

**DISCLOSURE STATEMENT**

**May 31, 2023**

**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, 2023. 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 October 27, 2024, 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 Retirement-Life Communities Management, LLC, Acts Alliance Management, LLC d/b/a Willow Valley Living, ACTS Signature Community Services, Inc., ACTS Acquisition and Development Company, LLC, and Integrace, Inc. d/b/a ACTS Retirement-Life Communities of Maryland. ACTS Retirement Services, Inc., the sole corporate member of Acts, became 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 Retirement-Life Communities Management, LLC, Acts Alliance Management, LLC, 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 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)	Indian River Estates (FL)
Heron Point of Chestertown (MD)	Azalea Trace (FL)

Presently, approximately 10,241 residents live in the previously 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 and Marvin Mashner, 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
Michael D. Kelly	Vice Chairman
Elric C. Gerner	Secretary
Marvin Mashner, CPA	Treasurer
Glenn D. Fox, Esquire*	Assistant Secretary
Susan Allmond	Director
Warren Callaway	Director
H. Bruce Detweiler, CPA	Director
Thomas A. Dunn, III	Director
Robert B. Evans	Director
Jill Gilbert	Director
James Glynn	Director
Jason Greer	Director
Heinz A. Hegmann	Director
John E. Lammers, MD	Director
Daniel W. Lawson, II	Director
Dr. Daniel Middlebrooks	Director

\*Officer, but not a member, of the Board of Directors

ACTS RETIREMENT-LIFE COMMUNITIES, INC.  
OFFICERS AND SENIOR MANAGEMENT

The business address for each listed below is c/o ACTS Retirement-Life Communities, Inc., 420 Delaware Drive, P.O. Box 2222, Fort Washington, PA 19034.

<u>Name</u>	<u>Title</u>
Gerald T. Grant	Chief Executive Officer
Karen I. Christiansen, CMA	President
Glenn D. Fox, Esquire	Executive Vice President and General Counsel
Jonathan D. Grant	Executive Vice President and Chief Operating Officer
Jefferson D. Kaighn	Executive Vice President and Chief Administrative Officer
Susan Ahern, CPA, CMA	Senior Vice President and Chief Financial Officer
Ric D'Amico	Senior Vice President, Real Estate and Development Services
Gary J. N. Ginter	Senior Vice President, Procurement & Contract Management
Deirdre E. Groenen, Esquire	Senior Vice President and Chief Human Resources Officer
Peter J. Kress	Senior Vice President and Chief Information Officer
Jeremy O. Neely	Senior Vice President, Community Operations
James H. Petty	Senior Vice President, Strategy and Mission Development
Holly S. Schade	Senior Vice President and Chief Clinical Officer
Lori M. Woodward	Senior Vice President and Chief Marketing Officer
George R. Bryan	Vice President, Southeast Region
Stephen V. Eggles	Vice President, Mid-South Region
Sean Fletcher	Vice President, Property Management and Construction Services
Christopher J. Hartman, Sr.	Vice President, IT Operations
Stephen R. La Pierre	Vice President, Northeast Region
Megan Longley	Vice President, Sales
Teresa C. Moore	Vice President, Resident Health Services
Patrick Plumadore	Vice President, Hospitality and Restaurant Services
Paul M. Reinbold, MD, CMD	Vice President and Chief Medical Director
Peggy C. Valdivia	Vice President and Controller
David Vega	Vice President, Operations Analysis and Compliance
Terri White	Vice President, Mid-Atlantic Region
Steve W. Messer	Campus 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 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 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 General Counsel Group, and previously served on the LeadingAge Legal Committee (two separate terms), 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 1, 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.

Ric D'Amico serves as Senior Vice President, Real Estate and Development Services. Mr. D'Amico joined Acts in March 2023 and has been a developer for over three decades; most recently serving as a Partner with The Belaire Group. He continues to serve on the National Board of The Society for the Advancement of Gerontological Environments (SAGE), he chairs the Annual "Remodel / Renovation Competition" for Environments for Aging, and he is a Juror for the Senior Housing News National Design Competition. Having helped a wide variety of not-for-profit clients, Mr. D'Amico brings development expertise and a global perspective on best design practices to Acts. He has degrees in both Economics and Architecture from the University of Houston.

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.

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. In 2022, he was named Leader of the Year by LeadingAge PA. This award recognizes an individual who demonstrates excellence in management and governance accountability, is proactive in quality of care to residents, and has played a pivotal role in overall operations leading to organizational success. Mr. Neely is also a Certified Aging Services Professional (CASP) and 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 27 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 board-certified registered nurse 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. Egges 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. Egges 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 28 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 35 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 ACTS Retirement-Life Communities of Maryland, 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 serves on the board of the Supportive Services of the Aging and Disabled United Appeal Fund in Alabama, 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.

David Vega serves as the Vice President of Operations Analysis and Compliance. He has been with Acts since 1991 and previously served as the Corporate Director of Compliance. He began his career at Acts in the Accounting Department and for the last 19 years has served the organization in various roles in the Compliance and Audit Departments. Mr. Vega is a Certified Compliance Professional and is Certified in Healthcare Compliance. Mr. Vega has a Bachelor's Degree in Business Administration from American Intercontinental University, a Certificate in Forensic Accounting from the University of North Carolina, and a Master's Degree in Health Informatics from Walden University.

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.

**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) 96 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 seven 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. Through the end of April 2023, conversion of the original skilled nursing center to assisted living units to accommodate the increase in independent living units was completed. The total assisted living unit count increased from 60 to 96 as a result of the completion of this final portion of phase one of the project. A project development budget for phase one of the expansion is summarized below.

<u>Sources:</u>	<u>\$ Millions</u>
Financing Proceeds*	<u>102.1</u>
<b>Total Sources</b>	<b><u>102.1</u></b>
 <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>
<b>Total Uses</b>	<b><u>102.1</u></b>

\*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 eight duplex villas and 72 apartments (within four buildings), 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 Spring 2024.

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

\*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, 2022, there were approximately 771 residents at Matthews Glen with 473 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 (62<sup>nd</sup>) 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 2022 information, is \$63,444 for residential services and \$164,222 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. 7.

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. 7, 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 17 through 19 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 26 through 29 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 30 through 32 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> <u>(approx. sq. ft.)</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>Average</u>
635	195 / N/A	112 / N/A	90 / N/A	70 / N/A	79 / N/A	109 / N/A
750-820	207 / 100	119 / 63	95 / 67	74 / 52	84 / 59	116 / 68
964	223 / 100	128 / 63	103 / 67	80 / 52	90 / 59	125 / 68
1,066	242 / 100	139 / 63	112 / 67	87 / 52	98 / 59	136 / 68
1,141-1,385	269 / 100	155 / 63	124 / 67	96 / 52	109 / 59	151 / 68
1,400	292 / 100	168 / 63	135 / 67	105 / 52	118 / 59	164 / 68
1,489-1,495	285 / 100	164 / 63	131 / 67	102 / 52	115 / 59	159 / 68
1,600	311 / 100	179 / 63	143 / 67	111 / 52	126 / 59	174 / 68
1,693	285 / 100	164 / 63	131 / 67	102 / 52	115 / 59	159 / 68
1,850	340 / 100	195 / 63	157 / 67	122 / 52	137 / 59	190 / 68
2,100	360 / 100	207 / 63	166 / 67	129 / 52	145 / 59	201 / 68
% Increase	7.50% / 5.20%	4.50% / 3.38%	3.75% / 3.75%	3.00% / 3.00%	3.50% / 3.50%	4.50% / 3.80%

### **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 \$9,790,383. Acts also participates in an Obligated Group financing which maintains a total debt service reserve of \$6,620,000 and cash and discretionary reserves totaling \$250,935,000 at year end 2022. 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, 2023 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 2023.

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	\$ 6,494,191
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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 2022 AND 2021**

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



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

Special-Purpose Combined Financial Statements

December 31, 2022 and 2021

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

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December 31, 2022 and 2021

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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, 2022 and 2021, 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, 2022 and 2021, 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.

### Emphasis of Matter - Change in Reporting Entity

As described in Note 1 to the special-purpose combined financial statements, on December 31, 2022, The Evergreens (EG), an entity under common control and a not-for-profit New Jersey corporation, merged into ACTS Retirement-Life Communities, Inc. Concurrently, Presbyterian Retirement Corporation, Inc. (PRC), an entity under common control and a not-for-profit Alabama corporation, joined as a member of the Obligated Group. Accordingly, the accompanying previously issued 2021 special-purpose combined financial statements were retrospectively adjusted for the change in reporting entity to include the accounts of EG and PRC.

## **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 31 to 36 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 GAAS. 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 28, 2023, except for our report above on the supplementary information,  
as to which the date is May 30, 2023

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

Special-Purpose Combined Balance Sheets

December 31, 2022 and 2021

(In Thousands)

	<u>2022</u>	<u>2021</u>		<u>2022</u>	<u>2021</u>
<b>Assets</b>			<b>Liabilities and Net Assets</b>		
<b>Current Assets</b>			<b>Current Liabilities</b>		
Cash and cash equivalents	\$ 18,780	\$ 20,886	Accounts payable and accrued expenses	\$ 100,604	\$ 94,723
Current portion of board-designated funds	221,828	253,225	Short-term indebtedness	128,242	67,993
Current portion of assets whose use is limited	60,791	66,884	Nonrecourse indebtedness	16,113	17,912
Accounts receivable, entrance fee receivables and other receivables, net	25,171	21,923	Entrance fee deposits	17,653	17,763
Prepaid expenses, inventory and deposits	10,736	12,299	Current maturities of long-term debt	<u>23,187</u>	<u>22,069</u>
Due from affiliated organizations	<u>27,240</u>	<u>21,663</u>			
Total current assets	<u>364,546</u>	<u>396,880</u>	Total current liabilities	285,799	220,460
Board-Designated Funds	<u>10,000</u>	<u>10,765</u>	<b>Long-Term Debt</b>	764,009	789,587
Assets Whose Use is Limited	<u>83,291</u>	<u>105,486</u>	<b>Accumulated Loss on Investment Contracts</b>	2,317	8,049
North Carolina Operating Reserve Funds	<u>9,111</u>	<u>8,566</u>	<b>Refundable Portion of Entrance Fees</b>	10,927	13,495
Assets Held for Sale	<u>-</u>	<u>2,701</u>	<b>Deferred Revenue From Entrance Fees</b>	<u>868,530</u>	<u>792,964</u>
Goodwill	<u>4,926</u>	<u>4,926</u>	Total liabilities	<u>1,931,582</u>	<u>1,824,555</u>
Intangible Asset	<u>3,560</u>	<u>4,450</u>	<b>Net Assets</b>		
Property and Equipment			Without donor restrictions	87,265	137,119
Land and improvements	103,993	103,869	With donor restrictions	<u>27,735</u>	<u>28,665</u>
Building and improvements	2,161,715	2,053,865	Total net assets	<u>115,000</u>	<u>165,784</u>
Furniture, fixtures and equipment	173,151	166,241			
Construction in progress	<u>181,695</u>	<u>120,355</u>			
	2,620,554	2,444,330			
Accumulated depreciation	<u>(1,059,113)</u>	<u>(995,306)</u>			
Property and equipment, net	<u>1,561,441</u>	<u>1,449,024</u>			
Deferred Costs, Net	<u>9,707</u>	<u>7,541</u>			
Total	<u>\$ 2,046,582</u>	<u>\$ 1,990,339</u>	Total	<u>\$ 2,046,582</u>	<u>\$ 1,990,339</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, 2022 and 2021

(In Thousands)

	<u>2022</u>	<u>2021</u>
<b>Operating Revenue</b>		
Resident services revenue, net of amortization of entrance fees	\$ 359,754	\$ 342,911
Patient revenue from third-party payors	39,196	37,019
Investment income	8,972	14,591
Net assets released from restrictions to provide resident services	2,436	2,153
Other revenue	18,333	13,028
	<u>428,691</u>	<u>409,702</u>
Total operating revenue before amortization of entrance fees	428,691	409,702
<b>Amortization of Entrance Fees</b>	<u>113,990</u>	<u>108,775</u>
Total operating revenue	<u>542,681</u>	<u>518,477</u>
<b>Operating Expenses</b>		
Salaries, wages and benefits	292,494	271,655
Contracted services	35,791	26,920
Utilities	25,621	24,318
Food	24,783	24,076
Supplies	23,670	21,034
Real estate taxes	12,306	12,149
Insurance	7,621	7,081
Other	22,194	17,862
	<u>444,480</u>	<u>405,095</u>
Total operating expenses before depreciation, amortization and interest	444,480	405,095
<b>Depreciation and Amortization</b>	85,393	84,197
<b>Interest, Net</b>	<u>28,426</u>	<u>27,302</u>
Total operating expenses	<u>558,299</u>	<u>516,594</u>
Operating (loss) income	<u>\$ (15,618)</u>	<u>\$ 1,883</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 (continued)

Years Ended December 31, 2022 and 2021

(In Thousands)

	<u>2022</u>	<u>2021</u>
<b>Changes in Net Assets Without Donor Restrictions</b>		
Operating (loss) income	\$ (15,618)	\$ 1,883
Net unrealized loss on investments and investment contracts	(42,150)	(4,892)
Other valuation adjustment	(130)	(351)
Net gain (loss) on nonoperating events	<u>6,063</u>	<u>(184)</u>
Net operating loss	(51,835)	(3,544)
Net assets released from restrictions to acquire property and equipment	1,981	1,516
Reclassification of prior years investment return	<u>-</u>	<u>10,745</u>
Change in net assets without donor restrictions	<u>(49,854)</u>	<u>8,717</u>
<b>Changes in Net Assets With Donor Restrictions</b>		
Contributions	150	281
Investment income	-	6
Change in split-interest agreements	(294)	1
Net unrealized (loss) gain on investments	(9)	139
Net assets released from restrictions to:		
Provide resident services	(358)	(271)
Acquire property and equipment	(72)	(43)
Change in beneficial interest in the investments of Community Foundation of South Alabama (CFSA)	(25)	19
Change in beneficial interest in the investments of ACTS Legacy Foundation, Inc. (ALF)	(322)	1,599
Reclassification of prior years investment return	<u>-</u>	<u>(10,745)</u>
Change in net assets with donor restrictions	<u>(930)</u>	<u>(9,014)</u>
Change in net assets	(50,784)	(297)
<b>Net Assets, Beginning</b>	<u>165,784</u>	<u>166,081</u>
<b>Net Assets, Ending</b>	<u>\$ 115,000</u>	<u>\$ 165,784</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, 2022 and 2021

(In Thousands)

	<u>2022</u>	<u>2021</u>
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ (50,784)	\$ (297)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	85,393	84,197
Amortization of entrance fees	(113,990)	(108,775)
Other valuation adjustment	130	351
Amortization of bond discount and premium, net	(3,093)	(3,329)
Amortization of deferred financing costs	707	644
Entrance fees and deposits from nonrefundable resale contracts	186,852	162,397
Refunds of entrance fees and deposits from nonrefundable resale contracts	(9,910)	(12,503)
Administrative fee included in gross entrance fees	(10,141)	(8,032)
Increase in deferred costs	(3,298)	(3,147)
Net realized and unrealized loss on investments	47,971	4,493
Change in fair value of investment contracts	(5,732)	(2,996)
Change in beneficial interest in the investments of ALF	322	8,748
Change in beneficial interest in the investments of CFSA	25	(19)
Net change in due from affiliated organizations	(5,577)	(6,932)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(763)	4,291
Decrease (increase) in prepaid expenses, inventory and deposits	1,563	(1,950)
Decrease in accounts payable and accrued expenses	(2,912)	(11,364)
Net cash provided by operating activities	<u>116,763</u>	<u>105,777</u>
<b>Cash Flows From Investing Activities</b>		
Increase in intangible asset	-	(4,450)
Purchase of property and equipment, net	(158,040)	(117,005)
Increase in investments	(17,355)	(12,895)
Net cash used in investing activities	<u>(175,395)</u>	<u>(134,350)</u>
<b>Cash Flows From Financing Activities</b>		
Entrance fees and deposits from initial sale contracts	24,264	16,863
Refunds of deposits from initial sale contracts	(2,128)	(1,643)
Entrance fees from refundable contracts	-	202
Refunds of refundable entrance fees	(3,234)	(3,130)
Payment of accounts payable, construction	(27,694)	(15,329)
Proceeds from short-term indebtedness	107,130	61,416
Proceeds from nonrecourse debt	-	6,463
Payments on nonrecourse debt	(1,804)	(291)
Payments on short-term indebtedness	(46,881)	(40,303)
Payments on long-term indebtedness	(22,069)	(19,935)
Net cash provided by financing activities	<u>27,584</u>	<u>4,313</u>
Net decrease in cash, cash equivalents and restricted cash and cash equivalents	(31,048)	(24,260)
<b>Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning</b>	<u>117,098</u>	<u>141,358</u>
<b>Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Ending</b>	<u>\$ 86,050</u>	<u>\$ 117,098</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Interest paid, net of amounts capitalized	<u>\$ 30,326</u>	<u>\$ 30,175</u>
<b>Supplemental Disclosure of Noncash Investing and Financing Activities</b>		
Obligations incurred for the acquisition of property and equipment	<u>\$ 35,047</u>	<u>\$ 27,694</u>
Proceeds from nonrecourse debt used to repay other nonrecourse debt	<u>\$ -</u>	<u>\$ 11,740</u>

See notes to special-purpose combined financial statements

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

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Notes to Special-Purpose Combined Financial Statements  
December 31, 2022 and 2021

### **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) is a not-for-profit Pennsylvania corporation providing management, marketing and development services to senior living providers. AMS is the sole member of ACTS Retirement-Life Communities Management, LLC (ARLCM) and ACTS Alliance Management, LLC (AAM), Pennsylvania limited liability companies. ARLCM provides management, marketing and development services to ACTS Retirement-Life Communities, Inc. (ACTS) and the Affiliates (as herein defined). AAM provides management and related services to Willow Valley Communities, a not-for profit Pennsylvania corporation that provides residential, personal care and skilled care services to senior adults in its continuing care retirement community (CCRC) located in Pennsylvania.

