounting Policies

In November 2021, ARS, who is the sole corporate member of ACTS, and Willow Valley Communities (WVC) entered into a definitive agreement to create a Strategic Alliance. This relationship brings the two organizations together in a mutually beneficial relationship and enhances the ability of both organizations to serve seniors and advance their shared missions.

AAM purchased the management contract of WVC's previous management company on December 31, 2021. As a result of this transaction, AMS, through its affiliate AAM, assumed overall management responsibilities for WVC on December 31, 2021. AAM was admitted as a member of the ACTS Obligated Group in December 2021.

The Strategic Alliance commenced on May 1, 2022. No cash consideration was paid or received by ARS in connection with the Strategic Alliance.

Basis of Presentation and Principles of Combination

The ACTS Obligated Group (the Company) prepares special-purpose combined financial statements in accordance with the financial reporting provisions specified in the disclosure requirements of the Master Trust Indenture. The Master Trust Indenture specifies the preparation of combined financial statements of the Obligated Group members; accordingly, the accompanying projected special-purpose combined financial statements include only the accounts of the Obligated Group members and exclude the accounts of ARS, ALF, HP, PRC, EG, IG and AADC. The combination of financial statements for only certain controlled organizations differs from accounting principles generally accepted in the United States of America.

All inter-affiliate transactions between the members of the Company have been eliminated in combination.

3. Summary of Significant Accounting Policies

Cash, Cash Equivalents and Restricted Cash and Cash Equivalents

For purposes of the projected special-purpose combined statements of cash flows, cash, cash equivalents and restricted cash and cash equivalents include working capital accounts invested in highly liquid instruments purchased with an original maturity of three months or less. The cash and cash equivalents included in investments and assets whose use is limited are comprised of debt related reserves and state reserves. The following table provides a reconciliation of cash, cash equivalents and restricted cash and cash equivalents reported within the projected special-purpose combined balance sheets that sums to the total of the same such amounts reported in the projected special-purpose combined statements of cash flows.

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
	<u>(In Thousands)</u>				
Cash and cash equivalents	\$ 20,366	\$ 22,525	\$ 22,862	\$ 23,118	\$ 21,691
Cash and cash equivalents included in investments and assets whose use is limited	<u>45,337</u>	<u>32,139</u>	<u>32,455</u>	<u>32,779</u>	<u>33,113</u>
Total cash, cash equivalents and restricted cash and cash equivalents	<u>\$ 65,703</u>	<u>\$ 54,664</u>	<u>\$ 55,317</u>	<u>\$ 55,897</u>	<u>\$ 54,804</u>

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Summary of Significant Projection Assumptions and Accounting Policies

Board-Designated Funds

Board-designated funds represent assets set aside by the Company's board of directors for future use by the Company, including capital projects and other special purpose approved by the board.

Investments and Investment Risk

The Company measures its investments with readily determinable fair values at fair value. Investment income or loss is included in net operating income in the projected special-purpose combined statements of operations and changes in net assets unless the income or loss is restricted by donor or law. Interest income is measured as earned on the accrual basis. Dividends are measured based on the ex-dividend date. Estimates of the future changes in fair values are not readily determinable at this date; thus, future changes in the fair value of investments are not reflected in the accompanying projected financial statements.

The Company's investments are comprised of a variety of financial instruments. The amounts reported in the projected special-purpose combined balance sheets are subject to various risks including changes in the equity markets, the interest rate environment and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported on the projected special-purpose combined balance sheets could materially change during the projection period.

Investments include assets without restrictions and assets with restrictions. Assets without restrictions represent assets that are available for the general use and purposes of the Company. Assets with restrictions include amounts held in trust to meet statutory and debt related requirements and amounts restricted by donors for specific purposes or time periods.

Accounts Receivable, Entrance Fee Receivables and Other Receivables

The Company assesses collectability on all resident accounts prior to providing services. An allowance for uncollectible accounts is recognized to reduce its accounts receivable to its net realizable value for impairments of revenues for changes in resident credit worthiness. The allowance is estimated by management based on general factors such as aging of the accounts receivable, and anticipated collection of the consideration. Accounts are written off through bad debt expense when the Company has exhausted all collection efforts and accounts are deemed impaired.

Entrance fee receivables are evaluated for collectability prior to residents being admitted to the community based on the resident's credit worthiness. The terms and conditions of each entrance fee receivable are determined when a resident agreement is executed.

Property and Equipment

Property and equipment are stated at cost. Donated assets are recorded at their fair value at the date of donation. Depreciation is computed using the straight-line method based on the following estimated useful lives:

Land improvements	10 to 25 years
Building and improvements	8 to 50 years
Furniture, fixtures and equipment	3 to 10 years

Projected depreciation expense (in thousands) is \$80,981, \$84,901, \$89,702, \$95,102 and \$100,140 in 2022 through 2026, respectively.

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Summary of Significant Projection Assumptions and Accounting Policies

When assets are sold or retired, the asset values and related accumulated depreciation are eliminated from the accounts and any gain or loss is included in the special-purpose combined statements of operations and changes in net assets. The cost of maintenance and repairs is charged to expense as incurred. Significant renewals and betterments are capitalized.

Gifts of long-lived assets such as land, buildings or equipment are reported as other revenue unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted contributions. Expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Deferred Costs

Deferred costs include incremental costs of obtaining resident agreements that would not have been incurred if the agreements were not obtained and are recorded at cost. Deferred costs are amortized over the estimated life expectancy of the residents using the straight-line method, which approximates the period of time that goods and services are expected to be transferred to residents.

Projected amortization expense is (in thousands) \$714, \$1,162, \$1,480, \$1,809 and \$2,150 in 2022 through 2026, respectively.

Deferred Financing Costs

Deferred financing costs are presented net of debt amortized straight-line over the terms of the related debt, which approximates using the effective interest method. Projected amortization expense, which is included as a component of interest expense, is (in thousands) \$669, \$664, \$657, \$651 and \$651 in 2022 through 2026, respectively.

Derivative Financial Instruments

The Company uses interest rate swap agreements which are considered derivative financial instruments, to manage its interest rate risk on its long-term debt. The interest rate swap agreements are reported at fair value in the projected special-purpose combined balance sheets.

Deferred Revenue From Entrance Fees

Under a continuing care contract (resident agreement) for a residential living unit, the Company receives entrance fee payments in advance. The Company offers both nonrefundable and refundable resident agreements. The majority of the Company's residential agreements are nonrefundable.

Under the majority of nonrefundable resident agreements, residents who terminate their contracts will generally be entitled to a full refund less an administrative fee of up to 5% and less 1%-2% (based on the resident agreement) of the remaining entrance fee per each month of residency. Under refundable resident agreements, the entrance fee is reduced to no less than the guaranteed refund, as specified in the resident agreement and refunds to residents are generally paid by the Company after a new resident occupies the residential living unit vacated by the former resident.

The nonrefundable portion of entrance fees is amortized to revenue over the actuarially computed life expectancy of the residents using the straight-line method and is classified as deferred revenue from entrance fees on the projected special-purpose combined balance sheets. The guaranteed refundable portion of entrance fees is classified as refundable portion of entrance fees on the projected special-purpose combined balance sheets and is not amortized to revenue.

Under the majority of existing resident agreements, residential living residents are entitled to assisted living or skilled care services, as needed, with no increases in the current monthly service fees as a result of transferring to a higher level of care.

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Summary of Significant Projection Assumptions and Accounting Policies

Obligation to Provide Future Services

The Company engages an independent actuary once every three years to calculate the present value of the net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from entrance fees. Based upon the last calculation performed (as of December 31, 2020), the present value of the net cost of future services and the use of facilities, based on a discount rate of 5%, did not exceed the balance of deferred revenue from entrance fees. Based upon this calculation, the assumptions in this projection, and the analysis of management, management believes there will be no need to record a liability for the obligation to provide future services during the projection period.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - net assets available for use in general operations and not subject to donor restrictions. All revenue not restricted by donors and donor restricted contributions whose restrictions are met in the same period in which they are received are accounted for in net assets without donor restrictions.

Net Assets With Donor Restrictions - net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. All revenues restricted by donors as to either timing or purpose of the related expenditures or require to be maintained in perpetuity as a source of investment income are accounted for in net assets with donor restrictions. When a donor restriction expires, that is when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Resident Services and Patient Revenues

Resident services and patient revenues are reported at the amount that reflects the consideration the Company expects to receive in exchange for the services provided. These amounts are due from residents or third-party payors and include variable consideration for retroactive adjustments, if any, under reimbursement programs. Performance obligations are determined based on the nature of the services provided. Resident services and patient revenues are recognized as performance obligations are satisfied.

Payment terms and conditions for the Company's resident agreements vary by contract type and payor source, although terms generally include payment to be made within 30 days. Resident services and patient revenues for recurring and routine monthly services due from self-pay residents are generally billed monthly in advance. Resident services and patient revenues for ancillary services due from self-pay residents are generally billed monthly in arrears. Patient revenues due from Medicare, Medicaid and other third-party payor programs are billed monthly in arrears.

Resident services and patient revenues are primarily comprised of skilled nursing, assisted living and independent living revenue streams, which are primarily derived from providing nursing, assisted living and housing services to residents at a stated daily or monthly fee, net of any explicit or implicit price concessions. The Company has determined that the services included in the stated daily or monthly fee for each level of care represents a series of distinct services that have the same timing and pattern of transfer. Therefore, the Company considers the services provided to residents in each level of care to be one performance obligation which is satisfied over time as services are provided. As such, skilled nursing, assisted living and independent living revenues are recognized on a daily or month-to-month basis as services are rendered.

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Summary of Significant Projection Assumptions and Accounting Policies

The Company receives revenue for services under third-party payor programs, including Medicare, Medicaid and other third-party payors. Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are included in the determination of the estimated transaction price for providing services. The Company estimates the transaction price based on the terms of the contract and correspondence with the third-party payor and historical payment trends, and retroactive adjustments are recognized in future periods as final settlements are determined.

Income Taxes

AMS, ASCS and ACTS are not-for-profit corporations. Each is exempt from federal income taxes on exempt income under Section 501(a) of the Code and other income taxes under similar statutes. Accordingly, no provision for income taxes has been recorded in the projected special-purpose combined financial statements.

Net Operating Income

The performance indicator is identified in the projected special-purpose combined statements of operations and changes in net assets as net operating income. Contributions of long-lived assets are only included in changes in net assets without donor restrictions.

4. Short-Term Indebtedness

ACTS has an available \$85,000,000 revolving line of credit with a financial institution allowing for cash advances. Interest is calculated monthly based on changes to the LIBOR Rate, as defined.

ACTS also has an available \$90,000,000 revolving line of credit with another financial institution allowing for cash advances. Interest is calculated monthly based on changes to the LIBOR Rate, as defined.

The Company's obligations under the line of credit agreements are secured under the terms of a Master Trust Indenture dated December 1, 1996, as supplemented, on a parity basis by a pledge of gross revenues (as defined), a covenant not to create or allow to exist upon its property any lien except for permitted liens, and a promise to deliver mortgages and/or deeds of trust granting liens upon and security interest on its facilities to the Master Trustee if certain events occur, as defined.

5. Nonrecourse Indebtedness

In May 2019, the Company purchased a corporate services center located in Pennsylvania. The purchase was financed by an \$11,740,000 loan secured by the building. The loan was nonrecourse indebtedness under the Master Trust Indenture (Note 6) and was refinanced in 2021.

In February 2021, the Company closed on a \$13,800,000 debt financing consisting of a nonrecourse, nonbank qualified tax-free mortgage loan. The proceeds from the financing were used to refinance the existing nonrecourse indebtedness, reimburse for the costs of capital improvements and finance closing costs. The nonbank qualified tax-free mortgage loan amortizes over 25 years and has a fixed rate of interest for five years.

In addition, in December, 2021, the Company established a \$4,500,000 promissory note with an unrelated third party in connection with an asset purchase transaction. The noninterest bearing note amortizes over three years with the final payment due on May 1, 2025.

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Summary of Significant Projection Assumptions and Accounting Policies

6. Long-Term Indebtedness

The Company's long-term indebtedness has been issued under a Master Trust Indenture dated December 1, 1996, as supplemented, which secures the obligations of the Company and includes a pledge of gross revenues (as defined), a covenant not to create or allow to exist upon its property any lien except for permitted liens, and a promise to deliver mortgages and/or deeds of trust granting liens upon and security interest on its facilities to the Master Trustee if certain events occur, as defined. The Company is required to maintain certain reserves with a trustee. Such reserves are included in investments. The Company is also required to meet certain financial covenants.

It is assumed that the Company will issue fixed rate tax-exempt bonds in 2023 in the amount of \$37,520,000. The proceeds from the issuance are assumed to provide for the payoff the amount outstanding on the line of credit associated with the Country House project of approximately \$35,000,000 and to finance certain costs of issuance and other related costs. It is assumed that the bonds will mature in 2052 and carry a fixed interest rate of 4.0%.

Long-term debt is projected to be comprised of approximately 76% fixed rate, tax-exempt revenue bonds, 15% fixed rate, taxable revenue bonds and taxable term loans, and 9% variable rate, tax-exempt demand revenue bonds. The interest rate on substantially all variable rate bonds is fixed by interest rate swaps.

Anticipated principal repayments on long-term indebtedness are as follows (in thousands):

Years ending December 31:	
2022	\$ 20,506
2023	22,164
2024	22,303
2025	22,967
2026	23,662
2027 - 2031	135,184
2032 - 2036	163,828
2037 - 2041	129,898
Thereafter	<u>192,799</u>
Total	<u>\$ 733,311</u>

7. Revenue and Expense Assumptions

Revenue

The Company derives revenue from six primary sources: monthly resident fees, entrance fee amortization, per-diem rates charged for nonresident nursing care patients, income from "fee-for-service" programs, investment income and miscellaneous income. Monthly and per diem fees included in resident services revenue are assumed to increase approximately 3.0% per year during the projection period based on the 5-year historical average. Patient revenue from third-party payors is assumed to increase 3.0% per year during the projection period. Entrance fee amortization will increase as the resident population grows through the occupancy of vacant units, as existing occupied units are vacated and resold, and as expansion units are placed in service. Other revenue is projected to increase approximately 3.0% per year during the projection period.

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Summary of Significant Projection Assumptions and Accounting Policies

Growth of occupied independent living units will be achieved as resales are expected to outpace turnover in 2022. During 2021, the Company's independent living units operated at an average occupancy level of 92%. Management projected level average independent living occupancy in 2022 followed by gradual increases in average independent living occupancy during the remainder of the projection period as follows: 92% in 2022 and 2023 and 93% in 2024 through 2026 based on historical trends. During 2021, the Company's assisted living units operated at an average occupancy level of 74%. Management projected average assisted living occupancy to be 80% in 2022 and 84% in 2023 to 2026. During 2021, the Company's skilled care units operated at an average occupancy level of 81%. Management projected average skilled care occupancy to be 82% during the projection period.

Investment income was assumed to equal approximately 2.0% of the ending cash and investment balances each year during the projection period.

Beneficial Interest in Investments

As of December 31, 2021, the Company has a beneficial interest in the investments of ALF of \$25,109,000. This amount, as well as growth in this amount during the projection period, is included in investments in the projected special-purpose balance sheets.

The change in the Company's beneficial interest in investments of ALF is projected based upon historical experience and management's expectations of future net asset with donor restrictions activity, primarily contributions and net assets released from restrictions.

Operating Expenses

Operating expenses are projected to increase based on an assumed average inflation factor of 3.0% per year during the projection period, incremental costs associated with increased occupancy levels, and incremental costs associated with the renovation and expansion projects disclosed in Note 10. The outcome of the projection is particularly sensitive to variances in inflation. In addition, management assumes that if there are further unexpected increases in operating costs, those could be offset by the ability to increase charges for resident services.

Interest Expense

Interest expense is calculated based on the terms of current debt outstanding. Interest rates on fixed rate bonds and term loans outstanding were assumed to range from 2.0% to 5.0%. Interest rates on variable rate bonds outstanding were assumed to be approximately 3.3% to 3.6%, which represent the range of rates as of December 31, 2021 on the Company's existing variable rate bonds. Since variable interest rates are market-driven and not readily determinable, variable rate bonds were assumed to remain at these rates throughout the projection period.

Interest costs capitalized are projected to be (in thousands) \$3,525, \$1,794, \$1,083, \$1,133 and \$1,133 in 2022 through 2026, respectively.

Depreciation

Depreciation is projected based upon historical levels and assumed capital expenditures during the projection period.

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Summary of Significant Projection Assumptions and Accounting Policies

8. Balance Sheet Assumptions

Receivables

Receivables are projected to be 19 days of the resident services revenue and patient revenues from third-party payors.

Investments

Investments are expected to be comprised primarily of money market funds, U.S. government securities, guaranteed investment contracts and fixed income mutual funds and are as follows:

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
	(In Thousands)				
Investments related to:					
Investments without donor restrictions	\$ 240,884	\$ 245,750	\$ 253,745	\$ 261,902	\$ 273,253
State reserves - NC	9,111	9,207	9,306	9,408	9,513
State reserves - other	56,815	58,148	59,510	60,901	62,322
Beneficial interest in the investments of ALF	26,626	28,174	29,754	31,365	33,009
Debt and project construction reserves	<u>36,838</u>	<u>20,851</u>	<u>21,272</u>	<u>21,702</u>	<u>22,140</u>
Total	<u>\$ 370,274</u>	<u>\$ 362,130</u>	<u>\$ 373,587</u>	<u>\$ 385,278</u>	<u>\$ 400,237</u>

These amounts are included in the projected special-purpose combined financial statements as board-designated funds, assets whose use is limited, and North Carolina operating reserve funds.

