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**Commonwealth of Virginia
State Corporation Commission
Bureau of Insurance**

December 15, 2023

Commissioner of Insurance

BY: *Sarowar Jahan*



**PATRIOTS
COLONY**
At Williamsburg



2023 Disclosure Statement



2023 Disclosure Statement

Patriots Colony, Inc. D.B.A. Patriots Colony. Continuing Care Retirement
Community registration statement and disclosure statement.

The filing of this disclosure statement with the State Corporation Commission does
not constitute approval, recommendation, or endorsement of the community-based
continuing care program by the State Corporation Commission.

I. The Organization Introduction and Information

A. The Organization and Its Operation

Patriots Colony, Inc., 6000 Patriots Colony Drive, Williamsburg, VA 23188-1396 is a nonprofit Virginia nonstock corporation organized to plan, develop, and operate a continuing care retirement community located on property on Route 5, approximately 5 miles west of the city of Williamsburg, in James City County, Virginia.

Patriots Colony, Inc., was incorporated on June 8, 1993, as a nonprofit, nonstock corporation and became a member corporation of the parent Riverside Healthcare Association, Inc., which generally uses the name Riverside Health System or Riverside in January 1995. It is a nonprofit, nonstock Virginia corporation organized to plan and provide a multitude of healthcare services.

Patriots Colony believes in a preventive and proactive approach to wellness in an environment that promotes independence, well-being, and quality of life. Our approach to healthful living is holistic – encompassing body, mind, and spirit – and that philosophy resonates throughout our community. This commitment echoes Riverside Health System’s fundamental vision for older adults, which is “As I age, I will control my destiny in a place of my choosing.”

Our focus is on providing a broad array of services for our residents, including development of an active lifestyle and a secure environment. Patriots Colony supports and enhances the highest degree of independence appropriate to each individual resident. A copy of Riverside’s Philosophy Statement and Statement of Mission, Vision and Values are presented in Appendix F.



I. The Organization Introduction and Information

B. Not-for-Profit Status

Patriots Colony, Inc., was incorporated on June 8, 1993, as a nonprofit, nonstock corporation in Virginia. The purpose of organizing Patriots Colony, Inc. was to plan, develop and operate an affordable continuing care retirement community primarily for retired officers of the uniformed services, federal employees, their spouses, widows, and widowers and those with a close association to the above.

In January 1995, Patriots Colony, Inc. elected to become a nonprofit member corporation in the Riverside Healthcare Association, Inc. trading as Riverside Health System (Riverside). Riverside approved this reorganization in January 1995 as well. Riverside is a nonstock, nonprofit, Virginia corporation organized to plan and provide a multitude of health care-related services.

Patriots Colony, Inc. has received exemption from federal income taxation under Section 501(c)(3) of the Internal Revenue Code.

C. Affiliations

Patriots Colony, Inc. was incorporated June 8, 1993, as a nonprofit, nonstock corporation and became a member corporation of Riverside Healthcare Association in January 1995. The specific affiliation between the two corporations is limited to the following:

1. Patriots Colony, Inc. has as its sole member Riverside Healthcare Association.
2. Riverside Healthcare Association elects the board members for Patriots Colony, Inc.

There exists no direct or indirect responsibility of Riverside Healthcare Association for the financial or contractual obligations of Patriots Colony, Inc.

D. Licensure

Patriots Colony, Inc. is licensed to provide continuing care in Virginia in accordance with Commonwealth law. The license is issued by the Virginia Bureau of Insurance.

Patriots Colony is also licensed by the Virginia Department of Social Services to operate a 68-bed assisted living facility comprised of Patriots Colony Berkeley Assisted Living and Springhouse Memory Support.

Patriots Colony is also licensed by the Virginia Department of Health to operate a 60-bed nursing home, which is certified for Medicare participation.

E. Credit Rating

Patriots Colony, Inc. is “unrated.”



II. Facility Introduction and Information

A. Physical Location and Capacity

Riverside Healthcare Association Inc. holds title to the real property, which includes 90+ acres fronting State Route 5 in James City County, west of the City of Williamsburg. Patriots Colony, Inc. owns the buildings and improvements to the property.

The property is bounded by Greensprings Plantation Historical Site on the north and east, Route 5 on the south and a low contour of a steep ravine on the west side.

The community's first phase consisted of 150 residential living units in several single-story buildings and one five-story apartment building attached to the Cannon Community Center via enclosed walkways. Patriots Colony added eight additional villas in 1999 bringing the total residential living units to 158. Thirty-four assisted living apartments and 60 nursing care facility beds were attached to the community center. The substantial completion date for Phase I of Patriots Colony was December 1996.

During 2001-2004, Patriots Colony completed construction of 24 single-family homes built on approximately 15 acres in the northwest section of the property. Residents of these homes enter into continuing care contracts as independent living residents at Patriots Colony.



II. Facility Introduction and Information

Expansion of the assisted living residence building opened in July 2004. Total assisted living apartments increased from 34 to 68.

Renovation and expansion of the community center was completed in November 2010.

Patriots Colony broke ground for the Presidents Pavilion in November 2016. These three buildings located close to the Cannon Community Center feature 60 independent living apartments. Each building has ground floor covered parking and four levels of five apartments each centered around a lounge for residents. Residents moved into Presidents Pavilion during the fall of 2018.

The approximate distribution of square footage for the above is as follows:

Residential living units (242)	533,454 square feet
Community center building	55,000 square feet
Assisted living and nursing home	96,724 square feet

Expansion and renovations of the dining rooms, kitchen, and tavern were completed in March of 2018.

B. Board of Directors

A voluntary board of directors appointed by Riverside Health System at its annual meeting manages the business and affairs of Patriots Colony, Inc. The current members of the board of directors, any office they hold in the corporation, and their principal business affiliation and addresses are shown in the following listing. See Appendix B for any changes since this annual update.



II. Facility Introduction and Information

Patriots Colony at Williamsburg BOARD OF DIRECTORS 2022

**Major General Celia (Cecie) L. Adolphi,
USA (Retired)**
110 Heathery
Williamsburg, VA 23188

**Lieutenant General Jared L. Bates,
USA (Retired) – Vice Chairman**
3017 Margaret Jones Lane
Williamsburg, VA 23185

**Colonel Michael T. Chase
(Retired)**
153 Oak Hollow
Williamsburg, VA 23188

**Major General Robert J. Courter Jr,
USAF (Retired)**
2080 Hornes Lake Road
Williamsburg, VA 23185

William B. Downey

Executive Vice Chairman
Non-Voting Member
Riverside Health System
701 Town Center Drive
Suite 1000
Newport News, VA 23606

Robert Nutwell
Resident Council Rep.
2224 Patriots Colony Drive
Williamsburg VA 23188

Ed Heckler
**Senior Vice
President,**
Nonvoting Member

1020 Old Denbigh Blvd., Suite 1020A
Newport News, VA 23602

Julie Bayly
Executive Director
Nonvoting Member
Patriots Colony
6000 Patriots Colony Drive
Williamsburg, VA 23188

Diana Jarrett
Chief Nursing Officer, LLH
Riverside Lifelong
Health
Mintonville Point
Suffolk, VA 23435

Thomas F. Morehouse, III
2222 Chesapeake Avenue
Hampton, VA 23661

Eric Harrelll
6301 Thomas Paine Dr.
Williamsburg, VA 23188

**Major General Stephen Silvasy Jr,
USA (Retired)**
104 Dunes
Williamsburg, VA 23188

**Brig. General Daniel J. Sherlock,
USAF (Retired) - Chairman**
2693 Jockey's Neck Trail
Williamsburg, VA 23185

**Brig. General Philip G. Stowell,
USA (Retired)**
314 Colony Trail
Lanexa, VA 23185

Colonel Paul Treola, USA (Retired)
3017 Kitchums Close
Williamsburg, VA 23185

II. Facility Introduction and Information

C. Executive Staff



Julie Bayly

Executive Director of Patriots Colony at Williamsburg. Julie Bayly re-joined PCAW in October 2021. Julie started with Riverside in 1999 as the Administrator of Patriots Colony overseeing the health care operations. Julie continued her career with Riverside as the Administrator for Riverside Convalescent Center Saluda and later as the Administrator for Sanders Retirement Village. Julie is thoroughly familiar with the operational and business needs of Patriots Colony as well as within the health system and will be responsible for providing leadership, direction and administration of day-to-day operations associated with the PCAW campus to increase visibility and engagement within the community. Julie holds a degree in health care administration and is a licensed nursing home administrator.



Ed Heckler, PT, MSHA

SVP/President, Riverside Lifelong Health, joined the Riverside team in 1997. Throughout his many positions, he has remained dedicated to high quality, patient-centered care, interdisciplinary collaboration, and the operational success of the organization. His over 23 years of experience across the health care spectrum, from physical therapist to manager to multi-department director, gives him a unique and valuable perspective. In his

current role, Ed oversees Riverside's nursing facilities, assisted living facilities, continuing care retirement communities, home health, hospice agencies, wellness centers and rehabilitation services. Under his leadership, nursing facilities received an average four-star rating under the five-star CMS rating system, in addition to achieving the Virginia Health Care Association Bronze Award for Quality Improvement in four facilities. Prior to his current role as President of Lifelong Health and Aging Related Services, Ed served as Administrator of Riverside Rehabilitation Institute, a 50-bed acute rehabilitation hospital, creating significant financial and patient satisfaction improvements. He holds a Bachelor's degree of Science in Physical Therapy from the University of Buffalo and a Master of Science in Health Care Administration from Virginia Commonwealth University. Ed lives in York County with his wife and two children.

Diana Jarett, RN, LNHA, CIC, QCP

Diana Jarett is the Nurse Executive of Riverside Lifelong Health Services. She joined Riverside in 2020 bringing over 35 years' experience in long-term care and post-acute care services. Diana has a diverse background having served as Director of Nursing, Administrator, Director of Clinical Operations & Quality and a Regional Executive Administrator of skilled and assisted living facilities. Diana was tasked as the Enterprise Director of Project Administration where she successfully transitioned 14 facilities from paper to electronic records. She was a guest panelist at the 2019 Point Click Care speaking on "Bridging the Gap in Transitions of Care." Diana has received honors such as VADONA Director of Nursing of the Year and Bon Secours Dedicated Service Award, the highest recognition award.



II. Facility Introduction and Information

C. Executive Staff



Gregg Shivers, MD

Service Line Chief, Lifelong Health and Aging Related Services attended Rutgers Medical School and completed his residency at Hennepin County Medical Center in Minneapolis, Minnesota. He is board certified in internal medicine. He began his career in the Northern Neck at Rappahannock General Hospital where he worked as a hospitalist. There he served as hospitalist Medical Director and Medical Staff President.

He later moved to New Zealand, where he worked in geriatrics as part of an interdisciplinary team caring for those with age related illnesses. He returned to the Northern Neck in 2010, began his career at Riverside Walter Reed Hospital as a hospitalist and served as Regional Service Line Chief for four years. He was later appointed as associate director of patient safety for the Riverside Health System. He served as Medical Director of Riverside Walter Reed Hospice in January 2014. At the beginning of 2015, he transitioned from his duties as a hospitalist to become Medical Director of Riverside Sanders, Saluda, and Mathews Convalescent Centers. In August 2018, he was appointed as the service line chief for Riverside's division of Lifelong Health and remains in this role focusing on improved safety and quality outcomes through provider engagement.



William B. Downey, MHA

Executive Vice Chairman, Riverside Health System, originally joined the Riverside team in May of 1981 as an administrative extern. After receiving his MHA from the Medical College of Virginia, he rejoined the Riverside team in May 1985 as an Assistant Administrator. He served as Vice President/Administrator at Riverside Walter Reed Hospital from January 1986 to December 1991. He served as Senior Vice President,

Riverside Regional Medical Center from January 1992 until July 1995 and as Executive Vice President and COO of Riverside Health System until March 2011. He is a fellow in the American College of Healthcare Executives. He has been involved in many community service projects. He currently serves on the Board of the Virginia Living Museum, Virginia Hospital and Healthcare Association, the United Way of the Virginia Peninsula and the Board of Virginia Health Network.



II. Facility Introduction and Information

D. Riverside Healthcare Association is an organization of owned or managed health care facilities, wellness and fitness services, retirement communities and associated support service facilities. These facilities include, but are not limited to, over 350 retirement housing units, 470 long-term care beds and 819 acute care beds. The Association is organized as a private, nonprofit corporation. The responsibility and authority for the management is vested in a voluntary board of directors.

The purposes of the Riverside Healthcare Association are to provide a comprehensive range of health care, wellness, housing, and associated support services to all persons who can benefit from them and to organize these services in an economical manner and in accordance with standards of excellence.

The association willingly accepts the responsibility to provide this comprehensive health care in the form of programs of acute, long-term, mental health, ambulatory, rehabilitative, preventative, terminal and home care.

These services and programs are conducted without regard to race, color, religion, sex, sexual orientation, gender identity or national origin.



II. Facility Introduction and Information

E. Full Disclosure Practice

Patriots Colony Inc. discloses to its residents' policies in a resident handbook and summary financial information related to the continuing care retirement community in the annual disclosure statement. Copies of the annual disclosure statement are archived in the Patriots Colony library for resident and public reference.

No member of the board of directors, staff member, nor consultant has a financial interest in Patriots Colony, Inc. Patriots Colony, Inc. does not hire nor pay board members on either a contractual or any other basis. Patriots Colony, Inc. has not received nor intends to receive goods, leases, or services of an aggregate value of \$500 or more from any professional service firm, association, trust, partnership, or corporation in which a member of the board has a 10 percent or greater interest. There is a board policy that governs the evaluation and disclosure of potential conflicts of interest.

Residents are free to have business relationships with board members or with organizations they own, control, are employed by, or are otherwise affiliated. Patriots Colony, Inc. neither endorses nor encourages residents to do business with board members or related organizations. Patriots Colony, Inc. is not involved in establishing continuing business relationships between residents and Board members.

Each board member is asked each year to disclose whether they have business relationships with residents.



Appendices

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Appendix B Changes Since Last Annual Update

Appendix C Pro Forma Income Statement

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Appendix EContinuing Care Standard Agreements

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APPENDIX A

Patriots Colony at Williamsburg Continuing Care Retirement Community

Patriots Colony, Inc. Disclosure Statement. The filing of this disclosure statement with the State Corporation Commission does not constitute approval, recommendation, or endorsement of the facility by the State Corporation Commission.

Appendix A

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I. Continuing Care Provider

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

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

Response: Patriots Colony, Inc., 6000 Patriots Colony Drive, Williamsburg, VA 23188-1396 is a non-profit Virginia nonstock corporation organized to plan, develop, and operate a continuing care retirement community located on property on Route 5, approximately 5 miles west of the city of Williamsburg, in James City County, Virginia.

Patriots Colony, Inc., was incorporated on June 8, 1993, as a nonprofit, nonstock corporation in Virginia. The purpose of organizing Patriots Colony, Inc. was to plan, develop and operate an affordable continuing care retirement community primarily for retired officers of the seven uniformed services, their spouses, widows, widowers, and those with a close association to the above.

In January 1995, Patriots Colony, Inc. elected to become a nonprofit member corporation in the Riverside Healthcare Association, Inc. trading as Riverside Health System (Riverside). Riverside approved this reorganization in January 1995 as well. Riverside is a nonstock, nonprofit, Virginia corporation organized to plan and provide a multitude of health care-related services. Neither Riverside nor Patriots Colony currently has a public debt rating. Riverside has been providing health-related services since 1915.



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

Give the names and business addresses of the officers, directors, trustees, managing or general partners, and any person having a 10 percent or greater equity or beneficial interest in the provider, and a description of such person's interest in or occupation with the provider. In the case of a nonstock corporation also provide the required information for members of the nonstock corporation.

Response: A voluntary board of directors appointed by Riverside Health System at its annual meeting manages the business and affairs of Patriots Colony, Inc. The current members of the board of directors, any office they hold in the corporation, and their principal business affiliation and addresses are detailed in the introduction.

Patriots Colony, Inc. is a nonprofit, nonstock corporation that has, as its sole member, Riverside Healthcare Association, Inc., a nonprofit, nonstock corporation. Riverside Healthcare Association provides planning, consulting and management services to Patriots Colony, Inc. at cost.

III. Beneficial Interests

“Beneficial interest” means any current interest in a provider that is directly related to the financial performance of that provider. Beneficial interest includes:

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

Response: None

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

Response: None

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

Response: None



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

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

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

Response: Patriots Colony, Inc., as a corporation within the Riverside Health System, draws on the expertise of those experienced in the development and operation of retirement communities and other services to older adults. The board of directors of Patriots Colony, Inc. is comprised of retired military officers who have spent years of research and investigation during the development years and now have several years of oversight experience. Further, key professionals at Riverside Health System have vast experience in planning, development and management of large-scale health care and retirement housing projects. Patriots Colony draws on such experience within Riverside for overall development and operational expertise. Riverside has engaged the services of a qualified, experienced administrator for direct supervision and management of operations.



II. Facility Introduction and Information

Executive Staff



Julie Bayly

Executive Director of Patriots Colony at Williamsburg, has experience in long-term care and continuing care retirement community administration. She has a Bachelor's Degree from Mary Baldwin University. She is a licensed Nursing home administrator. She joined Riverside Health System in 1999 as Administrator of Patriots Colony at Williamsburg healthcare operations. In 2002 she became the Administrator of Riverside Convalescent Center. In 2012 Julie became the Administrator of Sanders Retirement Village, a small retirement community owned by Riverside Health System.



Ed Heckler, PT, MSHA

President, Lifelong Health and Aging Related Services, joined the Riverside team in 1997. Throughout his many positions, he has remained dedicated to high quality, patient-centered care, interdisciplinary collaboration and the operational success of the organization. His over 23 years of experience across the health care spectrum, from physical therapist to manager to multi-department director, gives him a unique and valuable perspective. In his

current role, Ed oversees Riverside's nursing facilities, assisted living facilities, continuing care retirement communities, home health, hospice agencies, wellness centers and rehabilitation services. Under his leadership, nursing facilities received an average four-star rating under the five-star CMS rating system, in addition to achieving the Virginia Health Care Association Bronze Award for Quality Improvement in four facilities. Prior to his current role as President of Lifelong Health and Aging Related Services, Ed served as Administrator of Riverside Rehabilitation Institute, a 50-bed acute rehabilitation hospital, creating significant financial and patient satisfaction improvements. He holds a Bachelor's degree of Science in Physical Therapy from the University of Buffalo and a Master of Science in Health Care Administration from Virginia Commonwealth University. Ed lives in York County with his wife and two children. Diana Jarett, Nurse Executive Lifelong Health

Diana Jarett is the Nurse Executive of Riverside Lifelong Health Services. She joined Riverside in 2020 bringing over 35 years experience in long-term care and post-acute care services. Diana has a diverse background having served as Director of Nursing, Administrator, Director of Clinical Operations & Quality and a Regional Executive Administrator of skilled and assisted living facilities. Diana was tasked as the Enterprise Director of Project Administration where she successfully transitioned 14 facilities from paper to electronic records. She was a guest panelist at the 2019 Point Click Care speaking on "Bridging the Gap in Transitions of Care." Diana has received honors such as VADONA Director of Nursing of the Year and Bon Secours Dedicated Service Award, the highest recognition award.

II. Facility Introduction and Information



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He later moved to New Zealand, where he worked in geriatrics as part of an interdisciplinary team caring for those with age related illnesses. He returned to the Northern Neck in 2010, began his career at Riverside Walter Reed Hospital as a hospitalist and served as Regional Service Line Chief for four years. He was later appointed as associate director of patient safety for the Riverside Health System. He served as Medical Director of Riverside Walter Reed Hospice in January 2014. At the beginning of 2015, he transitioned from his duties as a hospitalist to become Medical Director of Riverside Sanders, Saluda and Mathews Convalescent Centers. In August 2018, he was appointed as the service line chief for Riverside's division of Lifelong Health and remains in this role focusing on improved safety and quality outcomes through provider engagement.



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Riverside Regional Medical Center from January 1992 until July 1995 and as Executive Vice President and COO of Riverside Health System until March 2011. He is a fellow in the American College of Healthcare Executives. He has been involved in many community service projects. He currently serves on the Board of the Virginia Living Museum, Virginia Hospital and Healthcare Association, the United Way of the Virginia Peninsula and the Board of Virginia Health Network.

Riverside Healthcare Association, Inc. is an organization of owned or managed healthcare facilities, retirement communities and associated support programs and service facilities. These facilities include but are not limited to over 350 retirement housing units, 470 long-term care beds, and 814 acute care beds. Riverside Health System is organized as a private, nonprofit corporation. The responsibility and authority for the management is vested in a voluntary board of directors.

The purposes of the Riverside Healthcare Association are to provide a comprehensive range of health care, wellness, housing, and associated support services to all persons who can benefit from them and to organize these services in an economical manner and in accordance with standards of excellence.

The Association willingly accepts the responsibility to provide this comprehensive health care in the form of programs of acute, long-term, mental health, ambulatory, rehabilitative, preventative, end-of-life and home care.

These services and programs are conducted without regard to race, creed, religion, gender, sexual orientation or gender expression. Patriots Colony is open to both couples (married or unmarried) and singles.

b. Give the name and address of any professional service, firm association, foundation, trust, partnership or corporation or any other business or legal entity in which such person has, or which has in such person, a 10 percent or greater direct or indirect interest and which is presently intended will or may provide goods, leases or services to the provider of a value of \$500 or more within any year, including.

1. A description of the goods, leases or services and the probable or anticipated cost thereof to the provider;
2. The process by which the contract was awarded;
3. Any additional offers that were received; and
4. Any additional information requested by the Commission detailing how and why a contract was awarded.

Response: Patriots Colony, Inc. is a nonprofit, nonstock corporation which has as its sole member, Riverside Healthcare Association, a non-profit, non-stock corporation.

Riverside Healthcare Association provides planning, consulting and operational services to Patriots Colony, Inc., at cost.

Because of the member affiliation between Patriots Colony, Inc., and Riverside Healthcare Association there was no formal process used, nor a formal contract signed in the provision of planning, consulting and operational services by RHA. No additional offers for such services were either solicited or received. Costs for such services by RHA are charged on an actual cost basis.

Costs for 2022 were \$7,045,964 and include various direct contracted services, supplies and contract management services and related costs. Because of the inherent efficiencies of scale available to RHA, substantial savings inure to the benefit of Patriots Colony, Inc. over the cost of such services and products had they not been acquired through RHA. These costs also cover a wide range of services and goods such as food, insurance, accounting, and various labor costs.

Other than the affiliation arrangement, neither the provider or officers or board members of the corporation have a 10 percent or greater direct or indirect interest in any professional firm, service, association,

foundation, trust, partnership, corporation or any other business or legal entity which is presently intended will or may provide goods, leases, or services to Patriots Colony, Inc. of a value of \$500 or more within any year.

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

1. Has been convicted of a felony or pleaded nolo contendere to a felony charge, or been held liable or enjoined in a civil action by final judgment if the felony or civil action involved fraud, embezzlement, fraudulent conversion or misappropriation of property; or
2. Is subject to an injunctive or restrictive order of a court of record, or within the past five years had any state or federal license or permit suspended or revoked as a result of an action brought by a governmental agency or department, arising out of or relating to business activity or health care, including without limitation actions affecting a license to operate a foster care facility, nursing home, retirement home, home for the aged or facility registered under this chapter or similar laws in another state; or
3. Is currently the subject of any state or federal prosecution, or administrative investigation involving allegations of fraud, embezzlement, fraudulent conversion, or misappropriation of property?

Response: It has been certified that none of the above items is or has been applicable to the provider or any person or member noted in the “Officers, Directors . . .” section of this document.



V. Ownership of Real Property

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

Response: Riverside Healthcare Association Inc. holds title to the real property, which includes 90+ acres fronting State Route 5 in James City County, west of the City of Williamsburg. Patriots Colony, Inc. owns the buildings and improvements to the property.

VI. Location and Description of Real Property

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

Response: Patriots Colony is located on approximately 90 acres of property in James City County, west of the City of Williamsburg. The property is bounded by Greensprings Plantation Historical Site on the north and east, Route 5 on the south and a low contour of a steep ravine on the West side.

The project's first phase consisted of 150 residential living units in several single story buildings and one five-story building attached to the Cannon Community Center via enclosed walkways. Patriots Colony added eight additional villas in 1999 bringing the total residential living units to 158. Thirty-four assisted living apartments and 60 nursing care facility beds were attached to the community center. The substantial completion date for Phase I of Patriots Colony was December 1996.

During 2001-2004, Patriots Colony completed construction of 24 single-family homes built on approximately 15 acres in the northwest section of the property. Residents of these homes enter into continuing care contracts as independent living residents at Patriots Colony.

Expansion of the assisted living residence building opened in July 2004. Total assisted living apartments increased from 34 to 68.

The approximate distribution of square footage for the above is as follows:

Residential Living Units (242)	533,454 square feet
Community Center Building	55,000 square feet
Assisted Living and Nursing Home	96,724 square feet

Renovation and expansion of the community center was completed in November 2010. Patriots Colony broke ground for the Presidents Pavilion in November 2016. These three buildings located close to the Cannon Community Center feature 60 independent living apartments. Each building has ground floor covered parking and four levels of five apartments each centered around a lounge for residents. Residents moved into Presidents Pavilion during the fall of 2018.



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

Give a statement as to:

a. Whether the provider is or ever has been affiliated with a religious, charitable, or other nonprofit organization, the nature of any such affiliation, and the extent to which the affiliate organization is or will be responsible for the financial and contractual obligation of the provider.

Response: Patriots Colony, Inc. was incorporated June 8, 1993, as a nonprofit, nonstock corporation and became a member corporation of Riverside Healthcare Association in January 1995. The specific affiliation between the two corporations is limited to the following:

1. Patriots Colony, Inc. has as its sole member Riverside Healthcare Association.
2. Riverside Healthcare Association elects the board members for Patriots Colony, Inc.

There exists no direct or indirect responsibility of Riverside Healthcare Association for the financial or contractual obligations of Patriots Colony, Inc.

b. Any provision of the Federal Internal Revenue Code under which the provider is exempt from the payment of income tax. This section shall be divided into appropriately labeled subsections for parts a. and b. A response for each part is required.

Response: Patriots Colony, Inc. has received exemption from federal income taxation under Section 501(c)(3) of the Internal Revenue Code.



VIII Continuing Care Agreements

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

Response: Patriots Colony offers two standard continuing care contracts (agreements) with variations. Please refer to Continuing Care Standard Agreements (Appendix E).

a. LifeCare Agreement: The Patriots Colony LifeCare Agreement covers a full range of services including a substantial lifetime subsidy of long-term medical care, acting as financial protection against possible future assisted living and nursing home expenses. Please refer to the LifeCare Agreement, II A and III (Appendix E).


b. Residence and Services Agreement: Offered to individuals who are able to live independently but who cannot medically qualify for the LifeCare Agreement or who prefer the Residence and Services Agreement without the lifetime subsidy of long-term care.

With this Agreement individuals cover potential long-term care costs through private pay with a long-term care insurance policy or other resources. Also offered to individuals who desire and are qualified for the LifeCare Agreement but who must defer payment of the Entrance Fee at closing. In this situation, the LifeCare Agreement may be offered at a later date once the LifeCare Entrance Fee is paid in full. Please refer to the Residency and Services Agreement, II A and III (Appendix E).

c. Combined LifeCare/Residence and Services Agreement: Offered to couples who are able to live independently whereby one individual is covered by the LifeCare Agreement, with a lifetime subsidy of long-term care, and the other individual is covered by the Residence and Services Agreement without the lifetime subsidy. Please refer to the Combined LifeCare/Residence & Services Agreement (Appendix E).

d. Residence & Services Agreement with Promissory Note Option: Offered to individuals who are able to live independently but who cannot medically qualify for the LifeCare Agreement or who prefer the Residence and Services Agreement without the lifetime subsidy of long-term care.

With this Agreement individuals cover potential long-term care costs through private pay with a long-term care insurance policy or other resources. Also offered to individuals who desire and are qualified for the LifeCare Agreement but who must defer payment of the Entrance Fee at closing. In this situation, the LifeCare Agreement may be offered at a later date once the LifeCare Entrance Fee is paid in full. Please refer to the Residence and Services Agreement with Promissory Note Option (Appendix E).



LifeCare Agreement Appendix E

Residents of Patriots Colony who transfer to the Health Center under a LifeCare Agreement pay the then current health care rate. This charge, known as the Resident Health Care Rate, includes the use of a private assisted living suite (The Patriot, The Colony or The Springhouse) or a semi-private nursing facility room, nursing care, housekeeping, and meals. Personal laundry and linen service is provided to residents of Springhouse and the nursing home. Services at additional charge include private nursing room, larger than standard assisted living suite, prescription medicine, medical equipment and supplies, ambulance service, nutritional supplements, special nursing care, professional therapies, physician care, and barber/beauty services.

Residence and Services Agreement Appendix E

Residents who transfer to the Health Center under a Residence and Services Agreement pay current published public charges for any stay, temporary or permanent, in any level of care in the Health Center. Accommodations in assisted living and the nursing home include meals, nursing care and housekeeping. Personal laundry and linen service is provided to residents of Springhouse and the nursing home. Services at additional charge include prescription medicine, medical equipment and supplies, ambulance service, nutritional supplements, special nursing care, professional therapies, physician care, and barber/beauty services.



IX Fees Required of Residents

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

Response: Patriots Colony offers two standard continuing care contracts (agreements) with variations. Please refer to Continuing Care Standard Agreements (Appendix E). Continuing Care Fee Schedules are included in Appendix D.

1. Please refer to Patriots Colony LifeCare and Residency and Services Agreement, Articles II and III and Reservation Agreement, Section III (Appendix E).
2. Please refer to Patriots Colony LifeCare and Residency and Services Agreement, Article I and Reservation Agreement, Section IV (Appendix E).
3. Increases in Monthly Fees

While the intent of Patriots Colony, a not-for-profit provider, is to adjust periodic charges (monthly fees) only to a level that does not exceed the adjustments incurred by Patriots Colony in the operation of the community, there is no contractual limitation on the size or frequency of fee adjustments. Periodic fee adjustments will be made with at least 30 days' notice to residents.



Independent Living Monthly Fee Adjustment History

		Weighted Average Dollar Amount of Each Increase	
Year	Rate Increase	Single Person	Second Person
2023	6.0%	\$232.00	\$73.00
2022	3.0%	\$114.00	\$29.00
2021	2.25%	\$106.00	\$26.00
2020	2.75%	\$106.00	\$31.00
2019	3.8%	\$152.00	\$41.00
2018	2.75%	\$105.00	\$29.00

X Reserve Funding

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

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

Response: In addition to equity contributions, private placement tax-exempt bonds were issued by Riverside Healthcare Association, Inc. in 1997, which served as the long-term financing of Patriots Colony, Inc. This financing did not require any construction fund, sinking funds, debt service revenue funds, operations funds, replacement and retirement reserve funds, revenue funds, or any other funds requiring specific use of bond proceeds or project revenue.



Due to the strength of its own balance sheet (see the 12/31/22 investment balance of \$79 million which far exceeds the long-term debt of \$11 million), Patriots Colony, Inc., is able to fund all interest and principal payments on funds borrowed and to make payments for replacements and retirement reserve funds and to make payments to residents for refunds which are due and to make payments to long-term care providers for the care of residents to the extent specified in the Residence Agreement. Patriots Colony, Inc., does not intend to set up different funds for these purposes.

There are no restrictions or limitations on the amounts of indebtedness or liability which Patriots Colony, Inc. may incur nor are there any restrictions on the disposition of assets, nor are there any restrictions on the investment of funds. The RHA board, with the advice of independent investment consultants, controls and sets investment strategy.

Security to enable Patriots Colony, Inc. to fully perform its obligations under continuing care contracts include:

1. a sound actuarially based fee structure which will cover capital costs and operating costs as they change, and
2. the financial strength of Patriots Colony, Inc., and
3. the financial resources and investment experience of Riverside Healthcare Association.

The projected cash flow of Patriots Colony reflects substantial growth in unrestricted cash reserves, which insulates the community from shortfalls in meeting general refund and health care liabilities. Patriots Colony is subject to annual independent audit as a requirement of this disclosure statement. Such an audit requires a periodic calculation of the “future service obligation” of Patriots Colony to its residents using approved actuarial methodology. This procedure affords added stability and security to residents and others having an interest in knowing if Patriots Colony is able to fully perform its continuing care obligations.



XI Certified Financial Statements

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

Response: Please refer to Appendix G (Financial Statements).

XII Patriots Colony at Williamsburg ProForma Income Statement and Actual Operations January 1 to December 31, 2023

Response: Please Refer to Appendix C (Pro Forma Income Statement)

XIII Admission of New Residents

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

Patriots Colony Admissions Policy

Applicants shall be deemed to be eligible for admission to Patriots Colony as continuing care residents if they meet the following guidelines:

1. Age

Residents must be at least 55 years of age by the date of occupancy, except that a co-applicant may be younger than 55 years of age.

2. Uniformed Services Officers and Equivalents

a. A retired or honorably discharged commissioned officer, commissioned warrant officer or warrant officer of the uniformed services (Army, Navy, Marine Corps, Air Force, Coast Guard, Space Force, National Oceanic and Atmospheric Administration and Public Health Service) of the Active, Reserve or National Guard components and his/her spouse if applicable;

b. A widow or widower of the foregoing who was married to the officer at the time of his/her death and otherwise eligible for residency;

c. A divorced spouse who holds a renewable or indefinite dependent identification card based on his/her marriage to an officer as defined in paragraph 2.a above; or

d. A retired (GS-7 and higher) Federal civilian employee, equivalent foreign service officer/FBI/CIA, and his/her spouse or widow or widower who has not remarried, retired military officer from a foreign country and his/her spouse, or a selected individual with close association to the uniformed services with the approval of the board of directors.

3. Physical/Medical Eligibility

- a.** Resident must be in good health and capable of independent living as certified by Patriots Colony.
- b.** Resident must submit to an interview assessment by a Patriots Colony representative designed to determine the applicant's ability to live independently for the foreseeable future. It is the intent of this policy that the residents be active, able to independently carry out activities of daily living, and be able to function at a high level physically and mentally into the foreseeable future.
- c.** Be free of communicable diseases that would threaten the well-being of himself or herself, other residents, or the staff and visitors of Patriots Colony.
- d.** Resident must submit a physical exam by a medical doctor, reflecting they are free from TB and are not in need of nursing or supervisory care.

4. Financial Eligibility

- a.** An applicant shall be deemed financially eligible if their income and assets are projected to be adequate to cover their applicable entrance and monthly fee and normal living expenses based on average life expectancies.
- b.** Applicant must meet the requirement for insuring against health care costs as outlined in the Residency Agreement.
- c.** Resident must have obtained a priority list number prior to or at the time of reserving a residence. This priority number will be maintained for the remainder of the resident's stay at Patriots Colony.

5. Social Eligibility

An applicant shall be deemed to be socially eligible if the applicant is suited for a congregate living environment. This decision will be based upon information provided in the application and from staff handling the application.



6. Confidentiality

All information and discussions related to the applicant's application for admission shall be held in strictest confidence.

7. Non-discrimination

In the approval process of applications for residency at Patriots Colony, there shall be no discrimination against any applicant for reason of sex, gender identification, race, religion, creed, or national origin.

8. Residence Change

Prior to occupancy, a resident may choose a different size or style of residence. Any increase in the reservation fee based on a larger entrance fee must be paid immediately at the rates then in effect. Any decrease in reservation fee, based on a smaller apartment, villa, or house will be refunded to the resident by Patriots Colony within 30 days. After occupancy, the opportunity to move is available. If moving to a larger residence, the difference in the entrance fee and monthly fee is due. If moving to a smaller residence, the resident will be billed at the lower monthly rate. No consideration is given for the difference in the entrance fee.

9. Waiting List

Waiting lists are actively managed to offer the opportunity to reserve residences in a fair and equitable manner. Individuals and couples eligible for residency may join the Patriots Colony Future Priority List (waiting list) by paying a refundable deposit of \$1,000 (single) or \$1,500 (couple). Depositors provide occupancy preferences in terms of type of residence and preferred year of occupancy. Vacancies are first offered to residents on the internal transfer list and then to nonresidents on the waiting list.

10. Shared Residences

Residences may be shared by individuals that are related by blood or by marriage. Exceptions can be made to this guideline in cases of individuals who have been sharing living arrangements for an extended period of time, where one individual meets the affiliation admissions criteria of Patriots Colony and where both individually meet the financial, health and general admissions criteria for Patriots Colony.

11. Documentation

Residents must have submitted the following to Patriots Colony to be considered eligible for admission:

- a.** Signed reservation agreement
- b.** Payment of future priority list number deposit and reservation deposit
- c.** Confidential application/financial form
- d.** Confidential health history
- e.** Copy of military I.D. card denoting status for retired officers/spouses/widows(ers) or DD Form 214 (or equivalent) for former officers honorably discharged (if applicable)
- f.** Proof of health insurance coverage (Medicare Parts A&B and a Medicare Supplement Plan or equivalent hospital and medical insurance coverage)

12. Prior to or upon admission, the resident will be given a copy of the Resident Handbook. The handbook is subject to change at the discretion of Administration. The most recent update supersedes all previous ones. The handbook outlines the policies and procedures of the community. For the betterment of the community, residents are subject to the handbook provisions.

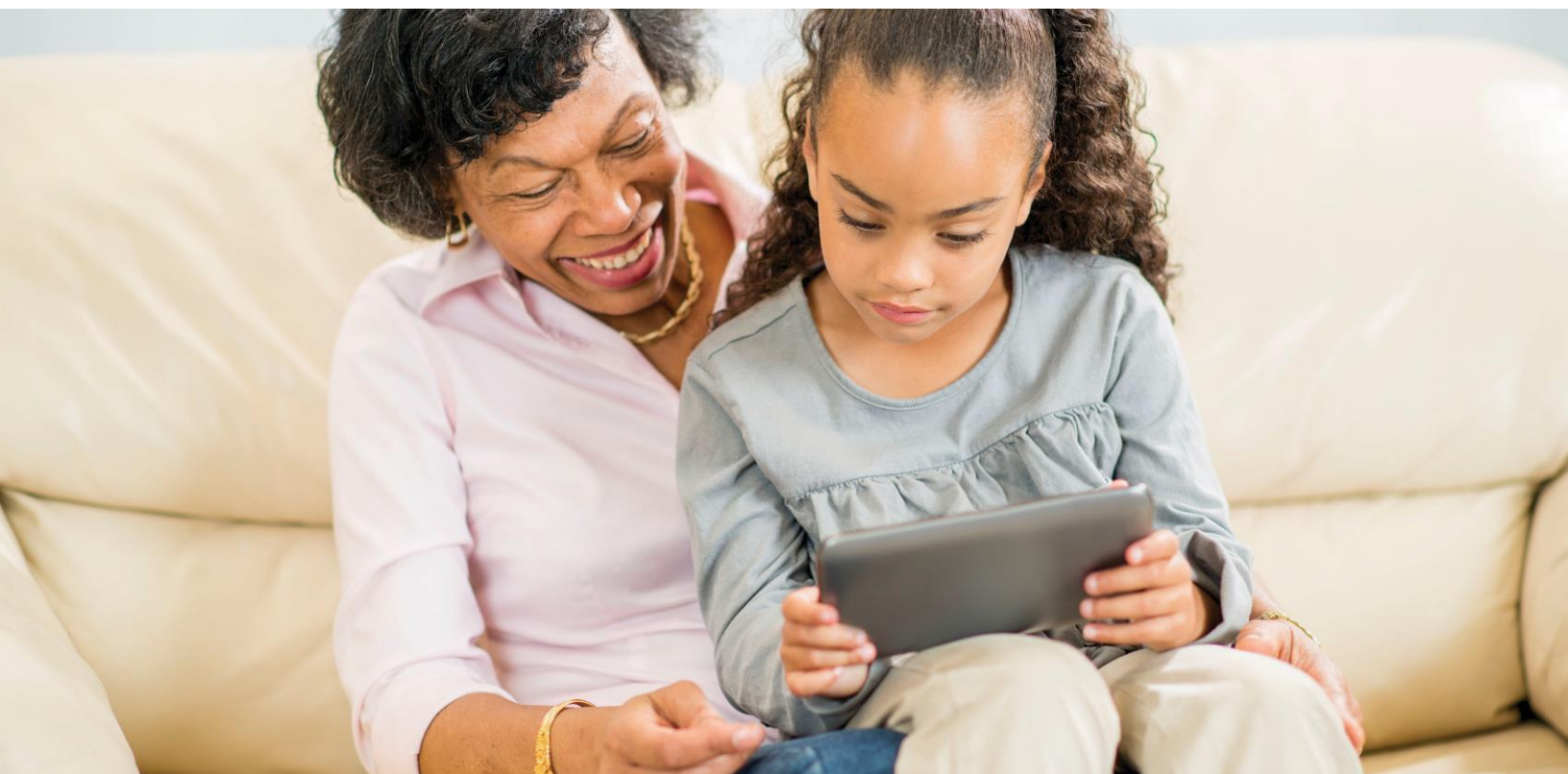
XIV. Access to Facility by Nonresidents

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

Response: Patriots Colony policy on access to the facility by nonresidents.

It is intended that the facilities and services of Patriots Colony are provided primarily for the use of residents, not for nonresidents. However, residents are free to invite guests to their individual residence for transient visits and to make available to nonresidents, on a temporary basis, such services as guest meals, accommodations, and open entertainment functions at a cost of service basis.

1. Patriots Colony shall have total authority and control over the access to its services by nonresidents and may decide when such services have been or are being used to excess.
2. Information regarding charges for services accessible to nonresidents shall be readily available.
3. Any nonresident utilizing Patriots Colony facilities and services shall be an invited guest of a resident, Patriots Colony management, or the board of directors.



XV. Anticipated Source and Application of Purchase or Construction Fund

If operation of the facility has not yet commenced, give a statement of the anticipated source and application of the funds used or to be used in the purchase or construction of the facility, including:

Response: Operation of the facility commenced Dec. 9, 1996.

XVI Procedure for Resident to File a Complaint or Disclose Concern

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

Response: Patriots Colony believes it can provide a valuable service only if open communication occurs between residents and management. To this end, management provides residents with various avenues to the solution of problems. The complaint procedure provides easy access to all levels of staff for the sake of efficiency. In addition, management helps to foster an active and involved Residents Association by meeting regularly with that organization's governing body and its various committees.

More specifically, for routine problem-solving or registering a complaint, the following procedure will be offered residents through their orientation to the community and through their Resident Handbook: "If you have a problem or concern, please contact individuals in the following positions in the listed order until the problem is rectified. 1. The front desk receptionist. 2. Director of Resident Services. 3. Individual department directors. 4. Executive Director. You will find that the vast majority of your issues can be resolved by talking to these individuals. Please know that you may approach administration at any time with your suggestions or problems."

For more broad-based issues, a Residents Association has been formed. The purpose of the Residents Association is to:

- a.** Promote and further the interests and welfare of all residents of Patriots Colony.
- b.** Represent the interests and concerns of all members of the Residents Association through cooperation and effective communication, including the offering of advice and consideration of unresolved complaints and grievances, with those management entities responsible for the overall management and control of Patriots Colony.
- c.** Coordinate with Patriots Colony management entities, to create and cultivate a healthful, active and constructive lifestyle that will contribute to an enjoyable living experience for Patriots Colony residents.



APPENDIX B

Changes Since Last Annual Update

Patriots Colony, Inc. Disclosure Statement. The filing of this disclosure statement with the State Corporation Commission does not constitute approval, recommendation, or endorsement of the facility by the State Corporation Commission.

Appendix B

Changes to the Disclosure and Board Member Changes Since the Annual Registration

As of April 30, 2023 there have been no changes.



APPENDIX C

Pro Forma Income Statement 2023

Patriots Colony, Inc. Disclosure Statement. The filing of this disclosure statement with the State Corporation Commission does not constitute approval, recommendation, or endorsement of the facility by the State Corporation Commission.

Appendix C

Patriots Colony at Williamsburg

Pro Forma Income Statement

Jan. 1 to Dec. 31, 2023

Response: The following anticipates income and expense for the fiscal year beginning Jan. 1, 2023 and ending Dec. 31, 2023

Revenue

Long-term care revenues	\$13,111,741
Provision for bad debts	(69,786)
Other revenues	<u>18,705,002</u>
Total revenue	\$31,746,957

Expenses

Salaries and benefits	\$12,532,438
Services and other	10,006,739
Supplies	2,894,415
Depreciation/amortization	4,507,271
Interest	366,808
Total expenses	\$30,307,671
Operating gain (loss)	\$1,439,286

Nonoperating gains and losses:

Investment income, including realized and unrealized gains	<u>\$4,182,935</u>
--	--------------------

Excess of revenues, gains and other support over expenses

\$5,622,221

Occupancy was budgeted based on actual experience and industry trends. Increase in monthly fees revenue is the result of rate adjustments competitive with area markets and the anticipated occupancy of the new independent living apartments. Labor costs are expected to increase to allow for annual reviews, anticipated changes in the hiring market and additional staffing needs of the new independent living apartments. Expenses were increased with a 6 percent inflation factor, unless a specific inflation factor was received by a vendor, as well as the market benchmark.