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 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 21 CCRCs as divisions within the legal entity of ACTS, and 5 CCRCs within 2 separate, related legal entities (the Affiliates). On December 31, 2022, The Evergreens (EG), an entity under common control and a not-for-profit New Jersey corporation, merged into ACTS and is operating as one of the 21 CCRCs within the legal entity of ACTS.

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:

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

Integrace, Inc. d/b/a ACTS Retirement-Life Communities of Maryland (ARLC MD), a not-for-profit Maryland corporation which operates 4 CCRCs, located in Maryland. On December 31, 2022, Heron Point of Chestertown, Inc. (HP), an entity under common control and a not-for-profit Maryland corporation, merged into ARLC MD and is operating as one of the 4 CCRCs within the legal entity of ARLC MD.

On December 31, 2022, ACTS became the sole member of the following entities whose sole member had previously been ARS:

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

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 the Affiliates.

The ACTS Obligated Group includes ACTS, AMS, ARLCM, AAM, ASCS and PRC under the terms of a Master Trust Indenture (Note 9). EG and PRC were added to the Obligated Group during 2022, and the effects of which on the accompanying special-purpose combined financial statements are described in Note 18.

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

Notes to Special-Purpose Combined Financial Statements  
December 31, 2022 and 2021

All of the above organizations, with the exception of AADC, ARLCM 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, ARLCM 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, ARLCM and AAM are disregarded entities for federal tax purposes, AADC, ARLCM 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, 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>2022</u>	<u>2021</u>
	(In Thousands)	
Cash and cash equivalents	\$ 18,780	\$ 20,886
Cash and cash equivalents included in investments	<u>67,270</u>	<u>96,212</u>
Total cash, cash equivalents and restricted cash and cash equivalents	<u>\$ 86,050</u>	<u>\$ 117,098</u>

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

Notes to Special-Purpose Combined Financial Statements  
December 31, 2022 and 2021

### **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 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 55 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)**

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Notes to Special-Purpose Combined Financial Statements

December 31, 2022 and 2021

Depreciation expense was \$83,371,000 in 2022 and \$83,342,000 in 2021.

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 \$5,792,000 in 2022 and \$4,428,000 in 2021.

### **Goodwill**

In connection with the recording of the assets and liabilities of PRC, as part of the affiliation with ACTS, the fair value of the assets was less than the fair value of the liabilities. As a result, goodwill of \$4,926,000 was recorded in connection with the transaction.

The Company evaluates goodwill for impairment on an annual basis. In 2022 and 2021, the Company assessed qualitative factors (events and circumstances) to determine whether it was more likely than not (that is, a likelihood of more than 50%) that the fair value of PRC was less than its carrying amount, including goodwill. Based on the assessment of qualitative factors, the Company concluded that it was more likely than not that the fair value of PRC exceeded its carrying amount, including goodwill. Therefore, additional testing to identify potential impairment was unnecessary. As such, no impairment losses were recorded in 2022 and 2021.

### **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 \$1,132,000 in 2022 and \$855,000 in 2021.

### **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 \$707,000 in 2022 and \$644,000 in 2021.

### **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 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, 2022 and 2021, 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.

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

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Notes to Special-Purpose Combined Financial Statements  
December 31, 2022 and 2021

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 \$113,990,000 in 2022 and \$108,775,000 in 2021.

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 \$378,352,000 and \$332,936,000 at December 31, 2022 and 2021, respectively.

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, 2022 and 2021.

### 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.



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

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Notes to Special-Purpose Combined Financial Statements

December 31, 2022 and 2021

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 care, assisted living and residential 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 care, assisted living and residential 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 \$1,057,000 in 2022 and \$3,038,000 in 2021 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 \$1,014,000 in 2022 and \$3,038,000 in 2021.

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.

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

Notes to Special-Purpose Combined Financial Statements  
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During 2022 and 2021, 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:

	<u>2022</u>	<u>2021</u>
	(In Thousands)	
Resident services revenue	\$ -	\$ 281
Other revenue	1,014	-
Patient revenue from third-party payors	-	242
Salary, wages and benefits	-	612
Contracted services	-	1,123
Supplies	-	780
Total	<u>\$ 1,014</u>	<u>\$ 3,038</u>

### Income Taxes

ACTS, AMS, ASCS and PRC are not-for-profit corporations. Each is exempt from federal income taxes on exempt income 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 (loss) income and net operating loss (the performance indicator). Operating (loss) 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 includes all operating activities, as well as changes in unrealized gains and losses on investments and investment contracts and net (gain) 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 28, 2023, the date the special-purpose combined financial statements were issued.

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

Notes to Special-Purpose Combined Financial Statements  
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### 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>2022</u>	<u>2021</u>
	(In Thousands)	
Cash and cash equivalents	\$ 18,780	\$ 20,886
Accounts receivable, entrance fee receivables and other receivables, net	25,171	21,923
Investments without donor restrictions	<u>225,553</u>	<u>250,854</u>
Total	<u>\$ 269,504</u>	<u>\$ 293,663</u>

The Company has other assets restricted as to use: state reserves, debt related reserves, assets held for donor restricted purposes and interest in investments of CFSA and ALF. 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.

Donor restricted funds of \$24,202,000 and \$25,165,000 at December 31, 2022 and 2021, 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 \$6,602,000 and \$14,005,000 at December 31, 2022 and 2021, 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>2022</u>	<u>2021</u>
	(In Thousands)	
Current portion of board-designated funds	\$ 221,828	\$ 253,225
Current portion of assets whose use is limited	60,791	66,884
Board-designated funds, noncurrent	10,000	10,765
Assets whose use is limited, noncurrent	83,291	105,486
North Carolina Operating Reserve funds	<u>9,111</u>	<u>8,566</u>
Total	<u>\$ 385,021</u>	<u>\$ 444,926</u>

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

Notes to Special-Purpose Combined Financial Statements  
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Investment (loss) return is as follows:

	<u>2022</u>	<u>2021</u>
	(In Thousands)	
Without donor restrictions:		
Interest and dividend income	\$ 9,052	\$ 11,196
Net realized (loss) gain on investments	<u>(80)</u>	<u>3,395</u>
Total investment income	8,972	14,591
Net unrealized loss on investments	(47,882)	(7,888)
With donor restrictions:		
Interest and dividend income	-	6
Net unrealized (loss) gain on investments	<u>(9)</u>	<u>139</u>
Total investment (loss) return	<u>\$ (38,919)</u>	<u>\$ 6,848</u>

### 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.

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.

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

Notes to Special-Purpose Combined Financial Statements  
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The fair value of the Company's investments and derivative financial instruments were measured using the following inputs at December 31:

	2022			
	Total	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Other Unobservable Inputs (Level 3)
	(In Thousands)			
<b>Assets:</b>				
Instruments measured and reported at fair value:				
Investments:				
Money market funds	\$ 82,071	\$ 82,071	\$ -	\$ -
U.S. government securities	76,676	-	76,676	-
Corporate debt securities	72,247	-	72,247	-
Mutual and exchange traded funds, fixed income	50,639	50,639	-	-
Mutual and exchange traded funds, equity	33,598	33,598	-	-
Beneficial interest in the investments of ALF	24,790	-	24,790	-
Equities	18,476	18,476	-	-
Guaranteed investment contracts	6,478	-	-	6,478
Municipal bonds	6,324	-	6,324	-
Other	5,103	-	5,103	-
Beneficial interest in perpetual trusts	991	-	-	991
Beneficial interest in the investments of CFSA	190	-	190	-
Time deposits	655	655	-	-
	<u>\$ 378,238</u>	<u>\$ 185,439</u>	<u>\$ 185,330</u>	<u>\$ 7,469</u>
<b>Reconciliation of investments to the special-purpose combined balance sheet:</b>				
Cash and cash equivalents	\$ 2,065			
Real estate held for investment at cost	4,718			
Investment measured at fair value	<u>378,238</u>			
	<u>\$ 385,021</u>			
<b>Liabilities:</b>				
Accumulated loss on investment contracts	<u>\$ 2,317</u>	<u>\$ -</u>	<u>\$ 2,317</u>	<u>\$ -</u>

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

Notes to Special-Purpose Combined Financial Statements

December 31, 2022 and 2021

	2021			
	Total	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Other Unobservable Inputs (Level 3)
	(In Thousands)			
Assets:				
Instruments measured and reported at fair value:				
Investments:				
Money market funds	\$ 104,152	\$ 104,152	\$ -	\$ -
U.S. government securities	91,873	-	91,873	-
Corporate debt securities	86,324	-	86,324	-
Mutual and exchange traded funds, fixed income	50,974	50,974	-	-
Mutual and exchange traded funds, equity	33,556	33,556	-	-
Beneficial interest in the investments of ALF	25,112	-	25,112	-
Equities	22,886	22,886	-	-
Municipal bonds	7,388	-	7,388	-
Other	7,280	-	7,280	-
Guaranteed investment contracts	6,743	-	-	6,743
Time deposits	1,105	1,105	-	-
Beneficial interest in perpetual trusts	1,189	-	-	1,189
Beneficial interest in the investments of CFSA	215	-	215	-
Total	<u>\$ 438,797</u>	<u>\$ 212,673</u>	<u>\$ 218,192</u>	<u>\$ 7,932</u>
Reconciliation of investments to the special-purpose combined balance sheet:				
Cash and cash equivalents	\$ 1,411			
Real estate held for investment at cost	4,718			
Investments measured at fair value	<u>438,797</u>			
Total investments	<u>\$ 444,926</u>			
Liabilities:				
Accumulated loss on investment contracts	<u>\$ 8,049</u>	<u>\$ -</u>	<u>\$ 8,049</u>	<u>\$ -</u>

The Company's guaranteed investment contracts decreased \$265,000 in 2022 and increased \$493,000 in 2021, due to net deposits and withdrawals and the dissolution of certain debt service reserve funds.

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

Notes to Special-Purpose Combined Financial Statements  
December 31, 2022 and 2021

### 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:

	<u>2022</u>	<u>2021</u>
	(In Thousands)	
Resident monthly fees	\$ 3,962	\$ 3,986
Resident entrance fees	8,478	5,993
Third-party accounts	14,295	12,537
Other	3,426	2,841
Total receivables	30,161	25,357
Allowance for uncollectible accounts	(4,990)	(3,434)
Accounts receivable, entrance fee receivables and other receivables, net	<u>\$ 25,171</u>	<u>\$ 21,923</u>

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

Notes to Special-Purpose Combined Financial Statements  
December 31, 2022 and 2021

### 6. Property and Equipment

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

	<u>2022</u>	<u>2021</u>
	(In Thousands)	
Land and improvements	\$ 103,993	\$ 103,869
Building and improvements	2,161,715	2,053,865
Furniture, fixtures and equipment	173,151	166,241
Construction in progress	<u>181,695</u>	<u>120,355</u>
Total property and equipment	2,620,554	2,444,330
Accumulated depreciation	<u>(1,059,113)</u>	<u>(995,306)</u>
Property and equipment, net	<u>\$ 1,561,441</u>	<u>\$ 1,449,024</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 5.38% at December 31, 2022. Interest is calculated monthly based on changes to the LIBOR Rate, as defined. Borrowings were \$52,331,000 and \$44,650,000 December 31, 2022 and 2021, 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 5.50% at December 31, 2022. Interest is calculated monthly based on changes to the LIBOR Rate, as defined. Borrowings were \$75,911,000 and \$23,343,000 at December 31, 2022 and 2021, 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 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 \$12,645,000 and \$13,549,000 (which is reported net of deferred financing costs of \$132,000 and \$137,000 on the special-purpose combined balance sheets) at December 31, 2022 and 2021, respectively.

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. The outstanding balance was \$3,600,000 at December 31, 2022.



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

Notes to Special-Purpose Combined Financial Statements  
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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:

	2022	2021
	(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.	\$ 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.	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.	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 through 2029.	82,205	83,275
Public Finance Authority Retirement Communities Revenue Bonds Series 2019A. The interest rate is 5% and principal matures in varying amounts through 2049.	23,845	23,910
Public Finance Authority Retirement Communities Revenue Bond Series 2019B. The interest rate is 2.69% and principal matures in varying amounts through 2039.	21,700	22,690
Special Care Facilities Financing Authority of the City of Daphne Retirement Communities Revenue Bond Series 2019A (Taxable). The interest rate is 4.35% and principal matures in varying amounts through 2043.	16,944	17,452
Public Finance Authority Retirement Communities Revenue Bond Series 2019B. The interest rate is 3.52% and principal matures in varying amounts from 2043 through 2046.	5,100	5,100

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

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	2022	2021
	(In Thousands)	
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.	\$ 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.	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.	21,540	21,540
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.	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.	78,035	79,150
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.	7,190	7,190
Taxable Term Loan dated December 19, 2013. The interest rate is 4.07% and resets in December 2023. Principal matures in varying amounts through November 2038.	18,460	19,276
Taxable Term Loan dated December 19, 2013. The interest rate is 5.69% and resets in December 2023. Principal matures in varying amounts through 2038.	10,780	11,520
Palm Beach County Health Facilities Authority (FL) Retirement Communities Revenue Refunding Bonds Series 2012. The interest rate is 5% and principal of \$7,595,000 matures in 2023.	7,595	13,330

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

Notes to Special-Purpose Combined Financial Statements  
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	<u>2022</u>	<u>2021</u>
	(In Thousands)	
Gainesville and Hall County Development Authority (GA) Retirement Community Revenue Refunding Bonds Series 2012. The interest rate was 5%.	\$ -	\$ 5,115
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 \$31,015,000 of the bonds, and variable at 4.10% at December 31, 2022 on \$12,925,000 of the bonds. Principal matures in varying amounts through 2037.	43,940	46,110
Gainesville and Hall County Development Authority (GA) Senior Living Facility Variable Rate Demand Revenue Bonds Series 2003B. The interest rate was 4.26% at December 31, 2022 and principal matures in varying amounts through 2033. Security is provided through a bond insurance commitment enhanced by a standby bond purchase agreement.	25,015	26,280
Escambia County Health Facilities Authority (FL) Healthcare Facilities Variable Rate Revenue Refunding Bonds Series 2003B. The interest rate was 4.26% at December 31, 2022 and principal matures in varying amounts through 2029. Security is provided through a bond insurance commitment enhanced by a standby bond purchase agreement.	14,340	16,100
Montgomery County Industrial Development Authority (PA) Retirement Community Variable Rate Demand Revenue Bonds Series 2002. The interest rate was 4.26% at December 31, 2022 and principal matures in varying amounts through 2029. Security is provided through a bond insurance commitment enhanced by a standby bond purchase agreement.	<u>7,620</u>	<u>8,340</u>
Total	742,854	764,923
Bond premiums and discounts, net	52,225	55,318
Unamortized deferred financing costs	<u>(7,883)</u>	<u>(8,585)</u>
Total long-term indebtedness	<u>\$ 787,196</u>	<u>\$ 811,656</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.

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

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

Years ending December 31:	
2023	\$ 40,712
2024	22,769
2025	23,441
2026	24,146
2027	24,911
2028-2032	143,245
2033-2037	160,036
2038-2042	139,543
2043-2047	140,281
2048-2049	23,770
	<hr/>
Total	\$ 742,854

### 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 on investments and investment contracts. The change in fair value was \$5,732,000 in 2022 and \$2,996,000 in 2021.

At December 31, 2022, the Company had the following interest rate swaps in effect:

Debt Series	Notional Amount	Maturity Date	Effective Interest Rate	Accumulated Unrealized Loss
Series 2002 (PA)	\$ 7,620,000	2029	3.64%	\$ 323,000
Series 2003B (GA)	25,015,000	2033	3.54%	1,639,000
Series 2003B (FL)	14,340,000	2029	3.35%	355,000

The fair value of the interest rate swap agreements was \$(2,317,000) and \$(8,049,000) at December 31, 2022 and 2021, respectively, and was obtained from an independent third party valuation specialist.