In accordance with North Carolina General Statute 58-64-33, the Company maintains an operating reserve equal to twenty-five percent (25%) of the total operating expenses (excluding depreciation and amortization expenses) of Matthews Glen and Tryon Estates based on occupancy of each community exceeding ninety percent (90%). Matthews Glen and Tryon Estates are continuing care retirement communities located in North Carolina for which the Company serves as the provider of continuing care. Matthews Glen and Tryon Estates each achieved an occupancy rate in excess of ninety percent (90%) as of December 31, 2021 and are expected to continue to do so each year throughout the projection period.

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses are projected to be 73 days of expenses excluding depreciation, amortization and interest based on historical experience. Amounts for construction related accounts payable are also included in accounts payable and accrued expenses.

Entrance Fee Deposits

Entrance fee deposits are projected as a percentage of sales activity based upon historical experience.

9. Cash Flows Assumptions

Entrance fees from resales are projected to increase as the result of increased occupancy and entrance fee price increases of 3.5% per year based on historical operating experience and future expectations.

Purchases of property and equipment include expenditures for renovations and expansion of existing properties as well as ordinary capital expenditures.

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Summary of Significant Projection Assumptions and Accounting Policies

10. Renovation and Expansion of Existing Properties

The following are assumed renovation and expansion projects at specific communities which are considered to be the most significant.

Spring House Estates

It is assumed that the skilled nursing center will be renovated during the projection period at an expected cost of \$5,500,000. The renovations will primarily include privacy enhancements in resident rooms and will be completed over the course of 2022 to 2023. Renovation costs will be funded by the permanent financing done in 2020.

Southampton Estates

It is assumed that the skilled nursing center will be renovated during the projection period, including conversion of a wing to assisted living units for memory care and privacy enhancements in the remaining resident rooms. The renovation period is expected to be 2022 to 2023, and the cost of the renovations is approximately \$10,800,000 and will be funded by the permanent financing done in 2020.

Lima Estates

It is assumed that both the skilled nursing center and the assisted living center will be renovated during the projection period, including privacy enhancements in the skilled nursing rooms and renovations to the dining room in assisted living. The renovations have an expected cost of \$2,100,000 that will be funded by the permanent financing done in 2020 and will be completed in 2022.

Granite Farms Estates

It is assumed that both the skilled nursing center and the assisted living center will be renovated during the projection period. The renovation period is expected to be from 2022 to 2023. The renovations in the assisted living center include the conversion of existing assisted living units to memory care, and the renovations in the skilled nursing center include privacy enhancements in resident rooms. The renovations are expected to cost \$8,700,000 and will be funded by the permanent financing done in 2020.

Country House

It is assumed that 20 new cottages and 62 independent living apartments will be built on the campus during the projection period. Construction of the 20 new cottages began in 2020 and they are expected to be fully occupied in 2022. The construction period for the 62 independent living apartments is expected to be 2022 to 2023. The expansion, with a total projected cost of \$75,100,000, will be initially funded through an established line of credit bearing interest at 2.0%, which will be partially repaid with proceeds from entrance fees from the new cottages and apartments. The unpaid balance of the line of credit related to the construction of the new cottages and apartments is projected to be permanently financed in 2023; a 30 year term and a 4.0% interest rate were assumed for this permanent financing.

Matthews Glen (North Carolina Property)

It is assumed that 16 new villas and 72 new independent living apartments will be built on the campus during the projection period. The construction period is expected to be 2021 to 2023 with a projected cost of \$44,200,000 to be funded by an established line of credit bearing interest at 2.0%. The unpaid balance of the line of credit related to the construction of the new villas and apartments is projected to be paid with proceeds from entrance fees for the new units.

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Summary of Significant Projection Assumptions and Accounting Policies

St. Andrews Estates

It is assumed that the café dining venue on the North campus will be renovated during the projection period. The renovations began in 2019 and are expected to be completed in 2022 with projected costs of \$3,400,000. The project will be funded by the permanent financings done in 2018 and 2020.

Edgewater at Boca Pointe

It is assumed that the skilled nursing center will be renovated during the projection period. The renovation primarily includes storm hardening to make the skilled nursing center more capable of withstanding extreme weather events. The renovation period is expected to be 2022 to 2023 with a projected cost of \$8,000,000. The renovations will be funded by the permanent financing done in 2020.

Indian River Villas

It is assumed that 16 new villas will be built on the campus during the projection period. The construction period is expected to be completed in 2022 with a projected cost of \$13,000,000 and will be funded by an established line of credit bearing interest at 2.0%. The unpaid balance of the line of credit related to the construction of the new villas will be paid with proceeds from entrance fees for the new units.

Azalea Trace

It is assumed that renovations will be made to convert skilled nursing center rooms from semi-private to private and to enhance the clubhouse façade and parking area during the projection period. The renovations began in 2018 and are expected to be completed in 2023 with an expected cost of \$23,400,000. The renovation costs will be funded by the permanent financing done in 2018.

2020 Project Construction Fund

In addition to the specific projects mentioned above, it is assumed that the assisted living and skilled care centers at various other communities located in Pennsylvania, North Carolina and Florida will be renovated during the projection period. Furthermore, technology infrastructure renovations to enhance telecommunication speeds and abilities are also planned at the communities located in the three states. Renovations began in 2020 and are expected to be completed in 2023. The renovations have an expected cost of \$23,400,000 and will be funded by the project construction fund established in connection with the 2020 financing transaction.

Ordinary Capital Expenditures

In addition to the renovation and expansion of existing properties, the Company funds, through normal operations, a level of ordinary capital expenditures. During the projection period, ordinary capital expenditures are expected to range from \$74 million to \$98 million per year. Included in this amount are apartment restoration expenditures, which are based on units anticipated to return to inventory, and planned upgrades at certain communities.

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Summary of Significant Projection Assumptions and Accounting Policies

11. Retirement Plans

The Company participates in a 401(k) Plan (the ACTS 401(k) Plan) covering substantially all full-time employees. The ACTS 401(k) Plan allows for qualified employees to voluntarily contribute up to the IRS maximum. In accordance with the terms of the ACTS 401(k) Plan, the Company matches up to 100% of the first 3% of the employee's contribution, plus an additional 50% of the next 2% of the employee's contribution.

AMS provides a nonqualified Supplemental Executive Retirement Plan (SERP) to certain members of senior executive management in addition to those benefits available under the ACTS 401 (k) Plan. Retirement benefits, as defined in the plan document and amendments, are based on age, years of service, and average compensation during the last five years of employment.

12. Contingencies

Senior Living Services Industry

The senior living services industry is subject to numerous laws, regulations and administrative directives of federal, state and local governments and agencies. Compliance with these laws, regulations, and administrative directives is subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Government activity continues to increase with respect to investigations and allegations concerning possible violations by healthcare providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for resident services previously billed. Management is not aware of any material incidents of noncompliance; however, the possible future financial effects of this matter on the Company, if any, are not determinable.

Litigation

The Company operates in an industry where various suits and claims arise in the normal course of business. Management is not currently aware of any claims that have been or will be asserted that will, after consideration of applicable insurance coverages, have a material adverse effect on the projected special-purpose combined financial statements.

COVID-19

The spread of COVID-19 around the world has caused volatility in the U.S. market, supply chains, businesses and communities. The Company's evaluation of the effects of these events is ongoing as of the date the accompanying projected special-purpose combined financial statements were issued. COVID-19 may impact various parts of the Company's operations and financial purpose during the projection period, including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of personnel, supply chain disruption, sales of independent living units or declines in revenue related to decreases in occupancy or volumes of certain revenue streams. The extent of the impact will depend on future developments, including the duration and spread of the outbreak and related governmental or other regulatory actions.

ATTACHMENT NO. 4

RESIDENT CONTRACT

ACTS RETIREMENT-LIFE COMMUNITIES, INC.



Where Loving-Kindness Lives

RESIDENT CONTRACT

NORTH CAROLINA

ACTS RETIREMENT-LIFE COMMUNITIES, INC.
A NONPROFIT CORPORATION

ACTS NC-RC001 06/01/2017

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Definitions

ADMINISTRATIVE FEE: The Administrative Fee is equal to five percent (5%) of the Entrance Fee, as designated in Section 3.

ANCILLARY FEE SCHEDULE: The schedule of charges for services not included in the Monthly Rate.

APPLICATION FEE: The Application Fee is a non-refundable fee submitted with Resident's application and priority list contract.

ASSISTED LIVING SERVICES: Assistance with activities of daily living, such as eating, bathing, dressing, grooming and toileting, provided in an Assisted Living Residence.

ASSISTED LIVING RESIDENCE: A licensed assisted living residence which provides Assisted Living Services under this Resident Contract and which may or may not be located on the campus of Retirement Community.

COMPANY: ACTS Retirement-Life Communities, Inc., a nonprofit corporation organized and existing under the laws of the Commonwealth of Pennsylvania; which has qualified as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Code") and is exempt from federal income taxes on its exempt income pursuant to Section 501(a) of the Code.

CONDITIONS FOR CONTINUED OCCUPANCY: The health and safety requirements, (as defined by Company's prevailing policy which is subject to change) for continued Occupancy of the Residential Unit or other accommodation in Retirement Community.

DATE OF AVAILABILITY: The date designated by Company for the Resident to accept Occupancy, for the Entrance Fee to become due and begin payment of the Monthly Rate.

ENTRANCE FEE: A one-time fee paid to Company prior to admission to Retirement Community. The amount of the Entrance Fee is based on the model, size and location of the Residential Unit and the number of occupants of the Residential Unit.

EXTENDED DATE OF AVAILABILITY: An extension to the Date of Availability for a reasonable period of time granted by Company.

HOME CARE SERVICES: Assistance with activities of daily living provided by nurses or aides in Resident's Living Accommodation, as defined by and in accordance with prevailing policy.

LEGAL REPRESENTATIVE: A personal representative with legal standing authorized to act on behalf of Resident or a representative who has provided the funds necessary for Resident to enter into this Resident Contract.

LIVING ACCOMMODATION: The Residential Unit of the Retirement Community, an assisted living room in an Assisted Living Residence or a nursing care bed in a Skilled Care Center.

MONTHLY RATE: The charge per month for Occupancy of the Living Accommodation.

OCCUPANCY: The right to reside in and use the Living Accommodation.

PRIORITY LIST DEPOSIT: A payment the applicant made at the time of submitting an application, in consideration of which the name of the applicant is placed on a list awaiting availability of a Residential Unit. The Priority List Deposit is applied as a credit toward the payment of the Entrance Fee.

RESERVATION FEE: The amount paid by Resident in consideration of which Company reserves the Residential Unit designated for Occupancy by Resident. The Reservation Fee is paid at the time of signing the Resident Contract and is applied as a credit toward the payment of the Entrance Fee.

RESIDENTIAL UNIT: The living unit identified in Section 3 which is designated for Occupancy under this Resident Contract.

RETIREMENT COMMUNITY: The Company's facility and campus identified in this Resident Contract as the location Resident will take Occupancy of the Residential Unit.

ROUTINE NURSING CARE SERVICES: The level of nursing care services provided by Company. Company reserves the right to define the acuity level of care services it provides in exchange for the Monthly Rate. Certain higher acuity nursing care services, if available, and supplemental or ancillary services and items shall be provided at an additional charge.

SHARED OCCUPANCY: The right to reside in and use a Residential Unit vested in two or more persons.

SINGLE OCCUPANCY: The right to reside in and use a Residential Unit vested in one person.

SKILLED CARE CENTER: A licensed nursing facility which provides Routine Nursing Care Services under this Resident Contract and which may or may not be located on the campus of the Retirement Community.

SPECIAL SERVICE FACILITY: A psychiatric institution, drug or alcohol treatment facility, renal treatment facility, rehabilitation unit, Subacute or Transitional Care provider, including other licensed nursing facilities providing specialized medical care and treatment, such as some subacute services, not provided by Company.

SUBACUTE CARE: Short-term care (10 to 40 days) for patients who require medical care and monitoring at least weekly, skilled nursing care of approximately 4.0 hours per day, rehabilitative therapies and I.V. therapies without significant medical complications.

SURRENDER: To cease Occupancy, to remove all possessions from Company, and to return all Company's property, including, but not limited to, keys and emergency alert equipment, if applicable.

TRANSITION PERIOD: The first one hundred twenty (120) days of Occupancy in the Residential Unit.

TRANSITIONAL CARE: Short-term care (5 to 30 days) for patients who require regular medical care and monitoring, intensive skilled nursing care of approximately 5.5 to 8 hours per day, an integrated program of therapies (both rehabilitative and respiratory) including utilization of pharmaceuticals and laboratory services.

UTILIZATION REVIEW COMMITTEE: The Utilization Review Committee shall consist of members of the skilled care and administrative staff designated by Company, and shall make determinations relating to level of care transfers.

**ACTS RETIREMENT-LIFE COMMUNITIES, INC.
RESIDENT CONTRACT**

This Resident Contract made this _____ day of _____ 20_____, is between ACTS RETIREMENT-LIFE COMMUNITIES, INC. (hereinafter called "Company"), AND _____

(hereinafter referred to as "Resident," and where this Resident Contract is executed by one or more individuals, they are called collectively "Resident" where the context permits and individually as "Co-Resident") who has applied for and has been conditionally approved for admission to the Retirement Community by Company. Subject to the signing of this Resident Contract, Company and Resident, intending to be legally bound, agree to the following terms and conditions.

SECTION 1. General Statements

1.1 General Statements Regarding Company

Company is a nonprofit corporation which qualifies as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Code"). Company is exempt from federal income taxes on its exempt income pursuant to Section 501(a) of the Code. Company is affiliated with other nonprofit organizations with similar missions and purposes to serve senior adults. These affiliated organizations are also organizations described in Section 501(c)(3) of the Code and are exempt from federal income taxes on their exempt income pursuant to Section 501(a) of the Code, and include ACTS Retirement Services, Inc., ACTS Legacy Foundation, Inc., ACTS Management Services, Inc., ACTS Signature Community Services, Inc., ACTS Acquisition Company, LLC, Heron Point of Chestertown, Inc., Park Pointe Village, Inc., and Presbyterian Retirement Corporation, Inc. Company is not affiliated with any other religious, nonprofit or proprietary organizations or management entity. Company, ACTS Management Services, Inc. and ACTS Signature Community Services, Inc. (collectively, the "Obligated Group") are jointly and severally obligated on certain debt and other obligations of the Obligated Group. Other than as set forth in the preceding sentence, the affiliates of Company are not responsible for the financial and contractual obligations of Company.

1.2 General Statements Regarding Extent of Continuing Care

Upon execution of this Resident Contract and payment of Entrance Fee, and prior to the Date of Availability, Resident is entitled to access, if necessary, the services specified in this Resident Contract.

Beginning with the date of Occupancy of a Living Accommodation in the Retirement Community, or the Date of Availability, whichever is earlier,

Company will provide a Living Accommodation, together with the facilities, services and medical care specified in this Resident Contract until the Resident's death or earlier termination of this Resident Contract.

This general description of continuing care to be provided by Company is a summary only and the exact nature of continuing care provided by Company under this Resident Contract is more fully set forth in the remaining sections of this Resident Contract.

SECTION 2. Conditions to Admission

2.1 Financial Qualifications

As a condition to admission, Company requires that Resident have assets and income which are sufficient under foreseeable circumstances and after provision for payment of Resident's obligations hereunder to meet ordinary and customary living expenses after assuming Occupancy over Resident's projected lifetime.

2.2 Change in Financial Condition Prior to Occupancy

If, after the date of accepting and signing a Resident Contract by both parties and prior to the date of Occupancy of a Residential Unit, a change in Resident's financial condition occurs and Resident no longer qualifies under Subsection 2.1, Company reserves the right to terminate this Resident Contract. Any refund due to Resident shall be paid in accordance with Subsection 14.1.

2.3 Medical Qualifications

As a condition to admission into Residential Unit, Company requires that Resident be able to meet health and safety requirements, as defined by Company's prevailing policy which is subject to change.

2.4 Change in Medical Condition Prior to Occupancy

Once a Resident Contract is accepted and signed by both parties, the Resident Contract shall not terminate solely due to a change in medical condition. However, Company reserves the right to determine the appropriate Living Accommodation.

2.5 Required Insurance

As a condition to admission, Resident will, prior to the Date of Availability, enroll in Part A of the Medicare Program and subscribe to and pay for coverage under Part B of the Medicare Program. If not eligible for Medicare, Resident will enroll in some other insurance program providing equivalent benefits as approved in writing by Company. Additionally,

Resident will subscribe to and pay for Medicare supplemental coverage (commonly referred to as “medigap insurance”, covering days 21 through 100 of skilled care services), as approved by Company. Throughout the duration of this Resident Contract, Resident shall maintain, at Resident’s expense, the required insurance coverage. Proof of required insurance coverage must be provided to Company prior to the Date of Availability. Company may require Resident to provide proof of required insurance from time to time after Occupancy. If Resident fails to maintain required insurance, the terms as set forth in Subsection 6.7(a) will prevail.

2.6 Age Requirements

As a condition to admission, Resident will supply satisfactory evidence that he/she has obtained his/her 62nd birthday by the Date of Availability.

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SECTION 3. The Designation of the Residential Unit and Consideration to be Paid

The Residential Unit assigned to Resident is:

Type of Unit _____; Unit Number _____; Date of Availability _____

Location: _____ (“Retirement Community”)

Payment of Entrance Fee:

Gross Entrance Fee \$ _____

Adjustments (defined below) \$ _____

Entrance Fee \$ _____

Less Priority List Deposit previously paid, if any \$ _____

Less Reservation Fee (balance of 10% of Entrance Fee paid at signing of this Resident Contract) \$ _____

Balance of Entrance Fee due prior to Occupancy \$ _____

Payments made under Exhibit “B”, as of signing this Resident Contract, for modifications to the Residential Unit, if any \$ _____

Current Monthly Rate (as of the date of the signing of this Resident Contract) \$ _____

The Entrance Fee and Monthly Rate specified above are based on the current price plan known as: _____

Adjustment explanation: _____

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SECTION 4. Living Accommodation and Common Areas

4.1 Living Accommodation

From and after the Date of Availability, Resident has the right to occupy and use, in accordance with the terms of this Resident Contract, the Residential Unit designated in Section 3, and accommodations in Assisted Living Residence and Skilled Care Center as defined in Section 11 of this Resident Contract.