Appendix C

Patriots Colony At Williamsburg Pro Forma Income Statement-Comparison

Revenue	Budget 2022	Actual 2022	Difference	% Difference
Long-term care revenues	\$11,647,233	\$12,178,520	\$531,287	5%
Provision for bad debts	(88,417)	(14,082)	74,335	-84%
Other revenues	17,847,859	17,864,923	17,064	0%
Total revenues	\$29,406,675	\$30,029,360	\$622,685	2%

Expenses	Budget 2022	Actual 2022	Difference	%
Salaries and benefits	\$11,514,163	\$12,084,971	\$(570,808)	-5%
Services and other expenses	9,353,752	9,307,689	46,063	0%
Supplies	2,521,477	2,699,837	(178,360)	-7%
Depreciation/ Amortization	4,724,928	4,410,476	314,452	7%
Interest	109,306	251,388	-(142,082)	-130%
Total Expenses	\$28,223,626	\$28,754,361	\$(530,735)	-2%
Operating gain (loss)	\$1,183,049	\$1,274,999	\$91,950	8%
Nonoperating gains and losses:				
Investment income, including realized and unrealized gains	\$1,943,835	\$(11,018,911)	\$(12,962,746)	-667%
Excess of revenues, gains, and other support	\$3,126,884	\$(9,743,912)	\$(12,870,796)	-412%

Material Differences between 2022 Pro Forma Income Statement and the Actual Results of Operation as Reported in the 2022 Certified Financial Statements

Appendix C

Total Revenue was above budget due to higher than expected occupancy and rate changes effective Jan. 1, 2022. Salaries and Benefits were lower than expected due to open positions that were not filled during the year. Supplies came in over budget due to rising food costs. Interest Expenses was higher than anticipated due to variable interest rates and Investment Income was less than budget due to unfavorable market returns.

Summary of Financial Information Patriots Colony at Williamsburg as of 12/31/2022

	2022	2021
Total Assets	\$134,187,009	\$141,320,768
Total Liabilities	\$49,963,542	\$47,353,299
Total Net Assets	\$84,223,557	\$93,967,469
Total Revenues	\$30,029,360	\$28,196,908
Total Expenses	\$28,754,361	\$26,477,874
Operating Income (Loss)	\$1,274,999	\$1,719,034
<hr/>		
Net Income (Loss)	\$ (9,743,92)	\$3,606,736

Narrative on financial condition:

Patriots Colony, Inc. has a fiscally strong balance sheet, cash flow, and income statement and does not anticipate any negative financial outcomes that would interfere with its ability to meet contracted 9d obligations to its residents.

Occupancy Information	Capacity of Units	Average Occupancy	Percentage Occupancy
Independent Living	242	219	90%
Assisted Living	66	63	95%
Nursing Home	60	50	83%



APPENDIX D

Fee Schedules

Patriots Colony, Inc. Disclosure Statement. The filing of this disclosure statement with the State Corporation Commission does not constitute approval, recommendation, or endorsement of the facility by the State Corporation Commission.

Patriots Colony LifeCare Fee Schedule

EFFECTIVE JAN. 1, 2023

	FLOOR PLAN	SQUARE FEET	RESIDENCE STYLE	CHOICE 1		CHOICE 2	
				First Person Entrance Fee - Plan 0	First Person Monthly Fee	First Person Entrance Fee - Plan 0	First Person Fee
Apartments	A	835	1 BR/1 Bath	\$208,799	\$2,954	\$171,218	\$3,553
	B	891	1 BR/1 Bath (Deluxe)	\$240,191	\$3,070	\$196,831	\$3,672
	D	1182	2 BR/2 Bath	\$2999,909	\$3,672	\$254,888	\$4,260
	E	1250	2 BR/2 Bath (Deluxe)	\$324,187	\$3,810	\$272,949	\$4,407
	G	1443	2 BR/2 Bath/Study	\$382,114	\$4,196	\$313,155	\$4,785
	I & J	1582	2 BR/2 Bath/Study (Deluxe)	\$429,989	\$4,453	\$352,572	\$5,047
Villas	C-1	1125	1 BR/1 Bath/Sunroom	\$285,076	\$3,305	\$236,041	\$3,929
	F	1361	2 BR/2 Bath	\$390,540	\$3,998	302,343	\$4,596
	F-1	1549	2 BR/2 Bath/Sunroom	\$417,677	\$4,164	\$344,973	\$4,784
	K/L	1707	2 BR/2 Bath/Study	\$478,912	\$4,647	\$392,762	\$5,232
	K/L-1	1895	2 BR/2 Bath/Study/Sunroom	\$501,427	\$4,809	\$413,351	\$5,422
Presidents Pavilion	Yorktown	1460	1 BR/2 Bath/Den	\$406,954	\$4,469	\$333,701	\$5,007
	Jamestown	1610	2 BR/2 Bath/Den	\$444,826	\$4,789	\$364,757	\$5,363
	Williamsburg	1870	2 BR/2 Bath/Den (Deluxe)	\$534,020	\$5,122	\$437,896	\$5,738
Greenspring	GS-1	2212	Base Plan/Upstairs Room	\$610,973	\$5,635	\$509,068	\$6,318
	GS-2	2382	Base Plan/Sunroom/Upstairs Room	\$630,491	\$5,854	\$525,083	\$6,561
	GS-4	2850	Base Plan/Sunroom/Second Floor	\$689,814	\$6,437	\$581,106	\$7,219

Entrance Plan Type:

Entrance Fee:

Declining Refund (Plan 0).....Shown above (declines 2 percent per month for 50 months)

50 Percent Refund.....Add 35 percent to Plan 0 Fee

95 Percent Refund.....Add 75 percent to Plan 0 Fee

Second Person Entrance Fee: \$38,458

Second Person Monthly Fee: \$1,281

- 50 Percent and 95 Percent Refund Plans higher for age 81-85 (at date of occupancy): add 75 percent and 150 percent respectively, to Plan 0
- 50 Percent and 95 Percent Refund Plans not applicable For age 86+ (at date of occupancy)

Resident Health Care Monthly Rate

(See Continuing Care brochure):

Choice 1 - \$4,099

Choice 2 - \$4,696



6000 Patriots Colony Drive
Williamsburg, VA 23188

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Patriots Colony Residence and Services Fee Schedule

EFFECTIVE JAN. 1, 2023

	FLOOR PLAN	SQUARE FEET	RESIDENCE STYLE	CHOICE 1		CHOICE 2	
				First Person Entrance Fee - Plan 0	First Person Monthly Fee	First Person Entrance Fee - Plan 0	First Person Monthly Fee
Apartments	A	835	1 BR/1 Bath	\$165,830	\$2,954	\$135,983	\$3,3553
	B	891	1 BR/1 Bath (Deluxe)	\$190,759	\$3,070	\$156,326	\$3,672
	D	1182	2 BR/2 Bath	\$246,935	\$3,672	\$188,117	\$4,260
	E	1250	2 BR/2 Bath (Deluxe)	\$264,554	\$3,810	\$216,779	\$4,407
	G	1443	2 BR/2 Bath/Study	\$303,476	\$4,196	\$248,712	\$4,785
	I & J	1582	2 BR/2 Bath/Study (Deluxe)	\$341,505	\$4,453	\$280,017	\$5,047
	C-1	1125	1 BR/1 Bath/Sunroom	\$228,982	\$3,305	\$190,036	\$3,929
	F	1361	2 BR/2 Bath	\$310,168	\$3,998	\$254,417	\$4,596
	F-1	1549	2 BR/2 Bath/Sunroom	\$334,279	\$4,164	\$276,427	\$4,784
	K/L	1707	2 BR/2 Bath/Study	\$380,356	\$4,647	\$311,632	\$5,232
K/L-1	1895	2 BR/2 Bath/Study/Sunroom	\$400,666	\$4,809	\$330,716	\$5,422	
Yorktown	1460	1 BR/2 Bath/Den	\$323,202	\$4,469	\$265,025	\$5,007	
Jamestown	1610	2 BR/2 Bath/Den	\$356,006	\$4,789	\$291,925	\$5,363	
Williamsburg	1870	2 BR/2 Bath/Den (Deluxe)	\$426,710	\$5,122	\$349,902	\$5,738	
GS-1	2212	Base Plan/Upstairs Room	\$458,238	\$5,635	\$404,306	\$6,318	
GS-2	2382	Base Plan/Sunroom/Upstairs Room	\$500,743	\$5,855	\$417,027	\$6,561	
GS-4	2850	Base Plan/Sunroom/Second Floor	\$555,007	\$6,436	\$461,518	\$7,219	

Entrance Plan Type:

Entrance Fee:

Declining Refund (Plan 0).....Shown above (declines 2 percent per month for 50 months)

50 Percent Refund.....Add 35 percent to Plan 0 Fee

95 Percent Refund.....Add 75 percent to Plan 0 Fee

Second Person Entrance Fee: \$5,460

Second Person Monthly Fee: \$1,281

- 50 Percent and 95 Percent Refund Plans higher for age 81-85 (at date of occupancy): add 75 percent and 150 percent respectively, to Plan 0
- 50 Percent and 95 Percent Refund Plans not applicable for age 86+ (at date of occupancy)

Residents pay market rates for health care services if needed.



6000 Patriots Colony Drive
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2022 Ancillary Charges

Effective Jan. 1, 2023

BEAUTY SHOP:

Haircut for Men	Visit	\$16
Haircut (Shampoo & Set)	Visit	\$39
Shampoo & Cut	Visit	\$31
Shampoo & Set/Blow-dry	Visit	\$28
Perm w/Shampoo, Cut & Blow-dry	Visit	\$85
Neck Trim/Beard Trim	Visit	\$11

Hair Color, Shampoo & Set	Visit	\$81
Hair Color, Cut & Set	Visit	\$92

Manicure	Visit	\$18
Pedicure	Visit	\$33
Mani/Pedi	Visit	\$50
Eyebrow Tint	Visit	\$22
Shampoo Only	Visit	\$8
Color Rinse	Visit	\$6
Waxing (Brow)	Visit	\$9
Waxing (Lip)	Visit	\$6

GUEST SERVICES:

IL Guest Room	Night	\$85
Rollaway Rental	Night	\$8

2022 Ancillary Charges

Effective Jan. 1, 2023

WELLNESS CLINIC:

RN Footcare Specialist	Visit	\$40
Large Sharps Container	Each	\$9
Small Sharps Container	Each	\$6
Dressing Change, Small	Each	\$4
Dressing Change, Medium	Each	\$6
Dressing Change, Large	Each	\$8
Ear Irrigation	Each	\$8
Pendants (New/Replacement)	Each	\$150

OTHER:

Housekeeping	Per Hour	Minimum \$30
Maintenance	Per Man Hour	Minimum \$80
Private Room Differential (CC)	Per Day	\$30
Replacement Key Cards	Each	\$8
Key Fobs (New/Replacement)	Each	\$15
Additional Storage Unit	Each	\$40
Additional Carpet Cleaning	Per Occurrence	Market Value
Medical Transportation	Hour	Varies
Transition Fee (not medical or upgrade)		\$10,000



APPENDIX E

Continuing Care Standard Agreements

Patriots Colony, Inc. Disclosure Statement. The filing of this disclosure statement with the State Corporation Commission does not constitute approval, recommendation, or endorsement of the facility by the State Corporation Commission.



APPENDIX F

Philosophy, Mission and Value Statement

Patriots Colony, Inc. Disclosure Statement. The filing of this disclosure statement with the State Corporation Commission does not constitute approval, recommendation or endorsement of the facility by the State Corporation Commission.

APPENDIX F

Philosophy, Mission and Values Statement

CORE VALUES

As with any culture, at Riverside our **Core Values** are fundamental beliefs that influence our identity and areas of focus...in effect, everything we do.

Trust Earned Through Safety, Quality of Care, and Service

Trust is at the center of our vision. It is vital, both in developing relationships with customers and patients as well as with each team member. This Value is reflected in two focus areas:

1. People
2. The Safety, Quality, and Service Experience

Teamwork, Diversity, and Respect

We deliver the Riverside Care Difference by working as a team to put our customers at the heart of all we do. The idea of team is also crucial to our Team Up for Safety program. This value is reflected in our People and Safety, Quality and Service focus areas.

Physician Integration and Leadership

A physician leadership model integrated across all parts of our system sets us apart. Each division is led by administrators and physicians working as a team. This value is reflected in our People and Safety, Quality and Service focus areas.

Deep Community Involvement

Riverside welcomes our responsibility to deliver another 100 years of service to our community. Our tradition of involvement and engagement reaches back more than a century. Giving back is ingrained in our mission to care for others as we would care for those we love. Participation and partnership as citizens of the community are vital to us. This value is reflected in our Finance focus area.

Healthy Growth and Financial Stability

We can only fulfill our commitment to long-term service by using our resources responsibly and efficiently. This value is reflected in the Growth focus area.

MISSION

To care for others as we would care for those we love – to enhance their well-being and improve their health.

Our mission is why we exist. We carry it out by committing to the Riverside Care Difference, the way we deliver care and services as a team, by putting our patients at the heart of what we do. The Riverside Care Difference represents our ongoing commitment to keep patients safe, help them heal, be kind and respect their wishes.



APPENDIX G

Certified Financial Statement

Patriots Colony, Inc. Disclosure Statement. The filing of this disclosure statement with the State Corporation Commission does not constitute approval, recommendation, or endorsement of the facility by the State Corporation Commission.



RIVERSIDE HEALTHCARE ASSOCIATION, INC. AND SUBSIDIARIES

Consolidated Financial Statements and Supplementary Schedules

December 31, 2022 and 2021

(With Independent Auditors' Report Thereon)

RIVERSIDE HEALTHCARE ASSOCIATION, INC. AND SUBSIDIARIES

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KPMG LLP
Suite 1900
440 Monticello Avenue
Norfolk, VA 23510

Independent Auditors' Report

The Board of Directors
Riverside Healthcare Association, Inc.:

Opinion

We have audited the consolidated financial statements of Riverside Healthcare Association, Inc. and its subsidiaries (the System), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of operations, changes in net assets without donor restrictions, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the System as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

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 Consolidated Financial Statements section of our report. We are required to be independent of the System 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

As discussed in Note 2(s) to the consolidated financial statements, in 2022, the System adopted new accounting guidance ASU 2016-02, Leases (Topic 842). Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 System'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information on pages 41-50 is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

KPMG LLP

Norfolk, Virginia
May 4, 2023

RIVERSIDE HEALTHCARE ASSOCIATION, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2022 and 2021

(In thousands)

Assets	2022	2021
Current assets:		
Cash and cash equivalents	\$ 37,182	160,292
Accounts receivable	180,542	159,936
Due from third-party payors	85,565	62,039
Other receivables	12,606	8,334
Other current assets	59,807	51,211
Total current assets	<u>375,702</u>	<u>441,812</u>
Investments	572,193	722,962
Land, buildings, and equipment, net	964,094	863,721
Right-of-use assets	125,678	—
Other assets	91,019	98,461
Total assets	<u>\$ 2,128,686</u>	<u>2,126,956</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 56,459	73,713
Accrued liabilities	103,881	115,029
Borrowings under line of credit	—	324
Current portion of long-term debt and obligations under finance leases	24,798	8,760
Current portion due to third-party payors	—	84,336
Other current liabilities	61,891	29,960
Total current liabilities	<u>247,029</u>	<u>312,122</u>
Deferred revenue	64,790	61,520
Long-term debt, less current portion	504,675	522,942
Obligations under finance leases, less current portion	64,536	21
Pension and postretirement obligations	100,869	172,803
Due to third-party payors, less current portion	—	1,407
Other liabilities	216,416	138,886
Total liabilities	<u>1,198,315</u>	<u>1,209,701</u>
Net assets:		
Without donor restrictions	902,770	889,749
Noncontrolling interest	113	103
Total without donor restrictions	<u>902,883</u>	<u>889,852</u>
With donor restrictions	27,488	27,403
Total net assets	<u>930,371</u>	<u>917,255</u>
Total liabilities and net assets	<u>\$ 2,128,686</u>	<u>2,126,956</u>

See accompanying notes to consolidated financial statements.

RIVERSIDE HEALTHCARE ASSOCIATION, INC. AND SUBSIDIARIES

Consolidated Statements of Operations and Changes in Net Assets Without Donor Restrictions

Years ended December 31, 2022 and 2021

(In thousands)

	<u>2022</u>	<u>2021</u>
Operating revenues, gains, and other support without donor restrictions:		
Patient service revenue	\$ 1,444,888	1,325,720
Long-term care revenue	71,396	67,568
Other operating revenues	156,021	189,195
Net assets released from restrictions for operations	<u>743</u>	<u>786</u>
Total operating revenues, gains, and other support	<u>1,673,048</u>	<u>1,583,269</u>
Operating expenses:		
Salaries and benefits	876,676	815,878
Services and other	336,215	298,736
Supplies	318,923	299,652
Depreciation and amortization	96,765	86,614
Interest	<u>16,459</u>	<u>15,397</u>
Total operating expenses	<u>1,645,038</u>	<u>1,516,277</u>
Net operating income	<u>28,010</u>	<u>66,992</u>
Nonoperating gains and losses:		
Investment (loss) gain, net	(98,266)	30,384
Pension and postretirement benefit (costs)	7,986	(19,584)
Loss on the extinguishment of debt	<u>—</u>	<u>(5,116)</u>
Total nonoperating gains and losses, net	<u>(90,280)</u>	<u>5,684</u>
(Deficiency) excess of revenues, gains, and other support over expenses and losses before noncontrolling interest	(62,270)	72,676
Noncontrolling interest	<u>(10)</u>	<u>(11)</u>
(Deficiency) excess of revenues, gains, and other support over expenses and losses attributable to Riverside Health System	<u>(62,280)</u>	<u>72,665</u>
Change in fair value of financial instruments – interest rate swap agreement	5,927	2,325
Change in plan assets and benefit obligations of pension and postretirement plans	77,066	81,551
Cumulative effect of change in lease classification	(3,045)	—
Other	<u>(4,647)</u>	<u>278</u>
Change in net assets without donor restrictions attributable to Riverside Health System	\$ <u><u>13,021</u></u>	<u><u>156,819</u></u>

See accompanying notes to consolidated financial statements.

RIVERSIDE HEALTHCARE ASSOCIATION, INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Net Assets

Years ended December 31, 2022 and 2021

(In thousands)

	<u>Without donor restrictions</u>		<u>With donor restrictions</u>	<u>Total</u>
	<u>Riverside Health System</u>	<u>Noncontrolling Interest</u>		
Balance at December 31, 2020	\$ 732,930	4,519	19,326	756,775
Excess of revenues over expenses	72,665	11	—	72,676
Change in fair value of financial instruments – interest rate swap agreement	2,325	—	—	2,325
Change in plan assets and benefit obligations of pension and postretirement plans	81,551	—	—	81,551
Other	278	—	—	278
Change in ownership of Coastal Virginia Rehabilitation	—	(3,586)	—	(3,586)
Change in ownership of Peninsula Hospital Services	—	(841)	—	(841)
Contributions	—	—	320	320
Donor-restricted investment income, net	—	—	5,393	5,393
Net assets released from restrictions	—	—	(786)	(786)
Other	—	—	3,150	3,150
Change in net assets	<u>156,819</u>	<u>(4,416)</u>	<u>8,077</u>	<u>160,480</u>
Balance at December 31, 2021	<u>889,749</u>	<u>103</u>	<u>27,403</u>	<u>917,255</u>
(Deficiency) excess of revenues over expenses	(62,280)	10	—	(62,270)
Change in fair value of financial instruments – interest rate swap agreement	5,927	—	—	5,927
Change in plan assets and benefit obligations of pension and postretirement plans	77,066	—	—	77,066
Cumulative effect of change in lease classification	(3,045)	—	—	(3,045)
Other	(4,647)	—	—	(4,647)
Contributions	—	—	3,069	3,069
Donor-restricted investment loss, net	—	—	(3,009)	(3,009)
Net assets released from restrictions	—	—	(743)	(743)
Other	—	—	768	768
Change in net assets	<u>13,021</u>	<u>10</u>	<u>85</u>	<u>13,116</u>
Balance at December 31, 2022	<u>\$ 902,770</u>	<u>113</u>	<u>27,488</u>	<u>930,371</u>

See accompanying notes to consolidated financial statements.

RIVERSIDE HEALTHCARE ASSOCIATION, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
 Years ended December 31, 2022 and 2021
 (In thousands)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Changes in net assets	\$ 13,116	160,480
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	96,765	86,614
Net realized and unrealized loss (gain) on investments	116,753	(25,459)
Gain on sale of assets	(175)	(22,776)
Change in fair value of interest rate swap	(5,927)	(2,325)
Change in ownership of Coastal Virginia Rehabilitation	—	3,586
Loss on the extinguishment of debt	—	5,116
Net periodic pension cost	16,878	29,346
Components of the change in net pension and postretirement liabilities	(77,066)	(81,551)
Other	—	(552)
Cumulative effect of change in lease classification	3,045	—
Changes in assets and liabilities:		
Accounts receivable	(20,606)	(8,643)
Due (from) to third-party payors	(109,269)	(76,096)
Other receivables	(4,272)	(487)
Other current assets	(8,596)	(4,035)
Right-of-use assets	10,037	—
Other assets	(278)	(1,852)
Accounts payable	(21,656)	9,896
Accrued liabilities	(11,148)	27,592
Other current liabilities	12,261	(11,526)
Deferred revenue	3,270	3,294
Contributions to pension plan	(11,746)	(24,118)
Other liabilities	(21,108)	7,481
Net cash (used in) provided by operating activities	<u>(19,722)</u>	<u>73,985</u>
Cash flows from investing activities:		
Capital expenditures	(126,393)	(98,412)
Proceeds from sales of capital assets	768	5,122
Purchases of investments	(153,209)	(238,774)
Proceeds from sales of investments	194,945	31,383
Proceeds from sales of facilities	—	25,973
Other	—	987
Net cash used in investing activities	<u>(83,889)</u>	<u>(273,721)</u>
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	—	241,394
Proceeds from borrowings under line of credit	609,876	376,982
Repayments of line of credit	(610,200)	(380,654)
Principal payments on long-term debt and capital leases	(19,175)	(126,897)
Other	—	(1,827)
Net cash (used in) provided by financing activities	<u>(19,499)</u>	<u>108,998</u>
Net decrease in cash and cash equivalents	<u>(123,110)</u>	<u>(90,738)</u>
Cash and cash equivalents, beginning of year	<u>160,292</u>	<u>251,030</u>
Cash and cash equivalents, end of year	\$ <u>37,182</u>	\$ <u>160,292</u>
Supplemental disclosures of cash flow information:		
Land, buildings, and equipment purchases in accounts payable	\$ 4,042	4,072
Cash paid for interest	17,535	17,092
Major moveable equipment obtained through finance leases	2,254	—

See accompanying notes to consolidated financial statements.

RIVERSIDE HEALTHCARE ASSOCIATION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(1) Organization

Riverside Healthcare Association, Inc. and subsidiaries is an organization of owned or contractually managed healthcare providers, including acute care, long-term care, physician services, home health, and associated support services located principally in Newport News, Virginia. Riverside Healthcare Association, Inc. and subsidiaries currently operate under the trade name of Riverside Health System. Riverside Health System comprises four major divisions: the Acute Hospital Division, the Other Acute Healthcare Division, the Lifelong Health and Aging-Related Services Division, and the Healthcare Support Division.

The Acute Hospital Division is composed of the following:

- Doctors' Hospital of Williamsburg, a 40-bed acute care hospital doing business as Riverside Doctors' Hospital Williamsburg
- Riverside Hospital, Inc., consisting primarily of an acute care general hospital licensed for 450 beds operating under the trade name Riverside Regional Medical Center and a 98-bed psychiatric and chemical dependence center doing business as Riverside Behavioral Health Center
- Riverside Middle Peninsula Hospital, Inc., a 67-bed acute care hospital doing business as Riverside Walter Reed Hospital
- Shore Health Services, Inc., a 52-bed acute care hospital doing business as Riverside Shore Memorial Hospital

The Other Acute Healthcare Division is composed of the following:

- MiChuMi, LLC, doing business as MDEExpress, which operates five urgent care centers
- Peninsula Cancer Institute, LLC, which employs 15 physicians and 13 advanced practice providers in seven practices
- Riverside Physician Services, Inc., doing business as Riverside Medical Group, which employs 383 physicians and 232 advanced practice providers in 110 practices

The Lifelong Health and Aging-Related Services Division operates 478 nursing home beds; 288 assisted living beds; and provides skilled, rehabilitation, intermediate, and home-for-adult services. The division also manages home care and community-based services for Riverside Health System.

The Lifelong Health and Aging-Related Services Division is composed of the following:

- At Home Partners, LLC (At Home Partners), 80% owned by Riverside Retirement Services, Inc.
- Center for Excellence in Aging and Geriatric Health, doing business as Center for Excellence in Aging and Lifelong Health
- Francis N. Sanders Nursing Home, Inc.
- Patrick Henry Hospital, Inc.
- Patriots Colony, Inc.
- Riverside Convalescent Centers, Inc.

RIVERSIDE HEALTHCARE ASSOCIATION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

- Riverside Hospice and Homecare Services, LLC
- Riverside Retirement Services, Inc.
- Riverside Wellness and Fitness Centers, Inc.
- Sanders Common, Ltd.
- Shore Life Care, Inc.
- Tilden and Virginia Davis Support Foundation, Inc.

The Healthcare Support Division is composed of the following:

- Newport News General and Non-Sectarian Hospital Association, Inc., a real estate holding company
- Peninsula Hospital Services, Inc. (PHS), a laundry service company, wholly owned by Riverside Healthcare Foundation, Inc.
- Peninsula Radiosurgery Associates, LLC, a radiosurgery center management company
- Quarterpath Williamsburg, LLC
- Rehabilitation Institute of Virginia, Inc., a healthcare holding company
- RHS MedInsur, Ltd. (MedInsur), a wholly owned captive insurance company
- Riverside Advantage, Inc.
- Riverside Health System Foundation, Inc.
- Riverside Healthcare Foundation, Inc.
- Riverside Healthcare Association, Inc., a wholly owned holding company
- Riverside Healthcare Services, Inc., which provides financial services, risk management, and management contract services to related organizations
- Riverside Management Services, Inc., which provides managerial and advisory services primarily to related organizations
- Riverside Medical Equipment Center, Inc., a physician office billing company
- Virginia Surgical Management, LLC, a surgery center management company

All are hereinafter referred to collectively as the "System."

Basis for Consolidation

The accompanying consolidated financial statements include the assets, liabilities, and net assets and operations of all the controlled corporations mentioned above. All significant intercompany accounts and transactions have been eliminated in consolidation.

RIVERSIDE HEALTHCARE ASSOCIATION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(2) Summary of Significant Accounting Policies

(a) *Use of Estimates*

The preparation of these consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(b) *Cash and Cash Equivalents*

The System considers all highly liquid investments with original maturities of three months or less at the time of purchase to be cash equivalents, with the exception of short-term investments that are included within investments in the accompanying consolidated balance sheets.

(c) *Accounts Receivable*

Accounts receivable are amounts due from patients or residents, less implicit and explicit price concessions. Price concessions are based on historical collection trends, market conditions, and management's judgment regarding the ability to collect specific accounts.

(d) *Inventories*

Inventories consist primarily of drugs and medical supplies and are stated at the lower of average cost or net realizable value and are recorded in other current assets on the accompanying consolidated balance sheets.

(e) *Investments*

The System's investments include marketable securities, alternative investments, and equity method investments.

Marketable debt and equity securities are carried at fair value determined in accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*. The System has designated its marketable securities as trading securities and recognizes investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) as nonoperating gains and losses in the accompanying consolidated statements of operations.

The System's alternative investments are reported at net asset value (NAV) as a practical expedient; gains or losses are recorded as nonoperating gains and losses in the accompanying consolidated statements of operations unless it is probable that all or a portion of the investment will be sold for an amount other than NAV. The System has concluded, as a practical expedient, that NAV approximates fair value.

Joint ventures and other investments in which the System does not control but does, however, have the ability to exercise significant influence are accounted for under the equity method of accounting in the accompanying consolidated financial statements.

RIVERSIDE HEALTHCARE ASSOCIATION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

The System also has investments designated for self-insurance held at MedInsur of approximately \$49,650 and \$46,800, respectively, on December 31, 2022 and 2021.

The System's investments are exposed to several risks, including market risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investment securities will occur and that such changes could materially affect the amounts reported in the System's consolidated financial statements. The System manages such risks through diversification of the investment portfolio, monitoring and due diligence, and the use of third-party service providers.

(f) Land, Buildings, and Equipment, Net

Land, buildings, and equipment are stated at cost. Depreciation is computed on the straight-line method using the following estimated useful lives:

	<u>Years</u>
Land improvements	2–25
Buildings and improvements	5–40
Fixed equipment	5–20
Major movable equipment	2–20

Gains or losses on the disposal of land, buildings, and equipment are included in other operating revenues on the accompanying consolidated statements of operations.

(g) Goodwill

The System accounts for goodwill in accordance with FASB ASC Topic 350, *Intangibles – Goodwill and Other*. As of December 31, 2022 and 2021, the balance of goodwill was approximately \$40,000 and is included in other assets in the accompanying consolidated balance sheets. In accordance with ASC Topic 350, the System's goodwill is not amortized but rather is tested annually for impairment. Management evaluates goodwill amounts for impairment annually at the end of the reporting period. No impairment loss was recognized in 2022 or 2021.

(h) Deferred Compensation Plan

The System sponsors an eligible deferred compensation plan as described under Internal Revenue Code (IRC) section 457. Eligible plans allow employees to defer income taxation on retirement savings into future years and plan participants can contribute up to the IRC limit. The System records an asset for the investments and a corresponding liability related to the payment to the employees in future years. Investments held by the System under a rabbi trust arrangement and the liability associated with the deferred compensation plan are included within other (noncurrent) assets and other (noncurrent) liabilities, respectively, in the accompanying consolidated balance sheets. On December 31, 2022 and 2021, the assets and liability were approximately \$47,200 and \$54,900, respectively.

RIVERSIDE HEALTHCARE ASSOCIATION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

On December 31, 2022 and 2021, investments held by the rabbi trust arrangement included marketable equity securities, money market mutual funds, and other investments, substantially all of which would be classified as Level 1 securities within the valuation hierarchy. The allocation by investment type on December 31 were as follows:

	2022	2021
Equity securities	91 %	92 %
Money market mutual funds	8	6
Other	1	2

All investment earnings and expenses of the rabbi trust are reported in the System's consolidated statements of operations within investment income, net and the related compensation cost from the change in fair value of the amount owed to the employees is recorded in net pension and postretirement costs. For the year ended December 31, 2022, net unrealized investment losses of \$10,329, and deferred compensation cost of \$10,329. For the year ended December 31, 2021, net unrealized investment gains of \$6,400, and deferred compensation cost of \$6,400. These gains and losses related to the deferred compensation plan were recognized by the System in nonoperating gains and losses.

(i) Coronavirus Aid, Relief, and Economic Security Act

On March 27, 2020, the U.S. Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which provided federal assistance for individuals and businesses. Under the CARES Act Provider Relief Funding, the System received \$88,399 in federal grants, \$59,505 of which were recognized prior to 2021, \$12,924 of which were recognized in 2021, and \$15,970 of which were recognized in 2022 as grant revenue in other operating revenues on the accompanying consolidated statements of operations. In addition to the federal grants received, the System received and recognized state of Virginia CARES Act grants from the Department of Medical Assistance Services in the amount of \$2,970 and \$3,870 during the years ended December 31, 2021 and 2022, respectively. The System considered FAQs and other guidance issued by the U.S. Department of Health and Human Services (HHS) when assessing whether the terms and conditions of the Provider Relief Funding were met. The amounts recognized as revenue could change in the future based on continuing analysis of lost operating revenues and COVID-19-related expenses as well as the evolving guidance provided by HHS.

In April 2020, the System received \$149,379 of advance payments from the Centers for Medicaid and Medicare Services (CMS). These advanced payments, which continue to be earned when future Medicare claims are reported to CMS, are recorded in due to third-party payors on the accompanying consolidated balance sheets. CMS started to recoup the advance payments in April 2021. The balances on December 31, 2022 and 2021 were \$0 and \$84,336, respectively.

Furthermore, the CARES Act included a provision that allows the System to defer the employer's portion of Social Security payroll taxes. On December 31, 2021, the System had \$10,810 of Social Security deferred payroll taxes remaining, which were included in accrued liabilities on the accompanying consolidated balance sheets. The System paid the remaining Social Security deferred payroll taxes in 2022.

RIVERSIDE HEALTHCARE ASSOCIATION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(j) Deferred Revenue

Patriots Colony, Inc. (Patriots Colony) and Warwick Forest (a division of Riverside Retirement Services, Inc.) are continuing care retirement communities. Residents admitted to the facilities pay a fee at admission (advance fee) and a monthly fee to cover the cost of their care (periodic fee). Note 2(n) further discusses recognition of the monthly fees when the performance obligations are met.

Under the terms of the various contracts, the advance fees range from nonrefundable to 95% refundable. The advance fees paid by a resident upon entering into a continuing care contract are recorded as deferred revenue and are amortized over time using an actuarial valuation that includes estimated remaining life expectancy and remaining healthcare usage of each individual resident, or joint and last survivor life expectancy of each pair of residents occupying the same unit. The refundable portion of these advance fees is repayable to the resident upon the resident vacating the unit and generally becomes nonrefundable over time. The refundable portion is classified as other current liabilities and is not amortized.

The deferred revenue balance on December 31, 2022 was \$64,790, consisting of \$61,821 in advance fees and \$2,969 in other deferred revenue. The deferred revenue balance on December 31, 2021 was \$61,520, consisting of \$58,358 in advance fees and \$3,162 in other deferred revenue.

As of December 31, 2022 and 2021, the portion of advance fees subject to refund provisions were approximately \$18,000 and \$17,400, respectively. Amounts expected to be refunded to current residents, based on the System's experience, were approximately \$5,100 and \$6,500 on December 31, 2022 and 2021, respectively, and are recorded in other current liabilities in the accompanying consolidated balance sheets.

The amounts relating to long-term care residents' advance fees are as follows:

Balance at December 31, 2020	\$	55,667
Amortization of entrance fees		(5,355)
Current year entrance fees		10,062
Refunds and terminations		<u>(2,016)</u>
Balance at December 31, 2021		58,358
Amortization of entrance fees		(6,009)
Current year entrance fees		12,374
Refunds and terminations		<u>(2,902)</u>
Balance at December 31, 2022	\$	<u><u>61,821</u></u>

(k) Obligation to Provide Future Services

Patriots Colony and Warwick Forest calculate the present value of the net cost of future services and future use of facilities to current residents and members and compares that amount with the balances of deferred revenue from advanced entrance fees. If the present value of the net obligation to provide future services and future use of facilities (discounted at 5%) exceeds the deferred revenue from advanced entrance fees, a liability is recorded with the corresponding charge to income. The

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calculation is performed biennially for each program in alternating years. On December 31, 2022 and 2021, deferred revenue from advanced entrance fees exceeded the calculation of the present value of the net cost of future services and future use of facilities for Patriots Colony and Warwick Forest. Therefore, an additional liability for an obligation to provide future services and use of facilities is not required.

(l) Derivatives Policy

The System manages its exposure to interest rate volatility through use of an interest rate swap contract. This contract qualifies as a derivative financial instrument. In accordance with the provisions of FASB ASC Subtopic 954-815, *Health Care Entities – Derivatives and Hedging*, the System applies the provisions of FASB ASC Topic 815, *Derivatives and Hedging*, in the same manner as for-profit entity. That is, the gain or loss items related to derivative instruments that affect a for-profit entity's income from continuing operations under ASC Topic 815 similarly affect the System's performance indicator, and the gain or loss items that are excluded from a for-profit entity's income from continuing operations similarly are excluded from the System's performance indicator. Under ASC Subtopic 954-815, to exclude the change in fair value from the performance indicator, the derivative instrument must not only be related to a specific bond issue, but also be a statistically correlated hedge of the current interest cash flow on the bonds. The System's performance indicator is referred to as excess of revenues, gains, and other support over expenses and losses. The net amount that becomes due or payable under the contracts is recognized currently in operating income. The System recognizes the derivative instrument at its estimated fair value on the balance sheet date and the gains and losses in its consolidated statements of operations and changes in net assets without donor restrictions. As of December 31, 2022 and 2021, the System has recorded the estimated fair value within other liabilities on the accompanying consolidated balance sheets. See note 10 for further details.

(m) Net Assets

The System classifies resources into two net assets categories based on the existence or absence of restrictions imposed by donors: without donor restrictions and with donor restrictions.

(i) Net Assets without Donor Restrictions

Net assets without donor restrictions are those net assets that are the result of revenues and income from standard operations of the System and are not subject to donor-imposed stipulations. Expenses, as reported on the consolidated statements of operations, reduce the total net assets without donor restrictions that resulted from revenues and other income.

Also included in this category are net assets in the plant replacement fund that the Board of Directors has the ability to but has not designated for specific purposes other than general plant replacement.

(ii) Net Assets with Donor Restrictions

Net assets with donor restrictions are unconditional promises to give cash and other assets whose use by the System has been limited by donors to a specific time period or purpose. These unconditional promises are discounted at a risk adjusted rate commensurate with the duration of the payment term which approximates fair value at the date the promise is received. When a donor

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restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, the assets are reclassified as net assets without donor restrictions and are reported in the consolidated statements of operations and changes in net assets without donor restrictions as net assets released from restriction. Donor-restricted contributions whose restrictions are met in the year they are received are reflected as increases in net assets without donor restrictions in the accompanying consolidated financial statements.

Also included in this category are net assets subject to donor-imposed restrictions to be maintained by the System in perpetuity, including gifts and pledges wherein donors stipulate that the corpus of the gift be held in perpetuity and that only the income be made available for program operations.

(n) Patient Service Revenue and Long-Term Care Revenue

(i) Patient Service Revenue

Revenue from patients is reported at the estimated net realizable amounts to be received from patients, third-party payors, or others for services rendered. The nature of the services provided determines performance obligations and the System recognizes revenue as performance obligations are satisfied, which is typically over time. The net realizable amounts include estimated retroactive adjustments under reimbursement agreements with third-party payors that are accrued on an estimated basis in the period the performance obligations are met and are based on current and historical experience, as well as reimbursement and other information, such as charges and allowable costs. The amounts are adjusted in future periods as changes to current, historical, and forecasted data becomes readily available.

(ii) Long-Term Care Revenue

Long-term care revenue includes revenue from patients in the nursing home, as well as revenue from residents in continuing care retirement communities. Revenue from patients in the nursing home divisions are recorded in a similar manner to patient service revenue in that patient revenue is recorded over time as the performance obligations are satisfied.

Revenue from residents in continuing care retirement communities is reported at the amount that reflects the consideration the System expects to receive in exchange for services provided. The amounts are due from residents or third-party payors and include variable consideration for retroactive adjustments, if any, under reimbursement programs. Revenue is recognized as the performance obligations are satisfied. Residents' fees include a fixed fee at admission and monthly fees. Residency agreements are generally for a term of one month with options to renew. The options to renew generally do not provide a material right to the resident (i.e., incremental discount) that the resident would not receive without entering into that contract, therefore, the System recognizes the monthly fees as revenue when the services for the month are performed and the performance obligation is met.

(o) Charity Care

The System's policy is to provide medical care without regard to the patient's ability to pay for such services. Charity care is based upon a review of the patient's financial circumstances. The amounts charged to patients that qualify for charity care are not recorded as patient service revenue and are excluded from accounts receivable because the System does not pursue collection of these amounts;

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however, the expenses incurred in providing these services are included in the System's operating expenses.

(p) Noncontrolling Interest

Noncontrolling interest represents the minority shareholders' respective proportionate share for each of the net assets of PHS and At Home Partners. Revenues in excess of expenses are allocated to the minority shareholders of PHS and At Home Partners in proportion to the minority shareholders' ownership percentage and are reflected as income attributable to noncontrolling interest in the accompanying consolidated statements of operations.

In July 2021, the System became the full owner of PHS. The System now fully consolidates PHS without noncontrolling interest.

(q) Income Taxes

The System has received a group exemption letter from the Internal Revenue Service (IRS) under the corporation name Riverside Healthcare Association, Inc. recognizing each of its wholly owned subsidiaries, except for Riverside Medical Equipment Center, Inc., Newport News General and Non-Sectarian Hospital Association, Inc., Shore Health Services, Inc., Shore Life Care, Inc., Tilden and Virginia Davis Support Foundation, Inc., and Peninsula Hospital Services, Inc., stating they are exempt from income taxes pursuant to Section 501(c)(3) of the IRC, except for unrelated business income. Newport News General and Non-Sectarian Hospital Association, Inc. has retained its determination letter from the IRS stating it is exempt from income taxes pursuant to IRC Section 501(c)(2). Shore Health Services, Inc., Shore Life Care, Inc., and Tilden and Virginia Davis Support Foundation, Inc. have retained their determination letters stating they are exempt from income taxes pursuant to IRC Section 501(c)(3). No provision for income taxes was required for the years ended December 31, 2022 and 2021. As of December 31, 2022 and 2021, there were no uncertain tax positions.

(r) Mission Statement and Nonoperating Gains and Losses

The System's primary mission is to provide the highest quality care based on the medical needs of the citizens of the surrounding communities. Only those activities directly associated with the furtherance of this purpose are considered to be operating activities.

Other activities that result in gains or losses unrelated to the System's primary mission are considered to be nonoperating. Nonoperating gains and losses include earnings on investments and gains and losses resulting from unusual or infrequent transactions.

(s) Recently Adopted Accounting Pronouncements

In March 2021, the FASB issued Accounting Standards Update (ASU) No. 2021-03, *Intangibles – Goodwill and Other (Topic 350)*. This ASU provides an accounting alternative to private companies or not-for-profit entities, which allows them to perform goodwill impairment testing annually at the end of the reporting period and does not require monitoring of triggering events throughout the period as previously required. The System adopted this ASU in 2021. The adoption of this ASU did not have a material impact on the consolidated financial statements.

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In February 2016, the FASB issued ASU No. 2016-02, *Leases*, intended to improve financial reporting about leasing transactions. The new lease standard requires lessees to record most leases currently classified as operating leases on their consolidated balance sheets as lease assets and lease liabilities but recognize expenses on their income statements in a manner similar to current accounting. The guidance also eliminates current real estate-specific provisions and changes the sale and leaseback accounting model for all entities. For lessors, the guidance modifies the classification criteria and the accounting for sales-type and direct financing leases. The System adopted this ASU in 2022. The System has recorded an increase in assets and liabilities presented in the consolidated balance sheets to record right-of-use assets and lease obligations for operating leases upon adoption of the standard. The System adopted this ASU in 2022 under the modified retrospective method and recognized operating lease right-of-use assets of \$135,716, net of deferred incentives, and corresponding operating lease liabilities of \$150,820 on the consolidated balance sheet, within other liabilities. There were minor adjustments to the consolidated statements of operations and changes in net assets without donor restrictions. As a result of the adoption of ASU No. 2016-02, *Leases*, the Christopher Newport University Warwick Medical finance obligation was moved from long-term debt to obligations under finance leases on the associated balance sheet as of December 31, 2022.

(3) Patient Service Revenue and Long-term Care Revenue

The System has two main sources of operating revenue: (1) contracts with patients through Acute and Other Acute Hospital Divisions and (2) contracts with patients or residents through the Lifelong Health and Aging-Related Services Division.

The amounts recognized as revenue are due from patients, residents, third-party payors, or others, and include estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and are adjusted in future periods as final settlements are determined. Generally, for inpatient services, the System bills the patient and third-party payors several days after services are performed and after the patient is discharged from the hospital. For outpatient services, the System bills patients and third-party payors several days after the services are rendered. The nature of the services provided determines performance obligations; the System typically recognizes revenue over time as performance obligations are satisfied. Other performance obligations that are deemed to be satisfied at a point in time may include services such as pharmacy sales. These obligations are satisfied when (1) goods are provided to the patients, residents, or other customers and (2) further services are not required in order to satisfy the performance obligation.

The System recognizes revenue for performance obligations satisfied over time based on actual charges incurred as services are provided to the patient or resident. Performance obligations incurred over time include services provided in inpatient acute care facilities, ancillary outpatient services provided in a facility or in a provider office including those rendered on the same day, long-term care facility services, and home care services. For inpatient and long-term care facility services, the performance obligation is measured from the point of admission to the time when services and goods are no longer required to satisfy the contract with the patient, which is generally at the time of discharge. These services are considered to be one performance obligation.

For inpatients at acute care facilities that have been admitted but not yet discharged at the end of the reporting period, an unsatisfied or partially satisfied performance obligations exists. The System recognizes

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revenue based on gross charges for services provided through the end of the month and accrues revenue based on charges posted after year-end that relate to the reporting period. These performance obligations are related to contracts that are expected to have a duration of less than one year and are therefore not disclosed separately as unsatisfied at the end of the reporting period.

The System determines the transaction price based on gross charges for services provided, less explicit and implicit price concessions and variable constraints. Contracts with patients usually involve a third-party payor and the System has agreements with certain third-party payors that provide for reimbursement at amounts different from their established rates. The gross charges are reduced for the difference between the reimbursement from third-party payors and the gross charge amount (explicit price concessions). Additionally, the System provides medical care without regard to the patient's ability to pay for services. Uninsured patients receive a discount from billed charges for medically necessary services.

