

In the opinion of Orrick Herrington & Sutcliffe, LLP Bond Counsel to the Authority based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and interest on the Bonds is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See “TAX MATTERS.”

\$151,555,000

CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY



INSURED REVENUE AND REFUNDING BONDS

(SEQUOIA LIVING PROJECTS)

SERIES 2025A

Final CUSIP: 13080S2T0[†]

Dated: Date of Delivery

Due: As shown on inside cover

The \$151,555,000 California Statewide Communities Development Authority Insured Revenue and Refunding Bonds (Sequoia Living Projects), Series 2025A (the “Bonds”) will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof and, when delivered, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”). Beneficial owners of Bonds will not receive physical certificates representing the Bonds purchased but will receive a credit balance on the books of the nominees of such purchasers. So long as Cede & Co. is the registered owner of the Bonds, principal of and premium, if any, and interest on the Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., as Trustee, to DTC, which, in turn, will remit such principal, premium, if any, and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds, as described herein. See APPENDIX H—“BOOK-ENTRY SYSTEM” hereto. Interest on the Bonds is payable on January 1 and July 1 of each year, commencing January 1, 2026.

The Bonds are subject to optional, mandatory and special redemption prior to their maturity, as described herein.

The Bonds are limited obligations of the California Statewide Communities Development Authority (the “Authority”) payable solely from the Revenues pledged under the Indenture (which consist primarily of Loan Repayments (as defined herein) required to be made by Sequoia Living, Inc. (the “Corporation”) under the Loan Agreement) and from certain funds held under the Indenture, as described herein. The Bonds are secured on parity with certain outstanding bonds previously issued for the benefit of the Corporation. Pursuant to the Regulatory Agreement (as defined herein), the Corporation may incur additional indebtedness secured on a parity basis with the Bonds and the outstanding bonds referred to in the previous sentence provided certain conditions are met. See “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS—Prior Bonds and Parity Debt” herein.

Pursuant to the California Constitution Article XVI, Section 4, and California Health and Safety Code, Division 107, Part 6, Chapter 1, as amended, the Corporation’s payment of the principal of and interest on the Bonds to the Trustee will be insured by the Department of Health Care Access and Information of the State of California, and all debentures issued in payment of any claims under such insurance will be fully and unconditionally guaranteed by the State of California, all as more fully described herein. See “CALIFORNIA HEALTH FACILITY CONSTRUCTION LOAN INSURANCE PROGRAM” herein.

THE BONDS DO NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE AUTHORITY, BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS PROVIDED THEREFOR. THE AUTHORITY SHALL NOT BE OBLIGATED TO PAY THE PRINCIPAL, OR REDEMPTION PRICE, OF THE BONDS, OR INTEREST THEREON, EXCEPT FROM THE FUNDS PROVIDED THEREFOR UNDER THE INDENTURE AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE AUTHORITY, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL, OR REDEMPTION PRICE OF, OR INTEREST ON THE BONDS (EXCEPT, WITH RESPECT TO THE STATE OF CALIFORNIA, TO THE EXTENT EXPRESSLY PROVIDED THROUGH THE INSURANCE DESCRIBED HEREIN). THE ISSUANCE OF THE BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT (EXCEPT TO THE EXTENT EXPRESSLY PROVIDED THROUGH THE INSURANCE PROGRAM DESCRIBED HEREIN). THE AUTHORITY HAS NO TAXING POWER. MOREOVER, NEITHER THE AUTHORITY NOR THE PROGRAM PARTICIPANTS SHALL BE LIABLE FOR ANY OTHER COSTS, EXPENSES, LOSSES, DAMAGES, CLAIMS OR ACTIONS, IN CONNECTION WITH THE LOAN AGREEMENT, THE BONDS OR THE INDENTURE, EXCEPT ONLY TO THE EXTENT AMOUNTS ARE RECEIVED FOR THE PAYMENT THEREOF FROM THE CORPORATION UNDER THE LOAN AGREEMENT.

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of the Bonds. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision.

SEE MATURITY SCHEDULE ON INSIDE FRONT COVER.

The Bonds are offered when, as and if received by the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice, and to the approval of the validity of the Bonds and certain other legal matters by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, the approval of certain matters for the Authority by its counsel, Orrick, Herrington & Sutcliffe LLP, and the approval of certain matters for the Corporation by its counsel, Hanson Bridgett LLP, San Francisco, California. Certain legal matters will be passed upon for the Underwriter by Chapman and Cutler LLP. It is expected that the Bonds in book-entry form will be available for delivery through the facilities of DTC on or about July 29, 2025.



Date: July 16, 2025

[†] A registered trademark of The American Bankers Association. CUSIP data is provided by CUSIP Global Services (“CGS”) managed on behalf of the American Bankers Association by FactSet Research Systems Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers are provided for convenience of reference and none of the Authority, the Corporation or the Underwriter take responsibility for the accuracy of such data.

THE BONDS

Interest Accrues from Date of Delivery

Due: July 1, as shown below

The Bonds will be issuable in fully registered form without coupons in minimum denominations of \$5,000 or any integral multiple thereof. Interest on the Bonds will be payable on each January 1 and July 1 of each year, commencing on January 1, 2026. The Bonds will be subject to redemption prior to maturity, as more fully described herein.

MATURITY DATE (JULY 1)	PRINCIPAL AMOUNT	INTEREST RATE (%)	YIELD (%)	PRICE	CUSIP [†]
2026	\$2,405,000	5.000	2.580	102.189	13080SZ64
2027	1,930,000	5.000	2.580	104.507	13080SZ72
2028	2,030,000	5.000	2.610	106.680	13080SZ80
2029	2,130,000	5.000	2.630	108.775	13080SZ98
2030	2,235,000	5.000	2.710	110.483	13080S2A1
2031	2,350,000	5.000	2.860	111.580	13080S2B9
2032	2,465,000	5.000	3.030	112.216	13080S2C7
2033	2,590,000	5.000	3.140	112.953	13080S2D5
2034	2,720,000	5.000	3.340 ^C	112.566	13080S2E3
2035	2,855,000	5.000	3.490 ^C	111.573	13080S2F0
2036	2,995,000	5.000	3.740 ^C	109.940	13080S2G8
2037	3,145,000	5.000	3.880 ^C	109.038	13080S2H6
2038	3,305,000	5.000	4.000 ^{CC}	108.120	13080S2J2
2039	3,470,000	5.000	4.120 ^{CC}	107.104	13080S2K9
2040	3,645,000	5.000	4.250 ^{CC}	106.017	13080S2L7
2041	3,825,000	5.000	4.360 ^{CC}	105.107	13080S2M5
2042	4,020,000	5.000	4.460 ^{CC}	104.288	13080S2N3
2043	4,220,000	5.000	4.590 ^{CC}	103.234	13080S2P8
2044	4,430,000	5.000	4.700 ^{CC}	102.353	13080S2Q6
2045	4,650,000	5.000	4.750 ^{CC}	101.955	13080S2R4

\$36,465,000 5.000% Term Bonds due July 1, 2050; Priced at 100.000 to Yield 5.000%;
CUSIP No. 13080S2S2[†]

\$53,675,000 5.000% Term Bonds due July 1, 2055; Priced at 98.469 to Yield 5.100%;
CUSIP No. 13080S2T0[†]

[†] A registered trademark of The American Bankers Association. CUSIP data is provided by CUSIP Global Services ("CGS") managed on behalf of the American Bankers Association by FactSet Research Systems Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers are provided for convenience of reference and none of the Authority, the Corporation or the Underwriter take responsibility for the accuracy of such data.

^C Priced to the first optional redemption date of July 1, 2032.

^{CC} Priced to the par call date of July 1, 2035.

This Official Statement does not constitute an offer to sell the Bonds or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any state or other jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale in such state or jurisdiction. No dealer, salesperson or any other person has been authorized to give any information or to make any representation other than those contained herein in connection with the offering of the Bonds, and, if given or made, such information or representation must not be relied upon.

The information relating to the Authority set forth herein under the captions “THE AUTHORITY” and “ABSENCE OF MATERIAL LITIGATION—The Authority” has been furnished by the Authority. The Authority does not warrant the accuracy of the statements contained herein relating to the Corporation nor does it directly or indirectly guarantee, endorse or warrant (1) the creditworthiness or credit standing of the Corporation, (2) the sufficiency of the security for the Bonds or (3) the value or investment quality of the Bonds. The Authority makes no representations or warranties whatsoever with respect to any information contained herein except for the information under the sections entitled “THE AUTHORITY” and “ABSENCE OF MATERIAL LITIGATION—The Authority.” The information set forth herein under the caption “CALIFORNIA HEALTH FACILITY CONSTRUCTION LOAN INSURANCE PROGRAM” has been furnished by the Department of Health Care Access and Information of the State of California (the “*Department*”), and the information relating to DTC and the book-entry system set forth herein under the captions “THE BONDS—General,” and “—Book-Entry System” and in APPENDIX H hereto has been furnished by DTC. Such information is believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriter or the Corporation. All other information set forth herein has been obtained from the Corporation and other sources that are believed to be reliable, but the information herein, other than that described as being provided by the Authority in the first sentence of this paragraph, is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriter or the Authority. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Bonds made hereunder shall create under any circumstances any indication that there has been no change in the affairs of the Authority, the Department, the Corporation or DTC since the date hereof.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with and as part of its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. This Official Statement is submitted in connection with the issuance of securities referred to herein and may not be used, in whole or in part, for any other purpose.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE INDENTURE HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF LAWS OF THE STATES IN WHICH BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THE AUTHORITY, THE STATE OF CALIFORNIA, NOR ANY POLITICAL SUBDIVISION THEREOF, PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT LEVELS ABOVE THAT WHICH OTHERWISE MIGHT PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

CAUTIONARY STATEMENTS REGARDING
FORWARD-LOOKING STATEMENTS IN
THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements.” Such statements generally are identifiable by the terminology used, such as “plan,” “expect,” “estimate,” “budget” or other similar words. Such forward-looking statements include but are not limited to certain statements contained in the information under the captions “PLAN OF FINANCING” and “BONDHOLDERS’ RISKS” in the forepart of this Official Statement and the statements contained under the caption “MANAGEMENT’S DISCUSSION AND ANALYSIS OF OPERATIONS” in APPENDIX A—“INFORMATION REGARDING SEQUOIA LIVING, INC.” and APPENDIX H—“BOOK-ENTRY SYSTEM” to this Official Statement.

The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Corporation does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur or do not occur.

THIS OFFICIAL STATEMENT IS BEING PROVIDED TO PROSPECTIVE PURCHASERS IN EITHER BOUND OR PRINTED FORMAT (*"ORIGINAL BOUND FORMAT"*), OR IN ELECTRONIC FORMAT ON THE FOLLOWING WEBSITE: WWW.MUNIOS.COM. THIS OFFICIAL STATEMENT MAY BE RELIED ON ONLY IF IT IS IN ITS ORIGINAL BOUND FORMAT, OR IF IT IS PRINTED OR SAVED IN FULL DIRECTLY FROM THE AFOREMENTIONED WEBSITE OR WWW.EMMA.MSRB.ORG.

SEQUOIA

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The Sequoias Portola Valley



The Sequoias San Francisco



The Sequoias Tamalpais



Viamonte Walnut Creek

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OFFICIAL STATEMENT

\$151,555,000

**CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY
INSURED REVENUE AND REFUNDING BONDS
(SEQUOIA LIVING PROJECTS)
SERIES 2025A**

INTRODUCTORY STATEMENT

The following introductory statement is subject in all respects to the more complete information set forth in this Official Statement. The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive and are qualified in their entirety by reference to each document. All capitalized terms used in this Official Statement and not otherwise defined herein have the same meaning as in the Indenture or the Regulatory Agreement (each as defined herein), as applicable. See APPENDIX D—“SUMMARY OF PRINCIPAL DOCUMENTS—DEFINITIONS OF CERTAIN TERMS.” This Official Statement speaks only as of its date, and the information contained herein is subject to change.

PURPOSE OF THIS OFFICIAL STATEMENT

This Official Statement, including the cover page and the appendices hereto, is provided to furnish information in connection with the sale and delivery of \$151,555,000 California Statewide Communities Development Authority Insured Revenue and Refunding Bonds (Sequoia Living Projects), Series 2025A (the “*Bonds*”).

PURPOSE OF THE BONDS

The Bonds will be issued under the JPA Act (as defined herein), and pursuant to and secured by an Indenture, dated as of July 1, 2025 (the “*Indenture*”), between the California Statewide Communities Development Authority (the “*Authority*”) and The Bank of New York Mellon Trust Company, N.A., as trustee (the “*Trustee*”). The Authority will loan the proceeds of the Bonds to Sequoia Living, Inc. (the “*Corporation*”), which loan will be evidenced by a Loan Agreement, dated as of July 1, 2025 (the “*Loan Agreement*”), between the Authority and the Corporation.