4.2 Furnishings

Company will furnish wall to wall carpeting (except in kitchen and bath), range with oven, microwave oven, refrigerator, window blinds, and other fixtures in the Residential Unit in accordance with Company's prevailing policy. Resident may upgrade, change or replace the furnishings provided by Company at Resident's cost. These furnishings, even if upgraded, changed or replaced at Resident's cost, shall become the permanent property of Company unless otherwise agreed to in writing by both parties. All other furnishings shall be furnished by Resident, subject to supervision of, and approval by, Company, and shall remain as Resident's personal property, except as set forth in Subsections 5.6 and 5.9.

4.3 Optional Furnishings or Appliances

Company may provide at Resident's request optional furnishings, fixtures or appliances identified and approved by Company. The cost for optional items is not included in the Entrance Fee or the Monthly Rate and is an additional charge established by Company. The costs for any optional items requested by Resident shall be paid prior to the beginning of the work or before the time of installation. Upon installation, all additional furnishings, fixtures or appliances immediately become the property of Company and shall remain in the Residential Unit after termination of this Resident Contract. Exhibit B of this Resident Contract reflects all optional furnishings or fixtures and the related cost.

4.4 Common Areas

Subject to scheduling requirements and availability as established by Company and as part of the services included in the Monthly Rate, Resident may use, in common with all other residents, the dining room(s), lobby or lobbies, auditorium, social and recreational rooms, and other common areas furnished by Company.

4.5 Assisted Living Residence

Company shall provide Assisted Living Services in a licensed Assisted Living Residence at either the Retirement Community, another affiliated

retirement community or an outside provider not located at the Retirement Community.

4.6 Skilled Care Center

Company shall provide Routine Nursing Care Services in a licensed Skilled Care Center, at either the Retirement Community, another affiliated retirement community or an outside provider not located at the Retirement Community.

4.7 Date of Availability

Resident shall take possession of the Residential unit as of the Date of Availability. If the Residential Unit is available for Occupancy before the Date of Availability, Resident may take possession on the first available date. The obligation to pay the Monthly Rate shall begin on the Date of Availability or upon Occupancy, whichever is earlier, and the Entrance Fee must be paid in full prior to or at the time of Occupancy. In the event that Resident fails to take possession or pay the Monthly Rate on the Date of Availability, and the Residential Unit is available for Occupancy, then Company, in its sole and absolute discretion may elect to terminate this Resident Contract.

The Date of Availability may be extended by Company for a reasonable period (i.e. the "Extended Date of Availability"). Company shall provide written notice of any extension of the Date of Availability addressed to Resident in accordance with Section 18. If, however, the Residential Unit is not ready for Occupancy by the Date of Availability or Extended Date of Availability, and such delay is due to labor strikes, fire, an act of God or any other cause beyond the control of Company, then, Company, in its sole discretion, may further extend the Date of Availability for a reasonable period of time. In the event that Resident fails to take possession on the Extended Date of Availability, then Company, in its sole and absolute discretion, may elect to terminate this Resident Contract in accordance with the termination and refund provisions.

4.8 Limitations on Occupancy

No person other than Resident may take Occupancy of the Living Accommodation except with the express written approval of Company. In the event that a spouse or other person who is not a party to this Resident Contract is accepted for Occupancy in the Living Accommodation at a time subsequent to the date hereof, the terms as set forth in Subsection 10.2 will prevail.

4.9 Company's Rights Regarding Retirement Community and Living Accommodation

Company has the right to use the Retirement Community for any corporate purpose. Resident acknowledges and accepts the responsibility of Company to enter Resident's Living Accommodation in order to carry out the purpose and intent of this Resident Contract. Such entry includes, but is not limited to, (i) responses to medical emergencies; (ii) responses to fire protection systems; (iii) responses to concern that Resident is missing or otherwise not responding to calls; (iv) performance of scheduled housekeeping duties; (v) maintenance procedures; and (vi) enforcement of Company's policies and procedures. Company will take all normal precautions to protect Resident's privacy.

SECTION 5. Services Provided by Company to Resident and Resident's Responsibilities

5.1 Utilities and Taxes

As part of the services included in the Monthly Rate, Company will furnish water, light, heat, electricity, air-conditioning, and standard cable television service (excluding premium channels). Payments of real estate taxes are also included in the Monthly Rate. Payment of the Monthly Rate does not give the Resident any interest in the land, improvements, or real estate of Company and the Retirement Community. Resident shall participate in and assign all rights to any real estate, property tax or utility credit program.

5.2 Telephone

Resident is required to have a telephone, or an alternative communication device which is approved by Company, in the Residential Unit, at Resident's expense. Telephone service charges (excluding international calls) and connection charges are included in the Monthly Rate. Company shall provide a directory of telephone numbers for access to Retirement Community personnel. Resident may have an option, at Resident's expense, to add international calling plans.

5.3 Television and Internet

Company shall provide each Residential Unit with connection(s) for television signal and internet access through either an external antenna or cable system. Company shall provide standard cable television service (excluding premium channels) and internet service. Costs for cable premium channels are not included in the Monthly Rate and shall be paid by Resident. Resident may have an option, at Resident's expense, to upgrade the internet service provided by Company.

5.4 Housekeeping

Resident shall maintain the Residential Unit in a clean, sanitary and orderly condition, and is responsible for all usual light housekeeping tasks. Annually, Company will provide such heavier cleaning services as it deems necessary. Company reserves the right to inspect the Residential Unit periodically for cleanliness and safety. If Resident fails to maintain the Residential Unit in a clean, sanitary and orderly condition as determined by Company, then Company reserves the right to clean the Residential Unit and Resident shall pay the charges assessed by Company for cleaning the Residential Unit. Additional housekeeping services are available to Resident for an additional fee.

5.5 Maintenance and Repairs

Necessary repairs, maintenance and replacement of property and equipment owned by Company will be performed and provided at the discretion of Company. Repairs, maintenance, and replacement of property of Resident will be the responsibility of Resident.

5.6 Structural Changes

All structural or physical changes of any kind within or about the Residential Unit (i.e. shelves, framework, awnings, etc.) will be made only upon first being approved by Company in writing and thereafter being subject to the supervision of Company. The cost of any such change requested by Resident shall be borne by Resident and paid for before work begins, unless otherwise agreed to in writing by both parties, and all such changes shall immediately become and remain the permanent property of Company.

5.7 Laundry

Automatic washers and dryers for personal laundry are located within Retirement Community and are available to all Residents. Company will provide laundry service for flat linens, provided by Resident, on a weekly basis as part of the Monthly Rate.

5.8 Storage

For each apartment style Residential Unit, Company will make available additional storage in a designated area upon request of Resident. Use of storage facilities shall be subject to direction and supervision of Company. Resident is responsible for the risk of loss for all items stored in the storage units.

5.9 Grounds

Company will provide basic grounds keeping care including lawn service. Resident, at his/her own expense may plant and maintain the area adjacent to his/her Residential Unit, subject to the approval of Company. All plants, trees and shrubs so planted shall immediately become and remain the permanent property of Company.

5.10 Transportation

Company will provide transportation services on a scheduled basis, for purposes such as shopping, certain medical care services and other special functions, as defined by Company.

5.11 Food and Meals

(a) Dining Room Service

Company will, as part of the services included in the Monthly Rate, provide to Resident, one meal for each day of the month (e.g. 30 meals in the month of November, 31 meals in the month of December), which may be utilized at Resident's discretion, up to a maximum of three (3) meals per day, until the monthly meal allocation is exhausted for the applicable calendar month. Unused meals in one month may not be carried over to another month. Meals may be taken in excess of the monthly allocation and will be an additional charge. Meals shall be taken in a designated dining area at any time during the calendar month, at Resident's discretion, although reasonable advance notice of attendance may be requested. Special dietary needs may be provided on request and subject to availability and Company's policies and procedures. In addition, Company will make available, in accordance with its scheduling policies, a private dining room for family gatherings or other special occasions of Resident. For these occasions, in accordance with Company's policies and procedures, Resident may supply food from outside sources or use catering services provided by Retirement Community on a fee-for-service basis.

(b) Tray Service

Company will, as part of the services included in the Monthly Rate, provide to Resident tray service if ordered by Company's medical director or persons authorized by Company. Tray service shall be on a temporary basis, not to exceed three (3) days or fourteen (14) days following a three (3) day stay in the hospital or the Skilled Care Center. Any Resident requesting further tray service shall be evaluated by Company's medical director and/or Resident's physician to determine whether Routine Nursing Care Services are required. In the event that tray service extends beyond the above

limits, Company may charge Resident for tray service meals in an amount determined by Company, except if ordered by Company's medical director.

(c) **Meal Allowance**

If Resident is away from Retirement Community for a period of fourteen (14) consecutive days or more, he/she may qualify for a limited meal allowance in accordance with Company's prevailing policy which is subject to change. If the Resident qualifies, the meal allowance will be applied as a credit on the monthly statement. Arrangements for this allowance must be made in advance and in writing, and is applicable only when Resident is away from his/her Residential Unit, excluding stays in an Assisted Living Residence or a Skilled Care Center.

(d) **Guest Use of Dining Room**

Company will serve meals to Resident's guests in the dining room at an extra charge. Charges for guest meals will be included on Resident's monthly statement. Resident is requested to provide Company with advance notice of any anticipated guests.

(e) **Guest Meal Charges**

Amounts charged to Resident's monthly statement for guest meals will be made according to the currently established rates as set and periodically adjusted by Company.

(f) **Dining Room Dress Code**

In the designated dining area, Resident shall comply with Retirement Community's prevailing dress code policy which is subject to change from time to time.

5.12 Response System

Resident may contact Retirement Community personnel (i.e. security personnel or administrative staff) who will be available to respond twenty-four (24) hours a day. Retirement Community personnel will contact emergency response personnel provided by county or city governments, or by various health care providers unaffiliated with Company. Company does not provide Emergency Medical Services ("EMS") or Emergency Medical Technicians ("EMT"). While the response system may be used to inform Retirement Community personnel of a medical emergency or a security concern, Company disclaims any and all responsibility or liability for responding to medical emergencies or security concerns. Any costs associated with external emergency response personnel shall be payable by Resident directly to the emergency response organization.

5.13 Security

Company will, as part of the services included in the Monthly Rate, provide certain security services at Retirement Community in accordance with Company's prevailing policy which is subject to change from time to time.

5.14 Parking

If Resident owns and operates a registered motor vehicle, Company shall provide a minimum of one uncovered parking space for each Residential Unit, which is included in the Monthly Rate. Any assignment of parking spaces will be made in accordance with prevailing policy which is subject to change from time to time. Guest parking is available in designated areas.

5.15 Property Insurance

Company shall maintain insurance for Company's property only, which is included in the Monthly Rate. Resident is required to purchase and maintain personal property and liability insurance in an amount acceptable to Company as may be determined from time to time by Company.

5.16 Administration

Company shall provide administrative support services to implement the provisions of this Resident Contract, which services are included in the Monthly Rate.

5.17 Additional Miscellaneous Services

Other miscellaneous services, as may become available, will be at an additional charge and are not included in the Monthly Rate.

5.18 Changes in the Scope of Services and Ancillary Fee Schedule

The scope of services and related fees as reflected in Ancillary Fee Schedule for services not included in the Monthly Rate are subject to change and may be modified by Company from time to time with sixty (60) days advance written notice of any changes, except for changes required by State or Federal assistance programs.

SECTION 6. General Medical, Nursing and Assisted Living Services

6.1. Outpatient Nursing Services

Outpatient nursing services are made available to Resident in the Retirement Community during regular office hours in accordance with prevailing policy which is subject to change from time to time. Certain

outpatient nursing services including routine nursing consultations, weight checks and blood pressure readings are included in the Monthly Rate. Other services may be provided at a fee published in the nurse's office. Company reserves the right to limit the outpatient nursing services which are included in the Monthly Rate.

6.2 Assisted Living and Routine Nursing Care Services

As part of the Monthly Rate, Company shall provide, or make available, in accordance with Resident's needs, Assisted Living Services in private accommodations and Routine Nursing Care Services in shared accommodations. In the event that those services are provided on the campus of Retirement Community, Resident shall sign an admission contract upon transfer to either the Assisted Living Residence or Skilled Care Center, which contract(s) will supplement the terms of this Resident Contract. In the event that any payment provision of the admission contracts in the Assisted Living Residence or Skilled Care Center are in conflict or inconsistent with any terms or provisions of this Resident Contract, then this Resident Contract shall control and govern the relationship between Resident and Company. As part of the Monthly Rate, Company shall provide to Resident three (3) meals per day when Resident is in Assisted Living Residence or Skilled Care Center.

6.3 Home Care Services

As part of the Monthly Rate, Resident may be eligible for qualified Home Care Services, as determined by Company and in accordance with prevailing policy. Additional Home Care Services may be available on a fee-for-service basis.

6.4 Costs in a Skilled Care Center or an Assisted Living Residence Prior to Occupancy

If Resident is admitted to either an Assisted Living Residence or a Skilled Care Center prior to Occupancy of the Residential Unit, the Entrance Fee immediately shall become due, and Resident shall pay the Monthly Rate for the Residential Unit designated in this Resident Contract. In situations of Shared Occupancy, the Monthly Rate for Single Occupancy shall be paid upon admission of one Co-Resident until the Date of Availability or upon Occupancy by the other Co-Resident of any Living Accommodation, whichever is earlier, at which time the Monthly Rate for Shared Occupancy shall become effective.

All miscellaneous charges and fees for ancillary services not covered or included in the Monthly Rate are an additional charge and shall be paid by Resident. Company reserves the right to determine, at any time, if admission to the Skilled Care Center or Assisted Living Residence is permanent.

6.5 Costs in a Skilled Care Center or an Assisted Living Residence After Occupancy

(a) Routine Nursing Care Services

Upon transfer to a Skilled Care Center or other facility providing Routine Nursing Care Services under this Resident Contract, Resident shall continue to pay the applicable Monthly Rate for the Residential Unit, which is subject to periodic increases. All miscellaneous charges and fees for ancillary services not covered or included in the Monthly Rate are reflected on Company's Ancillary Fee Schedule and are an additional charge which shall be paid by Resident.

(b) Assisted Living Services

Upon transfer to the Assisted Living Residence or other facility providing Assisted Living Services under this Resident Contract, Resident shall continue to pay the applicable Monthly Rate for the Residential Unit, which is subject to periodic increases. All miscellaneous charges and fees for ancillary services and supplies not covered or included in the Monthly Rate are reflected on Company's Ancillary Fee Schedule and are an additional charge which shall be paid by Resident.

(c) Intra-Community Transfer and the Monthly Rate

In the event that Resident has moved from the Residential Unit to a Residential Unit with a lower Monthly Rate within one year prior to permanent transfer of Resident (or remaining Co-Resident) to a Skilled Care Center or Assisted Living Residence, Resident shall pay the higher Monthly Rate for the vacated Residential Unit while remaining in the Skilled Care Center or Assisted Living Residence.

6.6 Exclusions (Items and Services Not Covered by the Monthly Rate)

Medical, health and ancillary services not included in or covered by the Monthly Rate include, but are not limited to, the cost of hospitalization, ambulance service, therapist or rehabilitation services, psychotherapy and psychiatric consultations or services, physician services, diagnostic services, private duty nurses, nursing assistants or companions, including temporary nursing or assistive services in the Residential Unit, specialized treatment, refractions, eyeglasses, contact lenses, hearing aids, podiatry, dentistry, dentures, inlays, orthopedic devices and appliances such as walkers, braces, wheelchairs, special beds or chairs, incontinence supplies, personal care supplies such as disposable underpads, toiletries, digestive aids and pharmacy medications, drugs, including prescription and over-the-counter medications, medical equipment and supplies such as syringes, respirators, ventilators, oxygen tanks, intravenous items,

catheterization materials, specialized treatment including ventilator dependent treatment, dialysis, and higher acuity nursing care services such as Subacute Care, Transitional Care or special rehabilitation services. Company, in its discretion, may provide any or all of the services not covered by the Monthly Rate at an additional charge, or refer the Resident to another provider capable of providing higher acuity care services. Ancillary and miscellaneous charges in an Assisted Living Residence or Skilled Care Center are not included in the Monthly Rate.

6.7 Hospital, Medical and Nursing Insurance

(a) Required Insurance

Should Resident fail to maintain required medical insurance coverage, as described in Subsection 2.5, Resident will be responsible for all charges that otherwise would have been reimbursed through these required insurance programs and shall demonstrate adequate financial resources for such coverage to Company upon request.

Medicare Part A co-insurance for skilled days 21 through 100, and Medicare Part B annual deductible and co-insurance are the responsibility of Resident.

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(b) Assignment of Required Insurance and Third Party Payments

Resident assigns and transfers over to Company all rights of Resident to required public and private insurance and benefits to the extent necessary to pay Company for services provided to Resident under this Resident Contract. If Resident becomes eligible to receive payment from any third party for services provided under this Resident Contract by Company, Resident shall at all times cooperate fully with Company and each third party payor so that Company may make claim for and receive any applicable third party payments. Resident authorizes Company to make any and all claims for such insurance and benefits and agrees to execute all documents necessary to enable Company to collect or enforce such claims. If for any reason Company cannot apply directly for such benefits, Resident shall from time to time apply for the payments for services provided by Company to which Resident is entitled under applicable insurance benefit programs, and pay to Company the benefits received within ten (10) days of payment by the third party payor.