If the System identifies subsequent adjustments to the transaction price that would cause adverse changes in a patient or payor's ability to pay, the amounts are recorded as bad debt expense. Bad debt expense is included in operating expenses in the accompanying consolidated statement of operations. The amount included as bad debt expense for the years ended December 31, 2022 and 2021 was not material to the System.

The System uses a portfolio approach as a practical expedient in recognizing patient revenue as patient accounts receivable are valued. The System does not expect its portfolio results to differ materially from valuing individual contracts.

There were no changes to the estimate of transaction price in the valuation of patient service revenue in 2022 and 2021 as compared with prior years.

The System does not adjust the amount of consideration from patients and third-party payors for the effects of a significant financing component because the System expects that the period between the time when patients receive services and when the System receives payments for those services will be one year or less. The System does, however, enter into payment arrangements with patients that allow payments in excess of one year. The System does not consider the financing component significant to the contract for these payment plans.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Adjustments to revenue estimates related to prior periods resulted in increases in patient service revenue of approximately \$4,884 and \$1,993 for the years ended December 31, 2022 and 2021, respectively.

A summary of the basis of hospital reimbursement from major third-party payors is as follows:

(a) Acute Care

Medicare – Inpatient services and capital costs related to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Substantially all Medicare outpatient services are paid at prospectively determined rates, which vary according to services rendered. Other outpatient services related to Medicare beneficiaries are paid based on a cost reimbursement

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methodology. The System’s Medicare cost reports have been final-settled by the intermediary through December 31, 2012.

There are several Medicare Advantage Programs in the System’s service area. Inpatient acute care services are reimbursed at prospectively determined rates per discharge based upon the Medicare inpatient patient classification system. Outpatient services are reimbursed at prospectively determined rates based upon the Medicare Outpatient Prospective Payment System.

Medicaid – Inpatient services are reimbursed at prospectively determined operating rates and tentative, cost-based capital and education rates per discharge, with final settlement of capital and education costs determined after submission of annual cost reports by the System and audits thereof by the Medicaid fiscal intermediary. Outpatient services are reimbursed at prospective determined rates. The System’s Medicaid cost reports have been final-settled by the intermediary through December 31, 2020.

There are several Medicaid managed programs in the System’s service area. Inpatient acute care services are reimbursed at prospectively determined rates. Outpatient services are reimbursed at either a percentage of charges or prospectively determined rates.

The State of Virginia assesses a fee or tax on hospital gross patient service revenue. The revenue from this assessment is used to increase payments made to hospitals for the unreimbursed costs of hospital services provided to Medicaid patients of \$38,181 and \$24,307 for 2022 and 2021, respectively. The System’s patient service revenue reflects the increase in payment for services to Medicaid patients and hospital tax assessment expense reflects the fees assessed by the State. Reimbursement and the assessment under this program are reflected in the accompanying consolidated statements of operations and changes in net assets without donor restrictions as follows:

			<u>2022</u>	<u>2021</u>
Reimbursement	Patient service revenue	\$	146,601	110,597
Assessment	Services and other		52,927	40,899

Blue Cross – For Blue Cross Health Maintenance Organization (HMO) subscribers, inpatient acute care services are reimbursed on prospectively determined rates per discharge, and outpatient services are reimbursed according to a fee schedule. For Blue Cross Preferred Provider Organization (PPO) subscribers, inpatient acute care services are reimbursed on a discharge basis, and outpatient services are reimbursed based upon a fee schedule. For other Blue Cross subscribers, inpatient acute care and outpatient services are reimbursed based upon a percentage of charges.

Commercial and Other Insured – Each hospital also has payment agreements with certain commercial insurance carriers, HMOs, and PPOs. The basis for payment to the System under these agreements is primarily a discount from established charges.

Self-pay – The System provides certain discounts to the uninsured. Uninsured patients received a 50% discount from billed charges in 2022 and 2021.

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The payor mix of major third-party payors for acute care, based on percentages of patient service revenue, for the years ended December 31 was as follows:

	<u>2022</u>	<u>2021</u>
Medicare (including Medicare Advantage)	37 %	35 %
Medicaid (including Medicaid HMO)	24	21
Blue Cross (including Blue Cross HMO)	21	21
Commercial and other insured	17	22
Self-pay	1	1
	<u>100 %</u>	<u>100 %</u>

(b) Long-Term Care

The majority of long-term care services were provided to Medicaid and Medicare patients in 2022 and 2021. Skilled nursing services provided under the Medicare program are reimbursed based upon a case-mix and geographically adjusted prospective payment. Medicaid reimburses based on a blending of the facility's historical price-based rate with patient-specific case mix rate, with an add-on for facility specific capital. The Lifelong Health and Aging-Related Services Division's Medicaid cost reports have been final-settled by the intermediary through December 31, 2020.

The payor mix of major third-party payors for the Lifelong Health and Aging-Related Services Division, based on percentages of long-term care revenue, for the years ended December 31 was as follows:

	<u>2022</u>	<u>2021</u>
Medicare (including Medicare Advantage)	28 %	31 %
Medicaid (including Medicaid HMO)	29	25
Blue Cross (including Blue Cross HMO)	1	1
Commercial and other insured	1	2
Self-pay	41	41
	<u>100 %</u>	<u>100 %</u>

(c) Riverside Medical Group

Patient service revenue for Riverside Medical Group (RMG) are included in patient service revenue in the accompanying consolidated statements of operations and changes in net assets without donor restrictions. These services are reimbursed based on established fee schedules for Medicare and Medicaid, negotiated fee schedules for Blue Cross and commercial payors, and capitated rates for HMOs.

For the years ended December 31, 2022 and 2021, patient service revenue for RMG totaled approximately \$265,786 and \$258,400, respectively.

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The payor mix of major third-party payors for RMG, based on percentages of patient service revenue, for the years ended December 31 was as follows:

	<u>2022</u>	<u>2021</u>
Medicare (including Medicare Advantage)	44 %	44 %
Medicaid (including Medicaid HMO)	11	15
Blue Cross (including Blue Cross HMO)	23	23
Commercial and other insured	19	17
Self-pay	3	1
	<u>100 %</u>	<u>100 %</u>

(d) Regulatory Environment

National and state healthcare-related legislation has been and is expected to continue to be introduced in the U.S. Congress and the Commonwealth of Virginia Legislature. Such legislation has addressed benefits provided, insurance coverage, and provider reimbursement. The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs, together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

Management is not aware of any material noncompliance with fraud and abuse-related rules or other applicable government laws and regulations. While no material regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory action unknown or unasserted at this time.

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(4) Community Benefit Expense

The System's estimated cost of providing services to the indigent and benefits to the broader community during the years ended December 31 are as follows:

	<u>2022</u>	<u>2021</u>
Benefits for the indigent:		
Unreimbursed cost of charity	\$ 27,454	25,048
Unreimbursed costs of Medicaid program	<u>26,066</u>	<u>2,928</u>
Total quantifiable benefits for the indigent at cost	<u>53,520</u>	<u>27,976</u>
Benefits for the broader community:		
Education and research programs	19,162	15,597
Other community benefits	<u>6,799</u>	<u>6,380</u>
Total quantifiable benefits for the broader community	25,961	21,977
Implicit price concessions	<u>34,527</u>	<u>25,787</u>
Total quantifiable community benefits	<u>\$ 114,008</u>	<u>75,740</u>

The System accepts all patients regardless of their ability to pay. Benefits for indigent patients include services provided to persons who cannot afford healthcare because of inadequate resources or who are uninsured. This includes traditional charity care at the estimated cost and the costs of treating Medicaid beneficiaries in excess of government payments. Distinguishing uncollected patient revenue between charity and implicit price concessions requires full consideration of both the financial and nonfinancial circumstances of the patient, which are not always available to the organization. Therefore, both traditional charity care and implicit price concessions are included as a component of benefits for indigent patients.

Benefits for the broader community include services provided to other individuals who may not qualify as indigent but need special services and support. Examples include the elderly, substance abusers, victims of child abuse, and the disabled. Benefits for the broader community also include the cost of health promotion and education, health clinics and screenings, and the unreimbursed cost of medical training. The costs for these services have been estimated using multiple costing methodologies, including the application of cost-to-charge ratios, internal cost accounting estimates, Medicare allowable costs, and, where possible, the amount provided as support to the community group or building activity.

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(5) Investments

The estimated values of the System's investments at December 31 are as follows:

	<u>2022</u>	<u>2021</u>
Short-term investments	\$ 3,661	3,651
Money market mutual funds	5,444	2,936
Fixed-income securities:		
Bond mutual funds	278,594	372,349
International bond mutual funds	16,048	10,114
U.S. government bonds and notes	14,915	10,451
Mortgage-backed securities	12,567	14,012
Corporate bonds and notes	12,685	13,582
Equity securities:		
Common trust funds:		
International	44,984	102,455
Domestic	41,346	16,450
Foreign stocks	30,077	41,920
Pooled investments	13,555	10,867
Marketable equity securities	62,541	88,662
Fund of funds	<u>22,857</u>	<u>23,213</u>
Total investments at fair market value	559,274	710,662
Equity method investments	9,416	11,049
Other investments	<u>3,503</u>	<u>1,251</u>
Total investments	\$ <u><u>572,193</u></u>	<u><u>722,962</u></u>

The fair market values of the System's investments, excluding certain alternative investments and equity method investments, and other investments, were determined by year-end closing prices reported in the listings of the applicable major exchanges.

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Investment income for the years ended December 31 consists of the following:

	2022	2021
Interest and dividends	\$ 15,478	10,318
Realized (losses) gains, net	(6,825)	12,959
Unrealized (losses) gains on trading securities, net	(96,590)	707
Investment (losses) gains from deferred compensation investments	(10,329)	6,400
Total investment income (loss), net included in change in net assets without donor restrictions	(98,266)	30,384
Donor-restricted investment income (loss), net	(3,009)	5,393
Total investment income (loss), net	\$ (101,275)	35,777

(6) Fair Value Measurements

The System's financial instruments include cash and cash equivalents, receivables, investments, accounts payable, accrued liabilities, and long-term debt. With the exception of long-term debt, the carrying amounts of these instruments approximate their fair values because of the short maturity or frequent repricing of these instruments.

ASC Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction among market participants at the measurement date. ASC Topic 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability.

In determining fair value, the System uses the market approach. The market approach utilizes prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. As a basis for considering market participant assumptions in fair value measurements, ASC Topic 820 establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 and Level 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

The fair value levels are as follows:

- Level 1 – Inputs utilize unadjusted quoted prices in active markets for identical assets or liabilities that the System has the ability to access at the measurement date.
- Level 2 – Inputs are other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the assets or liabilities (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals.

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- Level 3 – Inputs are unobservable inputs for the assets or liabilities, which are typically based on an entity’s own assumptions, as there is little, if any, related market activity.

The determination of the fair value level within which the entire fair value measurement falls is based on the lowest-level input that is significant to the fair value measurement in its entirety. The System’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the assets or liabilities.

The following tables present information about the fair value of the System’s financial assets and liabilities on a recurring basis:

	December 31, 2022				
	Total fair value	Level 1	Level 2	Level 3	NAV¹
Investments:					
Short-term investments	\$ 3,661	3,661	—	—	—
Money market mutual funds	5,444	5,444	—	—	—
Fixed-income securities:					
Bond mutual funds	278,594	190,600	87,994	—	—
International bond mutual funds	16,048	—	—	—	16,048
U.S. government bonds and notes	14,915	—	14,915	—	—
Mortgage-backed securities	12,567	—	12,567	—	—
Corporate bonds and notes	12,685	—	12,685	—	—
Equity securities:					
Common trust funds:					
International	44,984	—	—	—	44,984
Domestic	41,346	—	—	—	41,346
Foreign stocks	30,077	19,091	—	—	10,986
Pooled investments	13,555	—	—	—	13,555
Marketable equity securities	62,541	62,541	—	—	—
Fund of funds	22,857	—	—	—	22,857
Total assets at fair value	\$ 559,274	281,337	128,161	—	149,776
Liability:					
Interest rate swap contract	\$ 2,763	—	2,763	—	—
Total liability at fair value	\$ 2,763	—	2,763	—	—

¹ Investments reported at NAV as a practical expedient estimate of fair value at December 31, 2022

There were no significant transfers among Levels 1, 2, or 3 during the year ended December 31, 2022.

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	December 31, 2021				
	Total fair value	Level 1	Level 2	Level 3	NAV²
Investments:					
Short-term investments	\$ 3,651	3,651	—	—	—
Money market mutual funds	2,936	2,936	—	—	—
Fixed-income securities:					
Bond mutual funds	372,349	246,579	115,321	—	10,449
International bond mutual funds	10,114	—	—	—	10,114
U.S. government bonds and notes	10,451	—	10,451	—	—
Mortgage-backed securities	14,012	—	14,012	—	—
Corporate bonds and notes	13,582	—	13,582	—	—
Equity securities:					
Common trust funds:					
International	102,455	—	—	—	102,455
Domestic	16,450	—	—	—	16,450
Foreign stocks	41,920	27,792	—	—	14,128
Pooled investments	10,867	—	—	—	10,867
Marketable equity securities	88,662	88,662	—	—	—
Fund of funds	23,213	—	—	—	23,213
Total assets at fair value	\$ <u>710,662</u>	<u>369,620</u>	<u>153,366</u>	<u>—</u>	<u>187,676</u>
Liability:					
Interest rate swap contract	\$ <u>8,690</u>	<u>—</u>	<u>8,690</u>	<u>—</u>	<u>—</u>
Total liability at fair value	\$ <u>8,690</u>	<u>—</u>	<u>8,690</u>	<u>—</u>	<u>—</u>

² Investments reported at NAV as a practical expedient estimate of fair value at December 31, 2021

There were no significant transfers among Levels 1, 2, or 3 during the year ended December 31, 2021.

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The following table summarizes certain characteristics of the alternative investments, which are valued using the NAV as of December 31:

Fund	2022	2021	Investment strategy	Liquidity restrictions	Remaining commitment
Bond mutual fund	\$ —	10,449	Fund seeks to generate positive absolute returns over time rather than track the performance of any particular index. This is a private placement vehicle over rolling five-year period.	Daily, with 15 days notice	N/A
International bond mutual fund	16,048	10,114	Fund goal is to outperform the investment benchmark (Citigroup World Government Bond Index – Unhedged) by at least 2% average annual basis over rolling five-year period.	Daily, with 10 days notice	N/A
Common trust fund – international	44,984	102,455	Fund seeks to provide long-term total return in excess of the MSCI EAFE Index.	Monthly, with 10 days notice	N/A
Common trust fund – domestic	41,346	16,450	Fund seeks to provide long-term return in excess of indices.	Monthly, with 10 days notice	N/A
Foreign stocks	10,986	14,128	Fund seeks to achieve long-term total return, primarily by investing in equity securities of non-U.S. small capitalization companies.	Monthly, with 15 days notice	N/A
Pooled investments	13,555	10,867	Investments seek to achieve long-term earnings.	No redemptions	\$ 13,143
Fund of funds	22,857	23,213	Funds seek to deliver positive returns regardless of the direction of the market with the major driver of investment returns coming from active management.	Quarterly, with 65 to 100 days notice	N/A
	<u>\$ 149,776</u>	<u>187,676</u>			

The following methods and assumptions were used to estimate the fair value of each class of financial instrument.

Fixed-income securities consist of U.S. Treasury and other U.S. government agencies securities, corporate debt, mortgage-backed securities, other asset-backed securities, and bond mutual funds. The fair value is based upon proprietary valuation models that may consider market characteristics, such as benchmark yield curves, option-adjusted spreads, credit spreads, estimated default rates, coupon rates, anticipated timing of principal repayments, underlying collateral, and other security features in order to estimate relevant cash flows, which are discounted to fair value.

Equity securities consist of publicly traded index funds and publicly traded equity securities (common stocks and preferred stocks). The fair value of investments is determined by management using third-party service providers utilizing various methods dependent upon the specific type of investment. Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Where significant inputs are used by these third-party dealers or independent pricing services to determine

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fair values, the securities are classified within Level 2. Certain assets measured at fair value using the NAV are classified as Level 2 in accordance with FASB ASC Topic 820, *Fair Value Measurement*.

The System uses Level 2 inputs of interest rates and yield curves to value the interest rate swap.

(7) Land, Buildings, and Equipment, Net

A summary of land, buildings, and equipment at December 31 is as follows:

	<u>2022</u>	<u>2021</u>
Land and improvements	\$ 159,136	159,482
Buildings and improvements	1,092,824	1,050,953
Fixed equipment	34,698	34,571
Major movable equipment	609,030	523,538
Construction in progress	<u>139,558</u>	<u>100,732</u>
Land, buildings, and equipment	2,035,246	1,869,276
Less accumulated depreciation	<u>(1,071,152)</u>	<u>(1,005,555)</u>
Land, buildings, and equipment, net	<u>\$ 964,094</u>	<u>863,721</u>

Depreciation and amortization expense for the years ended December 31, 2022 and 2021 was \$96,765 and \$86,614, respectively. Capitalized interest expense net of capitalized interest income for the years ended December 31, 2022 and 2021 is approximately \$4,900 and \$2,000, respectively. Within major movable equipment, there are \$56,497 of assets associated with finance leases.

As of December 31, 2022 and 2021, construction in progress consisted primarily of renovations at Riverside Regional Medical Center, Riverside Doctors' Hospital Williamsburg, and Riverside Behavioral Health Center. On December 31, 2022 and 2021, the estimated cost to complete construction in progress was approximately \$122,000 and \$80,000, respectively.

(8) Retirement Plans

(a) Defined-contribution plans

The System sponsors defined-contribution plans under IRC Sections 401(k) and 403(b), which cover substantially all employees, and matches a percentage of contributions made by employees. Expenses related to the Riverside Health Services 401(k) Savings Plan and the Riverside Health System 403(b) Retirement Plan totaled approximately \$9,600 and \$8,400, respectively, for the years ended December 31, 2022 and 2021. Those expenses are included in salaries and benefits expense on the accompanying consolidated statements of operations.

(b) Pension and postretirement plans

In addition to the defined-contribution plans, the System has a noncontributory, defined-benefit pension plan (the Riverside Plan) that covers substantially all employees of the System that were employed prior to January 1, 2012, except for those employees in the Lifelong Health and Aging-Related Services Division. Prior to January 1, 2011, the System had three noncontributory, defined-benefit pension

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plans. The plans were merged effective January 1, 2011. The benefit structures of the plans remain unchanged after the merger. This plan is not available to new employees effective January 1, 2012. The System also provides healthcare benefits for eligible retired employees and accrues the estimated costs for such benefits during years that the employees render services to the System.

Benefits are based on years of service and the participant's compensation for each plan year in which the participant accrued credited service, as determined in accordance with the terms of the Riverside Plan.

The System's annual contributions to the Riverside Plan are actuarially determined amounts required to provide the benefits of the Riverside Plan and to meet the minimum funding standards as required by law. Funds released through terminations of nonvested employees are applied to reduce the System's future contributions. The System plans to contribute \$0 in 2023.

The reconciliation of the beginning and ending balances of the projected benefit obligation and the fair value of plan assets for the year ended December 31 and the accumulated benefit obligation at December 31 are as follows:

	Pension benefits		Postretirement benefits	
	2022	2021	2022	2021
Accumulated benefit obligation	\$ 602,593	818,089	—	—
Changes in benefit obligation:				
Benefit obligations at beginning of year	845,601	862,626	7,415	7,470
Service cost	14,349	15,988	186	174
Interest cost	25,451	23,467	237	203
Actuarial (gain) loss	(238,435)	(29,735)	(632)	385
Employee contributions	—	—	85	72
Benefits paid	<u>(28,126)</u>	<u>(26,745)</u>	<u>(831)</u>	<u>(889)</u>
Benefit obligation at end of year	618,840	845,601	6,460	7,415
Changes in plan assets:				
Fair value of plan assets at beginning of year	680,213	620,970	—	—
Actual return on plan assets	(138,656)	62,687	—	—
Employer contributions	11,000	23,301	746	817
Participant contributions	—	—	85	72
Benefits paid	<u>(28,126)</u>	<u>(26,745)</u>	<u>(831)</u>	<u>(889)</u>
Fair value of plan assets at end of year	<u>524,431</u>	<u>680,213</u>	<u>—</u>	<u>—</u>
Funded status	\$ <u><u>(94,409)</u></u>	<u><u>(165,388)</u></u>	<u><u>(6,460)</u></u>	<u><u>(7,415)</u></u>

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	<u>Pension benefits</u>		<u>Postretirement benefits</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Net (loss) gain recognized in net assets at December 31	\$ (91,679)	(168,348)	3,954	3,557

	<u>Pension</u>		<u>Postretirement</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Weight average assumptions used to determined net periodic benefit costs:				
Discount rate	3.07 %	2.77 %	3.07 %	2.77 %
Expected long-term return on assets	6.50	6.50	N/A	N/A
Compensation rate increase	3.00	3.00	N/A	N/A

The expected return on plan assets is based on current market expectations. Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plans.

	<u>Postretirement</u>	
	<u>2022</u>	<u>2021</u>
Healthcare cost trend rate:		
Cost trend rate assumed for next year	5.60 %	5.20 %
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	4.00	4.50
Year that the rate reaches the ultimate trend rate	2045	2035

The components of net periodic pension cost for the year ended December 31 are as follows:

	<u>Pension</u>		<u>Postretirement</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Service cost	\$ 14,349	15,988	186	174
Interest cost	25,451	23,467	237	203
Expected return on plan assets	(40,253)	(36,927)	—	—
Amortization of net loss (gain)	17,143	26,817	(235)	(376)
Net periodic pension cost	\$ <u>16,690</u>	<u>29,345</u>	<u>188</u>	<u>1</u>

The service cost component of net periodic pension cost is included in salaries and benefits expense as operating expenses on the consolidated statements of operations and changes in net assets without donor restrictions. The remaining components of net periodic pension cost are included in nonoperating gains and losses.

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Other pension-related changes are included as changes in net assets on the consolidated statements of operations and changes in net assets without donor restrictions. The components of these other changes for the year ended December 31 are as follows:

	Pension		Postretirement	
	2022	2021	2022	2021
Actuarial gain (loss)	\$ 59,526	55,496	632	(385)
Amortization of actuarial loss (gain)	17,143	26,817	(235)	(376)
Pension-related changes other than periodic pension cost	\$ 76,669	82,313	397	(761)

The System's policy is to provide for growth of capital with a moderate level of volatility by investing assets per the target allocations stated above. The assets will be reallocated periodically to meet the above target allocations. The investment policy will be reviewed periodically, under the advisement of a certified investment advisor, to determine if the policy should be changed.

The expected long-term rate of return for the Riverside Plan's total assets is based on the expected return of each of the above categories and weighted based on the median of the target allocation for each class. Equity securities are expected to return 6.57% to 7.62% over the long term, while cash and fixed-income securities are expected to return approximately 3.00% to 6.03%. Real estate, hedge funds, and private equity are expected to return approximately 6.44%, 6.32%, and 9.87% respectively.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	Pension	Postretirement
2023	\$ 33,139	672
2024	35,055	531
2025	36,853	540
2026	38,561	538
2027	40,216	555
2028–2032	219,022	2,684

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The fair value of the System's qualified pension plan assets, by asset category, are as follows:

Asset category	December 31, 2022				
	Total fair value	Level 1	Level 2	Level 3	NAV¹
Short-term investments	\$ 3,240	3,240	—	—	—
Fixed-income securities:					
Collective trust funds	211,199	—	211,199	—	—
Equity securities:					
Collective trust funds	238,461	—	238,461	—	—
Alternative investments	71,531	—	22,919	—	48,612
Total assets	\$ 524,431	3,240	472,579	—	48,612

¹ Investments reported at NAV as a practical expedient estimate of fair value at December 31, 2022

Asset category	December 31, 2021				
	Total fair value	Level 1	Level 2	Level 3	NAV²
Short-term investments	\$ 2,646	2,646	—	—	—
Fixed-income securities:					
Collective trust funds	284,645	—	284,645	—	—
Equity securities:					
Collective trust funds	309,742	—	309,742	—	—
Alternative investments	83,180	—	36,678	—	46,502
Total assets	\$ 680,213	2,646	631,065	—	46,502

² Investments reported at NAV as a practical expedient estimate of fair value at December 31, 2021

The fair value levels and valuation methodology are consistent with those disclosed in note 6.

The determination of the fair value level within which the entire fair value measurement falls is based on the lowest-level input that is significant to the fair value measurement in its entirety. The System's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the assets or liabilities.

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(9) Long-Term Debt

Long-term debt at December 31 is as follows:

	<u>2022</u>	<u>2021</u>
Long-term debt:		
Economic Development Authority of the City of Newport News, Virginia, Health System Revenue Bonds Series 2015A	\$ 100,000	100,000
Economic Development Authority of the City of Newport News, Virginia, Health System Revenue Bonds Series 2015B	21,000	23,000
Industrial Development Authority of the City of Newport News, Virginia, Health System Series 2017A	50,000	50,000
Economic Development Authority of the City of Newport News, Virginia, Health System Revenue Bond Series 2017B	44,364	48,201
2020 Towne Bank Loan Agreement	56,645	58,095
2021 Taxable Series Bond	245,510	246,510
Christopher Newport University Warwick Medical finance obligation	—	7,940
Other	—	5
	<u>517,519</u>	<u>533,751</u>
Plus unamortized premium based on imputed interest rate of 3.38%	1,098	1,156
Less unamortized debt issuance costs	(3,020)	(3,284)
Less current portion of long-term debt	<u>(10,922)</u>	<u>(8,681)</u>
Total long-term debt	<u>\$ 504,675</u>	<u>522,942</u>
Borrowings under lines of credit:		
Lines of credit	\$ —	324

(a) Long-Term Debt

The Economic Development Authority of the City of Newport News, Virginia, Health System Revenue Bonds (Riverside Health System) Series 2015A and Series 2015B were issued on July 22, 2015 for \$100,000 and \$25,000, respectively. The interest rates were fixed at 5.33% and 3.09%, respectively, with maturities through July 1, 2045 and July 1, 2030, respectively.

The Industrial Development Authority of the City of Newport News, Virginia, Health System Series 2017A tax-exempt bonds were issued on August 18, 2017 for \$50,000. The interest rate was fixed at 5.00%, with maturities through July 1, 2046.

The Economic Development Authority of the City of Newport News, Virginia, Health System Refunding Revenue Bonds Series 2017B were issued on September 7, 2017. The 2017B bonds were issued for \$68,555 with a variable rate ranging from 0.81% to 4.50% during 2022, with maturities through July 1, 2037.

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On February 27, 2020, the System entered into a \$60,000 taxable loan agreement. The interest rate on the loan is fixed at 2.21%, with maturities through July 1, 2050.

On November 9, 2021, the System issued \$246,510 in taxable bonds (Series 2021). The interest rate on the debt was fixed at 3.31%. A portion of the proceeds from the 2021 Series was used to refund both the Series 2012 Revenue Bonds and the 2017 taxable loan that had \$64,335 and \$50,000 of principal outstanding, respectively. A loss on extinguishment of \$5,116 was recognized and is included in nonoperating gains and losses in the accompanying consolidated statement of operations for 2021.

Scheduled maturities of long-term debt, as described above, are as follows:

2023	\$	10,922
2024		11,197
2025		11,477
2026		11,762
2027		12,062
Thereafter		<u>460,099</u>
Total	\$	<u><u>517,519</u></u>

(b) Line of Credit

The System has a \$40,000 revolving line of credit with Wells Fargo Bank, National Association for the purpose of financing the System's general short-term working capital needs with an annual maturity date of September 24. On September 22, 2022, the line of credit was renewed with a maturity date of September 21, 2023. The System has drawn \$0 and \$324 against the line of credit as of December 31, 2022 and 2021, respectively. The interest rate at December 31, 2022 and 2021 was 5.05% and 0.80%, respectively. On December 15, 2022, the line of credit was increased to \$50,000.

(c) Debt Covenants

The System is subject to a debt service coverage ratio, days cash on hand requirements, and credit ratio of unrestricted cash and investments to the outstanding principal amount and certain restrictions and limitations with respect to the incurrence of indebtedness, consolidation and merger, transfer of assets, and addition and withdrawal of entities to or from the System. The System was in compliance with its debt covenants for the years ended December 31, 2022 and 2021.

(10) Derivatives

In 2008, the System entered into an interest rate swap agreement with Deutsche Bank with a notional amount of \$63,730 to hedge against interest rate risk related to the Series 2004 variable rate bonds. In 2011, the Series 2004 bonds were refinanced with the Series 2011C bonds. In 2017, the Series 2011C bonds were refinanced with the 2017B bonds, and there was no change in the maturity date from July 1, 2037.

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The following summarizes the general terms for the System's interest rate swap agreement:

Notional amount – Original	\$	63,730
Notional amount – Current		40,590
Trade date		10/3/2008
Effective date		10/3/2008
Termination date		7/1/2037
Fixed rate		3.53 %
Fair value at December 31, 2020	\$	(11,015)
Change in fair value		<u>2,325</u>
Fair value at December 31, 2021		(8,690)
Change in fair value		<u>5,927</u>
Fair value at December 31, 2022	\$	<u><u>(2,763)</u></u>

This change has been included as a separate change in net assets in the accompanying consolidated statements of operations and changes in net assets without donor restrictions.

(11) Functional Expenses

The System provides general healthcare services to residents within its geographical location. Expenses related to providing these services are as follows:

	<u>Patient-related healthcare services</u>	<u>General and administrative services</u>	<u>Education, fundraising, and other services</u>	<u>Total</u>
For the year ended				
December 31, 2022:				
Salaries and benefits	\$ 691,239	153,684	31,753	876,676
Services and other	283,865	48,911	3,439	336,215
Supplies	313,892	4,189	842	318,923
Depreciation and amortization	89,025	6,923	817	96,765
Interest	<u>13,928</u>	<u>2,160</u>	<u>371</u>	<u>16,459</u>
Total	\$ <u>1,391,949</u>	<u>215,867</u>	<u>37,222</u>	<u>1,645,038</u>

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	<u>Patient-related healthcare services</u>	<u>General and administrative services</u>	<u>Education, fundraising, and other services</u>	<u>Total</u>
For the year ended				
December 31, 2021:				
Salaries and benefits	\$ 625,372	154,294	36,212	815,878
Services and other	200,495	69,383	28,858	298,736
Supplies	292,489	6,250	913	299,652
Depreciation and amortization	38,057	41,175	7,382	86,614
Interest	11,863	2,782	752	15,397
Total	\$ <u>1,168,276</u>	<u>273,884</u>	<u>74,117</u>	<u>1,516,277</u>

The System has expenses relating to functional classifications of patient-related healthcare services, general and administrative services, and education, fundraising, and other services. The accompanying consolidated statements of operations and changes in net assets without donor restrictions reports certain natural expense classifications that are attributed to these functional classifications. Natural expenses attributed to more than one functional expense classification are allocated based on the ratio of the individual functional classification's expense to total expense prior to allocation. In 2022 and 2021, approximately \$68,891 and \$85,400 in expenses were allocated based on the ratio of total expenses by category.

(12) Lease Commitments

Information as of and for the year ended December 31, 2022:

The System leases property and equipment under both operating and finance leases. Leases with terms greater than 12 months are recorded with the related right-of-use assets and right-of-use obligations at the present value of the lease payments over the term, on the accompanying consolidated balance sheet at December 31, 2022. The Systems uses US Treasury risk-free rate of return as the discount rate, as most leases do not provide a readily determinable implicit interest rate. Leases that include rental escalation clauses and renewal options are factored into the determination of the lease payments where appropriate.

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	<u>Balance sheet classification</u>	<u>December 31, 2022</u>
Assets:		
Operating leases	Right-of-use assets	\$ 125,678
Finance leases	Land, buildings, and equipment, net	<u>56,497</u>
Total lease assets		<u>\$ 182,175</u>
Liabilities:		
Current:		
Operating leases	Other current liabilities	\$ 20,208
Finance leases	Current portion of long-term debt and obligations under finance leases	13,876
Non-current:		
Operating leases	Other liabilities	120,760
Finance leases	Obligations under finance leases, less current portion	<u>64,536</u>
Total lease liabilities		<u>\$ 219,380</u>
Weighted average remaining term - operating leases		8.8 years
Weighted average remaining term - finance leases		7.3 years
Weighted average discount rate operating leases		1.7 %
Weighted average discount rate - finance leases		1.6 %

The following table represents certain information related to lease expenses for finance and operating leases for the year ended December 31, 2022. All expenses related to operating leases and short-term and variable lease expense are including in services and other expenses.

Finance lease expense:		
Amortization of leased assets	\$	12,628
Interest on lease liability		1,240
Operating leases		21,509
Variable lease expense		1,066
Short term lease expense		2,178
Sublease income		<u>(908)</u>
Total expenses	\$	<u>37,713</u>

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The following table represents supplemental cash flow information for the year ended December 31, 2022:

Cash paid for amounts included in the measurement of liabilities:		
Operating cash flows from operating leases	\$	20,896
Operating cash flows from finance leases (interest)		1,137
Financing cash flow from finance leases (principal)		13,258

The following table reconciles the undiscounted cash flows to the finance lease liabilities and operating lease liabilities recorded on the accompanying consolidated balance sheet at December 31, 2022:

	<u>Operating leases</u>	<u>Finance leases</u>
2023	\$ 22,453	15,001
2024	20,192	14,264
2025	18,308	13,812
2026	15,698	6,830
2027	12,564	5,351
Thereafter	<u>63,096</u>	<u>28,209</u>
Total undiscounted cash flows	152,311	83,467
Less: present value discount	<u>(11,343)</u>	<u>(5,055)</u>
Present value of future minimum lease payments	140,968	78,412
Less: current obligations under leases	<u>(20,208)</u>	<u>(13,876)</u>
Non-current lease obligations	\$ <u><u>120,760</u></u>	<u><u>64,536</u></u>

(13) Liquidity and Availability

The System has financial assets available within one year of the balance sheet date for general expenditures as follows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 37,182	160,292
Accounts receivable	180,542	159,936
Due from third-party payors	85,565	62,039
Other receivables	<u>12,606</u>	<u>8,334</u>
	\$ <u><u>315,895</u></u>	<u><u>390,601</u></u>

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The System has a requirement from bond holders to maintain financial assets, which consist of cash and short-term

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investments, on hand to meet a minimum of 90 days of normal operating expenses. As more fully described in note 9, the System also has a line of credit totaling \$50,000, which is drawn upon daily to meet operational needs. The amount drawn at December 31, 2022 and 2021 was \$0 and \$324, respectively. The System invests excess cash in short-term investments that are readily available (next day). Investments available to be used to meet normal operating expenses at December 31, 2022 and 2021 were \$522,862 and \$676,582, respectively.

The System has future construction commitments totaling approximately \$122,000. The major projects included in this commitment that are funded by taxable bond proceeds total \$74,500. This includes the addition of a medical office building and other facility upgrades at Riverside Doctors' Hospital Williamsburg, totaling \$41,000. This also includes an emergency department expansion and other facility upgrades at Riverside Behavioral Health Center in Hampton, totaling \$10,500. The proceeds are also being used for upgrades at the Gloucester, Williamsburg, and Newport News Radiation-Oncology Cancer Centers, totaling approximately \$10,400. Various projects at Riverside Shore Memorial Hospital, Riverside Walter Reed Hospital, and Riverside Regional Medical Center have taxable bond commitments at December 31, 2022 of \$2,400, \$2,000 and \$3,100, respectively. The remaining \$5,100 of taxable proceeds are being used for projects at various diagnostic centers, cancer centers, and other facilities.

(14) Net Assets

The composition of net assets at December 31 is presented as follows:

	<u>2022</u>	<u>2021</u>
Without donor restrictions:		
Hospital and physician operations	\$ 713,004	682,522
Lifelong health operations	189,766	207,227
Noncontrolling interest	<u>113</u>	<u>103</u>
Total without donor restrictions	\$ <u>902,883</u>	<u>889,852</u>
With donor restrictions:		
Purpose-restricted donor contributions:		
Capital expenditures	\$ 8,125	9,298
Patient support	10,372	9,645
Other	6,135	5,486
Perpetual in nature donor contributions	<u>2,856</u>	<u>2,974</u>
Total with donor restrictions	\$ <u>27,488</u>	<u>27,403</u>

(15) Insurance Coverage

Professional Liability

On December 31, 2022 and 2021, the System maintains professional liability insurance coverage of \$2,500 and \$2,450, respectively, per occurrence and \$16,000 and \$12,000, respectively, annual aggregate with a wholly owned captive insurance company, MedInsur. In addition, the System has obtained additional coverage from a commercial insurance company totaling \$20,000 for excess umbrella coverage.

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The System's professional liability insurance coverage is on a claims-made basis. The System accrues for the estimated ultimate cost of uninsured and self-insured asserted and unasserted malpractice claims when incidents occur. On December 31, 2022 and 2021, the System had accrued approximately \$25,400 and \$28,200, respectively, for claims associated with MedInsur. These claims are recorded in other liabilities on the accompanying consolidated balance sheets.

The estimated liability for professional liability claims will be significantly affected if current and future claims differ from historical trends. Management monitors reported claims closely and considers potential outcomes that are estimated by actuaries. Adequate provisions have been made related to the risks in determining the professional liability accrual.

Workers' Compensation

The System is responsible for workers' compensation claims of up to \$300 per loss event and an aggregate deductible of \$8,000 per year. The System is fully insured for claims occurring prior to January 1, 1994. The System has accrued for the estimated ultimate cost of reported and incurred but not reported claims as of December 31, 2022 and 2021. On December 31, 2022 and 2021, the System had accrued approximately \$4,600 and \$4,800, respectively. These claims are recorded in other liabilities on the accompanying consolidated balance sheets.

(16) Related-Party Transactions

The System has an investment on December 31, 2022 and 2021 of \$134 representing a 9.95% ownership in Newport News Town Center, LLC (NNTC), a real estate development company. One of the members of the System's Board of Directors is a partner in entities that have an ownership interest in NNTC. The System does not lease space in property owned by NNTC. NNTC is a partner in other real estate development companies. NNTC and its related partnerships have loans guaranteed by the System. On December 31, 2022 and 2021, the System guaranteed approximately \$1,300 of the loans. NNTC may require additional capital from its owners in the event of construction cost overruns. The System expects no material liability related to these guarantees due to the remote likelihood that the System will be required to perform under the guarantees.

During 2022 and 2021, the System made payments for professional services of approximately \$24,200 and \$18,100, respectively, to entities that are affiliated with a member of the System's Board of Directors.

As disclosed in note 9, on February 27, 2020, the System entered into a \$60,000 taxable loan agreement. The interest rate on the loan is fixed at 2.21%, with maturities through July 1, 2050. As of December 31, 2022 and 2021, one member of the System's Board of Directors was affiliated with the lender.

On December 31, 2022 and 2021, the System has an investment of \$6,557 and \$7,373, respectively, representing a 50% ownership in Chesapeake, Riverside, and UVA Radiosurgery Center, LLC. Changes in equity of this investment are recorded in other operating revenues in the accompanying consolidated statements of operations. During 2022 and 2021, the System recognized decreases in equity of approximately \$816 and \$1,029, respectively. Also, in 2022, the System received \$2,500 in dividends from Chesapeake, Riverside, UVA Radiosurgery Center, LLC. Liabilities due to the entity are included within other current liabilities on the accompanying consolidated balance sheets. On December 31, 2022 and 2021, the System had liabilities due to Chesapeake, Riverside, and UVA Radiosurgery Center, LLC of approximately \$8,061 and \$9,961, respectively.

RIVERSIDE HEALTHCARE ASSOCIATION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

In August 2021, the System paid \$861 for a 10% ownership interest in Mary Washington Health Plan. On December 31, 2022, the System records the investment using the cost method. Liabilities due to the entity are included within accounts payable on the accompanying consolidated balance sheet. On December 31, 2022 and 2021, the System had liabilities payable to Mary Washington Health Plan of \$0 and \$1,183, respectively.

(17) Concentration of Credit Risk

The System grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at December 31 is as follows:

	<u>2022</u>	<u>2021</u>
Medicare (including Medicare Advantage)	40 %	37 %
Medicaid (including Medicaid HMO)	18	15
Blue Cross (including Blue Cross HMO)	14	16
Commercial and other insured	23	27
Self-pay	5	5
	<u>100 %</u>	<u>100 %</u>

(18) Subsequent Events

The System has evaluated events through May 4, 2023, which is the date the consolidated financial statements were available for issuance, and determined that there are no other items to disclose.

RIVERSIDE HEALTHCARE ASSOCIATION, INC. AND SUBSIDIARIES

Consolidating Balance Sheet

December 31, 2022

(In thousands)

Assets	Members of the obligated group	Other entities	Eliminations of intercompany and joint ventures	Total
Current assets:				
Cash and cash equivalents	\$ 35,215	1,967	—	37,182
Accounts receivable	155,989	24,553	—	180,542
Due from affiliates	236,364	—	(236,364)	—
Due from third-party payors	76,260	9,305	—	85,565
Other receivables	41,779	272	(29,445)	12,606
Other current assets	44,885	5,644	9,278	59,807
Total current assets	590,492	41,741	(256,531)	375,702
Investments	520,472	51,721	—	572,193
Land, buildings, and equipment, net	835,004	129,090	—	964,094
Right-of-use assets	121,985	3,693	—	125,678
Other assets	90,955	64	—	91,019
Total assets	\$ 2,158,908	226,309	(256,531)	2,128,686
Liabilities and Net Assets				
Current liabilities:				
Accounts payable	\$ 47,370	9,089	—	56,459
Accrued liabilities	116,610	(12,729)	—	103,881
Borrowings under line of credit	—	—	—	—
Current portion of long-term debt and obligations under finance leases	24,798	—	—	24,798
Due to affiliates	—	236,364	(236,364)	—
Current portion due to third-party payors	—	—	—	—
Other current liabilities	42,480	1,349	18,062	61,891
Total current liabilities	231,258	234,073	(218,302)	247,029
Deferred revenue	64,782	(9,270)	9,278	64,790
Long-term debt, less current portion	504,675	—	—	504,675
Obligations under finance leases, less current portion	64,536	—	—	64,536
Pension and postretirement obligations	100,869	—	—	100,869
Other liabilities	187,081	29,335	—	216,416
Total liabilities	1,153,201	254,138	(209,024)	1,198,315
Net assets:				
Without donor restrictions	1,009,046	(58,656)	(47,620)	902,770
Noncontrolling interest	—	—	113	113
Total without donor restrictions	1,009,046	(58,656)	(47,507)	902,883
With donor restrictions	(3,339)	30,827	—	27,488
Total net assets	1,005,707	(27,829)	(47,507)	930,371
Total liabilities and net assets	\$ 2,158,908	226,309	(256,531)	2,128,686

The "Members of the Obligated Group" consists of Riverside Hospital, Inc., Riverside Middle Peninsula Hospital, Inc., Patrick Henry Hospital, Inc., Riverside Healthcare Services, Inc., Riverside Healthcare Foundation, Inc., Riverside Management Services, Inc., Rehabilitation Institute of Virginia, Inc., Riverside Wellness and Fitness Centers, Inc., Riverside Retirement Services, Inc., Riverside Convalescent Centers, Inc., Riverside Medical Equipment Company, Inc., Newport News General and Non-sectarian Hospital Association, Inc., Riverside Physician Services, Inc., and Patriots Colony, Inc.

See accompanying independent auditors' report.

RIVERSIDE HEALTHCARE ASSOCIATION, INC. AND SUBSIDIARIES

Consolidating Balance Sheet

December 31, 2021

(In thousands)

Assets	Members of the obligated group	Other entities	Eliminations of intercompany and joint ventures	Total
Current assets:				
Cash and cash equivalents	\$ 158,728	1,564	—	160,292
Accounts receivable	140,698	19,238	—	159,936
Due from affiliates	222,859	—	(222,859)	—
Due from third-party payors	54,921	7,118	—	62,039
Other receivables	26,680	(115)	(18,231)	8,334
Other current assets	49,508	7,024	(5,321)	51,211
Total current assets	653,394	34,829	(246,411)	441,812
Investments	675,173	47,789	—	722,962
Land, buildings, and equipment, net	736,838	126,883	—	863,721
Other assets	98,405	56	—	98,461
Total assets	\$ 2,163,810	209,557	(246,411)	2,126,956
Liabilities and Net Assets				
Current liabilities:				
Accounts payable	\$ 66,328	7,385	—	73,713
Accrued liabilities	106,984	8,045	—	115,029
Borrowings under line of credit	324	—	—	324
Current portion of long-term debt and obligations under capital leases	8,760	—	—	8,760
Due to affiliates	—	222,859	(222,859)	—
Current portion due to third-party payors	70,200	14,136	—	84,336
Other current liabilities	25,685	4,275	—	29,960
Total current liabilities	278,281	256,700	(222,859)	312,122
Deferred revenue	61,531	5,310	(5,321)	61,520
Long-term debt, less current portion	522,937	5	—	522,942
Obligations under capital leases, less current portion	21	—	—	21
Pension and postretirement obligations	172,803	—	—	172,803
Due to third-party payors, less current portion	1,480	(73)	—	1,407
Other liabilities	109,358	29,528	—	138,886
Total liabilities	1,146,411	291,470	(228,180)	1,209,701
Net assets:				
Without donor restrictions	1,004,468	(96,385)	(18,334)	889,749
Noncontrolling interest	—	—	103	103
Total without donor restrictions	1,004,468	(96,385)	(18,231)	889,852
With donor restrictions	12,931	14,472	—	27,403
Total net assets	1,017,399	(81,913)	(18,231)	917,255
Total liabilities and net assets	\$ 2,163,810	209,557	(246,411)	2,126,956

The "Members of the Obligated Group" consists of Riverside Hospital, Inc., Riverside Middle Peninsula Hospital, Inc., Patrick Henry Hospital, Inc., Riverside Healthcare Services, Inc., Riverside Healthcare Foundation, Inc., Riverside Management Services, Inc., Rehabilitation Institute of Virginia, Inc., Riverside Wellness and Fitness Centers, Inc., Riverside Retirement Services, Inc., Riverside Convalescent Centers, Inc., Riverside Medical Equipment Company, Inc., Newport News General and Non-sectarian Hospital Association, Inc., Riverside Physician Services, Inc., and Patriots Colony, Inc.