The Corporation will use the proceeds of the Bonds, together with other available funds, for the purpose of (i) refunding all of the \$63,210,000 original principal amount California Health Facilities Financing Authority Insured Revenue Bonds (Northern California Presbyterian Homes and Services, Inc.), Series 2015 (the “*Series 2015 Bonds*”), \$49,700,000 of which are currently outstanding; (ii) financing costs of, or reimbursing prior expenditures related to, capital projects of the Corporation at its facilities, as further described herein; (iii) funding a Bond Reserve Account for the benefit of the Bonds; (iv) paying the insurance premium to the Department (defined herein); and (v) paying costs of issuance of the Bonds. See “PLAN OF FINANCING” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

THE AUTHORITY

For a description of the Authority, see “THE AUTHORITY” herein.

THE CORPORATION

The Corporation is a California non-profit public benefit corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), and exempt from State of California franchise tax under the provisions of Section 23701d of the Revenue and Taxation Code of the State of California. The Corporation, formerly known as Northern California Presbyterian Homes and Services, Inc. and successor by merger with Viamonte Senior Living 1, Inc., owns four life plan communities, three affordable housing communities and provides a range of other community services. The four life plan communities (collectively, the “Communities”), the revenues of which are pledged to the payment of the Bonds, include the following:

The Sequoias – Portola Valley	Portola Valley, CA
The Sequoias – San Francisco	San Francisco, CA
The Sequoias – Tamalpais	Greenbrae, CA
Viamonte Senior Living	Walnut Creek, CA

For additional information on the Communities and the operation, governance and financial condition of the Corporation, see APPENDIX A—“INFORMATION REGARDING SEQUOIA LIVING, INC.” and APPENDIX B—“AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF SEQUOIA LIVING, INC. AND SUBSIDIARIES AS OF AND FOR THE FISCAL YEARS ENDED DECEMBER 31, 2022, 2023 AND 2024.” See also APPENDIX C—“FINANCIAL FEASIBILITY REPORT.”

PRIOR BONDS, PARITY DEBT AND ADDITIONAL INDEBTEDNESS

In 2015, the California Health Facilities Financing Authority (“CHFFA”) issued the Series 2015 Bonds. Pursuant to a loan agreement, dated as of March 1, 2015, between the Corporation and CHFFA, CHFFA loaned the proceeds from the sale of the Series 2015 Bonds to the Corporation for the purpose of financing and refinancing certain facilities of the Corporation. A portion of the proceeds of the Bonds will be used to refund all of the outstanding Series 2015 Bonds.

In 2018, the Authority issued its \$45,230,000 California Statewide Communities Development Authority Insured Revenue Bonds, Series 2018A (Viamonte Senior Living 1 Project), its \$80,000,000 California Statewide Communities Development Authority Insured Revenue Bonds, Series 2018B-1 (Viamonte Senior Living 1 Project – Entrance Fee Redemption), its \$39,000,000 California Statewide Communities Development Authority Insured Revenue Bonds, Series 2018B-2 (Viamonte Senior Living 1 Project – Entrance Fee Redemption), and its \$23,000,000 California Statewide Communities Development Authority Insured Revenue Bonds, Series 2018B-3 (Viamonte Senior Living 1 Project – Entrance Fee Redemption), \$43,035,000 of which are currently outstanding (collectively, the “Series 2018

Bonds” or the “*Prior Bonds*”). Pursuant to a loan agreement, dated as of May 1, 2018, between the Corporation and the Authority (the “*Series 2018 Loan Agreement*”), the Authority loaned the proceeds from the sale of the Series 2018 Bonds to the Corporation for the purpose of financing and refinancing certain facilities of the Corporation.

The Bonds will be secured on a parity basis with the Prior Bonds pursuant to the provisions of the hereinafter defined Regulatory Agreement by the lien of the Deed of Trust (as defined herein) and the pledge of the Gross Revenue Fund and all of the Gross Revenues of the Corporation. See “—SECURITY FOR THE BONDS” and “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS” herein.

In addition to its obligations with respect to the Bonds and the Prior Bonds, the Corporation may incur other indebtedness that may be on a parity basis with the Corporation’s obligation to make Loan Repayments (as defined herein) and Additional Payments under the Loan Agreement and payments under the Series 2018 Loan Agreement, if issued for the purposes and subject to the conditions provided in the hereinafter defined Regulatory Agreement (collectively together with the obligations of the Corporation with respect to the Bonds and the Prior Bonds, “*Parity Debt*”). Parity Debt may not be incurred unless it is insured by the Department or issued with the consent of the Department. See APPENDIX D—“SUMMARY OF PRINCIPAL DOCUMENTS—REGULATORY AGREEMENT—Limitation on Indebtedness” hereto.

INSURANCE OF THE BONDS BY THE DEPARTMENT

In accordance with the California Health Facility Construction Loan Insurance Law, Chapter 1 of Part 6 of Division 107 of the California Health and Safety Code, as amended (the “*Insurance Law*”), the Authority and the Department of Health Care Access and Information of the State of California (the “*Department*”) will enter into a Contract of Insurance, dated as of July 1, 2025 (the “*Contract of Insurance*”), with the Corporation, pursuant to which the Department will insure the Corporation’s payment of principal of and interest on the Bonds to the Trustee in the event that amounts received by the Trustee pursuant to the Indenture are not sufficient to pay in full, when due, principal of and interest on the Bonds. If monies are not available to pay principal of and interest on the Bonds when due, the Department will be obligated to continue to make payments on such Bonds or will instruct the Trustee to declare the principal of all such Bonds then outstanding and interest accrued thereon to be due and payable immediately and make payment of such principal and interest and, upon the occurrence of certain events, shall notify the Treasurer (“*Treasurer*”) of the State of California (hereinafter referred to as the “*State*” or “*California*”) and the Treasurer will issue debentures to the holders of the Bonds, fully and unconditionally guaranteed by the State, in an amount equal to the principal of and the accrued interest on the Bonds. In connection with the Contract of Insurance, the Corporation will enter into an Amended and Restated Regulatory Agreement, dated as of July 1, 2025 (the “*Regulatory Agreement*”), amending and restating the Regulatory Agreement dated as of May 1, 2018 (relating to the Series 2018 Bonds), with the Authority, CHFFA and the Department.

For a more detailed description of the obligation of the Department to insure the Corporation’s payment of the principal of and interest on the Bonds to the Trustee when due, the

procedures with respect to an insurance default, the obligations of the Corporation pursuant to the Regulatory Agreement and the financial condition of the California Health Facility Construction Loan Insurance Program (the “*Insurance Program*”) and the State, see “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS—INSURANCE,” “CALIFORNIA HEALTH FACILITY CONSTRUCTION LOAN INSURANCE PROGRAM,” “CERTAIN FINANCIAL INFORMATION REGARDING THE STATE,” “BONDHOLDERS’ RISKS—State Bond Insurance” and “RATING” herein and APPENDIX D—“SUMMARY OF PRINCIPAL DOCUMENTS—REGULATORY AGREEMENT” and APPENDIX E—“FORM OF CONTRACT OF INSURANCE” hereto.

SECURITY FOR THE BONDS

General. The Bonds are limited obligations of the Authority, secured under the provisions of the Indenture and the Loan Agreement and will be payable from Revenues consisting primarily of payments made by the Corporation under the Loan Agreement (the “*Loan Repayments*,” and each a “*Loan Repayment*”) and from certain funds held under the Indenture. Pursuant to the Loan Agreement, the Corporation is required to make aggregate payments in an amount sufficient to enable the Authority to pay in full, when due, the principal of and premium, if any, and interest on the Bonds when due.

As security for the payment of the Bonds, the Authority will pledge and assign to the Trustee all right, title and interest of the Authority (but none of its obligations) in the Loan Agreement (other than certain rights of the Authority that are unassigned as described in the Indenture), including the right to receive payments under the Loan Agreement, and will direct the Corporation to make such payments directly to the Trustee. Under the Indenture, all of the Revenues and any other amounts (including the proceeds of the sale of the Bonds) held in any fund or account established pursuant to the Indenture (excluding the Rebate Fund) are pledged to secure the full payment of the principal of and interest on the Bonds in accordance with their terms and the provisions of the Indenture.

Gross Revenues. Pursuant to the Loan Agreement, the Corporation has pledged its Gross Revenues and the Gross Revenue Fund to the Trustee and the Department, as security for its obligations, on a parity basis, with respect to the Bonds and any other Parity Debt, including the Prior Bonds. For so long as the Series 2018 Bonds are outstanding, the Gross Revenue Fund shall consist of the gross revenue fund created under the Series 2018 Loan Agreement, which was pledged to secure payments with respect to the Series 2018 Bonds and any other Parity Debt, respectively. The Bonds constitute Parity Debt under the Series 2018 Loan Agreement. **The pledge of the Corporation’s Gross Revenues to secure the Bonds and other Parity Debt is subordinate to a pledge of such Gross Revenues to Wells Fargo Bank, National Association (the “*Bank*”) to secure a revolving line of credit in the maximum principal amount of \$4,000,000 (the “*Wells Fargo Line*”) issued pursuant to a Credit Agreement dated January 31, 2025 (the “*Wells Fargo Credit Agreement*”) between the Corporation and the Bank.** The Wells Fargo Line expires on January 31, 2026. See “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS—Pledge of Revenues” herein.

Bond Reserve Account. Payment of the principal of, and interest on, the Bonds will be additionally secured by moneys deposited to the credit of a Bond Reserve Account established

under the Indenture. See “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS—Bond Reserve Account” herein.

Deeds of Trust. In connection with the issuance of the Series 2018 Bonds, the Corporation, pursuant to a Deed of Trust, Assignment of Rents and Leases with Fixture Filing and Security Agreement, dated as of May 1, 2018 (the “*Series 2018 Deed of Trust*”), executed by the Corporation, as trustor, in favor of the Deed Trustee for the benefit of the Department and the Trustee for the benefit of the holders of the Series 2018 Bonds and of Parity Debt, granted a first mortgage lien on and security interest in Viamonte Senior Living, subject to Permitted Encumbrances. Under a Deed of Trust, Assignment of Rents and Leases with Fixture Filing and Security Agreement, dated as of July 1, 2025 (the “*Series 2025 Deed of Trust*” and, together with the Series 2018 Deed of Trust, the “*Deed of Trust*”), the Corporation will grant to the Deed Trustee, for the benefit of the Department and the Trustee (as assignee of the Authority), as trustee for the holders of the Bonds, the Prior Bonds and any other Parity Debt, and in order to secure the obligations of the Corporation under the Loan Agreement, the Regulatory Agreement and the Contract of Insurance (as defined herein) and with respect to the Prior Bonds and any other Parity Debt, a mortgage lien on and security interest in the Communities, subject to Permitted Encumbrances. **With the consent of the Department, the Deed of Trust may be amended, subordinated or terminated at any time without the necessity of obtaining the consent of the Trustee, the Authority, or the holders of the Bonds, the Prior Bonds or any other Parity Debt.** See “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS—Deed of Trust” herein.

For a further description of the security of the Bonds, see “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS” herein.

FINANCIAL COVENANTS

The Regulatory Agreement requires the Corporation to meet certain financial covenants, including a Debt Service Coverage Ratio covenant, a Current Ratio covenant and a Days Cash on Hand covenant, on an annual basis. See “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS—Rate Covenant, Current Ratio Covenant and Days Cash on Hand Covenant in Regulatory Agreement” herein.

FEASIBILITY STUDY

Hendrickson Consulting has prepared a Financial Feasibility Report, dated May 5, 2025 (the “*Feasibility Study*”), which is attached hereto as APPENDIX C—“FINANCIAL FEASIBILITY REPORT.” The Feasibility Study includes management’s financial forecast of the Corporation for the fiscal years ending December 31, 2025 through 2030. As stated in the Feasibility Study, there will usually be differences between the forecasted data and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. THE FEASIBILITY STUDY SHOULD BE READ IN ITS ENTIRETY, INCLUDING THE FINANCIAL STATEMENT ASSUMPTIONS SET FORTH THEREIN.

CONTINUING DISCLOSURE

The Corporation will enter into an undertaking (the “*Continuing Disclosure Agreement*”) for the benefit of the Bondholders to provide certain information and to provide notice of certain events to the Municipal Securities Rulemaking Board (the “*MSRB*”) on its Electronic Municipal Market Access System (“*EMMA*”). For further information, see “CONTINUING DISCLOSURE” herein. The Authority has not made and will not make any provision to provide any annual financial statements or other credit information of the Authority or the Corporation to investors on a periodic basis.