(c) **Enrollment in a Health Maintenance Organization (“HMO”) or Other Managed Care Plan**

Resident may only enroll in a health maintenance organization (“HMO”) or other managed care plan for which Company is a network or participating provider, unless Company provides prior written consent. Prior to enrolling in any HMO or managed care plan, Resident shall sign an addendum identifying the plan and reflecting Company’s approval or disapproval. In the event that Resident subscribes to an HMO or other managed care plan, including a managed care plan that provides Medicare benefits, and Company is not a participating provider in Resident’s managed care plan, Company may elect, at its option, to attempt to negotiate a contract with and obtain payment from Resident’s managed care plan for covered services to be provided by Company. If Company is or becomes a network provider in Resident’s managed care plan, Company reserves the right to withdraw from participation as a network provider. If Resident’s managed care plan and Company do not reach an agreement on the terms under which services would be provided, or if the Resident’s managed care plan does not agree to provide payment for covered services provided by Company or if Company withdraws from participation in Resident’s managed care plan, Resident shall either transfer to and receive services from a participating provider in Resident’s managed care plan or shall pay Company, in addition to the Monthly Rate, the daily rate for Routine Nursing Care Services which would have been covered by Medicare indemnity coverage, but only for the limited period of time during which Medicare or other required insurance coverage would have been available. In the event that Resident is transferred to a provider participating in Resident’s managed care plan, Resident shall continue to pay the Monthly Rate and additionally all costs and charges related to the transfer to and occupancy of the participating provider. There will be no reduction in the Monthly Rate as a result of Resident’s participation in any health insurance program or managed care plans which provide for payment for services rendered or made available by Company. Any co-insurance required by the HMO or managed care plan shall be paid by Resident.

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(d) **Long Term Care Insurance**

Company does not require Resident to maintain a long term care insurance policy. However, if Resident maintains such a policy, Company will assist Resident in making claims for such insurance benefits in accordance with Company’s prevailing policy and procedures. If insurance benefits are received directly by Company, Company will apply proceeds to Resident’s future Monthly Rate and

ancillary charges. After all such charges have been paid to Company, the balance of any insurance benefits will be refunded to Resident or Resident's estate.

6.8 Transfer to Hospital or Other Specialized Service Facility

Company does not provide ambulance services, hospital care, acute care, Transitional Care or Subacute Care or other services provided by a Special Service Facility. Company shall have the right to transfer Resident to a hospital or other facility in accordance with the provisions of Subsection 11.3.

6.9 Illness or Accident Away from Retirement Community

If Resident suffers an accident or illness while away from Retirement Community, Company will have no responsibility to pay for Resident's medical, surgical, hospital or nursing care obtained offsite; however, after Resident returns to Retirement Community, Company shall assume its responsibility to provide those services as specified in this Resident Contract that are deemed necessary by Company.

6.10 Accident or Illness Caused by Others

In the event Resident is physically injured by an individual or entity not a party to this Resident Contract, Resident grants to Company a right of subrogation, and authorizes Company to bring such demands, claims or legal proceedings in the name of or on behalf of Resident for purposes of recovering from any third party or third party's insurer responsible for Resident's injury, the dollar value of all care provided by Company to Resident as a result of any such injury. Resident shall cooperate and sign any documents necessary to facilitate Company's ability to exercise its subrogation right. After all costs and expenses incurred by Company (including legal fees and cost of care furnished to Resident by Company because of such injury) have been reimbursed to Company through subrogation, the balance of any recovery, will be refunded to Resident.

6.11 Limitations on Care

Company is not designed to care for persons who abuse alcohol or drugs or who require specialized psychiatric care or service not authorized or permitted under the skilled care or assisted living licensing regulations. If Company determines that Resident's continued presence in Retirement Community is either dangerous or detrimental to the health, safety or peace of Resident or other residents, then Company may temporarily transfer Resident to an appropriate institution of Company's choosing and Resident shall continue to pay the Monthly Rate directly to Company. Company will then be responsible to pay to the institution an amount that shall not exceed the Company's prevailing daily rate for shared accommodations in the Skilled Care Center. Any additional charges

beyond the amount paid by Company are the obligation of and shall be paid by Resident. If Resident prefers an institution other than that chosen by Company, Company will then be responsible to pay the lesser of the Company's daily rate for shared accommodations in the Skilled Care Center or the daily rate of the institution chosen by Company.

6.12 Responsibility of Company for Services Included in Monthly Rate

Resident shall not be liable to any health care provider for the cost of any services which are covered by Company under this Resident Contract and which are paid for by Resident through payment of the Monthly Rate. In the event that Company authorizes any health care provider to provide services, which Company is required to provide under this Resident Contract, Company shall assume responsibility for the payment of those health care services.

6.13 Privately Employed Private Duty Contractors

Subject to the approval of Company, Resident may utilize the services of privately employed private duty contractors, or other licensed agencies unrelated to Company, who provide personal or health care services in the Residential Unit. Such services are subject to Company's prevailing policy and requirements, which are subject to change, and must be approved in advance and in writing by Company. Resident is responsible to pay for all such services. In exchange for Company's approval of Resident's utilization of a private duty contractor or other licensed agencies unrelated to Company, Resident releases Company from any liability for the acts or omissions of any individual or agency providing services to Resident in the Residential Unit. Live-in companions, whether paid or unpaid by Resident are not permitted, except with Company's advance written consent.

6.14 Change in Ancillary Fee Schedule

The Ancillary Fee Schedule associated with services not included in the Monthly Rate may be modified by Company from time to time with sixty (60) days advance written notice of any changes, except for changes required by State or Federal assistance programs.

SECTION 7. Application Fee and Priority List Deposit

7.1 Application Fee

Resident has paid to Company a non-refundable Application Fee at the time of submitting an application and executing the priority list contract.

7.2 Priority List Deposit

Resident has paid to Company a Priority List Deposit at the time of submitting an application and executing the priority list contract. Payment of the Priority List Deposit, along with the submission of the priority list contract places the Resident on the priority list. The Priority List Deposit will be applied as a credit toward the Reservation Fee.

SECTION 8. Entrance Fee

8.1 Purpose and Use

Company may use the Entrance Fee in any manner it deems appropriate and may apply it to any corporate purpose. Company is not holding any part of the Entrance Fee in trust for Resident and has not assumed and is not assuming any fiduciary obligation to Resident concerning the Entrance Fee or any other amounts paid for admission to or continued Occupancy in the Retirement Community.

8.2 Payment Schedule

(a) Reservation Fee

Upon execution of this Resident Contract, Resident shall pay a Reservation Fee. The Reservation Fee is equal to ten percent (10%) of the Entrance Fee, less the Priority List Deposit.

(b) Final Payment

Upon the Date of Availability or Occupancy, whichever is earlier, Resident shall pay the remaining balance of the Entrance Fee.

8.3 Right to Establish Entrance Fee

Company reserves the right to establish Entrance Fee rates and Monthly Rates (as described in Section 9) of a different amount for persons being admitted for Occupancy after the date hereof, and the rates charged such other persons need not be uniform with or proportional to those charged to Resident under this Resident Contract. The Entrance Fee amount, as defined in this Resident Contract, shall not be increased or changed during the duration of the agreed upon care, except for changes required by State or Federal assistance programs or regulations, or if Resident changes from the Residential Unit to another residential unit (as described in Subsection 11.1).

8.4 Administrative Fee and Amortization of Entrance Fee

(a) Administrative Fee

An Administrative Fee in an amount equal to five percent (5%) of the Entrance Fee is non-refundable after the Transition Period and will be retained by Company.

(b) Amortization of Entrance Fee

After deducting an Administrative Fee, which is five percent (5%) of the Entrance Fee, the remaining Entrance Fee shall be amortized by Company in the amount of two percent (2%) per month for a period of fifty (50) months from the date of Occupancy or Date of Availability, whichever is earlier. After the fifty (50) month period, there will be no refund of the Entrance Fee.

SECTION 9. Monthly Rate

9.1 Standard Monthly Rate

In addition to the other amounts paid by Resident to Company under this Resident Contract, Resident will pay to Company the standard Monthly Rate established for the unit selected.

9.2 Adjustments in the Monthly Rate

The Monthly Rate may be adjusted from time to time. Company shall provide at least sixty (60) days written notice of such change unless such change is required by State or Federal assistance programs or regulations.

9.3 Payment and Due Date

The Monthly Rate is billed in advance and shall be due and payable within five (5) days of the date of Resident's monthly statement. The obligation to pay the Monthly Rate shall commence on the earlier to occur (i) the date the Resident takes Occupancy of the Residential Unit or (ii) the Date of Availability, whether or not Resident moves in at the time. The Resident shall be billed on a monthly basis for all other charges, including but not limited to miscellaneous and ancillary charges or other services. Payment for all other charges shall be due with the Monthly Rate.

9.4 Service Charge for Late Payment

A service charge of one and one-half percent (1.5%) per month will be added to amounts past due in accordance with Company's prevailing policy. Resident is obligated to pay all reasonable attorneys fees and costs incurred relative to the collection of any amount past due.

SECTION 10. Co-Resident

10.1 Co-Resident's Fee Responsibility

In situations of Shared Occupancy, each Co-Resident shall be jointly and severally liable for all payments due under this Resident Contract. Upon the death of one or more Co-Residents, or should one or more Co-Residents leave the Retirement Community, any remaining Co-Resident(s) shall be responsible for payment of the applicable Monthly Rate and any other past or future charges.

10.2 Marriages/Additional Occupant

If Resident decides to marry/reside with a non-resident while occupying the Residential Unit and desires that the new spouse/additional occupant share the Residential Unit, the spouse/additional occupant must comply with the entrance procedure outlined in this Resident Contract and shall execute a then current version of the Resident Contract. The spouse/additional occupant shall pay an Entrance Fee equal to the then current Entrance Fee for the smallest residential unit in the Retirement Community at the time the spouse/additional occupant takes Occupancy. The prevailing Monthly Rate for Shared Occupancy will commence on the day the spouse/additional occupant moves into the Residential Unit. In the event the spouse/additional occupant is not accepted as a new resident, Resident may terminate the Resident Contract pursuant to Section 13 and receive any refund as set forth in Section 14.

SECTION 11. Relocation to a Different Living Accommodation or Outside Facility

11.1 Relocation From Residential Unit to Another as Requested by Resident

Upon Resident's written request and written approval of Company, the Resident may exercise a limited option to move from the Residential Unit to another in accordance with Company's prevailing policy. Resident must notify Company in writing of the type of residential unit desired. Company reserves the right in its sole discretion to approve or deny requests to move. In the event Resident receives approval from Company to move to another residential unit, Resident shall sign an addendum to this Resident Contract reflecting all costs and charges related to exercising the option to move, including the Entrance Fee and Monthly Rate for the selected residential unit. Resident may be required to pay a refurbishment fee as determined by Company in accordance with Company's prevailing policy.

(a) Relocation to Larger Sized Residential Unit

On the Date of Availability of the larger sized residential unit, an additional Entrance Fee will be paid. The additional Entrance Fee is equal to the difference between the Entrance Fee of the larger

residential unit as of the time Resident first took Occupancy and the Entrance Fee paid for the smaller Residential Unit designated in Section 3.

(b) **Relocation to Smaller Sized Residential Unit**

Any refund of the Entrance Fee as a result of relocation to a smaller sized residential unit is calculated as the difference between:

(i) **Present Residential Unit**

The current Entrance Fee, less a sum equal to two percent (2%) per month, or fraction thereof, of the amount of such Entrance Fee for each month this Resident Contract has been in force, commencing from the Date of Availability, and

(ii) **Proposed Residential Unit**

The current Entrance Fee, less a sum equal to two percent (2%) per month, or fraction thereof, of the amount of such Entrance Fee for each month this Resident Contract has been in force, commencing from the Date of Availability.

11.2 Relocation From Residential Unit to Another as Required by Company

Company reserves the right to make all necessary arrangements and adjustments regarding residence not otherwise specifically provided in this Resident Contract. Company may relocate Resident to a different residential unit in the Retirement Community, substantially similar to that selected by Resident, if it determines that such a move should be made for the benefit of Resident or for the proper operation of Retirement Community, as determined by Company. In the event Resident is directed to relocate, Company shall be responsible for all reasonable moving and relocation expenses. Resident shall execute an addendum which shall reflect all changes in the Monthly Rate.

11.3 Transfer to Assisted Living Residence, Skilled Care Center or Outside Facility

(a) **Conditions of Continued Occupancy**

Resident shall have the right to occupy the Residential Unit for so long as Resident satisfies the health and other Conditions of Continued Occupancy.

(b) **Decision to Transfer**

(i) **Authority to Transfer**

Company may transfer Resident from and between the Residential Unit and Skilled Care Center or Assisted Living Residence, or any other appropriate care facility, if it determines that such a move should be made because of the health and/or welfare of the Resident, for the proper operation of the Retirement Community, to comply with regulations of the North Carolina Division of Facility Services, the North Carolina Department of Health, local regulations of the Fire Department, or any other duly constituted authority or agency, or to otherwise meet the requirements of law.

(ii) **Role of Company's Utilization Review Committee**

The decision as to whether a transfer shall be deemed temporary or permanent shall be made by Company's Utilization Review Committee. The Utilization Review Committee shall consider the opinion of Resident and the advice of a family representative, if available, and, if requested and at the Resident's expense, a private physician. The opinion of Resident and the advice of family and Resident's physician is advisory only and shall not be binding on Company. The Utilization Review Committee's decision regarding the temporary or permanent nature of any transfer may be made at any time. Upon a determination by Company's Utilization Review Committee that Resident is no longer capable of meeting the health or other requirements for Occupancy of the Residential Unit, Resident or Resident's next of kin, Legal Representative or agent acting on Resident's behalf, will be notified by Company that arrangements will be made for Resident's immediate transfer to an Assisted Living Residence, a Skilled Care Center or other appropriate care facility.

(c) **Transfer to Assisted Living Residence**

When Resident is in need of Assisted Living Services as determined by Company's medical director and/or the Utilization Review Committee and does not need Routine Nursing Care Services, Resident may be transferred permanently to Company's Assisted Living Residence, if available, or other facility providing Assisted Living Services. If there is no Co-Resident in the Residential Unit, Resident will, within thirty (30) days, Surrender the Residential Unit. The Residential Unit then occupied by such Resident shall be declared vacant and Company may reassign the Residential Unit to another person.

(d) **Transfer to Skilled Care Center**

When Resident is in need of Routine Nursing Care Services as determined by Company's medical director and/or the Utilization Review Committee, Resident will be moved to a shared accommodation in the Skilled Care Center or other facility providing Routine Nursing Care Services under this Resident Contract. Upon request, Resident may have access to a private room, if available, in Company's Skilled Care Center for which an additional fee may apply. If, after continued evaluation, it is determined by Company that Resident cannot return to his/her Residential Unit, and if there is no Co-Resident in said accommodation, Company may declare the Residential Unit vacant, and may reassign the Residential Unit to another person. Resident will, within a thirty (30) day period after such decision has been made, Surrender the Residential Unit.

(e) **Transfer to Outside Facility**

If it is determined by Company's medical director and/or Company's Utilization Review Committee that Resident cannot be cared for within the scope of the services Company provides in the Retirement Community, or Resident cannot otherwise meet the Conditions of Continued Occupancy, and if there is no Co-Resident in the Residential Unit, Company may declare the transfer permanent and the Residential Unit vacant and reassign the Residential Unit to another person. Resident will, within a thirty (30) day period from the date the decision is made, Surrender the Residential Unit and have all personal possessions removed from it.

(i) **Temporary Transfer**

During any temporary transfer to a hospital or outside facility, Resident shall continue to pay the Monthly Rate and shall be responsible for all costs and charges related to the transfer to and occupancy of the outside facility or hospital except as provided in Subsection 6.12.

(ii) **Permanent Transfer**

Upon permanent transfer to an outside facility, and after Surrender of the Living Accommodation, the obligation to pay the Monthly Rate shall end and this Resident Contract shall terminate. Any refund due shall be paid in accordance with the refund provisions of this Resident Contract. In the event of Shared Occupancy, this Resident Contract shall not terminate and Co-Resident shall pay the Monthly Rate until the permanent transfer or discharge of all Co-Residents from the Retirement Community and Surrender of the Living Accommodation. Resident is obligated to pay all costs and

charges related to the transfer to and occupancy of any outside facility or hospital except when Resident is transferred to an outside assisted living or skilled care provider because of the unavailability of a bed or room in Retirement Community.

(f) **Release of or Return to Residential Unit After Transfer**

(i) **Temporary Transfer**

If Resident is admitted temporarily to Company's Skilled Care Center, Assisted Living Residence, or a hospital or other outside facility, with a medical prognosis of recovery and return to health consistent with the Conditions of Continued Occupancy, then Resident shall retain Occupancy of the Residential Unit for the purpose of resuming residency. During any period of temporary transfer, Resident shall continue to pay the applicable Monthly Rate for the Residential Unit. Resident may return to the Residential Unit which has been retained in accordance with the terms of this provision at such time as Company determines that Resident can satisfy the Conditions of Continued Occupancy.

(ii) **Permanent Transfer**

If Resident is permanently transferred to Company's Skilled Care Center, Assisted Living Residence, or a hospital or other appropriate outside facility, Resident shall Surrender the Residential Unit within thirty (30) days of written notice of Company's decision to permanently transfer Resident. If Company, with the advice of Company's medical director, determines that Resident subsequently has recovered sufficiently to satisfy the Conditions of Continued Occupancy of a residential unit, Resident, upon request, shall be eligible for consideration to receive the next available residential unit with a floor plan comparable to the one relinquished, provided Resident repays Company any amounts refunded to Resident under the Resident Contract and pays the applicable Monthly Rate.