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

Notes to Special-Purpose Combined Financial Statements  
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### 11. Net Assets

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

	<u>2022</u>	<u>2021</u>
	(In Thousands)	
Financial assistance to residents	\$ 13,422	\$ 13,611
Purchase of property and equipment	5,932	5,786
Resident services	594	938
Other	4,254	4,830
Restricted in perpetuity	<u>3,533</u>	<u>3,500</u>
Total net assets with donor restrictions	<u>\$ 27,735</u>	<u>\$ 28,665</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>2022</u>			
	<u>Residential Living</u>	<u>Assisted Living</u>	<u>Skilled Care</u>	<u>Total</u>
	(In Thousands)			
Self-pay	\$ 278,686	\$ 33,354	\$ 47,714	\$ 359,754
Medicare and other	2,512	2	31,959	34,473
Medicaid	-	-	4,723	4,723
Total resident services and patient revenues	<u>\$ 281,198</u>	<u>\$ 33,356</u>	<u>\$ 84,396</u>	<u>\$ 398,950</u>
Amortization of entrance fees				<u>\$ 113,990</u>
	<u>2021</u>			
	<u>Residential Living</u>	<u>Assisted Living</u>	<u>Skilled Care</u>	<u>Total</u>
	(In Thousands)			
Self-pay	\$ 269,029	\$ 30,204	\$ 43,678	\$ 342,911
Medicare and other	2,379	2	30,700	33,081
Medicaid	-	-	3,938	3,938
Total resident services and patient revenues	<u>\$ 271,408</u>	<u>\$ 30,206</u>	<u>\$ 78,316</u>	<u>\$ 379,930</u>
Amortization of entrance fees				<u>\$ 108,775</u>

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

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Notes to Special-Purpose Combined Financial Statements  
December 31, 2022 and 2021

### **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 Internal Revenue Service 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 \$5,649,000 in 2022 and \$5,433,000 in 2021.

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 \$2,227,000 in 2022 and \$1,423,000 in 2021. The SERP liability is included in accounts payable and accrued expenses on the special-purpose combined balance sheets and was \$5,821,000 and \$6,038,000 at December 31, 2022 and 2021, 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.

#### **Workers' Compensation**

The Company maintains a self-insured workers' compensation program with a per occurrence retention limit of \$600,000. At December 31, 2022 and 2021, the reserve for workers' compensation liability claims was \$4,263,000 and \$4,125,000, 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.

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

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Notes to Special-Purpose Combined Financial Statements

December 31, 2022 and 2021

### **Construction Agreements**

The Company entered into construction agreements for certain development and renovation activities at various communities. Commitments were approximately \$46,990,000 as of December 31, 2022.

### **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.

## **16. Related-Party Transactions**

AMS entered into a Management, Marketing and Development Agreement (the Agreement) with ARLC MD, which is automatically renewable for one year on each anniversary date. 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 \$6,471,000 in 2022 and \$6,212,000 in 2021. These balances are generally settled currently in the normal course of business.

AMS receives a fixed premium from ARLC MD for their participation in workers' compensation and health insurance programs, which is adjusted from time to time. Premiums collected by AMS in connection with these programs were \$3,508,000 in 2022 and \$3,765,000 in 2021.

At December 31, 2022 and 2021, the Company has a beneficial interest in the investments of ALF of \$24,790,000 and \$25,112,000, respectively, related to donor restricted funds. These amounts are included in investments on the special-purpose combined balance sheets.

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

Notes to Special-Purpose Combined Financial Statements  
December 31, 2022 and 2021

### 17. Functional Expenses

The Company provides housing, healthcare and other related services to residents within its geographic locations. 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 2022 and 2021:

	2022			
	Program Services	General and Administrative	Fundraising	Total
	(In Thousands)			
Salaries, wages and benefits	\$ 270,932	\$ 20,927	\$ 635	\$ 292,494
Contracted services	32,290	3,497	4	35,791
Utilities	25,517	104	-	25,621
Food	24,140	615	28	24,783
Supplies	16,614	6,978	78	23,670
Real estate taxes	11,515	791	-	12,306
Insurance	7,570	51	-	7,621
Other	12,480	9,649	65	22,194
Depreciation and amortization	79,662	5,731	-	85,393
Interest, net	28,355	71	-	28,426
Total	\$ 509,075	\$ 48,414	\$ 810	\$ 558,299

  

	2021			
	Program Services	General and Administrative	Fundraising	Total
	(In Thousands)			
Salaries, wages and benefits	\$ 249,549	\$ 21,503	\$ 603	\$ 271,655
Contracted services	24,181	2,724	15	26,920
Utilities	24,063	255	-	24,318
Food	23,570	484	22	24,076
Supplies	13,350	7,600	84	21,034
Real estate taxes	11,315	834	-	12,149
Insurance	7,058	23	-	7,081
Other	8,742	9,055	65	17,862
Depreciation and amortization	79,133	5,064	-	84,197
Interest, net	27,233	69	-	27,302
Total	\$ 468,194	\$ 47,611	\$ 789	\$ 516,594



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

Notes to Special-Purpose Combined Financial Statements  
December 31, 2022 and 2021

### 18. Change in Reporting Entity

On December 31, 2022, EG merged into ACTS. Concurrently, PRC joined as a member of the Company. Accordingly, the accompanying previously issued 2021 special-purpose combined financial statements were retrospectively adjusted for the change in reporting entity to include the accounts of EG and PRC.

The effects of these changes in reporting structure on the Company's 2021 special-purpose combined financial statements, net of inter-affiliate transactions between the members of the Company that have been eliminated, are shown in the following table. Additional inter-affiliate amounts eliminated from the Company's 2021 special-purpose combined financial statements as a result of the change in reporting entity include management and marketing fees of \$2,790,000 previously reported as a component of total operating revenue/total operating expenses.

The impact of these changes on the special-purpose combined financials statements in 2021 is as follows:

	<u>As Previously Reported</u>	<u>Adjustments for Change in Reporting Entity</u>	<u>As Adjusted</u>
<b>Balance Sheet</b>			
Total assets	\$ 1,848,269	\$ 142,070	\$ 1,990,339
Total liabilities	\$ 1,697,205	\$ 127,350	\$ 1,824,555
Net assets:			
Without donor restrictions	\$ 125,955	\$ 11,164	\$ 137,119
With donor restrictions	25,109	3,556	28,665
Total net assets	\$ 151,064	\$ 14,720	\$ 165,784
<b>Statement of Operations and Changes in Net Assets</b>			
Total operating revenues	\$ 485,121	\$ 33,356	\$ 518,477
Total operating expenses	483,640	32,954	516,594
Operating income	\$ 1,481	\$ 402	\$ 1,883
Net operating loss	\$ (3,352)	\$ (192)	\$ (3,544)
Change in net assets without donor restrictions	\$ 8,465	\$ 252	\$ 8,717
Net assets without donor restrictions, beginning	117,490	10,912	128,402
Net assets without donor restrictions, ending	\$ 125,955	\$ 11,164	\$ 137,119

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

Notes to Special-Purpose Combined Financial Statements  
December 31, 2022 and 2021

	<u>As Previously Reported</u>	<u>Adjustments for Change in Reporting Entity</u>	<u>As Adjusted</u>
<b>Statement of Cash Flows</b>			
Net cash provided by operating activities	\$ 97,745	\$ 8,032	\$ 105,777
Net cash used in investing activities	(126,188)	(8,162)	(134,350)
Net cash provided by financing activities	<u>8,593</u>	<u>(4,280)</u>	<u>4,313</u>
Net decrease in cash, cash equivalents and restricted cash and cash equivalents	(19,850)	(4,410)	(24,260)
Cash, cash equivalents and restricted cash and cash equivalents, beginning	<u>126,453</u>	<u>14,905</u>	<u>141,358</u>
Cash, cash equivalents and restricted cash and cash equivalents, ending	<u>\$ 106,603</u>	<u>\$ 10,495</u>	<u>\$ 117,098</u>

### 19. Subsequent Event

#### Mease Life Affiliation

In April 2023, ACTS signed a letter of intent to explore an affiliation with Mease Life (ML). ML is a not-for-profit CCRC in Dunedin, Florida, that is home to approximately 350 residents. Under the proposed agreement, ML would become an ACTS affiliate through its affiliate AADC. A due diligence review is underway; assuming such review is completed successfully, an affiliation would be anticipated to commence in the fall of 2023 subject to board approval.

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

Special-Purpose Combining Balance Sheet Schedule

December 31, 2022

(In Thousands)

	Matthews Glen**	Tryon Estates**	Other Members*	Total Consolidated
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ -	\$ -	\$ 18,780	\$ 18,780
Current portion of board-designated funds	57	25	221,746	221,828
Current portion of assets whose use is limited	5,191	-	55,600	60,791
Accounts receivables, entrance fee receivables and other receivables, net	907	481	23,783	25,171
Prepaid expenses, inventory and deposits	137	46	10,553	10,736
Due from affiliated organizations	-	-	27,240	27,240
Total current assets	<u>6,292</u>	<u>552</u>	<u>357,702</u>	<u>364,546</u>
<b>Board-Designated Funds</b>	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>10,000</u>
<b>Assets Whose Use is Limited</b>	<u>291</u>	<u>216</u>	<u>82,784</u>	<u>83,291</u>
<b>North Carolina Operating Reserve Funds</b>	<u>5,901</u>	<u>3,210</u>	<u>-</u>	<u>9,111</u>
<b>Goodwill</b>	<u>-</u>	<u>-</u>	<u>4,926</u>	<u>4,926</u>
<b>Intangible Asset</b>	<u>-</u>	<u>-</u>	<u>3,560</u>	<u>3,560</u>
<b>Property and Equipment</b>				
Land and improvements	15,080	2,772	86,141	103,993
Building and improvements	228,813	104,229	1,828,673	2,161,715
Furniture, fixtures and equipment	11,990	5,249	155,912	173,151
Construction in progress	27,663	944	153,088	181,695
	<u>283,546</u>	<u>113,194</u>	<u>2,223,814</u>	<u>2,620,554</u>
Accumulated depreciation	<u>(73,733)</u>	<u>(54,617)</u>	<u>(930,763)</u>	<u>(1,059,113)</u>
Property and equipment, net	<u>209,813</u>	<u>58,577</u>	<u>1,293,051</u>	<u>1,561,441</u>
<b>Deferred Costs, Net</b>	<u>116</u>	<u>-</u>	<u>9,591</u>	<u>9,707</u>
Total	<u>\$ 222,413</u>	<u>\$ 62,555</u>	<u>\$ 1,761,614</u>	<u>\$ 2,046,582</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, ACTS Retirement-Life Communities Management, LLC, Presbyterian Retirement Corporation, Inc. dba Westminster Village, and associated intercompany eliminations.

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

**ACTS Retirement-Life Communities, Inc. and Subsidiaries**

Special-Purpose Combining Balance Sheet Schedule (Continued)

December 31, 2022

(In Thousands)

	Matthews Glen**	Tryon Estates**	Other Obligated Group Members*	Total Obligated Group
<b>Liabilities and Net Assets</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued expenses	\$ 1,277	\$ 1,073	\$ 98,254	\$ 100,604
Short-term indebtedness	-	-	128,242	128,242
Nonrecourse indebtedness	-	-	16,113	16,113
Entrance fee deposits	5,691	185	11,777	17,653
Current maturities of long-term debt	-	-	23,187	23,187
	<u>6,968</u>	<u>1,258</u>	<u>277,573</u>	<u>285,799</u>
Total current liabilities	6,968	1,258	277,573	285,799
<b>Long-Term Debt</b>	-	-	764,009	764,009
<b>Accumulated Loss on Investment Contracts</b>	-	-	2,317	2,317
<b>Refundable Portion of Entrance Fees</b>	-	-	10,927	10,927
<b>Deferred Revenue From Entrance Fees</b>	84,399	35,082	749,049	868,530
<b>Corporate Advances and Transfers</b>	54,925	11,078	(66,003)	-
	<u>146,292</u>	<u>47,418</u>	<u>1,737,872</u>	<u>1,931,582</u>
Total liabilities	146,292	47,418	1,737,872	1,931,582
<b>Net Assets</b>				
Without donor restrictions	75,830	14,921	(3,486)	87,265
With donor restrictions	291	216	27,228	27,735
	<u>76,121</u>	<u>15,137</u>	<u>23,742</u>	<u>115,000</u>
Total net assets	76,121	15,137	23,742	115,000
Total	<u>\$ 222,413</u>	<u>\$ 62,555</u>	<u>\$ 1,761,614</u>	<u>\$ 2,046,582</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, ACTS Retirement-Life Communities Management, LLC, Presbyterian Retirement Corporation, Inc. dba Westminster Village, and associated intercompany eliminations.

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

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

Year Ended December 31, 2022

(In Thousands)

	<b>Matthews Glen**</b>	<b>Tryon Estates**</b>	<b>Other Obligated Group Members*</b>	<b>Total Obligated Group</b>
<b>Operating Revenue</b>				
Resident services revenue, net of amortization of entrance fees	\$ 27,887	\$ 15,937	\$ 315,930	\$ 359,754
Patient revenue from third-party payors	1,856	1,169	36,171	39,196
Investment income	559	289	8,124	8,972
Net assets released from restriction to provide resident services	153	56	2,227	2,436
Other revenue	640	807	16,886	18,333
	<u>31,095</u>	<u>18,258</u>	<u>379,338</u>	<u>428,691</u>
Total operating revenue before amortization of entrance fees	31,095	18,258	379,338	428,691
Amortization of entrance fees	<u>10,190</u>	<u>4,777</u>	<u>99,023</u>	<u>113,990</u>
Total operating revenue	<u>41,285</u>	<u>23,035</u>	<u>478,361</u>	<u>542,681</u>
<b>Operating Expenses</b>				
Salaries, wages and benefits	15,322	8,270	268,902	292,494
Contracted services	3,707	1,432	30,652	35,791
Utilities	1,952	1,106	22,563	25,621
Food	1,914	1,103	21,766	24,783
Supplies	1,424	680	21,566	23,670
Real estate taxes	726	303	11,277	12,306
Insurance	570	306	6,745	7,621
Other	6,239	3,444	12,511	22,194
	<u>31,854</u>	<u>16,644</u>	<u>395,982</u>	<u>444,480</u>
Total operating expenses before depreciation, amortization and interest	31,854	16,644	395,982	444,480
Depreciation and amortization	<u>7,742</u>	<u>4,555</u>	<u>73,096</u>	<u>85,393</u>
Interest, net	<u>2,785</u>	<u>954</u>	<u>24,687</u>	<u>28,426</u>
Total operating expenses	<u>42,381</u>	<u>22,153</u>	<u>493,765</u>	<u>558,299</u>
Operating (loss) income	<u>(1,096)</u>	<u>882</u>	<u>(15,404)</u>	<u>(15,618)</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, ACTS Retirement-Life Communities Management, LLC, Presbyterian Retirement Corporation, Inc. dba Westminster Village, and associated intercompany eliminations.

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

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

Year Ended December 31, 2022

(In Thousands)

	Matthews Glen**	Tryon Estates**	Other Obligated Group Members*	Total Obligated Group
<b>Changes in Net Assets Without Donor Restrictions</b>				
Operating (loss) income	\$ (1,096)	\$ 882	\$ (15,404)	\$ (15,618)
Net unrealized loss on investments and investment contracts	(3,885)	(2,305)	(35,960)	(42,150)
Other valuation adjustment	-	-	(130)	(130)
Net gain on nonoperating events	-	-	6,063	6,063
	(4,981)	(1,423)	(45,431)	(51,835)
Net operating loss				
Net assets released from restrictions to acquire property and equipment	265	1	1,715	1,981
Change in net assets without donor restrictions	(4,716)	(1,422)	(43,716)	(49,854)
<b>Changes in Net Assets With Donor Restrictions</b>				
Contributions	-	-	150	150
Change in split-interest agreements	-	-	(294)	(294)
Net unrealized loss on investments	-	-	(9)	(9)
Net assets released from restrictions to:				
Provide resident services	-	-	(358)	(358)
Acquire property and equipment	-	-	(72)	(72)
Change in beneficial interest in the investments of Community Foundation of South Alabama (CSFA)	-	-	(25)	(25)
Change in beneficial interest in the investments of ACTS Legacy Foundation, Inc. (ALF)	(268)	44	(98)	(322)
Change in net assets with donor restrictions	(268)	44	(706)	(930)
Change in net assets	(4,984)	(1,378)	(44,422)	(50,784)
<b>Net Assets, Beginning</b>	81,105	16,515	68,164	165,784
<b>Net Assets, Ending</b>	\$ 76,121	\$ 15,137	\$ 23,742	\$ 115,000

\* 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, ACTS Retirement-Life Communities Management, LLC, Presbyterian Retirement Corporation, Inc. dba Westminster Village, and associated intercompany eliminations.

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

Special-Purpose Combining Statement of Cash Flows Schedule

Year Ended December 31, 2022

(In Thousands)

	Matthews Glen**	Tryon Estates**	Other Obligated Group Members*	Total Obligated Group
<b>Cash Flows From Operating Activities</b>				
Change in net assets	\$ (4,984)	\$ (1,378)	\$ (44,422)	\$ (50,784)
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation and amortization	7,742	4,555	73,096	85,393
Amortization of entrance fees	(10,190)	(4,777)	(99,023)	(113,990)
Other valuation adjustment	-	-	130	130
Amortization of bond discount and premium, net	-	-	(3,093)	(3,093)
Amortization of deferred financing costs	-	-	707	707
Entrance fees and deposits from nonfundable resale contracts	17,501	6,962	162,389	186,852
Refunds of entrance fees and deposits from nonrefundable resale contracts	(1,102)	(368)	(8,440)	(9,910)
Administrative fee included in gross entrance fees	(790)	(303)	(9,048)	(10,141)
Increase in deferred costs	-	-	(3,298)	(3,298)
Net realized and unrealized loss on investments	3,960	2,349	41,662	47,971
Change in fair value of investment contracts	-	-	(5,732)	(5,732)
Change in beneficial interest in the investments of ALF	268	(44)	98	322
Change in the beneficial interest in the investments of CFSA	-	-	25	25
Net change in due from affiliated organizations	-	-	(5,577)	(5,577)
Changes in assets and liabilities:				
Increase in accounts receivable and other receivables	(286)	(91)	(386)	(763)
(Increase) decrease in other prepaid expenses, inventory, and deposits	(25)	(9)	1,597	1,563
Decrease in accounts payable and accrued expenses	(1,289)	(236)	(1,387)	(2,912)
Net cash provided by operating activities	<u>10,805</u>	<u>6,660</u>	<u>99,298</u>	<u>116,763</u>
<b>Cash Flows From Investing Activities</b>				
Purchase of property and equipment	(25,689)	(5,031)	(127,320)	(158,040)
Increase in investments and assets whose use is limited	(3,855)	(2,467)	(11,033)	(17,355)
Net cash used in investing activities	<u>(29,544)</u>	<u>(7,498)</u>	<u>(138,353)</u>	<u>(175,395)</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, ACTS Retirement-Life Communities Management, LLC, Presbyterian Retirement Corporation, Inc. dba Westminster Village, and associated intercompany eliminations.