See accompanying independent auditors' report.

RIVERSIDE HEALTHCARE ASSOCIATION, INC. AND SUBSIDIARIES

Consolidating Statement of Operations and Changes in Net Assets

Year ended December 31, 2022

(In thousands)

	Members of the obligated group	Other entities	Eliminations of intercompany and joint ventures	Total
Operating revenues, gains, and other support without donor restrictions:				
Patient service revenue and long-term care revenue	\$ 1,311,681	207,017	(2,414)	1,516,284
Other operating revenues	196,926	28,911	(69,816)	156,021
Net assets released from restrictions for operations	713	30	—	743
Total operating revenues, gains, and other support	<u>1,509,320</u>	<u>235,958</u>	<u>(72,230)</u>	<u>1,673,048</u>
Operating expenses:				
Salaries and benefits	803,660	84,564	(11,548)	876,676
Services and other	307,248	84,273	(55,306)	336,215
Supplies	282,442	36,905	(424)	318,923
Depreciation and amortization	87,732	9,034	(1)	96,765
Interest	16,455	549	(545)	16,459
Total operating expenses	<u>1,497,537</u>	<u>215,325</u>	<u>(67,824)</u>	<u>1,645,038</u>
Net operating income	<u>11,783</u>	<u>20,633</u>	<u>(4,406)</u>	<u>28,010</u>
Nonoperating gains and losses:				
Investment income, net	(92,373)	(5,348)	(545)	(98,266)
Net pension and postretirement costs	7,986	—	—	7,986
Total nonoperating gains, net	<u>(84,387)</u>	<u>(5,348)</u>	<u>(545)</u>	<u>(90,280)</u>
Deficiency of revenues, gains, and other support over expenses and losses before noncontrolling interest	(72,604)	15,285	(4,951)	(62,270)
Noncontrolling interest	—	—	(10)	(10)
Deficiency of revenues, gains, and other support over expenses and losses attributable to Riverside Health System	(72,604)	15,285	(4,961)	(62,280)
Change in fair value of financial instruments – interest rate swap agreement	5,927	—	—	5,927
Change in plan assets and benefit obligations of pension and postretirement plans	77,066	—	—	77,066
Cumulative effect of change in lease classification	(3,045)	—	—	(3,045)
Other	(2,766)	22,444	(24,325)	(4,647)
Change in net assets without donor restrictions attributable to Riverside Health System	<u>\$ 4,578</u>	<u>37,729</u>	<u>(29,286)</u>	<u>13,021</u>

RIVERSIDE HEALTHCARE ASSOCIATION, INC. AND SUBSIDIARIES

Consolidating Statement of Operations and Changes in Net Assets

Year ended December 31, 2022

(In thousands)

	Members of the obligated group	Other entities	Eliminations of intercompany and joint ventures	Total
Change in net assets without donor restrictions attributable to Riverside Health System	\$ 4,578	37,729	(29,286)	13,021
Change in noncontrolling interest	—	—	10	10
Change in net assets without donor restrictions	<u>4,578</u>	<u>37,729</u>	<u>(29,276)</u>	<u>13,031</u>
Change in net assets with donor restrictions:				
Contributions (distributions)	(1,957)	5,026	—	3,069
Donor-restricted investment (loss) gain, net	(14,368)	11,359	—	(3,009)
Net assets released from restrictions	(713)	(30)	—	(743)
Other	768	—	—	768
Change in net assets with donor restrictions	<u>(16,270)</u>	<u>16,355</u>	<u>—</u>	<u>85</u>
Total change in net assets	<u>(11,692)</u>	<u>54,084</u>	<u>(29,276)</u>	<u>13,116</u>
Net assets, beginning of year	<u>1,017,399</u>	<u>(81,913)</u>	<u>(18,231)</u>	<u>917,255</u>
Net assets, end of year	\$ <u><u>1,005,707</u></u>	<u><u>(27,829)</u></u>	<u><u>(47,507)</u></u>	<u><u>930,371</u></u>

The "Members of the Obligated Group" consists of Riverside Hospital, Inc., Riverside Middle Peninsula Hospital, Inc., Patrick Henry Hospital, Inc., Riverside Healthcare Services, Inc., Riverside Healthcare Foundation, Inc., Riverside Management Services, Inc., Rehabilitation Institute of Virginia, Inc., Riverside Wellness and Fitness Centers, Inc., Riverside Retirement Services, Inc., Riverside Convalescent Centers, Inc., Riverside Medical Equipment Company, Inc., Newport News General and Non-sectarian Hospital Association, Inc., Riverside Physician Services, Inc., and Patriots Colony, Inc.

See accompanying independent auditors' report.

RIVERSIDE HEALTHCARE ASSOCIATION, INC. AND SUBSIDIARIES

Consolidating Statement of Operations and Changes in Net Assets

Year ended December 31, 2021

(In thousands)

	Members of the obligated group	Other entities	Eliminations of intercompany and joint ventures	Total
Operating revenues, gains, and other support without donor restrictions:				
Patient service revenue and long-term care revenue	\$ 1,213,842	183,213	(3,767)	1,393,288
Other operating revenues	211,543	30,131	(52,479)	189,195
Net assets released from restrictions for operations	771	15	—	786
Total operating revenues, gains, and other support	<u>1,426,156</u>	<u>213,359</u>	<u>(56,246)</u>	<u>1,583,269</u>
Operating expenses:				
Salaries and benefits	750,036	74,926	(9,084)	815,878
Services and other	257,469	87,760	(46,493)	298,736
Supplies	267,312	32,742	(402)	299,652
Depreciation and amortization	75,997	10,639	(22)	86,614
Interest	15,396	530	(529)	15,397
Total operating expenses	<u>1,366,210</u>	<u>206,597</u>	<u>(56,530)</u>	<u>1,516,277</u>
Net operating income	<u>59,946</u>	<u>6,762</u>	<u>284</u>	<u>66,992</u>
Nonoperating gains and losses:				
Investment income, net	31,489	(651)	(454)	30,384
Net pension and postretirement costs	(19,584)	—	—	(19,584)
Loss on the extinguishment of debt	(5,116)	—	—	(5,116)
Total nonoperating gains, net	<u>6,789</u>	<u>(651)</u>	<u>(454)</u>	<u>5,684</u>
Excess of revenues, gains, and other support over expenses and losses before noncontrolling interest	66,735	6,111	(170)	72,676
Noncontrolling interest	—	—	(11)	(11)
Excess of revenues, gains, and other support over expenses and losses attributable to Riverside Health System	66,735	6,111	(181)	72,665
Change in fair value of financial instruments – interest rate swap agreement	2,325	—	—	2,325
Change in plan assets and benefit obligations of pension and postretirement plans	81,551	—	—	81,551
Other	7,568	(1,976)	(5,314)	278
Change in net assets without donor restrictions attributable to Riverside Health System	<u>\$ 158,179</u>	<u>4,135</u>	<u>(5,495)</u>	<u>156,819</u>

RIVERSIDE HEALTHCARE ASSOCIATION, INC. AND SUBSIDIARIES

Consolidating Statement of Operations and Changes in Net Assets

Year ended December 31, 2021

(In thousands)

	Members of the obligated group	Other entities	Eliminations of intercompany and joint ventures	Total
Change in net assets without donor restrictions attributable to				
Riverside Health System	\$ 158,179	4,135	(5,495)	156,819
Change in noncontrolling interest	—	—	11	11
Change in ownership of Coastal Virginia Rehabilitation	—	(7,318)	3,732	(3,586)
Change in ownership of Peninsula Hospital Services	—	—	(841)	(841)
	<hr/>	<hr/>	<hr/>	<hr/>
Change in net assets without donor restrictions	158,179	(3,183)	(2,593)	152,403
Change in net assets with donor restrictions:				
Contributions (distributions)	(1,707)	2,027	—	320
Donor-restricted investment income, net	3,691	1,702	—	5,393
Net assets released from restrictions	(771)	(15)	—	(786)
Other	3,150	—	—	3,150
	<hr/>	<hr/>	<hr/>	<hr/>
Change in net assets with donor restrictions	4,363	3,714	—	8,077
Total change in net assets	162,542	531	(2,593)	160,480
Net assets, beginning of year	854,857	(82,444)	(15,638)	756,775
Net assets, end of year	\$ <u>1,017,399</u>	<u>(81,913)</u>	<u>(18,231)</u>	<u>917,255</u>

The "Members of the Obligated Group" consists of Riverside Hospital, Inc., Riverside Middle Peninsula Hospital, Inc., Patrick Henry Hospital, Inc., Riverside Healthcare Services, Inc., Riverside Healthcare Foundation, Inc., Riverside Management Services, Inc., Rehabilitation Institute of Virginia, Inc., Riverside Wellness and Fitness Centers, Inc., Riverside Retirement Services, Inc., Riverside Convalescent Centers, Inc., Riverside Medical Equipment Company, Inc., Newport News General and Non-sectarian Hospital Association, Inc., Riverside Physician Services, Inc., and Patriots Colony, Inc.

See accompanying independent auditors' report.

RIVERSIDE HEALTHCARE ASSOCIATION, INC. AND SUBSIDIARIES
 Consolidating Balance Sheet with Lifelong Health and Aging-Related Services Divisional Detail
 December 31, 2022
 (In thousands)

Assets	Riverside Retirement Services, Inc.							Other entities						Eliminations	Total Riverside Health System
	Warwick Forest	Choose Home	Center for Excellence in Aging and Lifelong Health	At Home Partners	Investment in Riverside Retirement Services Subsidiaries	Other Divisions	Riverside Retirement Services Eliminations	Consolidated Riverside Retirement Services, Inc.	Sanders Common, Ltd.	Francis N. Sanders Nursing Home, Inc.	Patriots Colony, Inc.	Riverside Advantage Inc.	All Other Riverside Health System		
Current assets:															
Cash and cash equivalents	\$ 135	129	7	646	—	—	917	2,709	(2,748)	(86)	—	36,390	—	37,182	
Accounts receivable	9	(364)	(3)	—	—	—	(358)	96	556	924	—	179,324	—	180,542	
Due from affiliates	(15,006)	1,235	(4,428)	(103)	(4)	80	(18,226)	(3,534)	(14,603)	11,541	(2,576)	9,336	18,062	—	
Due from third-party payors	228	—	—	—	—	—	228	(1)	48	3	—	85,287	—	85,565	
Other receivables	1,355	48	64	—	53	—	(459)	1,061	—	2	2,909	—	9,634	(1,000)	
Other current assets	27	14	—	—	—	—	41	—	11	40	—	59,715	—	59,807	
Total current assets	(13,252)	1,062	(4,360)	543	49	80	(459)	(16,337)	(730)	(16,734)	15,331	(2,576)	379,686	17,062	375,702
Investments	22,389	470	—	—	—	—	22,859	—	—	67,509	2,066	479,759	—	572,193	
Land, buildings, and equipment, net	22,901	17	18	—	—	—	22,936	1,545	8,443	49,106	—	882,064	—	964,094	
Right-of-use assets	1	—	168	—	—	—	169	—	—	4	—	125,505	—	125,678	
Other assets	—	—	—	—	—	—	—	—	—	—	—	91,019	—	91,019	
Total assets	\$ 32,039	1,549	(4,174)	543	49	80	(459)	29,627	815	(8,291)	131,950	(510)	1,958,033	17,062	2,128,686
Liabilities and Net Assets															
Current liabilities:															
Accounts payable	\$ 1,186	—	7	17	—	80	—	1,290	101	308	750	40	53,970	—	56,459
Accrued liabilities	(1,257)	(3)	—	(38)	—	—	—	(1,298)	79	(988)	(512)	—	106,600	—	103,881
Borrowings under line of credit	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Current portion of long-term debt and obligations under finance leases	—	—	—	—	—	—	—	—	—	—	—	—	24,798	—	24,798
Current portion due to third-party payors	—	—	—	—	—	—	—	—	(54)	54	—	—	—	—	—
Other current liabilities	1,277	5	79	—	—	—	—	1,381	73	31	4,929	—	37,435	18,062	61,891
Total current liabilities	1,206	2	86	(21)	—	80	—	1,353	199	(595)	5,167	40	222,803	18,062	247,029
Deferred revenue	18,299	2,376	—	—	—	—	—	20,675	2	7	42,557	—	1,549	—	64,790
Long-term debt, less current portion	—	—	—	—	—	—	—	—	—	—	—	—	504,675	—	504,675
Obligations under finance leases, less current portion	—	—	—	—	—	—	—	—	—	—	—	—	64,536	—	64,536
Pension and postretirement obligations	—	—	—	—	—	—	—	—	—	—	—	—	100,869	—	100,869
Other liabilities	1	—	87	—	—	—	—	88	—	10	3	—	216,315	—	216,416
Total liabilities	19,506	2,378	173	(21)	—	80	—	22,116	201	(578)	47,727	40	1,110,747	18,062	1,198,315
Net assets:															
Without donor restrictions	12,180	(829)	(4,347)	564	49	—	(459)	7,158	614	(7,713)	84,223	(550)	820,038	(1,000)	902,770
Noncontrolling interest	—	—	—	—	—	—	—	—	—	—	—	—	113	—	113
Total without donor restrictions	12,180	(829)	(4,347)	564	49	—	(459)	7,158	614	(7,713)	84,223	(550)	820,151	(1,000)	902,883
With donor restrictions	353	—	—	—	—	—	—	353	—	—	—	—	27,135	—	27,488
Total net assets	12,533	(829)	(4,347)	564	49	—	(459)	7,511	614	(7,713)	84,223	(550)	847,286	(1,000)	930,371
Total liabilities and net assets	\$ 32,039	1,549	(4,174)	543	49	80	(459)	29,627	815	(8,291)	131,950	(510)	1,958,033	17,062	2,128,686

See accompanying independent auditors' report.

RIVERSIDE HEALTHCARE ASSOCIATION, INC. AND SUBSIDIARIES
 Consolidating Balance Sheet with Lifelong Health and Aging-Related Services Divisional Detail
 December 31, 2021
 (In thousands)

Assets	Riverside Retirement Services, Inc.							Other entities						Eliminations	Total Riverside Health System
	Warwick Forest	Choose Home	Center for Excellence in Aging and Lifelong Health	At Home Partners	Investment in Riverside Retirement Services Subsidiaries	Other Divisions	Riverside Retirement Services Eliminations	Consolidated Riverside Retirement Services, Inc.	Sanders Common, Ltd.	Francis N. Sanders Nursing Home, Inc.	Patriots Colony, Inc.	Riverside Advantage Inc.	All Other Riverside Health System		
Current assets:															
Cash and cash equivalents	\$ 48	25	8	646	—	—	727	473	(442)	62	—	159,472	—	160,292	
Accounts receivable	(19)	(320)	(3)	—	—	—	(342)	85	497	674	—	159,022	—	159,936	
Due from affiliates	(13,940)	1,374	(3,926)	(71)	(1)	41	(16,523)	(911)	(14,562)	9,692	(861)	23,165	—	—	
Due from third-party payors	243	—	—	—	—	—	243	(1)	48	3	—	61,746	—	62,039	
Other receivables	2,538	62	205	—	6	—	(412)	—	2	1,277	—	5,656	(1,000)	8,334	
Other current assets	20	6	—	—	—	—	26	5	5	33	—	51,142	—	51,211	
Total current assets	(11,110)	1,147	(3,716)	575	5	41	(13,470)	(349)	(14,452)	11,741	(861)	460,203	(1,000)	441,812	
Investments	26,058	547	—	—	—	—	26,605	—	—	78,528	861	722,968	—	722,962	
Land, buildings, and equipment, net	24,408	20	13	—	—	—	24,441	1,610	8,132	51,111	—	778,427	—	863,721	
Other assets	—	—	—	—	—	—	—	—	—	—	—	98,461	—	98,461	
Total assets	\$ 39,356	1,714	(3,703)	575	5	41	(412)	37,576	1,261	(6,320)	141,380	—	1,954,059	(1,000)	2,126,956
Liabilities and Net Assets															
Current liabilities:															
Accounts payable	\$ 1,218	—	53	55	—	41	—	1,367	109	251	646	1,183	70,157	—	73,713
Accrued liabilities	472	8	—	5	—	—	—	485	79	282	2,691	—	111,492	—	115,029
Borrowings under line of credit	—	—	—	—	—	—	—	—	—	—	—	—	324	—	324
Current portion of long-term debt and obligations under capital leases	—	—	—	—	—	—	—	—	—	—	—	—	8,760	—	8,760
Current portion due to third-party payors	—	—	—	—	—	—	—	—	—	—	—	—	84,336	—	84,336
Other current liabilities	1,154	(8)	—	—	—	—	—	1,146	57	6	6,368	—	22,383	—	29,960
Total current liabilities	2,844	—	53	60	—	41	—	2,998	245	539	9,705	1,183	297,452	—	312,122
Deferred revenue	19,562	2,514	10	—	—	—	—	22,086	2	4	37,695	—	1,733	—	61,520
Long-term debt, less current portion	—	—	—	—	—	—	—	—	—	—	—	—	522,942	—	522,942
Obligations under capital leases, less current portion	—	—	—	—	—	—	—	—	—	—	—	—	21	—	21
Pension and postretirement obligations	—	—	—	—	—	—	—	—	—	—	—	—	172,803	—	172,803
Due to third-party payors, less current portion	—	—	—	—	—	—	—	—	—	—	—	—	1,407	—	1,407
Other liabilities	—	—	—	—	—	—	—	—	—	50	13	—	138,823	—	138,886
Total liabilities	22,406	2,514	63	60	—	41	—	25,084	247	593	47,413	1,183	1,135,181	—	1,209,701
Net assets:															
Without donor restrictions	16,526	(800)	(3,766)	515	5	—	(412)	12,068	1,014	(6,913)	93,967	(1,183)	791,796	(1,000)	889,749
Noncontrolling interest	—	—	—	—	—	—	—	—	—	—	—	—	103	—	103
Total without donor restrictions	16,526	(800)	(3,766)	515	5	—	(412)	12,068	1,014	(6,913)	93,967	(1,183)	791,899	(1,000)	889,852
With donor restrictions	424	—	—	—	—	—	—	424	—	—	—	—	26,979	—	27,403
Total net assets	16,950	(800)	(3,766)	515	5	—	(412)	12,492	1,014	(6,913)	93,967	(1,183)	818,878	(1,000)	917,255
Total liabilities and net assets	\$ 39,356	1,714	(3,703)	575	5	41	(412)	37,576	1,261	(6,320)	141,380	—	1,954,059	(1,000)	2,126,956

See accompanying independent auditors' report.

RIVERSIDE HEALTHCARE ASSOCIATION, INC. AND SUBSIDIARIES
Consolidating Statement of Operations with Lifelong Health and Aging-Related Services Divisional Detail
Year ended December 31, 2022
(In thousands)

	Riverside Retirement Services, Inc.							Other entities						Eliminations	Total Riverside Health System
	Warwick Forest	Choose Home	Center for Excellence in Aging and Lifelong Health	At Home Partners	Investment in Riverside Retirement Services Subsidiaries	Other Divisions	Riverside Retirement Services Eliminations	Consolidated Riverside Retirement Services, Inc.	Sanders Common, Ltd.	Francis N. Sanders Nursing Home, Inc.	Patriots Colony, Inc.	Riverside Advantage Inc.	All Other Riverside Health System		
Operating revenues, gains, and other support without donor restrictions:															
Patient service revenue	\$ —	—	—	—	—	—	—	—	—	—	—	—	1,444,917	(29)	1,444,888
Long-term care revenue	7,099	13	—	—	—	—	7,112	2,049	7,089	12,164	—	—	42,982	—	71,396
Other operating revenues	9,615	1,649	440	1,285	47	—	(1,401)	11,635	183	560	17,865	—	140,266	(14,488)	156,021
Net assets released from restrictions for operations	—	—	—	—	—	—	—	—	—	—	—	—	743	—	743
Total operating revenues, gains, and other support	16,714	1,662	440	1,285	47	—	(1,401)	18,747	2,232	7,649	30,029	—	1,628,908	(14,517)	1,673,048
Operating expenses:															
Salaries and benefits	7,686	74	696	319	—	—	8,775	1,366	4,211	11,209	—	—	855,208	(4,093)	876,676
Services and other	4,969	1,514	309	917	3	—	(1,354)	6,358	1,151	2,020	(1,183)	—	327,268	(9,618)	336,215
Supplies	1,497	24	13	—	—	—	1,534	37	893	2,665	—	—	313,800	(6)	318,923
Depreciation and amortization	3,310	2	3	—	—	—	3,315	78	780	4,410	—	—	88,185	(3)	96,765
Interest	—	—	—	—	—	—	—	—	545	251	—	—	16,460	(797)	16,459
Total operating expenses	17,462	1,614	1,021	1,236	3	—	(1,354)	19,982	2,632	8,449	28,754	(1,183)	1,600,921	(14,517)	1,645,038
Net operating income (loss)	(748)	48	(581)	49	44	—	(47)	(1,235)	(400)	(800)	1,275	1,183	27,987	—	28,010
Nonoperating gains and losses:															
Investment loss, net	(3,598)	(77)	—	—	—	—	—	(3,675)	—	—	(11,019)	(550)	(83,022)	—	(98,266)
Net pension and postretirement costs	—	—	—	—	—	—	—	—	—	—	—	—	7,986	—	7,986
Total nonoperating gains, net	(3,598)	(77)	—	—	—	—	—	(3,675)	—	—	(11,019)	(550)	(75,036)	—	(90,280)
Excess (deficiency) of revenues, gains, and other support over expenses and losses before noncontrolling interest	(4,346)	(29)	(581)	49	44	—	(47)	(4,910)	(400)	(800)	(9,744)	633	(47,049)	—	(62,270)
Noncontrolling interest	—	—	—	—	—	—	(10)	(10)	—	—	—	—	—	—	(10)
Excess (deficiency) of revenues, gains, and other support over expenses and losses attributable to Riverside Health System	\$ (4,346)	(29)	(581)	49	44	—	(57)	(4,920)	(400)	(800)	(9,744)	633	(47,049)	—	(62,280)

See accompanying independent auditors' report.

RIVERSIDE HEALTHCARE ASSOCIATION, INC. AND SUBSIDIARIES
 Consolidating Statement of Operations with Lifelong Health and Aging-Related Services Divisional Detail
 Year ended December 31, 2021
 (In thousands)

	Riverside Retirement Services, Inc.							Other entities						Eliminations	Total Riverside Health System
	Warwick Forest	Choose Home	Center for Excellence in Aging and Lifelong Health	At Home Partners	Investment in Riverside Retirement Services Subsidiaries	Other Divisions	Riverside Retirement Services Eliminations	Consolidated Riverside Retirement Services, Inc.	Sanders Common, Ltd.	Francis N. Sanders Nursing Home, Inc.	Patriots Colony, Inc.	Riverside Advantage Inc.	All Other Riverside Health System		
Operating revenues, gains, and other support without donor restrictions:															
Patient service revenue	\$ —	—	—	—	—	—	—	—	—	—	—	—	1,325,827	(107)	1,325,720
Long-term care revenue	6,630	—	—	—	—	—	(70)	6,560	1,720	7,104	10,972	—	41,293	(81)	67,568
Other operating revenues	8,555	1,460	629	829	6	—	(930)	10,549	447	178	17,225	—	172,989	(12,193)	189,195
Net assets released from restrictions for operations	—	—	—	—	—	—	—	—	—	—	—	—	786	—	786
Total operating revenues, gains, and other support	15,185	1,460	629	829	6	—	(1,000)	17,109	2,167	7,282	28,197	—	1,540,895	(12,381)	1,583,269
Operating expenses:															
Salaries and benefits	7,143	195	656	129	—	—	—	8,123	1,147	3,833	10,137	—	795,901	(3,263)	815,878
Services and other	4,604	1,050	375	653	1	—	(968)	5,715	977	2,078	9,037	1,183	288,755	(9,009)	298,736
Supplies	1,507	9	6	—	—	—	—	1,522	13	811	2,473	—	294,848	(15)	299,652
Depreciation and amortization	3,257	4	11	—	—	—	—	3,272	77	726	4,730	—	77,861	(52)	86,614
Interest	—	—	—	—	—	—	—	—	—	497	102	—	15,396	(598)	15,397
Total operating expenses	16,511	1,258	1,048	782	1	—	(968)	18,632	2,214	7,945	26,479	1,183	1,472,761	(12,937)	1,516,277
Net operating income (loss)	(1,326)	202	(419)	47	5	—	(32)	(1,523)	(47)	(663)	1,718	(1,183)	68,134	556	66,992
Nonoperating gains and losses:															
Investment income, net	555	14	—	—	—	—	—	569	—	—	1,888	—	28,483	(556)	30,384
Net pension and postretirement costs	—	—	—	—	—	—	—	—	—	—	—	—	(19,584)	—	(19,584)
Loss on the extinguishment of debt	—	—	—	—	—	—	—	—	—	—	—	—	(5,116)	—	(5,116)
Total nonoperating gains, net	555	14	—	—	—	—	—	569	—	—	1,888	—	3,783	(556)	5,684
Excess (deficiency) of revenues, gains, and other support over expenses and losses before noncontrolling interest	(771)	216	(419)	47	5	—	(32)	(954)	(47)	(663)	3,606	(1,183)	71,917	—	72,676
Noncontrolling interest	—	—	—	—	—	—	(9)	(9)	—	—	—	—	(2)	—	(11)
Excess (deficiency) of revenues, gains, and other support over expenses and losses attributable to Riverside Health System	\$ (771)	216	(419)	47	5	—	(41)	(963)	(47)	(663)	3,606	(1,183)	71,915	—	72,665

See accompanying independent auditors' report.

**Patriots Colony At Williamsburg
Residence and Services Agreement with Promissory Note**

Patriots Colony at Williamsburg

**Resident and Services Agreement
with Promissory Note
2023**

6000 Patriots Colony Drive

Williamsburg, VA 23188

(757) 220-9000

**Patriots Colony At Williamsburg
Residence and Services Agreement with Promissory Note**

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**Patriots Colony At Williamsburg
Residence and Services Agreement with Promissory Note**

This Agreement is made and entered into by and between Patriots Colony, Inc. (hereinafter referred to as “Patriots Colony”) and _____, hereinafter referred to as “Resident,” whether one or more persons) this ____ day of _____, 2023.

**ARTICLE I
Fees and Refunds**

Resident has selected “Choice 1” and the fees below will be reflective of the “Choice 1” fee schedule.

A. ENTRANCE FEE

1. Residence Number & Type

Resident has selected and shall have a personal non-assignable right to reside in _____, subject to removal only under the conditions and terms of this agreement.

2. Amount

In consideration of the continuing care program outlined in this Agreement and residency in the above described Residence, the Resident agrees to pay Patriots Colony the total amount of \$_____ which if for two persons, the sum of \$_____ shall be construed to be the Entrance Fee for the first person, and \$_____ be construed to be the Entrance Fee for the second person. Resident’s deposit of ten percent (10%) of the Entrance Fee shall be made at the time the Resident agrees to reserve the Residence (the “Reservation Deposit”). The Reservation Deposit will be applied towards payment of the Entrance Fee. Except as otherwise provided in Section A.3 of this Article I below, the balance of the Entrance Fee shall be due and payable on the date that shall occur within seven (7) days prior to the assigned occupancy date and at a date and time mutually agreeable to all parties (the “Closing Date”). The Entrance Fee principle amount above will not change during the duration of this Agreement, unless the Resident chooses to upgrade to a larger residence (see “Change of Residence”, Article IV, Section D).

3. Financing Arrangement

a. Eligibility

In lieu of paying the entire balance of the Entrance Fee as provided in Section 2 above, Resident may participate in the financing arrangement made available by Patriots Colony to prospective residents, as more fully described below. If Resident desires to participate in this arrangement, Resident shall: (i) initial the box below the financing arrangement evidencing Resident’s agreement to be bound by the terms contained therein; (ii) disclose to Patriots Colony such information as Patriots Colony may request to determine Resident’s eligibility for participation; and (iii)

execute such documents as required herein to effect such participation upon Patriots Colony’s determination that Resident is eligible to participate.

Patriots Colony At Williamsburg
Residence and Services Agreement with Promissory Note

b. General Description

The Reservation Deposit shall be applied toward payment of the Entrance Fee. Resident shall pay an additional ten percent (10%) of the total Entrance Fee upon the Closing Date, with the remaining balance being due and payable in accordance with the terms of a promissory note evidencing the Resident's financial obligation, a form of which is attached hereto as Exhibit A and made a part hereof. Under the promissory note, the principal of which shall be the unpaid balance of the Entrance Fee (the "Financed Amount"). The date of the promissory note shall be the Closing Date. Payments of principal shall be made in four (4) equal installments on the next four (4) anniversary dates of the Closing Date. All accrued principal and interest on the Financed Amount will be due on the fourth anniversary of the Closing Date. Interest shall accrue at the Prime Rate plus one percent (1%) on the unpaid balance of the promissory note, but if Resident pays the entire Financed Amount to Patriots Colony on or before the one (1) year anniversary of the Closing Date, Patriots Colony shall waive all interest due by Resident to Patriots Colony under the promissory note. For purposes hereof, the "Prime Rate" shall mean the rate per annum that appears as the base rate on corporate loans posted by at least seventy-five percent (75%) of the thirty (30) largest banks in the United States, as posted in the Money Rates section of the *Wall Street Journal* on the applicable date, or if the applicable date is not a business day, on the business day immediately prior to such date. Resident may prepay any portion of the Financed Amount in whole or in part, together with accrued interest, without penalty, at any time before the date on which the promissory note matures. Resident agrees that if at any time prior to the promissory note maturing the Residents sells his or her primary residence, the financed amount together with accrued interest shall be due and payable thirty (30) days after the sale of said residence.

 Initial here to evidence Resident's agreement to the foregoing provisions of this subsection A.3 of Article I.

B. MONTHLY FEE

1. Current Amount

The current Monthly Fee associated with the Residence selected by the Resident is the total amount of \$_____, which, if for two persons, the sum of \$_____ shall be construed to be the Monthly Fee for the first person and \$_____ shall be construed to be the Monthly Fee for the second person occupying the Residence. The Monthly Fee shall be paid to Patriots Colony in advance before occupancy and by the first day of each month. The Monthly Fee charges shall begin on the first day of occupancy or ninety (90) days after the date that Resident reserved the Residence, whichever is earlier, and shall be paid on a pro-rated basis through the last day of the current month.

2. Statement

The Monthly Fee and any other applicable charges shall be considered delinquent if not paid within fourteen days following the due date. All delinquent accounts shall draw a finance charge at no more than the maximum rate allowed by law.

Patriots Colony At Williamsburg
Residence and Services Agreement with Promissory Note

3. Adjustments

The Monthly Fee may be adjusted by Patriots Colony consistent with the cost of operating and maintaining Patriots Colony as well as the future service obligations of Patriots Colony and upon thirty (30) days notice to the Resident.

C. ENTRANCE FEE OPTIONS

Three different refund options are listed below. Only one refund option will apply for purposes of this agreement and all parties to this agreement will initial that option. The option selected cannot be changed during the term of this agreement or any subsequent agreements as may be required due to a change in Residence. By initialing below and by signing this Agreement you acknowledge that you have reviewed the current pricing associated with refund options selected and have selected the following Entrance Fee refund plan initialed below for purposes of this Agreement.

1. Base Plan (Declining Refund)

Should this Agreement be terminated by either party for any reason after the execution date of this agreement and before the end of the first (1st) calendar month from the execution date of this agreement, the Entrance Fee paid (first person and second person) will be refunded to the Resident or the Resident's estate in full, less only the "application fee". Should this Agreement be terminated by either party for any reason after the first (1st) calendar month from the execution date of this Agreement, the Entrance Fee paid (first person and second person) will be refunded to the Resident or the Resident's estate less 2% per calendar month calculated from the first month of occupancy. After fifty (50) calendar months of occupancy, there will be no refund.

2. Plan 50

Should this Agreement be terminated by either party for any reason after the execution date of this agreement and before the end of the first (1st) calendar month from the execution date of this agreement, the Entrance Fee paid (first person and second person) will be refunded to the Resident or the Resident's estate in full, less only the "application fee". Should this Agreement be terminated by either party for any reason after the first (1st) calendar month from the execution date of this Agreement, the Entrance Fee paid will be refunded to the Resident or the Resident's estate less 2% per calendar month from the first (1st) calendar month of occupancy and thereafter for twenty-four (24) additional months. After twenty-five (25) calendar months, the refund amount will remain unchanged at 50% of the Entrance Fee paid (first person and second person), regardless of the length of time thereafter that the Agreement remains in force. For actuarial reasons, Plan 50 availability and rates are age-rated based on age at occupancy. Plan 50 is available at baseline rates to single Residents and couples if all individuals are under age 81, and available at higher rates to single Residents & couples where at least one individual is at least age 81 but not yet 86. Plan 50 is not available to single Residents and couples where any individual is age 86 or higher.

3. Plan 95

Should this Agreement be terminated by either party for any reason after the execution date of this agreement and before the end of the first (1st) calendar month from the execution date of this agreement, the Entrance Fee paid (first person and second person) will be refunded to the Resident or the Resident's estate in full, less only the

Patriots Colony At Williamsburg

Residence and Services Agreement with Promissory Note

“application fee”. Should this Agreement be terminated by the Resident or Patriots Colony for any reason after the first (1st) calendar month from the execution date of this Agreement, the

Entrance Fee paid will be refunded, at 95% of the Entrance Fee paid (first person and second person), regardless of the length of time thereafter that the Agreement remains in force. For actuarial reasons, Plan 95 availability and rates are age-rated based on age at occupancy. Plan 95 is available at baseline rates to single Residents and couples if all individuals are under age 81, and available at higher rates to single Residents and couples where at least one individual is at least age 81 but not yet 86. Plan 95 is not available to single Residents and couples where any individual is age 86 or higher.

D. CALCULATION & PAYMENT OF ENTRANCE FEE REFUNDS

1. Adjustments for Financing Arrangement

Notwithstanding any provision herein to the contrary, Resident agrees and acknowledges that, if Resident participates in the financing arrangement set forth in Section A.3 of Article I, Resident shall not be entitled to a refund under the foregoing provision of this Section C until the Financed Amount has been paid in full to Patriots Colony. However, if Resident has executed a promissory note in connection with Resident’s participation in the Financing Arrangement set forth in subsection A.3 of Article I above and terminates this Agreement prior to the one year anniversary of the Closing Date and provides no less than thirty (30) days notice of such termination, Patriots Colony shall cancel the promissory note as the Financed Amount will no longer be due by Resident to Patriots Colony, and Resident shall no longer have any obligations to Patriots Colony under the promissory note.

2. Calculation

For purposes of the above Plans no Entrance Fee refund will include amounts paid for improvements to the Residence, Monthly Fees or other periodic charges. Any Entrance Fee refund shall not include interest that has accrued from the date the Resident’s Entrance Fee was paid. Refunds for additional Entrance Fee paid after initial occupancy for such reasons as “upgrade” or marriage will be calculated from the date of original occupancy and this Agreement.

3. Payment of Refund

All refunds due under the Entrance Fee refund option will be made within ten (10) business days after the last of the following: (i) this agreement is terminated; (ii) your Residence has been vacated; and (iii) your Residence is occupied by a new Resident. Notwithstanding the foregoing conditions for payment of refunds, if you have vacated your Residence for a permanent stay at the Health Center, you may apply your future refund to your health care cost in the Health Center, once a new Resident occupies your Residence.

Patriots Colony At Williamsburg
Residence and Services Agreement with Promissory Note
ARTICLE II

Continuing Care Program

The Continuing Care Program provided by Patriots Colony in this Agreement includes the use of a number of services and facilities. Outlined below is a description of those services and facilities.

A. SERVICES AND FACILITIES

1. Residence

Subject to the terms of this Agreement, the Resident has the non-assignable right to reside in the previously described Residence for the remainder of the Resident's life or in the event Resident is more than one person, for the remainder of the life of the survivor. Patriots Colony shall furnish carpet, vinyl and other standard floor treatments, refrigerator, range/oven, microwave, washer/dryer, garbage disposal, dishwasher. The Resident shall provide all other furnishings for the Residence.

2. Dining Plan

The Dining Services Department offers three meals a day, six days a week and at least two meals on Sunday. Snacks and beverages are also available during the day. Residents may choose to eat any or all meals each day. Residents receive a generous dining allowance, on a quarterly basis, that is included in the monthly fee. In addition to any menu item, the dining allowance can also be used for bar charges and guest meals. Residents away from the campus in at least ten (10) consecutive days or more during a month are eligible for a meal credit of \$12 per day.

3. Housekeeping

The Residence will be cleaned once each week. This cleaning includes vacuuming floor surfaces that are accessible, light dusting on surfaces free of clutter, and necessary cleaning of bathroom and kitchen counters and fixtures. Additionally, heavier housekeeping services such as window washing and floor maintenance will be performed on a scheduled basis. Other housekeeping tasks such as dishwashing, laundry, bed making, etc., are the responsibility of the Resident but can be provided by Patriots Colony on an available basis at an additional charge.

4. Maintenance

Repairs, maintenance and replacements of property and equipment owned by Patriots Colony shall be performed and provided by Patriots Colony to keep such property and equipment in good repair and order as deemed necessary by Patriots Colony. The above work also includes custodial services for all public spaces and appropriate grounds maintenance. Repairs to Resident's personal possessions are the responsibility of the Resident.

5. Utilities

Utilities reasonably required in connection with the occupancy of the Residence, including water, sewer, heating, air-conditioning, electricity, basic cable T.V., and trash

Patriots Colony At Williamsburg
Residence and Services Agreement with Promissory Note

removal are included in the fees. Residence telephone and extended/premium cable TV charges are the responsibility of the Resident.

6. Security

Patriots Colony will use reasonable care in providing security on the premises including the use of personnel dedicated to that purpose, but will not be responsible for losses of personal property.

7. Emergency Response

Each residence will be equipped with emergency response systems which, when activated, will summon assistance from Patriots Colony.

8. Property Insurance

Patriots Colony insures property and equipment against reasonable losses. Personal property and personal liability insurance for Residents is the responsibility of the Resident.

9. Taxes

Patriots Colony pays all real estate, property, and use taxes on all Patriots Colony property and any applicable business operations. The Resident is responsible for his/her own personal property taxes and personal income taxes.

10. Parking

Covered parking spaces have been provided in sufficient number to allow one car per residence. Additional parking spaces for Residents, guests and staff are also provided and have been designed to be in close proximity to the ultimate user.

11. Additional Storage

Apartment residents without a designated storage space in the Residence shall have one additional secured storage space in the public area.

12. Scheduled Transportation

Resident fees will cover regularly scheduled trips in Patriots Colony vehicles to nearby shopping and "other popular destinations." Other special trips may be arranged at a nominal charge depending on demand.

13. Planned Recreation, Wellness, and Activity Programs

Social, cultural and recreational activities will be provided or arranged by Patriots Colony staff and made available to Residents. Participation is strictly voluntary.

14. Congregate Facilities

Residents shall have the right to the use and enjoyment, in concert with others, of the indoor and outdoor public areas and recreational facilities at no extra charge. Exceptions to this right will be a fee for use of certain spaces and purchases of supplies, merchandise and expendables by Residents and their guests for private purposes.

Patriots Colony At Williamsburg
Residence and Services Agreement with Promissory Note

15. Wellness Clinic

The Resident Wellness Clinic will be staffed by a licensed nurse who will provide at no charge certain diagnostic monitoring and health promotion services. This individual can also, with the Resident's physicians' involvement, assist in coordinating the Resident's health care services. Payments for any services arranged by the Wellness Clinic, which involve charges by other health professionals, are the responsibility of the Resident.

16. Health Care

Patriots Colony provides Resident guaranteed priority access to accommodations in the Patriots Colony Health Center if ordered by a physician and approved by the Health Services Director. If the Resident shall need accommodations in the on-site Health Center and the associated health care services, the Resident shall pay the Patriots Colony published public rates for long term care services then in effect. (See Article III, "Patriots Colony Health Services").

B. SERVICES AVAILABLE AT EXTRA CHARGE

1. Meals and Guest Meals, in addition to those purchased with the flexible monthly dining allowance.
2. Guest Rooms
3. Additional Housekeeping
4. Individual Telephone Use
5. Extended/Premium Cable T.V. Channels
6. Internet Services
7. Special Events or Transportation
8. Variable Costs for Crafts/Supplies
9. Services of any On-Site Private Vendors (Such as: Barber, Beautician, Bank, etc.)
10. Catering or Set-up/Clean-up Services
11. Health Services
12. Other services that may be made available

Thirty (30) days notice will be provided of any changes in the scope of care or services.

C. LIFECARE

Patriots Colony offers a LifeCare Program through a separate agreement. The LifeCare Program offers Health Services and other additional services described above available to residents at a discounted rate, subject to a qualification determination by Patriots Colony. In

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Residence and Services Agreement with Promissory Note

the event Resident pays the full Residence and Services Entrance Fee at occupancy but later desires to convert to the LifeCare program, the then current Entrance Fee must first be paid to Patriots Colony in full. In the event Resident participates in a Financing Arrangement, Resident will have the right to convert to the LifeCare program within thirty (30) days after the payment of the Entrance Fee, and the Entrance Fee will be credited towards the then current entrance fee for the new LifeCare contract. Notwithstanding anything herein to the contrary, Resident's conversion to the LifeCare Program will be subject to the admission and qualification requirements, a health assessment and a financial review to determine Resident's qualification.

D. EXCLUSIONS

Patriots Colony will at no time be responsible for the debts of a Resident or for medical expenses incurred for services or related items (See Article III B).

ARTICLE III

Patriots Colony Health Services

A. ACCESS

Patriots Colony will guarantee Resident priority access to the Health Center, consisting of *The Berkeley* (assisted living), *Springhouse* (assisted living for the memory impaired), and *The Convalescent Center* (nursing residence). Even though non-residents will have access to the Health Center, Residents will have first priority on all Health Center accommodations and no Resident shall be denied an available space in favor of a non-resident. Patriots Colony offers licensed "Assisted Living" and "Nursing Facility" accommodations. If any such

licensed levels of care are not available on-site or if such space is occupied and not immediately available, Patriots Colony will assist resident in transferring to such space off-site. Patriots Colony will notify Resident once the service can be provided on-site and will assist with return arrangements.

B. CHARGES

1. Resident agrees to pay the current published public rate for any stay, temporary or permanent, in any level of care in the Health Center, or for the equivalent service off-site as described above, for as long as those services are needed. If a monthly rate, the current public rate shall be calculated on a pro-rated daily basis for a partial month's stay.
2. If Resident alone occupies two physically connected Assisted Living suites, the public rate will apply for both suites.
3. If a couple occupies one Assisted Living suite, the applicable published public monthly Fee will be calculated for each Resident. Once a single Resident occupies the suite, the applicable single person public rate will be charged.

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4. If Resident occupies both Assisted Living and Convalescent accommodations simultaneously, Resident will be billed for both on a pro-rated basis for partial months.

C. RETENTION OF RESIDENCE DURING HEALTH CENTER STAY

The following outlines the effect of your stay in the Health Center on the Monthly Fee for your Residence.

1. Temporary Stay

During a temporary stay in the Health Center, the Resident will continue to pay the Monthly Fee for the Residence plus the current public rate for the care received at the Health Center.

2. Permanent Stay

- a. If Patriots Colony in its sole discretion, but after consultation with you, your family and your physician, determines that you are physically or mentally incapable of living independently for the foreseeable future, the Resident will be deemed to have permanent status at the Health Center and pay the appropriate public rate.

b. Single Resident

Resident will release the Residence to Patriots Colony and the Residence Monthly Fee will terminate on the date it is vacated. Once permanent status in the Health Center has been determined, the Residence must be vacated within 30 days.

c. Resident Couple

When one Resident's stay in the Health Center becomes permanent, the remaining Independent Living Resident will begin paying the first person Monthly Fee. In the case of a couple where both Residents are on permanent status in the Health

Center, they will release the Residence to Patriots Colony and cease to pay the Monthly Fee on the date the Residence is vacated. The Independent Living Residence must be vacated within 30 days of the date the last Resident gains permanent Health Center status.

- d. If a permanent move is necessary within the Health Center (e.g. assisted living to convalescent center), Resident must vacate the previous accommodations within ten (10) days.

- e. If personal belongings are not removed by stated time, property will be removed by Patriots Colony and stored at Resident's expense. For the purposes of this Agreement "vacated" shall mean all of the Resident's personal belongings shall be removed from the Residence and the Residence left undamaged, except for normal "fair wear and tear", and in a trash-free condition.