SECTION 12. Company's Policy Concerning Financial Difficulty

It is the policy of Company that Resident shall not be dismissed nor his/her Resident Contract terminated solely because of Resident's financial inability to continue to pay all or part of the Monthly Rate. However, Resident's acceptance into Company has been based on the accuracy of facts recorded on Resident's financial statement, by which facts Company determined that Resident was able to meet all the financial obligations specified within this Resident Contract. If, in

the opinion of Company, Resident either has misrepresented information on the financial statement or in any way weakens, through omission or commission, his/her ability or the ability of his/her personal estate to satisfy his/her financial obligations under this Resident Contract, because Resident has made gifts of real or personal property or any imprudent financial transactions after submitting the financial statement and/or after acceptance into Retirement Community, Company reserves the right to terminate this Resident Contract.

12.1 Failure to Make Payments

If Resident fails to make any of the Monthly Rate payments at the required time, or to pay any other amounts shown on the monthly statement within thirty (30) days after the first day of the month, then Company may give written notice to Resident to pay all such amounts and furnish most recent financial records. If Resident fails to comply with such notice, Company may terminate this Resident Contract, and shall provide Resident with the refund, if any, set forth in Section 14, less any outstanding balances or financial obligations.

12.2 Subsidy by Company

Should Company subsidize Resident's Monthly Rate, Resident agrees that any property which was his/hers at, or subsequent to the date of this Resident Contract, and remaining in his/her possession at death, is to be transferred to Company for the purpose of repaying (at least to the extent of the value of such property) an amount equal to the aggregate amount of subsidy furnished Resident by Company during the period of residency. If the value of Resident's possessions/property exceeds the aggregate amount of subsidy furnished by Company, all excess proceeds will be returned to Resident's estate. This Resident Contract shall operate as a grant, assignment, transfer and conveyance to Company of such property, and Resident hereby grants to Company a security interest in such property, all of which may be enforced as a claim against Resident's estate, and to effect such assignment and to enable Company to enforce such claim, Resident shall execute such further documents, instruments or contracts, such as stock powers, Uniform Commercial Code financing statements, deeds, bills of sale and the like, as Company shall deem necessary or appropriate to protect or perfect its rights, interest and claims granted in this subsection. Company may, from time to time, request financial statements from any Resident whose Monthly Rate is subsidized by Company. This subsection shall apply whether or not Resident is in residence at Retirement Community at time of death and shall survive termination of the Resident Contract.

12.3 Special Consideration

Without in any way qualifying the right of Company to terminate this Resident Contract, if the sole reason for non-payment is insufficient funds, beyond the control of Resident, the matter will be reviewed by Company

with Resident. If Resident presents facts which justify special financial consideration, Company may solely at its discretion, partly subsidize Resident's Monthly Rate provided that such subsidy can be granted without impairing the ability of Company to meet and continue its objectives while operating on a sound financial basis. All determinations made by Company shall be regarded as a confidential transaction between Company and Resident except for reports required by regulatory or other government bodies.

12.4 Reduction of Income

Resident believes that his/her sources of income are adequate to meet his/her financial responsibility to Company and to meet and pay any additional costs to Resident, and to pay personal and incidental expenses during the period of residency. If Resident's sources of income do not meet these requirements, Resident may be required to relocate to a smaller unit in Retirement Community at discretion of Company, and Resident will make every reasonable effort to obtain assistance from family or other available means, and from public benefits, to the extent that Resident is eligible to receive them, including, but not limited to federal, state or county aid or assistance, Aid to the Blind, Veterans' Pension, etc. Resident agrees that he/she will apply for and diligently seek such benefits.

SECTION 13. Termination of Resident Contract

13.1 Termination by Resident Prior to Occupancy

If Resident or Resident's Legal Representative notifies Company in writing of his/her election to withdraw or terminate this Resident Contract before Resident takes Occupancy, this Resident Contract with said Resident shall automatically be terminated. If Resident dies before the Date of Availability, or if, through illness, injury, or incapacity, Resident is precluded from taking Occupancy and becoming a Resident under the terms of this Resident Contract, the Resident Contract shall be automatically rescinded. The Resident or his/her designated beneficiary shall receive a refund, in accordance with Subsection 14.1 of this Resident Contract.

13.2 Termination by Resident During Transition Period

Resident or Resident's Legal Representative may terminate this Resident Contract within thirty (30) days of the later of the execution of this Resident Contract or the receipt date of the disclosure statement by signing the attached Notice of Right to Rescind and delivering it to Company. Resident is not required to move into the Retirement Community before the expiration of this thirty (30) day rescission period. After the lapse of the thirty (30) day rescission period and before the lapse of the Transition Period commencing on the earlier to occur of (i) the date Resident takes

Occupancy or (ii) the Date of Availability of Residential Unit, Resident or Resident's Legal Representative, may terminate this Resident Contract by giving written and personally signed notice of termination to Company. Resident shall Surrender within a period of thirty (30) days from the date on which such notice is received by Company. The Resident Contract shall terminate on the date of Surrender. Resident shall be entitled to a refund, as provided in Subsection 14.1 of this Resident Contract.

13.3 Termination by Resident After Transition Period

Resident or Resident's Legal Representative has the right, at any time, to terminate this Resident Contract by delivery to Company of written notice of his/her intent to do so. The written notice need not cite a specific reason for the termination but it shall state a date, of not less than thirty (30) days or more than one hundred and twenty (120) days, when the termination is to become effective, and on or prior to such date Resident shall Surrender the Living Accommodation. On the effective date of such termination, and contingent upon Surrender of the Living Accommodation, Resident's obligation to continue Monthly Rate payments shall cease and Resident shall be entitled to a refund, if any, as provided in Subsection 14.2 of this Resident Contract.

13.4 Termination by Death of Resident

Unless sooner terminated by its own provisions, this Resident Contract shall terminate at death of Resident, whereupon all obligations of Company under this Resident Contract, other than those relating to the removal of Resident's personal property, shall cease. At the death of Resident, Resident shall have no further rights in the Living Accommodation, and the Company shall have immediate access to the Living Accommodation. The removal of any personal effects of Resident in the Living Accommodation or from storage shall be the responsibility of Resident's executor, administrator, or Legal Representative, or of other persons entitled by law to receive them. Company will hold such personal effects for a period not to exceed thirty (30) days, but Company is not responsible for loss or damage to personal property in its possession. At the death of Resident, all Entrance Fee refunds, excess Monthly Rate payments (prorated daily to the date of Surrender), and any other funds deposited with Company under this Resident Contract shall be refunded in accordance with Section 14 of this Resident Contract.

In the event removal of Resident's personal possessions is not accomplished within thirty (30) days, Company has the right to continue charging the Monthly Rate or charge for storage of Resident's personal possessions until such possessions have been removed from the Living Accommodation.

13.5 Limitations on Termination in Situations of Shared Occupancy

If any Co-Resident is precluded from taking Occupancy of the Residential Unit because of death, illness, injury or incapacity, this Resident Contract shall remain in full force and effect as to the other Co-Resident(s), at the option of Co-Resident(s). The remaining Co-Resident(s) shall sign an addendum which changes the terms of this Resident Contract from Shared Occupancy to Single Occupancy, if applicable, and which reflects changes in the Entrance Fee and/or the Monthly Rate. As long as a Co-Resident continues to occupy any Living Accommodation within Retirement Community, the Resident Contract shall not terminate until the death, permanent transfer, discharge or voluntary departure of all Co-Residents from Retirement Community.

13.6 Termination by Company

Company may terminate this Resident Contract prior to Occupancy in accordance with Subsection 2.2 or after Occupancy for “just cause” (as described in Subsection 13.6(a) based on the judgment of Company by providing Resident with at least thirty (30) days written notice. If such action is taken by Company, Resident will have a maximum of sixty (60) days from the date of Company’s notice to Surrender the Residential Unit. On or before the termination date, Resident shall Surrender. On the date of Surrender, Resident's obligation to continue Monthly Rate payments shall cease and this Resident Contract shall terminate. Resident or Resident’s designated beneficiary shall be entitled to receive a refund, if any, as provided in Section 14 of this Resident Contract.

(a) Just Cause

Just cause shall include, but not be limited to, (i) a default in payment (a default in payment occurs when monthly payments are not received in accordance with Section 9, (ii) the submission or omission of any material false information in the application documents and process, (iii) the failure of Resident to abide by Company’s rules, regulations, policies and procedures, (iv) the breach of any of the other terms of this Resident Contract, or (v) a good faith determination in writing by Company that continued Occupancy by Resident creates a serious threat or danger to the life, health, safety or peaceful enjoyment of Resident or other residents or persons in Retirement Community.

In situations where continued Occupancy threatens the life, health, safety or peaceful enjoyment of Resident or other residents, only such notice as is reasonably practicable under the circumstances will be provided to Resident or Resident’s Legal Representative, and termination may be effective immediately.

13.7 Surrender

The obligation to pay the Monthly Rate shall continue until Surrender of the Living Accommodation by Resident or by the estate or family or Legal Representative of Resident in the case of death. The Monthly Rate shall be prorated for the month of Surrender.

SECTION 14. Refunds of Entrance Fee

The refunds, if any, payable to Resident, if this Resident Contract is terminated in accordance with its terms are as follows:

14.1 Notice of Termination Prior to or During Transition Period

Entrance Fee payments will be refunded in full if this Resident Contract is terminated prior to Occupancy or within the thirty (30) day rescission period, or if written notice of termination of this Resident Contract is received during the Transition Period and Resident Surrenders within thirty (30) days. The Entrance Fee refund will be reduced by any costs specifically incurred by Company at the request of Resident to the extent those charges were not paid by Resident.

14.2 Notice of Termination After Transition Period

In the event written notice of termination of this Resident Contract is received after the Transition Period and prior to death, Resident is entitled to a refund of the Entrance Fee paid less the Administrative Fee and less a sum equal to two percent (2%) per month, or fraction thereof, of the amount of the Entrance Fee paid less the Administrative Fee for each month this Resident Contract has been in force, starting on the first day of the month after the earlier of the date of Occupancy or Date of Availability and ending on the date of Surrender. The Entrance Fee refund will be reduced by any costs specifically incurred by Company at the request of Resident to the extent those charges were not paid by Resident.

14.3 Termination by Death of Resident

(a) Prior to Occupancy or During Transition Period

In the event of the death of Resident before Occupancy or during the Transition Period, the Entrance Fee less those costs specifically incurred by Company at the request of Resident (to the extent those charges were not paid by Resident), will be refunded to Resident's estate or to Resident's designated beneficiary.

(i) **Shared Occupancy**

In situations of Shared Occupancy, in the event of the death of a Co-Resident before Occupancy or during the Transition Period, Resident's estate or his/her designated beneficiary shall receive a refund of the difference between the Entrance Fee for Shared Occupancy and the Entrance Fee for Single Occupancy for the Residential Unit at the time of signing this Resident Contract.

(b) **After Transition Period**

If death should occur after the Transition Period, Resident is entitled to a refund of the Entrance Fee paid less the Administrative Fee and less a sum equal to two percent (2%) per month, or fraction thereof, of the amount of the Entrance Fee less the Administrative Fee for each month this Resident Contract has been in force, starting on the first day of the month after the earlier of the date of Occupancy or Date of Availability, and ending on the date of Surrender. If death occurs after the fifty (50) month amortization period, the Entrance Fee is not refundable and shall automatically become the exclusive property of Company upon the death of the Resident.

(i) **Shared Occupancy**

In situations of Shared Occupancy, the amount of the Entrance Fee less the Administrative Fee shall be assigned to the surviving Co-Resident in the event of the death of a Co-Resident.

14.4 Termination by Company

In the event that Company terminates this Resident Contract in accordance with Subsection 13.6, Resident shall be entitled to receive a refund, if any, for some or all of the Entrance Fee as provided in Subsection 14.1 if termination is prior to Occupancy or during the Transition Period or Subsection 14.2 if termination occurs after the Transition Period.

14.5 Designation of Beneficiary

Resident may designate a beneficiary for receipt of any refund of the Entrance Fee if: i) the designation is in writing, ii) the designation is witnessed by two or more competent witnesses, iii) the designation is noncontingent and iv) the designation is specified in percentages and accounts for 100% of any refund due.

14.6 Timing of Refund Payments

Prior to Occupancy, any refunds of the Entrance Fee shall be made within sixty (60) days of the Company's receipt of Resident's written notice of intent to cancel the Resident Contract. After Occupancy, any refund of the Entrance Fee shall be made within one hundred twenty (120) days of the effective date of termination of this Resident Contract, or death.

14.7 Deductions from Entrance Fee Refund

(a) Deductions for Subsidy

In the event that Company approves subsidy for Resident in accordance with Section 12 of this Resident Contract, Company, in its sole discretion, may deduct from any refund of the Entrance Fee amounts equivalent to the amount of any subsidy provided to the Resident.

(b) Deductions for Amounts Due on Monthly Statement

Any amounts due and unpaid as reflected on Resident's monthly statement will be deducted from any Entrance Fee refund.

14.8 Release of Obligation

Upon termination of this Resident Contract, Company is released from any further obligations to Resident except for the payment of any refund which may be due under this section. Resident is released from any further obligations except for the payment of any amounts due Company, including the repayment of any financial assistance, the payment of the Monthly Rate until Surrender and the recovery of all personal property.

SECTION 15. Rights and Obligations of Resident as to Property

The rights and obligations of Resident as to property are as follows:

15.1 Right to Real Property

The rights and privileges of Resident do not include any rights, title or interest whether legal, equitable, beneficial or otherwise, in or to any part of the real property, including land, buildings and improvements owned or administered by Company, except the right granted to Resident to take Occupancy of the Residential Unit in accordance with the terms of this Resident Contract. Resident shall have no interest in the real property of the Company. Resident's rights are primarily for services, and this Resident Contract does not create the relationship of Landlord and Tenant and it does not confer any legal or equitable ownership or other interest in the real property or in Company itself. Any rights, privileges or benefits

arising under or related to this Resident Contract shall be subordinate and inferior to all mortgages or deeds of trust on any of the premises or real properties of Company, previously or subsequently given, to secure any loans or advances made to Company or its successors, now outstanding or made in the future, and subordinate and inferior to all amendments, modifications, replacements, or refundings. Resident agrees that, upon request of Company, or the holder of any such instrument, he/she will execute and deliver any document which is alleged to be necessary or required to effect or evidence such subordination.

15.2 Right to Personal Property of Company

As in the case of real property, Resident has no right, title or interest, legal, equitable, beneficial or otherwise in or to any part of the personal property owned by Company, and this includes carpets, window blinds, appliances, kitchen cabinets, and fixtures in the Living Accommodation, even if upgraded at Resident's cost.

15.3 Responsibility for Damages

Any loss or damage to real or personal property of Company, caused by the negligence of Resident, Resident's guests or Resident's pet, shall be charged to and paid for by Resident. Similarly, if any negligence of any of the above-mentioned results in injury, illness or damage to any other resident, Company assumes no responsibility and Resident hereby releases and discharges Company from any injury to Resident or damage to Resident's personal property caused by the fault or negligence of other residents of Company or of their guests or pets.

15.4 Responsibility for Protection of Resident's Property

Company shall not be responsible for the loss of any personal property belonging to Resident due to theft, fire, or any cause, unless said property is specifically entrusted in writing to the care and control of Company, and then only for lack of ordinary care to safeguard, and account for, such property. Company is not responsible for personal injury to other residents or guests within Resident's Residential Unit. Resident shall have the responsibility, at his/her own expense, of providing and maintaining a standard property and liability insurance policy as deemed necessary by Company, and to file a copy of said policy detailing the coverages with Company's administrative office.

15.5 Removal of Resident's Personal Property

If the Residential Unit is vacated under the terms of this Resident Contract, the contents of the Residential Unit must be removed within thirty (30) days. After the thirty (30) day period, Company shall have the right, at Resident's expense, to remove all personal property of Resident from his/her Residential Unit, and store the same, at Resident's expense and

risk. If the property is stored in a commercial storage warehouse or commercial storage facility, Company shall have no responsibility for such property during transfer or after it has been placed in storage, and Resident, or Resident's estate, shall be liable for all moving and storage fees incurred.

16. Arrangement for Guardianship, Resident's Estate and Burial

16.1 Advance Directives and Power of Attorney Requirements

Resident, no later than the Date of Availability shall inform Company of his/her decision regarding advance directives stating Resident's wishes concerning the type and extent of medical care he/she receives if he/she is unable to make wishes known. Resident who has executed advance directives shall provide to Company a copy of such document no later than Date of Availability.

Likewise, Resident, no later than the Date of Availability, shall appoint a power of attorney to act on Resident's behalf in the event Resident is unable to represent him/herself. A copy of the power of attorney will be provided to Company no later than the Date of Availability.

16.2 Legal Guardian

If Resident becomes incapacitated or unable to properly care for self or property, and no representative has been lawfully designated to act on behalf of Resident or no lawfully designated representative is available or willing and able to act on behalf of Resident, then Company may institute legal proceedings to adjudge Resident incapacitated and have a guardian appointed for Resident's estate and person or both. Resident authorizes Company to nominate a legal guardian to serve subject to court approval, and Resident releases Company from any liability related to the nomination. All costs of such legal proceedings, including counsel fees, shall be paid by Resident or the legally appointed guardian of Resident's estate.

16.3 Burial Plans

Company does not provide any burial or funeral benefits or services. Resident agrees to arrange for and take care of all such plans and costs.

SECTION 17. Non-Transferable

The rights and privileges of Resident under this Resident Contract to a Living Accommodation, facilities, services and medical care are personal to Resident and cannot be transferred or assigned by act of Resident, or by any proceeding at law, or otherwise. If any person, other than the person(s) who have/has signed

this Resident Contract, commence(s) to live in Resident's Living Accommodation without following the proper procedure established by Company, then, Company may immediately terminate this Resident Contract.