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**ACTS Retirement-Life Communities, Inc. and Subsidiaries**

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

Year Ended December 31, 2022

(In Thousands)

	<b>Matthews Glen**</b>	<b>Tryon Estates**</b>	<b>Other Obligated Group Members*</b>	<b>Total Obligated Group</b>
<b>Cash Flows From Financing Activities</b>				
Entrance fees and deposits from initial sale contracts	\$ 2,024	\$ -	\$ 22,240	\$ 24,264
Refunds of entrance fees and deposits from initial sale contracts	(731)	-	(1,397)	(2,128)
Refunds of refundable entrance fees	-	-	(3,234)	(3,234)
Payment of accounts payable, construction	(2,097)	(37)	(25,560)	(27,694)
Proceeds from short-term indebtedness	-	-	107,130	107,130
Payments on non-recourse debt	-	-	(1,804)	(1,804)
Payments on short-term indebtedness	-	-	(46,881)	(46,881)
Payments on long-term indebtedness	-	-	(22,069)	(22,069)
Net change in corporate advances and transfers	20,843	830	(21,673)	-
Net cash provided by financing activities	20,039	793	6,752	27,584
Net increase (decrease) in cash, cash equivalents and restricted cash and cash equivalents	1,300	(45)	(32,303)	(31,048)
<b>Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning</b>	4,011	73	113,014	117,098
<b>Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Ending</b>	\$ 5,311	\$ 28	\$ 80,711	\$ 86,050
<b>Supplemental Disclosure of Cash Flow Information</b>				
Interest paid, net of amounts capitalized	\$ -	\$ -	\$ 30,326	\$ 30,326
<b>Supplemental Disclosure of Noncash Investing and Financing Activities</b>				
Obligations incurred for the acquisition of property and equipment	\$ 3,485	\$ 274	\$ 31,288	\$ 35,047
<b>Reconciliation of Cash, Cash Equivalents and Restricted Cash and Cash Equivalents to Balance Sheet</b>				
Cash and cash equivalents	\$ -	\$ -	\$ 18,780	\$ 18,780
Cash and cash equivalents included in investments and assets whose use is limited	5,311	28	61,931	67,270
Total cash, cash equivalents and restricted cash and cash equivalents	\$ 5,311	\$ 28	\$ 80,711	\$ 86,050

\* 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, ACTS Retirement-Life Communities Management, LLC, Presbyterian Retirement Corporation, Inc. dba Westminster Village, 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, 2023

(UNAUDITED)

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





**ACTS OBLIGATED GROUP**

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

**QUARTERLY  
DISCLOSURE  
PACKAGE**

**FOR THE QUARTER ENDED**

**MARCH 31, 2023**

## GENERAL BUSINESS DISCUSSION

*The financial results presented within this package are those of the Acts Obligated Group. The Acts Obligated Group, originally formed in 1996 and originally consisting of Adult Communities Total Services, Inc. (now known as ACTS Retirement-Life Communities, Inc.) (“Acts”) and Brittany Pointe Estates, an ACTS Community, Inc. (“BPE”), 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”), Acts Alliance Management, LLC (“AAM”), Presbyterian Retirement Corporation, Inc. dba Westminster Village (“WV”) and ACTS Retirement-Life Communities Management, LLC (“ARLCM”). BPE, LVE, AT, MT, PUMH, PPV, and WV, as well as The Evergreens (“EG”), all formerly affiliates of Acts, have been merged with and into the legal entity of Acts and are now operating divisions. Acts also has affiliates that are not members of the Acts Obligated Group which include ACTS Acquisition and Development Company, LLC, ACTS Legacy Foundation, Inc., and Integrace, Inc. dba ACTS Retirement-Life Communities of Maryland.*

*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.*

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As we embark on 2023, we are looking forward to the official end of the pandemic. Last month the United States Federal Government announced that an end to the Coronavirus pandemic as a national public health emergency will take effect on May 11, 2023. In addition, on May 5, 2023 the World Health Organization announced an end to the COVID-19 global health emergency. This news signals that the crisis era of the pandemic is finally over, and along with it many of the response measures in place for nearly three years across our nation. Along with this progress, we have continued to update and safely lift most of our COVID-19 protocols within our campuses, providing for the return of our pre-pandemic services and the daily activities within our Acts communities. We could not be happier to have reached this point, and are so thankful for the patience, cooperation, and support of the entire Acts family and its partners throughout the pandemic.

Despite pandemic and related economic challenges, the Acts organization continues to benefit from the tremendous sales results of 2022. For the three months ended March 31, 2023, the Acts Obligated Group (the “Company”, or “Acts”) sustained a high level of independent living occupancy, experienced improved financial performance, and continued to fund substantial capital investments. At the end of the quarter, occupancy in independent living was 91.5%, ahead of budget of 90.6%, and reached 94.6% when including units under contract. Occupancy in health care center living remained strong at 80.4%, an improvement over the comparable period of the prior year.

For the first quarter of 2023, the operating ratio was 99.8%, generating an operating surplus of \$0.2 million. Including non-cash revenue and expenses, operating income was \$0.8 million, an improvement of \$4.7 million over the prior year’s first quarter results supported by the reduction in the utilization of agency nursing by 50% compared to the same period last year. Net resale entrance fee proceeds were \$167.5 million for the twelve months ended March 31, 2023,

contributing to continued strong debt service coverage of 3.0x and days cash on hand was a healthy 242 days. Our strategic focus of strengthening marketing enhancements to maintain strong independent living census and increase healthcare center living census, as well as expense containment and investing in on-boarding and retaining our talented workforce are reflective in this first quarter's encouraging performance. As a result, we are exceeding our first quarter budget expectations which assumed a \$2.6 million operating loss and an operating deficit of \$2.2 million.

***Other Notable Activity:***

*Expansion Activity*

Initial sale activity and related construction activity is as follows: i) at Country House in Wilmington, DE all 20 newly constructed cottages are currently occupied, and 59 of 62 newly constructed apartment units are reserved with 22 currently occupied ii); at Indian River Estates in Vero Beach, FL, all 16 of the new villas are reserved and 14 are currently occupied and iii) at Matthews Glen in Matthews, NC, the final planned expansion of the campus includes 16 villas and 72 apartments of which all 16 villas and 65 apartments are reserved.

*Change to the Obligated Group*

As previously disclosed, the ACTS Retirement-Life Communities, Inc. ("Acts") Obligated Group added Presbyterian Retirement Corporation, Inc., an Alabama nonprofit corporation, doing business as Westminster Village ("Westminster Village"), as an Obligated Issuer in the Acts Obligated Group on December 31, 2022. In addition, on December 31, 2022, The Evergreens, a New Jersey nonprofit corporation, merged with and into Acts, with Acts as the surviving corporation; and on February 1, 2023, Westminster Village merged with and into Acts, with Acts as the surviving corporation, with each entity becoming operating divisions of Acts as of their mergers with and into Acts. Any and all such actions taken complied with the provisions of the Acts MTI, The Evergreens MTI, and the Westminster Village MTI, and any related financing documents.

All current and prior year financial information contained herein has been restated to include The Evergreens and Westminster Village in the Acts Obligated Group.

Effective January 1, 2023, ACTS Retirement-Life Communities Management, LLC ("ARLCM"), whose sole corporate member is ACTS Management Services, Inc. ("AMS"), assumed management and marketing responsibilities for Acts and its affiliates. ARLCM will function in a similar manner as AMS. ACTS Alliance Management ("AAM") dba Willow Valley Living will continue to provide management and marketing services to Willow Valley Communities. ARLCM is a member of the Acts Obligated Group.

*Affiliation Activity*

In April 2023, Acts signed a letter of intent to explore an affiliation with Mease Life ("Mease"). Mease is a not-for-profit continuing care retirement community in Dunedin, Florida, that is home to approximately 350 residents. Under the proposed agreement, Mease would become an Acts affiliate through its affiliate AADC. A due diligence review is underway; assuming such review is completed successfully, an affiliation would be anticipated to commence in the fall of 2023 subject to board approval.

## 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 Acquisition and Development Company, LLC, ACTS Legacy Foundation, Inc., and Integrace, Inc. dba Acts Retirement-Life Communities of Maryland. (See Combining Schedules).*

Below is a summary explanation of the significant variances between the periods ended March 31, 2023, and 2022.

### ***Statement of Financial Position:***

#### *Assets:*

Assets increased \$49.4 million (2.5%) primarily due to a \$99.2 million increase in net property and equipment. 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 Care Centers. With many of these capital improvements funded by project funds, cash and investments decreased by \$59.3 million. Other asset increases included i) a combined increase in receivables, and due from affiliates of \$9.9 million due to the timing of payments and releases from Acts Legacy Foundation, and ii) an increase in deferred costs of \$2.2 million directly related to independent living move-ins.

#### *Liabilities:*

Total liabilities increased \$71.6 million (3.9%) primarily due to a \$73.8 million increase in deferred revenue from entrance fees supported by strong sales activity, offset slightly by a decrease in refundable entrance fees. Short term debt also increased \$33.8 million as independent living expansion projects are temporarily funded by lines of credit. These increases were offset by \$24.5 million in long-term debt payments, a \$2.8 million decrease in the accumulated loss on investment contracts due to changes in the fair market valuation related to the interest rate swap agreements, and a \$6.6 million decrease in accounts payable and accrued expenses due to the timing of payments.

#### *Net Assets:*

The decrease in net assets of \$22.2 million is primarily attributed to unrealized losses on investments due to market conditions during the past 12 months that exceeded \$23 million offset by realized gains on non-operating activity (which includes insurance proceeds and gains on sale of assets).

### ***Statement of Operations and Changes in Net Assets:***

#### *Revenue:*

Operating revenue increased by \$11.9 million (9.0%) due primarily to an \$8.0 million increase in

resident services revenue from a 7.5% monthly fee increase effective January 1, 2023 and an increase in census; patient revenue from third- party payors increased \$0.4 million and amortization of entrance fees increased \$2.9 million both also due to an increase in census.

*Expenses:*

Operating expenses increased by \$7.1 million (5.3%) primarily related to a \$6.2 million increase in salary, wages and benefits attributable to an annual wage increase of 4% for all staff effective the third pay of the year along with additional market rate adjustments for certain positions up to an additional 2% increase. In addition, inflationary increases resulted in growth in utilities, insurance, and other expenses for an aggregate increase of \$1.4 million. Depreciation, amortization, and interest expense also increased in the aggregate by approximately \$0.9 million reflective of capital investments and expansions. These increases were offset by reductions in food and supplies in the amount of \$1.1 million as the organization moves towards a restaurant style cook to order food program.

*Operating Income:*

The increase in Operating Income of \$4.7 million comparing the quarter ended March 31, 2023, to the same quarter in 2022 was predominantly attributed to the increase in revenue (driven by an increase in census and rates) outpacing the increase in expenses.

***Statement of Cash Flows:***

*Cash Flows from Operating Activities:*

Net cash flows provided by operating activities decreased by \$0.9 million primarily due to a \$6.6 million decrease in working capital accounts related to the timing of payments offset by an increase of \$3.0 million in entrance fees from non-refundable resale contracts. An increase in the change in net assets was offset in part by the change in net realized and unrealized gains on investments resulting in a \$1.7 million increase.

*Cash Flows from Investing Activities:*

Net cash flows used in investing activities increased by \$6.6 million. This is primarily due to a \$10.2 million increase in property and equipment purchases offset by a decrease in investments of \$3.6 million.

*Cash Flows from Financing Activities:*

Net cash flows used in financing activities increased by \$33.2 million. This is primarily due to a \$12.3 million decrease in net proceeds related to short-term indebtedness as less was drawn on the line of credit for expansion projects during the first quarter of 2023 as the expansion projects wind down; an increase in payments on short-term indebtedness of \$14.1 million as initial sale entrance fees were higher, and an increase in the payments of accounts payable, construction of \$6.6 million.

**ACTS OBLIGATED GROUP**  
**STATEMENT OF FINANCIAL POSITION \***  
**MARCH 31, 2023 AND 2022**

	<b>ACTS Obligated Group 3/31/23</b>	<b>ACTS Obligated Group<sup>1</sup> 3/31/22</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 5,960,270	\$ 27,510,506
Investments	381,820,959	419,575,287
Accounts receivable and entrance fee receivables, net	20,201,525	17,330,753
Prepaid expenses, inventory, and deposits	10,645,323	10,169,144
Property and equipment, net	1,570,142,351	1,470,917,301
Goodwill	4,925,429	4,925,429
Deferred costs, net	10,416,827	8,176,038
Intangible asset	3,337,500	4,450,000
Due from affiliated organizations	25,653,018	20,614,040
	<u>\$ 2,033,103,202</u>	<u>\$ 1,983,668,498</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 89,149,331	\$ 95,794,293
Short-term indebtedness	129,097,053	95,258,429
Non-recourse indebtedness	15,707,581	17,812,403
Long-term indebtedness	786,009,377	810,484,432
Entrance fee deposits	19,049,378	19,090,973
Refundable portion of entrance fees	9,992,541	11,645,119
Deferred revenue from entrance fees	857,019,764	781,564,167
Accumulated loss on investment contracts	2,824,198	5,607,330
	<u>1,908,849,223</u>	<u>1,837,257,146</u>
<b>NET ASSETS</b>		
Without donor restrictions	96,268,880	117,060,785
With donor restrictions	27,985,099	29,350,567
	<u>124,253,979</u>	<u>146,411,352</u>
<b>TOTAL NET ASSETS</b>	<u>124,253,979</u>	<u>146,411,352</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 2,033,103,202</u>	<u>\$ 1,983,668,498</u>

\* Includes intercompany eliminations

<sup>1</sup> Restated to include The Evergreens and Presbyterian Retirement Corporation, Inc. dba Westminster Village



**ACTS OBLIGATED GROUP**  
**STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS\***  
**FOR THE PERIODS ENDED MARCH 31, 2023 AND 2022**

	QUARTER TO DATE		YEAR TO DATE	
	ACTS Obligated Group 3/31/23	ACTS Obligated Group <sup>1</sup> 3/31/22	ACTS Obligated Group 3/31/23	ACTS Obligated Group <sup>1</sup> 3/31/22
<b>OPERATING REVENUE</b>				
Resident services revenue, net of amortization of entrance fees	\$ 96,185,754	\$ 88,155,803	\$ 96,185,754	\$ 88,155,803
Patient revenue from third-party payors	9,990,383	9,606,785	9,990,383	9,606,785
Investment income	2,475,811	2,303,693	2,475,811	2,303,693
Net assets released from restriction to provide resident services	565,838	465,167	565,838	465,167
Other revenue	3,952,821	3,661,154	3,952,821	3,661,154
	<u>113,170,607</u>	<u>104,192,602</u>	<u>113,170,607</u>	<u>104,192,602</u>
Total operating revenue before amortization of entrance fees				
Amortization of entrance fees	29,835,976	26,962,744	29,835,976	26,962,744
	<u>143,006,583</u>	<u>131,155,346</u>	<u>143,006,583</u>	<u>131,155,346</u>
Total operating revenue				
<b>OPERATING EXPENSES</b>				
Salary, wages, and benefits	77,298,349	71,110,489	77,298,349	71,110,489
Contracted services	7,295,576	7,608,414	7,295,576	7,608,414
Utilities	7,733,982	6,691,865	7,733,982	6,691,865
Food	5,301,028	6,001,935	5,301,028	6,001,935
Supplies	5,328,550	5,728,734	5,328,550	5,728,734
Real estate taxes	3,093,249	3,075,927	3,093,249	3,075,927
Insurance	2,115,936	1,814,376	2,115,936	1,814,376
Other	4,807,057	4,706,091	4,807,057	4,706,091
	<u>112,973,727</u>	<u>106,737,831</u>	<u>112,973,727</u>	<u>106,737,831</u>
Total operating expenses before depreciation, amortization and interest				
Depreciation and amortization	22,074,788	21,397,973	22,074,788	21,397,973
Interest, net	7,172,070	6,969,200	7,172,070	6,969,200
	<u>142,220,585</u>	<u>135,105,004</u>	<u>142,220,585</u>	<u>135,105,004</u>
Total operating expenses				
<b>OPERATING INCOME (LOSS)</b>	<u>\$ 785,998</u>	<u>\$ (3,949,658)</u>	<u>\$ 785,998</u>	<u>\$ (3,949,658)</u>

\* Includes intercompany eliminations

<sup>1</sup> Restated to include The Evergreens and Presbyterian Retirement Corporation, Inc. dba Westminster Village