3. Recovery from a Permanent Stay

Should you release your Residence to Patriots Colony for a permanent stay in the Health Center and later be judged by Patriots Colony to be capable of living independently

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again, you will be offered the next available Residence of the type and size equivalent to that last occupied. If you wish to return to a different type and size Residence, the Upgrading or Downgrading provisions of Article IV, Section D will apply.

D. HEALTH CARE INSURANCE

1. Resident agrees to procure and maintain Medicare Parts A and Part B, and a Medicare Supplement Plan (e.g. TRICARE for Life) or equivalent hospital and medical insurance coverage.
2. If Resident is entitled to medical care or payment by insurance or government agencies, the Resident shall make application for such care or payment.
3. Resident shall authorize, as necessary, any provider of hospitalization, medical or other health services to receive reimbursement under the above Medicare, TRICARE, and Supplemental insurance programs.

ARTICLE IV

Change in Resident Status

A. MARRIAGE TO ANOTHER RESIDENT

Should Resident marry another Resident, either may terminate the Residency Agreement, turn the Residence back to Patriots Colony, receive any refund due, and become a party to the new spouse's agreement. The Monthly Fee for the Residence turned back shall terminate

upon vacancy, and the Monthly Fee for the Residence retained shall simultaneously be raised to the double occupancy level.

B. MARRIAGE TO A NON-RESIDENT

Should resident marry a Non-Resident who satisfies the guidelines for acceptance as outlined in Article V of this Agreement, Patriots Colony will offer the Non-Resident the opportunity to become a party to this Agreement or other applicable Patriots Colony agreement (LifeCare or Residence & Services). The Entrance Fee will be selected from the appropriate set of fees (LifeCare or Residency & Services) and will be equal to the Second Person Entrance Fee and the Monthly Fee will be the corresponding Second Person Monthly

Fee for the applicable residence. Qualifying for, but declining to become part of, a Residency Agreement disqualifies the Non-Resident for residency at Patriots Colony. Upon occupancy of the Residence by the new spouse, the Monthly Fee will then be raised to the two-person rate and the new occupant will be entitled to all rights and privileges granted to Resident.

C. ADDITIONAL OCCUPANT TO RESIDENCE

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1. Should a resident wish to have a second person occupy the Residence who is not related by blood or marriage, Patriots Colony will offer that non-resident the opportunity to become a party to this Agreement or other applicable Patriots Colony Agreement (LifeCare or Residency and Services). The Entrance Fee will be selected from the appropriate set of fees (LifeCare or Residency and Services) and will be equal to the second person Entrance and at the corresponding second person Monthly Fee for the applicable residence. Upon occupancy of the Residence by the new occupant, the Monthly Fee will then be raised to the two-person rate and the new occupant will be entitled to all rights and privileges granted to Resident.
2. An addendum to this Agreement and any other applicable Agreement (see paragraph immediately above) will be signed by both residents indicating financial responsibility for the other and designating the division calculation of the applicable refund to each upon termination of the Agreement(s) by the last Resident.
3. Patriots Colony's acceptance of this second person shall be contingent upon his/her ability to meet the health, financial and general criteria for admission to Patriots Colony. Qualifying for, but declining to become part of, a Residency Agreement disqualifies the second person for residency at Patriots Colony.

D. CHANGE OF RESIDENCE

After occupancy, if Resident applies in writing to Patriots Colony to move from one Residence to another of either a larger or smaller size, and Patriots Colony agrees to such a move, the following provisions shall apply:

1. Upgrading

Should Resident move from one Residence to a larger one, Resident will pay the difference in Entrance Fees from the current Entrance Fee then in effect for the smaller

Residence to the Entrance Fee then in effect for the larger Residence. The calculation for any future refunds will be based on the date of original occupancy of the smaller Residence, and the Monthly Fee will increase to that of the larger Residence at the time occupancy of the larger Residence commences.

2. Downgrading

If Resident moves from one Residence to a smaller Residence, there will not be a reduction in the Entrance Fee paid. Any refund at the time the smaller Residence is vacated, however, will be calculated based on the original Entrance Fee paid. Resident's Monthly Fee will be reduced to that of the smaller Residence at the time occupancy of the smaller Residence commences, and the larger unit is vacated.

3. Refurbishment Fee

A Resident who moves from one Residence to another within Independent Living will be charged for the refurbishment of the Residence vacated if refurbishment has been accomplished recently and, in the professional opinion of Patriots Colony staff, recently installed materials cannot be restored to like-new condition and must be replaced.

**Patriots Colony At Williamsburg
Residence and Services Agreement with Promissory Note
ARTICLE V**

Resident Rights & Responsibilities

In addition to those rights and responsibilities noted elsewhere in this agreement, the following also apply to you and any authorized occupant of your Residence:

A. ADMISSION AND CONTINUED OCCUPANCY

Your acceptance as a Resident and your continued occupancy at Patriots Colony are based upon the following criteria:

1. You are a minimum of 55 years of age.
2. You are physically and mentally capable of living independently at admission and meet the medical requirements of Patriots Colony.
3. You are free of communicable diseases.
4. You possess the financial capabilities to meet your obligations to Patriots Colony for your expected lifetime (unless other arrangements have been made).
5. Your presence does not threaten the health, safety or well being of others at Patriots Colony.
6. You agree to abide by the reasonable rules and regulations of Patriots Colony and the reasonable changes to those rules, which may be adopted later.
7. You respect the rights of other Residents.

B. PROPERTY RIGHTS

You understand and agree that this is an agreement primarily for shelter and services. Though you are granted a right of occupancy, this agreement is not a lease and you will have

no right, title or interest in any of the real or personal property of Patriots Colony or the right to control or influence in any way the business or financial affairs of Patriots Colony. Your rights under this Agreement may not be assigned, transferred, inherited or devised.

C. PRESERVATION OF RESIDENTS' ASSETS

At the request of Patriots Colony, you agree to make arrangements for the preservation and management of your financial resources by a third party (or parties), including but not limited to the execution and funding of a trust agreement for your benefit whenever, in the sole judgment of Patriots Colony it appears that your continued management of your financial affairs may prevent you from meeting your financial obligations to Patriots Colony.

D. POWER OF ATTORNEY

You agree to execute and maintain in effect, a Durable Power of Attorney, valid under Virginia law. This Durable Power of Attorney shall designate as your attorney-in-fact, your spouse, a bank, lawyer, relative, or other responsible person or persons of your choice, to act for you in managing your financial affairs and filing for your insurance or other benefits, as fully and completely as you would if acting personally. It should be in a form that survives your incapacity or disability and be otherwise satisfactory to Patriots Colony. You will deliver a fully executed copy of this Durable Power of Attorney to Patriots Colony prior to

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occupancy of your Residence. Any advanced directives such as a “living will” should be filed with Patriots Colony upon occupancy.

E. RESIDENTS’ ASSOCIATION

All Residents of Patriots Colony are members of the Residents’ Association. The Administration will confer regularly with representatives of the Association about matters of interest and/or concern to the Residents.

F. GUESTS, ACCESS, AND USE BY NON-RESIDENTS

You will be free to invite guests to your residence for transient visits. You may purchase meals for your guests at prevailing rates. Patriots Colony reserves the right to make rules regarding visits and guest behavior. In general, the facilities and services of Patriots Colony are intended for the use of the Residents.

G. FURNISHINGS

You are expected to furnish and use your Residence in accordance with acceptable standards. In order to keep the Residence safe and sanitary, Patriots Colony reserves the right to enforce these standards.

H. HOUSEKEEPING

You agree to maintain your Residence in a clean, safe and orderly condition, as required by health and safety regulations, and to perform all usual light housekeeping. Patriots Colony may deem necessary, at Resident’s expense, such tasks required to return the Residence to a safe, clean and orderly condition if day-to-day responsibilities of the Resident have been neglected.

I. OTHER RIGHTS

You have the right to use Patriots Colony public areas and amenities on an equal basis with other Residents and to participate as you choose in planned activities or programs with exception that you may be required to adhere to management programs implemented for the common safety and security of all Residents.

ARTICLE VI

Patriots Colony Rights & Responsibilities

In addition to those rights and responsibilities of Patriots Colony noted elsewhere in this agreement, the following also apply:

A. MANAGEMENT

Patriots Colony is responsible for the overall management and operation of Patriots Colony consistent with sound business practices and fairness to all Residents. Patriots Colony has the right to hire professional management services to meet this responsibility.

B. AUTHORITY FOR ADMISSIONS, DISMISSAL, AND FEES

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Patriots Colony retains all authority regarding admission, dismissal, and adjustment of fees of Patriots Colony.

C. RIGHT OF ENTRY

Authorized employees shall be permitted into your Residence with reasonable notice at all reasonable times for housekeeping, maintenance, and inspection, and at any time in case of emergencies.

D. CONFIDENTIALITY

Patriots Colony has the right to request and receive medical and financial data from you that is in our sole judgment, necessary to carry out our responsibilities. Patriots Colony has the responsibility to keep all of the personal, medical, and financial information you have supplied to us in confidence, and it will only be shared with those who, in our opinion, have a need to know.

ARTICLE VII

Termination Provisions

A. TERMINATION FOR CAUSE

Any one of the following conditions shall be cause for Patriots Colony to terminate this Agreement:

1. Resident's failure to perform obligations under this contract including the obligation to pay Monthly Fees and other charges. (Also see Article VIII, Non-Payment of Fees).
2. Resident's failure to abide by the rules and regulations of Patriots Colony including such reasonable amendments as may be adopted from time to time.
3. Resident's health or behavior resulting in a threat to the health, safety, peace or well being of the Resident or others.
4. Resident's material misstatements or failure to state a material fact in the Resident application, financial statement or health history statement filed with Patriots Colony.

Patriots Colony shall give you reasonable notice of your termination date, and determination that your continued occupancy represents a threat to safety of others or of yourself shall be a factor in determining the reasonableness of that notice. You will further be given reasonable opportunity to cure within a reasonable period whatever conduct is alleged to warrant the cancellation of the Agreement. Refund provisions of this Agreement will apply less any outstanding debts of Resident to Patriots Colony.

B. DEATH

In the event this Agreement is terminated due to your death, your estate will be responsible for the Monthly Fee until your Residence is vacated. Your estate will be responsible for

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moving any tangible personal property within thirty (30) days after your death. Should any property remain in your Residence after that date, you hereby authorize Patriots Colony to remove the property from your Residence and store it at the expense of your estate.

C. TERMINATION PRIOR TO OCCUPANCY

If Resident dies before occupying the facility, or is precluded through illness, injury, or incapacity from becoming a resident under the terms of the Residency Agreement, the Agreement is automatically rescinded and the Resident or his legal representative shall receive a full refund of all money paid to Patriots Colony, except those costs specifically incurred by Patriots Colony at the request of the Resident and set forth in writing in a separate addendum, signed by both parties to the Agreement.

D. TERMINATION BY RESIDENT AFTER OCCUPANCY

1. Grace Period

In the event Resident terminates this Agreement in writing within 7 days of the execution date and surrenders the Residence within 7 days of the execution date, Resident shall be entitled to a full refund of the Entrance Fee (less the application fee).

2. Termination After Grace Period

Resident may terminate this Agreement by providing written notice to Patriots Colony. The Monthly Fee will continue until the Residence is vacated or thirty (30) days expired whichever is later. The selected Entrance Fee refund option of this Agreement will apply.

E. SPECIAL TERMS AND EXCEPTIONS

Upon termination by either you or Patriots Colony you agree to pay Patriots Colony all amounts owed to it, any reasonable expenses incurred in connection with the termination, which includes, but is not limited to: Cost of any repairs, replacement of property, and painting or other refurbishment of your Residence considered necessary by Patriots Colony in order to prepare it for a new Resident. Patriots Colony may offset any amounts owed it by you against any refund due. These costs do not include fair wear and tear.

F. SUPERSEDED AGREEMENT

In the event Patriots Colony and Resident enter into a LifeCare Agreement or other residency agreement intended to supersede this Agreement, this Agreement will automatically terminate upon the effective date of such other agreement.

ARTICLE VIII

Non-Payment of Fees

If you become unable to pay the Monthly Service Fee for your Independent Living Residence for reasons other than willful dissipation of your assets, Patriots Colony, in our sole judgment, may elect to assist you financially. We may assist you in the identification

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and arrangement for funds from sources including, but not limited to, the Patriots Fund (the internal benevolence fund), and public assistance from local, state and federal governments. You agree to assist us in the application for such support and to execute reasonable and necessary documents for this purpose. Additionally, any sums expended by Patriots Colony, excluding the Patriots Fund, plus interest at up to the maximum rate allowed by law, will represent a claim against you or your estate or against any Entrance Fee refund due at the time this agreement is terminated.

ARTICLE IX

Modification of Residence

We reserve the right to determine the serviceability and condition of carpeting, appliances, and all similar items provided by us in your Residence. You may apply in writing to and contract with Patriots Colony to make authorized modifications to your Residence at your expense and risk. Charges for such modifications will cover the complete cost of the work to be done and an additional charge to restore the Residence to its original condition upon your vacating the Residence, if in Patriots Colony's opinion, such modifications adversely affect the desirability of the Residence for re-occupancy. The modifications shall be done so as to create the least possible inconvenience to other Residents in Patriots Colony. Any modifications, which result in permanent installation, shall become Patriots Colony's property upon installation and shall remain with your Residence when you vacate your Residence. You waive all rights to compensation for the modifications made to your Residence. If the modification requires additional maintenance, either you may be required to procure such maintenance at your expense or additional ongoing charges from Patriots Colony may apply. An example of the latter is conversion of a Villa or Greenspring Home screened porch to a sunroom and thereby changing the Residence model and the required Monthly Fee.

ARTICLE X

Personal Injury or Loss of Property

A. INJURY OR DAMAGE BY YOU

You agree to reimburse Patriots Colony for any costs incurred or damages suffered by it resulting from your carelessness, negligence or wrongful acts, or that of your guests. You hereby release Patriots Colony from liability for your death, injury to your person or your property caused by any theft, fire, assault or other cause beyond the control of Patriots Colony and from liability resulting from the negligence or wrongful acts of other Residents and do waive any claim that may accrue to you arising against Patriots Colony there from.

B. INJURY BY A THIRD PARTY

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In case of accident or injury to you caused by third parties you hereby agree to bring any claims or initiate legal action, if necessary, against the person who has caused injury to you for compensation for the injury. You hereby authorize and direct the person or firm designated by you as your attorney-in-fact to prosecute such claims or causes of action. After recovering damages from such claims or causes of action you agree to reimburse Patriots Colony for all costs and damages incurred by it (including reasonable costs of care furnished to you by Patriots Colony because of such accident or injury).

ARTICLE XI

Miscellaneous

A. STATEMENT OF NON-DISCRIMINATION

Neither race, nor color, nor sex, nor religion, nor national origin has any bearing upon your acceptance or rejection for admission, the execution of this agreement, or normal conduct of business of Patriots Colony.

B. REPRESENTATIONS MADE BY RESIDENT

The application and the statements of your finances, personal data, and health history filed with Patriots Colony are incorporated into this agreement and all statements therein are deemed to be true as of the date made. You represent that there have been no material changes in the information provided since the date of application. Any material misstatement, or any material omission to state a fact called for, may result in the termination of this Agreement by Patriots Colony.

C. REQUIREMENTS PRIOR TO OCCUPANCY

Resident must provide the following to Patriots Colony prior to occupancy:

1. Proof of the required Medicare, TRICARE or other Supplemental Insurance coverage, or their equivalent.
2. All required personal, confidential, financial, and medical information.
3. Copy of Durable Power of Attorney and Advanced Directives, if any.
4. Certification of name and address of the administrator or executor of your last will and testament and trustee, if any, and location of your last will and testament and trust, if any.
5. Signed authorization and payment for modifications (if any) to your Residence.
6. Execution of the Agreement.
7. Payment of the balance of your Entrance Fee and applicable Monthly Fee.

**Patriots Colony At Williamsburg
Residence and Services Agreement with Promissory Note**

D. SUCCESSORS AND ASSIGNS

Resident Responsibilities owed Patriots Colony under this Agreement shall inure to the benefits of its successors and assigns.

E. OTHER PROMISES

Patriots Colony representatives have made no other promises or representations regarding your Residence, facilities, refunds or services and this agreement has precedence over the description of services in promotional materials or presentations. This Agreement constitutes the entire contract between you and Patriots Colony, and no waiver or modification shall be valid unless made in writing, signed by you and by Patriots Colony and attached herewith as a part of this agreement.

In witness whereof, the parties hereto have executed this Agreement the day and year first above mentioned.

BY: _____
Patriots Colony Representative

Resident: _____

Resident: _____

Witness: _____

In and for James City County, Commonwealth of Virginia,
the foregoing instrument was acknowledged before me this
_____ day of _____, 2023

Notary Public

**Patriots Colony At Williamsburg
Residence and Services Agreement with Promissory Note
EXHIBIT A**

IMPORTANT NOTICE

THIS INSTRUMENT CONTAINS A CONFESSION OF JUDGMENT PROVISION WHICH CONSTITUTES A WAIVER OF IMPORTANT RIGHTS YOU MAY HAVE AS A MAKER AND ALLOWS THE HOLDER TO OBTAIN A JUDGMENT AGAINST YOU WITHOUT ANY FURTHER NOTICE.

DEMAND PROMISSORY NOTE

\$ _____

James City County, Virginia
2023

PROMISE TO PAY. FOR VALUE RECEIVED, _____ (“Maker”) promises to pay to Patriots Colony, Inc. (“Holder”) or to order, the principal sum of _____, which amount is equal to the amount advanced to Maker by Holder under the Residency and Services Agreement between Maker and Holder entered into as of even date herewith (the “Residency Agreement”). Further, all sums loaned will bear simple interest on the unpaid principal balance at the Prime Rate plus one percent (1%) per annum, provided, however, that no such interest shall accrue or be payable by Maker to Holder under this Note if the entire outstanding principal balance of this Note is paid in full on or before the one year anniversary of the Commencement Date (defined herein). For purposes hereof, the “Prime Rate” shall mean the rate per annum that appears as the base rate on corporate loans posted by at least seventy-five percent (75%) of the thirty (30) largest banks in the United States, as posted in the Money Rates section of the *Wall Street Journal* on the applicable date, or if the applicable date is not a business day, on the business day immediately prior to such date. The interest rate will be calculated on the date of this Note (the “Commencement Date”) and will be recalculated on January 1 and July 1 of each year thereafter until all outstanding principal and interest has been paid in full.

PAYMENT. Unless Maker terminates the Residency Agreement prior to the one (1) year anniversary of the Commencement Date and provides Holder no less than thirty (30) days notice of such termination, as required under the Residency Agreement (an “Early Termination”), Maker will pay to Holder the principal amount in four (4) equal annual installments of \$ _____, without offset, the first of which payments shall be due on the one year anniversary of the Commencement Date and continuing thereafter on each subsequent annual anniversary of the Commencement Date until paid in full. In addition, at the time of each such installment payment, Maker shall pay Holder all interest on the unpaid balance accrued as of such installment date. Payment will be made at the offices of Patriots Colony Inc., 6000 Patriots Colony Drive, Williamsburg, Virginia, 23188, to the attention of the **Billing Coordinator**, or at such other place as Holder in writing shall designate. In the event of an Early Termination, Maker’s obligation hereunder shall expire and Holder shall not be entitled to any principal or interest due it under this Note. All outstanding principal and accrued interest under this Note shall be due and payable no later than the four (4) years after the date of this Note. If not repaid

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in full on the date specified above or should Maker be granted by the Holder an extension for repayment of the debt created by this instrument, interest will continue to accrue on the outstanding principal; provided, such balance will, from the date of default and/or extension, accrue interest at the rate specified above plus an additional one and one-half percent (1.5%) per month until paid in full. Extensions will be at the sole discretion of the Holder. Residents agree that if at any time prior to the promissory note maturing, Residents sell their primary residence, the Financed Amount together with accrued interest shall be due & payable 30 days after sale of said primary residence.

PREPAYMENT. Maker may prepay any obligations outstanding under this Note in whole or in part, without penalty, at any time before demand without paying any premium or interest charge on the amount of prepaid principal.

ACCELERATION. The Holder may exercise its option to accelerate the due date for payment of this Note in the event of any default by Maker, including any failure by Maker to comply either with the terms of this Note and/or the terms of the Residency Agreement, regardless of any prior forbearance. In such event, the entire principal amount outstanding, plus all accrued unpaid interest, if any, together with any other applicable fees, costs, and charges (including attorneys' fees as provided herein), will at once become due and payable at the option of the Holder. If suit is brought to collect this Note, the Holder will be entitled to collect all reasonable costs and expenses of suit, including, but not limited to, reasonable attorney's fees equal to 25% of all amounts outstanding and collection costs.

CONFESSION OF JUDGMENT. The Maker hereby duly constitutes and appoints James M. Daniel, Jr. or John B. Mumford, Jr. of Hancock, Daniel, Johnson & Nagle, P.C., as the true and lawful attorney-in-fact for Maker in his/her name, place and stead, upon the failure of Maker to pay any payment when due and payable in accordance with any of the provisions of this Note, to confess judgment against Maker in the Circuit Court for the City of Newport News, Virginia, upon this Note and all amounts owed hereunder, including all costs of collection, attorneys' fees incurred by Holder and court costs, hereby ratifying and confirming the acts of said attorney-in-fact, expressly waiving benefit of any homestead or any exemption laws. The authority and power to appear for and enter judgment against the Maker will not be exhausted by one or more exercises thereof, or by any imperfect exercise thereof, and will not be extinguished by any judgment entered pursuant thereto. Such authority and power may be exercised on one or more occasions, from time to time, in the same or different jurisdictions, as often as the Holder will deem necessary or desirable, for all of which this Note will be a sufficient warrant.

GENERAL PROVISIONS. Holder may delay or forego enforcing any of its rights or remedies under this Note without waiving or otherwise losing them. Maker, to the extent allowed by law, hereby waives presentment, demand, protest, the benefits of the homestead

exemption and all defenses and pleas on the ground of any extension or extensions of the time for payment of the due date of this Note, in whole or in part, before or after maturity, with or

**Patriots Colony At Williamsburg
Residence and Services Agreement with Promissory Note**

without notice. Maker further agrees to pay all expenses incurred in the collection of this Note, including attorney's fees.

This Note is made and delivered in the Commonwealth of Virginia and shall be construed and enforced in accordance with its laws. The invalidity or unenforceability of any provision hereof shall not affect the validity or enforceability of any other provision.

ACKNOWLEDGMENT. Prior to signing this Note, Maker read and understood all the provisions of this Note. Maker agrees to the terms of this Note and acknowledges receipt of a completed copy of this Note.

WITNESS the following signatures and seals.

MAKER: _____
Resident

MAKER: _____
Resident

STATE OF VIRGINIA
CITY/COUNTY OF Williamsburg/James City, to-wit:

The foregoing instrument was acknowledged before me this ____ day of _____, 2023.

Notary Public

**Patriots Colony At Williamsburg
Residence and Services Agreement**

Patriots Colony at Williamsburg

**Resident and Services Agreement
2023**

6000 Patriots Colony Drive

Williamsburg, VA 23188

(757) 220-9000

**Patriots Colony At Williamsburg
Residence and Services Agreement**

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**Patriots Colony At Williamsburg
Residence and Services Agreement**

This Agreement is made and entered into by and between Patriots Colony, Inc. (hereinafter referred to as “Patriots Colony”) and **XXX**, hereinafter referred to as “Resident,” whether one or more persons) this **XXXX**.

ARTICLE I

Fees and Refunds

Resident has selected “Choice **XX**” and the fees below will be reflective of the “Choice **XX**” fee schedule.

A. ENTRANCE FEE

1. Residence Number & Type

Resident has selected and shall have a personal non-assignable right to reside in **XXX**, subject to removal only under the conditions and terms of this agreement.

2. Amount

In consideration of the continuing care program outlined in this Agreement and residency in the above described Residence, the Resident agrees to pay Patriots Colony the total amount of **XXXX** which if for two persons, the sum of **XXXX** shall be construed to be the Entrance Fee for the first person, and **N/A** be construed to be the Entrance Fee for the second person. Resident’s deposit of ten percent (10%) of the Entrance Fee shall be made at the time the Resident agrees to reserve the Residence (the “Reservation Deposit”). The Reservation Deposit will be applied towards payment of the Entrance Fee. Except as otherwise provided in Section A.3 of this Article I below, the balance of the Entrance Fee shall be due and payable on the date that shall occur within seven (7) days prior to the assigned occupancy date and at a date and time mutually agreeable to all parties (the “Closing Date”). The Entrance Fee principle amount above will not change during the duration of this Agreement, unless the Resident chooses to upgrade to a larger residence (see “Change of Residence”, Article IV, Section D).

3. Financing Arrangement

a. Eligibility

In lieu of paying the entire balance of the Entrance Fee as provided in Section 2 above, Resident may participate in the financing arrangement made available by Patriots Colony to prospective residents, as more fully described below. If Resident desires to participate in this arrangement, Resident shall: (i) initial the box below the financing arrangement evidencing Resident’s agreement to be bound by the terms contained therein; (ii) disclose to Patriots Colony such information as Patriots Colony may request to determine Resident’s eligibility for participation; and (iii) execute such documents as required herein to effect such participation upon Patriots Colony’s determination that Resident is eligible to participate.

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b. General Description

The Reservation Deposit shall be applied toward payment of the Entrance Fee. Resident shall pay an additional ten percent (10%) of the total Entrance Fee upon the Closing Date, with the remaining balance being due and payable in accordance with the terms of a promissory note evidencing the Resident's financial obligation, a form of which is attached hereto as Exhibit A and made a part hereof. Under the promissory note, the principal of which shall be the unpaid balance of the Entrance Fee (the "Financed Amount"). The date of the promissory note shall be the Closing Date. Payments of principal shall be made in four (4) equal installments on the next four (4) anniversary dates of the Closing Date. All accrued principal and interest on the Financed Amount will be due on the fourth anniversary of the Closing Date. Interest shall accrue at the Prime Rate plus one percent (1%) on the unpaid balance of the promissory note, but if Resident pays the entire Financed Amount to Patriots Colony on or before the one (1) year anniversary of the Closing Date, Patriots Colony shall waive all interest due by Resident to Patriots Colony under the promissory note. For purposes hereof, the "Prime Rate" shall mean the rate per annum that appears as the base rate on corporate loans posted by at least seventy-five percent (75%) of the thirty (30) largest banks in the United States, as posted in the Money Rates section of the *Wall Street Journal* on the applicable date, or if the applicable date is not a business day, on the business day immediately prior to such date. Resident may prepay any portion of the Financed Amount in whole or in part, together with accrued interest, without penalty, at any time before the date on which the promissory note matures. Resident agrees that if at any time prior to the promissory note maturing the Residents sells his or her primary residence, the financed amount together with accrued interest shall be due and payable thirty (30) days after the sale of said residence.

_____ *Initial here to evidence Resident's agreement to the foregoing provisions of this subsection A.3 of Article I.*

B. MONTHLY FEE

1. Current Amount

The current Monthly Fee associated with the Residence selected by the Resident is the total amount of **XXX** which, if for two persons, the sum of **XXX** shall be construed to be the Monthly Fee for the first person and **N/A** shall be construed to be the Monthly Fee for the second person occupying the Residence. The Monthly Fee shall be paid to Patriots Colony in advance before occupancy and by the first day of each month. The Monthly Fee charges shall begin on the first day of occupancy or ninety (90) days after the date that Resident reserved the Residence, whichever is earlier, and shall be paid on a pro-rated basis through the last day of the current month.

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2. Statement

The Monthly Fee and any other applicable charges shall be considered delinquent if not paid within fourteen days following the due date. All delinquent accounts shall draw a finance charge at no more than the maximum rate allowed by law.

3. Adjustments

The Monthly Fee may be adjusted by Patriots Colony consistent with the cost of operating and maintaining Patriots Colony as well as the future service obligations of Patriots Colony and upon thirty (30) days notice to the Resident.

C. ENTRANCE FEE OPTIONS

Three different refund options are listed below. Only one refund option will apply for purposes of this agreement and all parties to this agreement will initial that option. The option selected cannot be changed during the term of this agreement or any subsequent agreements as may be required due to a change in Residence. By initialing below and by signing this Agreement you acknowledge that you have reviewed the current pricing associated with refund options selected and have selected the following Entrance Fee refund plan initialed below for purposes of this Agreement.

1. Base Plan (Declining Refund)

Should this Agreement be terminated by either party for any reason after the execution date of this agreement and before the end of the first (1st) calendar month from the execution date of this agreement, the Entrance Fee paid (first person and second person) will be refunded to the Resident or the Resident's estate in full, less only the "application fee".

Should this Agreement be terminated by either party for any reason after the first (1st) calendar month from the execution date of this Agreement, the Entrance Fee paid (first person and second person) will be refunded to the Resident or the Resident's estate less 2% per calendar month calculated from the first month of occupancy. After fifty (50) calendar months of occupancy, there will be no refund.

2. Plan 50

Should this Agreement be terminated by either party for any reason after the execution date of this agreement and before the end of the first (1st) calendar month from the execution date of this agreement, the Entrance Fee paid (first person and second person) will be refunded to the Resident or the Resident's estate in full, less only the "application fee".

Should this Agreement be terminated by either party for any reason after the first (1st) calendar month from the execution date of this Agreement, the Entrance Fee paid will be refunded to the Resident or the Resident's estate less 2% per calendar month from the first (1st) calendar month of occupancy and thereafter for twenty-four (24) additional months. After twenty-five (25) calendar months, the refund amount will remain unchanged at 50% of the Entrance Fee paid (first person and second person), regardless of the length of time thereafter that the Agreement remains in force.

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For actuarial reasons, Plan 50 availability and rates are age-rated based on age at occupancy. Plan 50 is available at baseline rates to single Residents and couples if all individuals are under age 81, and available at higher rates to single Residents & couples where at least one individual is at least age 81 but not yet 86. Plan 50 is not available to single Residents and couples where any individual is age 86 or higher.

3. Plan 95

Should this Agreement be terminated by either party for any reason after the execution date of this agreement and before the end of the first (1st) calendar month from the execution date of this agreement, the Entrance Fee paid (first person and second person) will be refunded to the Resident or the Resident's estate in full, less only the "application fee".

Should this Agreement be terminated by the Resident or Patriots Colony for any reason after the first (1st) calendar month from the execution date of this Agreement, the Entrance Fee paid will be refunded, at 95% of the Entrance Fee paid (first person and second person), regardless of the length of time thereafter that the Agreement remains in force.

For actuarial reasons, Plan 95 availability and rates are age-rated based on age at occupancy. Plan 95 is available at baseline rates to single Residents and couples if all individuals are under age 81, and available at higher rates to single Residents and couples where at least one individual is at least age 81 but not yet 86. Plan 95 is not available to single Residents and couples where any individual is age 86 or higher.

D. CALCULATION & PAYMENT OF ENTRANCE FEE REFUNDS

1. Adjustments for Financing Arrangement

Notwithstanding any provision herein to the contrary, Resident agrees and acknowledges that, if Resident participates in the financing arrangement set forth in Section A.3 of Article I, Resident shall not be entitled to a refund under the foregoing provision of this Section C until the Financed Amount has been paid in full to Patriots Colony. However, if Resident has executed a promissory note in connection with Resident's participation in the Financing Arrangement set forth in subsection A.3 of Article I above and terminates this Agreement prior to the one year anniversary of the Closing Date and provides no less than thirty (30) days notice of such termination, Patriots Colony shall cancel the promissory note as the Financed Amount will no longer be due by Resident to Patriots Colony, and Resident shall no longer have any obligations to Patriots Colony under the promissory note.

2. Calculation

For purposes of the above Plans no Entrance Fee refund will include amounts paid for improvements to the Residence, Monthly Fees or other periodic charges. Any Entrance Fee refund shall not include interest that has accrued from the date the Resident's Entrance Fee was paid. Refunds for additional Entrance Fee paid after initial occupancy for such reasons as "upgrade" or marriage will be calculated from the date of original occupancy and this Agreement.

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3. Payment of Refund

All refunds due under the Entrance Fee refund option will be made within sixty (60) business days after the last of the following: (i) this agreement is terminated; (ii) your Residence has been vacated; and (iii) your Residence is occupied by a new Resident. Notwithstanding the foregoing conditions for payment of refunds, if you have vacated your Residence for a permanent stay at the Health Center, you may apply your future refund to your health care cost in the Health Center, once a new Resident occupies your Residence.

ARTICLE II

Continuing Care Program

The Continuing Care Program provided by Patriots Colony in this Agreement includes the use of a number of services and facilities. Outlined below is a description of those services and facilities.

A. SERVICES AND FACILITIES

1. Residence

Subject to the terms of this Agreement, the Resident has the non-assignable right to reside in the previously described Residence for the remainder of the Resident's life or in the event Resident is more than one person, for the remainder of the life of the survivor. Patriots Colony shall furnish carpet, vinyl and other standard floor treatments, refrigerator, range/oven, microwave, washer/dryer, garbage disposal, dishwasher. The Resident shall provide all other furnishings for the Residence.

2. Dining Plan

The Dining Services Department offers three meals a day, six days a week and at least two meals on Sunday. Snacks and beverages are also available during the day. Residents may choose to eat any or all meals each day. Residents receive a generous dining allowance, on a quarterly basis, that is included in the monthly fee. In addition to any menu item, the dining allowance can also be used for bar charges and guest meals. Residents away from the campus in at least ten (10) consecutive days or more during a month are eligible for a meal credit of \$12 per day.

3. Housekeeping

The Residence will be cleaned once each week. This cleaning includes vacuuming floor surfaces that are accessible, light dusting on surfaces free of clutter, and necessary cleaning of bathroom and kitchen counters and fixtures. Additionally, heavier housekeeping services such as window washing and floor maintenance will be performed on a scheduled basis. Other housekeeping tasks such as dishwashing,

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laundry, bed making, etc., are the responsibility of the Resident but can be provided by Patriots Colony on an available basis at an additional charge.

4. Maintenance

Repairs, maintenance and replacements of property and equipment owned by Patriots Colony shall be performed and provided by Patriots Colony to keep such property and equipment in good repair and order as deemed necessary by Patriots Colony. The above work also includes custodial services for all public spaces and appropriate grounds maintenance. Repairs to Resident's personal possessions are the responsibility of the Resident.

5. Utilities

Utilities reasonably required in connection with the occupancy of the Residence, including water, sewer, heating, air-conditioning, electricity, basic cable T.V., and trash removal are included in the fees. Residence telephone and extended/premium cable TV charges are the responsibility of the Resident.

6. Security

Patriots Colony will use reasonable care in providing security on the premises including the use of personnel dedicated to that purpose, but will not be responsible for losses of personal property.

7. Emergency Response

Each residence will be equipped with emergency response systems which, when activated, will summon assistance from Patriots Colony.

8. Property Insurance

Patriots Colony insures property and equipment against reasonable losses. Personal property and personal liability insurance for Residents is the responsibility of the Resident.

9. Taxes

Patriots Colony pays all real estate, property, and use taxes on all Patriots Colony property and any applicable business operations. The Resident is responsible for his/her own personal property taxes and personal income taxes.

10. Parking

Covered parking spaces have been provided in sufficient number to allow one car per residence. Additional parking spaces for Residents, guests and staff are also provided and have been designed to be in close proximity to the ultimate user.

11. Additional Storage

Apartment residents without a designated storage space in the Residence shall have one additional secured storage space in the public area.

12. Scheduled Transportation

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Resident fees will cover regularly scheduled trips in Patriots Colony vehicles to nearby shopping and “other popular destinations.” Other special trips may be arranged at a nominal charge depending on demand.

13. Planned Recreation, Wellness, and Activity Programs

Social, cultural and recreational activities will be provided or arranged by Patriots Colony staff and made available to Residents. Participation is strictly voluntary.

14. Congregate Facilities

Residents shall have the right to the use and enjoyment, in concert with others, of the indoor and outdoor public areas and recreational facilities at no extra charge. Exceptions to this right will be a fee for use of certain spaces and purchases of supplies, merchandise and expendables by Residents and their guests for private purposes.

15. Wellness Clinic

The Resident Wellness Clinic will be staffed by a licensed nurse who will provide at no charge certain diagnostic monitoring and health promotion services. This individual can also, with the Resident’s physicians’ involvement, assist in coordinating the Resident’s health care services. Payments for any services arranged by the Wellness Clinic, which involve charges by other health professionals, are the responsibility of the Resident.

16. Health Care

Patriots Colony provides Resident guaranteed priority access to accommodations in the Patriots Colony Health Center if ordered by a physician and approved by the Health Services Director. If the Resident shall need accommodations in the on-site Health Center and the associated health care services, the Resident shall pay the Patriots Colony published public rates for long term care services then in effect. (See Article III, “Patriots Colony Health Services”).

B. SERVICES AVAILABLE AT EXTRA CHARGE

1. Meals and Guest Meals, in addition to those purchased with the flexible monthly dining allowance.
2. Guest Rooms
3. Additional Housekeeping
4. Individual Telephone Use
5. Extended/Premium Cable T.V. Channels
6. Internet Services
7. Special Events or Transportation
8. Variable Costs for Crafts/Supplies

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9. Services of any On-Site Private Vendors (Such as: Barber, Beautician, Bank, etc.)
10. Catering or Set-up/Clean-up Services
11. Health Services
12. Other services that may be made available

Thirty (30) days notice will be provided of any changes in the scope of care or services.

C. LIFECARE

Patriots Colony offers a LifeCare Program through a separate agreement. The LifeCare Program offers Health Services and other additional services described above available to residents at a discounted rate, subject to a qualification determination by Patriots Colony. In the event Resident pays the full Residence and Services Entrance Fee at occupancy but later desires to convert to the LifeCare program, the then current Entrance Fee must first be paid to Patriots Colony in full. In the event Resident participates in a Financing Arrangement, Resident will have the right to convert to the LifeCare program within thirty (30) days after the payment of the Entrance Fee, and the Entrance Fee will be credited towards the then current entrance fee for the new LifeCare contract. Notwithstanding anything herein to the contrary, Resident's conversion to the LifeCare Program will be subject to the admission and qualification requirements, a health assessment and a financial review to determine Resident's qualification.

D. EXCLUSIONS

Patriots Colony will at no time be responsible for the debts of a Resident or for medical expenses incurred for services or related items (See Article III B).

ARTICLE III

Patriots Colony Health Services

A. ACCESS

Patriots Colony will guarantee Resident priority access to the Health Center, consisting of *The Berkeley* (assisted living), *Springhouse* (assisted living for the memory impaired), and *The Convalescent Center* (nursing residence). Even though non-residents will have access to the Health Center, Residents will have first priority on all Health Center accommodations and no Resident shall be denied an available space in favor of a non-resident. Patriots Colony offers licensed "Assisted Living" and "Nursing Facility" accommodations. If any such licensed levels of care are not available on-site or if such space is occupied and not immediately available, Patriots Colony will assist resident in transferring to such space off-site. Patriots Colony will notify Resident once the service can be provided on-site and will assist with return arrangements.

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B. CHARGES

1. Resident agrees to pay the current published public rate for any stay, temporary or permanent, in any level of care in the Health Center, or for the equivalent service off-site as described above, for as long as those services are needed. If a monthly rate, the current public rate shall be calculated on a pro-rated daily basis for a partial month's stay.
2. If Resident alone occupies two physically connected Assisted Living suites, the public rate will apply for both suites.
3. If a couple occupies one Assisted Living suite, the applicable published public monthly Fee will be calculated for each Resident. Once a single Resident occupies the suite, the applicable single person public rate will be charged.
4. If Resident occupies both Assisted Living and Convalescent accommodations simultaneously, Resident will be billed for both on a pro-rated basis for partial months.

C. RETENTION OF RESIDENCE DURING HEALTH CENTER STAY

The following outlines the effect of your stay in the Health Center on the Monthly Fee for your Residence.

1. Temporary Stay

During a temporary stay in the Health Center, the Resident will continue to pay the Monthly Fee for the Residence plus the current public rate for the care received at the Health Center.

2. Permanent Stay

a. If Patriots Colony in its sole discretion, but after consultation with you, your family and your physician, determines that you are physically or mentally incapable of living independently for the foreseeable future, the Resident will be deemed to have permanent status at the Health Center and pay the appropriate public rate.

b. Single Resident

Resident will release the Residence to Patriots Colony and the Residence Monthly Fee will terminate on the date it is vacated. Once permanent status in the Health Center has been determined, the Residence must be vacated within 30 days.

c. Resident Couple

When one Resident's stay in the Health Center becomes permanent, the remaining Independent Living Resident will begin paying the first person Monthly Fee. In the case of a couple where both Residents are on permanent status in the Health

Center, they will release the Residence to Patriots Colony and cease to pay the Monthly Fee on the date the Residence is vacated. The Independent Living Residence must be vacated within 30 days of the date the last Resident gains permanent Health Center status.

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- d. If a permanent move is necessary within the Health Center (e.g. assisted living to convalescent center), Resident must vacate the previous accommodations within ten (10) days.
- e. If personal belongings are not removed by stated time, property will be removed by Patriots Colony and stored at Resident's expense. For the purposes of this Agreement "vacated" shall mean all of the Resident's personal belongings shall be removed from the Residence and the Residence left undamaged, except for normal "fair wear and tear", and in a trash-free condition.

3. Recovery from a Permanent Stay

Should you release your Residence to Patriots Colony for a permanent stay in the Health Center and later be judged by Patriots Colony to be capable of living independently again, you will be offered the next available Residence of the type and size equivalent to that last occupied. If you wish to return to a different type and size Residence, the Upgrading or Downgrading provisions of Article IV, Section D will apply.

D. HEALTH CARE INSURANCE

- 1. Resident agrees to procure and maintain Medicare Parts A and Part B, and a Medicare Supplement Plan (e.g. TRICARE for Life) or equivalent hospital and medical insurance coverage.
- 2. If Resident is entitled to medical care or payment by insurance or government agencies, the Resident shall make application for such care or payment.
- 3. Resident shall authorize, as necessary, any provider of hospitalization, medical or other health services to receive reimbursement under the above Medicare, TRICARE, and Supplemental insurance programs.

ARTICLE IV

Change in Resident Status

A. MARRIAGE TO ANOTHER RESIDENT

Should Resident marry another Resident, either may terminate the Residency Agreement, turn the Residence back to Patriots Colony, receive any refund due, and become a party to the new spouse's agreement. The Monthly Fee for the Residence turned back shall terminate upon vacancy, and the Monthly Fee for the Residence retained shall simultaneously be raised to the double occupancy level.

B. MARRIAGE TO A NON-RESIDENT

Should resident marry a Non-Resident who satisfies the guidelines for acceptance as outlined in Article V of this Agreement, Patriots Colony will offer the Non-Resident the

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opportunity to become a party to this Agreement or other applicable Patriots Colony agreement (LifeCare or Residence & Services). The Entrance Fee will be selected from the appropriate set of fees (LifeCare or Residency & Services) and will be equal to the Second Person Entrance Fee and the Monthly Fee will be the corresponding Second Person Monthly

Fee for the applicable residence. Qualifying for, but declining to become part of, a Residency Agreement disqualifies the Non-Resident for residency at Patriots Colony. Upon occupancy of the Residence by the new spouse, the Monthly Fee will then be raised to the two-person rate and the new occupant will be entitled to all rights and privileges granted to Resident.

C. ADDITIONAL OCCUPANT TO RESIDENCE

1. Should a resident wish to have a second person occupy the Residence who is not related by blood or marriage, Patriots Colony will offer that non-resident the opportunity to become a party to this Agreement or other applicable Patriots Colony Agreement (LifeCare or Residency and Services). The Entrance Fee will be selected from the appropriate set of fees (LifeCare or Residency and Services) and will be equal to the second person Entrance and at the corresponding second person Monthly Fee for the applicable residence. Upon occupancy of the Residence by the new occupant, the Monthly Fee will then be raised to the two-person rate and the new occupant will be entitled to all rights and privileges granted to Resident.
2. An addendum to this Agreement and any other applicable Agreement (see paragraph immediately above) will be signed by both residents indicating financial responsibility for the other and designating the division calculation of the applicable refund to each upon termination of the Agreement(s) by the last Resident.
3. Patriots Colony's acceptance of this second person shall be contingent upon his/her ability to meet the health, financial and general criteria for admission to Patriots Colony. Qualifying for, but declining to become part of, a Residency Agreement disqualifies the second person for residency at Patriots Colony.

D. CHANGE OF RESIDENCE

After occupancy, if Resident applies in writing to Patriots Colony to move from one Residence to another of either a larger or smaller size, and Patriots Colony agrees to such a move, the following provisions shall apply:

1. Upgrading

Should Resident move from one Residence to a larger one, Resident will pay the difference in Entrance Fees from the current Entrance Fee then in effect for the smaller

Residence to the Entrance Fee then in effect for the larger Residence. The calculation for any future refunds will be based on the date of original occupancy of the smaller Residence, and the Monthly Fee will increase to that of the larger Residence at the time occupancy of the larger Residence commences.

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2. Downgrading

If Resident moves from one Residence to a smaller Residence, there will not be a reduction in the Entrance Fee paid. Any refund at the time the smaller Residence is vacated, however, will be calculated based on the original Entrance Fee paid. Resident's Monthly Fee will be reduced to that of the smaller Residence at the time occupancy of the smaller Residence commences, and the larger unit is vacated.