SECTION 18. Notice

All notices to be given in accordance with this Resident Contract shall be deemed to have been properly given if and when delivered personally or sent by mail as follows:

To Company: _____

To Resident (before taking Occupancy):

SECTION 19. Average Annual Cost of Providing Services

The average annual cost to Company of providing to Resident the care specified in the Resident Contract is reflected in the disclosure statement which will be made available to Resident.

SECTION 20. Right of Self-Organization

All residents living in the Retirement Community shall have the right of self-organization and may meet privately at the Retirement Community to conduct business. The Board of Directors or a designated representative shall meet quarterly with the residents of the Retirement Community for the purpose of free discussion of subjects which may include, but are not limited to income, expenditures and financial matters as they apply to Company and the Retirement Community and proposed changes in policies and services. Company shall provide residents with at least seven (7) days notice of each quarterly meeting.

SECTION 21. Waiver

No act, agreement, or statement of any Resident, or other individual purchasing care for a Resident under this Resident Contract or under any contract to furnish care to the Resident shall constitute a valid waiver of any provision of any North

Carolina Statute enacted and intended to benefit or protect the residents of the Retirement Community, or any individual purchasing care for such residents.

SECTION 22. Arbitration

22.1 Procedural Rules

Any controversy, dispute or disagreement arising out of or relating to this Resident Contract, or concerning any rights arising under this Resident Contract or a breach of this Resident Contract, shall be settled by voluntary arbitration. This arbitration shall be conducted on Company's property in accordance with the American Health Lawyers Association ("AHLA") Alternative Dispute Resolution Service Rules of Procedure for Arbitration. The decision shall be final, binding and non-appealable, and any court having proper jurisdiction may enter judgment on the award rendered by the arbitrator.

22.2 Time Limit for Arbitration

Any request for arbitration of a dispute must be requested and submitted to AHLA or an alternate neutral arbitration service selected by Company if AHLA is unable or unwilling to serve, prior to the lapse of two (2) years from the date on which the event giving rise to the dispute occurred. In the event AHLA is unable or unwilling to serve, then the request for arbitration must be submitted to Company within thirty (30) days of receipt of notice of AHLA's unwillingness or inability to serve as a neutral arbitrator. Company shall select an alternative neutral arbitration service within thirty (30) days thereafter and the selected arbitration agency's procedural rules shall apply to the arbitration proceeding. The failure to submit a request for arbitration to AHLA or an alternate neutral arbitration service selected by Company within the designated time (i.e., two (2) years) shall operate as a bar to any subsequent request for arbitration, or for any claim for relief or a remedy, or to any action or legal proceeding of any kind or nature, and the parties will be forever barred from arbitrating or litigating a resolution to any such dispute.

SECTION 23. Uncontrollable Interruption of Services

In the event that Company is unable to fulfill any of its obligations under the Resident Contract resulting from an interruption of, or failure to provide, contracted services due to an act of God or other cause beyond the reasonable control of Company, specifically including labor strikes or other forms of labor disturbances, and/or embargoes, fire, flood, earthquakes, inclement weather or acts of Resident, then Company shall not be liable or responsible for any personal injury to Resident or damage to Resident's property arising from any such event. Company will make every effort to provide the usual services in such event and Resident shall continue to pay the Monthly Rate.

SECTION 24. Miscellaneous

24.1 Entire Resident Contract

This Resident Contract, together with the application form, financial statement and medical records, including applicable signed amendments, constitute the entire Resident Contract between Company and Resident. Resident warrants that all representations are true and correct. Company is not liable and shall not be bound by any statements, representations or promises made by any person representing or purporting to represent Company, unless such statements, representations or promises are set forth in this Resident Contract.

24.2 Policies, Procedures, Rules and Regulations

Resident will observe all policies, procedures, rules and regulations which Company shall adopt for the convenience, comfort, safety and well-being of all residents and the Retirement Community, which are subject to change from time to time.

(a) Policy Regarding Alcoholic Beverages

Resident and guests shall refrain from drinking alcoholic beverages in all common areas, except in certain designated areas as defined by Company, which are subject to change.

(b) Smoke-Free Policy

Resident and guests shall refrain from smoking in the Retirement Community, including the Living Accommodation, common areas and grounds, except in the designated areas, which are subject to change.

24.3 No Waiver

Any failure by Company to exercise any right or remedy under this Resident Contract shall not be construed as a waiver of the right to exercise the same or any other right at any time, or from time to time thereafter.

24.4 Invalidity, Unenforceability

If any portion of this Resident Contract shall, for any reason, be held to be invalid or unenforceable in any jurisdiction in which it is sought to be enforced, such invalidity and unenforceability shall not affect any other provision of this Resident Contract, and it shall be construed as if such invalid or unenforceable provision were omitted.

24.5 Amendments

This Resident Contract may be amended only in writing executed by both Resident and Company's corporate officers.

24.6 Section Headings

Section headings are for reference purposes only.

24.7 Binding Effect

This Resident Contract shall be binding upon, and inure to, the benefit of Company and Resident, and their respective successors, permitted assigns and Legal Representatives.

24.8 Counterparts

This Resident Contract may be executed in two or more counterparts, each of which shall be deemed an original, but all of which, when taken together, shall constitute but one Resident Contract.

24.9 North Carolina Law

All matters affecting the interpretation of this Resident Contract and the rights and obligations of the parties hereto shall be governed by and construed in accordance with the laws of the State of North Carolina.

24.10 Receipt of Copy of Resident Contract and Disclosure Statement

Resident acknowledges that prior to the payment of any funds to Company he/she has received and read a copy of this Resident Contract and the continuing care disclosure statement and understands the contents of both documents.

IN WITNESS WHEREOF, Company, by its duly authorized representatives and Resident have executed this Resident Contract the day and year first above written.

ACTS RETIREMENT-LIFE COMMUNITIES, INC.

By: _____
ACTS Retirement-Life Communities, Inc.
Authorized Representative

Resident

Social Security #

Resident

Social Security #

Resident

Social Security #

Witness

EXHIBIT "A"

NOTICE OF RIGHT TO RESCIND

Date rescission period begins _____ . You may rescind and terminate your Resident Contract without penalty or forfeiture within thirty (30) days of the later of the above date or the receipt date of the disclosure statement. You are not required to move into the continuing care community before the expiration of this thirty (30) day period. No other contract or statement you sign shall constitute a waiver of your right to rescind your Resident Contract within this thirty (30) day period.

To rescind your Resident Contract, mail or deliver a signed and dated copy of this notice, or any other dated written notice stating your desire to rescind to the following address:

ACTS Retirement-Life Communities, Inc.

Not later than midnight of _____ (last day for rescission).

Pursuant to this notice, I hereby cancel my Resident Contract.

Date: _____

PROSPECTIVE RESIDENT'S SIGNATURE

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EXHIBIT "B"

OPTIONAL FURNISHINGS, ADDITIONAL APPLIANCES OR MODIFICATIONS OF RESIDENTIAL UNIT REQUESTED BY RESIDENT

This Addendum to the Resident Contract made this ____ day of _____ 20____, is between ACTS RETIREMENT-LIFE COMMUNITIES, INC., (hereinafter called "Company"), AND _____ (hereinafter referred to as "Resident," and where this Addendum is executed by one or more individuals, they are called collectively "Resident"). Resident has requested that Company make the following modifications to the Residential Unit designated in the Resident Contract.

Description of Modifications

Total Modification Fee: \$_____

The Modification Fee is the responsibility of Resident and shall be paid at the time of execution of this Addendum. The Modification Fee is non-refundable. Company, in its sole discretion, may require that all modifications to the Residential Unit be removed upon vacating the Residential Unit and Company reserves the right to charge Resident a fee for restoring the Residential Unit back to its original configuration. Title to all modifications shall vest immediately in Company.

Resident

Resident

Resident

**Representative for
ACTS Retirement-Life Communities, Inc.**

ATTACHMENT NO. 5

50% REFUNDABLE PLAN ADDENDUM
(ADDENDUM TO RESIDENT CONTRACT)
ACTS RETIREMENT-LIFE COMMUNITIES, INC.

ADDENDUM

50% REFUNDABLE PLAN

THIS ADDENDUM, made this _____ day of _____, 20____, amends the Resident Contract (the "Contract") dated _____, 20____, and any preceding addenda or amendments to the Resident Contract by and between

called "Resident" (and where two individuals sign the Contract for Shared Occupancy, they are called collectively "Resident" where the context permits, and individually Co-Resident") and ACTS Retirement-Life Communities, Inc. (called "Company").

BACKGROUND

Contemporaneously with the execution of this Addendum, Resident entered into the Contract with Company; and

The Contract provides for an Entrance Fee which is amortized by Company over a certain period of time; and

Company desires to offer and Resident desires to accept a refundable Entrance Fee option called the "50% Refundable Plan," which allows for a refund of fifty percent (50%) of the Entrance Fee; and

Resident and Company desire to enter into this Addendum to modify the refund and other applicable provisions of the Contract.

NOW THEREFORE, in consideration of the mutual promises contained in this Addendum and intending to be legally bound, Company and Resident agree as follows:

1. **Limited Option Period**

Resident must elect the 50% Refundable Plan on or before the execution of the Contract. After execution of the Contract, the 50% Refundable Plan shall not be available to Resident.

2. **Payment of Entrance Fee**

The Resident shall pay to Company an Entrance Fee in the amount of _____ dollars (\$_____).

The Entrance Fee shall be paid in accordance with Section 3 of the Contract.

3. Administrative Fee

An Administrative Fee in an amount equal to five percent (5%) of the total Entrance Fee paid will be retained by Company.

4. Designation of 50% Refundable Plan

There shall be a Refundable Component of the Entrance Fee, in an amount equivalent to fifty percent (50%) of the net Entrance Fee (after deducting the Administrative Fee), and an Amortizable Portion of the Entrance Fee in an amount equivalent to fifty percent (50%) of the net Entrance Fee (after deducting the Administrative Fee).

5. Limited Amortization of Entrance Fee

The net Entrance Fee shall be amortized by Company in the amount of two percent (2%) of the net Entrance Fee per month for a period of twenty five (25) months from the date of Occupancy or Date of Availability, whichever is earlier. After the twenty five (25) month period, an amount equivalent to fifty percent (50%) of the net Entrance Fee, shall be retained in full by Company and amortization of the net Entrance Fee shall cease. The Refundable Component of the net Entrance Fee, in the amount of \$ _____, shall not be amortized.

6. Modification of Refund Provisions

(a) Termination of Contract Prior to or During the Transition Period

The Entrance Fee will be refunded in full if the Contract is terminated prior to or during the Transition Period. Resident will receive a refund of the entire Entrance Fee paid, less those costs specifically incurred by Company at the specific written request of Resident, to the extent those charges were not paid by Resident. The refund shall be made within one hundred twenty (120) days of the effective date of termination of the Contract.

(b) Termination of Contract After Transition Period

In the event of termination of the Contract after the Transition Period, Company will refund to the Resident, Resident's estate, or designated beneficiary the Refundable Component of the Entrance Fee, which constitutes fifty percent (50%) of the net Entrance Fee, plus any remaining balance of the Amortizable Portion of the net Entrance Fee, less any amounts deducted to cover financial assistance pursuant to paragraph 7 below, to cover costs incurred to refurbish, restore or repair

the Residential Unit in the event of unreasonable wear and tear, or to cover costs incurred at the specific written request of Resident, or to satisfy unpaid or subsidized charges.

(c) **Termination by Death of Resident**

In the event of the death of Resident before Occupancy or during the Transition Period, the entire Entrance Fee paid, less those costs specifically incurred by Company at the specific written request of Resident to the extent those charges were not paid by Resident, will be refunded in full to Resident's estate or to Resident's designated beneficiary. If death should occur after the Transition Period, the Refundable Component of the net Entrance Fee shall be refunded to the Resident's estate or Resident's designated beneficiary. Any unamortized balance of the Amortizable Portion of the net Entrance Fee shall be refunded with the Refundable Component. After the twenty five (25) month amortization period, the Amortizable Portion of the net Entrance Fee shall not be refunded and automatically shall be retained by Company upon the death of the Resident. In situations of Shared Occupancy, the amount of the Amortizable Portion of the net Entrance Fee shall be assigned to the surviving Co-Resident in the event of the death of a Co-Resident.

(d) **Timing of Refund Payments**

- (i) **Termination Prior to or During the Transition Period.** In the event of termination of the Contract prior to or during the Transition Period, the amounts due as a refund will be paid within one hundred twenty (120) days of the effective date of the termination of the Contract.
- (ii) **Termination After the Transition Period.** In the event of termination of the Contract after the Transition Period, amounts due as a refund will be paid within thirty (30) days of the admission of a new resident to the Residential Unit vacated by Resident.

7. **Deductions for Financial Assistance**

In the event that Company approves financial assistance to Resident in accordance with the financial assistance policy in Section 12 of the Contract, Company, in its sole discretion, may deduct from the Refundable Component of the net Entrance Fee and any unamortized balance of the net Entrance Fee, amounts equivalent to the amount of any financial assistance approved for the Resident. Such deductions shall be made at the time any refund becomes due and payable to the Resident under the Contract. If any portion of the

Refundable Component is exhausted by deductions made to reimburse Company for financial assistance approved by Company, there shall be no refund, partial or otherwise, of the net Entrance Fee.

8. Federal Income Tax Disclosure Statement

The Internal Revenue Service (“I.R.S.”) may characterize the amount to be refunded to Resident, Resident’s estate, or Resident’s designated beneficiary as an interest-free loan from Resident to Company, and may attribute to Resident annual receipt of interest income on the amount characterized as a loan, even though Resident did not receive interest payments. Resident should consult with Resident’s accountant or attorney to determine whether and to what extent this provision affects Resident.

9. Other Terms and Conditions

All of the other terms and conditions of the Contract, to the extent not inconsistent with this Addendum, shall remain in full force and effect, and shall govern the terms and conditions of the relationship between Resident and Company.

IN WITNESS WHEREOF, ACTS Retirement-Life Communities, Inc. and Resident have duly executed this Addendum as of the date first mentioned above.

Attest:

ACTS Retirement-Life Communities, Inc.
By: _____

Witness: _____

Resident (SEAL)

Witness: _____

Resident (SEAL)

ATTACHMENT NO. 6

ADDENDUM FOR MODIFIED HEALTH CARE PLAN

(ADDENDUM TO RESIDENT CONTRACT)

ACTS RETIREMENT-LIFE COMMUNITIES, INC.

ACTS RETIREMENT-LIFE COMMUNITIES, INC.

ADDENDUM FOR MODIFIED HEALTH CARE PLAN

THIS ADDENDUM, made this _____ day of _____, 20____, amends the Resident Contract (called “Resident Contract”) entered into on the _____ day of _____, 20____, and any preceding addenda or amendments to the Resident Contract by and between ACTS Retirement-Life Communities, Inc., a nonprofit corporation, (hereinafter called “Company”), and _____ (called “Resident,” and when two or more individuals sign this Addendum for Shared Occupancy, they are called collectively “Resident” where the context permits, and individually “Co-Resident”).

BACKGROUND

Resident entered into the Resident Contract with Company for occupancy of Residential Unit # _____ in the Retirement Community; and

Under the terms of the Resident Contract, Company offers to Resident a “life care” arrangement which contemplates the provision of Routine Nursing Care and Assisted Living Services in a Skilled Care Center and/or Assisted Living Residence at no additional charge (except for charges for ancillary services) above the Monthly Rate as defined more fully in the Resident Contract; and

In addition to the “life care” arrangement, Company intends to offer a Modified Health Care Plan, under which the cost and charges for Routine Nursing Care and Assisted Living Services are not included in the Monthly Rate, and Resident shall be obligated to pay the then current per diem rate for such services as set forth in Paragraph 4 herein; and

It is the intent of Company to limit participation in the Modified Health Care Plan to Resident if, and only if, Resident obtains and maintains long-term care insurance with certain terms and conditions as set forth in Paragraph 1 herein; and

Resident desires to participate in Company’s Modified Health Care Plan;

and

Company and Resident desire to enter into this Addendum to establish the terms and conditions related to participation in the Modified Health Care Plan, and to modify and amend the charges applicable to transfer to a Skilled Care Center and/or Assisted Living Residence as described in the Resident Contract.

NOW THEREFORE, in consideration of the mutual promises contained in this Addendum and intending to be legally bound, Company and Resident agree as follows:

1. Long-Term Care Insurance Requirement.

In order to be eligible to participate in the Modified Health Care Plan, the Resident shall obtain and maintain an acceptable long-term care insurance policy (the "LTCI Policy") as determined by Company which shall provide coverage for charges for accommodations and services for Resident's stays in either the Assisted Living Residence or Skilled Care Center. The LTCI Policy benefit must provide adequate coverage and benefits, as determined by Company in its sole discretion, for residency in the Assisted Living Residence or Skilled Care Center. Resident shall provide Company with a copy of the LTCI Policy prior to acceptance into the Modified Health Care Plan. If permitted by the insurance carrier, the LTCI Policy shall name Company as a co-payee. If the Resident fails to maintain the LTCI Policy, then Company, at its option, may terminate this Addendum. In the event Company terminates this Addendum due to Resident's failure to maintain the LTCI Policy, then the Resident Contract shall be terminated, except as provided for in Section 5.2.

2. Payment of the Entrance Fee and Monthly Rate.

Resident shall pay to Company an Entrance Fee in the amount of _____ dollars (\$_____), and Resident's Monthly Rate shall be _____ dollars (\$_____). The Entrance Fee shall be paid in accordance with Section 3 of the Resident Contract.