BONDHOLDERS’ RISKS

There are risks associated with the purchase of the Bonds. For a discussion of certain of these risks, see “BONDHOLDERS’ RISKS” herein. A prospective owner is advised to read this Official Statement for a discussion of certain Bondholders’ Risks which should be considered in connection with an investment in the Bonds. Among other things, careful evaluation should be made of the assumptions described in the Feasibility Study and certain factors that may adversely affect the ability of the Corporation to generate sufficient revenues to pay expenses of operation, including the principal of, premium, if any, and interest on the Bonds. Careful consideration should be given to these risks and other risks described elsewhere in this Official Statement.

THE AUTHORITY

The Authority is a joint powers agency organized pursuant to a Joint Powers Agreement among a number of California counties, cities and special districts entered into pursuant to the provisions relating to the joint exercise of powers contained in Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the California Government Code (the “*JPA Act*”). The Authority is authorized to participate in financings for the benefit of certain organizations described under Section 501(c)(3) of the Code.

THE BONDS

The following is a summary of certain provisions of the Bonds. Reference is made to the Bonds for the complete text thereof and to the Indenture for all of the provisions relating to the Bonds. The discussion herein is qualified by such reference. Certain capitalized terms used herein which are taken from the Indenture have the meanings set forth in APPENDIX D—“SUMMARY OF PRINCIPAL DOCUMENTS—DEFINITIONS OF CERTAIN TERMS.”

GENERAL

The Bonds are being issued pursuant to the Indenture in the aggregate principal amount set forth on the cover of this Official Statement. The Bonds shall be issued as fully registered Bonds in denominations of \$5,000 or any integral multiple thereof. The Bonds will bear interest from their date of delivery at the rates per annum set forth on the inside cover page hereof (based on a 360-day year comprised of 12 thirty-day months). Interest will be payable semiannually on

January 1 and July 1 in each year (each, an “*Interest Payment Date*”), commencing January 1, 2026.

The Bonds will be transferable and exchangeable as set forth in the Indenture and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“*DTC*”). So long as Cede & Co. is the registered owner of the Bonds, the principal and Redemption Price of and interest on the Bonds are payable by wire transfer by the Trustee to Cede & Co., as nominee for DTC, which, in turn, will remit such amounts to DTC Participants (as defined herein) for subsequent disbursement to the Beneficial Owners. See APPENDIX H—“BOOK-ENTRY SYSTEM.”

If the book-entry only system for the Bonds is discontinued, payment of interest on the Bonds will be made to the person whose name appears on the bond registration books of the Trustee as the registered owner thereof as of the close of business on the Record Date (which will be the 15th day of the month prior to the Interest Payment Date, whether or not such day is a Business Day) for each Interest Payment Date (except with respect to interest in default for which a Special Record Date will be established by the Trustee), such interest to be paid by check mailed by first class mail on each Interest Payment Date to the registered owner at such owner’s address as it appears on such registration books or at such address as such owner may have filed with the Trustee for that purpose prior to the Record Date; *provided* that at the written request of any Holder of Bonds in the aggregate principal amount of \$1,000,000 or more received by the Trustee prior to the Record Date, interest shall be paid to such Holder by wire transfer to an account within the United States. If the book-entry only system for the Bonds is discontinued, payment of the principal or Redemption Price of the Bonds will be payable by check upon surrender or presentation thereof at the Corporate Trust Office of the Trustee.

REDEMPTION

Optional Redemption. The Bonds maturing on or before July 1, 2032 are not subject to optional redemption prior to their respective stated maturities. The Bonds maturing on or after July 1, 2033 are subject to redemption prior to their respective stated maturities, at the option of the Authority (which option shall be exercised upon Request of the Corporation), in whole or in part (in such amounts and of such maturities as are designated by the Corporation and by lot within a maturity, in accordance with the procedures of the Depository, if applicable) on any date on or after July 1, 2032, from any available funds, at the redemption prices (expressed as percentages of principal amount being redeemed) set forth in the following table plus accrued interest to the redemption date:

REDEMPTION DATES	REDEMPTION PRICES
July 1, 2032 through June 30, 2033	103%
July 1, 2033 through June 30, 2034	102%
July 1, 2034 through June 30, 2035	101%
July 1, 2035 and thereafter	100%

Extraordinary Optional Redemption from Unspent Proceeds. The Bonds are also subject to redemption, prior to their stated maturity, at the option of the Authority (which option shall be

exercised upon Request of the Corporation), in whole or in part (in such amounts and of such maturities as are designated by the Corporation and by lot within a maturity, in accordance with the procedures of the Depository, if applicable), on any date, from unspent proceeds of the Bonds transferred to the Redemption Fund from the Project Fund in accordance with the Indenture, at a redemption price equal to 100% of the principal of the Bonds called for redemption plus unamortized original issue premium, if any, thereon plus interest accrued thereon to the date fixed for redemption. The Request of the Corporation required to be delivered pursuant to this paragraph of the Indenture shall include or be accompanied by a calculation of unamortized original issue premium performed by a Calculation Agent.

Mandatory Sinking Account Redemption. The Bonds maturing on July 1, 2050 are also subject to redemption prior to their stated maturity in part, by lot (or paid at maturity, as the case may be) by application of Mandatory Sinking Account Payments in the amounts and on the dates set forth below, at the principal amount thereof together with interest accrued thereon to the date fixed for redemption, without premium, as follows:

MANDATORY SINKING ACCOUNT PAYMENT DATES (JULY 1)	MANDATORY SINKING ACCOUNT PAYMENTS
2046	\$4,885,000
2047	5,130,000
2048	8,390,000
2049	8,810,000
2050 [†]	9,250,000

[†] Maturity

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The Bonds maturing on July 1, 2055 are also subject to redemption prior to their stated maturity in part, by lot (or paid at maturity, as the case may be) by application of Mandatory Sinking Account Payments in the amounts and on the dates set forth below, at the principal amount thereof together with interest accrued thereon to the date fixed for redemption, without premium, as follows:

REDEMPTION DATE (JULY 1)	SINKING ACCOUNT PAYMENT
2051	\$9,715,000
2052	10,200,000
2053	10,710,000
2054	11,245,000
2055 [†]	11,805,000

[†] Maturity

Special Redemption. The Bonds are also subject to redemption prior to their respective stated maturities, at the option of the Authority (which option shall be exercised upon Request of the Corporation), in whole or in part (in such amounts and of such series and maturities as are designated by the Corporation and by lot within a maturity, in accordance with the procedures of the Depository, if applicable) on any date from certain insurance or condemnation proceeds received with respect to the Facilities (as defined in APPENDIX D), in each case, under the circumstances prescribed and as provided in the Regulatory Agreement, at a Redemption Price equal to the principal amount thereof, together with interest accrued thereon to the date fixed for redemption, without premium. See APPENDIX D—“SUMMARY OF PRINCIPAL DOCUMENTS—REGULATORY AGREEMENT—Disposition of Insurance and Condemnation Proceeds.”

Selection of Bonds for Redemption. If the Bonds are registered in book-entry form and so long as the Depository is the sole registered owner of the Bonds, if less than all of the Bonds of a series or any portion thereof are to be called for redemption, the Bonds to be redeemed shall be selected by lot in accordance with the operational arrangements of the Depository then in effect, from all Bonds subject to redemption or such given portion thereof not previously called for redemption, but from the maturities selected by the Corporation (provided such selection by the Corporation shall not apply to mandatory sinking account redemptions).

Notice of Redemption. Notice of redemption shall be given by first class mail, or if the Bonds are then book-entry Bonds, then by Electronic Means, by the Trustee, not less than 20 days and not more than 60 days prior to the redemption date to the respective Holders of any Bonds designated for redemption at the addresses appearing on the bond registration books of the Trustee. The provisions of the preceding sentence shall not apply to the redemption of Bonds pursuant to Mandatory Sinking Account Payments. Each notice of redemption will state the redemption date, the place or places of redemption, the series, the maturities, the date of issue of the Bonds, the CUSIP number (if any) of the maturity or maturities and, in case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that, subject to the conditions or prior rescission as provided

below, on said date there will become due and payable on each of said Bonds the Redemption Price thereof or of said specified portion of the principal amount thereof in the case of a fully registered Bond to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered. Neither the Authority nor the Trustee shall have any responsibility for any defect in the CUSIP number that appears on any Bond or in any redemption notice with respect thereto.

Failure of the Trustee to give notice to a Bondholder or any defect in such notice shall not affect the sufficiency of the proceedings for redemption with respect to the Bondholders to whom such notice was mailed.

With respect to any notice of optional redemption of Bonds, unless upon the giving of such notice such Bonds shall be deemed to have been paid pursuant to the provisions of the Indenture, such notice shall state that such redemption shall be conditioned upon the receipt by the Trustee on or prior to the date fixed for such redemption of amounts sufficient to pay the Redemption Price of the Bonds to be redeemed and that, if such amounts shall not have been so received, said notice shall be of no force and effect and the Authority shall not be required to redeem such Bonds. In the event that such notice of redemption contains such a condition and such amounts are not so received, the redemption shall not be made and the Trustee shall within a reasonable time thereafter give notice to the Persons and in the manner in which the notice of redemption was given that such amounts were not so received. Such failure to redeem Bonds shall not constitute an Event of Default or a Loan Default Event. Such notice may also state other conditions to the optional redemption and if any other conditions are so stated, shall state that if such conditions shall not have been satisfied on or prior to the date fixed for redemption, said notice shall be of no force and effect and the Authority shall not be required to redeem such Bonds and such failure to redeem such Bonds shall not constitute an Event of Default or Loan Default Event. In the event that such notice of optional redemption contains any such additional condition or conditions and such condition or conditions shall not have been satisfied on or prior to the date fixed for redemption, the redemption shall not be made and the Trustee shall within a reasonable time after a Responsible Officer receives notice that such condition or conditions have not been satisfied give notice to the Holders to the effect that such condition or conditions were not met and such redemption was not made, such notice to be given by the Trustee in the same manner and to the same parties, as notice of such redemption was given pursuant to the provisions of the Indenture.

Any notice of optional redemption given pursuant to the provisions of the Indenture, as described herein, may also be rescinded by written notice given to the Trustee by the Corporation no later than two Business Days prior to the date specified for redemption, in which event such optional redemption shall be cancelled. The Trustee shall give notice of such rescission as soon thereafter as practicable in the same manner and to the same Persons as notice of such redemption was given pursuant to the provisions of the Indenture.

Partial Redemption of Bonds. Upon surrender of any Bond for redemption in part only, the Authority shall execute and the Trustee shall authenticate and make available for delivery to the registered owner thereof, at the expense of the Corporation, a new Bond or Bonds of

Authorized Denominations, and of the same series and maturity, equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

Effect of Redemption. Notice of redemption having been given in accordance with the Indenture and moneys for payment of the Redemption Price of, together with interest accrued to the redemption date on, the Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption shall become due and payable at the Redemption Price specified in such notice and interest accrued thereon to the redemption date, interest on the Bonds so called for redemption shall cease to accrue, said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Indenture, and the Holders of said Bonds shall have no rights in respect thereof except to receive payment of said Redemption Price and accrued interest to the date fixed for redemption.

Mandatory Tender for Purchase in Lieu of Redemption. Each Holder or Beneficial Owner, by purchase and acceptance of any Bond, irrevocably grants to the Corporation the option to purchase such Bond, at any time such Bond is subject to optional redemption as provided in the Indenture and summarized above at a purchase price equal to 100% of the then applicable Redemption Price of such Bond. In order to exercise such option, the Corporation shall secure the written consent of the Department and shall deliver to the Trustee and the Authority such written consent of the Department and a Favorable Opinion of Bond Counsel to the effect that such purchase, will not, in and of itself, adversely affect any exclusion of interest on the Bonds from gross income for purposes of federal income taxation, and the Corporation shall direct the Trustee to provide notice of mandatory tender for purchase, such notice to be provided, as and to the extent applicable, in accordance with the provisions for notice of redemption set forth in the Indenture and described herein. On the date fixed for mandatory purchase of any Bond in lieu of redemption pursuant to the provisions of the Indenture described herein, the Corporation shall pay the purchase price of such Bond to the Trustee in immediately available funds and the Trustee shall pay the same to the Holders of Bonds being purchased against delivery thereof. Following such purchase, the Trustee shall register such Bonds in accordance with the written instructions of the Corporation. No purchase of any Bond pursuant to the provisions of the Indenture described in this paragraph shall operate to extinguish the indebtedness evidenced by such Bond. No Holder or Beneficial Owner may elect to retain a Bond subject to mandatory tender for purchase pursuant to the provisions of the Indenture described in this paragraph. The Corporation may exercise its option to purchase the Bonds, in whole or in part, in accordance with the provisions of the Indenture, and may rescind any notice of mandatory tender for purchase at any time on or prior to the date of mandatory tender for purchase specified in the notice of mandatory tender for purchase pursuant to the Indenture.