3. Refurbishment Fee

A Resident who moves from one Residence to another within Independent Living will be charged for the refurbishment of the Residence vacated if refurbishment has been accomplished recently and, in the professional opinion of Patriots Colony staff, recently installed materials cannot be restored to like-new condition and must be replaced.

ARTICLE V

Resident Rights & Responsibilities

In addition to those rights and responsibilities noted elsewhere in this agreement, the following also apply to you and any authorized occupant of your Residence:

A. ADMISSION AND CONTINUED OCCUPANCY

Your acceptance as a Resident and your continued occupancy at Patriots Colony are based upon the following criteria:

1. You are a minimum of 55 years of age.
2. You are physically and mentally capable of living independently at admission and meet the medical requirements of Patriots Colony.
3. You are free of communicable diseases.
4. You possess the financial capabilities to meet your obligations to Patriots Colony for your expected lifetime (unless other arrangements have been made).
5. Your presence does not threaten the health, safety or well being of others at Patriots Colony.
6. You agree to abide by the reasonable rules and regulations of Patriots Colony and the reasonable changes to those rules, which may be adopted later.
7. You respect the rights of other Residents.

B. PROPERTY RIGHTS

You understand and agree that this is an agreement primarily for shelter and services. Though you are granted a right of occupancy, this agreement is not a lease and you will have

no right, title or interest in any of the real or personal property of Patriots Colony or the right to control or influence in any way the business or financial affairs of Patriots Colony. Your rights under this Agreement may not be assigned, transferred, inherited or devised.

C. PRESERVATION OF RESIDENTS' ASSETS

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At the request of Patriots Colony, you agree to make arrangements for the preservation and management of your financial resources by a third party (or parties), including but not limited to the execution and funding of a trust agreement for your benefit whenever, in the sole judgment of Patriots Colony it appears that your continued management of your financial affairs may prevent you from meeting your financial obligations to Patriots Colony.

D. POWER OF ATTORNEY

You agree to execute and maintain in effect, a Durable Power of Attorney, valid under Virginia law. This Durable Power of Attorney shall designate as your attorney-in-fact, your spouse, a bank, lawyer, relative, or other responsible person or persons of your choice, to act for you in managing your financial affairs and filing for your insurance or other benefits, as fully and completely as you would if acting personally. It should be in a form that survives your incapacity or disability and be otherwise satisfactory to Patriots Colony. You will deliver a fully executed copy of this Durable Power of Attorney to Patriots Colony prior to occupancy of your Residence. Any advanced directives such as a "living will" should be filed with Patriots Colony upon occupancy.

E. RESIDENTS' ASSOCIATION

All Residents of Patriots Colony are members of the Residents' Association. The Administration will confer regularly with representatives of the Association about matters of interest and/or concern to the Residents.

F. GUESTS, ACCESS, AND USE BY NON-RESIDENTS

You will be free to invite guests to your residence for transient visits. You may purchase meals for your guests at prevailing rates. Patriots Colony reserves the right to make rules regarding visits and guest behavior. In general, the facilities and services of Patriots Colony are intended for the use of the Residents.

G. FURNISHINGS

You are expected to furnish and use your Residence in accordance with acceptable standards. In order to keep the Residence safe and sanitary, Patriots Colony reserves the right to enforce these standards.

H. HOUSEKEEPING

You agree to maintain your Residence in a clean, safe and orderly condition, as required by health and safety regulations, and to perform all usual light housekeeping. Patriots Colony may deem necessary, at Resident's expense, such tasks required to return the Residence to a safe, clean and orderly condition if day-to-day responsibilities of the Resident have been neglected.

I. OTHER RIGHTS

You have the right to use Patriots Colony public areas and amenities on an equal basis with other Residents and to participate as you choose in planned activities or programs with exception that you may be required to adhere to management programs implemented for the common safety and security of all Residents.

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ARTICLE VI

Patriots Colony Rights & Responsibilities

In addition to those rights and responsibilities of Patriots Colony noted elsewhere in this agreement, the following also apply:

A. MANAGEMENT

Patriots Colony is responsible for the overall management and operation of Patriots Colony consistent with sound business practices and fairness to all Residents. Patriots Colony has the right to hire professional management services to meet this responsibility.

B. AUTHORITY FOR ADMISSIONS, DISMISSAL, AND FEES

Patriots Colony retains all authority regarding admission, dismissal, and adjustment of fees of Patriots Colony.

C. RIGHT OF ENTRY

Authorized employees shall be permitted into your Residence with reasonable notice at all reasonable times for housekeeping, maintenance, and inspection, and at any time in case of emergencies.

D. CONFIDENTIALITY

Patriots Colony has the right to request and receive medical and financial data from you that is in our sole judgment, necessary to carry out our responsibilities. Patriots Colony has the responsibility to keep all of the personal, medical, and financial information you have supplied to us in confidence, and it will only be shared with those who, in our opinion, have a need to know.

ARTICLE VII

Termination Provisions

A. TERMINATION FOR CAUSE

Any one of the following conditions shall be cause for Patriots Colony to terminate this Agreement:

1. Resident's failure to perform obligations under this contract including the obligation to pay Monthly Fees and other charges. (Also see Article VIII, Non-Payment of Fees).
2. Resident's failure to abide by the rules and regulations of Patriots Colony including such reasonable amendments as may be adopted from time to time.

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3. Resident's health or behavior resulting in a threat to the health, safety, peace or well being of the Resident or others.
4. Resident's material misstatements or failure to state a material fact in the Resident application, financial statement or health history statement filed with Patriots Colony.

Patriots Colony shall give you reasonable notice of your termination date, and determination that your continued occupancy represents a threat to safety of others or of yourself shall be a

factor in determining the reasonableness of that notice. You will further be given reasonable opportunity to cure within a reasonable period whatever conduct is alleged to warrant the cancellation of the Agreement. Refund provisions of this Agreement will apply less any outstanding debts of Resident to Patriots Colony.

B. DEATH

In the event this Agreement is terminated due to your death, your estate will be responsible for the Monthly Fee until your Residence is vacated. Your estate will be responsible for moving any tangible personal property within thirty (30) days after your death. Should any property remain in your Residence after that date, you hereby authorize Patriots Colony to remove the property from your Residence and store it at the expense of your estate.

C. TERMINATION PRIOR TO OCCUPANCY

If Resident dies before occupying the facility, or is precluded through illness, injury, or incapacity from becoming a resident under the terms of the Residency Agreement, the Agreement is automatically rescinded and the Resident or his legal representative shall receive a full refund of all money paid to Patriots Colony, except those costs specifically incurred by Patriots Colony at the request of the Resident and set forth in writing in a separate addendum, signed by both parties to the Agreement.

D. TERMINATION BY RESIDENT AFTER OCCUPANCY

1. Grace Period

In the event Resident terminates this Agreement in writing within 7 days of the execution date and surrenders the Residence within 7 days of the execution date, Resident shall be entitled to a full refund of the Entrance Fee (less the application fee).

2. Termination After Grace Period

Resident may terminate this Agreement by providing written notice to Patriots Colony. The Monthly Fee will continue until the Residence is vacated or thirty (30) days expired whichever is later. The selected Entrance Fee refund option of this Agreement will apply.

E. SPECIAL TERMS AND EXCEPTIONS

Upon termination by either you or Patriots Colony you agree to pay Patriots Colony all amounts owed to it, any reasonable expenses incurred in connection with the termination, which includes, but is not limited to: Cost of any repairs, replacement of property, and painting or other refurbishment of your Residence considered necessary by Patriots Colony

**Patriots Colony At Williamsburg
Residence and Services Agreement**

in order to prepare it for a new Resident. Patriots Colony may offset any amounts owed it by you against any refund due. These costs do not include fair wear and tear.

F. SUPERSEDED AGREEMENT

In the event Patriots Colony and Resident enter into a LifeCare Agreement or other residency agreement intended to supersede this Agreement, this Agreement will automatically terminate upon the effective date of such other agreement.

ARTICLE VIII

Non-Payment of Fees

If you become unable to pay the Monthly Service Fee for your Independent Living Residence for reasons other than willful dissipation of your assets, Patriots Colony, in our sole judgment, may elect to assist you financially. We may assist you in the identification and arrangement for funds from sources including, but not limited to, the Patriots Fund (the internal benevolence fund), and public assistance from local, state and federal governments. You agree to assist us in the application for such support and to execute reasonable and necessary documents for this purpose. Additionally, any sums expended by Patriots Colony, excluding the Patriots Fund, plus interest at up to the maximum rate allowed by law, will represent a claim against you or your estate or against any Entrance Fee refund due at the time this agreement is terminated.

ARTICLE IX

Modification of Residence

We reserve the right to determine the serviceability and condition of carpeting, appliances, and all similar items provided by us in your Residence. You may apply in writing to and contract with Patriots Colony to make authorized modifications to your Residence at your expense and risk. Charges for such modifications will cover the complete cost of the work to be done and an additional charge to restore the Residence to its original condition upon your vacating the Residence, if in Patriots Colony's opinion, such modifications adversely affect the desirability of the Residence for re-occupancy. The modifications shall be done so as to create the least possible inconvenience to other Residents in Patriots Colony. Any modifications, which result in permanent installation, shall become Patriots Colony's property upon installation and shall remain with your Residence when you vacate your Residence. You waive all rights to compensation for the modifications made to your Residence. If the modification requires additional maintenance, either you may be required to procure such maintenance at your expense or additional ongoing charges from Patriots Colony may apply. An example of the latter is conversion of a Villa or Greenspring Home screened porch to a sunroom and thereby changing the Residence model and the required Monthly Fee.

**Patriots Colony At Williamsburg
Residence and Services Agreement**

ARTICLE X

Personal Injury or Loss of Property

A. INJURY OR DAMAGE BY YOU

You agree to reimburse Patriots Colony for any costs incurred or damages suffered by it resulting from your carelessness, negligence or wrongful acts, or that of your guests. You hereby release Patriots Colony from liability for your death, injury to your person or your property caused by any theft, fire, assault or other cause beyond the control of Patriots Colony and from liability resulting from the negligence or wrongful acts of other Residents and do waive any claim that may accrue to you arising against Patriots Colony there from.

B. INJURY BY A THIRD PARTY

In case of accident or injury to you caused by third parties you hereby agree to bring any claims or initiate legal action, if necessary, against the person who has caused injury to you for compensation for the injury. You hereby authorize and direct the person or firm designated by you as your attorney-in-fact to prosecute such claims or causes of action. After recovering damages from such claims or causes of action you agree to reimburse Patriots Colony for all costs and damages incurred by it (including reasonable costs of care furnished to you by Patriots Colony because of such accident or injury).

ARTICLE XI

Miscellaneous

A. STATEMENT OF NON-DISCRIMINATION

Neither race, nor color, nor sex, nor religion, nor national origin has any bearing upon your acceptance or rejection for admission, the execution of this agreement, or normal conduct of business of Patriots Colony.

B. REPRESENTATIONS MADE BY RESIDENT

The application and the statements of your finances, personal data, and health history filed with Patriots Colony are incorporated into this agreement and all statements therein are deemed to be true as of the date made. You represent that there have been no material changes in the information provided since the date of application. Any material misstatement, or any material omission to state a fact called for, may result in the termination of this Agreement by Patriots Colony.

C. REQUIREMENTS PRIOR TO OCCUPANCY

Resident must provide the following to Patriots Colony prior to occupancy:

1. Proof of the required Medicare, TRICARE or other Supplemental Insurance coverage, or their equivalent.

**Patriots Colony At Williamsburg
Residence and Services Agreement**

2. All required personal, confidential, financial, and medical information.
3. Copy of Durable Power of Attorney and Advanced Directives, if any.
4. Certification of name and address of the administrator or executor of your last will and testament and trustee, if any, and location of your last will and testament and trust, if any.
5. Signed authorization and payment for modifications (if any) to your Residence.
6. Execution of the Agreement.
7. Payment of the balance of your Entrance Fee and applicable Monthly Fee.

D. SUCCESSORS AND ASSIGNS

Resident Responsibilities owed Patriots Colony under this Agreement shall inure to the benefits of its successors and assigns.

E. OTHER PROMISES

Patriots Colony representatives have made no other promises or representations regarding your Residence, facilities, refunds or services and this agreement has precedence over the description of services in promotional materials or presentations. This Agreement constitutes the entire contract between you and Patriots Colony, and no waiver or modification shall be valid unless made in writing, signed by you and by Patriots Colony and attached herewith as a part of this agreement.

In witness whereof, the parties hereto have executed this Agreement the day and year first above mentioned.

BY: _____
Patriots Colony Representative

Resident: _____

Resident: _____

Witness: _____

In and for James City County, Commonwealth of Virginia,
the foregoing instrument was acknowledged before me this
_____ day of _____, 2023

Notary Public

**Patriots Colony At Williamsburg
LifeCare and Residence & Services Agreement with Promissory Note**

Patriots Colony At Williamsburg

**LifeCare and Resident & Services Agreement
with Promissory Note
2023**

6000 Patriots Colony Drive

Williamsburg, VA 23188

(757) 220-9000

**Patriots Colony At Williamsburg
LifeCare and Residence & Services Agreement with Promissory Note**

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Patriots Colony At Williamsburg
LifeCare and Residence & Services Agreement with Promissory Note

This Agreement is made and entered into by and between Patriots Colony, Inc. (hereinafter referred to as “Patriots Colony”) and **Resident Name**, hereinafter referred to as “Resident,” whether one or more persons) this **date** day of **month/year**.

ARTICLE I
Fees and Refunds

Resident has selected “Choice 1” and the fees below will be reflective of the “Choice 1” fee schedule.

A. ENTRANCE FEE

1. Residence Number & Type

Resident has selected and shall have a personal non-assignable right to reside in **Unit Number**, subject to removal only under the conditions and terms of this agreement.

2. Amount

In consideration of the continuing care program outlined in this Agreement and residency in the above described Residence, the Resident agrees to pay Patriots Colony the total amount of \$ which if for two persons, the sum of \$ shall be construed to be the Entrance Fee for the first person, and \$ be construed to be the Entrance Fee for the second person. Resident’s deposit of ten percent (10%) of the Entrance Fee shall be made at the time the Resident agrees to reserve the Residence (the “Reservation Deposit”). The Reservation Deposit will be applied towards payment of the Entrance Fee. Except as otherwise provided in Section A.3 of this Article I below, the balance of the Entrance Fee shall be due and payable on the date that shall occur within seven (7) days prior to the assigned occupancy date and at a date and time mutually agreeable to all parties (the “Closing Date”). The Entrance Fee principle amount above will not change during the duration of this Agreement, unless the Resident chooses to upgrade to a larger residence (see “Change of Residence”, Article IV, Section D).

3. Financing Arrangement

a. Eligibility


In lieu of paying the entire balance of the Entrance Fee as provided in Section 2 above, Resident may participate in the financing arrangement made available by Patriots Colony to prospective residents, as more fully described below. If Resident desires to participate in this arrangement, Resident shall: (i) initial the box below the financing arrangement evidencing Resident’s agreement to be bound by the terms contained therein; (ii) disclose to Patriots Colony such information as Patriots Colony may request to determine Resident’s eligibility for participation; and (iii) execute such documents as required herein to effect such participation upon Patriots Colony’s determination that Resident is eligible to participate.

b. General Description

Patriots Colony At Williamsburg

LifeCare and Residence & Services Agreement with Promissory Note

The Reservation Deposit shall be applied toward payment of the Entrance Fee. Resident shall pay an additional ten percent (10%) of the total Entrance Fee upon the Closing Date, with the remaining balance being due and payable in accordance with the terms of a promissory note evidencing the Resident's financial obligation, a form of which is attached hereto as Exhibit A and made a part hereof. Under the promissory note, the principal of which shall be the unpaid balance of the Entrance Fee (the "Financed Amount"). The date of the promissory note shall be the Closing Date. Payments of principal shall be made in four (4) equal installments on the next four (4) anniversary dates of the Closing Date. All accrued principal and interest on the Financed Amount will be due on the fourth anniversary of the Closing Date. Interest shall accrue at the Prime Rate plus one percent (1%) on the unpaid balance of the promissory note, but if Resident pays the entire Financed Amount to Patriots Colony on or before the one (1) year anniversary of the Closing Date, Patriots Colony shall waive all interest due by Resident to Patriots Colony under the promissory note. For purposes hereof, the "Prime Rate" shall mean the rate per annum that appears as the base rate on corporate loans posted by at least seventy-five percent (75%) of the thirty (30) largest banks in the United States, as posted in the Money Rates section of the *Wall Street Journal* on the applicable date, or if the applicable date is not a business day, on the business day immediately prior to such date. Resident may prepay any portion of the Financed Amount in whole or in part, together with accrued interest, without penalty, at any time before the date on which the promissory note matures. Resident agrees that if at any time prior to the promissory note maturing the Residents sells his or her primary residence, the financed amount together with accrued interest shall be due and payable thirty (30) days after the sale of said residence.

 *Initial here to evidence Resident's agreement to the foregoing provisions of this subsection A.3 of Article I.*

B. MONTHLY FEE

1. Current Amount

The current Monthly Fee associated with the Residence selected by the Resident is the total amount of \$, which, if for two persons, the sum of \$ shall be construed to be the Monthly Fee for the first person and \$ shall be construed to be the Monthly Fee for the second person occupying the Residence. The Monthly Fee shall be paid to Patriots Colony in advance before occupancy and by the first day of each month. The Monthly Fee charges shall begin on the first day of occupancy or ninety (90) days after the date that Resident reserved the Residence, whichever is earlier, and shall be paid on a pro-rated basis through the last day of the current month.

2. Statement

The Monthly Fee and any other applicable charges shall be considered delinquent if not paid within fourteen days following the due date. All delinquent accounts shall draw a finance charge at no more than the maximum rate allowed by law.

3. Adjustments

Patriots Colony At Williamsburg

LifeCare and Residence & Services Agreement with Promissory Note

The Monthly Fee may be adjusted by Patriots Colony consistent with the cost of operating and maintaining Patriots Colony as well as the future service obligations of Patriots Colony and upon thirty (30) days notice to the Resident.

C. ENTRANCE FEE OPTIONS

Three different refund options are listed below. Only one refund option will apply for purposes of this agreement and all parties to this agreement will initial that option. The option selected cannot be changed during the term of this agreement or any subsequent agreements as may be required due to a change in Residence. By initialing below and by signing this Agreement you acknowledge that you have reviewed the current pricing associated with refund options selected and have selected the following Entrance Fee refund plan initialed below for purposes of this Agreement.

1. Base Plan (Declining Refund)

Should this Agreement be terminated by either party for any reason after the execution date of this agreement and before the end of the first (1st) calendar month from the execution date of this agreement, the Entrance Fee paid (first person and second person) will be refunded to the Resident or the Resident's estate in full, less only the "application fee".

Should this Agreement be terminated by either party for any reason after the first (1st) calendar month from the execution date of this Agreement, the Entrance Fee paid (first person and second person) will be refunded to the Resident or the Resident's estate less 2% per calendar month calculated from the first month of occupancy. After fifty (50) calendar months of occupancy, there will be no refund.

2. Plan 50

Should this Agreement be terminated by either party for any reason after the execution date of this agreement and before the end of the first (1st) calendar month from the execution date of this agreement, the Entrance Fee paid (first person and second person) will be refunded to the Resident or the Resident's estate in full, less only the "application fee".

Should this Agreement be terminated by either party for any reason after the first (1st) calendar month from the execution date of this Agreement, the Entrance Fee paid will be refunded to the Resident or the Resident's estate less 2% per calendar month from the first (1st) calendar month of occupancy and thereafter for twenty-four (24) additional months. After twenty-five (25) calendar months, the refund amount will remain unchanged at 50% of the Entrance Fee paid (first person and second person), regardless of the length of time thereafter that the Agreement remains in force.

For actuarial reasons, Plan 50 availability and rates are age-rated based on age at occupancy. Plan 50 is available at baseline rates to single Residents and couples if all individuals are under age 81, and available at higher rates to single Residents & couples where at least one individual is at least age 81 but not yet 86. Plan 50 is not available to single Residents and couples where any individual is age 86 or higher.

3. Plan 95

Patriots Colony At Williamsburg

LifeCare and Residence & Services Agreement with Promissory Note

Should this Agreement be terminated by either party for any reason after the execution date of this agreement and before the end of the first (1st) calendar month from the execution date of this agreement, the Entrance Fee paid (first person and second person) will be refunded to the Resident or the Resident's estate in full, less only the "application fee".

Should this Agreement be terminated by the Resident or Patriots Colony for any reason after the first (1st) calendar month from the execution date of this Agreement, the Entrance Fee paid will be refunded, at 95% of the Entrance Fee paid (first person and second person), regardless of the length of time thereafter that the Agreement remains in force.

For actuarial reasons, Plan 95 availability and rates are age-rated based on age at occupancy. Plan 95 is available at baseline rates to single Residents and couples if all individuals are under age 81, and available at higher rates to single Residents and couples where at least one individual is at least age 81 but not yet 86. Plan 95 is not available to single Residents and couples where any individual is age 86 or higher.

D. CALCULATION & PAYMENT OF ENTRANCE FEE REFUNDS

1. Adjustments for Financing Arrangement

Notwithstanding any provision herein to the contrary, Resident agrees and acknowledges that, if Resident participates in the financing arrangement set forth in Section A.3 of Article I, Resident shall not be entitled to a refund under the foregoing provision of this Section C until the Financed Amount has been paid in full to Patriots Colony. However, if Resident has executed a promissory note in connection with Resident's participation in the Financing Arrangement set forth in subsection A.3 of Article I above and terminates this Agreement prior to the one year anniversary of the Closing Date and provides no less than thirty (30) days notice of such termination, Patriots Colony shall cancel the promissory note as the Financed Amount will no longer be due by Resident to Patriots Colony, and Resident shall no longer have any obligations to Patriots Colony under the promissory note.

2. Calculation

For purposes of the above Plans no Entrance Fee refund will include amounts paid for improvements to the Residence, Monthly Fees or other periodic charges. Any Entrance Fee refund shall not include interest that has accrued from the date the Resident's Entrance Fee was paid. Refunds for additional Entrance Fee paid after initial occupancy for such reasons as "upgrade" or marriage will be calculated from the date of original occupancy and this Agreement.

3. Payment of Refund

All refunds due under the Entrance Fee refund option will be made within ten (10) business days after the last of the following: (i) this agreement is terminated; (ii) your Residence has been vacated; and (iii) your Residence is occupied by a new Resident. Notwithstanding the foregoing conditions for payment of refunds, if you have vacated your Residence for a permanent stay at the Health Center, you may apply your future

Patriots Colony At Williamsburg
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refund to your health care cost in the Health Center, once a new Resident occupies your
Residence.

ARTICLE II
Continuing Care Program

The Continuing Care Program provided by Patriots Colony in this Agreement includes the use of a number of services and facilities. Outlined below is a description of those services and facilities.

A. SERVICES AND FACILITIES

1. Residence

Subject to the terms of this Agreement, the Resident has the non-assignable right to reside in the previously described Residence for the remainder of the Resident's life or in the event Resident is more than one person, for the remainder of the life of the survivor. Patriots Colony shall furnish carpet, vinyl and other standard floor treatments, refrigerator, range/oven, microwave, washer/dryer, garbage disposal, dishwasher. The Resident shall provide all other furnishings for the Residence.

2. Dining Plan

The Dining Services Department offers three meals a day, six days a week and at least two meals on Sunday. Snacks and beverages are also available during the day. Residents may choose to eat any or all meals each day. Residents receive a generous dining allowance, on a quarterly basis, that is included in the monthly fee. In addition to any menu item, the dining allowance can also be used for bar charges and guest meals. Residents away from the campus in at least ten (10) consecutive days or more during a month are eligible for a meal credit of \$10 per day.

3. Housekeeping

The Residence will be cleaned once each week. This cleaning includes vacuuming floor surfaces that are accessible, light dusting on surfaces free of clutter, and necessary cleaning of bathroom and kitchen counters and fixtures. Additionally, heavier housekeeping services such as window washing and floor maintenance will be performed on a scheduled basis. Other housekeeping tasks such as dishwashing, laundry, bed making, etc., are the responsibility of the Resident but can be provided by Patriots Colony on an available basis at an additional charge.

4. Maintenance

Repairs, maintenance and replacements of property and equipment owned by Patriots Colony shall be performed and provided by Patriots Colony to keep such property and equipment in good repair and order as deemed necessary by Patriots Colony. The above work also includes custodial services for all public spaces and appropriate grounds maintenance. Repairs to Resident's personal possessions are the responsibility of the Resident.

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5. Utilities

Utilities reasonably required in connection with the occupancy of the Residence, including water, sewer, heating, air-conditioning, electricity, basic cable T.V., and trash removal are included in the fees. Residence telephone and extended/premium cable TV charges are the responsibility of the Resident.

6. Security

Patriots Colony will use reasonable care in providing security on the premises including the use of personnel dedicated to that purpose, but will not be responsible for losses of personal property.

7. Emergency Response

Each residence will be equipped with emergency response systems which, when activated, will summon assistance from Patriots Colony.

8. Property Insurance

Patriots Colony insures property and equipment against reasonable losses. Personal property and personal liability insurance for Residents is the responsibility of the Resident.

9. Taxes

Patriots Colony pays all real estate, property, and use taxes on all Patriots Colony property and any applicable business operations. The Resident is responsible for his/her own personal property taxes and personal income taxes.

10. Parking

Covered parking spaces have been provided in sufficient number to allow one car per residence. Additional parking spaces for Residents, guests and staff are also provided and have been designed to be in close proximity to the ultimate user.

11. Additional Storage

Apartment residents without a designated storage space in the Residence shall have one additional secured storage space in the public area.

12. Scheduled Transportation

Resident fees will cover regularly scheduled trips in Patriots Colony vehicles to nearby shopping and "other popular destinations." Other special trips may be arranged at a nominal charge depending on demand.

13. Planned Recreation, Wellness, and Activity Programs

Social, cultural and recreational activities will be provided or arranged by Patriots Colony staff and made available to Residents. Participation is strictly voluntary.

14. Congregate Facilities

Residents shall have the right to the use and enjoyment, in concert with others, of the indoor and outdoor public areas and recreational facilities at no extra charge.

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Exceptions to this right will be a fee for use of certain spaces and purchases of supplies, merchandise and expendables by Residents and their guests for private purposes.

15. Wellness Clinic

The Resident Wellness Clinic will be staffed by a licensed nurse who will provide at no charge certain diagnostic monitoring and health promotion services. This individual can also, with the Resident's physicians' involvement, assist in coordinating the Resident's health care services. Payments for any services arranged by the Wellness Clinic, which involve charges by other health professionals, are the responsibility of the Resident.

16. Health Care

Patriots Colony provides Resident guaranteed priority access to accommodations in the Patriots Colony Health Center if ordered by a physician and approved by the Health Services Director. If the Resident shall need accommodations in the on-site Health Center and the associated health care services, the Resident shall pay the Patriots Colony published public rates for long term care services then in effect. (See Article III, "Patriots Colony Health Services").

B. SERVICES AVAILABLE AT EXTRA CHARGE

1. Meals and Guest Meals, in addition to those purchased with the flexible monthly dining allowance.
2. Guest Rooms
3. Additional Housekeeping
4. Individual Telephone Use
5. Extended/Premium Cable T.V. Channels
6. Internet Services
7. Special Events or Transportation
8. Variable Costs for Crafts/Supplies
9. Services of any On-Site Private Vendors (Such as: Barber, Beautician, Bank, etc.)
10. Catering or Set-up/Clean-up Services
11. Health Services
12. Other services that may be made available

Thirty (30) days notice will be provided of any changes in the scope of care or services.

Patriots Colony At Williamsburg
LifeCare and Residence & Services Agreement with Promissory Note

C. LIFECARE

Patriots Colony offers a LifeCare Program through a separate agreement. The LifeCare Program offers Health Services and other additional services described above available to residents at a discounted rate, subject to a qualification determination by Patriots Colony. In the event Resident pays the full Residence and Services Entrance Fee at occupancy but later desires to convert to the LifeCare program, the then current Entrance Fee must first be paid to Patriots Colony in full. In the event Resident participates in a Financing Arrangement, Resident will have the right to convert to the LifeCare program within thirty (30) days after the payment of the Entrance Fee, and the Entrance Fee will be credited towards the then current entrance fee for the new LifeCare contract. Notwithstanding anything herein to the contrary, Resident's conversion to the LifeCare Program will be subject to the admission and qualification requirements, a health assessment and a financial review to determine Resident's qualification.

D. EXCLUSIONS

Patriots Colony will at no time be responsible for the debts of a Resident or for medical expenses incurred for services or related items (See Article III B).

ARTICLE III

Patriots Colony Health Services

A. ACCESS

Patriots Colony will guarantee Resident priority access to the Health Center, consisting of *The Berkeley* (assisted living), *Springhouse* (assisted living for the memory impaired), and *The Convalescent Center* (nursing residence). Even though non-residents will have access to the Health Center, Residents will have first priority on all Health Center accommodations and no Resident shall be denied an available space in favor of a non-resident. Patriots Colony offers licensed "Assisted Living" and "Nursing Facility" accommodations. If any such licensed levels of care are not available on-site or if such space is occupied and not immediately available, Patriots Colony will assist resident in transferring to such space off-site. Patriots Colony will notify Resident once the service can be provided on-site and will assist with return arrangements.

B. CHARGES

1. Resident agrees to pay the current published public rate for any stay, temporary or permanent, in any level of care in the Health Center, or for the equivalent service off-site as described above, for as long as those services are needed. If a monthly rate, the current public rate shall be calculated on a pro-rated daily basis for a partial month's stay.

2. If Resident alone occupies two physically connected Assisted Living suites, the public rate will apply for both suites.

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3. If a couple occupies one Assisted Living suite, the applicable published public monthly Fee will be calculated for each Resident. Once a single Resident occupies the suite, the applicable single person public rate will be charged.

4. If Resident occupies both Assisted Living and Convalescent accommodations simultaneously, Resident will be billed for both on a pro-rated basis for partial months.

C. RETENTION OF RESIDENCE DURING HEALTH CENTER STAY

The following outlines the effect of your stay in the Health Center on the Monthly Fee for your Residence.

1. Temporary Stay

During a temporary stay in the Health Center, the Resident will continue to pay the Monthly Fee for the Residence plus the current public rate for the care received at the Health Center.

2. Permanent Stay

a. If Patriots Colony in its sole discretion, but after consultation with you, your family and your physician, determines that you are physically or mentally incapable of living independently for the foreseeable future, the Resident will be deemed to have permanent status at the Health Center and pay the appropriate public rate.

b. Single Resident

Resident will release the Residence to Patriots Colony and the Residence Monthly Fee will terminate on the date it is vacated. Once permanent status in the Health Center has been determined, the Residence must be vacated within 30 days.

c. Resident Couple

When one Resident's stay in the Health Center becomes permanent, the remaining Independent Living Resident will begin paying the first person Monthly Fee. In the case of a couple where both Residents are on permanent status in the Health

Center, they will release the Residence to Patriots Colony and cease to pay the Monthly Fee on the date the Residence is vacated. The Independent Living Residence must be vacated within 30 days of the date the last Resident gains permanent Health Center status.

d. If a permanent move is necessary within the Health Center (e.g. assisted living to convalescent center), Resident must vacate the previous accommodations within ten (10) days.

e. If personal belongings are not removed by stated time, property will be removed by Patriots Colony and stored at Resident's expense. For the purposes of this Agreement "vacated" shall mean all of the Resident's personal belongings shall be removed from the Residence and the Residence left undamaged, except for normal "fair wear and tear", and in a trash-free condition.

**Patriots Colony At Williamsburg
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3. Recovery from a Permanent Stay

Should you release your Residence to Patriots Colony for a permanent stay in the Health Center and later be judged by Patriots Colony to be capable of living independently again, you will be offered the next available Residence of the type and size equivalent to that last occupied. If you wish to return to a different type and size Residence, the Upgrading or Downgrading provisions of Article IV, Section D will apply.

D. HEALTH CARE INSURANCE

1. Resident agrees to procure and maintain Medicare Parts A and Part B, and a Medicare Supplement Plan (e.g. TRICARE for Life) or equivalent hospital and medical insurance coverage.
2. If Resident is entitled to medical care or payment by insurance or government agencies, the Resident shall make application for such care or payment.
3. Resident shall authorize, as necessary, any provider of hospitalization, medical or other health services to receive reimbursement under the above Medicare, TRICARE, and Supplemental insurance programs.

ARTICLE IV

Change in Resident Status

A. MARRIAGE TO ANOTHER RESIDENT

Should Resident marry another Resident, either may terminate the Residency Agreement, turn the Residence back to Patriots Colony, receive any refund due or become a party to the new spouse's agreement. The Monthly Fee for the Residence turned back shall terminate upon vacancy, and the Monthly Fee for the Residence retained shall simultaneously be raised to the double occupancy level.

B. MARRIAGE TO A NON-RESIDENT

Should resident marry a Non-Resident who satisfies the guidelines for acceptance as outlined in Article V of this Agreement, Patriots Colony will offer the Non-Resident the opportunity to become a party to this Agreement or other applicable Patriots Colony agreement (LifeCare or Residence & Services). The Entrance Fee will be selected from the appropriate set of fees (LifeCare or Residency & Services) and will be equal to the Second Person Entrance Fee and the Monthly Fee will be the corresponding Second Person Monthly

Fee for the applicable residence. Qualifying for, but declining to become part of, a Residency Agreement disqualifies the Non-Resident for residency at Patriots Colony. Upon occupancy of the Residence by the new spouse, the Monthly Fee will then be raised to the two-person rate and the new occupant will be entitled to all rights and privileges granted to Resident.

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C. ADDITIONAL OCCUPANT TO RESIDENCE

1. Should a resident wish to have a second person occupy the Residence who is not related by blood or marriage, Patriots Colony will offer that non-resident the opportunity to become a party to this Agreement or other applicable Patriots Colony Agreement (LifeCare or Residency and Services). The Entrance Fee will be selected from the appropriate set of fees (LifeCare or Residency and Services) and will be equal to the second person Entrance and at the corresponding second person Monthly Fee for the applicable residence. Upon occupancy of the Residence by the new occupant, the Monthly Fee will then be raised to the two-person rate and the new occupant will be entitled to all rights and privileges granted to Resident.
2. An addendum to this Agreement and any other applicable Agreement (see paragraph immediately above) will be signed by both residents indicating financial responsibility for the other and designating the division calculation of the applicable refund to each upon termination of the Agreement(s) by the last Resident.
3. Patriots Colony's acceptance of this second person shall be contingent upon his/her ability to meet the health, financial and general criteria for admission to Patriots Colony. Qualifying for, but declining to become part of, a Residency Agreement disqualifies the second person for residency at Patriots Colony.

D. CHANGE OF RESIDENCE

After occupancy, if Resident applies in writing to Patriots Colony to move from one Residence to another of either a larger or smaller size, and Patriots Colony agrees to such a move, the following provisions shall apply:

1. Upgrading

Should Resident move from one Residence to a larger one, Resident will pay the difference in Entrance Fees from the current Entrance Fee then in effect for the smaller

Residence to the Entrance Fee then in effect for the larger Residence. The calculation for any future refunds will be based on the date of original occupancy of the smaller Residence, and the Monthly Fee will increase to that of the larger Residence at the time occupancy of the larger Residence commences.

2. Downgrading

If Resident moves from one Residence to a smaller Residence, there will not be a reduction in the Entrance Fee paid. Any refund at the time the smaller Residence is vacated, however, will be calculated based on the original Entrance Fee paid. Resident's Monthly Fee will be reduced to that of the smaller Residence at the time occupancy of the smaller Residence commences, and the larger unit is vacated.

3. Refurbishment Fee

A Resident who moves from one Residence to another within Independent Living will be charged for the refurbishment of the Residence vacated if refurbishment has been accomplished recently and, in the professional opinion of Patriots Colony staff, recently installed materials cannot be restored to like-new condition and must be replaced.

**Patriots Colony At Williamsburg
LifeCare and Residence & Services Agreement with Promissory Note**

**ARTICLE V
Resident Rights & Responsibilities**

In addition to those rights and responsibilities noted elsewhere in this agreement, the following also apply to you and any authorized occupant of your Residence:

A. ADMISSION AND CONTINUED OCCUPANCY

Your acceptance as a Resident and your continued occupancy at Patriots Colony are based upon the following criteria:

1. You are a minimum of 55 years of age.
2. You are physically and mentally capable of living independently at admission and meet the medical requirements of Patriots Colony.
3. You are free of communicable diseases.
4. You possess the financial capabilities to meet your obligations to Patriots Colony for your expected lifetime (unless other arrangements have been made).
5. Your presence does not threaten the health, safety or well being of others at Patriots Colony.
6. You agree to abide by the reasonable rules and regulations of Patriots Colony and the reasonable changes to those rules, which may be adopted later.
7. You respect the rights of other Residents.

B. PROPERTY RIGHTS

You understand and agree that this is an agreement primarily for shelter and services. Though you are granted a right of occupancy, this agreement is not a lease and you will have

no right, title or interest in any of the real or personal property of Patriots Colony or the right to control or influence in any way the business or financial affairs of Patriots Colony. Your rights under this Agreement may not be assigned, transferred, inherited or devised.

C. PRESERVATION OF RESIDENTS' ASSETS

At the request of Patriots Colony, you agree to make arrangements for the preservation and management of your financial resources by a third party (or parties), including but not limited to the execution and funding of a trust agreement for your benefit whenever, in the sole judgment of Patriots Colony it appears that your continued management of your financial affairs may prevent you from meeting your financial obligations to Patriots Colony.

D. POWER OF ATTORNEY

You agree to execute and maintain in effect, a Durable Power of Attorney, valid under Virginia law. This Durable Power of Attorney shall designate as your attorney-in-fact, your spouse, a bank, lawyer, relative, or other responsible person or persons of your choice, to act for you in managing your financial affairs and filing for your insurance or other benefits, as fully and completely as you would if acting personally. It should be in a form that survives your incapacity or disability and be otherwise satisfactory to Patriots Colony. You will

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deliver a fully executed copy of this Durable Power of Attorney to Patriots Colony prior to occupancy of your Residence. Any advanced directives such as a “living will” should be filed with Patriots Colony upon occupancy.

E. RESIDENTS’ ASSOCIATION

All Residents of Patriots Colony are members of the Residents’ Association. The Administration will confer regularly with representatives of the Association about matters of interest and/or concern to the Residents.

F. GUESTS, ACCESS, AND USE BY NON-RESIDENTS

You will be free to invite guests to your residence for transient visits. You may purchase meals for your guests at prevailing rates. Patriots Colony reserves the right to make rules regarding visits and guest behavior. In general, the facilities and services of Patriots Colony are intended for the use of the Residents.

G. FURNISHINGS

You are expected to furnish and use your Residence in accordance with acceptable standards. In order to keep the Residence safe and sanitary, Patriots Colony reserves the right to enforce these standards.

H. HOUSEKEEPING

You agree to maintain your Residence in a clean, safe and orderly condition, as required by health and safety regulations, and to perform all usual light housekeeping. Patriots Colony may deem necessary, at Resident’s expense, such tasks required to return the Residence to a safe, clean and orderly condition if day-to-day responsibilities of the Resident have been neglected.

I. OTHER RIGHTS

You have the right to use Patriots Colony public areas and amenities on an equal basis with other Residents and to participate as you choose in planned activities or programs with exception that you may be required to adhere to management programs implemented for the common safety and security of all Residents.

ARTICLE VI

Patriots Colony Rights & Responsibilities

In addition to those rights and responsibilities of Patriots Colony noted elsewhere in this agreement, the following also apply:

A. MANAGEMENT

Patriots Colony At Williamsburg

LifeCare and Residence & Services Agreement with Promissory Note

Patriots Colony is responsible for the overall management and operation of Patriots Colony consistent with sound business practices and fairness to all Residents. Patriots Colony has the right to hire professional management services to meet this responsibility.

B. AUTHORITY FOR ADMISSIONS, DISMISSAL, AND FEES

Patriots Colony retains all authority regarding admission, dismissal, and adjustment of fees of Patriots Colony.

C. RIGHT OF ENTRY

Authorized employees shall be permitted into your Residence with reasonable notice at all reasonable times for housekeeping, maintenance, and inspection, and at any time in case of emergencies.

D. CONFIDENTIALITY

Patriots Colony has the right to request and receive medical and financial data from you that is in our sole judgment, necessary to carry out our responsibilities. Patriots Colony has the responsibility to keep all of the personal, medical, and financial information you have supplied to us in confidence, and it will only be shared with those who, in our opinion, have a need to know.

ARTICLE VII

Termination Provisions

A. TERMINATION FOR CAUSE

Any one of the following conditions shall be cause for Patriots Colony to terminate this Agreement:

1. Resident's failure to perform obligations under this contract including the obligation to pay Monthly Fees and other charges. (Also see Article VIII, Non-Payment of Fees).
2. Resident's failure to abide by the rules and regulations of Patriots Colony including such reasonable amendments as may be adopted from time to time.
3. Resident's health or behavior resulting in a threat to the health, safety, peace or well being of the Resident or others.
4. Resident's material misstatements or failure to state a material fact in the Resident application, financial statement or health history statement filed with Patriots Colony.

Patriots Colony shall give you reasonable notice of your termination date, and determination that your continued occupancy represents a threat to safety of others or of yourself shall be a factor in determining the reasonableness of that notice. You will further be given reasonable

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opportunity to cure within a reasonable period whatever conduct is alleged to warrant the cancellation of the Agreement. Refund provisions of this Agreement will apply less any outstanding debts of Resident to Patriots Colony.

B. DEATH

In the event this Agreement is terminated due to your death, your estate will be responsible for the Monthly Fee until your Residence is vacated. Your estate will be responsible for moving any tangible personal property within thirty (30) days after your death. Should any property remain in your Residence after that date, you hereby authorize Patriots Colony to remove the property from your Residence and store it at the expense of your estate.

C. TERMINATION PRIOR TO OCCUPANCY

If Resident dies before occupying the facility, or is precluded through illness, injury, or incapacity from becoming a resident under the terms of the Residency Agreement, the Agreement is automatically rescinded and the Resident or his legal representative shall receive a full refund of all money paid to Patriots Colony, except those costs specifically incurred by Patriots Colony at the request of the Resident and set forth in writing in a separate addendum, signed by both parties to the Agreement.

D. TERMINATION BY RESIDENT AFTER OCCUPANCY

1. Grace Period

In the event Resident terminates this Agreement in writing within 7 days of the execution date and surrenders the Residence within 7 days of the execution date, Resident shall be entitled to a full refund of the Entrance Fee (less the application fee).

2. Termination After Grace Period

Resident may terminate this Agreement by providing written notice to Patriots Colony. The Monthly Fee will continue until the Residence is vacated or thirty (30) days expired whichever is later. The selected Entrance Fee refund option of this Agreement will apply.

E. SPECIAL TERMS AND EXCEPTIONS

Upon termination by either you or Patriots Colony you agree to pay Patriots Colony all amounts owed to it, any reasonable expenses incurred in connection with the termination, which includes, but is not limited to: Cost of any repairs, replacement of property, and painting or other refurbishment of your Residence considered necessary by Patriots Colony in order to prepare it for a new Resident. Patriots Colony may offset any amounts owed it by you against any refund due. These costs do not include fair wear and tear.

F. SUPERSEDED AGREEMENT

In the event Patriots Colony and Resident enter into a LifeCare Agreement or other residency agreement intended to supersede this Agreement, this Agreement will automatically terminate upon the effective date of such other agreement.

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ARTICLE VIII

Non-Payment of Fees

If you become unable to pay the Monthly Service Fee for your Independent Living Residence for reasons other than willful dissipation of your assets, Patriots Colony, in our sole judgment, may elect to assist you financially. We may assist you in the identification and arrangement for funds from sources including, but not limited to, the Patriots Fund (the internal benevolence fund), and public assistance from local, state and federal governments. You agree to assist us in the application for such support and to execute reasonable and necessary documents for this purpose. Additionally, any sums expended by Patriots Colony, excluding the Patriots Fund, plus interest at up to the maximum rate allowed by law, will represent a claim against you or your estate or against any Entrance Fee refund due at the time this agreement is terminated.

ARTICLE IX

Modification of Residence

We reserve the right to determine the serviceability and condition of carpeting, appliances, and all similar items provided by us in your Residence. You may apply in writing to and contract with Patriots Colony to make authorized modifications to your Residence at your expense and risk. Charges for such modifications will cover the complete cost of the work to be done and an additional charge to restore the Residence to its original condition upon your vacating the Residence, if in Patriots Colony's opinion, such modifications adversely affect the desirability of the Residence for re-occupancy. The modifications shall be done so as to create the least possible inconvenience to other Residents in Patriots Colony. Any modifications, which result in permanent installation, shall become Patriots Colony's property upon installation and shall remain with your Residence when you vacate your Residence. You waive all rights to compensation for the modifications made to your Residence. If the modification requires additional maintenance, either you may be required to procure such maintenance at your expense or additional ongoing charges from Patriots Colony may apply. An example of the latter is conversion of a Villa or Greenspring Home screened porch to a sunroom and thereby changing the Residence model and the required Monthly Fee.