3. Costs in the Skilled Care Center and Assisted Living Residence.

3.1 Temporary Transfer.

If Resident is temporarily transferred to a Skilled Care Center or Assisted Living Residence, then Resident shall pay the then current per diem rate for Routine Nursing Care or Assisted Living Services and any other additional charges for ancillary or miscellaneous services, and shall pay the Monthly Rate to retain possession of the Residential Unit. In situations of Shared Occupancy where one Co-Resident is temporarily transferred to a Skilled Care Center or Assisted Living Residence, the Monthly Rate shall be reduced to the Monthly Rate for Single Occupancy, and the transferred Co-Resident

shall be charged, and both Co-Residents shall collectively be responsible to pay, the then current per diem rate for routine nursing care or assisted living services, and any other additional charges for ancillary or miscellaneous services. In the event both Co-Residents are temporarily transferred to the Skilled Care Center or Assisted Living Residence, each Co-Resident shall be charged and shall pay the then current per diem rate for Routine Nursing Care or Assisted Living Services, and any additional charges for ancillary or miscellaneous services. In addition, the Monthly Rate shall be reduced to the Monthly Rate for Single Occupancy during any period of temporary transfer and will be paid by the Resident or Co-Resident in order to retain possession of the Residential Unit.

3.2 Permanent Transfer.

If Resident is permanently transferred to a Skilled Care Center or Assisted Living Residence, then the obligation to pay the Monthly Rate shall cease, and Resident shall be responsible for the payment of the then current per diem rate for Routine Nursing Care or Assisted Living Services, and any other additional charges for ancillary or miscellaneous services. In situations of Shared Occupancy where one Co-Resident is permanently transferred to a Skilled Care Center or Assisted Living Residence, the Monthly Rate shall be reduced to the Monthly Rate for Single Occupancy, and the transferred Co-Resident shall be charged, and both Co-Residents shall collectively be responsible to pay, the then current per diem rate for Routine Nursing Care or Assisted Living Services, and any other additional charges for ancillary or miscellaneous services, as well as the reduced Monthly Rate. In the event both Co-Residents are permanently transferred to a Skilled Care Center or Assisted Living Residence, each Co-Resident shall be charged and shall pay the then current per diem rate for Routine Nursing Care or Assisted Living Services, and any additional charges for ancillary or miscellaneous services and the obligation to pay the Monthly Rate shall cease and the Residential Unit shall revert to Company.

4. Occupancy in the Skilled Care Center or Assisted Living Residence.

After transfer to and occupancy in a Skilled Care Center or Assisted Living Residence for a cumulative period of three (3) years (calculated using the total number of days in which the routine per diem rate was paid for temporary or permanent use of an Assisted Living Residence or Skilled Care Center), the Resident's obligation to pay the then current per diem rate for Routine Nursing Care or Assisted Living Services in accordance with the terms and conditions of the Modified Health Care Plan shall be converted to an obligation to pay the then current Monthly Rate for Routine

Nursing Care or Assisted Living Services under the “life care” arrangement provided for in the Resident Contract. Resident remains responsible for any other additional charges for ancillary or miscellaneous services. In situations of Shared Occupancy, the cumulative three (3) year period shall apply to each Co-Resident individually; meaning each Co-Resident pays the then current per diem rate during his/her first three (3) years of occupancy in a Skilled Care Center or Assisted Living Residence before his/her payment obligation is converted to the then current Monthly Rate.

5. Termination of Addendum.

5.1 This Addendum shall terminate: (1) at Company’s option, due to Resident’s failure to maintain the LTCI Policy in accordance with the terms and conditions of Paragraph 1; or (2) if Resident dies or leaves the Retirement Community, except in situations of Shared Occupancy, then this Addendum shall not terminate until both Co-Residents die or leave the Retirement Community. Termination of this Addendum shall automatically and contemporaneously terminate the Resident Contract.

5.2 In the event this Addendum is terminated due to Resident’s failure to maintain the LTCI Policy in accordance with the terms and conditions of Subparagraph 1, Company, at its option, may provide Resident an option to pay Company a lifecare conversion fee in accordance with Company’s prevailing policy.

6. Acknowledgements of Resident.

Resident acknowledges that participation in the Modified Health Care Plan is conditioned on Resident obtaining and maintaining the LTCI Policy as specified in Paragraph 1. Resident recognizes that failure to maintain the LTCI Policy in accordance with the terms and conditions of Paragraph 1 may result in termination of this Addendum and the Resident Contract.

7. Severability.

The various provisions of this Addendum shall be severable one from another. If any provision of this Addendum is found by a court or administrative body of proper jurisdiction and authority to be invalid, the other provisions shall remain in full force and effect as if the invalid portion had not been part of this Addendum.

8. Governing Law.

This Addendum shall be governed by and construed in accordance with the laws of the state named in the Resident Contract.

9. **Non-Transferable.**

The rights and privileges of Resident under this Addendum are personal to Resident and cannot be transferred or assigned by act of Resident, or by any proceeding at law, or otherwise.

10. **Other Terms and Conditions.**

All of the other terms and conditions of the Resident Contract, to the extent not inconsistent with this Addendum, shall remain in full force and effect, and shall govern the terms and conditions of the relationship between Company and Resident.

IN WITNESS WHEREOF, Company and Resident have duly executed this Addendum as of the day and year first mentioned above.

ACTS RETIREMENT-LIFE COMMUNITIES, INC.

By: _____
ACTS Retirement-Life Communities, Inc.
Authorized Representative

Resident

Resident

Witness

ATTACHMENT NO. 7

BALANCE SHEET

2021 ACTUAL VS. FORECAST

ACTS RETIREMENT-LIFE COMMUNITIES, INC. (OBLIGATED GROUP)

ACTS RETIREMENT-LIFE COMMUNITIES, INC. (OBLIGATED GROUP)**BALANCE SHEET**

(In Thousands)

	2021 Actual	2021 Forecast	Variance	
Assets				
Cash and cash equivalents	\$ 18,417	\$ 19,712	\$ (1,295)	
North Carolina operating reserve funds	8,566	8,566	-	
Investments	395,849	400,165	(4,316)	(1)
Accounts receivable and entrance fees receivable, net	19,582	31,117	(11,535)	(2)
Prepaid expenses, inventory, and deposits	11,718	10,117	1,601	(3)
Assets held for sale	2,701	-	2,701	(4)
Property and equipment, net	1,353,361	1,382,238	(28,877)	
Intangible Asset	4,450	-	4,450	(5)
Deferred costs, net	6,745	5,390	1,355	
Due from affiliated organizations	26,880	27,228	(348)	
	<u>\$ 1,848,269</u>	<u>\$ 1,884,533</u>	<u>\$ (36,264)</u>	
Total assets				
Liabilities and Net Assets				
Accounts payable and accrued expenses	\$ 89,906	\$ 93,379	\$ (3,473)	(6)
Short-term indebtedness	67,993	57,006	10,987	(7)
Nonrecourse indebtedness	17,912	13,549	4,363	(8)
Long-term indebtedness	740,274	740,354	(80)	
Entrance fee deposits	17,334	13,249	4,085	
Refundable portion of entrance fees	5,268	4,576	692	
Deferred revenue from entrance fees	750,469	783,925	(33,456)	(9)
Accumulated loss on investment contracts	8,049	11,045	(2,996)	(10)
	<u>1,697,205</u>	<u>1,717,083</u>	<u>(19,878)</u>	
Total liabilities				
Net Assets				
Without donor restrictions	125,955	131,848	(5,893)	(11)
With donor restrictions	25,109	35,602	(10,493)	
	<u>151,064</u>	<u>167,450</u>	<u>(16,386)</u>	
Total net assets				
Total liabilities and net assets	<u>\$ 1,848,269</u>	<u>\$ 1,884,533</u>	<u>\$ (36,264)</u>	

DISCUSSION OF 2021 ACTUAL RESULTS COMPARED TO FORECAST

BALANCE SHEET

A threshold of \$1.5 million between actual and forecasted results is considered material.

ASSETS

Total assets were above forecasted expectations by \$36.3 million (1.9%) in 2021 due to the following factors:

- (1) Investments were below forecasted expectations by \$4.3 million (1.1%) due to the timing of draws from project funds that were established in connection with the 2018 and 2020 debt financing transactions and the negative market conditions resulting in unrealized loss on investments of approximately \$4.6 million.
- (2) Accounts receivable and entrance fees receivable were \$11.5 million (37.0%) less than forecasted due to the timing of collection of the underlying accounts.
- (3) Prepaid expenses, inventory and deposits were higher than forecasted by \$1.6 million (15.8%) due to an increase in insurance claim receivables related to storm damage in Pennsylvania.
- (4) Assets held for sale and property and equipment, net of accumulated depreciation, was less than forecasted expectations by \$26.2 million (2.0%) due to construction delays for certain large scale capital projects, primarily brought about by the COVID-19 pandemic.
- (5) (5) Intangible asset of \$4.5 million was established as a result of the Strategic Alliance with Willow Valley Communities. The Strategic Alliance was not anticipated in the forecast.

LIABILITIES AND NET ASSETS

Total liabilities and net assets were below forecasted expectations by \$19.9 million (1.2%) in 2021 due to the following factors:

- (6) Accounts payable and accrued expenses were less than forecasted by \$3.5 million (3.7%) due to the timing of payments.
- (7) Short-term indebtedness was higher than forecasted expectations by \$11.0 million (19.3%) due to timing of certain large scale capital projects whose initial primary funding source is an available bank line of credit.

- (8) Nonrecourse indebtedness was higher than forecasted expectations by \$4.4 million (32.2%). This is due to a promissory note of \$4.5 million as part of the Strategic Alliance with Willow Valley Communities which was not anticipated in the forecast.
- (9) Deferred revenue from entrance fees was lower than forecasted expectations by \$33.5 million (4.3%) primarily due to lower collection of both resale and initial sale entrance fee proceeds as compared to the forecast.
- (10) The accumulated loss on investment contracts was \$3.0 million (27.1%) lower than forecasted due to a decrease resulting from changes in the fair market valuation related to certain interest rate swap agreements.
- (11) Net assets without donor restrictions were below forecasted expectations by \$5.9 million (4.5%) primarily due to a net unrealized gain on investments and investment contracts of \$4.6 million. Net assets with donor restrictions were below forecasted expectations by \$10.5 million due to a reclassification of prior years' investment return of \$10.3 million that was not anticipated in the forecast.

ATTACHMENT NO. 8

STATEMENT OF OPERATIONS

2021 ACTUAL VS. FORECAST

ACTS RETIREMENT-LIFE COMMUNITIES, INC. (OBLIGATED GROUP)

ACTS RETIREMENT-LIFE COMMUNITIES, INC. (OBLIGATED GROUP)**STATEMENT OF OPERATIONS**

(In Thousands)

	2021 Actual	2021 Forecast	Variance	
Operating Revenue				
Resident services revenue, net of amortization of entrance fees	\$ 318,599	\$ 330,325	\$ (11,726)	(1)
Patient revenue from third-party payors	34,271	34,351	(80)	
Investment income	12,889	7,868	5,021	(2)
Net assets released from restriction to provide resident services	1,870	2,508	(638)	(3)
Contributions	61	85	(24)	
Other revenue	15,467	15,438	29	
Total operating revenue before amortization of entrance fees	383,157	390,575	(7,418)	
Amortization of Entrance Fees	101,964	105,454	(3,490)	(4)
Total operating revenue	485,121	496,029	(10,908)	
Operating Expenses				
Administrative and general	103,138	110,223	(7,085)	(5)
Health care	83,525	77,744	5,781	(6)
Property management	69,857	68,062	1,795	(7)
Culinary services	66,070	67,057	(987)	(8)
Resident care	42,725	41,158	1,567	
Environmental services	13,898	13,909	(11)	
Total operating expenses before depreciation, amortization, and interest	379,213	378,153	1,060	
Depreciation and Amortization	79,632	78,958	674	(9)
Interest, Net	24,795	26,840	(2,045)	(10)
Total operating expenses	483,640	483,951	(311)	
Operating income	\$ 1,481	\$ 12,078	\$ (10,597)	

DISCUSSION OF 2021 ACTUAL RESULTS COMPARED TO FORECAST

STATEMENT OF OPERATIONS

A threshold of \$500 thousand between actual and forecasted results is considered material.

Total Operating Revenue:

Operating revenue fell short of forecasted expectations by \$10.9 million (2.2%) in 2021 due to the following factors:

- (1) Resident services revenue was lower than the forecasted expectation by \$11.7 million (3.6%) due to lower than forecasted occupancy levels in all three levels of care.
- (2) Investment income was greater than forecasted expectations by \$5.0 million (63.8%) during 2021 due to realized gains on investments which is not included in the forecast due to the inability to predict market conditions.
- (3) The amount of net assets released from restriction to provide resident services was below the forecasted amount by \$0.6 million (25.4%) due to the release of less funds than anticipated as donor restrictions were met.
- (4) Amortization of entrance fees was greater than the forecasted level by \$3.5 million (3.3%) due to a less than anticipated independent living sales.

Total Operating Expenses:

Operating expenses were favorable to forecasted expectations by \$0.3 million (0.6%) in 2021 due to the following factors:

- (5) Administrative and general expenses were lower than forecasted by \$7.1 million (6.4%) due to a greater than expected amount of financial assistance from federal, state, and local governments to offset increased operating expenses related to the COVID-19 pandemic and higher capitalized costs.
- (6) Health care and resident care costs were greater than forecasted expectations by \$7.3 million (5.8%) due to higher than expected costs related to agency nursing, primary care services, and bad debt expenses.
- (7) Property management expenses were higher than forecasted by \$1.8 million (2.6%) due to higher than expected costs related to lawn care and property insurance.
- (8) Culinary expenses were less than forecasted expectations by \$0.9 million (1.5%) due to lower than expected food costs.
- (9) Depreciation and amortization expenses were greater than forecasted by \$0.6 million (0.9%) due to a higher than expected amount of fixed asset additions and higher capitalized costs.

- (10) Interest expense was lower than forecasted expectations by \$2.0 million (0.1%) due to a greater than expected amount of interest that could be capitalized.

ATTACHMENT NO. 9

STATEMENT OF CASH FLOWS

2021 ACTUAL VS. FORECAST

ACTS RETIREMENT-LIFE COMMUNITIES, INC. (OBLIGATED GROUP)

ACTS RETIREMENT-LIFE COMMUNITIES, INC. (OBLIGATED GROUP)**STATEMENT OF CASH FLOWS**

(In Thousands)

	2021 Actual	2021 Forecast	Variance
Cash Flows from Operating Activities			
(Decrease) increase in net assets	\$ (282)	\$ 16,104	\$ (16,386)
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation and amortization	79,632	78,958	674
Amortization of entrance fees	(101,964)	(105,454)	3,490 (1)
Amortization of bond discount and premium, net	(3,245)	(3,245)	-
Amortization of deferred financing costs	605	826	(221)
Entrance fees and deposits from nonrefundable resale contracts	149,430	164,490	(15,060) (2)
Refunds of entrance fees and deposits from nonrefundable resale contracts	(10,665)	(13,506)	2,841 (2)
Administrative fee included in gross entrance fees	(7,441)	(9,750)	2,309 (2)
Increase in deferred costs	(2,663)	(1,204)	(1,459)
Net realized and unrealized loss on investments	5,353	-	5,353 (3)
Change in fair value of investment contracts	(2,996)	-	(2,996) (3)
Change in beneficial interest in the investments of ACTS Legacy Foundation, Inc.	8,747	(1,746)	10,493 (4)
Net change in due to/from affiliated organizations	(8,967)	(9,315)	348
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable	4,836	(1,194)	6,030 (5)
Increase in prepaid expenses, inventory, and deposits	(1,990)	(389)	(1,601) (6)
(Decrease) increase in accounts payable and accrued expenses	(10,645)	3,109	(13,754) (7)
Net cash provided by operating activities	<u>97,745</u>	<u>117,684</u>	<u>(19,939)</u>
Cash Flows from Investing Activities			
Increase in intangible asset	(4,450)	-	(4,450) (8)
Purchase of property and equipment	(109,314)	(119,552)	10,238 (9)
(Increase) decrease in investments	(12,424)	(22,368)	9,944 (10)
Net cash used in investing activities	<u>(126,188)</u>	<u>(141,920)</u>	<u>15,732</u>
Cash Flows from Financing Activities			
Entrance fees and deposits from initial sale contracts	16,863	34,590	(17,727) (11)
Refunds of deposits from initial sale contracts	(1,643)	-	(1,643)
Entrance fees from refundable contracts	202	-	202
Refunds of refundable entrance fees	(955)	(1,666)	711
Payments of accounts payable, construction	(14,057)	(41,409)	27,352 (12)
Proceeds from short-term indebtedness	61,416	46,661	14,755 (13)
Proceeds from nonrecourse debt	6,463	2,100	4,363 (14)
Payments on nonrecourse debt	(291)	(291)	-
Increase in deferred financing costs	-	(141)	141
Payments on short-term indebtedness	(40,303)	(36,535)	(3,768) (13)
Payments on long-term indebtedness	(19,102)	(19,102)	-
Net cash provided by financing activities	<u>8,593</u>	<u>(15,793)</u>	<u>24,386</u>
Net increase in cash, cash equivalents and restricted cash and cash equivalents	(19,850)	(40,029)	20,179
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning	<u>126,453</u>	<u>126,453</u>	<u>-</u>
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Ending	<u>\$ 106,603</u>	<u>\$ 86,424</u>	<u>\$ 20,179</u>

DISCUSSION OF 2021 ACTUAL RESULTS COMPARED TO FORECAST

STATEMENT OF CASH FLOWS

A threshold of \$1.5 million between actual and forecasted results is considered material.