**ACTS OBLIGATED GROUP**  
**STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (CONTINUED)\***  
**FOR THE PERIODS ENDED MARCH 31, 2023 AND 2022**

	QUARTER TO DATE		YEAR TO DATE	
	ACTS Obligated Group 3/31/23	ACTS Obligated Group <sup>1</sup> 3/31/22	ACTS Obligated Group 3/31/23	ACTS Obligated Group <sup>1</sup> 3/31/22
<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>				
Operating income (loss)	\$ 785,998	\$ (3,949,658)	\$ 785,998	\$ (3,949,658)
Net unrealized gain (loss) on investments and investment contracts	7,560,503	(16,743,861)	7,560,503	(16,743,861)
Other Valuation Adjustment	(178,999)	(22,163)	(178,999)	(22,163)
Net gain on non-operating events	409,614	622,655	409,614	622,655
	<u>8,577,116</u>	<u>(20,093,027)</u>	<u>8,577,116</u>	<u>(20,093,027)</u>
Net operating gain (loss)				
Net assets released from restriction to acquire property and equipment	425,889	34,539	425,889	34,539
Change in net assets without donor restrictions	<u>9,003,005</u>	<u>(20,058,488)</u>	<u>9,003,005</u>	<u>(20,058,488)</u>
<b>CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS</b>				
Contributions	9,621	95,468	9,621	95,468
Investment income and realized gains	3,046	3,916	3,046	3,916
Net unrealized gain on investments	2,085	-	2,085	-
Change in split interest agreements	31,401	(156,888)	31,401	(156,888)
Net assets released from restriction to provide resident services	(92,402)	(71,239)	(92,402)	(71,239)
Net assets released from restriction to acquire property and equipment	(213,984)	(4,265)	(213,984)	(4,265)
Change in beneficial interest in investments of ACTS Legacy Foundation, Inc.	509,842	819,195	509,842	819,195
Change in net assets with donor restrictions	<u>249,609</u>	<u>686,187</u>	<u>249,609</u>	<u>686,187</u>
<b>CHANGE IN NET ASSETS</b>	<u>9,252,614</u>	<u>(19,372,301)</u>	<u>9,252,614</u>	<u>(19,372,301)</u>
<b>NET ASSETS, BEGINNING</b>	<u>115,001,365</u>	<u>165,783,653</u>	<u>115,001,365</u>	<u>165,783,653</u>
<b>NET ASSETS, ENDING</b>	<u>\$ 124,253,979</u>	<u>\$ 146,411,352</u>	<u>\$ 124,253,979</u>	<u>\$ 146,411,352</u>

\* Includes intercompany eliminations

<sup>1</sup> Restated to include The Evergreens and Presbyterian Retirement Corporation, Inc. dba Westminster Village

**ACTS OBLIGATED GROUP**  
**STATEMENT OF CASH FLOWS\***  
**FOR THE PERIODS ENDED MARCH 31, 2023 AND 2022**

	QUARTER TO DATE		YEAR TO DATE	
	ACTS Obligated Group 3/31/23	ACTS Obligated Group <sup>1</sup> 3/31/22	ACTS Obligated Group 3/31/23	ACTS Obligated Group <sup>1</sup> 3/31/22
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Change in net assets	\$ 9,252,614	\$ (19,372,301)	\$ 9,252,614	\$ (19,372,301)
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation and amortization	22,074,788	21,397,973	22,074,788	21,397,973
Other valuation adjustment	178,999	22,163	178,999	22,163
Amortization of entrance fees	(29,835,976)	(26,962,744)	(29,835,976)	(26,962,744)
Amortization of bond discount and premium	(754,724)	(775,595)	(754,724)	(775,595)
Amortization of deferred financing costs	171,901	180,908	171,901	180,908
Entrance fees from non-refundable resale contracts	22,945,384	18,930,887	22,945,384	18,930,887
Refunds of non-refundable entrance fees and deposits from resale contracts	(3,362,081)	(2,478,453)	(3,362,081)	(2,478,453)
Administrative fee included in gross entrance fees	(1,008,284)	(890,468)	(1,008,284)	(890,468)
Increase in deferred costs	(1,155,133)	(885,434)	(1,155,133)	(885,434)
Net realized and unrealized (gain) loss on investments	(8,033,991)	18,845,250	(8,033,991)	18,845,250
Change in fair value of investment contracts	506,836	(2,441,348)	506,836	(2,441,348)
Change in beneficial interest in investments of ACTS Legacy Foundation, Inc.	(509,842)	(819,195)	(509,842)	(819,195)
Net change in due to/from affiliated organizations	1,588,111	1,048,307	1,588,111	1,048,307
Changes in assets and liabilities:				
Decrease in accounts receivable	1,524,188	1,138,652	1,524,188	1,138,652
Decrease in prepaid expenses, inventory, and deposits	91,694	2,130,350	91,694	2,130,350
Increase in accounts payable and accrued expenses	22,652,066	28,135,606	22,652,066	28,135,606
Net cash provided by operating activities	<u>36,326,550</u>	<u>37,204,558</u>	<u>36,326,550</u>	<u>37,204,558</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of property and equipment	(30,107,259)	(40,340,601)	(30,107,259)	(40,340,601)
Decrease in investments	5,602,049	9,221,951	5,602,049	9,221,951
Net cash used in investing activities	<u>(24,505,210)</u>	<u>(31,118,650)</u>	<u>(24,505,210)</u>	<u>(31,118,650)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Entrance fees from initial sale contracts	5,273,690	6,282,010	5,273,690	6,282,010
Refunds of entrance fees and deposits from initial sale contracts	(562,495)	(882,740)	(562,495)	(882,740)
Refunds of refundable entrance fees	(993,499)	(1,858,335)	(993,499)	(1,858,335)
Payment of accounts payable, construction	(34,346,385)	(27,693,991)	(34,346,385)	(27,693,991)
Proceeds from short-term indebtedness	18,300,976	30,660,025	18,300,976	30,660,025
Payments on short-term indebtedness	(17,445,400)	(3,394,890)	(17,445,400)	(3,394,890)
Payments on non-recourse indebtedness	(406,638)	(101,236)	(406,638)	(101,236)
Principal payments on long-term indebtedness	(603,000)	(575,000)	(603,000)	(575,000)
Net cash (used in) provided by financing activities	<u>(30,782,751)</u>	<u>2,435,843</u>	<u>(30,782,751)</u>	<u>2,435,843</u>
<b>NET (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS</b>	(18,961,411)	8,521,751	(18,961,411)	8,521,751
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>86,641,182</u>	<u>117,098,405</u>	<u>86,641,182</u>	<u>117,098,405</u>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS, ENDING</b>	<u>\$ 67,679,771</u>	<u>\$ 125,620,156</u>	<u>\$ 67,679,771</u>	<u>\$ 125,620,156</u>
<b>Reconciliation of Cash and Restricted Cash to Balance Sheet</b>				
Cash and cash equivalents	\$ 5,960,270	\$ 27,510,506	\$ 5,960,270	\$ 27,510,506
Cash and cash equivalents included in investments	61,719,501	98,109,650	61,719,501	98,109,650
Total cash, cash equivalents and restricted cash and cash equivalents	<u>\$ 67,679,771</u>	<u>\$ 125,620,156</u>	<u>\$ 67,679,771</u>	<u>\$ 125,620,156</u>

\* Includes intercompany eliminations

<sup>1</sup> Restated to include The Evergreens and Presbyterian Retirement Corporation, Inc. dba Westminster Village

**ACTS OBLIGATED GROUP AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**MARCH 31, 2023 AND 2022**

	ACTS Obligated Group	Other Affiliates*	3/31/2023 Consolidated	3/31/2022 Consolidated
<b>ASSETS</b>				
Cash and cash equivalents	\$ 5,960,270	\$ 2,968,790	\$ 8,929,060	\$ 31,515,599
Investments	381,820,959	56,916,551	438,737,510	487,967,217
Accounts receivable and entrance fee receivables, net	20,201,525	5,284,542	25,486,067	21,945,706
Prepaid expenses, inventory, and deposits	10,645,323	1,104,966	11,750,289	11,385,019
Property and equipment, net	1,570,142,351	195,102,921	1,765,245,272	1,652,402,712
Goodwill	4,925,429	104,538,479	109,463,908	109,463,908
Deferred costs, net	10,416,827	1,543,298	11,960,125	9,472,725
Intangible asset	3,337,500	-	3,337,500	4,450,000
Due from affiliated organizations	25,653,018	(25,653,018)	-	-
<b>TOTAL ASSETS</b>	<b>\$ 2,033,103,202</b>	<b>\$ 341,806,529</b>	<b>\$ 2,374,909,731</b>	<b>\$ 2,328,602,886</b>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 89,149,331	\$ 13,688,603	\$ 102,837,934	\$ 110,248,526
Short-term indebtedness	129,097,053	-	129,097,053	95,258,429
Non-recourse indebtedness	15,707,581	-	15,707,581	17,812,403
Long-term indebtedness	786,009,377	137,078,034	923,087,411	951,159,715
Charitable gift annuity obligations	-	2,093,677	2,093,677	2,546,223
Entrance fee deposits	19,049,378	1,087,132	20,136,510	19,859,083
Refundable portion of entrance fees	9,992,541	70,101,424	80,093,965	92,668,820
Deferred revenue from entrance fees	857,019,764	92,683,941	949,703,705	861,758,557
Accumulated loss on investment contracts	2,824,198	-	2,824,198	5,607,330
<b>TOTAL LIABILITIES</b>	<b>1,908,849,223</b>	<b>316,732,811</b>	<b>2,225,582,034</b>	<b>2,156,919,086</b>
<b>NET ASSETS</b>				
Without donor restrictions	96,268,880	11,081,528	107,350,408	127,255,627
With donor restrictions	27,985,099	13,992,190	41,977,289	44,428,173
<b>TOTAL NET ASSETS</b>	<b>124,253,979</b>	<b>25,073,718</b>	<b>149,327,697</b>	<b>171,683,800</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,033,103,202</b>	<b>\$ 341,806,529</b>	<b>\$ 2,374,909,731</b>	<b>\$ 2,328,602,886</b>

\* Includes ACTS Legacy Foundation, Inc., ACTS Acquisition and Development Company LLC, Integrate, Inc. dba ACTS Retirement-Life Communities of Maryland, and associated intercompany eliminations.

**ACTS OBLIGATED GROUP AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS**  
**FOR THE PERIODS ENDED MARCH 31, 2023 AND 2022**

	ACTS Obligated Group	Other Affiliates*	3/31/2023 Consolidated	3/31/2022 Consolidated
<b>OPERATING REVENUE</b>				
Resident services revenue, net of amortization of entrance fees	\$ 96,185,754	\$ 14,714,575	\$ 110,900,329	\$ 101,267,670
Patient revenue from third-party payors	9,990,383	3,055,130	13,045,513	12,517,491
Investment income	2,475,811	181,371	2,657,182	2,461,125
Net assets released from restriction to provide resident services	565,838	154,073	719,911	602,648
Other revenue (loss)	3,952,821	1,690,235	5,643,056	3,009,011
Total operating revenue before amortization of entrance fees	113,170,607	19,795,384	132,965,991	119,857,945
Amortization of entrance fees	29,835,976	3,215,804	33,051,780	29,982,300
Total operating revenue	143,006,583	23,011,188	166,017,771	149,840,245
<b>OPERATING EXPENSES</b>				
Salaries, wages, and benefits	77,298,349	11,948,264	89,246,613	81,620,003
Contracted services	7,295,576	2,462,882	9,758,458	8,727,430
Utilities	7,733,982	1,440,412	9,174,394	7,869,789
Food	5,301,028	787,425	6,088,453	6,876,002
Supplies	5,328,550	796,911	6,125,461	6,460,053
Real estate taxes	3,093,249	331,526	3,424,775	3,392,303
Insurance	2,115,936	229,268	2,345,204	2,025,691
Other	4,807,057	641,023	5,448,080	5,323,944
Total operating expenses before depreciation, amortization and interest	112,973,727	18,637,711	131,611,438	122,295,215
Depreciation and amortization	22,074,788	2,031,299	24,106,087	23,263,350
Interest, net	7,172,070	988,772	8,160,842	7,879,087
Total operating expenses	142,220,585	21,657,782	163,878,367	153,437,652
<b>OPERATING INCOME (LOSS)</b>	<b>\$ 785,998</b>	<b>\$ 1,353,406</b>	<b>\$ 2,139,404</b>	<b>\$ (3,597,407)</b>

\* Includes ACTS Legacy Foundation, Inc., ACTS Acquisition and Development Company LLC, Integrate, Inc. dba ACTS Retirement-Life Communities of Maryland, 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, 2023 AND 2022**

	ACTS Obligated Group	Other Affiliates*	3/31/2023 Consolidated	3/31/2022 Consolidated
<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>				
Operating income (loss)	\$ 785,998	\$ 1,353,406	\$ 2,139,404	\$ (3,597,407)
Net unrealized gain (loss) on investments and investment contracts	7,560,503	280,892	7,841,395	(18,554,348)
Other valuation adjustment	(178,999)	(337,040)	(516,039)	(373,834)
Net gain on non-operating events	409,614	-	409,614	622,655
Net operating income (loss)	8,577,116	1,297,258	9,874,374	(21,902,934)
Net assets released from restriction to acquire property and equipment	425,889	80,510	506,399	45,334
Change in net assets without donor restrictions	<u>\$ 9,003,005</u>	<u>\$ 1,377,768</u>	<u>\$ 10,380,773</u>	<u>\$ (21,857,600)</u>
<b>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS</b>				
Contributions	9,621	893,745	903,366	1,222,884
Investment income	3,046	102,951	105,997	34,963
Net unrealized gain on investments	2,085	661,116	663,201	-
Change in split interest agreements	31,401	151,558	182,959	(27,348)
Net assets released from restriction to provide resident services	(92,402)	(627,509)	(719,911)	(646,748)
Net assets released from restriction to acquire property and equipment	(213,984)	(292,415)	(506,399)	(45,334)
Change in beneficial interest in investments of ACTS Legacy Foundation, Inc.	509,842	(509,842)	-	-
Change in net assets with donor restrictions	249,609	379,604	629,213	538,417
<b>CHANGE IN NET ASSETS</b>	9,252,614	1,757,372	11,009,986	(21,319,183)
<b>NET ASSETS, BEGINNING</b>	115,001,365	23,316,346	138,317,711	193,002,983
<b>NET ASSETS, ENDING</b>	<u>\$ 124,253,979</u>	<u>\$ 25,073,718</u>	<u>\$ 149,327,697</u>	<u>\$ 171,683,800</u>

\* Includes ACTS Legacy Foundation, Inc., ACTS Acquisition and Development Company LLC, Integrate, Inc. dba ACTS Retirement-Life Communities of Maryland, and associated intercompany eliminations.

**ACTS OBLIGATED GROUP AND AFFILIATES  
CONSOLIDATING STATEMENT OF CASH FLOWS  
FOR THE PERIODS ENDED MARCH 31, 2023 AND 2022**

	ACTS Obligated Group	Other Affiliates*	3/31/2023 Consolidated	3/31/2022 Consolidated
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Change in net assets without donor restrictions	\$ 9,252,614	\$ 1,757,372	\$ 11,009,986	\$ (21,319,183)
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation and amortization	22,074,788	2,031,299	24,106,087	23,263,350
Other valuation adjustment	178,999	337,040	516,039	373,834
Amortization of entrance fees	(29,835,976)	(3,215,804)	(33,051,780)	(29,982,300)
Amortization of bond premium and discount	(754,724)	(207,001)	(961,725)	(975,974)
Amortization of deferred financing costs	171,901	12,301	184,202	193,188
Entrance fees from non-refundable resale contracts	22,945,384	2,522,575	25,467,959	21,431,629
Refunds of non-refundable entrance fees and deposits from resale contracts	(3,362,081)	(882,393)	(4,244,474)	(3,324,240)
Administrative fee included in gross entrance fees	(1,008,284)	(80,620)	(1,088,904)	(1,005,273)
Increase in deferred costs	(1,155,133)	(212,132)	(1,367,265)	(997,491)
Net realized and unrealized loss on investments	(8,033,991)	(985,088)	(9,019,079)	20,601,855
Change in fair value of investment contracts	506,836	-	506,836	(2,441,348)
Change in beneficial interest in investments of ACTS Legacy Foundation, Inc.	(509,842)	509,842	-	-
Net change in due to/from affiliated organizations	1,588,111	(1,588,111)	-	-
Changes in assets and liabilities:				
Decrease (increase) in accounts receivables	1,524,188	(402,126)	1,122,062	884,339
Decrease in prepaid expenses, inventory, and deposits	91,694	322,199	413,893	2,479,905
Increase in accounts payable and accrued expenses	22,652,066	2,409,323	25,061,389	30,548,817
Net cash provided by operating activities	36,326,550	2,328,676	38,655,226	39,731,108
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of property and equipment	(30,107,259)	(3,019,082)	(33,126,341)	(44,326,974)
Decrease in investments	5,602,049	119,885	5,721,934	10,998,677
Net cash used in investing activities	(24,505,210)	(2,899,197)	(27,404,407)	(33,328,297)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Entrance fees from initial sale contracts	5,273,690	-	5,273,690	6,282,010
Refunds of entrance fees and deposits from initial sale contracts	(562,495)	-	(562,495)	(882,740)
Refunds of refundable entrance fees	(993,499)	(4,443,646)	(5,437,145)	(6,870,799)
Payment of accounts payable, construction	(34,346,385)	(4,174,367)	(38,520,752)	(29,281,340)
Proceeds from short-term indebtedness	18,300,976	-	18,300,976	30,660,025
Increase in charitable gift annuity obligations	-	36,627	36,627	44,497
Payments on charitable gift annuity obligations	-	(275,303)	(275,303)	(160,159)
Payments on short-term indebtedness	(17,445,400)	-	(17,445,400)	(3,394,890)
Payments on non-recourse indebtedness	(406,638)	-	(406,638)	(101,236)
Principal payments on long-term indebtedness	(603,000)	(245,000)	(848,000)	(815,000)
Net cash used in financing activities	(30,782,751)	(9,101,689)	(39,884,440)	(4,519,632)
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(18,961,411)	(9,672,210)	(28,633,621)	1,883,179
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	86,641,182	30,636,992	117,278,174	153,802,765
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	\$ 67,679,771	\$ 20,964,782	\$ 88,644,553	\$ 155,685,944
<b>Reconciliation of Cash and Restricted Cash to Balance Sheet</b>				
Cash and cash equivalents	\$ 5,960,270	\$ 2,968,790	\$ 8,929,060	\$ 31,515,599
Cash and cash equivalents included in investments	61,719,501	17,995,992	79,715,493	124,170,345
Total cash, cash equivalents and restricted cash and cash equivalents	\$ 67,679,771	\$ 20,964,782	\$ 88,644,553	\$ 155,685,944

\* Includes ACTS Legacy Foundation, Inc., ACTS Acquisition and Development Company LLC, Integrate, Inc. dba ACTS Retirement-Life Communities of Maryland, and associated intercompany eliminations.