Defeasance. Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the Indenture) to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), *provided that*, if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given as described above or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the Authority in respect of such Bond will cease, terminate and be completely discharged, except only that thereafter the Owner thereof will be

entitled to payment of the principal of and interest on such Bond by the Authority and the Authority will remain liable for such payment, but only out of such money or securities deposited with the Trustee as aforesaid for their payment.

BOOK-ENTRY SYSTEM

The Bonds will be issued in book-entry form. DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond will be issued for each maturity in the total aggregate principal amount due on such maturity date and will be deposited with or held at the direction of DTC. See APPENDIX H—"BOOK-ENTRY SYSTEM."

The Authority, the Trustee and the Corporation cannot and do not give any assurances that DTC will distribute to DTC Participants or that DTC Participants or others will distribute to the Beneficial Owners payments of principal and Redemption Price of and interest on the Bonds or any redemption or other notices or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. None of the Authority, the Trustee and the Corporation is responsible or liable for the failure of DTC or any DTC Participant or DTC Indirect Participant (as defined herein) to make any payments or give any notice to a Beneficial Owner with respect to the Bonds or any error or delay relating thereto.

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ESTIMATED ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth, for each Bond Year ending July 1, the estimated amounts required to be made available for the payment of principal due on the Bonds at maturity or by mandatory sinking fund redemption and for the payment of interest on the Bonds. The following table also includes the debt service due on the Series 2018 Bonds, which will be the only Parity Debt previously issued for the benefit of the Corporation that will be outstanding after the issuance of the Bonds. All amounts shown below have been rounded to the nearest whole dollar.

BOND YEAR ENDING JULY 1,	BONDS		SERIES 2018 BONDS	TOTAL DEBT SERVICE
	PRINCIPAL	INTEREST		
2026	\$2,405,000	\$6,988,369	\$3,005,375	\$12,398,744
2027	1,930,000	7,457,500	3,006,375	12,393,875
2028	2,030,000	7,361,000	3,004,375	12,395,375
2029	2,130,000	7,259,500	3,004,375	12,393,875
2030	2,235,000	7,153,000	3,006,125	12,394,125
2031	2,350,000	7,041,250	3,004,375	12,395,625
2032	2,465,000	6,923,750	3,009,125	12,397,875
2033	2,590,000	6,800,500	3,004,875	12,395,375
2034	2,720,000	6,671,000	3,006,875	12,397,875
2035	2,855,000	6,535,000	3,005,800	12,395,800
2036	2,995,000	6,392,250	3,008,600	12,395,850
2037	3,145,000	6,242,500	3,008,400	12,395,900
2038	3,305,000	6,085,250	3,005,200	12,395,450
2039	3,470,000	5,920,000	3,004,000	12,394,000
2040	3,645,000	5,746,500	3,004,600	12,396,100
2041	3,825,000	5,564,250	3,006,800	12,396,050
2042	4,020,000	5,373,000	3,005,400	12,398,400
2043	4,220,000	5,172,000	3,005,400	12,397,400
2044	4,430,000	4,961,000	3,006,600	12,397,600
2045	4,650,000	4,739,500	3,008,800	12,398,300
2046	4,885,000	4,507,000	3,006,800	12,398,800
2047	5,130,000	4,262,750	3,005,600	12,398,350
2048	8,390,000	4,006,250	-	12,396,250
2049	8,810,000	3,586,750	-	12,396,750
2050	9,250,000	3,146,250	-	12,396,250
2051	9,715,000	2,683,750	-	12,398,750
2052	10,200,000	2,198,000	-	12,398,000
2053	10,710,000	1,688,000	-	12,398,000
2054	11,245,000	1,152,500	-	12,397,500
2055	11,805,000	590,250	-	12,395,250
	<u>\$151,555,000</u>	<u>\$154,208,619</u>	<u>\$66,133,875</u>	<u>\$371,897,494</u>

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

GENERAL

The Bonds are limited obligations of the Authority, payable solely from Revenues consisting primarily of Loan Repayments made by the Corporation under the Loan Agreement and from certain funds held under the Indenture. The Corporation will agree in the Loan Agreement to make payments to the Trustee at such times and in such amounts to provide for the payment of the principal of and interest on the Bonds outstanding when due, whether upon a scheduled Interest Payment Date, at maturity or by redemption, acceleration or otherwise, and to make payments for certain fees and expenses ("*Additional Payments*"). The Loan Repayments in the aggregate are required to be in an amount sufficient for the payment in full of the Bonds, including interest, principal and any redemption premium, less any amounts available for such payment as provided in the Indenture.

As security for the payment of the Bonds, the Authority will pledge and assign to the Trustee all of the Revenues and any other amounts (including proceeds of the sale of the Bonds) held in any fund or account established pursuant to the Indenture (other than the Rebate Fund) and all of the right, title and interest of the Authority in and to the Loan Agreement, including the right to receive payments under the Loan Agreement (except certain enumerated retained rights such as the right of the Authority to receive payment of its fees and expenses and to indemnification in certain circumstances), the Deed of Trust, the Contract of Insurance and the Regulatory Agreement, as further described herein.

The Bonds will be secured on a parity basis with the Prior Bonds by the pledge of the Gross Revenue Fund and all of the Gross Revenues of the Corporation and the lien of the Deed of Trust. The Corporation may incur additional indebtedness secured on a parity basis with the Bonds and the Prior Bonds, provided certain conditions are met.

THE BONDS DO NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE AUTHORITY, BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS PROVIDED THEREFOR. THE AUTHORITY SHALL NOT BE OBLIGATED TO PAY THE PRINCIPAL, OR REDEMPTION PRICE, OF THE BONDS, OR INTEREST THEREON, EXCEPT FROM THE FUNDS PROVIDED THEREFOR UNDER THE INDENTURE AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE AUTHORITY, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL, OR REDEMPTION PRICE OF, OR INTEREST ON THE BONDS (EXCEPT TO THE EXTENT EXPRESSLY PROVIDED THROUGH THE INSURANCE PROGRAM DESCRIBED HEREIN). THE ISSUANCE OF THE BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT (EXCEPT TO THE EXTENT EXPRESSLY PROVIDED THROUGH THE INSURANCE PROGRAM DESCRIBED HEREIN). THE

AUTHORITY HAS NO TAXING POWER. MOREOVER, NEITHER THE AUTHORITY NOR THE PROGRAM PARTICIPANTS SHALL BE LIABLE FOR ANY OTHER COSTS, EXPENSES, LOSSES, DAMAGES, CLAIMS OR ACTIONS, IN CONNECTION WITH THE LOAN AGREEMENT, THE BONDS OR THE INDENTURE, EXCEPT ONLY TO THE EXTENT AMOUNTS ARE RECEIVED FOR THE PAYMENT THEREOF FROM THE CORPORATION UNDER THE LOAN AGREEMENT.

PLEDGE OF REVENUES

Subject to and for the purposes and on the terms and conditions set forth in the Indenture, all of the Revenues and any other amounts (including the proceeds of the sale of the Bonds) held in any fund or account established pursuant to the Indenture (except the Rebate Fund) will be pledged under the Indenture to secure the payment of the principal of, Redemption Price and interest on the Bonds. “Revenues” are all amounts received by the Authority or the Trustee pursuant or with respect to the Loan Agreement, including, without limiting the generality of the foregoing, Loan Repayments (including both timely and delinquent payments and any late charges, and regardless of source), prepayments, insurance proceeds, payments received pursuant to the Insurance Law, condemnation proceeds, and all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to the Indenture (except the Rebate Fund), but not including (1) any Additional Payments or Administrative Fees and Expenses, (2) any amounts paid to the Authority or the Trustee pursuant to rights of indemnification, or (3) any moneys required to be deposited in the Rebate Fund. See APPENDIX D—“SUMMARY OF PRINCIPAL DOCUMENTS—INDENTURE.”

INSURANCE

The Corporation’s payment of the principal of and interest on the Bonds to the Trustee will be insured by the Department. If moneys are not available for the Trustee to pay the principal of or interest on the Bonds, the Department will be obligated to continue to make payments on the Bonds or shall instruct the Trustee to declare the principal of all Bonds then Outstanding and interest accrued thereon to be due and payable immediately and make payment of such principal and interest. However, payments from the Trustee to the holders of the Bonds are not insured. Upon the occurrence of certain events, the Department shall notify the Treasurer and the Treasurer shall issue debentures to the holders of the Bonds fully and unconditionally guaranteed by the State in an amount equal to the principal of and accrued interest on the Bonds. See “CALIFORNIA HEALTH FACILITY CONSTRUCTION LOAN INSURANCE PROGRAM” herein.

DEPARTMENT DEEMED HOLDER OF BONDS AND DEPARTMENT’S CONTROL OF REMEDIES

For as long as the Contract of Insurance is in effect and the Department is not in default thereunder, the Department is deemed to be the holder of the Bonds for purposes of (i) exercising all remedies and directing the Trustee to take actions or for any other purposes following an Event of Default under the Indenture, and (ii) granting any consent, direction or approval or taking any action permitted by or required under the Indenture or the Loan Agreement, as the case may be, to be granted or taken by the holders of such Bonds (including consenting to amendments to the Indenture or the Loan Agreement that materially adversely affect the interests

of the holders of the Bonds). Anything in the Indenture or the Loan Agreement to the contrary notwithstanding, upon the occurrence and during the continuance of an Event of Default, the Department shall be entitled to control and direct the enforcement of all rights and remedies granted to the holders or the Trustee for the benefit of the holders of the Bonds. See APPENDIX D—“SUMMARY OF PRINCIPAL DOCUMENTS—INDENTURE—Events of Default under the Indenture and Remedies—Control Rights of the Department.”

SECURITY INTEREST IN GROSS REVENUES AND GROSS REVENUE FUND

In connection with the loan of the proceeds of the Series 2018 Bonds by the Authority to the Corporation, the Corporation pledged and assigned to the Trustee and the Department, and granted to the Trustee and the Department a security interest in, all its right, title and interest, owned at that time or thereafter acquired, in and to the Gross Revenues, including, but not limited to, future interest on any and all revenues or income of any nature or kind which accrue to the Corporation or the Facilities, and the Gross Revenue Fund and the proceeds thereof to secure the payment of the loan repayments and additional payments with respect to the Series 2018 Bonds and the performance by the Corporation of its other obligations under the Series 2018 Loan Agreement and the Regulatory Agreement and with respect to Parity Debt. For so long as the Series 2018 Bonds are outstanding, the Gross Revenue Fund shall consist of the gross revenue fund created under the Series 2018 Loan Agreement, which was pledged to secure payments with respect to the Series 2018 Bonds and any other Parity Debt, respectively. The Bonds constitute Parity Debt under the Series 2018 Loan Agreement.

The pledge of the Corporation’s Gross Revenues to secure the Bonds and other Parity Debt is subordinate to a pledge of such Gross Revenues to Wells Fargo Bank, National Association to secure the Wells Fargo Line.