ARTICLE X

Personal Injury or Loss of Property

A. INJURY OR DAMAGE BY YOU

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LifeCare and Residence & Services Agreement with Promissory Note

You agree to reimburse Patriots Colony for any costs incurred or damages suffered by it resulting from your carelessness, negligence or wrongful acts, or that of your guests. You hereby release Patriots Colony from liability for your death, injury to your person or your property caused by any theft, fire, assault or other cause beyond the control of Patriots Colony and from liability resulting from the negligence or wrongful acts of other Residents and do waive any claim that may accrue to you arising against Patriots Colony there from.

B. INJURY BY A THIRD PARTY

In case of accident or injury to you caused by third parties you hereby agree to bring any claims or initiate legal action, if necessary, against the person who has caused injury to you for compensation for the injury. You hereby authorize and direct the person or firm designated by you as your attorney-in-fact to prosecute such claims or causes of action. After recovering damages from such claims or causes of action you agree to reimburse Patriots Colony for all costs and damages incurred by it (including reasonable costs of care furnished to you by Patriots Colony because of such accident or injury).

ARTICLE XI

Miscellaneous

A. STATEMENT OF NON-DISCRIMINATION

Neither race, nor color, nor sex, nor religion, nor national origin has any bearing upon your acceptance or rejection for admission, the execution of this agreement, or normal conduct of business of Patriots Colony.

B. REPRESENTATIONS MADE BY RESIDENT

The application and the statements of your finances, personal data, and health history filed with Patriots Colony are incorporated into this agreement and all statements therein are deemed to be true as of the date made. You represent that there have been no material changes in the information provided since the date of application. Any material misstatement, or any material omission to state a fact called for, may result in the termination of this Agreement by Patriots Colony.

C. REQUIREMENTS PRIOR TO OCCUPANCY

Resident must provide the following to Patriots Colony prior to occupancy:

1. Proof of the required Medicare, TRICARE or other Supplemental Insurance coverage, or their equivalent.
2. All required personal, confidential, financial, and medical information.
3. Copy of Durable Power of Attorney and Advanced Directives, if any.
4. Certification of name and address of the administrator or executor of your last will and testament and trustee, if any, and location of your last will and testament and trust, if any.

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5. Signed authorization and payment for modifications (if any) to your Residence.
6. Execution of the Agreement.
7. Payment of the balance of your Entrance Fee and applicable Monthly Fee.

D. SUCCESSORS AND ASSIGNS

Resident Responsibilities owed Patriots Colony under this Agreement shall inure to the benefits of its successors and assigns.

E. OTHER PROMISES

Patriots Colony representatives have made no other promises or representations regarding your Residence, facilities, refunds or services and this agreement has precedence over the description of services in promotional materials or presentations. This Agreement constitutes the entire contract between you and Patriots Colony, and no waiver or modification shall be valid unless made in writing, signed by you and by Patriots Colony and attached herewith as a part of this agreement.

In witness whereof, the parties hereto have executed this Agreement the day and year first above mentioned.

BY: _____
Patriots Colony Representative

Resident: _____

Resident: _____

Witness: _____

In and for James City County, Commonwealth of Virginia,
the foregoing instrument was acknowledged before me this
_____ day of _____, 2023

Notary Public

**Patriots Colony At Williamsburg
LifeCare and Residence & Services Agreement with Promissory Note
EXHIBIT A**

IMPORTANT NOTICE

THIS INSTRUMENT CONTAINS A CONFESSION OF JUDGMENT PROVISION WHICH CONSTITUTES A WAIVER OF IMPORTANT RIGHTS YOU MAY HAVE AS A MAKER AND ALLOWS THE HOLDER TO OBTAIN A JUDGMENT AGAINST YOU WITHOUT ANY FURTHER NOTICE.

DEMAND PROMISSORY NOTE

\$_____

James City County, Virginia

PROMISE TO PAY. FOR VALUE RECEIVED, Name of resident (s) (“Maker”) promises to pay to Patriots Colony, Inc. (“Holder”) or to order, the principal sum of _____, which amount is equal to the amount advanced to Maker by Holder under the Residency and Services Agreement between Maker and Holder entered into as of even date herewith (the “Residency Agreement”). Further, all sums loaned will bear simple interest on the unpaid principal balance at the Prime Rate plus one percent (1%) per annum, provided, however, that no such interest shall accrue or be payable by Maker to Holder under this Note if the entire outstanding principal balance of this Note is paid in full on or before the one year anniversary of the Commencement Date (defined herein). For purposes hereof, the “Prime Rate” shall mean the rate per annum that appears as the base rate on corporate loans posted by at least seventy-five percent (75%) of the thirty (30) largest banks in the United States, as posted in the Money Rates section of the *Wall Street Journal* on the applicable date, or if the applicable date is not a business day, on the business day immediately prior to such date. The interest rate will be calculated on the date of this Note (the “Commencement Date”) and will be recalculated on January 1 and July 1 of each year thereafter until all outstanding principal and interest has been paid in full.

PAYMENT. Unless Maker terminates the Residency Agreement prior to the one (1) year anniversary of the Commencement Date and provides Holder no less than thirty (30) days’ notice of such termination, as required under the Residency Agreement (an “Early Termination”), Maker will pay to Holder the principal amount in four (4) equal annual installments of \$-_____, without offset, the first of which payments shall be due on the one year anniversary of the Commencement Date and continuing thereafter on each subsequent annual anniversary of the Commencement Date until paid in full. In addition, at the time of each such installment payment, Maker shall pay Holder all interest on the unpaid balance accrued as of such installment date. Payment will be made at the offices of Patriots Colony Inc., 6000 Patriots Colony Drive, Williamsburg, Virginia, 23188, to the attention of the **Billing Coordinator**, or at such other place as Holder in writing shall designate. In the event of an Early Termination,

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Maker's obligation hereunder shall expire and Holder shall not be entitled to any principal or interest due it under this Note. All outstanding principal and accrued interest under this Note shall be due and payable no later than the four (4) years after the date of this Note. If not repaid in full on the date specified above or should Maker be granted by the Holder an extension for repayment of the debt created by this instrument, interest will continue to accrue on the outstanding principal; provided, such balance will, from the date of default and/or extension, accrue interest at the rate specified above plus an additional one and one-half percent (1.5%) per month until paid in full. Extensions will be at the sole discretion of the Holder. Residents agree that if at any time prior to the promissory note maturing, Residents sell their primary residence, the Financed Amount together with accrued interest shall be due & payable 30 days after sale of said primary residence.

PREPAYMENT. Maker may prepay any obligations outstanding under this Note in whole or in part, without penalty, at any time before demand without paying any premium or interest charge on the amount of prepaid principal.

ACCELERATION. The Holder may exercise its option to accelerate the due date for payment of this Note in the event of any default by Maker, including any failure by Maker to comply either with the terms of this Note and/or the terms of the Residency Agreement, regardless of any prior forbearance. In such event, the entire principal amount outstanding, plus all accrued unpaid interest, if any, together with any other applicable fees, costs, and charges (including attorneys' fees as provided herein), will at once become due and payable at the option of the Holder. If suit is brought to collect this Note, the Holder will be entitled to collect all reasonable costs and expenses of suit, including, but not limited to, reasonable attorney's fees equal to 25% of all amounts outstanding and collection costs.

CONFESSION OF JUDGMENT. The Maker hereby duly constitutes and appoints James M. Daniel, Jr. or John B. Mumford, Jr. of Hancock, Daniel, Johnson & Nagle, P.C., as the true and lawful attorney-in-fact for Maker in his/her name, place and stead, upon the failure of Maker to pay any payment when due and payable in accordance with any of the provisions of this Note, to confess judgment against Maker in the Circuit Court for the City of Newport News, Virginia, upon this Note and all amounts owed hereunder, including all costs of collection, attorneys' fees incurred by Holder and court costs, hereby ratifying and confirming the acts of said attorney-in-fact, expressly waiving benefit of any homestead or any exemption laws. The authority and power to appear for and enter judgment against the Maker will not be exhausted by one or more exercises thereof, or by any imperfect exercise thereof, and will not be extinguished by any judgment entered pursuant thereto. Such authority and power may be exercised on one or more occasions, from time to time, in the same or different jurisdictions, as often as the Holder will deem necessary or desirable, for all of which this Note will be a sufficient warrant.

GENERAL PROVISIONS. Holder may delay or forego enforcing any of its rights or remedies under this Note without waiving or otherwise losing them. Maker, to the extent allowed by law, hereby waives presentment, demand, protest, and the benefits of the homestead exemption and all defenses and pleas on the ground of any extension or extensions of the time for payment of the due date of this Note, in whole or in part, before or after maturity, with or without notice. Maker further agrees to pay all expenses incurred in the collection of this Note, including attorney's fees.

**Patriots Colony At Williamsburg
LifeCare and Residence & Services Agreement with Promissory Note**

This Note is made and delivered in the Commonwealth of Virginia and shall be construed and enforced in accordance with its laws. The invalidity or unenforceability of any provision hereof shall not affect the validity or enforceability of any other provision.

ACKNOWLEDGMENT. Prior to signing this Note, Maker read and understood all the provisions of this Note. Maker agrees to the terms of this Note and acknowledges receipt of a completed copy of this Note.

WITNESS the following signatures and seals.

MAKER: _____
Resident

MAKER: _____
Resident

STATE OF VIRGINIA
CITY/COUNTY OF Williamsburg/James City, to-wit:

The foregoing instrument was acknowledged before me this ____ day of _____, 2023.

Notary Public

**Patriots Colony at Williamsburg
LifeCare Agreement with Promissory Note**

Patriots Colony at Williamsburg

**LifeCare Agreement
with Promissory Note
2023**

6000 Patriots Colony Drive

Williamsburg, VA 23188

(757)220-9000

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**Patriots Colony at Williamsburg
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ARTICLE I

Glossary of Terms

The following terms are defined as used in the accompanying Agreement. Reference to the Agreement and the context in which the terms are used is recommended to provide a fuller understanding of each of the terms.

“**Admission Policy**” means the policy in which the admission guidelines are described for residents at Patriots Colony and is provided to resident along with the Residency Agreement.

“**Agreement**” or “**Residency Agreement**” means any agreement between Patriots Colony and a prospective resident of the Facility pursuant to which such resident will occupy a unit in the Community.

“**Riverside Retirement Services, Inc.**” referred to as "Patriots Colony" means a continuing care retirement community and a Virginia, non-stock, not-for-profit Corporation in Williamsburg, Virginia.

“**Closing Date**” means the date the Residence is ready for occupancy and the date on which the resident pays the balance of the Entrance Fee and begins paying the Monthly Fee pursuant to the Agreement.

“**Co-Resident**” means the second person included in this Residency Agreement.

“**Entrance Fee**” means the initial fees paid by residents of “Patriots Colony” for the purpose of obtaining the right to reside in the Community, but shall not include any monthly charges payable by said residents.

“**Patriots Colony**” means the Continuing Care Retirement Community located at, 6000 Patriots Colony Dr., Williamsburg, Virginia, which is the subject of the Agreement; including the Patriots Colony Independent Living Apartments and Cottages, Assisted Living, and “The Convalescent Center at Patriots Colony” Nursing Center.

“**Assisted Living Center**” means that part of Patriots Colony that provides Assisted Living accommodations.

“**Health Services**” means the licensed nursing care provided by “The Convalescent Center at Patriots Colony” and the licensed assisted living care.

“**Interdisciplinary Team**” also referred to as “**IDT**” means an inter-professional team working

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jointly to discuss and determine the best level of care for the Resident and develop the appropriate care plan. The Interdisciplinary Team generally consists of the resident and/or responsible party, attending physician, Director of Nursing, Care Coordinator, Social Services representative, Activities representative, and the Dietary representative.

“Monthly Fee” means payment in advance at the beginning of each month for services to be provided by Patriots Colony under this Agreement.

“Occupancy Date” means the date that the entrance fee is paid and to begin and continue paying the Monthly Fee applicable to the Resident's Residence.

“Per Diem Charge/Fee-For-Service” means the daily rate charged by Patriots Colony and billed to the resident each month for the days the resident receives services in the Convalescent Center at Patriots Colony Nursing Center and/or the Berkeley Assisted Living Center.

“Priority Access” means admission into Health Services is determined by available space; first priority to Life Care residents, second priority to LifeCare residents, and third priority to private, non-Patriots Colony residents if space is available.

“Residence” means an independent living unit; i.e., apartment or cottage.

“Resident” means the Resident or Residents who sign(s) the Agreement.

“The Convalescent Center at Patriots Colony” means that part of Patriots Colony which provides nursing accommodations pursuant to this Agreement.

“We” or **“Us”** or **“Our”** means the Riverside Retirement Services, d.b.a. Patriots Colony; a non-stock, not-for-profit corporation licensed in the Commonwealth of Virginia to provide continuing care.

“You,” “Your” or **“Yours”** means the resident or residents signing this Agreement.

**Patriots Colony at Williamsburg
LifeCare Agreement with Promissory Note**

This Agreement is made and entered into by and between Patriots Colony, Inc. (hereinafter referred to as “Patriots Colony”) and **XXXX** (hereinafter referred to as “Resident”, whether one or more persons) this **XXXXXX**.

**ARTICLE II
Fees and Refunds**

Resident has selected “Choice **XX**”, and the fees below will be reflective of the “Choice **XX**” fee schedule.

A. ENTRANCE FEE

1. Residence Number & Type

Resident has selected and shall have a personal non-assignable right to reside in **XXX**, subject to removal only under the conditions and terms of this agreement.

2. Amount

In consideration of the continuing care program outlined in this Agreement and residency in the above described Residence, the Resident agrees to pay Patriots Colony the total amount of **XXX** which if for two persons, the sum of **XXX** shall be construed to be the Entrance Fee for the first person, and **\$0 (N/A)** be construed to be the Entrance Fee for the second person. Resident’s deposit of ten percent (10%) of the Entrance Fee shall be made at the time the Resident agrees to reserve the Residence (the “Reservation Deposit”). The Reservation Deposit will be applied towards payment of the Entrance Fee. Except as otherwise provided in Section A.3 of this Article II below, the balance of the Entrance Fee shall be due and payable on the date that shall occur within seven (7) days prior to the assigned occupancy date and at a date and time mutually agreeable to all parties (the “Closing Date”). The Entrance Fee principle amount above will not change during the duration of this Agreement, unless the Resident chooses to upgrade to a larger residence (see “Change of Residence”, Article IV, Section D).

3. Financing Arrangement

a. Eligibility

In lieu of paying the entire balance of the Entrance Fee as provided in Section 2 above, Resident may participate in the financing arrangement made available by Patriots Colony to prospective residents, as more fully described below. If Resident desires to participate in this arrangement, Resident shall: (i) initial the box below the financing arrangement evidencing Resident’s agreement to be bound by the terms contained therein; (ii) disclose to Patriots Colony such information as Patriots Colony may request to determine Resident’s eligibility for

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participation; and (iii) execute such documents as required herein to effect such participation upon Patriots Colony's determination that Resident is eligible to participate.

b. General Description

The Reservation Deposit shall be applied toward payment of the Entrance Fee. Resident shall pay an additional ten percent (10%) of the total Entrance Fee upon the Closing Date, with the remaining balance being due and payable in accordance with the terms of a promissory note evidencing the Resident's financial obligation, a form of which is attached hereto as Exhibit A and made a part hereof. Under the promissory note, the principal of which shall be the unpaid balance of the Entrance Fee (the "Financed Amount"). The date of the promissory note shall be the Closing Date. Payments of principal shall be made in four (4) equal installments on the next four (4) anniversary dates of the Closing Date. All accrued principal and interest on the Financed Amount will be due on the fourth anniversary of the Closing Date. Interest shall accrue at the Prime Rate plus one percent (1%) on the unpaid balance of the promissory note, but if Resident pays the entire Financed Amount to Patriots Colony on or before the one (1) year anniversary of the Closing Date, Patriots Colony shall waive all interest due by Resident to Patriots Colony under the promissory note. For purposes hereof, the "Prime Rate" shall mean the rate per annum that appears as the base rate on corporate loans posted by at least seventy-five percent (75%) of the thirty (30) largest banks in the United States, as posted in the Money Rates section of the *Wall Street Journal* on the applicable date, or if the applicable date is not a business day, on the business day immediately prior to such date. Resident may prepay any portion of the Financed Amount in whole or in part, together with accrued interest, without penalty, at any time before the date on which the promissory note matures. Resident agrees that if at any time prior to the promissory note maturing the Resident sells his or her primary residence, the financed amount together with accrued interest shall be due and payable thirty (30) days after the sale of said residence.

_____ *Initial here to evidence Resident's agreement to the foregoing provisions in this subsection A.3 of article I.*

B. MONTHLY FEE

1. Current Amount

The current Monthly Fee associated with the Residence selected by the Resident is the total amount of **XXX**, which if for two persons, the sum of **XXX** shall be construed to be the Monthly Fee for the first person and **\$0 (N/A)** shall be construed to be the Monthly Fee for the second person occupying the Residence. The Monthly Fee shall be paid to Patriots Colony in advance before occupancy and by the first day of each month. The Monthly Fee charges shall begin on the first day of occupancy or ninety (90) days after the date that Resident reserved the Residence, whichever is

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earlier, and shall be paid on a pro-rated basis through the last day of the current month.

2. Statement

The Monthly Fee and any other applicable charges shall be considered delinquent if not paid within fourteen days following the due date. All delinquent accounts shall draw a finance charge at no more than the maximum rate allowed by law.

3. Adjustments

The Monthly Fee may be adjusted by Patriots Colony consistent with the cost of operating and maintaining Patriots Colony as well as the future service obligations of Patriots Colony and upon thirty (30) days notice to the Resident.

C. ENTRANCE FEE OPTIONS

Three different refund options are listed below. Only one refund option will apply for purposes of this agreement and all parties to this agreement will initial that option. The option selected cannot be changed during the term of this agreement or any subsequent agreements as may be required due to a change in Residence. By initialing below and by signing this Agreement you acknowledge that you have reviewed the current pricing associated with refund options selected and have selected the following Entrance Fee refund plan initialed below for purposes of this Agreement.

1. Base Plan (Declining Refund)

Should this Agreement be terminated by either party for any reason after the execution date of this agreement and before the end of the first (1st) calendar month from the execution date of this agreement, the Entrance Fee paid (first person and second person) will be refunded to the Resident or the Resident's estate in full, less only the "application fee".

Should this Agreement be terminated by either party for any reason after the first (1st) calendar month from the execution date of this Agreement, the Entrance Fee paid (first person and second person) will be refunded to the Resident or the Resident's estate less 2% per calendar month calculated from the first month of occupancy. After fifty (50) calendar months of occupancy, there will be no refund.

2. Plan 50

Should this Agreement be terminated by either party for any reason after the execution date of this agreement and before the end of the first (1st) calendar month from the execution date of this agreement, the Entrance Fee paid (first person and second person) will be refunded to the Resident or the Resident's estate in full, less only the "application fee".

Should this Agreement be terminated by either party for any reason after the first (1st)

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calendar month from the execution date of this Agreement, the Entrance Fee paid will be refunded to the Resident or the Resident's estate less 2% per calendar month from the first (1st) calendar month of occupancy and thereafter for twenty-four (24) additional months. After twenty-five (25) calendar months, the refund amount will remain unchanged at 50% of the Entrance Fee paid (first person and second person), regardless of the length of time thereafter that the Agreement remains in force.

For actuarial reasons, Plan 50 availability and rates are age-rated based on age at occupancy. Plan 50 is available at baseline rates to single Residents and couples if all individuals are under age 81, and available at higher rates to single Residents & couples where at least one individual is at least 81 but not yet 86. Plan 50 is not available to single Residents and couples where any individual is age 86 or higher.

3. Plan 95

Should this Agreement be terminated by either party for any reason after the execution date of this agreement and before the end of the first (1st) calendar month from the execution date of this agreement, the Entrance Fee paid (first person and second person) will be refunded to the Resident or the Resident's estate in full, less only the "application fee".

Should this Agreement be terminated by the Resident or Patriots Colony for any reason after the first (1st) calendar month from the execution date of this Agreement, the Entrance Fee paid will be refunded, at 95% of the Entrance Fee paid (first person and second person), regardless of the length of time thereafter that the Agreement remains in force.

For actuarial reasons, Plan 95 availability and rates are age-rated based on age at occupancy. Plan 95 is available at baseline rates to single Residents and couples if all individuals are under age 81, and available at higher rates to single Residents and couples where at least one individual is at least age 81 but not yet 86. Plan 95 is not available to single Residents and couples where any individual is age 86 or higher.

D. CALCULATION & PAYMENT OF ENTRANCE FEE REFUNDS

1. Adjustments for Financing Arrangement

Notwithstanding any provision herein to the contrary, Resident agrees and acknowledges that, if Resident participates in the financing arrangement set forth in Section A.3 of Article II, Resident shall not be entitled to a refund under the foregoing provision of this Section C until the Financed Amount has been paid in full to Patriots Colony. However, if Resident has executed a promissory note in connection with Resident's participation in the Financing Arrangement set forth in subsection A.3 of Article I above and terminates this Agreement prior to the one year anniversary of the Closing Date and provides no less than thirty (30) days' notice of such termination, Patriots Colony shall cancel the promissory note as the Financed Amount will no longer be due by Resident to Patriots Colony, and Resident shall no longer have any obligations to Patriots Colony under the promissory note.

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2. Calculation

For purposes of the above Plans no Entrance Fee refund will include amounts paid for improvements to the Residence, Monthly Fees or other periodic charges. Any Entrance Fee refund shall not include interest that has accrued from the date the Resident's Entrance Fee was paid. Refunds for additional Entrance Fee paid after initial occupancy for such reasons as "upgrade" or marriage will be calculated from the date of original occupancy and this Agreement.

3. Payment of Refund

All refunds due under the Entrance Fee refund option will be made within ten (10) business days after the last of the following: (i) this agreement is terminated; (ii) your

Residence has been vacated; and (iii) your Residence is occupied by a new Resident. Notwithstanding the foregoing conditions for payment of refunds, if you have vacated your Residence for a permanent stay at the Health Center, you may apply your future refund to your health care cost in the Health Center, once a new Resident occupies your Residence.

**ARTICLE III
Continuing Care Program**

The Continuing Care Program provided by Patriots Colony in this Agreement includes the use of a number of services and facilities. Outlined below is a description of those services and facilities.

A. SERVICES AND FACILITIES

1. Residence

Subject to the terms of this Agreement, the Resident has the non-assignable right to reside in the previously described Residence for the remainder of the Resident's life or in the event Resident is more than one person, for the remainder of the life of the survivor. Patriots Colony shall furnish carpet, vinyl and other standard floor treatments, refrigerator, range/oven, microwave, washer/dryer, garbage disposal, dishwasher. The Resident shall provide all other furnishings for the Residence.

2. Dining Plan

The Dining Services Department offers three meals a day, six days a week and at least two meals on Sunday. Snacks and beverages are also available during the day. Residents may choose to eat any or all meals each day. Residents receive a generous dining allowance, on a quarterly basis, that is included in the monthly fee. In addition to any menu item, the dining allowance can also be used for bar charges and guest meals. Residents away from the campus in at least ten (10) consecutive days or more during a month are eligible for a meal credit of \$12 per day.

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3. Housekeeping

The Residence will be cleaned once each week. This cleaning includes vacuuming floor surfaces that are accessible, light dusting on surfaces free of clutter, and necessary cleaning of bathroom and kitchen counters and fixtures. Additionally, heavier housekeeping services such as window washing and floor maintenance will be performed on a scheduled basis. Other housekeeping tasks such as dishwashing, laundry, bed making, etc., are the responsibility of the Resident but can be provided by Patriots Colony on an available basis at an additional charge.

4. Maintenance

Repairs, maintenance and replacements of property and equipment owned by Patriots Colony shall be performed and provided by Patriots Colony to keep such property and equipment in good repair and order as deemed necessary by Patriots Colony. The above work also includes custodial services for all public spaces and appropriate grounds maintenance. Repairs to Resident's personal possessions are the responsibility of the Resident.

5. Utilities

Utilities reasonably required in connection with the occupancy of the Residence, including water, sewer, heating, air-conditioning, electricity, basic cable T.V., and trash removal are included in the fees. Residence telephone and extended/premium cable T.V. charges are the responsibility of the Resident.

6. Security

Patriots Colony will use reasonable care in providing security on the premises including the use of personnel dedicated to that purpose, but will not be responsible for losses of personal property.

7. Emergency Response

Each residence will be equipped with emergency response systems which, when activated, will summon assistance from Patriots Colony.

8. Property Insurance

Patriots Colony insures property and equipment against reasonable losses. Personal property and personal liability insurance for Residents is the responsibility of the Resident.

9. Taxes

Patriots Colony pays all real estate, property, and use taxes on all Patriots Colony property and any applicable business operations. The Resident is responsible for his/her own personal property taxes and personal income taxes.

10. Parking

Covered parking spaces have been provided in sufficient number to allow one car per residence. Additional parking spaces for Residents, guests and staff are also provided

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and have been designed to be in close proximity to the ultimate user.

11. Additional Storage

Apartment residents without a designated storage space in the Residence shall have one additional secured storage space in the public area.

12. Scheduled Transportation

Resident fees will cover regularly scheduled trips in Patriots Colony vehicles to nearby shopping and “other popular destinations.” Other special trips may be arranged at a nominal charge depending on demand.

13. Planned Recreation, Wellness, and Activity Programs

Social, cultural and recreational activities will be provided or arranged by Patriots Colony staff and made available to Residents. Participation is strictly voluntary.

14. Congregate Facilities

Residents shall have the right to the use and enjoyment, in concert with others, of the indoor and outdoor public areas and recreational facilities at no extra charge. Exceptions to this right will be a fee for use of certain spaces and purchases of supplies, merchandise and expendables by Residents and their guests for private purposes.

15. Wellness Clinic

The Resident Wellness Clinic will be staffed by a licensed nurse who will provide at no charge certain diagnostic monitoring and health promotion services. This individual can also, with the Resident’s physicians’ involvement, assist in coordinating the Resident’s health care services. Payments for any services arranged by the Wellness Clinic, which involve charges by other health professionals, are the responsibility of the Resident.

16. Health Care

Patriots Colony provides Resident guaranteed priority access to accommodations in the Patriots Colony Health Center if ordered by a physician and approved by the Health Services Director. If the Resident shall need accommodations in the on-site Health Center and the associated health care services, the Resident shall pay the Patriots Colony published public rates for long term care services then in effect. (See Article IV, “Patriots Colony Health Services”).

B. SERVICES AVAILABLE AT EXTRA CHARGE

1. Meals and Guest Meals, in addition to those purchased with the flexible monthly dining allowance.
2. Guest Rooms
3. Additional Housekeeping
4. Individual Telephone Use

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5. Extended/Premium Cable T.V. Channels
6. Internet Services
7. Special Events or Transportation
8. Variable Costs for Crafts/Supplies
9. Services of any On-Site Private Vendors (Such as: Barber, Beautician, Bank, etc.)
10. Catering or Set-up/Clean-up Services
11. Health Services
12. Other services may be made available.

Thirty days' notice will be provided if any changes in the scope of care or services

C. EXCLUSIONS

Patriots Colony will at no time be responsible for the debts of a Resident or for medical expenses incurred for services or related items (See Article III B).

**ARTICLE IV
Patriots Colony Health Services**

A. ACCESS

Patriots Colony will guarantee Resident priority access to the Health Center, consisting of *The Berkeley* (assisted living), *Springhouse* (assisted living for the memory impaired), and *The Convalescent Center* (nursing residence). Even though non-residents will have access to the Health Center, Residents will have first priority on all Health Center accommodations and no Resident shall be denied an available space in favor of a non-resident. Patriots Colony offers licensed "Assisted Living" and "Nursing Facility" accommodations. If any such licensed levels of care are not available on-site or if such space is occupied and not immediately available, Patriots Colony will assist resident in transferring to such space off- site. Patriots Colony will notify Resident once the service can be provided on-site and will assist with return arrangements.

B. CHARGES

1. Resident agrees to pay the current published LifeCare rate for any stay, temporary or permanent, in any level of care in the Health Center, or for the equivalent service off-site as described above, for as long as those services are needed. If a monthly rate, the current public rate shall be calculated on a pro-

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rated daily basis for a partial month's stay.

2. If Resident alone occupies two physically connected Assisted Living suites, the public rate will apply for both suites.
3. If a couple occupies one Assisted Living suite, the applicable published public Monthly Fee will be calculated for each Resident. Once a single Resident occupies the suite, the applicable single person public rate will be charged.
4. If Resident occupies both Assisted Living and Convalescent accommodations simultaneously, Resident will be billed for both on a pro-rated basis for partial months.

C. RETENTION OF RESIDENCE DURING HEALTH CENTER STAY

The following outlines the effect of your stay in the Health Center on the Monthly Fee for your Residence.

1. Temporary Stay

Over the course of the Agreement, the LifeCare Resident is entitled up to ten (10) temporary days of assisted living or nursing facility care for temporary stays in The Patriot, The Colony, or The Springhouse private suites or semi-private Convalescent Center accommodations at no additional charge. During these temporary days, you will; not be charged the Resident Health Care Rate, but you are responsible for any additional charges you incur, such as Medicare/Insurance co-payments. During a temporary stay in the Health Center, you will continue to pay the Monthly Fee for the Residence.

2. Permanent Stay

- a. If Patriots Colony in its sole discretion, but after consultation with you, your family and your physician, determines that you are physically or mentally incapable of living independently for the foreseeable future, the Resident will be deemed to have permanent status at the Health Center and pay the appropriate public rate.
- b. Single Resident: Resident will release the Residence to Patriots Colony and the Residence Monthly Fee will terminate on the date it is vacated. Once permanent status in the Health Center has been determined, the Residence must be vacated within 30 days.
- c. Resident Couple: When one Resident's stay in the Health Center becomes permanent, the remaining Independent Living Resident will begin paying the first person Monthly Fee. In the case of a couple where both Residents are on permanent status in the Health Center, they will release the Residence to Patriots Colony and cease to pay the Monthly Fee on the date the Residence is vacated. The Independent Living Residence must be vacated within 30 days of the date the last Resident gains permanent Health Center status.
- d. If a permanent move is necessary within the Health Center (e.g. assisted living to convalescent center), Resident must vacate the previous accommodations within

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ten (10) days.

- e. If personal belongings are not removed by stated time, property will be removed by Patriots Colony and stored at Resident's expense. For the purposes of this Agreement "vacated" shall mean all of the Resident's personal belongings shall be removed from the Residence and the Residence left undamaged, except for normal "fair wear and tear", and in a trash-free condition.

3. Recovery from a Permanent Stay

Should you release your Residence to Patriots Colony for a permanent stay in the Health Center and later be judged by Patriots Colony to be capable of living independently again, you will be offered the next available Residence of the type and size equivalent to that last occupied. If you wish to return to a different type and size Residence, the Upgrading or Downgrading provisions of Article IV, Section D will apply

D. HEALTH CARE INSURANCE

1. Resident agrees to procure and maintain Medicare Parts A and Part B, and a Medicare Supplement Plan (e.g. TRICARE for Life) or equivalent hospital and medical insurance coverage.
2. If Resident is entitled to medical care or payment by insurance or government agencies, the Resident shall make application for such care or payment.
3. Resident shall authorize, as necessary, any provider of hospitalization, medical or other health services to receive reimbursement under the above Medicare, TRICARE, and Supplemental insurance programs.

**ARTICLE V
Change in Resident Status**

A. MARRIAGE TO ANOTHER RESIDENT

Should Resident marry another Resident, either may terminate the Residency Agreement, turn the Residence back to Patriots Colony, receive any refund due, and become a party to the new spouse's agreement. The Monthly Fee for the Residence turned back shall terminate upon vacancy, and the Monthly Fee for the Residence retained shall simultaneously be raised to the double occupancy level.

B. MARRIAGE TO A NON-RESIDENT

Should resident marry a Non-Resident who satisfies the guidelines for acceptance as outlined in Article V of this Agreement, Patriots Colony will offer the Non-Resident the opportunity to become a party to this Agreement or other applicable Patriots Colony agreement (LifeCare or Residence & Services). The Entrance Fee will be selected from

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the appropriate set of fees (LifeCare or Residence & Services) and will be equal to the Second Person Entrance Fee and the Monthly Fee will be the corresponding Second Person Monthly Fee for the applicable residence. Qualifying for, but declining to become part of, a Residency Agreement disqualifies the Non-Resident for residency at Patriots Colony. Upon occupancy of the Residence by the new spouse, the Monthly Fee will then be raised to the two-person rate and the new occupant will be entitled to all rights and privileges granted to Resident

C. ADDITIONAL OCCUPANT TO RESIDENCE

1. Should a resident wish to have a second person occupy the Residence who is not related by blood or marriage, Patriots Colony will offer that non-resident the opportunity to become a party to this Agreement or other applicable Patriots Colony Agreement (LifeCare or Residency and Services). The Entrance Fee will be selected from the appropriate set of fees (LifeCare or Residency and Services) and will be equal to the second person entrance fee and at the corresponding second person Monthly Fee for the applicable residence. Upon occupancy of the Residence by the new occupant, the Monthly Fee will then be raised to the two-person rate and the new occupant will be entitled to all rights and privileges granted to Resident.
2. An addendum to this Agreement and any other applicable Agreement (see paragraph immediately above) will be signed by both residents indicating financial responsibility for the other and designating the division calculation of the applicable refund to each upon termination of the Agreement(s) by the last Resident.
3. Patriots Colony's acceptance of this second person shall be contingent upon his/her ability to meet the health, financial and general criteria for admission to Patriots Colony.

Qualifying for, but declining to become part of, a Residency Agreement disqualifies the second person for residency at Patriots Colony.

D. CHANGE OF RESIDENCE

After occupancy, if Resident applies in writing to Patriots Colony to move from one Residence to another of either a larger or smaller size, and Patriots Colony agrees to such a move, the following provisions shall apply:

1. Upgrading

Should Resident move from one Residence to a larger one, Resident will pay the difference in Entrance Fees from the current Entrance Fee then in effect for the smaller Residence to the Entrance Fee then in effect for the larger Residence. The calculation for any future refunds will be based on the date of original occupancy of the smaller Residence, and the Monthly Fee will increase to that of the larger Residence at the time occupancy of the larger Residence commences.

2. Downgrading

If Resident moves from one Residence to a smaller Residence, there will not be a reduction in the Entrance Fee paid. Any refund at the time the smaller Residence is vacated, however, will be calculated based on the original Entrance Fee paid. Resident's Monthly Fee will be reduced to that of the smaller Residence at the time

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occupancy of the smaller Residence commences, and the larger unit is vacated.

3. Refurbishment Fee

A Resident who moves from one Residence to another within Independent Living will be charged for the refurbishment of the Residence vacated if refurbishment has been accomplished recently and, in the professional opinion of Patriots Colony staff, recently installed materials cannot be restored to like-new condition and must be replaced.

**ARTICLE VI
Resident Rights & Responsibilities**

In addition to those rights and responsibilities noted elsewhere in this agreement, the following also apply to you and any authorized occupant of your Residence:

A. ADMISSION AND CONTINUED OCCUPANCY

Your acceptance as a Resident and your continued occupancy at Patriots Colony are based upon the following criteria:

1. You are a minimum of 55 years of age.
2. You are physically and mentally capable of living independently at admission and meet the medical requirements of Patriots Colony.
3. You are free of communicable diseases.
4. You possess the financial capabilities to meet your obligations to Patriots Colony for your expected lifetime (unless other arrangements have been made).
5. Your presence does not threaten the health, safety or wellbeing of others at Patriots Colony.
6. You agree to abide by the reasonable rules and regulations of Patriots Colony and the reasonable changes to those rules, which may be adopted later.
7. You respect the rights of other Residents.

B. PROPERTY RIGHTS

You understand and agree that this is an agreement primarily for shelter and services. Though you are granted a right of occupancy, this agreement is not a lease and you will have no right, title or interest in any of the real or personal property of Patriots Colony or the right to control or influence in any way the business or financial affairs of Patriots Colony. Your rights under this Agreement may not be assigned, transferred, inherited or devised.

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C. PRESERVATION OF RESIDENTS' ASSETS

At the request of Patriots Colony, you agree to make arrangements for the preservation and management of your financial resources by a third party (or parties), including but not limited to the execution and funding of a trust agreement for your benefit whenever, in the sole judgment of Patriots Colony it appears that your continued management of your financial affairs may prevent you from meeting your financial obligations to Patriots Colony.

D. POWER OF ATTORNEY

You agree to execute and maintain in effect, a Durable Power of Attorney, valid under Virginia law. This Durable Power of Attorney shall designate as your attorney-in-fact, your spouse, a bank, lawyer, relative, or other responsible person or persons of your choice, to act for you in managing your financial affairs and filing for your insurance or other benefits, as fully and completely as you would if acting personally. It should be in a form that survives your incapacity or disability and be otherwise satisfactory to Patriots Colony. You will deliver a fully executed copy of this Durable Power of Attorney to Patriots Colony prior to occupancy of your Residence. Any advanced directives such as a "living will" should be filed with Patriots Colony upon occupancy.

E. RESIDENTS' ASSOCIATION

All Residents of Patriots Colony are members of the Residents' Association. The Administration will confer regularly with representatives of the Association about matters of interest and/or concern to the Residents.

F. GUESTS, ACCESS, AND USE BY NON-RESIDENTS

You will be free to invite guests to your residence for transient visits. You may purchase meals for your guests at prevailing rates. Patriots Colony reserves the right to make rules regarding visits and guest behavior. In general, the facilities and services of Patriots Colony are intended for the use of the Residents.

G. FURNISHINGS

You are expected to furnish and use your Residence in accordance with acceptable standards. In order to keep the Residence safe and sanitary, Patriots Colony reserves the right to enforce these standards.

H. HOUSEKEEPING

You agree to maintain your Residence in a clean, safe and orderly condition, as required by health and safety regulations, and to perform all usual light housekeeping. Patriots Colony may deem necessary, at Resident's expense, such tasks required to return the Residence to a safe, clean and orderly condition if day-to-day responsibilities of the Resident have been neglected.

I. OTHER RIGHTS

You have the right to use Patriots Colony public areas and amenities on an equal basis with other Residents and to participate as you choose in planned activities or programs with exception that you may be required to adhere to management programs implemented for the common safety and security of all Residents

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**ARTICLE VII
Patriots Colony Rights & Responsibilities**

In addition to those rights and responsibilities of Patriots Colony noted elsewhere in this agreement, the following also apply:

A. MANAGEMENT

Patriots Colony is responsible for the overall management and operation of Patriots Colony consistent with sound business practices and fairness to all Residents. Patriots Colony has the right to hire professional management services to meet this responsibility.

B. AUTHORITY FOR ADMISSIONS, DISMISSAL, AND FEES

Patriots Colony retains all authority regarding admission, dismissal, and adjustment of fees of Patriots Colony.

C. RIGHT OF ENTRY

Authorized employees shall be permitted into your Residence with reasonable notice at all reasonable times for housekeeping, maintenance, and inspection, and at any time in case of emergencies.

D. CONFIDENTIALITY

Patriots Colony has the right to request and receive medical and financial data from you that is in our sole judgment, necessary to carry out our responsibilities. Patriots Colony has the responsibility to keep all of the personal, medical, and financial information you have supplied to us in confidence, and it will only be shared with those who, in our opinion, have a need to know.

**ARTICLE VIII
Termination Provisions**

A. TERMINATION FOR CAUSE

Any one of the following conditions shall be cause for Patriots Colony to terminate this Agreement:

1. Resident's failure to perform obligations under this contract including the obligation to pay Monthly Fees and other charges. (Also see Article VIII, Non-Payment of Fees).
2. Resident's failure to abide by the rules and regulations of Patriots Colony including such reasonable amendments as may be adopted from time to time.
3. Resident's health or behavior resulting in a threat to the health, safety, peace or wellbeing of the Resident or others.

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4. Resident's material misstatements or failure to state a material fact in the Resident application, financial statement or health history statement filed with Patriots Colony.

Patriots Colony shall give you reasonable notice of your termination date, and determination that your continued occupancy represents a threat to safety of others or of yourself shall be a factor in determining the reasonableness of that notice. You will further be given reasonable opportunity to cure within a reasonable period whatever conduct is alleged to warrant the cancellation of the Agreement. Refund provisions of this Agreement will apply less any outstanding debts of Resident to Patriots Colony.

B. DEATH

In the event this Agreement is terminated due to your death, your estate will be responsible for the Monthly Fee until your Residence is vacated. Your estate will be responsible for moving any tangible personal property within thirty (30) days after your death. Should any property remain in your Residence after that date, you hereby authorize Patriots Colony to remove the property from your Residence and store it at the expense of your estate.

C. TERMINATION PRIOR TO OCCUPANCY

If Resident dies before occupying the facility, or is precluded through illness, injury, or incapacity from becoming a resident under the terms of the Residency Agreement, the Agreement is automatically rescinded and the Resident or his legal representative shall receive a full refund of all money paid to Patriots Colony, except those costs specifically incurred by Patriots Colony at the request of the Resident and set forth in writing in a separate addendum, signed by both parties to the Agreement.

D. TERMINATION BY RESIDENT AFTER OCCUPANCY

1. Grace Period

In the event Resident terminates this Agreement in writing within 7 days of the execution date and surrenders the Residence within 7 days of the execution date, Resident shall be entitled to a full refund of the Entrance Fee (less the application fee).

2. Termination After Grace Period

Resident may terminate this Agreement by providing written notice to Patriots Colony. The Monthly Fee will continue until the Residence is vacated or thirty (30) days expired whichever is later. The selected Entrance Fee refund option of this Agreement will apply.

E. SPECIAL TERMS AND EXCEPTIONS

Upon termination by either you or Patriots Colony you agree to pay Patriots Colony all amounts owed to it, any reasonable expenses incurred in connection with the termination, which includes, but is not limited to: Cost of any repairs, replacement of property, and painting or other refurbishment of your Residence considered necessary by Patriots Colony in order to prepare it for a new Resident. Patriots Colony may offset any amounts owed it by you against any refund due. These costs do not include fair wear and tear.

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F. SUPERSEDED AGREEMENT

In the event Patriots Colony and Resident enter into a LifeCare Agreement or other residency agreement intended to supersede this Agreement, this Agreement will automatically terminate upon the effective date of such other agreement.

**ARTICLE IX
Non-Payment of Fees**

If you become unable to pay the Monthly Service Fee for your Independent Living Residence for reasons other than willful dissipation of your assets, Patriots Colony, in our sole judgment, may elect to assist you financially. We may assist you in the identification and arrangement for funds from sources including, but not limited to, the Patriots Fund (the internal benevolence fund), and public assistance from local, state and federal governments.

You agree to assist us in the application for such support and to execute reasonable and necessary documents for this purpose. Additionally, any sums expended by Patriots Colony, excluding the Patriots Fund, plus interest at up to the maximum rate allowed by law, will represent a claim against you or your estate or against any Entrance Fee refund due at the time this agreement is terminated.

**ARTICLE X
Modification of Residence**

We reserve the right to determine the serviceability and condition of carpeting, appliances, and all similar items provided by us in your Residence. You may apply in writing to and contract with Patriots Colony to make authorized modifications to your Residence at your expense and risk. Charges for such modifications will cover the complete cost of the work to be done and an additional charge to restore the Residence to its original condition upon your vacating the Residence, if in Patriots Colony's opinion, such modifications adversely affect the desirability of the Residence for re-occupancy. The modifications shall be done so as to create the least possible inconvenience to other Residents in Patriots Colony. Any modifications, which result in permanent installation, shall become Patriots Colony's property upon installation and shall remain with your Residence when you vacate your Residence. You waive all rights to compensation for the modifications made to your Residence. If the modification requires additional maintenance, either you may be required to procure such maintenance at your expense or additional ongoing charges from Patriots Colony may apply. An example of the latter is conversion of a Villa or Greenspring Home screened porch to a sunroom and thereby changing the Residence model and the required Monthly Fee.

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**ARTICLE XI
Personal Injury or Loss of Property**

A. Injury or Damage by You

You agree to reimburse Patriots Colony for any costs incurred or damages suffered by it resulting from your carelessness, negligence or wrongful acts, or that of your guests. You hereby release Patriots Colony from liability for your death, injury to your person or your property caused by any theft, fire, assault or other cause beyond the control of Patriots Colony and from liability resulting from the negligence or wrongful acts of other Residents and do waive any claim that may accrue to you arising against Patriots Colony there from.

B. Injury by a Third Party

In case of accident or injury to you caused by third parties you hereby agree to bring any claims or initiate legal action, if necessary, against the person who has caused injury to you for compensation for the injury. You hereby authorize and direct the person or firm designated by you as your attorney-in-fact to prosecute such claims or causes of action. After recovering damages from such claims or causes of action you agree to reimburse Patriots Colony for all costs and damages incurred by it (including reasonable costs of care furnished to you by Patriots Colony because of such accident or injury).

**ARTICLE XII
Miscellaneous**

A. STATEMENT OF NON-DISCRIMINATION

Neither race, nor color, nor sex, nor religion, nor national origin has any bearing upon your acceptance or rejection for admission, the execution of this agreement, or normal conduct of business of Patriots Colony.

B. REPRESENTATIONS MADE BY RESIDENT

The application and the statements of your finances, personal data, and health history filed with Patriots Colony are incorporated into this agreement and all statements therein are deemed to be true as of the date made. You represent that there have been no material changes in the information provided since the date of application. Any material misstatement, or any material omission to state a fact called for, may result in the termination of this Agreement by Patriots Colony.