**ACTS OBLIGATED GROUP  
CENSUS SUMMARY  
AS OF MARCH 31, 2023 AND 2022**

<b>CENSUS SUMMARY</b>	<b>2023 <u>ACTUAL</u></b>	<b>2022 <u>ACTUAL*</u></b>
<b>INDEPENDENT LIVING UNITS</b>		
<b>AVAILABLE</b>	5,923	5,915
<b>OCCUPIED</b>	5,417	5,318
<b>OCCUPANCY %</b>	91.5%	89.9%
<b># OF RESIDENTS:</b>		
<b>LIFECARE</b>	6,981	6,907
<b>NON-LIFECARE</b>	76	77
<b>TOTAL</b>	7,057	6,984
<b>RESIDENTS PER INDEPENDENT LIVING UNIT</b>	1.30	1.31
<b>ASSISTED LIVING UNITS</b>		
<b>AVAILABLE</b>	934	932
<b>OCCUPIED</b>	720	717
<b>OCCUPANCY %</b>	77.1%	76.9%
<b># OF RESIDENTS:</b>		
<b>LIFECARE</b>	651	651
<b>PRIVATE PAY</b>	69	66
<b>SKILLED NURSING FACILITY</b>		
<b>AVAILABLE</b>	1,294	1,303
<b>OCCUPIED</b>	1,071	1,057
<b>OCCUPANCY %</b>	82.8%	81.1%
<b># OF RESIDENT DAYS:</b>		
<b>LIFECARE RESIDENTS</b>	73,582	72,073
<b>MEDICARE/MEDICAID</b>	12,800	13,476
<b>PRIVATE PAY/CONT. CARE CONTRACT</b>	10,054	9,532
<b>TOTAL</b>	96,436	95,081

\* Restated to include The Evergreens and Presbyterian Retirement Corporation, Inc. dba Westminster Village



**ACTS OBLIGATED GROUP  
MARKETING SUMMARY  
FOR THE PERIODS ENDED MARCH 31, 2023 AND 2022**

	<u>2023 ACTUAL</u>	<u>2022 ACTUAL*</u>
<b>INDEPENDENT LIVING UNITS RESALE ACTIVITY</b>		
<b>CASH BASIS</b>		
<b>GROSS ENTRANCE FEES \$</b>	22,945,384	18,930,887
<b>REFUNDS \$</b>	(4,355,580)	(4,332,788)
<b>NET ENTRANCE FEES</b>	18,589,804	14,598,099
<b>MOVE IN BASIS</b>		
<b>GROSS RESALE \$</b>	10,808,875	13,853,130
<b>RESALE #</b>	39	45
<b>AVERAGE \$</b>	277,151	307,847
<b>INDEPENDENT LIVING UNITS INITIAL SALE ACTIVITY</b>		
<b>CASH BASIS</b>		
<b>GROSS ENTRANCE FEES \$</b>	5,273,690	6,282,010
<b>REFUNDS \$</b>	(562,495)	(882,740)
<b>NET ENTRANCE FEES</b>	4,711,195	5,399,270
<b>MOVE IN BASIS</b>		
<b>GROSS INITIAL SALE \$</b>	9,071,375	4,924,200
<b>INITIAL SALE #</b>	14	8
<b>AVERAGE \$</b>	647,955	615,525

\* Restated to include The Evergreens and Presbyterian Retirement Corporation, Inc. dba Westminster Village



**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, 2027 and  
Accountants' Compilation Report

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

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## 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, 2027, 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  
May 30, 2023

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

Projected Special-Purpose Combined Balance Sheets  
Under the Hypothetical Assumptions Described in Note 1  
December 31, 2023 through 2027  
(In Thousands)

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
<b>Assets</b>					
Current Assets					
Cash and cash equivalents	\$ 19,077	\$ 19,126	\$ 19,156	\$ 19,263	\$ 19,361
Board-designated funds	246,233	255,942	264,067	279,930	295,094
Accounts receivables and entrance fee receivables, net	26,243	27,424	28,237	29,185	30,164
Prepaid expenses, inventory, and deposits	11,349	11,715	12,046	12,440	12,861
Due from affiliated organizations	<u>26,891</u>	<u>26,541</u>	<u>26,191</u>	<u>25,691</u>	<u>25,191</u>
Total current assets	329,793	340,748	349,697	366,509	382,671
Board-Designated Funds	10,000	10,000	10,000	10,000	10,000
Assets Whose Use is Limited	139,291	130,868	125,218	112,341	115,840
North Carolina Operating Reserve Funds	9,790	10,084	10,387	10,698	11,019
Property and Equipment, net	1,651,918	1,666,257	1,685,014	1,708,903	1,716,201
Intangible asset	8,485	8,485	8,485	8,485	8,485
Deferred Costs, net	<u>11,335</u>	<u>12,959</u>	<u>13,828</u>	<u>14,686</u>	<u>15,372</u>
Total assets	<u>\$ 2,160,612</u>	<u>\$ 2,179,401</u>	<u>\$ 2,202,629</u>	<u>\$ 2,231,622</u>	<u>\$ 2,259,588</u>
<b>Liabilities and Net Assets</b>					
Current Liabilities					
Accounts payable and accrued expenses	\$ 103,732	\$ 105,637	\$ 108,274	\$ 111,861	\$ 115,804
Entrance fee deposits	18,198	18,744	19,760	21,381	22,119
Short-term indebtedness	108,482	69,482	65,982	59,857	53,120
Current maturity of nonrecourse indebtedness	1,625	1,637	450	462	-
Current maturities of long-term debt	<u>23,769</u>	<u>24,441</u>	<u>26,861</u>	<u>27,696</u>	<u>28,461</u>
Total current liabilities	255,806	219,941	221,327	221,257	219,504
Long-term indebtedness	827,884	801,106	771,794	741,531	710,392
Nonrecourse indebtedness	12,873	11,236	10,786	10,324	10,324
Refundable portion of entrance fees	10,027	9,172	8,360	7,588	6,855
Deferred revenue from entrance fees	931,904	1,010,469	1,056,655	1,109,552	1,161,764
Accumulated loss on investment contracts	<u>2,317</u>	<u>2,317</u>	<u>2,317</u>	<u>2,317</u>	<u>2,317</u>
Total liabilities	<u>2,040,811</u>	<u>2,054,241</u>	<u>2,071,239</u>	<u>2,092,569</u>	<u>2,111,156</u>
<b>Net Assets</b>					
Without donor restrictions	90,551	94,365	99,018	105,073	112,811
With donor restrictions	<u>29,250</u>	<u>30,795</u>	<u>32,372</u>	<u>33,980</u>	<u>35,621</u>
Total net assets	<u>119,801</u>	<u>125,160</u>	<u>131,390</u>	<u>139,053</u>	<u>148,432</u>
Total liabilities and net assets	<u>\$ 2,160,612</u>	<u>\$ 2,179,401</u>	<u>\$ 2,202,629</u>	<u>\$ 2,231,622</u>	<u>\$ 2,259,588</u>

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, 2027

(In Thousands)

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
<b>Operating Revenue</b>					
Resident services revenue, net of amortization of entrance fees	\$ 390,573	\$ 409,132	\$ 421,242	\$ 435,562	\$ 450,337
Patient revenue from third-party payors	44,822	45,853	47,229	48,646	50,105
Investment income	8,807	7,787	8,038	8,353	8,741
Net assets released from restrictions to provide resident services	2,588	2,666	2,746	2,828	2,913
Contributions	115	118	122	125	129
Other revenue	<u>16,239</u>	<u>16,466</u>	<u>16,876</u>	<u>17,382</u>	<u>17,904</u>
Total operating revenue before amortization of entrance fees	463,144	482,022	496,253	512,896	530,129
Amortization of entrance fees	<u>119,509</u>	<u>120,294</u>	<u>123,663</u>	<u>130,062</u>	<u>136,227</u>
Total operating revenue	<u>582,653</u>	<u>602,316</u>	<u>619,916</u>	<u>642,958</u>	<u>666,356</u>
<b>Operating Expenses</b>					
Administrative and general	130,871	135,547	138,808	144,406	150,843
Health care	93,301	96,100	98,973	101,923	104,952
Property management	84,773	87,316	89,877	92,457	95,055
Culinary services	78,866	81,497	84,000	86,556	89,204
Resident care	54,345	55,975	57,647	59,361	61,120
Environmental services	<u>18,127</u>	<u>18,671</u>	<u>19,229</u>	<u>19,802</u>	<u>20,390</u>
Total operating expenses before depreciation, amortization, and interest	460,283	475,106	488,534	504,505	521,564
Depreciation and amortization	90,321	94,388	99,110	105,984	111,945
Interest, net	<u>30,349</u>	<u>30,752</u>	<u>29,641</u>	<u>28,497</u>	<u>27,255</u>
Total operating expenses	<u>580,953</u>	<u>600,246</u>	<u>617,285</u>	<u>638,986</u>	<u>660,764</u>
Net operating income	<u>1,700</u>	<u>2,070</u>	<u>2,631</u>	<u>3,972</u>	<u>5,592</u>

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, 2027  
(In Thousands)

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
<b>Changes in Net Assets Without Donor Restrictions</b>					
Net operating income	\$ 1,700	\$ 2,070	\$ 2,631	\$ 3,972	\$ 5,592
Net assets released from restrictions to acquire property and equipment	<u>1,586</u>	<u>1,744</u>	<u>2,022</u>	<u>2,083</u>	<u>2,146</u>
Changes in net assets without donor restrictions	3,286	3,814	4,653	6,055	7,738
<b>Changes in Net Assets With Donor Restrictions</b>					
Change in beneficial interest in investments of ACTS Legacy Foundation, Inc. (ALF)	<u>1,515</u>	<u>1,545</u>	<u>1,577</u>	<u>1,608</u>	<u>1,641</u>
Increase in net assets	4,801	5,359	6,230	7,663	9,379
<b>Net Assets, Beginning</b>	<u>115,000</u>	<u>119,801</u>	<u>125,160</u>	<u>131,390</u>	<u>139,053</u>
<b>Net Assets, Ending</b>	<u>\$ 119,801</u>	<u>\$ 125,160</u>	<u>\$ 131,390</u>	<u>\$ 139,053</u>	<u>\$ 148,432</u>

**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, 2027  
(In Thousands)

	2023	2024	2025	2026	2027
<b>Cash Flows From Operating Activities</b>					
Increase in net assets	\$ 4,801	\$ 5,359	\$ 6,230	\$ 7,663	\$ 9,379
Adjustments to reconcile increase in net assets to net cash provided by operating activities:					
Depreciation and amortization	90,321	94,388	99,110	105,984	111,945
Amortization of entrance fees	(119,509)	(120,294)	(123,663)	(130,062)	(136,227)
Amortization of bond discount and premium, net	(3,009)	(3,038)	(3,145)	(3,255)	(3,366)
Amortization of deferred financing costs	718	701	694	688	688
Entrance fees and deposits from non-refundable resale contracts	186,047	191,612	202,442	219,575	226,211
Refunds of entrance fees and deposits from non-refundable resale contracts	(20,240)	(19,704)	(21,506)	(24,097)	(25,760)
Administrative fee included in gross entrance fees	(9,122)	(11,503)	(10,071)	(10,898)	(11,274)
Increase in deferred costs	(3,608)	(3,911)	(3,425)	(3,705)	(3,834)
Change in beneficial interest in investments of ALF	(1,515)	(1,545)	(1,577)	(1,608)	(1,641)
Net change in due from affiliated organizations	349	350	350	500	500
Changes in assets and liabilities:					
Increase in accounts receivable and entrance fee receivables	(1,072)	(1,181)	(813)	(948)	(979)
Increase in prepaid expenses, inventory, and deposits	(613)	(366)	(331)	(394)	(421)
Increase in accounts payable and accrued expenses	3,128	1,905	2,637	3,587	3,943
Net cash provided by operating activities	<u>126,676</u>	<u>132,773</u>	<u>146,932</u>	<u>163,030</u>	<u>169,164</u>
<b>Cash Flows From Investing Activities</b>					
Purchase of property and equipment	(161,956)	(86,770)	(103,603)	(114,342)	(102,122)
Increase in investments	<u>(18,716)</u>	<u>(11,473)</u>	<u>(9,931)</u>	<u>(17,711)</u>	<u>(17,056)</u>
Net cash used in investing activities	<u>(180,672)</u>	<u>(98,243)</u>	<u>(113,534)</u>	<u>(132,053)</u>	<u>(119,178)</u>
<b>Cash Flows From Financing Activities</b>					
Entrance fees from initial sale contracts	26,743	39,000	-	-	-
Refunds of refundable entrance fees	(900)	(855)	(812)	(772)	(733)
Payment of accounts payable, construction	(16,862)	(19,670)	(11,708)	(12,684)	(13,973)
Proceeds from short-term indebtedness	59,983	-	-	-	-
Net proceeds from long-term indebtedness	90,865	-	-	-	-
Increase in deferred financing costs	(865)	-	-	-	-
Payments on short-term indebtedness	(79,743)	(39,000)	(3,500)	(6,125)	(6,737)
Payments on nonrecourse indebtedness	(1,615)	(1,625)	(1,637)	(450)	(462)
Payments on long-term indebtedness	<u>(23,252)</u>	<u>(23,769)</u>	<u>(24,441)</u>	<u>(26,861)</u>	<u>(27,696)</u>
Net cash provided by (used in) financing activities	<u>54,354</u>	<u>(45,919)</u>	<u>(42,098)</u>	<u>(46,892)</u>	<u>(49,601)</u>
Net increase (decrease) in cash, cash equivalents and restricted cash and cash equivalents	358	(11,389)	(8,700)	(15,915)	385
<b>Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning</b>	<u>86,050</u>	<u>86,408</u>	<u>75,019</u>	<u>66,319</u>	<u>50,404</u>
<b>Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Ending</b>	<u>\$ 86,408</u>	<u>\$ 75,019</u>	<u>\$ 66,319</u>	<u>\$ 50,404</u>	<u>\$ 50,789</u>
<b>Supplemental Disclosure of Noncash Financing Activities</b>					
Proceeds from long-term debt to repay short-term debt	<u>\$ 53,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

## **Summary of Significant Projection Assumptions and Accounting Policies**

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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 May 30, 2023, 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 22 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.

### **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), is a not-for-profit Pennsylvania corporation providing management, marketing and development services to senior living providers. AMS is the sole member of ACTS Retirement-Life Communities Management, LLC, (ARLCM), and ACTS Alliance Management, LLC (AAM), both Pennsylvania limited liability companies. ARLCM provides management, marketing and development services to ACTS and affiliated entities. AAM provides management and related services to Willow Valley Communities, a not-for profit Pennsylvania corporation that provides residential, personal care, and skilled care services to senior adults in its continuing care retirement community (CCRC) located in Pennsylvania.

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

### Summary of Significant Projection Assumptions and Accounting Policies

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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 21 CCRCs as divisions within the legal entity of ACTS, and 5 CCRCs within 2 separate, related legal entities (the Affiliates). On December 31, 2022, The Evergreens (EG), an entity under common control, and a not-for-profit New Jersey corporation merged into ACTS and is operating as one of the 21 CCRCs within the legal entity of ACTS.

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. AADC is the sole corporate member of the following Affiliates:

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

Integrace, Inc. d/b/a ACTS Retirement-Life Communities of Maryland (ARLC MD), a not-for-profit Maryland corporation which operates 4 CCRCs, located in Maryland. On December 31, 2022, Heron Point of Chestertown, Inc. (HP), an entity under common control, and a not-for-profit Maryland corporation merged into ARLC MD and is operating as one of the 4 CCRCs within the legal entity of ARLC MD.

On December 31, 2022, ACTS became the sole member of the following entities whose sole member had previously been ARS:

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

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 the Affiliates.