“Gross Revenues” is defined in the Regulatory Agreement as all revenues, income, receipts and money received in any period by the Corporation, including, but without limiting the generality of the foregoing, the following: (a) gross revenues derived from its operation and possession of and pertaining to its properties (including Entrance Fees), (b) proceeds with respect to, arising from, or relating to its properties and derived from (1) insurance (including business interruption insurance) or condemnation proceeds (except to the extent such proceeds are required by the terms of the Regulatory Agreement or other agreements with respect to the Indebtedness which the Corporation is permitted to incur pursuant to the terms of the Regulatory Agreement) to be used for purposes inconsistent with their use for the payment of Loan Repayments, Additional Payments or similar payments with respect to Parity Debt, (2) accounts, including but not limited to, accounts receivable, (3) securities and other investments, (4) inventory and intangible property, (5) payment/reimbursement programs and agreements, and (6) contract rights, accounts, instruments, claims for the payment of moneys and other rights and assets now or hereafter owned, held or possessed by or on behalf of the Corporation, and (c) rentals received from the lease of the Corporation’s properties or space in its facilities; *provided, however*, that there shall be excluded from Gross Revenues (i) any amounts received by the Corporation as a billing agent for another entity, except for fees received for serving as billing agent, (ii) gifts, grants, bequests, donations, contributions, endowment funds and tax revenues to the Corporation heretofore or hereafter made, and the income and gains derived

therefrom, which are specifically restricted by the donor or grantor to a particular purpose which is inconsistent with their use for Loan Repayments, Additional Payments or similar payments with respect to Parity Debt, (iii) any moneys received by the Corporation from prospective residents or commercial tenants in order to pay for customized improvements to those Independent Living Units or other areas of the Corporation's facilities to be occupied or leased to such residents or tenants, (iv) payments or deposits under a Residency Agreement that by its terms or applicable law are required to be held in escrow or trust for the benefit of a resident until the conditions for the release of such payment or deposit have been satisfied, (v) all deposits and/or advance payments made in connection with any residency of the Independent Living Units or other areas of the Corporation's facilities to be occupied by residents or tenants and received prior to receipt of such certificate and licenses for occupancy of such units (provided, however, that such deposits and/or advance payments shall be included in Gross Revenues if and when occupancy occurs), and (vi) any gross revenues derived from its operation and possession of and pertaining to HUD Facilities, proceeds with respect to, arising from, or relating to its properties and derived from HUD Facilities, or rentals received from the lease of all of or space in the HUD Facilities. The Corporation's HUD Facilities are described in APPENDIX A hereto and are referred to therein as the Affordable Housing Properties.

Pursuant to the Loan Agreement, the Corporation agrees that, so long as any of the Loan Repayments or any Additional Payments remain unpaid, all Gross Revenues shall be deposited as soon as practicable upon receipt with a depository bank or banks (the "*Depository Bank(s)*") in a deposit account or accounts designated as the "Gross Revenue Fund." The Corporation pledges and assigns and grants a security interest (to the extent permitted by law) to the Trustee and to the Department in all its right, title and interest, whether owned at the time the Loan Agreement is executed or thereafter acquired, in and to the Gross Revenues, the Gross Revenue Fund and the proceeds thereof (collectively, the "*Collateral*") of the Corporation to secure the payment of the Loan Repayments, Additional Payments (consisting generally of fees and charges of the Trustee, taxes, accountants' fees and any fees and expenses of the Authority associated with the Bonds) and the performance by the Corporation of the other obligations under the Loan Agreement, the Contract of Insurance and the Regulatory Agreement and with respect to any Parity Debt.

Gross Revenues and amounts in the Gross Revenue Fund may be used and withdrawn by the Corporation at any time for any lawful purpose, except as provided in the Loan Agreement. If the Corporation is delinquent for more than one Business Day in the payment of any Loan Repayment, Additional Payment or payment with respect to any Parity Debt, the Authority or the Trustee shall notify the Corporation, the Department and the Depository Bank(s) of such delinquency in writing, and, unless such Loan Repayment, Additional Payment or any payment required with respect to any Parity Debt is paid within 10 business days after receipt of such notice, exclusive control over the Gross Revenue Fund shall be exercised by the Department (provided the Contract of Insurance is in effect and the Department is not in default thereunder), for itself and as collateral agent for the Trustee, as provided in a deposit account control agreement to be entered into among the Depository Bank(s), the Corporation, the Department and the Trustee. All Gross Revenues of the Corporation shall continue to be deposited in the Gross Revenue Fund and the Department or the Trustee, as applicable, shall continue to exercise exclusive control over the Gross Revenue Fund until the amounts on deposit in said fund are

sufficient to pay in full, or have been used to pay in full, all Loan Repayments, Additional Payments and payments with respect to any Parity Debt then in default and all other then-existing Loan Default Events and events of default with respect to any Parity Debt actually known to the Department or the Trustee, as applicable, shall have been made good or cured to the satisfaction of the Department or the Trustee, as applicable, or provision deemed by the Department or the Trustee, as applicable, to be adequate shall have been made therefor, pursuant to the terms of the Indenture and the Loan Agreement.

During any period that the Gross Revenue Fund is subject to the exclusive control of the Department or the Trustee, as applicable, the Trustee will use the withdrawn amounts in such fund from time to time to make Loan Repayments, Additional Payments, and other payments required of the Corporation by the Loan Agreement or with respect to any Parity Debt when due (whether by maturity, redemption, acceleration or otherwise), and, if such amounts shall not be sufficient to pay in full all such payments when due, then to the payment of Loan Repayments, Additional Payments and debt service on any Parity Debt ratably, without any discrimination or preference, and to such other payments in the order that the Department or the Trustee, as applicable, in its discretion, determines to be in the best interests of the holders of the Bonds and any Parity Debt, without discrimination or preference. During any period that the Gross Revenue Fund is subject to the exclusive control of the Department or the Trustee, as applicable, the Corporation shall not be entitled to use or withdraw any of the Gross Revenues unless and to the extent that the Department or the Trustee, as applicable, in its sole discretion so directs for the payment of current or past due operating expenses of the Corporation; *provided, however*, that the Corporation may submit requests to the Department or the Trustee, as applicable, as to which expenses to pay and in which order. See APPENDIX D—“SUMMARY OF PRINCIPAL DOCUMENTS—LOAN AGREEMENT” and “—REGULATORY AGREEMENT.”

The Corporation will execute a Deposit Account Control Agreement and cause to be executed and delivered such other documents as may be necessary or reasonably requested by the Authority, the Trustee or the Department to perfect or maintain the perfection of such security interest to the extent permitted by law. The Corporation irrevocably authorizes the Trustee and the Department to execute any documents as may be required to perfect or to continue the perfection of the security interest in the Collateral to the extent permitted by law, including, without limitation, financing statements that describe the collateral as being of an equal, greater or lesser scope, or with greater or lesser detail, than as set forth in the definition of Collateral. See “BONDHOLDERS’ RISKS—Certain Matters Relating to Enforceability.”

DEED OF TRUST

Pursuant to the Deed of Trust, the Corporation will grant to the trustee thereunder, for the benefit of the Department and the Trustee, as trustee for the Holders of the Bonds and other Parity Debt, including the Prior Bonds, a lien on and security interest in the real property, rents and leases, personal property and fixtures relating to the Communities (collectively, the “*Collateral Property*”), subject to Permitted Encumbrances and subject to the right of the Corporation (with the prior consent of the Department) to remove property from the lien of the Deed of Trust, as security for the performance of the Corporation’s obligations under the Regulatory Agreement, the Loan Agreement and the Contract of Insurance. The Collateral

Property includes the real property, rents and leases, personal property and fixtures relating to the Communities but does not include the real property, rents and leases, personal property or fixtures relating to the Affordable Housing Properties.

However, as long as the Contract of Insurance is in effect, all rights and remedies under the Deed of Trust shall be exercised solely by the Department. Furthermore, with the consent of the Department and the Corporation, the Deed of Trust may be amended, subordinated or terminated at any time without the necessity of obtaining the consent of the Trustee, the Bondholders, holders of Parity Debt or the Authority. See APPENDIX D—“SUMMARY OF PRINCIPAL DOCUMENTS—DEED OF TRUST.”

For a further description of the provisions of the Deed of Trust, see APPENDIX D—“SUMMARY OF PRINCIPAL DOCUMENTS” hereto.

TITLE INSURANCE

An ALTA insurance policy on the real property subject to the Deed of Trust, in an aggregate amount, when combined with the policies previously delivered to the Department in connection with the issuance of the Prior Bonds, not less than the aggregate principal amount of the Bonds and the Prior Bonds, will be delivered at the time of the issuance of the Bonds.

BOND RESERVE ACCOUNT

A Bond Reserve Account for the Bonds (the “*Bond Reserve Account*”) will be established and funded under the terms of the Indenture. Amounts on deposit in a Bond Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of making up a deficiency in the Interest Account or Principal Account for the Bonds (but, in each case, only with the consent of the Department, provided the Department is not in default of its obligations under the Contract of Insurance) or (together with any other moneys available therefor) for the payment or redemption of all Bonds then Outstanding. The Bond Reserve Account shall be valued semi-annually (or more frequently if requested in writing by the Corporation, but not more frequently than quarterly) by the Trustee. In the event the balance in the Bond Reserve Account shall be less than the Bond Reserve Account Requirement, the Corporation shall replenish such account, within 30 days of receiving notice of such deficiency, with the amount necessary to increase the balance in the Bond Reserve Account to an amount at least equal to the Bond Reserve Account Requirement. See APPENDIX D—“SUMMARY OF PRINCIPAL DOCUMENTS—INDENTURE—Investment of Moneys in Funds and Accounts” and “—Allocation of Revenues.”

On the date of delivery of the Bonds, an amount equal to the Bond Reserve Account Requirement will be deposited in the Bond Reserve Account. The “Bond Reserve Account Requirement” is defined in the Indenture to be, as of any date of calculation, an amount equal to the lesser of (i) 25% of Maximum Annual Debt Service on all Bonds then Outstanding, (ii) 125% of average annual debt service on the Bonds then Outstanding, or (iii) 10% of the Outstanding principal amount of the Bonds. On the date of issuance of the Bonds, the Bond Reserve Account Requirement shall be \$3,099,687.50.

See APPENDIX D—“SUMMARY OF PRINCIPAL DOCUMENTS—INDENTURE—Allocation of Revenues” and “—Establishment of Funds and Accounts—Bond Reserve Account.”

NO FINANCIAL COVENANTS IN LOAN AGREEMENT

Due to the Contract of Insurance entered into by the Authority and the Department, the Loan Agreement does not contain financial or operational covenants relating to the operations of the Corporation, such as limitations on the ability of the Corporation to incur indebtedness, to dispose of property, or to create liens on property. Additionally, the Loan Agreement does not require the Corporation to maintain revenues at levels sufficient to provide coverage of debt service on the Bonds or any other indebtedness. The Regulatory Agreement contains such covenants, but such covenants may be waived or amended by the Department without the necessity of obtaining the consent of the Holders of the Bonds, the holders of the Prior Bonds or any other party (other than the Authority with respect to certain covenants). See “Rate Covenant, Current Ratio Covenant and Days Cash on Hand Covenant in Regulatory Agreement” below. See also APPENDIX D—“SUMMARY OF PRINCIPAL DOCUMENTS—LOAN AGREEMENT” and “—REGULATORY AGREEMENT.”

RATE COVENANT, CURRENT RATIO COVENANT AND DAYS CASH ON HAND COVENANT IN REGULATORY AGREEMENT

Under the Regulatory Agreement, the Corporation is required to fix, charge and collect, or cause to be fixed, charged and collected, rates, fees and charges that, together with all other receipts and revenues of the Corporation and any other funds available therefor, are reasonably projected to be sufficient in each Fiscal Year, commencing in the Fiscal Year ending December 31, 2025, to produce a Debt Service Coverage Ratio equal to at least 1.25:1.0 for each Fiscal Year. For purposes of this requirement, “*Debt Service Coverage Ratio*” means, for any period of time, the ratio determined by dividing Net Income Available for Debt Service by Maximum Aggregate Annual Debt Service. “*Maximum Aggregate Annual Debt Service*” means, as of any date of calculation, the Aggregate Debt Service as computed for the then current or any future Fiscal Year in which such sum shall be largest.

The Regulatory Agreement also requires the Corporation to maintain, as of the end of each Fiscal Year, commencing with the Fiscal Year ending December 31, 2025, a Current Ratio of at least 1.50:1.0 for such Fiscal Year. For purposes of this requirement, “*Current Ratio*” shall mean a ratio of current assets to current liabilities (excluding any current assets and current liabilities derived from the Corporation’s operation and possession of, or arising from or pertaining to, its HUD Facilities), as determined in accordance with generally accepted accounting principles and as shown on the Corporation’s audited financial statements.

In addition, the Regulatory Agreement requires the Corporation to maintain, as of the end of each Fiscal Year, commencing with the Fiscal Year ending December 31, 2025, not less than 150 Days Cash on Hand, as shown on the Corporation’s audited financial statements for such Fiscal Year. For purposes of this requirement, “*Days Cash on Hand*” shall mean, for any Fiscal Year, the quotient obtained by dividing (1) the Corporation’s cash and cash equivalents (including, as applicable, board designated funds and funded depreciation but excluding donor

restricted funds and proceeds of short term debt and excluding any cash and cash equivalents derived from the Corporation's operation and possession of, or arising from or pertaining to, its HUD Facilities) as of the end of such Fiscal Year by (2) the quotient of dividing (a) the Corporation's operating expenses including interest expense (excluding depreciation, amortization, allowance for bad debts, and any other noncash expenses) for such Fiscal Year by (b) the number of days in such Fiscal Year.