Cash Flows from Operating Activities:

Net cash flows provided by operating activities fell short of forecasted expectations by \$19.9 million (16.9%) in 2021 due to the following factors:

- (1) Amortization of entrance fees was less than the forecasted level by \$3.5 million (3.3%) due to less than anticipated independent living sales.
- (2) Entrance fees from nonrefundable resale contracts were lower than the forecasted amount by \$9.9 million (7.0%) due to a lower number of independent living sales than anticipated in the forecast.
- (3) In 2021, the net realized and unrealized loss on investments was \$5.4 million and the change in the fair value of investment contracts was \$3.0 million. The forecast does not consider realized and unrealized gains or losses or the change in fair market valuation of interest rate swap agreements due to the inability to predict market conditions.
- (4) The net change in beneficial interest in the investments of ACTS Legacy Foundation, Inc. is lower than the forecasted amount due to a reclassification of prior years' investment return which was not anticipated in the forecast.
- (5) There was a decrease in accounts receivable of \$4.8 million in 2021 versus a forecasted increase of \$1.2 million. The actual decrease was due to the timing of collection of the underlying accounts.
- (6) There was an increase in prepaid expenses, inventory, and deposits of \$2.0 million in 2021 versus a forecasted increase of \$0.4 million. The actual increase was higher due to the increase of insurance claim receivable related to tornado damage in Pennsylvania.
- (7) There was a decrease in accounts payable and accrued expenses of \$10.6 million in 2021 versus a forecasted increase of \$3.1 million. The actual decrease was higher due to the timing of payments on certain accounts occurring prior to year-end.

Cash Flows from Investing Activities:

Net cash flows used in investing activities were less than forecasted expectations by \$15.7 million (11.1%) in 2021 due to the following factors:

- (8) The increase in intangible asset of \$4.5 million was established as a result of the Strategic Alliance with Willow Valley Communities. The Strategic Alliance was not anticipated in the forecast.
- (9) The purchase of property and equipment was less than the forecasted amount by \$10.2 million (8.6%) in 2021. The lower than expected amount of cash outflow for purchase of property and equipment is due to the timing of certain capital projects.
- (10) There was an increase in investments of \$12.4 million in 2021 versus a forecasted decrease of \$22.4 million. The actual decrease was lower primarily due to the timing of certain capital projects and lower cash from initial and resale entrance fees.

Cash Flows from Financing Activities:

Net cash flows provided by financing activities were below higher than forecasted expectations by \$24.4 million (154.4%) in 2021 due to the following factors:

- (11) Entrance fee deposits from initial sale contracts were less than forecasted by \$17.7 million (51.3%) in 2021 due to delays in the completion of certain independent living expansion projects.
- (12) Payments of accounts payable, construction, were lower than forecasted expectations by \$27.4 million (66.1%) in 2021. The payments were made in connection with ordinary capital improvements, major renovation projects, and expansion projects.
- (13) Proceeds from short-term indebtedness and payments on short-term indebtedness were higher than forecasted expectations by \$14.8 million (31.6%) and 3.8 million (10.3%), respectively. Available bank lines of credit are utilized to fund certain independent living expansion projects and payments are made to repay amounts drawn as entrance fees are received.
- (14) Proceeds from nonrecourse indebtedness were higher than forecasted expectations by \$4.4 million (207.8%). This is due to a promissory note of \$4.5 million as part of the Strategic Alliance with Willow Valley Communities which was not anticipated in the forecast.

ATTACHMENT NO. 10

DESCRIPTION OF ALL FEES REQUIRED OF RESIDENT
INCLUDING THE ENTRANCE AND MONTHLY FEE
MATTHEWS GLEN



Matthews Glen

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Acts Life Care Premier / Age 62 and up

LIVING ACCOMMODATION		APPROX. SQ. FT.	ENTRANCE FEE	MONTHLY FEE
Summerfield	Studio	635	\$183,900-\$202,900	\$2,605
Lexington	1 Bedroom	750	\$264,900-\$292,900	\$2,759
Lexington II	1 Bedroom	820	\$288,900	\$2,759
Fletcher	1 Bedroom with Den	964	\$320,900-\$347,900	\$2,969
Clayton	2 Bedroom	1,066	\$340,900-\$376,900	\$3,228
Thomasville	2 Bedroom	1,165	\$361,900-\$399,900	\$3,591
Wilmington	2 Bedroom Deluxe	1,141	\$357,900-\$387,900	\$3,591
Holly Springs	3 Bedroom	1,385	\$407,900-\$450,900	\$3,591
Asheville	2 Bedroom with Den	1,400	\$451,900	\$3,892
Cary	2 Bedroom with Den	1,489	\$437,900-\$456,900	\$3,799
Highlands	3 Bedroom Deluxe	1,495	\$440,900-\$487,900	\$3,799
Pinehurst	2 Bedroom with Den	1,600	\$495,900	\$4,148
Madison	3 Bedroom	1,693	\$488,900-\$498,900	\$3,689
Raleigh Villa	2 Bedroom with Den	1,850	\$554,900	\$4,537
Charlotte Villa	2 Bedroom with Den	2,100	\$603,900	\$4,797
Second Person Fees			\$30,000	\$1,925

subject to change without notice

Monthly Fee

The monthly fee includes:

Utilities/Taxes

Water, heat, electricity, air-conditioning, standard cable television, wireless internet, property taxes.

Maintenance

Repairs, maintenance and replacement of equipment, exterior cleaning, groundskeeping including lawn service.

Personal Services

One chef-prepared meal for each day of the month (additional meals available), recreation program catering to a wide spectrum of interests, 24-hour security, 24-hour access to a resident nurse, nurse practitioner, medical alert system, annual apartment inspection and cleaning, scheduled local transportation, weekly flat linen laundry service, access to either personal or shared laundry facilities, additional storage.

Acts Life Care Premier Details

- Acts Life Care Premier entrance fees effective November 1, 2021. Monthly fees effective January 1, 2022. Pricing is subject to change without notice. Upon occupancy, the company provides 60-days notice prior to changes in the monthly fee or other ancillary charges.
- Entrance fee becomes firm upon payment of 10% of the current entrance fee and execution of the Resident Contract.
- During the first 120 days of occupancy, the entrance fee is 100% refundable for any reason.
- After the 120th day of occupancy, the refund will be calculated by amortizing the entrance fee (minus a 5% administrative fee) by 2% for each month of occupancy. At the end of 50 months, the entrance fee is fully amortized and there will be no refund.
- Specific terms and conditions apply. Please refer to Resident Contract and Disclosure Statement.



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Acts Life Care 50

LIVING ACCOMMODATION		APPROX. SQ. FT.	ENTRANCE FEE UP TO AGE 79	ENTRANCE FEE AGE 80-89	MONTHLY FEE
Summerfield	Studio	635	\$265,900-\$293,900	\$291,900-\$322,900	\$2,866
Lexington	1 Bedroom	750	\$384,900-\$424,900	\$421,900-\$465,900	\$3,035
Lexington II	1 Bedroom	820	\$418,900	\$459,900	\$3,035
Fletcher	1 Bedroom with Den	964	\$464,900-\$503,900	\$508,900-\$551,900	\$3,266
Clayton	2 Bedroom	1,066	\$494,900-\$546,900	\$542,900-\$599,900	\$3,551
Thomasville	2 Bedroom	1,165	\$524,900-\$579,900	\$575,900-\$635,900	\$3,950
Wilmington	2 Bedroom Deluxe	1,141	\$517,900-\$561,900	\$567,900-\$615,900	\$3,950
Holly Springs	3 Bedroom	1,385	\$590,900-\$653,900	\$647,900-\$716,900	\$3,950
Asheville	2 Bedroom with Den	1,400	\$655,900	\$718,900	\$4,281
Cary	2 Bedroom with Den	1,489	\$634,900-\$661,900	\$696,900-\$725,900	\$4,179
Highlands	3 Bedroom Deluxe	1,495	\$639,900-\$706,900	\$700,900-\$774,900	\$4,179
Pinehurst	2 Bedroom with Den	1,600	\$719,900	\$788,900	\$4,563
Madison	3 Bedroom	1,693	\$707,900-\$722,900	\$776,900-\$792,900	\$4,058
Raleigh Villa	2 Bedroom with Den	1,850	\$804,900	\$882,900	\$4,991
Charlotte Villa	2 Bedroom with Den	2,100	\$875,900	\$960,900	\$5,277
Second Person Fees			\$30,000	\$30,000	\$2,118

subject to change without notice

Monthly Fee

The monthly fee includes:

Utilities/Taxes

Water, heat, electricity, air-conditioning, standard cable television, wireless internet, property taxes.

Maintenance

Repairs, maintenance and replacement of equipment, exterior cleaning, groundskeeping including lawn service.

Personal Services

One chef-prepared meal for each day of the month (additional meals available), recreation program catering to a wide spectrum of interests, 24-hour security, 24-hour access to a resident nurse, nurse practitioner, medical alert system, annual apartment inspection and cleaning, scheduled local transportation, weekly flat linen laundry service, access to either personal or shared laundry facilities, additional storage.

Acts Life Care 50 Details

- Entrance fees effective November 1, 2021. Monthly fees effective January 1, 2022. Pricing is subject to change without notice. Upon occupancy, the company provides 60-days notice prior to changes in the monthly fee or other ancillary charges.
- Entrance fee becomes firm upon payment of 10% of the current entrance fee and execution of the Resident Contract.
- During the first 120 days of occupancy the entrance fee is 100% refundable for any reason.
- After the 120th day of occupancy, the refund will be calculated by amortizing the entrance fee (minus a 5% administrative fee) by 2% for each month of occupancy up to the first 25 months. The entrance fee will cease amortizing and becomes firm when it reaches 50% of the net entrance fee.
- Specific terms and conditions apply. Please refer to Resident Contract, 50% Refundable Plan addendum, and Disclosure Statement.



Matthews Glen

Where Loving-Kindness Lives



Matthews Glen

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Acts Modified Life Care / Age 62 and up

LIVING ACCOMMODATION		APPROX. SQ. FT.	ENTRANCE FEE	MONTHLY FEE
Summerfield	Studio	635	\$164,900-\$182,900	\$2,345
Lexington	1 Bedroom	750	\$238,900-\$263,900	\$2,483
Lexington II	1 Bedroom	820	\$259,900	\$2,483
Fletcher	1 Bedroom with Den	964	\$288,900-\$312,900	\$2,672
Clayton	2 Bedroom	1,066	\$306,900-\$339,900	\$2,905
Thomasville	2 Bedroom	1,165	\$325,900-\$359,900	\$3,232
Wilmington	2 Bedroom Deluxe	1,141	\$321,900-\$348,900	\$3,232
Holly Springs	3 Bedroom	1,385	\$366,900-\$405,900	\$3,232
Asheville	2 Bedroom with Den	1,400	\$406,900	\$3,503
Cary	2 Bedroom with Den	1,489	\$394,900-\$410,900	\$3,419
Highlands	3 Bedroom Deluxe	1,495	\$396,900-\$438,900	\$3,419
Pinehurst	2 Bedroom with Den	1,600	\$446,900	\$3,733
Madison	3 Bedroom	1,693	\$439,900-\$448,900	\$3,320
Raleigh Villa	2 Bedroom with Den	1,850	\$504,900	\$4,083
Charlotte Villa	2 Bedroom with Den	2,100	\$555,900	\$4,317
Second Person Fees			\$30,000	\$1,925

subject to change without notice

Monthly Fee

The monthly fee includes:

Utilities/Taxes

Water, heat, electricity, air-conditioning, standard cable television, wireless internet, property taxes.

Maintenance

Repairs, maintenance and replacement of equipment, exterior cleaning, groundskeeping including lawn service.

Personal Services

One chef-prepared meal for each day of the month (additional meals available), recreation program catering to a wide spectrum of interests, 24-hour security, 24-hour access to a resident nurse, nurse practitioner, medical alert system, annual apartment inspection and cleaning, scheduled local transportation, weekly flat linen laundry service, access to either personal or shared laundry facilities, additional storage.

Acts Modified Life Care Details

The Modified Life Care Plan is designed for residents who have a long-term care insurance policy and wish to retain their policy after moving to an Acts community.

Under the terms of the Modified Life Care Plan, residents pay a lower entrance fee and lower monthly fee with this plan during their time in independent living. If they later require care, their long-term care insurance policy will be used toward their per diem care costs for a cumulative period of three (3) years, after which their fees revert to the then-current Acts Modified Life Care monthly fee.

- Entrance fees are effective November 1, 2021. Monthly fees are effective January 1, 2022. Pricing is subject to change without notice. Upon occupancy, the company provides 60-days notice prior to changes in the monthly fee or other ancillary charges.
- Entrance fee becomes firm upon payment of 10% of the current entrance fee and execution of the Resident Contract.
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- After the 120th day of occupancy, the refund will be calculated by amortizing the entrance fee (minus a 5% administrative fee) by 2% for each month of occupancy. At the end of 50 months, the entrance fee is fully amortized and there will be no refund.
- The maintenance of a long-term care insurance policy is required.
- Specific terms and conditions apply. Please refer to the Resident Contract, Modified Healthcare Plan addendum and Disclosure Statement for further details.



Matthews Glen

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APARTMENT & VILLA EXPANSION

LIVING ACCOMMODATION	APPROX. SQ. FT.	ENTRANCE FEE		2022 MONTHLY FEE	SECOND PERSON MONTHLY FEE
Seagrove Apartment					
Acts Life Care Premier	1,650	\$515,900		\$4,293	\$1,925
		UP TO AGE 79	AGE 80-89		
Acts Life Care 50	1,650	\$748,900	\$820,900	\$4,722	\$2,118
Acts Modified Life Care	1,650	\$469,900		\$3,864	\$1,925
Second Person Entrance Fee		\$30,000			
LIVING ACCOMMODATION	APPROX. SQ. FT.	ENTRANCE FEE		2022 MONTHLY FEE	SECOND PERSON MONTHLY FEE
Southern Pines Apartment					
Acts Life Care Premier	1,785	\$538,900		\$4,420	\$1,925
		UP TO AGE 79	AGE 80-89		
Acts Life Care 50	1,785	\$781,900	\$856,900	\$4,862	\$2,118
Acts Modified Life Care	1,785	\$490,900		\$3,978	\$1,925
Second Person Entrance Fee		\$30,000			

Entrance fees subject to change without notice. Monthly fees may change with 60 days written notice. You will be expected to pay the monthly fee in effect at the time you take occupancy of your residence.

Acts Life Care Premier Details

- Acts Life Care Premier entrance fees effective November 1, 2021. Monthly fees effective January 1, 2022. Pricing is subject to change without notice. Upon occupancy, the company provides 60-days notice prior to changes in the monthly fee or other ancillary charges.
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- Specific terms and conditions apply. Please refer to Resident Contract and Disclosure Statement.

Acts Life Care 50 Details

- Entrance fees effective November 1, 2021. Monthly fees effective January 1, 2022. Pricing is subject to change without notice. Upon occupancy, the company provides 60-days notice prior to changes in the monthly fee or other ancillary charges.
- Entrance fee becomes firm upon payment of 10% of the current entrance fee and execution of the Resident Contract.
- During the first 120 days of occupancy the entrance fee is 100% refundable for any reason.
- After the 120th day of occupancy, the refund will be calculated by amortizing the entrance fee (minus a 5% administrative fee) by 2% for each month of occupancy up to the first 25 months. The entrance fee will cease amortizing and becomes firm when it reaches 50% of the net entrance fee.
- Specific terms and conditions apply. Please refer to Resident Contract, 50% Refundable Plan addendum, and Disclosure Statement.

Acts Modified Life Care Details

The Modified Life Care Plan is designed for residents who have a long-term care insurance policy and wish to retain their policy after moving to an Acts community.

Under the terms of the Modified Life Care Plan, residents pay a lower entrance fee and lower monthly fee with this plan during their time in independent living. If they later require care, their long-term care insurance policy will be used toward their per diem care costs for a cumulative period of three (3) years, after which their fees revert to the then-current Acts Modified Life Care monthly fee.

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- The maintenance of a long-term care insurance policy is required.
- Specific terms and conditions apply. Please refer to the Resident Contract, Modified Healthcare Plan addendum and Disclosure Statement for further details.

Monthly Fee

The monthly fee includes:

Utilities/Taxes

Water, heat, electricity, air conditioning, standard cable television, wireless internet, property taxes.

Maintenance

Repairs, maintenance and replacement of equipment, exterior cleaning, groundskeeping including lawn service.

Personal Services

One chef-prepared meal for each day of the month (additional meals available), recreation program catering to a wide spectrum of interests, 24-hour security, 24-hour access to a resident nurse, nurse practitioner, medical alert system, annual apartment inspection and cleaning, scheduled local transportation, weekly flat linen laundry service, access to either personal or shared laundry facilities, additional storage.



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APARTMENT & VILLA EXPANSION

LIVING ACCOMMODATION	APPROX. SQ. FT.	ENTRANCE FEE		2022 MONTHLY FEE	SECOND PERSON MONTHLY FEE
Belmont I Villa					
Acts Life Care Premier	2,276	\$675,900		\$5,016	\$1,925
		UP TO AGE 79	AGE 80-89		
Acts Life Care 50	2,276	\$980,900	\$1,074,900	\$5,518	\$2,118
Acts Modified Life Care	2,276	\$628,900		\$4,514	\$1,925
Second Person Entrance Fee		\$30,000			
LIVING ACCOMMODATION	APPROX. SQ. FT.	ENTRANCE FEE		2021 MONTHLY FEE	SECOND PERSON MONTHLY FEE
Belmont II Villa Sunroom					
Acts Life Care Premier	2,500	\$709,900		\$5,016	\$1,925
		UP TO AGE 79	AGE 80-89		
Acts Life Care 50	2,500	\$1,029,900	\$1,128,900	\$5,518	\$2,118
Acts Modified Life Care	2,500	\$660,900		\$4,514	\$1,925
Second Person Entrance Fee		\$30,000			

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Acts Life Care Premier Details

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Acts Life Care 50 Details

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