The ACTS Obligated Group includes ACTS, AMS, ARLCM, AAM and ASCS, and PRC under the terms of a Master Trust Indenture (Note 6). EG and PRC were added to the Obligated Group during 2022.

All of the above organizations, with the exception of AADC, ARLCM 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, ARLCM 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, ARLCM and AAM are disregarded entities for federal tax purposes, AADC, ARLCM 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.

In April 2023, ACTS signed a letter of intent to explore an affiliation with Mease Life (ML). ML is a not-for-profit continuing care retirement community in Dunedin, Florida, that is home to approximately 350 residents. Under the proposed agreement, ML will become an ACTS affiliate through its affiliate AADC. A due diligence review is underway with an affiliation anticipated to commence in the fall of 2023 subject to board approval.

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

## Summary of Significant Projection Assumptions and Accounting Policies

### 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, ARLC MD 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>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
	(In Thousands)				
Cash and cash equivalents	\$ 19,077	\$ 19,126	\$ 19,156	\$ 19,263	\$ 19,361
Cash and cash equivalents included in investments and assets whose use is limited	<u>67,331</u>	<u>55,893</u>	<u>47,163</u>	<u>31,141</u>	<u>31,428</u>
Total cash, cash equivalents and restricted cash and cash equivalents	<u>\$ 86,408</u>	<u>\$ 75,019</u>	<u>\$ 66,319</u>	<u>\$ 50,404</u>	<u>\$ 50,789</u>

#### 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

Investments with readily determinable fair values are measured at fair value in the projected 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 projected 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. 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.

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

### **Summary of Significant Projection Assumptions and Accounting Policies**

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The Company's investments are comprised of a variety of financial instruments. The fair values 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 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, 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 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 55 years
Furniture, fixtures and equipment	3 to 10 years

Projected depreciation expense (in thousands) is \$88,341, \$92,101, \$96,554, \$103,137 and \$108,797 in 2023 through 2027, respectively.

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)**

### Summary of Significant Projection Assumptions and Accounting Policies

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#### **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) \$1,980, \$2,287, \$2,556, \$2,847 and \$3,148 in 2023 through 2027, respectively.

#### **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. Projected amortization expense, which is included as a component of interest expense, is (in thousands) \$718, \$701, \$694, \$688 and \$688 in 2023 through 2027, 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, 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 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

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#### **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 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 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)**

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### 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 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 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 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

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#### **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 \$90,865,000. The proceeds from the issuance are assumed to provide for the payoff of 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 2054 and carry a fixed interest rate of 4.0%.

Long-term debt is projected to be comprised of approximately 77% fixed rate, tax-exempt revenue bonds, 15% fixed rate, taxable revenue bonds and taxable term loans, and 7% 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:		
2023	\$	23,252
2024		23,769
2025		24,441
2026		26,861
2027		27,696
2028 - 2032		158,290
2033 - 2037		179,234
2038 - 2042		155,910
Thereafter		214,266
		<hr/>
Total	\$	833,719
		<hr/>

#### **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**

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Growth of occupied independent living units will be achieved as resales are expected to outpace turnover in 2023. During 2022, the Company's independent living units operated at an average occupancy level of 90%. Management projected level average independent living occupancy in 2023 followed by gradual increases in average independent living occupancy during the remainder of the projection period as follows: 90% in 2023, 92% in 2024, and 93% in 2025 through 2027 based on historical trends. During 2022, the Company's assisted living units operated at an average occupancy level of 77%. Management projected average assisted living occupancy to be 78% in 2023 and 79% in 2024 to 2027. During 2022, the Company's skilled care units operated at an average occupancy level of 82%. Management projected average skilled care occupancy to be 83% 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, 2022, the Company has a beneficial interest in the investments of ALF of \$24,790,000. 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 2.7% 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, 2022 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) \$4,796, \$4,701, \$3,651, \$3,413 and \$3,095 in 2023 through 2027, 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 22 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>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
	(In Thousands)				
Investments related to:					
Investments without donor restrictions	\$ 248,760	\$ 258,469	\$ 266,594	\$ 282,457	\$ 297,621
State reserves - NC	9,790	10,084	10,387	10,698	11,019
State reserves - other	60,137	61,553	63,003	64,489	66,011
Donor-restricted funds	2,755	2,755	2,755	2,755	2,755
Real estate held for investment at cost	4,718	4,718	4,718	4,718	4,718
Beneficial interest in the investments of ALF	26,495	28,040	29,617	31,225	32,866
Debt and project construction reserves	<u>52,659</u>	<u>41,275</u>	<u>32,598</u>	<u>16,627</u>	<u>16,963</u>
Total	<u>\$ 405,314</u>	<u>\$ 406,894</u>	<u>\$ 409,672</u>	<u>\$ 412,969</u>	<u>\$ 431,953</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, 2022 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 71 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.

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

### Summary of Significant Projection Assumptions and Accounting Policies

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#### **9. Cash Flows Assumptions**

Entrance fees from resales are projected to increase as the result of increased occupancy and entrance fee price increases of 3.0% 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.

#### **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.

##### **Gwynedd Estates**

It is assumed that a new skilled nursing center will be built on the campus during the projection period. The construction period is expected to be 2023 to 2025 with a projected cost of \$14,000,000. Construction costs will be funded by the permanent financing done in 2023.

##### **Spring House Estates**

It is assumed that the skilled nursing center will be renovated during the projection period at an expected cost of \$10,600,000. The renovations will primarily include privacy enhancements in resident rooms and will be completed over the course of 2023 to 2026. 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 privacy enhancements in resident rooms. The renovation period is expected to be 2023 to 2025, and the cost of the renovations is approximately \$11,100,000 and will be funded by the permanent financing done in 2020.

##### **Lima Estates**

It is assumed that the skilled nursing center and the main dining room will be renovated during the projection period, including privacy enhancements in the skilled nursing rooms and renovations to the main dining room. The renovations have an expected cost of \$7,600,000 that will be funded by the permanent financing done in 2020 and will be completed in 2026.

##### **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 2023 to 2025. 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 \$8,200,000 and will be funded by the permanent financing done in 2020.

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

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### Summary of Significant Projection Assumptions and Accounting Policies

#### **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 were 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 5.04%, 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 5.04%. 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.

#### **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 completed in 2023 with a projected cost of \$2,700,000. 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 2022 to 2023 with a projected cost of \$13,000,000 and will be funded by an established line of credit bearing interest at 5.04%. 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 apartment connectors will be built on the campus during the projection period. The construction period is expected to be 2023 to 2027 with a projected cost of \$3,000,000. 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.

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

### Summary of Significant Projection Assumptions and Accounting Policies

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#### **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.

#### **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.



**ATTACHMENT NO. 4**

RESIDENT CONTRACT

ACTS RETIREMENT-LIFE COMMUNITIES, INC.





*Where Loving-Kindness Lives*

# **RESIDENT CONTRACT**

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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**

\_\_\_\_\_  
\_\_\_\_\_

**THIS PAGE INTENTIONALLY LEFT BLANK.**

**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**

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**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

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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**

DESCRIPTION OF ALL FEES REQUIRED OF RESIDENT  
INCLUDING THE ENTRANCE AND MONTHLY FEE





## Matthews Glen Signature Pricing

To fit your individual goals, preferences, and budget, Acts offers a variety of affordable financial options. Pricing plans can be tailored to your individual income, asset and insurance situation. Each individual residence is priced to reflect the many attributes of that particular residence. Your Life Care Consultant will help you decide on the location and pricing plan that best suits your preferences. Pricing plans include:



### **Acts Life Care<sup>®</sup> Premier**

The most popular of the Acts financial options, Acts Life Care Premier features an entrance fee and monthly fee that secure your residency at an Acts community. With Acts Life Care, monthly fees will never increase solely as a result of needing a higher level of care. The entrance fee (less an administrative fee) amortizes over a 50-month period with the unamortized balance returned to you or your estate should you no longer reside at the community during that period.



### **Acts Life Care 50**

Acts Life Care 50 offers a refund of 50% of the net entrance fee for those who wish to provide a financial legacy. Under this plan, the entrance fee (less an administrative fee) amortizes over a 25-month period, with the balance being returned to you or your estate when your period of occupancy ends.



### **Acts Modified Life Care**

Acts Modified Life Care is a desirable plan for anyone who already carries comprehensive long-term care insurance and chooses to maintain it throughout their residency. You pay a lower entrance fee and lower monthly fee with this plan during your time in independent living. If you later require care, your long-term care insurance policy will be used toward the per diem care costs for a cumulative period of three years, after which time your fees revert to the Acts Modified Life Care monthly fee in effect at that time. The entrance fee (less an administrative fee) amortizes over a 50-month period with the balance returned to you or your estate should you no longer reside at the community during that period.



## Acts Life Care Premier / Age 62 and up

LIVING ACCOMMODATION		APPROX. SQ. FT.	ENTRANCE FEE	MONTHLY FEE
<b>Summerfield</b>	Studio	635	\$192,900-\$213,900	\$2,800
<b>Lexington</b>	1 Bedroom	750	\$278,900-\$307,900	\$2,966
<b>Fletcher</b>	1 Bedroom with Den	964	\$336,900-\$364,900	\$3,192
<b>Clayton</b>	2 Bedroom	1,066	\$358,900-\$395,900	\$3,470
<b>Wilmington</b>	2 Bedroom Deluxe	1,141	\$375,900-\$406,900	\$3,860
<b>Thomasville</b>	2 Bedroom	1,165	\$379,900-\$419,900	\$3,860
<b>Holly Springs</b>	3 Bedroom	1,385	\$428,900-\$473,900	\$3,860
<b>Asheville</b>	2 Bedroom with Den	1,400	\$474,900	\$4,184
<b>Cary</b>	2 Bedroom with Den	1,489	\$459,900-\$479,900	\$4,084
<b>Highlands</b>	3 Bedroom Deluxe	1,495	\$463,900-\$512,900	\$4,084
<b>Pinehurst</b>	2 Bedroom with Den	1,600	\$520,900	\$4,459
<b>Madison</b>	3 Bedroom	1,693	\$512,900-\$523,900	\$4,084
<b>Raleigh Villa</b>	2 Bedroom with Den	1,850	\$582,900	\$4,877
<b>Charlotte Villa</b>	2 Bedroom with Den	2,100	\$634,900	\$5,157
<b>Second Person Fees</b>			\$30,000	\$2,025

*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, 2022. Monthly fees effective January 1, 2023. 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.



## Acts Life Care 50

LIVING ACCOMMODATION		APPROX. SQ. FT.	ENTRANCE FEE UP TO AGE 79	ENTRANCE FEE AGE 80-89	MONTHLY FEE
<b>Summerfield</b>	Studio	635	\$279,900-\$308,900	\$306,900-\$338,900	\$3,080
<b>Lexington</b>	1 Bedroom	750	\$403,900-\$445,900	\$442,900-\$488,900	\$3,263
<b>Fletcher</b>	1 Bedroom with Den	964	\$487,900-\$528,900	\$534,900-\$579,900	\$3,511
<b>Clayton</b>	2 Bedroom	1,066	\$519,900-\$573,900	\$569,900-\$629,900	\$3,817
<b>Wilmington</b>	2 Bedroom Deluxe	1,141	\$543,900-\$589,900	\$596,900-\$646,900	\$4,246
<b>Thomasville</b>	2 Bedroom	1,165	\$550,900-\$608,900	\$604,900-\$667,900	\$4,246
<b>Holly Springs</b>	3 Bedroom	1,385	\$621,900-\$686,900	\$681,900-\$752,900	\$4,246
<b>Asheville</b>	2 Bedroom with Den	1,400	\$688,900	\$755,900	\$4,602
<b>Cary</b>	2 Bedroom with Den	1,489	\$666,900-\$694,900	\$730,900-\$761,900	\$4,492
<b>Highlands</b>	3 Bedroom Deluxe	1,495	\$672,900-\$742,900	\$736,900-\$814,900	\$4,492
<b>Pinehurst</b>	2 Bedroom with Den	1,600	\$755,900	\$828,900	\$4,905
<b>Madison</b>	3 Bedroom	1,693	\$743,900-\$759,900	\$815,900-\$832,900	\$4,492
<b>Raleigh Villa</b>	2 Bedroom with Den	1,850	\$845,900	\$926,900	\$5,365
<b>Charlotte Villa</b>	2 Bedroom with Den	2,100	\$920,900	\$1,009,900	\$5,673
<b>Second Person Fees</b>			\$30,000	\$30,000	\$2,228

*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, 2022. Monthly fees effective January 1, 2023. 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 / Age 62 and up

LIVING ACCOMMODATION		APPROX. SQ. FT.	ENTRANCE FEE	MONTHLY FEE
<b>Summerfield</b>	Studio	635	\$173,900-\$191,900	\$2,520
<b>Lexington</b>	1 Bedroom	750	\$250,900-\$276,900	\$2,669
<b>Fletcher</b>	1 Bedroom with Den	964	\$302,900-\$328,900	\$2,873
<b>Clayton</b>	2 Bedroom	1,066	\$322,900-\$356,900	\$3,123
<b>Wilmington</b>	2 Bedroom Deluxe	1,141	\$337,900-\$366,900	\$3,474
<b>Thomasville</b>	2 Bedroom	1,165	\$341,900-\$377,900	\$3,474
<b>Holly Springs</b>	3 Bedroom	1,385	\$385,900-\$426,900	\$3,474
<b>Asheville</b>	2 Bedroom with Den	1,400	\$427,900	\$3,766
<b>Cary</b>	2 Bedroom with Den	1,489	\$413,900-\$431,900	\$3,676
<b>Highlands</b>	3 Bedroom Deluxe	1,495	\$417,900-\$461,900	\$3,676
<b>Pinehurst</b>	2 Bedroom with Den	1,600	\$474,900	\$4,013
<b>Madison</b>	3 Bedroom	1,693	\$466,900-\$476,900	\$3,676
<b>Raleigh Villa</b>	2 Bedroom with Den	1,850	\$536,900	\$4,389
<b>Charlotte Villa</b>	2 Bedroom with Den	2,100	\$590,900	\$4,641
<b>Second Person Fees</b>			\$30,000	\$2,025

*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, 2022. Monthly fees are effective January 1, 2023. 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.
- 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**

*Where Loving-Kindness Lives*



LIVING ACCOMMODATION	APPROX. SQ. FT.	ENTRANCE FEE		2023 MONTHLY FEE	SECOND PERSON MONTHLY FEE
<b>Seagrove Apartment</b>					
Acts Life Care Premier	1,650	\$542,900		\$4,615	\$2,025
		UP TO AGE 79	AGE 80-89		
Acts Life Care 50	1,650	\$787,900	\$863,900	\$5,077	\$2,228
Acts Modified Life Care	1,650	\$494,900		\$4,154	\$2,025
Second Person Entrance Fee		\$30,000			
LIVING ACCOMMODATION	APPROX. SQ. FT.	ENTRANCE FEE		2023 MONTHLY FEE	SECOND PERSON MONTHLY FEE
<b>Southern Pines Apartment</b>					
Acts Life Care Premier	1,785	\$566,900		\$4,752	\$2,025
		UP TO AGE 79	AGE 80-89		
Acts Life Care 50	1,785	\$822,900	\$901,900	\$5,227	\$2,228
Acts Modified Life Care	1,785	\$521,900		\$4,277	\$2,025
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, 2022 Monthly fees effective January 1, 2023. 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.

## Acts Life Care 50 Details

- Entrance fees effective November 1, 2022. Monthly fees effective January 1, 2023. 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.

- Entrance fees are effective November 1, 2022. Monthly fees are effective January 1, 2023. 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 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.
- 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.

LIVING ACCOMMODATION	APPROX. SQ. FT.	ENTRANCE FEE		2023 MONTHLY FEE	SECOND PERSON MONTHLY FEE
<b>Belmont I Villa</b>					
Acts Life Care Premier	2,276	\$710,900		\$5,392	\$2,025
		UP TO AGE 79	AGE 80-89		
Acts Life Care 50	2,276	\$1,030,900	\$1,130,900	\$5,931	\$2,228
Acts Modified Life Care	2,276	\$661,900		\$4,853	\$2,025
Second Person Entrance Fee		\$30,000			
<b>Belmont II Villa Sunroom</b>					
Acts Life Care Premier	2,500	\$746,900		\$5,392	\$2,025
		UP TO AGE 79	AGE 80-89		
Acts Life Care 50	2,500	\$1,083,900	\$1,187,900	\$5,931	\$2,228
Acts Modified Life Care	2,500	\$702,900		\$4,853	\$2,025
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, 2022. Monthly fees effective January 1, 2023. 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.

## Acts Life Care 50 Details

- Entrance fees effective November 1, 2022. Monthly fees effective January 1, 2023. 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.
- Entrance fees are effective November 1, 2022. Monthly fees are effective January 1, 2023. 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 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.
  - 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.