The Corporation covenants and agrees under the Regulatory Agreement that within one hundred twenty (120) days after the end of each Fiscal Year the Corporation shall compute the Debt Service Coverage Ratio, the Current Ratio and the Days Cash on Hand for such Fiscal Year and promptly furnish to the Authority, the Trustee and the Department a Statement setting forth the results of such computation.

The Corporation further covenants and agrees under the Regulatory Agreement that if, at the end of such Fiscal Year, (i) the Debt Service Coverage Ratio shall have been less than as required by the provisions of the Regulatory Agreement described above in the first paragraph under this sub-heading, (ii) the Current Ratio shall have been less than as required by the provisions of the Regulatory Agreement described above in the second paragraph under this sub-heading, or (iii) the Days Cash on Hand shall have been less than as required by the provisions of the Regulatory Agreement described in the third paragraph under this sub-heading, it will promptly employ a Management Consultant to make recommendations as to a revision of the rates, fees and charges of the Corporation or the methods of operation of the Corporation which will result in producing (x) a Debt Service Coverage Ratio as required by the provisions of the Regulatory Agreement described above in the first paragraph under this sub-heading in the current Fiscal Year, (y) a Current Ratio as required by the provisions of the Regulatory Agreement described above in the second paragraph under this sub-heading in the current Fiscal Year and (z) Days Cash on Hand as required by the provisions of the Regulatory Agreement described in the third paragraph under this sub-heading in the current Fiscal Year; *provided, however*, the Corporation need not so employ a Management Consultant if the Department consents, in writing, to a waiver of said covenant to employ a Management Consultant. The Corporation shall, to the extent feasible, promptly upon its receipt of such recommendations, subject to applicable requirements or restrictions imposed by law, revise its rates, fees and charges or its methods of operation or collections and shall take such other action as shall be in conformity with such recommendations; *provided, however*, the Corporation need not make such revisions or take such actions in conformity with such recommendations if (1) the Board of Directors of the Corporation makes a good faith determination that such recommendations, in whole or in part, are not in the best interests of the Corporation, and (2) the Department gives its written consent to the effect that the Corporation need not comply, in whole or in part, with such recommendations. In the event that the Corporation fails to comply with the recommendations of the Management Consultant, the Department may replace existing management with new management, which shall be chosen unilaterally by the Department.

If the Corporation complies in all material respects with the reasonable recommendations of the Management Consultant in respect to said rates, fees, charges and methods of operation or collection, the Corporation will be deemed to have complied with the foregoing covenants for such Fiscal Year, notwithstanding that the Debt Service Coverage Ratio, the Current Ratio or the

Days Cash on Hand shall be less than the amount required by the provisions of the Regulatory Agreement described in the foregoing paragraphs; *provided*, that (1) this sentence shall not be construed as in any way excusing the Corporation from taking any action or performing any duty required under the Regulatory Agreement or be construed as constituting a waiver of any other event of default under the Regulatory Agreement and (2) the Debt Service Coverage Ratio shall be at least equal to 1.0 for such Fiscal Year.

The above-described covenants contained in the Regulatory Agreement may be waived or amended by the Department without the necessity of obtaining the consent of the owners of the Bonds, the Authority or any other party. For a further description of the Debt Service Coverage Ratio covenant, the Current Ratio covenant and the Days Cash on Hand covenant, see APPENDIX D—“SUMMARY OF PRINCIPAL DOCUMENTS—REGULATORY AGREEMENT—Rates and Charges; Debt Coverage; Current Ratio; Days Cash on Hand.”

PRIOR BONDS AND PARITY DEBT

In 2018, the Authority issued the Series 2018 Bonds. Pursuant to the Series 2018 Loan Agreement, the Authority loaned the proceeds from the sale of the Series 2018 Bonds to the Corporation for the purpose of financing and refinancing the facilities of the Corporation. The Bonds will be secured on a parity basis with the Prior Bonds by the lien of the Deed of Trust and the pledge of the Gross Revenue Fund and all of the Gross Revenues of the Corporation.

In addition to its obligations with respect to the Bonds and the Prior Bonds, the Corporation may incur Parity Debt, which is other indebtedness secured by a security interest in the Gross Revenues and the Gross Revenue Fund (and the proceeds thereof) and the lien of the Deed of Trust equally and ratably with the Corporation’s obligations to make Loan Repayments under the Loan Agreement, if issued for the purposes and subject to the conditions provided in the Regulatory Agreement. Parity Debt may not be incurred unless it is insured by the Department or unless it is issued with the consent of the Department. See APPENDIX D—“SUMMARY OF PRINCIPAL DOCUMENTS—REGULATORY AGREEMENT—Limitation on Indebtedness” hereto.

LIMITED LIABILITY OF THE AUTHORITY

THE BONDS DO NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE AUTHORITY, BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS PROVIDED THEREFOR. THE AUTHORITY SHALL NOT BE OBLIGATED TO PAY THE PRINCIPAL, OR REDEMPTION PRICE, OF THE BONDS, OR INTEREST THEREON, EXCEPT FROM THE FUNDS PROVIDED THEREFOR UNDER THE INDENTURE AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE AUTHORITY, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL, OR REDEMPTION PRICE OF, OR INTEREST ON THE BONDS (EXCEPT TO THE EXTENT EXPRESSLY PROVIDED THROUGH THE INSURANCE PROGRAM DESCRIBED HEREIN). THE ISSUANCE OF THE BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE

THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT (EXCEPT TO THE EXTENT EXPRESSLY PROVIDED THROUGH THE INSURANCE PROGRAM DESCRIBED HEREIN). THE AUTHORITY HAS NO TAXING POWER. MOREOVER, NEITHER THE AUTHORITY NOR THE PROGRAM PARTICIPANTS SHALL BE LIABLE FOR ANY OTHER COSTS, EXPENSES, LOSSES, DAMAGES, CLAIMS OR ACTIONS, IN CONNECTION WITH THE LOAN AGREEMENT, THE BONDS OR THE INDENTURE, EXCEPT ONLY TO THE EXTENT AMOUNTS ARE RECEIVED FOR THE PAYMENT THEREOF FROM THE CORPORATION UNDER THE LOAN AGREEMENT.

CALIFORNIA HEALTH FACILITY CONSTRUCTION LOAN INSURANCE PROGRAM

DESCRIPTION OF THE INSURANCE POLICY

General. The Corporation has received a conditional commitment from the Department for insurance of the Corporation's payment of the principal and interest with respect to the Bonds. Insurance of the full amount of the principal and interest with respect to the Bonds (but not any premium) is evidenced by the Contract of Insurance and the Regulatory Agreement, both of which will be entered into by the Department, the Authority and the Corporation, concurrently with the execution and delivery of the Bonds. However, payments from the Trustee to the holders of the Bonds are not insured. See APPENDIX E—"FORM OF CONTRACT OF INSURANCE" for the form and terms of the insurance provided by the Department. The insurance will reinstate in the event that any payment by the Corporation to the Trustee is recaptured as a result of the Corporation's bankruptcy or insolvency. The Regulatory Agreement sets out many of the financial covenants of the Corporation relating to, among other things, the maintenance of specified debt service coverage levels and the limitations on incurrence of additional indebtedness or disposition of assets by the Corporation. Prospective holders of the Bonds should note that the provisions of the Regulatory Agreement may be waived or amended with the written consent of the Department without the necessity of obtaining the consent of the owners of the Bonds or the Prior Bonds or the holders of any Parity Debt. See "CALIFORNIA HEALTH FACILITY CONSTRUCTION LOAN INSURANCE PROGRAM—Description of the Insurance Policy—Rights of the Department under the Regulatory Agreement" herein and APPENDIX D—"SUMMARY OF PRINCIPAL DOCUMENTS—REGULATORY AGREEMENT."

Insurance Law Section 129050, subsection (a) requires that a loan must be secured by a first mortgage, first deed of trust or other first priority lien on a fee interest of the borrower in real property and any other security agreement as the Department may require. For this purpose, the Corporation will grant a security interest in the Gross Revenue Fund and all of the Gross Revenues under the Loan Agreement, and the Corporation will enter into the Deed of Trust. Prospective holders of the Bonds should note that the provisions of the Deed of Trust may be amended, subordinated or terminated at any time with the written consent of the Department without the necessity of obtaining the consent of the Authority, the Trustee, the holders of the Bonds or the Prior Bonds or the holders of Parity Debt.

Incontestability and Non-Cancellability. Under Insurance Law Section 129110, the Contract of Insurance is incontestable from the date of execution thereof, except in case of fraud or misrepresentation on the part of the lender. The Insurance Law and the Contract of Insurance impose certain continuing obligations on the Corporation as a condition of insuring the Bonds but specify that the remedies for breach of these obligations shall not include withdrawal or cancellation of the insurance. The insurance provided by the Contract of Insurance will terminate under certain circumstances, including payment in full by the Department of the insurance with respect to the Bonds or defeasance of the Bonds pursuant to the Indenture, as more fully described in APPENDIX E—“FORM OF CONTRACT OF INSURANCE.”

Procedures upon Default. If there is an event of default as specified under the Indenture (an “*Event of Default*”), the Trustee must notify the Department. The Trustee also must notify the Department if 30 days prior to an Interest Payment Date or Principal Payment Date there are not sufficient available moneys held by the Trustee in the Revenue Fund (other than in the Bond Reserve Account) to make the next payment of principal or interest with respect to the Bonds.

Pursuant to the Regulatory Agreement, if there is an Event of Default under the Indenture and the Trustee has notified the Department that available moneys in the Principal and Interest Accounts will be insufficient to pay in full the next succeeding payment of interest and/or principal on the Bonds when due, the Department shall cause a sufficient amount to be deposited in the Principal Account and/or Interest Account at least three Business Days prior to the date on which such payment is due. The money will come from the Bond Reserve Account held under the Indenture or from the Health Facility Construction Loan Insurance Fund (the “*HFCLIF*”) that is established by the Insurance Law (Sections 129010, subsection (g) and 129200). The obligation of the Corporation to repay any money advanced from the HFCLIF is secured by the Deed of Trust.

Following an Event of Default, the Department may (i) continue to approve such transfers or make such payments described in the preceding paragraph as are necessary to provide for the timely payment of the principal of and interest with respect to the Bonds, (ii) accept title to the Communities from the Trustee upon foreclosure pursuant to the Deed of Trust or otherwise, (iii) accept an assignment of the security interest created under the Deed of Trust and of all claims under the Indenture, or (iv) instruct the Trustee to declare the principal of the Bonds then Outstanding and the interest with respect thereto to be immediately due and payable and make such payment from the HFCLIF. If funds in the HFCLIF are not sufficient to make the required payments described above, the Department shall notify the Treasurer who is required to issue debentures in place of such Bonds. See “THE DEPARTMENT, THE INSURANCE PROGRAM AND THE INSURANCE FUND—State Debentures” below.

Rights of the Department under the Regulatory Agreement. The Regulatory Agreement grants the Department extensive rights, including the right to attend and participate, but not vote, in all meetings of the Corporation’s Board of Directors. Additionally, the Regulatory Agreement prohibits the Corporation from taking certain actions without first obtaining the consent of the Department or meeting certain requirements in the Regulatory Agreement, including affiliating with, merging into, or consolidating with any entity; transferring cash or cash equivalents to any entity, including but not limited to a subsidiary or an affiliate of the Corporation; disposing of or

acquiring property; and incurring indebtedness. Additionally, upon the occurrence of an event of default under the Regulatory Agreement, the Deed of Trust or the Indenture, the Department shall have the remedies provided in Insurance Law Section 129173. See APPENDIX D—“SUMMARY OF PRINCIPAL DOCUMENTS—REGULATORY AGREEMENT.”

Rate Covenant and Other Financial Covenants. Under the Regulatory Agreement, the Corporation is required to fix, charge and collect, or cause to be fixed, charged and collected, subject to applicable requirements or restrictions imposed by law, such rates, fees and charges which, together with all other receipts and revenues of the Corporation and any other funds available therefor, are reasonably projected to be sufficient in each Fiscal Year, commencing in the Fiscal Year ending December 31, 2025, to produce a Debt Service Coverage Ratio equal to at least 1.25:1.0 for each Fiscal Year. The Regulatory Agreement also requires the Corporation to maintain, as of the end of each Fiscal Year, commencing in the Fiscal Year ending December 31, 2025, a Current Ratio of at least 1.50:1.0 for such Fiscal Year and at least 150 Days Cash on Hand. The measurement of Days Cash on Hand is taken at the end of each particular fiscal year. For more specific information relating to these covenants, see “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS—Rate Covenant, Current Ratio Covenant and Days Cash on Hand Covenant in Regulatory Agreement” and APPENDIX D—“SUMMARY OF PRINCIPAL DOCUMENTS—REGULATORY AGREEMENT.”