C. REQUIREMENTS PRIOR TO OCCUPANCY

Resident must provide the following to Patriots Colony prior to occupancy:

1. Proof of the required Medicare, TRICARE or other Supplemental Insurance coverage, or their equivalent.
2. All required personal, confidential, financial, and medical information.

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3. Copy of Durable Power of Attorney and Advanced Directives, if any.
4. Certification of name and address of the administrator or executor of your last will and testament and trustee, if any, and location of your last will and testament and trust, if any.
5. Signed authorization and payment for modifications (if any) to your Residence.
6. Execution of the Agreement.
7. Payment of the balance of your Entrance Fee and applicable Monthly Fee.

D. SUCCESSORS AND ASSIGNS

Resident Responsibilities owed Patriots Colony under this Agreement shall inure to the benefits of its successors and assigns.

E. OTHER PROMISES

Patriots Colony representatives have made no other promises or representations regarding your Residence, facilities, refunds or services and this agreement has precedence over the description of services in promotional materials or presentations. This Agreement constitutes the entire contract between you and Patriots Colony, and no waiver or modification shall be valid unless made in writing, signed by you and by Patriots Colony and attached herewith as a part of this agreement.

In witness whereof, the parties hereto have executed this Agreement the day and year first above mentioned.

BY: _____
Patriots Colony Representative

Resident: _____

Resident: _____

Witness: _____

In and for James City County, Commonwealth of Virginia,
the foregoing instrument was acknowledged before me this
_____ day of _____, 2023

Notary Public

**Patriots Colony at Williamsburg
LifeCare Agreement with Promissory Note**

EXHIBIT A

IMPORTANT NOTICE

THIS INSTRUMENT CONTAINS A CONFESSION OF JUDGMENT PROVISION WHICH CONSTITUTES A WAIVER OF IMPORTANT RIGHTS YOU MAY HAVE AS A MAKER AND ALLOWS THE HOLDER TO OBTAIN A JUDGMENT AGAINST YOU WITHOUT ANY FURTHER NOTICE.

DEMAND PROMISSORY NOTE

\$XXXXXX

James City County, Virginia
_____, 2023

PROMISE TO PAY. FOR VALUE RECEIVED, **XXXX** (“Maker”) promises to pay to Patriots Colony, Inc. (“Holder”) or to order, the principal sum of **XXXXXX**, which amount is equal to the amount advanced to Maker by Holder under the Residency and Services Agreement between Maker and Holder entered into as of even date herewith (the “Residency Agreement”). Further, all sums loaned will bear simple interest on the unpaid principal balance at the Prime Rate plus one percent (1%) per annum, provided, however, that no such interest shall accrue or be payable by Maker to Holder under this Note if the entire outstanding principal balance of this Note is paid in full on or before the one year anniversary of the Commencement Date (defined herein). For purposes hereof, the “Prime Rate” shall mean the rate per annum that appears as the base rate on corporate loans posted by at least seventy-five percent (75%) of the thirty (30) largest banks in the United States, as posted in the Money Rates section of the *Wall Street Journal* on the applicable date, or if the applicable date is not a business day, on the business day immediately prior to such date. The interest rate will be calculated on the date of this Note (the “Commencement Date”) and will be recalculated on January 1 and July 1 of each year thereafter until all outstanding principal and interest has been paid in full.

PAYMENT. Unless Maker terminates the Residency Agreement prior to the one (1) year anniversary of the Commencement Date and provides Holder no less than thirty (30) days notice of such termination, as required under the Residency Agreement (an “Early Termination”), Maker will pay to Holder the principal amount in four (4) equal annual installments of **\$XXXXX**, without offset, the first of which payments shall be due on the one year anniversary of the Commencement Date and continuing thereafter on each subsequent annual anniversary of the Commencement Date until paid in full. In addition, at the time of each such installment payment, Maker shall pay Holder all interest on the unpaid balance accrued as of such installment date. Payment will be made at the offices of Patriots Colony Inc., 6000 Patriots Colony Drive, Williamsburg, Virginia, 23188, to the attention of the **Billing Coordinator**, or at such other place as Holder in writing shall designate. In the event of an Early Termination, Maker’s obligation hereunder shall expire and Holder shall not be entitled to any principal or interest due it under this Note. All outstanding principal and accrued interest under this Note shall be due and payable no later than the four (4) years after the date of this Note. If not repaid in full on the date specified above or should Maker be granted by the Holder an extension for repayment of the debt created by this instrument, interest

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LifeCare Agreement with Promissory Note**

will continue to accrue on the outstanding principal; provided, such balance will, from the date of default and/or extension, accrue interest at the rate specified above plus an additional one and one-half percent (1.5%) per month until paid in full. Extensions will be at the sole discretion of the Holder. Residents agree that if at any time prior to the promissory note maturing, Residents sell their primary residence, the Financed Amount together with accrued interest shall be due & payable 30 days after sale of said primary residence.

PREPAYMENT. Maker may prepay any obligations outstanding under this Note in whole or in part, without penalty, at any time before demand without paying any premium or interest charge on the amount of prepaid principal.

ACCELERATION. The Holder may exercise its option to accelerate the due date for payment of this Note in the event of any default by Maker, including any failure by Maker to comply either with the terms of this Note and/or the terms of the Residency Agreement, regardless of any prior forbearance. In such event, the entire principal amount outstanding, plus all accrued unpaid interest, if any, together with any other applicable fees, costs, and charges (including attorneys' fees as provided herein), will at once become due and payable at the option of the Holder. If suit is brought to collect this Note, the Holder will be entitled to collect all reasonable costs and expenses of suit, including, but not limited to, reasonable attorney's fees equal to 25% of all amounts outstanding and collection costs.

CONFESSION OF JUDGMENT. The Maker hereby duly constitutes and appoints James M. Daniel, Jr. or John B. Mumford, Jr. of Hancock, Daniel, Johnson & Nagle, P.C., as the true and lawful attorney-in-fact for Maker in his/her name, place and stead, upon the failure of Maker to pay any payment when due and payable in accordance with any of the provisions of this Note, to confess judgment against Maker in the Circuit Court for the City of Newport News, Virginia, upon this Note and all amounts owed hereunder, including all costs of collection, attorneys' fees incurred by Holder and court costs, hereby ratifying and confirming the acts of said attorney-in-fact, expressly waiving benefit of any homestead or any exemption laws. The authority and power to appear for and enter judgment against the Maker will not be exhausted by one or more exercises thereof, or by any imperfect exercise thereof, and will not be extinguished by any judgment entered pursuant thereto. Such authority and power may be exercised on one or more occasions, from time to time, in the same or different jurisdictions, as often as the Holder will deem necessary or desirable, for all of which this Note will be a sufficient warrant.

GENERAL PROVISIONS. Holder may delay or forego enforcing any of its rights or remedies under this Note without waiving or otherwise losing them. Maker, to the extent allowed by law, hereby waives presentment, demand, protest, the benefits of the homestead

exemption and all defenses and pleas on the ground of any extension or extensions of the time for payment of the due date of this Note, in whole or in part, before or after maturity, with or without notice. Maker further agrees to pay all expenses incurred in the collection of this Note, including attorney's fees.

**Patriots Colony at Williamsburg
LifeCare Agreement with Promissory Note**

This Note is made and delivered in the Commonwealth of Virginia and shall be construed and enforced in accordance with its laws. The invalidity or unenforceability of any provision hereof shall not affect the validity or enforceability of any other provision.

ACKNOWLEDGMENT. Prior to signing this Note, Maker read and understood all the provisions of this Note. Maker agrees to the terms of this Note and acknowledges receipt of a completed copy of this Note.

WITNESS the following signatures and seals.

MAKER: _____
Resident

MAKER: _____
Resident

STATE OF VIRGINIA
CITY/COUNTY OF Williamsburg/James City, to-wit:

The foregoing instrument was acknowledged before me this _____ day of _____, 2023.

Notary Public

**Patriots Colony at Williamsburg
LifeCare Agreement**

Patriots Colony at Williamsburg

LifeCare Agreement

2023

6000 Patriots Colony Drive

Williamsburg, VA 23188

(757) 220-9000

**Patriots Colony at Williamsburg
LifeCare Agreement**

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ARTICLE I

Glossary of Terms

The following terms are defined as used in the accompanying Agreement. Reference to the Agreement and the context in which the terms are used is recommended to provide a fuller understanding of each of the terms.

“**Admission Policy**” means the policy in which the admission guidelines are described for residents at Patriots Colony and is provided to resident along with the Residency Agreement.

“**Agreement**” or “**Residency Agreement**” means any agreement between Patriots Colony and a prospective resident of the Facility pursuant to which such resident will occupy a unit in the Community.

“**Riverside Retirement Services, Inc.**” referred to as "Patriots Colony" means a continuing care retirement community and a Virginia, non-stock, not-for-profit Corporation in Williamsburg, Virginia.

“**Closing Date**” means the date the Residence is ready for occupancy and the date on which the resident pays the balance of the Entrance Fee and begins paying the Monthly Fee pursuant to the Agreement.

“**Co-Resident**” means the second person included in this Residency Agreement.

“**Entrance Fee**” means the initial fees paid by residents of “Patriots Colony” for the purpose of obtaining the right to reside in the Community, but shall not include any monthly charges payable by said residents.

“**Patriots Colony**” means the Continuing Care Retirement Community located at, 6000 Patriots Colony Dr., Williamsburg, Virginia, which is the subject of the Agreement; including the Patriots Colony Independent Living Apartments and Cottages, Assisted Living, and “The Convalescent Center at Patriots Colony” Nursing Center.

“**Assisted Living Center**” means that part of Patriots Colony that provides Assisted Living accommodations.

“**Health Services**” means the licensed nursing care provided by “The Convalescent Center at Patriots Colony” and the licensed assisted living care.

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“Interdisciplinary Team” also referred to as **“IDT”** means an inter-professional team working jointly to discuss and determine the best level of care for the Resident and develop the appropriate care plan. The Interdisciplinary Team generally consists of the resident and/or responsible party, attending physician, Director of Nursing, Care Coordinator, Social Services representative, Activities representative, and the Dietary representative.

“Monthly Fee” means payment in advance at the beginning of each month for services to be provided by Patriots Colony under this Agreement.

“Occupancy Date” means the date that the entrance fee is paid and to begin and continue paying the Monthly Fee applicable to the Resident's Residence.

“Per Diem Charge/Fee-For-Service” means the daily rate charged by Patriots Colony and billed to the resident each month for the days the resident receives services in the Convalescent Center at Patriots Colony Nursing Center and/or the Berkeley Assisted Living Center.

“Priority Access” means admission into Health Services is determined by available space; first priority to Life Care residents, second priority to LifeCare residents, and third priority to private, non-Patriots Colony residents if space is available.

“Residence” means an independent living unit; i.e., apartment or cottage.

“Resident” means the Resident or Residents who sign(s) the Agreement.

“The Convalescent Center at Patriots Colony” means that part of Patriots Colony which provides nursing accommodations pursuant to this Agreement.

“We” or **“Us”** or **“Our”** means the Riverside Retirement Services, d.b.a. Patriots Colony; a non-stock, not-for-profit corporation licensed in the Commonwealth of Virginia to provide continuing care.

“You,” “Your” or **“Yours”** means the resident or residents signing this Agreement.

**Patriots Colony at Williamsburg
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This Agreement is made and entered into by and between Patriots Colony, Inc. (hereinafter referred to as “Patriots Colony”) and **XXX** (hereinafter referred as “Resident”, whether one or more persons) this **XXXX**.

ARTICLE II

Fees and Refunds

Resident has selected “Choice 1”, and the fees below will be reflective of the “Choice 1” fee schedule.

A. ENTRANCE FEE

1. Residence Number & Type

Resident has selected and shall have a personal non-assignable right to reside in **XXXX**, subject to removal only under the conditions and terms of this agreement.

2. Amount

In consideration of the continuing care program outlined in this Agreement and residency in the above described Residence, the Resident agrees to pay Patriots Colony the total amount of **XXXX** which if for two persons, the sum of **XXXX** shall be construed to be the Entrance Fee for the first person, and **XXXX** be construed to be the Entrance Fee for the second person. Resident’s deposit of ten percent (10%) of the Entrance Fee shall be made at the time the Resident agrees to reserve the Residence (the “Reservation Deposit”). The Reservation Deposit will be applied towards payment of the Entrance Fee. Except as otherwise provided in Section A.3 of this Article II below, the balance of the Entrance Fee shall be due and payable on the date that shall occur within seven (7) days prior to the assigned occupancy date and at a date and time mutually agreeable to all parties (the “Closing Date”). The Entrance Fee principle amount above will not change during the duration of this Agreement, unless the Resident chooses to upgrade to a larger residence (see “Change of Residence”, Article IV, Section D).

3. Financing Arrangement

a. Eligibility

In lieu of paying the entire balance of the Entrance Fee as provided in Section 2 above, Resident may participate in the financing arrangement made available by Patriots Colony to prospective residents, as more fully described below. If Resident desires to participate in this arrangement, Resident shall: (i) initial the box below the financing arrangement evidencing Resident’s agreement to be bound by the terms contained therein; (ii) disclose to Patriots Colony such information as Patriots Colony may request to determine Resident’s eligibility for participation; and (iii) execute such documents as required herein to effect such

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participation upon Patriots Colony's determination that Resident is eligible to participate.

b. General Description

The Reservation Deposit shall be applied toward payment of the Entrance Fee. Resident shall pay an additional ten percent (10%) of the total Entrance Fee upon the Closing Date, with the remaining balance being due and payable in accordance with the terms of a promissory note evidencing the Resident's financial obligation, a form of which is attached hereto as Exhibit A and made a part hereof. Under the promissory note, the principal of which shall be the unpaid balance of the Entrance Fee (the "Financed Amount"). The date of the promissory note shall be the Closing Date. Payments of principal shall be made in four (4) equal installments on the next four (4) anniversary dates of the Closing Date. All accrued principal and interest on the Financed Amount will be due on the fourth anniversary of the Closing Date. Interest shall accrue at the Prime Rate plus one percent (1%) on the unpaid balance of the promissory note, but if Resident pays the entire Financed Amount to Patriots Colony on or before the one (1) year anniversary of the Closing Date, Patriots Colony shall waive all interest due by Resident to Patriots Colony under the promissory note. For purposes hereof, the "Prime Rate" shall mean the rate per annum that appears as the base rate on corporate loans posted by at least seventy-five percent (75%) of the thirty (30) largest banks in the United States, as posted in the Money Rates section of the *Wall Street Journal* on the applicable date, or if the applicable date is not a business day, on the business day immediately prior to such date. Resident may prepay any portion of the Financed Amount in whole or in part, together with accrued interest, without penalty, at any time before the date on which the promissory note matures. Resident agrees that if at any time prior to the promissory note maturing the Resident sells his or her primary residence, the financed amount together with accrued interest shall be due and payable thirty (30) days after the sale of said residence.

_____ *Initial here to evidence Resident's agreement to the foregoing provisions in this subsection A.3 of article I.*

B. MONTHLY FEE

1. Current Amount

The current Monthly Fee associated with the Residence selected by the Resident is the total amount of **XXXX**, which if for two persons, the sum of **XXXX** shall be construed to be the Monthly Fee for the first person and **XXXX** shall be construed to be the Monthly Fee for the second person occupying the Residence. The Monthly Fee shall be paid to Patriots Colony in advance before occupancy and by the first day of each month. The Monthly Fee charges shall begin on the first day of occupancy or ninety (90) days after the date that Resident reserved the Residence, whichever is

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earlier, and shall be paid on a pro-rated basis through the last day of the current month.

2. Statement

The Monthly Fee and any other applicable charges shall be considered delinquent if not paid within fourteen days following the due date. All delinquent accounts shall draw a finance charge at no more than the maximum rate allowed by law.

3. Adjustments

The Monthly Fee may be adjusted by Patriots Colony consistent with the cost of operating and maintaining Patriots Colony as well as the future service obligations of Patriots Colony and upon thirty (30) days notice to the Resident.

C. ENTRANCE FEE OPTIONS

Three different refund options are listed below. Only one refund option will apply for purposes of this agreement and all parties to this agreement will initial that option. The option selected cannot be changed during the term of this agreement or any subsequent agreements as may be required due to a change in Residence. By initialing below and by signing this Agreement you acknowledge that you have reviewed the current pricing associated with refund options selected and have selected the following Entrance Fee refund plan initialed below for purposes of this Agreement.

1. Base Plan (Declining Refund)

Should this Agreement be terminated by either party for any reason after the execution date of this agreement and before the end of the first (1st) calendar month from the execution date of this agreement, the Entrance Fee paid (first person and second person) will be refunded to the Resident or the Resident's estate in full, less only the "application fee".

Should this Agreement be terminated by either party for any reason after the first (1st) calendar month from the execution date of this Agreement, the Entrance Fee paid (first person and second person) will be refunded to the Resident or the Resident's estate less 2% per calendar month calculated from the first month of occupancy. After fifty (50) calendar months of occupancy, there will be no refund.

2. Plan 50

Should this Agreement be terminated by either party for any reason after the execution date of this agreement and before the end of the first (1st) calendar month from the execution date of this agreement, the Entrance Fee paid (first person and second person) will be refunded to the Resident or the Resident's estate in full, less only the "application fee".

Should this Agreement be terminated by either party for any reason after the first (1st)

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calendar month from the execution date of this Agreement, the Entrance Fee paid will be refunded to the Resident or the Resident's estate less 2% per calendar month from the first (1st) calendar month of occupancy and thereafter for twenty-four (24) additional months. After twenty-five (25) calendar months, the refund amount will remain unchanged at 50% of the Entrance Fee paid (first person and second person), regardless of the length of time thereafter that the Agreement remains in force.

For actuarial reasons, Plan 50 availability and rates are age-rated based on age at occupancy. Plan 50 is available at baseline rates to single Residents and couples if all individuals are under age 81, and available at higher rates to single Residents & couples where at least one individual is at least 81 but not yet 86. Plan 50 is not available to single Residents and couples where any individual is age 86 or higher.

3. Plan 95

Should this Agreement be terminated by either party for any reason after the execution date of this agreement and before the end of the first (1st) calendar month from the execution date of this agreement, the Entrance Fee paid (first person and second person) will be refunded to the Resident or the Resident's estate in full, less only the "application fee".

Should this Agreement be terminated by the Resident or Patriots Colony for any reason after the first (1st) calendar month from the execution date of this Agreement, the Entrance Fee paid will be refunded, at 95% of the Entrance Fee paid (first person and second person), regardless of the length of time thereafter that the Agreement remains in force.

For actuarial reasons, Plan 95 availability and rates are age-rated based on age at occupancy. Plan 95 is available at baseline rates to single Residents and couples if all individuals are under age 81, and available at higher rates to single Residents and couples where at least one individual is at least age 81 but not yet 86. Plan 95 is not available to single Residents and couples where any individual is age 86 or higher.

D. CALCULATION & PAYMENT OF ENTRANCE FEE REFUNDS

1. Adjustments for Financing Arrangement

Notwithstanding any provision herein to the contrary, Resident agrees and acknowledges that, if Resident participates in the financing arrangement set forth in Section A.3 of Article II, Resident shall not be entitled to a refund under the foregoing provision of this Section C until the Financed Amount has been paid in full to Patriots Colony. However, if Resident has executed a promissory note in connection with Resident's participation in the Financing Arrangement set forth in subsection A.3 of Article I above and terminates this Agreement prior to the one year anniversary of the Closing Date and provides no less than thirty (30) days' notice of such termination, Patriots Colony shall cancel the promissory note as the Financed Amount will no longer be due by Resident to Patriots Colony, and Resident shall no longer have any obligations to Patriots Colony under the promissory note.

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2. Calculation

For purposes of the above Plans no Entrance Fee refund will include amounts paid for improvements to the Residence, Monthly Fees or other periodic charges. Any Entrance Fee refund shall not include interest that has accrued from the date the Resident's Entrance Fee was paid. Refunds for additional Entrance Fee paid after initial occupancy for such reasons as "upgrade" or marriage will be calculated from the date of original occupancy and this Agreement.

3. Payment of Refund

All refunds due under the Entrance Fee refund option will be made within sixty (60) business days after the last of the following: (i) this agreement is terminated; (ii) your Residence has been vacated; and (iii) your Residence is occupied by a new Resident. Notwithstanding the foregoing conditions for payment of refunds, if you have vacated your Residence for a permanent stay at the Health Center, you may apply your future refund to your health care cost in the Health Center, once a new Resident occupies your Residence.

**ARTICLE III
Continuing Care Program**

The Continuing Care Program provided by Patriots Colony in this Agreement includes the use of a number of services and facilities. Outlined below is a description of those services and facilities.

A. SERVICES AND FACILITIES

1. Residence

Subject to the terms of this Agreement, the Resident has the non-assignable right to reside in the previously described Residence for the remainder of the Resident's life or in the event Resident is more than one person, for the remainder of the life of the survivor. Patriots Colony shall furnish carpet, vinyl and other standard floor treatments, refrigerator, range/oven, microwave, washer/dryer, garbage disposal, dishwasher. The Resident shall provide all other furnishings for the Residence.

2. Dining Plan

The Dining Services Department offers three meals a day, six days a week and at least two meals on Sunday. Snacks and beverages are also available during the day. Residents may choose to eat any or all meals each day. Residents receive a generous dining allowance, on a quarterly basis, that is included in the monthly fee. In addition to any menu item, the dining allowance can also be used for bar charges and guest meals. Residents away from the campus in at least ten (10) consecutive days or more during a month are eligible for a meal credit of \$12 per day.

3. Housekeeping

The Residence will be cleaned once each week. This cleaning includes vacuuming

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floor surfaces that are accessible, light dusting on surfaces free of clutter, and necessary cleaning of bathroom and kitchen counters and fixtures. Additionally, heavier housekeeping services such as window washing and floor maintenance will be performed on a scheduled basis. Other housekeeping tasks such as dishwashing, laundry, bed making, etc., are the responsibility of the Resident but can be provided by Patriots Colony on an available basis at an additional charge.

4. Maintenance

Repairs, maintenance and replacements of property and equipment owned by Patriots Colony shall be performed and provided by Patriots Colony to keep such property and equipment in good repair and order as deemed necessary by Patriots Colony. The above work also includes custodial services for all public spaces and appropriate grounds maintenance. Repairs to Resident's personal possessions are the responsibility of the Resident.

5. Utilities

Utilities reasonably required in connection with the occupancy of the Residence, including water, sewer, heating, air-conditioning, electricity, basic cable T.V., and trash removal are included in the fees. Residence telephone and extended/premium cable T.V. charges are the responsibility of the Resident.

6. Security

Patriots Colony will use reasonable care in providing security on the premises including the use of personnel dedicated to that purpose, but will not be responsible for losses of personal property.

7. Emergency Response

Each residence will be equipped with emergency response systems which, when activated, will summon assistance from Patriots Colony.

8. Property Insurance

Patriots Colony insures property and equipment against reasonable losses. Personal property and personal liability insurance for Residents is the responsibility of the Resident.

9. Taxes

Patriots Colony pays all real estate, property, and use taxes on all Patriots Colony property and any applicable business operations. The Resident is responsible for his/her own personal property taxes and personal income taxes.

10. Parking

Covered parking spaces have been provided in sufficient number to allow one car per residence. Additional parking spaces for Residents, guests and staff are also provided and have been designed to be in close proximity to the ultimate user.

11. Additional Storage

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Apartment residents without a designated storage space in the Residence shall have one additional secured storage space in the public area.

12. Scheduled Transportation

Resident fees will cover regularly scheduled trips in Patriots Colony vehicles to nearby shopping and “other popular destinations.” Other special trips may be arranged at a nominal charge depending on demand.

13. Planned Recreation, Wellness, and Activity Programs

Social, cultural and recreational activities will be provided or arranged by Patriots Colony staff and made available to Residents. Participation is strictly voluntary.

14. Congregate Facilities

Residents shall have the right to the use and enjoyment, in concert with others, of the indoor and outdoor public areas and recreational facilities at no extra charge. Exceptions to this right will be a fee for use of certain spaces and purchases of supplies, merchandise and expendables by Residents and their guests for private purposes.

15. Wellness Clinic

The Resident Wellness Clinic will be staffed by a licensed nurse who will provide at no charge certain diagnostic monitoring and health promotion services. This individual can also, with the Resident’s physicians’ involvement, assist in coordinating the Resident’s health care services. Payments for any services arranged by the Wellness Clinic, which involve charges by other health professionals, are the responsibility of the Resident.

16. Health Care

Patriots Colony provides Resident guaranteed priority access to accommodations in the Patriots Colony Health Center if ordered by a physician and approved by the Health Services Director. If the Resident shall need accommodations in the on-site Health Center and the associated health care services, the Resident shall pay the Patriots Colony published public rates for long term care services then in effect. (See Article IV, “Patriots Colony Health Services”).

B. SERVICES AVAILABLE AT EXTRA CHARGE

1. Meals and Guest Meals, in addition to those purchased with the flexible monthly dining allowance.
2. Guest Rooms
3. Additional Housekeeping
4. Individual Telephone Use
5. Extended/Premium Cable T.V. Channels

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6. Internet Services
7. Special Events or Transportation
8. Variable Costs for Crafts/Supplies
9. Services of any On-Site Private Vendors (Such as: Barber, Beautician, Bank, etc.)
10. Catering or Set-up/Clean-up Services
11. Health Services
12. Other services may be made available.

Thirty days' notice will be provided if any changes in the scope of care or services

C. EXCLUSIONS

Patriots Colony will at no time be responsible for the debts of a Resident or for medical expenses incurred for services or related items (See Article III B).

**ARTICLE IV
Patriots Colony Health Services**

A. ACCESS

Patriots Colony will guarantee Resident priority access to the Health Center, consisting of *The Berkeley* (assisted living), *Springhouse* (assisted living for the memory impaired), and *The Convalescent Center* (nursing residence). Even though non-residents will have access to the Health Center, Residents will have first priority on all Health Center accommodations and no Resident shall be denied an available space in favor of a non-resident. Patriots Colony offers licensed "Assisted Living" and "Nursing Facility" accommodations. If any such licensed levels of care are not available on-site or if such space is occupied and not immediately available, Patriots Colony will assist resident in transferring to such space off- site. Patriots Colony will notify Resident once the service can be provided on-site and will assist with return arrangements.

B. CHARGES

1. Resident agrees to pay the current published LifeCare rate for any stay, temporary or permanent, in any level of care in the Health Center, or for the equivalent service off-site as described above, for as long as those services are needed. If a monthly rate, the current public rate shall be calculated on a pro-rated daily basis for a partial month's stay.
2. If Resident alone occupies two physically connected Assisted Living suites, the

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public rate will apply for both suites.

3. If a couple occupies one Assisted Living suite, the applicable published public Monthly Fee will be calculated for each Resident. Once a single Resident occupies the suite, the applicable single person public rate will be charged.
4. If Resident occupies both Assisted Living and Convalescent accommodations simultaneously, Resident will be billed for both on a pro-rated basis for partial months.

C. RETENTION OF RESIDENCE DURING HEALTH CENTER STAY

The following outlines the effect of your stay in the Health Center on the Monthly Fee for your Residence.

1. Temporary Stay

Over the course of the Agreement, the LifeCare Resident is entitled up to ten (10) temporary days of assisted living or nursing facility care for temporary stays in The Patriot, The Colony, or The Springhouse private suites or semi-private Convalescent Center accommodations at no additional charge. During these temporary days, you will; not be charged the Resident Health Care Rate, but you are responsible for any additional charges you incur, such as Medicare/Insurance co-payments. During a temporary stay in the Health Center, you will continue to pay the Monthly Fee for the Residence.

2. Permanent Stay

- a. If Patriots Colony in its sole discretion, but after consultation with you, your family and your physician, determines that you are physically or mentally incapable of living independently for the foreseeable future, the Resident will be deemed to have permanent status at the Health Center and pay the appropriate public rate.
- b. Single Resident: Resident will release the Residence to Patriots Colony and the Residence Monthly Fee will terminate on the date it is vacated. Once permanent status in the Health Center has been determined, the Residence must be vacated within 30 days.
- c. Resident Couple: When one Resident's stay in the Health Center becomes permanent, the remaining Independent Living Resident will begin paying the first person Monthly Fee. In the case of a couple where both Residents are on permanent status in the Health Center, they will release the Residence to Patriots Colony and cease to pay the Monthly Fee on the date the Residence is vacated. The Independent Living Residence must be vacated within 30 days of the date the last Resident gains permanent Health Center status.
- d. If a permanent move is necessary within the Health Center (e.g. assisted living to convalescent center), Resident must vacate the previous accommodations within ten (10) days.
- e. If personal belongings are not removed by stated time, property will be removed

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by Patriots Colony and stored at Resident's expense. For the purposes of this Agreement "vacated" shall mean all of the Resident's personal belongings shall be removed from the Residence and the Residence left undamaged, except for normal "fair wear and tear", and in a trash-free condition.

3. Recovery from a Permanent Stay

Should you release your Residence to Patriots Colony for a permanent stay in the Health Center and later be judged by Patriots Colony to be capable of living independently again, you will be offered the next available Residence of the type and size equivalent to that last occupied. If you wish to return to a different type and size Residence, the Upgrading or Downgrading provisions of Article IV, Section D will apply

D. HEALTH CARE INSURANCE

1. Resident agrees to procure and maintain Medicare Parts A and Part B, and a Medicare Supplement Plan (e.g. TRICARE for Life) or equivalent hospital and medical insurance coverage.
2. If Resident is entitled to medical care or payment by insurance or government agencies, the Resident shall make application for such care or payment.
3. Resident shall authorize, as necessary, any provider of hospitalization, medical or other health services to receive reimbursement under the above Medicare, TRICARE, and Supplemental insurance programs.

**ARTICLE V
Change in Resident Status**

A. MARRIAGE TO ANOTHER RESIDENT

Should Resident marry another Resident, either may terminate the Residency Agreement, turn the Residence back to Patriots Colony, receive any refund due, and become a party to the new spouse's agreement. The Monthly Fee for the Residence turned back shall terminate upon vacancy, and the Monthly Fee for the Residence retained shall simultaneously be raised to the double occupancy level.

B. MARRIAGE TO A NON-RESIDENT

Should resident marry a Non-Resident who satisfies the guidelines for acceptance as outlined in Article V of this Agreement, Patriots Colony will offer the Non-Resident the opportunity to become a party to this Agreement or other applicable Patriots Colony agreement (LifeCare or Residence & Services). The Entrance Fee will be selected from the appropriate set of fees (LifeCare or Residence & Services) and will be equal to the Second Person Entrance Fee and the Monthly Fee will be the corresponding Second Person Monthly Fee for the applicable residence. Qualifying for, but declining to become

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part of, a Residency Agreement disqualifies the Non-Resident for residency at Patriots Colony. Upon occupancy of the Residence by the new spouse, the Monthly Fee will then be raised to the two-person rate and the new occupant will be entitled to all rights and privileges granted to Resident

C. ADDITIONAL OCCUPANT TO RESIDENCE

1. Should a resident wish to have a second person occupy the Residence who is not related by blood or marriage, Patriots Colony will offer that non-resident the opportunity to become a party to this Agreement or other applicable Patriots Colony Agreement (LifeCare or Residency and Services). The Entrance Fee will be selected from the appropriate set of fees (LifeCare or Residency and Services) and will be equal to the second person entrance fee and at the corresponding second person Monthly Fee for the applicable residence. Upon occupancy of the Residence by the new occupant, the Monthly Fee will then be raised to the two-person rate and the new occupant will be entitled to all rights and privileges granted to Resident.
2. An addendum to this Agreement and any other applicable Agreement (see paragraph immediately above) will be signed by both residents indicating financial responsibility for the other and designating the division calculation of the applicable refund to each upon termination of the Agreement(s) by the last Resident.
3. Patriots Colony's acceptance of this second person shall be contingent upon his/her ability to meet the health, financial and general criteria for admission to Patriots Colony.

Qualifying for, but declining to become part of, a Residency Agreement disqualifies the second person for residency at Patriots Colony.

D. CHANGE OF RESIDENCE

After occupancy, if Resident applies in writing to Patriots Colony to move from one Residence to another of either a larger or smaller size, and Patriots Colony agrees to such a move, the following provisions shall apply:

1. Upgrading

Should Resident move from one Residence to a larger one, Resident will pay the difference in Entrance Fees from the current Entrance Fee then in effect for the smaller Residence to the Entrance Fee then in effect for the larger Residence. The calculation for any future refunds will be based on the date of original occupancy of the smaller Residence, and the Monthly Fee will increase to that of the larger Residence at the time occupancy of the larger Residence commences.

2. Downgrading

If Resident moves from one Residence to a smaller Residence, there will not be a reduction in the Entrance Fee paid. Any refund at the time the smaller Residence is vacated, however, will be calculated based on the original Entrance Fee paid. Resident's Monthly Fee will be reduced to that of the smaller Residence at the time occupancy of the smaller Residence commences, and the larger unit is vacated.

3. Refurbishment Fee

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A Resident who moves from one Residence to another within Independent Living will be charged for the refurbishment of the Residence vacated if refurbishment has been accomplished recently and, in the professional opinion of Patriots Colony staff, recently installed materials cannot be restored to like-new condition and must be replaced.

**ARTICLE VI
Resident Rights & Responsibilities**

In addition to those rights and responsibilities noted elsewhere in this agreement, the following also apply to you and any authorized occupant of your Residence:

A. ADMISSION AND CONTINUED OCCUPANCY

Your acceptance as a Resident and your continued occupancy at Patriots Colony are based upon the following criteria:

1. You are a minimum of 55 years of age.
2. You are physically and mentally capable of living independently at admission and meet the medical requirements of Patriots Colony.
3. You are free of communicable diseases.
4. You possess the financial capabilities to meet your obligations to Patriots Colony for your expected lifetime (unless other arrangements have been made).
5. Your presence does not threaten the health, safety or wellbeing of others at Patriots Colony.
6. You agree to abide by the reasonable rules and regulations of Patriots Colony and the reasonable changes to those rules, which may be adopted later.
7. You respect the rights of other Residents.

B. PROPERTY RIGHTS

You understand and agree that this is an agreement primarily for shelter and services. Though you are granted a right of occupancy, this agreement is not a lease and you will have no right, title or interest in any of the real or personal property of Patriots Colony or the right to control or influence in any way the business or financial affairs of Patriots Colony. Your rights under this Agreement may not be assigned, transferred, inherited or devised.

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C. PRESERVATION OF RESIDENTS' ASSETS

At the request of Patriots Colony, you agree to make arrangements for the preservation and management of your financial resources by a third party (or parties), including but not limited to the execution and funding of a trust agreement for your benefit whenever, in the sole judgment of Patriots Colony it appears that your continued management of your financial affairs may prevent you from meeting your financial obligations to Patriots Colony.

D. POWER OF ATTORNEY

You agree to execute and maintain in effect, a Durable Power of Attorney, valid under Virginia law. This Durable Power of Attorney shall designate as your attorney-in-fact, your spouse, a bank, lawyer, relative, or other responsible person or persons of your choice, to act for you in managing your financial affairs and filing for your insurance or other benefits, as fully and completely as you would if acting personally. It should be in a form that survives your incapacity or disability and be otherwise satisfactory to Patriots Colony. You will deliver a fully executed copy of this Durable Power of Attorney to Patriots Colony prior to occupancy of your Residence. Any advanced directives such as a "living will" should be filed with Patriots Colony upon occupancy.

E. RESIDENTS' ASSOCIATION

All Residents of Patriots Colony are members of the Residents' Association. The Administration will confer regularly with representatives of the Association about matters of interest and/or concern to the Residents.

F. GUESTS, ACCESS, AND USE BY NON-RESIDENTS

You will be free to invite guests to your residence for transient visits. You may purchase meals for your guests at prevailing rates. Patriots Colony reserves the right to make rules regarding visits and guest behavior. In general, the facilities and services of Patriots Colony are intended for the use of the Residents.

G. FURNISHINGS

You are expected to furnish and use your Residence in accordance with acceptable standards. In order to keep the Residence safe and sanitary, Patriots Colony reserves the right to enforce these standards.

H. HOUSEKEEPING

You agree to maintain your Residence in a clean, safe and orderly condition, as required by health and safety regulations, and to perform all usual light housekeeping. Patriots Colony may deem necessary, at Resident's expense, such tasks required to return the Residence to a safe, clean and orderly condition if day-to-day responsibilities of the Resident have been neglected.

I. OTHER RIGHTS

You have the right to use Patriots Colony public areas and amenities on an equal basis with other Residents and to participate as you choose in planned activities or programs with exception that you may be required to adhere to management programs implemented for the common safety and security of all Residents

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**ARTICLE VII
Patriots Colony Rights & Responsibilities**

In addition to those rights and responsibilities of Patriots Colony noted elsewhere in this agreement, the following also apply:

A. MANAGEMENT

Patriots Colony is responsible for the overall management and operation of Patriots Colony consistent with sound business practices and fairness to all Residents. Patriots Colony has the right to hire professional management services to meet this responsibility.

B. AUTHORITY FOR ADMISSIONS, DISMISSAL, AND FEES

Patriots Colony retains all authority regarding admission, dismissal, and adjustment of fees of Patriots Colony.

C. RIGHT OF ENTRY

Authorized employees shall be permitted into your Residence with reasonable notice at all reasonable times for housekeeping, maintenance, and inspection, and at any time in case of emergencies.

D. CONFIDENTIALITY

Patriots Colony has the right to request and receive medical and financial data from you that is in our sole judgment, necessary to carry out our responsibilities. Patriots Colony has the responsibility to keep all of the personal, medical, and financial information you have supplied to us in confidence, and it will only be shared with those who, in our opinion, have a need to know.

**ARTICLE VIII
Termination Provisions**

A. TERMINATION FOR CAUSE

Any one of the following conditions shall be cause for Patriots Colony to terminate this Agreement:

1. Resident's failure to perform obligations under this contract including the obligation to pay Monthly Fees and other charges. (Also see Article VIII, Non-Payment of Fees).
2. Resident's failure to abide by the rules and regulations of Patriots Colony including such reasonable amendments as may be adopted from time to time.
3. Resident's health or behavior resulting in a threat to the health, safety, peace or wellbeing of the Resident or others.

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4. Resident's material misstatements or failure to state a material fact in the Resident application, financial statement or health history statement filed with Patriots Colony.

Patriots Colony shall give you reasonable notice of your termination date, and determination that your continued occupancy represents a threat to safety of others or of yourself shall be a factor in determining the reasonableness of that notice. You will further be given reasonable opportunity to cure within a reasonable period whatever conduct is alleged to warrant the cancellation of the Agreement. Refund provisions of this Agreement will apply less any outstanding debts of Resident to Patriots Colony.

B. DEATH

In the event this Agreement is terminated due to your death, your estate will be responsible for the Monthly Fee until your Residence is vacated. Your estate will be responsible for moving any tangible personal property within thirty (30) days after your death. Should any property remain in your Residence after that date, you hereby authorize Patriots Colony to remove the property from your Residence and store it at the expense of your estate.

C. TERMINATION PRIOR TO OCCUPANCY

If Resident dies before occupying the facility, or is precluded through illness, injury, or incapacity from becoming a resident under the terms of the Residency Agreement, the Agreement is automatically rescinded and the Resident or his legal representative shall receive a full refund of all money paid to Patriots Colony, except those costs specifically incurred by Patriots Colony at the request of the Resident and set forth in writing in a separate addendum, signed by both parties to the Agreement.

D. TERMINATION BY RESIDENT AFTER OCCUPANCY

1. Grace Period

In the event Resident terminates this Agreement in writing within 7 days of the execution date and surrenders the Residence within 7 days of the execution date, Resident shall be entitled to a full refund of the Entrance Fee (less the application fee).

2. Termination After Grace Period

Resident may terminate this Agreement by providing written notice to Patriots Colony. The Monthly Fee will continue until the Residence is vacated or thirty (30) days expired whichever is later. The selected Entrance Fee refund option of this Agreement will apply.

E. SPECIAL TERMS AND EXCEPTIONS

Upon termination by either you or Patriots Colony you agree to pay Patriots Colony all amounts owed to it, any reasonable expenses incurred in connection with the termination, which includes, but is not limited to: Cost of any repairs, replacement of property, and painting or other refurbishment of your Residence considered necessary by Patriots Colony in order to prepare it for a new Resident. Patriots Colony may offset any amounts owed it by you against any refund due. These costs do not include fair wear and tear.

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F. SUPERSEDED AGREEMENT

In the event Patriots Colony and Resident enter into a LifeCare Agreement or other residency agreement intended to supersede this Agreement, this Agreement will automatically terminate upon the effective date of such other agreement.

**ARTICLE IX
Non-Payment of Fees**

If you become unable to pay the Monthly Service Fee for your Independent Living Residence for reasons other than willful dissipation of your assets, Patriots Colony, in our sole judgment, may elect to assist you financially. We may assist you in the identification and arrangement for funds from sources including, but not limited to, the Patriots Fund (the internal benevolence fund), and public assistance from local, state and federal governments.

You agree to assist us in the application for such support and to execute reasonable and necessary documents for this purpose. Additionally, any sums expended by Patriots Colony, excluding the Patriots Fund, plus interest at up to the maximum rate allowed by law, will represent a claim against you or your estate or against any Entrance Fee refund due at the time this agreement is terminated.

**ARTICLE X
Modification of Residence**

We reserve the right to determine the serviceability and condition of carpeting, appliances, and all similar items provided by us in your Residence. You may apply in writing to and contract with Patriots Colony to make authorized modifications to your Residence at your expense and risk. Charges for such modifications will cover the complete cost of the work to be done and an additional charge to restore the Residence to its original condition upon your vacating the Residence, if in Patriots Colony's opinion, such modifications adversely affect the desirability of the Residence for re-occupancy. The modifications shall be done so as to create the least possible inconvenience to other Residents in Patriots Colony. Any modifications, which result in permanent installation, shall become Patriots Colony's property upon installation and shall remain with your Residence when you vacate your Residence. You waive all rights to compensation for the modifications made to your Residence. If the modification requires additional maintenance, either you may be required to procure such maintenance at your expense or additional ongoing charges from Patriots Colony may apply. An example of the latter is conversion of a Villa or Greenspring Home screened porch to a sunroom and thereby changing the Residence model and the required Monthly Fee.

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**ARTICLE XI
Personal Injury or Loss of Property**

A. Injury or Damage by You

You agree to reimburse Patriots Colony for any costs incurred or damages suffered by it resulting from your carelessness, negligence or wrongful acts, or that of your guests. You hereby release Patriots Colony from liability for your death, injury to your person or your property caused by any theft, fire, assault or other cause beyond the control of Patriots Colony and from liability resulting from the negligence or wrongful acts of other Residents and do waive any claim that may accrue to you arising against Patriots Colony there from.

B. Injury by a Third Party

In case of accident or injury to you caused by third parties you hereby agree to bring any claims or initiate legal action, if necessary, against the person who has caused injury to you for compensation for the injury. You hereby authorize and direct the person or firm designated by you as your attorney-in-fact to prosecute such claims or causes of action. After recovering damages from such claims or causes of action you agree to reimburse Patriots Colony for all costs and damages incurred by it (including reasonable costs of care furnished to you by Patriots Colony because of such accident or injury).

**ARTICLE XII
Miscellaneous**

A. STATEMENT OF NON-DISCRIMINATION

Neither race, nor color, nor sex, nor religion, nor national origin has any bearing upon your acceptance or rejection for admission, the execution of this agreement, or normal conduct of business of Patriots Colony.

B. REPRESENTATIONS MADE BY RESIDENT

The application and the statements of your finances, personal data, and health history filed with Patriots Colony are incorporated into this agreement and all statements therein are deemed to be true as of the date made. You represent that there have been no material changes in the information provided since the date of application. Any material misstatement, or any material omission to state a fact called for, may result in the termination of this Agreement by Patriots Colony.

C. REQUIREMENTS PRIOR TO OCCUPANCY

Resident must provide the following to Patriots Colony prior to occupancy:

1. Proof of the required Medicare, TRICARE or other Supplemental Insurance coverage, or their equivalent.

2. All required personal, confidential, financial, and medical information.

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3. Copy of Durable Power of Attorney and Advanced Directives, if any.
4. Certification of name and address of the administrator or executor of your last will and testament and trustee, if any, and location of your last will and testament and trust, if any.
5. Signed authorization and payment for modifications (if any) to your Residence.
6. Execution of the Agreement.
7. Payment of the balance of your Entrance Fee and applicable Monthly Fee.

D. SUCCESSORS AND ASSIGNS

Resident Responsibilities owed Patriots Colony under this Agreement shall inure to the benefits of its successors and assigns.

E. OTHER PROMISES

Patriots Colony representatives have made no other promises or representations regarding your Residence, facilities, refunds or services and this agreement has precedence over the description of services in promotional materials or presentations. This Agreement constitutes the entire contract between you and Patriots Colony, and no waiver or modification shall be valid unless made in writing, signed by you and by Patriots Colony and attached herewith as a part of this agreement.

In witness whereof, the parties hereto have executed this Agreement the day and year first above mentioned.

BY: _____
Patriots Colony Representative

Resident: _____

Resident: _____

Witness: _____

In and for James City County, Commonwealth of Virginia,
the foregoing instrument was acknowledged before me this
_____ day of _____, 2023

Notary Public