**ATTACHMENT NO. 8**

**BALANCE SHEET**

**2022 ACTUAL VS. FORECAST**

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



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

(In Thousands)

	2022 Actual			2022 Forecast	Variance
	Original	Merger- related*	Total		
<b>Assets</b>					
Cash and cash equivalents	\$ 14,467	\$ 4,313	\$ 18,780	\$ 20,366	\$ (5,899) (1)
North Carolina operating reserve funds	9,111	-	9,111	9,111	-
Investments	345,837	30,073	375,910	361,163	(15,326) (2)
Accounts receivable and entrance fees receivable, net	23,109	2,062	25,171	19,699	3,410 (3)
Prepaid expenses, inventory, and deposits	10,432	304	10,736	12,016	(1,584) (4)
Property and equipment, net	1,458,650	102,791	1,561,441	1,484,565	(25,915) (5)
Goodwill	-	4,926	4,926	-	-
Intangible Asset	3,560	-	3,560	4,450	(890)
Deferred costs, net	8,452	1,255	9,707	9,211	(759) (6)
Due from affiliated organizations	32,812	(5,572)	27,240	25,244	7,568
	<u>\$ 1,906,430</u>	<u>\$ 140,152</u>	<u>\$ 2,046,582</u>	<u>\$ 1,945,825</u>	<u>\$ (39,395)</u>
Total assets					
<b>Liabilities and Net Assets</b>					
Accounts payable and accrued expenses	\$ 97,525	\$ 3,079	\$ 100,604	\$ 91,076	\$ 6,449 (7)
Short-term indebtedness	128,242	-	128,242	118,661	9,581 (8)
Nonrecourse indebtedness	16,113	-	16,113	16,608	(495)
Long-term indebtedness	717,428	69,768	787,196	717,433	(5)
Entrance fee deposits	16,808	845	17,653	17,935	(1,127)
Refundable portion of entrance fees	4,437	6,490	10,927	4,368	69
Deferred revenue from entrance fees	819,363	49,167	868,530	812,581	6,782 (9)
Accumulated loss on investment contracts	2,317	-	2,317	8,049	(5,732) (10)
	<u>1,802,233</u>	<u>129,349</u>	<u>1,931,582</u>	<u>1,786,711</u>	<u>15,522</u>
Total liabilities					
<b>Net Assets</b>					
Without donor restrictions	79,530	7,735	87,265	132,488	(52,958) (11)
With donor restrictions	24,667	3,068	27,735	26,626	(1,959) (11)
	<u>104,197</u>	<u>10,803</u>	<u>115,000</u>	<u>159,114</u>	<u>(54,917)</u>
Total net assets					
Total liabilities and net assets	<u>\$ 1,906,430</u>	<u>\$ 140,152</u>	<u>\$ 2,046,582</u>	<u>\$ 1,945,825</u>	<u>\$ (39,395)</u>

\*Represents the activity of The Evergreens and Presbyterian Retirement Corporation, Inc. d/b/a Westminster Village. Both organizations were admitted to the Obligated Group as of December 31, 2022 and subsequently merged with and into ACTS Retirement-Life Communities, Inc.





## DISCUSSION OF 2022 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 below forecasted expectations by \$39.4 million (2.0%) in 2022 due to the following factors:

- (1) Cash and cash equivalents were below forecasted expectations by \$5.9 million (29.0%) primarily due to the increase in the amount due from affiliated organizations.
- (2) Investments were under the forecasted amount by \$15.3 million (4.2%) due to the timing of draws from project funds that were established in connection with debt financing transactions and the negative market conditions resulting in unrealized loss on investments of in excess of \$40 million.
- (3) Accounts receivable and entrance fees receivable were \$3.4 million (17.3%) greater than forecasted due to the timing of collection of the underlying accounts.
- (4) Prepaid expenses, inventory and deposits were lower than forecasted by \$1.6 million (13.2%) due to the timing of prepayments for services that span multiple periods.
- (5) Property and equipment, net of accumulated depreciation, was less than forecasted expectations by \$25.9 million (1.8%) due to construction delays for certain large scale capital projects, primarily brought about by the continued disruption in supply chains.
- (6) The amount due from affiliated organizations was greater than the forecasted amount by \$7.6 million (30.0%) due to the timing of reimbursement from affiliated organizations for shared vendor payments.

#### LIABILITIES AND NET ASSETS

Total liabilities and net assets were below forecasted expectations by \$39.4 million (2.0%) in 2022 due to the following factors:

- (7) Accounts payable and accrued expenses were greater than forecasted by \$6.4 million (7.1%) due to the timing of payments.

- (8) Short-term indebtedness was higher than forecasted expectations by \$9.6 million (8.1%) due to timing of certain large scale capital projects whose initial primary funding source is an available bank line of credit.
- (9) Deferred revenue from entrance fees was above forecasted expectations by \$6.8 million (0.8%) primarily due to higher collection of resale entrance fee proceeds as compared to the forecast coupled with a lower amount of entrance fee refunds than expected.
- (10) The accumulated loss on investment contracts was \$5.7 million (71.2%) 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 \$53.0 million (40.0%) primarily due to a net unrealized loss on investments of \$47.9 million. Net assets with donor restrictions were below forecasted expectations by \$2.0 million (7.4%) due to a greater amount of released net assets as donor stipulations were met than assumed in the forecast.

**ATTACHMENT NO. 9**

STATEMENT OF OPERATIONS

2022 ACTUAL VS. FORECAST

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



**ACTS RETIREMENT-LIFE COMMUNITIES, INC. (OBLIGATED GROUP)****STATEMENT OF OPERATIONS**

(In Thousands)

	2022 Actual			2022 Forecast	Variance
	Original	Merger- related*	Total		
<b>Operating Revenue</b>					
Resident services revenue, net of amortization of entrance fees	\$ 333,399	\$ 26,355	\$ 359,754	\$ 340,772	\$ (7,373) (1)
Patient revenue from third-party payors	36,429	2,767	39,196	37,664	(1,235) (2)
Investment income	8,274	698	8,972	7,415	859 (3)
Net assets released from restriction to provide resident services	2,071	365	2,436	2,269	(198)
Contributions	(148)	20	(128)	85	(233)
Other revenue	19,817	(1,356)	18,461	19,468	349
	<u>399,842</u>	<u>28,849</u>	<u>428,691</u>	<u>407,673</u>	<u>(7,831)</u>
Total operating revenue before amortization of entrance fees					
	399,842	28,849	428,691	407,673	(7,831)
<b>Amortization of Entrance Fees</b>	<u>106,908</u>	<u>7,082</u>	<u>113,990</u>	<u>104,271</u>	<u>2,637</u> (4)
Total operating revenue	<u>506,750</u>	<u>35,931</u>	<u>542,681</u>	<u>511,944</u>	<u>(5,194)</u>
<b>Operating Expenses</b>					
Administrative and general	111,916	5,578	117,494	113,755	(1,839) (5)
Health care	94,923	7,158	102,081	82,655	12,268 (6)
Property management	76,608	5,893	82,501	72,497	4,111 (7)
Culinary services	71,098	4,626	75,724	69,872	1,226 (8)
Resident care	45,870	3,397	49,267	44,116	1,754 (6)
Environmental services	15,851	1,562	17,413	15,807	44
	<u>416,266</u>	<u>28,214</u>	<u>444,480</u>	<u>398,702</u>	<u>17,564</u>
Total operating expenses before depreciation, amortization, and interest					
	416,266	28,214	444,480	398,702	17,564
<b>Depreciation and Amortization</b>	80,389	5,004	85,393	81,695	(1,306) (9)
<b>Interest, Net</b>	<u>25,813</u>	<u>2,613</u>	<u>28,426</u>	<u>27,196</u>	<u>(1,383)</u> (10)
Total operating expenses	<u>522,468</u>	<u>35,831</u>	<u>558,299</u>	<u>507,593</u>	<u>14,875</u>
Operating income (loss)	<u>\$ (15,718)</u>	<u>\$ 100</u>	<u>\$ (15,618)</u>	<u>\$ 4,351</u>	<u>\$ (20,069)</u>

\*Represents the activity of The Evergreens and Presbyterian Retirement Corporation, Inc. d/b/a Westminster Village. Both organizations were admitted to the Obligated Group as of December 31, 2022 and subsequently merged with and into ACTS Retirement-Life Communities, Inc.



## DISCUSSION OF 2022 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 \$5.2 million (1.0%) in 2022 due to the following factors:

- (1) Resident services revenue was lower than the forecasted expectation by \$7.4 million (2.2%) due to lower than forecasted levels of average independent living occupancy, Life Care resident census in the health care centers, and utilization of home services and hospice.
- (2) Patient revenue from third-party payors was below the forecasted amount by \$1.2 million (3.3%) due to lower than expected Medicare Part A and Medicaid resident census in the skilled care centers and lower than expected revenue from outpatient therapy services covered by Medicare Part B.
- (3) Investment income was greater than forecasted expectations by \$0.9 million (11.6%) during 2022 due to a higher than forecasted average rate of return offset by realized losses on investments which are not included in the forecast due to the inability to predict market conditions.
- (4) Amortization of entrance fees was greater than the forecasted level by \$2.6 million (2.5%) due to a greater than anticipated number of independent living resales coupled with a lower than forecasted amount of entrance fee refunds.

#### Total Operating Expenses:

Operating expenses were unfavorable to forecasted expectations by \$14.9 million (2.9%) in 2022 due to the following factors:

- (5) Administrative and general expenses were lower than forecasted by \$1.8 million (1.6%) due to lower than expected costs related to unemployment compensation and employment testing coupled with a greater than expected amount of costs that could be capitalized.
- (6) Health care and resident care costs were greater than forecasted expectations by \$14.0 million (11.1%) due to higher than expected costs related to agency nursing, prescription drugs, primary care services, and bad debt expenses.

- (7) Property management expenses were higher than forecasted by \$4.1 million (5.7%) due to higher than expected costs related to contracted maintenance service.
- (8) Culinary services expenses were above forecasted expectations by \$1.2 million (1.8%) due to higher than anticipated raw food and paper product costs.
- (9) Depreciation and amortization expenses were lower than forecasted by \$1.3 million (1.6%) due to fewer closed renovation and expansion projects than expected as certain items have been delayed due to supply chain issues.
- (10) Interest expense was lower than forecasted expectations by \$1.4 million (5.1%) due to a greater than expected amount of interest that could be capitalized coupled with the expectation of an additional bond issue that was not completed in 2022.



**ATTACHMENT NO. 10**

STATEMENT OF CASH FLOWS

2022 ACTUAL VS. FORECAST

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



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

**STATEMENT OF CASH FLOWS**

(In Thousands)

	2022 Actual			2022 Forecast	Variance
	Original	Merger- related*	Total		
<b>Cash Flows from Operating Activities</b>					
(Decrease) increase in net assets	\$ (46,773)	\$ (4,011)	\$ (50,784)	\$ 8,050	\$ (54,823)
Adjustments to reconcile change in net assets to net cash provided by operating activities:					
Depreciation and amortization	80,389	5,004	85,393	81,695	(1,306)
Amortization of entrance fees	(106,908)	(7,082)	(113,990)	(104,271)	(2,637) (1)
Other valuation adjustment	-	130	130	-	-
Amortization of bond discount and premium, net	(3,005)	(88)	(3,093)	(3,005)	-
Amortization of deferred financing costs	669	38	707	669	-
Entrance fees and deposits from nonrefundable resale contracts	170,545	16,307	186,852	155,212	15,333 (2)
Refunds of entrance fees and deposits from nonrefundable resale contracts	(8,652)	(1,258)	(9,910)	(11,056)	2,404 (3)
Administrative fee included in gross entrance fees	(9,348)	(793)	(10,141)	(9,637)	289
Increase in deferred costs	(2,688)	(610)	(3,298)	(3,180)	492
Net realized and unrealized loss on investments	43,786	4,185	47,971	-	43,786 (4)
Change in fair value of investment contracts	(5,732)	-	(5,732)	-	(5,732) (4)
Change in beneficial interest in the investments of ACTS Legacy Foundation, Inc.	441	(119)	322	(1,517)	1,958 (5)
Change in beneficial interest in the investments of Community Foundation of South Alabama	-	25	25	-	-
Net change in due to/from affiliated organizations	(5,162)	(415)	(5,577)	1,636	(6,798) (6)
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	(955)	192	(763)	(117)	(838)
Decrease (increase) in prepaid expenses, inventory, and deposits	1,336	227	1,563	(298)	1,634 (7)
Increase (decrease) in accounts payable and accrued expenses	2,369	(5,281)	(2,912)	1,170	1,199
<b>Net cash provided by operating activities</b>	<b>110,312</b>	<b>6,451</b>	<b>116,763</b>	<b>115,351</b>	<b>(5,039)</b>
<b>Cash Flows from Investing Activities</b>					
Purchase of property and equipment	(150,251)	(7,789)	(158,040)	(198,044)	47,793 (8)
(Increase) decrease in investments	(17,381)	26	(17,355)	(7,191)	(10,190) (9)
<b>Net cash used in investing activities</b>	<b>(167,632)</b>	<b>(7,763)</b>	<b>(175,395)</b>	<b>(205,235)</b>	<b>37,603</b>
<b>Cash Flows from Financing Activities</b>					
Entrance fees and deposits from initial sale contracts	24,264	-	24,264	32,465	(8,201) (10)
Refunds of deposits from initial sale contracts	(2,128)	-	(2,128)	-	(2,128) (10)
Refunds of refundable entrance fees	(1,416)	(1,818)	(3,234)	(900)	(516)
Payments of accounts payable, construction	(27,694)	-	(27,694)	(11,440)	(16,254) (11)
Proceeds from short-term indebtedness	107,130	-	107,130	83,133	23,997 (12)
Payments on nonrecourse debt	(1,804)	-	(1,804)	(1,304)	(500)
Payments on short-term indebtedness	(46,881)	-	(46,881)	(32,465)	(14,416) (12)
Payments on long-term indebtedness	(20,506)	(1,563)	(22,069)	(20,505)	(1)
<b>Net cash provided (used) by financing activities</b>	<b>30,965</b>	<b>(3,381)</b>	<b>27,584</b>	<b>48,984</b>	<b>(18,019)</b>
<b>Net decrease in cash, cash equivalents and restricted cash and cash equivalents</b>	<b>(26,355)</b>	<b>(4,693)</b>	<b>(31,048)</b>	<b>(40,900)</b>	<b>14,545</b>
<b>Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning</b>	<b>106,603</b>	<b>10,495</b>	<b>117,098</b>	<b>106,603</b>	<b>-</b>
<b>Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Ending</b>	<b>\$ 80,248</b>	<b>\$ 5,802</b>	<b>\$ 86,050</b>	<b>\$ 65,703</b>	<b>\$ 14,545</b>

\*Represents the activity of The Evergreens and Presbyterian Retirement Corporation, Inc. d/b/a Westminster Village. Both organizations were admitted to the Obligated Group as of December 31, 2022 and subsequently merged with and into ACTS Retirement-Life Communities, Inc.



## DISCUSSION OF 2022 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 \$5.0 million (4.4%) in 2022 due to the following factors:

- (1) Amortization of entrance fees was greater than the forecasted level by \$2.6 million (2.5%) due to a greater than anticipated number of independent living resales coupled with a lower than forecasted amount of entrance fee refunds.
- (2) Entrance fees and deposits from nonrefundable resale contracts were above the forecasted amount by \$15.3 million (9.9%) due to a higher number of independent living resales than anticipated in the forecast.
- (3) Refunds of entrance fees and deposits from nonrefundable resale contracts were lower than forecasted by \$2.4 million (21.7%) due to a lower than expected amount of terminated contracts with a remaining refund liability.
- (4) In 2022, the net realized and unrealized loss on investments was \$43.8 million and the change in the fair value of investment contracts was \$5.7 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.
- (5) The net change in beneficial interest in the investments of ACTS Legacy Foundation, Inc. was lower than the forecasted amount due to the greater satisfaction of donor stipulations resulting in a greater amount of released donations than forecasted.
- (6) There was an increase in the amount due from affiliated organizations of \$5.2 million in 2022 versus a forecasted decrease of \$1.6 million. The actual increase was due to the timing of reimbursement from affiliated organizations for shared vendor payments.
- (7) There was a decrease in prepaid expenses, inventory, and deposits of \$1.3 million in 2022 versus a forecasted increase of \$0.3 million. The actual decrease was due to the timing of prepayments for services that span multiple periods.

### Cash Flows from Investing Activities:

Net cash flows used in investing activities were less than forecasted expectations by \$37.6 million (18.3%) in 2022 due to the following factors:

- (8) The purchase of property and equipment was less than the forecasted amount by \$47.8 million (24.1%) in 2022. The lower than expected amount of cash outflow for purchase of property and equipment was due to the timing of certain capital projects.
- (9) There was an increase in investments of \$17.4 million in 2022 versus a forecasted increase of \$7.2 million. The actual increase was primarily due to the timing of certain capital projects as project funds established in connection with previous financing transactions were not depleted as much as expected.

### Cash Flows from Financing Activities:

Net cash flows provided by financing activities were below forecasted expectations by \$18.0 million (36.8%) in 2022 due to the following factors:

- (10) Entrance fees and deposits from initial sale contracts were less than forecasted by \$8.2 million (25.3%) in 2022 due to delays in the completion of certain independent living expansion projects. In addition, there were refunds of deposits from initial sale contracts of \$2.1 million in 2022. Refunds related to initial sale contracts are not included in the forecast as the assumption is that any refund would be offset by collection of an equal amount from a new depositor.
- (11) Payments of accounts payable, construction, were greater than forecasted expectations by \$16.3 million (142.1%) in 2022. The payments were made in connection with ordinary capital improvements, major renovation projects, and expansion projects that occurred in the prior fiscal year.
- (12) Proceeds from short-term indebtedness and payments on short-term indebtedness were higher than forecasted expectations by \$24.0 million (28.9%) and \$14.4 million (44.4%), 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.