Covenants contained in the Regulatory Agreement may be waived or amended by the Department without the necessity of obtaining the consent of the holders of the Bonds, the Authority or any other party. For a further description of the rate covenant, the current ratio covenant and the Days Cash on Hand covenant, see APPENDIX D—“SUMMARY OF PRINCIPAL DOCUMENTS—REGULATORY AGREEMENT—Rates and Charges; Debt Coverage; Current Ratio; Days Cash on Hand.” The Bonds will continue to be insured by the Department in the manner described above even if an Event of Default were to occur under financial or other covenants made by the Corporation.

THE DEPARTMENT, THE INSURANCE PROGRAM AND THE INSURANCE FUND

General. The California Health Facility Construction Loan Insurance Program (the “Insurance Program”) is authorized by Article XVI, Section 4 of the California Constitution and is provided for in the Insurance Law. The Insurance Program is operated by the Department, which has adopted regulations implementing the Insurance Program. Under the Insurance Law, the Department is currently authorized to insure health facility construction, improvement and expansion loans, as specified in the Insurance Law. Entities which may obtain insurance for their facilities include both public agencies and nonprofit corporations, and authorized health facilities include a wide range from acute care facilities to local clinics, dependency centers and community mental health centers. The Insurance Law authorizes the Insurance Program to insure not more than \$3,000,000,000 principal amount of loans at any time. As of March 31, 2025 the principal amount of loans insured under the Insurance Program was approximately \$1,254,524,244 comprised of 56 loans.

Finances of the Insurance Program; Financial Reports. The Insurance Program is financed by an application fee of 0.5% of the loan applied for, but not to exceed \$500 (Insurance

Law section 129090), an inspection fee not in excess of 0.4% of the loan that is insured (Insurance Law section 129035), and an insurance premium due in full at closing not in excess of 3.0% of the total amount of principal and interest payable over the term of the loan (Insurance Law section 129040). The fees and premiums charged are deposited in the HFCLIF and are used to defray administrative expenses of the Insurance Program, to cure defaults on loans and to pay principal of and interest on insured bonds and certificates of participation prior to issuance of debentures by the Treasurer.

Under the Insurance Law, payments of principal and interest with respect to the Bonds or payments on the debentures would be made by the Department from the HFCLIF. As of March 31, 2025, the cash balance of the HFCLIF was \$128,928,529. The monies in the HFCLIF are continuously appropriated to pay obligations insured by the Department under the Insurance Law. Insurance Law section 129215 states: “The Health Facility Construction Loan Insurance Fund, established pursuant to Section 129200, shall be a trust fund and neither the fund nor the interest or other earnings generated by the fund shall be used for any purpose other than those purposes authorized by this chapter.” The moneys in the HFCLIF are invested in the State’s Pooled Money Investment Account.

The Department is required by law to submit certain reports to the Legislature, consisting of two Annual Reports (one report describes the financial status of the Insurance Program and its insured portfolio and the second report describes its borrowers’ compliance with their community service obligations), and a State Plan. The State Plan is prepared every two years, as of January 1 of each odd-numbered year. The 2017, 2019 and 2021 State Plans were consolidated into one report that was released in March 2023. The consolidated plan is available at the website of the Department at <https://hcai.ca.gov/wp-content/uploads/2023/03/2017-2019-and-2021-Consolidated-State-Plan-Final.pdf>. The 2023 State Plan has been started and is expected to be complete by the end of calendar year 2025. The Annual Reports to the Legislature for the fiscal year ended June 30, 2021 are available at the website of the Department. The Annual Reports to the Legislature for the fiscal year ended June 30, 2022 have been started and are expected to be completed by the end of calendar year 2025.

The Department also prepares monthly reports containing the insured loan balance, the HFCLIF balance, total debt service reserves of all loans, and anticipated recoveries. The most recent monthly report available from the Department is available at the website of the Department.

The following table provides certain statistics for the Insurance Program as of the end of the last five fiscal years ended June 30 for which reports are available from the Department:

	FISCAL YEAR ENDED JUNE 30				
	2020	2021	2022	2023	2024
Number of Loans Insured	78	66	63	58	59
Principal Amount of Loans Insured	\$1,780,317,746	\$1,661,201,598	\$1,548,180,135	\$1,386,594,261	\$1,295,902,235
Cash Balance of HFCLIF	\$163,825,305	\$153,567,319	\$145,943,846	\$128,002,703	\$135,077,220

Insurance Program Loans; Status of Borrowers. The future financial status of the Insurance Program is directly affected by the financial performance of the borrowers in the Insurance Program and their current and projected ability to repay their loans. The Department has established a rating system to implement objective criteria and continues to monitor each borrower for compliance with loan covenants and assigns a risk rating (A to F) to each borrower and all of its loans.

The risk ratings have a corresponding relationship to the financial status of the borrower and risk to the HFCLIF:

A Rating—no material problems;

B Rating—minor problems such as one or more of the following: for more than one fiscal year, some of the borrower's covenant requirements have not been met; the borrower's financial trends indicate potential problems; the borrower is more than 6 months late in providing its financial and other reports as required by its Regulatory Agreement;

C Rating—serious problems, such as one or more of the following: the borrower's last insured loan payment was not paid within 30 days of the delinquency date defined in the borrower's Regulatory Agreement; the borrower's days cash on hand is low; the last calculation of the insured debt service coverage ratio was below 1.0 and the project does not have a substantial cash cushion either in days cash on hand or in relation to amount of insured debt; payables and receivables indicate inappropriate lag time; economic indicators locally, regionally or statewide are impacting the borrower; management turnover and/or board oversight is in question; the borrower has filed for bankruptcy protection but is making full payments on insured debt;

D Rating—very serious problems such as one or more of the following: the debt service reserve fund has been invaded and the borrower is not making substantial progress in fully replenishing its debt service reserve fund, pursuant to the loan documents; financial trends have been escalating downward with no action plan in place to correct the problem; the borrower's days cash on hand is exceedingly low, such that it does not appear that the borrower will be able to make its next payroll; payment(s) are not being made and HFCLIF may be used within the next 12 months;

E Rating—payments have been or are being made from the HFCLIF, but full recovery is expected. The Department has a work out plan with the borrower; and

F Rating—payments have been or are being made from the HFCLIF and loss of some magnitude is expected.

As of March 31, 2025, there was one borrower with loans in the portfolio with D, E, or F Ratings. The E-rated borrower was St. Rose Hospital with an outstanding principal balance of \$16,687,858 as of March 31, 2025 (see St. Rose Hospital below for more information). Since the start of the Insurance Program in 1972, through March 31, 2025, 22 borrowers (with 32

loans) have defaulted with all required payments coming from the HFCLIF (without cost to the State General Fund).

On May 23, 2023, the San Benito Health Care District dba Hazel Hawkins Memorial Hospital (“SBHCD”) filed a voluntary petition for Chapter 9 bankruptcy in the United States Bankruptcy Court Northern District of California. On March 21, 2024, the bankruptcy court ordered the dismissal of SBHCD’s bankruptcy petition on the basis that SBHCD is ineligible for Chapter 9 relief. SBHCD appealed the dismissal, and on March 21, 2025, the Northern District of California Appellate Court upheld the bankruptcy court’s order. The Department insures one bond issue for SBHCD with an outstanding balance of \$6,795,000. SBHCD’s loan currently has a C rating. SBHCD continues to make full bond payments and its debt service reserve fund is fully funded.

Hayward Sisters Hospital dba St. Rose Hospital (“St. Rose”) has experienced financial difficulties since 2009. On August 19, 2024, St. Rose and Alameda Health Systems (AHS) entered into a membership issuance agreement by which AHS became the sole corporate member of St. Rose. On October 31, 2024, the Department, St. Rose, and AHS executed a Debt Service Relief Agreement (DSRA) by which the Department agreed to cure St. Rose’s defaults by making payments on a Department insured bank line of credit (the “St. Rose LOC”) and a Department insured bank term note (the “St. Rose Note”) from the HFCLIF. Under the DSRA, the Department began making full debt service payments on the St. Rose Note in November 2024 and will continue making full debt service payments into October 2027. The Department will make partial debt service payments on the St. Rose Note beginning in November 2027 and ending in October 2029. St. Rose will make partial payments on the St. Rose Note beginning in November 2027 and ending in December 2029. At that time of execution of the DSRA, the principal balance of the St. Rose Note was \$17,810,363 and the principal balance of the St. Rose LOC was \$10,000,000. Between December 2024 and May 2025, the Department made four advances from the HFCLIF totaling \$13,957,324.37 to pay off the St. Rose LOC and fully fund debt service due on the St. Rose Note. The Department anticipates that St. Rose will require additional advances from the HFCLIF of approximately \$11,610,515 for debt service on the St. Rose Note between November 2025 and October 2029. Under the terms of the DSRA, St. Rose will repay all of the Department’s HFCLIF advances to the Department with interest beginning in January 2030 and ending December 2034.

State Debentures. In the event the obligations of the HFCLIF to pay on an issue of defaulted bonds or certificates of participation exceeds the available balances in the HFCLIF, and upon receipt by the Department of title to the subject facilities or assignment of the security interest in a deed of trust and upon surrender of the defaulted bonds or certificates of participation to the Department, the Department shall notify the Treasurer and request the Treasurer to issue debentures to the holders of the defaulted bonds or certificates of participation, as applicable, so surrendered. Pursuant to Insurance Law section 129160, subsection (a), (1) the debentures shall bear interest at a rate equal to the stated interest rate(s) on the insured loan or bonds, and shall be payable on a payment schedule identical to payments on the insured loan or bonds; (2) the debentures are fully and unconditionally guaranteed as to principal and interest by the State; and (3) the amounts to be paid on the debentures will be continuously appropriated from the General Fund of the State Treasury. Insurance Law section 129160, subsection (b)

provides, “Any debenture issued under this article shall be paid on par with general obligation bonds issued by the state.” See “CERTAIN FINANCIAL INFORMATION REGARDING THE STATE” and “RATING” herein.

While the Department has not requested the issuance of and the Treasurer has not issued any such debentures since the inception of the Insurance Program, the Department, the Treasurer and the State Department of Finance have entered into a memorandum of understanding in December 2016 establishing procedures for the issuance of debentures (the “*Memorandum of Understanding*”). A copy of the Memorandum of Understanding is available upon request to: Department of Health Care Access and Information, Office of Health Facility Loan Insurance, 2020 West El Camino Avenue, Suite 1231, Sacramento, CA 95833, Telephone: (916) 319-8800; e-mail: cminsure@hcai.ca.gov. It is expected that, to the same extent as interest on the Bonds is not includable in the gross income of the holders thereof for purposes of federal income taxation, interest on the debentures would not be includable in the gross income of the holders, and that interest on debentures would be exempt under the law as in effect on the date hereof from State personal income taxes. Upon the occurrence of certain Events of Default under the Indenture, there is the possibility that the interest on the Bonds could become subject to federal income taxation. The Indenture provides that there shall be no acceleration of the principal of and interest on the Bonds upon the occurrence of an Event of Default under the Indenture without the consent of the Department. If the Bonds were declared taxable by the Internal Revenue Service (“IRS”) or another appropriate authority, thereby resulting in an Event of Default under the Indenture, and if the Department did not consent to an acceleration, the holders of the Bonds (and holders of any debentures exchanged for such Bonds) would continue to receive interest payments, but those interest payments would not be excludable from gross income for federal income tax purposes. See APPENDIX D —“SUMMARY OF PRINCIPAL DOCUMENTS—INDENTURE—Events of Default under the Indenture and Remedies—Events of Default” and “—Acceleration of Maturities.”

Actuarial Study. The Department obtains an independent actuarial review of the HFCLIF every two years. At the request of the Department, Oliver Wyman Actuarial Consulting, Inc. (“*Oliver Wyman*”) completed a study on November 4, 2024 (the “*2022 Actuarial Study*”) to evaluate, among other matters, (1) the reserve sufficiency of the HFCLIF as of June 30, 2022; and (2) the risk to the State’s General Fund from the Insurance Program. Oliver Wyman compared the HFCLIF cash balance as of June 30, 2022 of \$145.94 million against the reserve and capital requirements standards set by the California Department of Insurance for private financial guaranty insurers; the 2022 Actuarial Study indicated that the Insurance Program’s assets were at least \$11.00 million below the level which would be required by the California Department of Insurance standards for private insurers (including reserves for projects which were anticipated to default in fiscal year 2022/23). As to the second subject, the 2022 Actuarial Study indicated that the HFCLIF as of June 30, 2022 under the “expected scenario” (which scenario assumed, among other things, a 6.86% default rate) would maintain a positive balance until at least the forecast period of 2051/52. Even under the “most pessimistic scenario” in which a 10% probability of catastrophic loss was used, the 2022 Actuarial Study indicated that there was a 70% likelihood that HFCLIF reserves as of June 30, 2022 would protect against any General Fund losses until at least 2031/32, and a 90% likelihood that HFCLIF reserves as of June 30, 2022 would protect against any General Fund losses until at least 2027/28.

The 2022 Actuarial Study is based on stated assumptions and estimates including, but not limited to, default rates, investment yields, termination rates, claim severities, catastrophic losses and payment patterns. Variation from such estimates or assumptions may cause actual results to vary from the analysis in the 2022 Actuarial Study and such variations could be material. A copy of the 2022 Actuarial Study is available on the Department's website.

See "BONDHOLDERS' RISKS—State Bond Insurance" for a discussion of the risks related to the Insurance. See "RATING" in this Official Statement for a discussion of the rating the Bonds are expected to receive due to the insurance by the Department of the Bonds.

For a further description of the Regulatory Agreement and the Contract of Insurance, see APPENDIX D—"SUMMARY OF PRINCIPAL DOCUMENTS" and APPENDIX E—"FORM OF CONTRACT OF INSURANCE."

CERTAIN FINANCIAL INFORMATION REGARDING THE STATE

Information about the financial condition of the State, including the State budget and State spending, is available at various State-maintained websites. Information concerning the current fiscal year State budget may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget." Analyses of the current year budget and future budget proposals are posted from time to time by the independent Office of the Legislative Analyst at www.lao.ca.gov. Reference is made to the most recent preliminary official statement or official statement issued by the State in connection with general obligation bonds or lease revenue obligations, which can be accessed from the State Treasurer's investor relations website at www.buycaliforniabonds.com (for preliminary official statements during the period the related bonds are being marketed to potential investors in the final offering) or through EMMA, a facility of the MSRB, at <http://emma.msrb.org> (for final official statements during the period the related bonds are being marketed to potential investors in the final offering). All of such websites and other sources are provided for general informational purposes only and the material on such sites and from such resources is in no way incorporated into this Official Statement. Readers are cautioned that such information is not necessarily fully current and that the reported financial condition of the State may have changed since the date such information was published or posted.

PLAN OF FINANCING

The Corporation will use the proceeds of the Bonds, together with other available funds, to (i) refund all of the outstanding Series 2015 Bonds; (ii) finance costs of, or reimburse prior expenditures related to, capital projects at the Communities; (iii) fund a Bond Reserve Account for the benefit of the Bonds; (iv) pay the premium to the Department in connection with the Contract of Insurance; and (v) pay certain of the costs of issuance of the Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" herein.

REFUNDING OF SERIES 2015 BONDS

A portion of the proceeds of the Bonds will be deposited in an escrow fund. The funds deposited in such escrow fund will be sufficient to redeem all of the Series 2015 Bonds on a date that is 30 days following the date of issuance of the Bonds at a redemption price of 100% of the principal amount thereof. Upon such irrevocable deposit, the Series 2015 Bonds will be deemed paid and no longer Outstanding. The funds deposited in the escrow fund will not be available to make payments on the Bonds. The deposit of moneys into the escrow fund will constitute an irrevocable deposit for the benefit of the holders of the Series 2015 Bonds. See “VERIFICATION OF MATHEMATICAL COMPUTATIONS” herein.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds related to the Bonds (with all amounts rounded to the nearest dollar).

Sources of Funds:

Par Amount of Bonds	\$151,555,000
Net Original Issue Premium	3,471,097
Trustee Held Funds	5,326,514
Corporation's Equity	12,037,154
Total Sources of Funds	<u>\$172,389,766</u>

Uses of Funds:

Project Costs	\$112,037,154
Refunding of Series 2015 Bonds	49,891,531
Bond Reserve Account ⁽¹⁾	3,099,688
Costs of Issuance ⁽²⁾	7,361,393
Total Uses of Funds	<u>\$172,389,766</u>

⁽¹⁾ See “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS – Bond Reserve Account” herein.

⁽²⁾ Includes legal, printing, rating agency and Authority's fees and expenses, Underwriter's discount, the premium paid to the Department for insurance under the Insurance Program and other miscellaneous issuance costs.

CONTINUING DISCLOSURE

THE AUTHORITY

Because the Bonds are limited obligations of the Authority, payable solely from amounts received from the Corporation, financial or operating data concerning the Authority is not material to an evaluation of the offering of the Bonds or to any decision to purchase, hold or sell the Bonds. Accordingly, the Authority is not providing any such information. The Corporation has undertaken all responsibilities for any continuing disclosure to holders of the Bonds, as described below, and the Authority shall have no liability to the holders of the Bonds or any

other person with respect to Rule 15c2-12 promulgated by the Securities and Exchange Commission (the “Rule”).

THE CORPORATION

In connection with the issuance of the Bonds, the Corporation will enter into a continuing disclosure agreement (the “*Continuing Disclosure Agreement*”), in which it will covenant for the benefit of the Holders and Beneficial Owners of the Bonds, to disseminate each of the following: (i) certain financial information and operating data relating to the Corporation (each, an “*Annual Report*”) by not later than 120 days following the end of the Corporation’s fiscal year (which currently is December 31), commencing with the report for the Corporation’s fiscal year ending December 31, 2025, (ii) certain unaudited financial information and operating data relating to the Corporation by not later than 45 days following the end of each fiscal quarter (each, a “*Quarterly Report*”), commencing with the Quarterly Report for the quarter ending June 30, 2025, (iii) the Corporation’s annual budget by not later than 30 days following the end of each fiscal year, and (iv) notices of the occurrence of certain enumerated events. The Annual Report, the Quarterly Report, the annual budget and notices of certain enumerated events will be filed by the Corporation (or by a dissemination agent on its behalf) with the MSRB through EMMA. These covenants have been made in order to assist the B.C. Ziegler and Company (the “*Underwriter*”) in complying with the Rule. See APPENDIX F—“FORM OF CONTINUING DISCLOSURE AGREEMENT.”

In connection with the issuance of the Series 2015 Bonds, the Corporation executed a continuing disclosure undertaking similar to the Continuing Disclosure Agreement. During the five years preceding the date of issuance of the Bonds, the Corporation materially complied with the provisions of such continuing disclosure undertaking. In connection with the issuance of the Series 2018 Bonds, the Corporation executed a continuing disclosure undertaking similar to the Continuing Disclosure Agreement. During the five years preceding the date of issuance of the Bonds, the Corporation failed to file the required comparison of its financial performance to its operating budget for the fiscal year ended December 31, 2023.

BONDHOLDERS’ RISKS

Set forth below are certain risk factors that should be considered before any investment in the Bonds is made. Certain risks are inherent in the successful operation of the Corporation’s facilities. **This section discusses some of these risks but is not intended to be, and should not be considered, a comprehensive listing of all risks associated with the operation of the Communities or the payment of the Bonds.** These risks should be read together with the rest of the Official Statement.

GENERAL

The purchase and ownership of the Bonds involves investment risks that are discussed throughout this Official Statement. These risk factors should not be considered definitive or exhaustive. Prospective purchasers of the Bonds should evaluate all the information presented in this Official Statement. This section on bondholders’ risks focuses primarily on the general risks

associated with the health care industry and the operations of senior living facilities, whereas APPENDIX A describes the Corporation and the Communities specifically. This section and APPENDIX A should be read together.

As described herein under the caption “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS,” the principal of, premium, if any, and interest on the Bonds, except to the extent that the Bonds will be payable, under certain circumstances, from proceeds of the Bonds, investment earnings thereon, proceeds of insurance, sale or condemnation awards or net amounts by recourse to the Deed of Trust, are payable solely from amounts payable by the Corporation under the Loan Agreement. No representation or assurance is given or can be made that revenues will be realized by the Corporation in amounts sufficient to pay debt service on the Bonds when due and other payments necessary to meet the obligations of the Corporation. The risk factors discussed below should be considered in evaluating the ability of the Corporation to make payments in amounts sufficient to provide for the payment of the principal of, the premium, if any, and interest on the Bonds.

The receipt of future revenues by the Corporation will be subject to, among other factors, (a) maintaining high occupancy levels by residents who are able to pay the residency costs and fees; (b) the capabilities of management of the Corporation (“*Management*”); (c) the implementation and effects of future governmental law or regulation relating to senior living, assisted living, memory care, skilled nursing and extended care facilities; (d) the policies of any material third-party payors; (e) the duration, scope, and aftereffects of any pandemic or other public health emergency and governmental and private responses to such event; (f) future economic and other conditions; and (g) increased competition from other senior living providers; all of which are unpredictable. The ability of the Corporation to generate future revenues has a direct effect upon the payment of principal of, premium and purchase price, if any, and interest on the Bonds. Neither the Underwriter nor the Authority has made any independent investigation of the extent to which any such factors may have an adverse effect on the revenues of the Corporation. See also, “POTENTIAL CHANGES TO TAX TREATMENT OF BONDS,” and “FUTURE LEGISLATION AND SHIFTING FEDERAL LANDSCAPE” below.

Payment of the principal of and interest on the Bonds will be insured by the Department. The Authority has no control, financial or otherwise, over the Department. If the Corporation defaults in making Loan Repayments and the Department defaults on its insurance obligations under the Contract of Insurance, there could be delay in payment to the Holders of the Bonds.

LIMITED OBLIGATIONS

THE BONDS DO NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE AUTHORITY, BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS PROVIDED THEREFOR. THE AUTHORITY SHALL NOT BE OBLIGATED TO PAY THE PRINCIPAL, OR REDEMPTION PRICE, OF THE BONDS, OR INTEREST THEREON, EXCEPT FROM THE FUNDS PROVIDED THEREFOR UNDER THE INDENTURE AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE AUTHORITY, IS

PLEDGED TO THE PAYMENT OF THE PRINCIPAL, OR REDEMPTION PRICE OF, OR INTEREST ON THE BONDS (EXCEPT TO THE EXTENT EXPRESSLY PROVIDED THROUGH THE INSURANCE PROGRAM DESCRIBED HEREIN). THE ISSUANCE OF THE BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT (EXCEPT TO THE EXTENT EXPRESSLY PROVIDED THROUGH THE INSURANCE PROGRAM DESCRIBED HEREIN). THE AUTHORITY HAS NO TAXING POWER. MOREOVER, NEITHER THE AUTHORITY NOR THE PROGRAM PARTICIPANTS SHALL BE LIABLE FOR ANY OTHER COSTS, EXPENSES, LOSSES, DAMAGES, CLAIMS OR ACTIONS, IN CONNECTION WITH THE LOAN AGREEMENT, THE BONDS OR THE INDENTURE, EXCEPT ONLY TO THE EXTENT AMOUNTS ARE RECEIVED FOR THE PAYMENT THEREOF FROM THE CORPORATION UNDER THE LOAN AGREEMENT.

MANAGEMENT'S FORECAST

Management's financial forecast contained in the Financial Feasibility Study included in APPENDIX C hereto is based upon assumptions made by the management of the Corporation. As stated in such financial forecast, there will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. In addition, the financial forecast is only for the six years ending December 31, 2030, and consequently does not cover the whole period during which the Bonds may be outstanding. **The Financial Feasibility Study should be read in its entirety, including management's notes and assumptions set forth therein.** See APPENDIX C hereto.

BECAUSE THERE IS NO ASSURANCE THAT ACTUAL EVENTS WILL CORRESPOND WITH THE ASSUMPTIONS MADE, NO GUARANTEE CAN BE MADE THAT MANAGEMENT'S FINANCIAL FORECAST IN THE FINANCIAL FEASIBILITY STUDY WILL CORRESPOND WITH THE RESULTS ACTUALLY ACHIEVED IN THE FUTURE. ACTUAL OPERATING RESULTS MAY BE AFFECTED BY MANY UNCONTROLLABLE FACTORS, INCLUDING BUT NOT LIMITED TO INCREASED COSTS, LOWER THAN ANTICIPATED REVENUES, EMPLOYEE RELATIONS, TAXES, GOVERNMENTAL CONTROLS, CHANGES IN APPLICABLE GOVERNMENTAL REGULATION, CHANGES IN DEMOGRAPHIC TRENDS, CHANGES IN THE SENIOR CARE AND HOUSING AND HEALTH CARE INDUSTRIES, AND GENERAL ECONOMIC CONDITIONS.

STATE BOND INSURANCE

Because the principal and interest payments on the Bonds to the Trustee (but not payments from the Trustee to the holders of the Bonds) will be insured by the Department, if the principal and interest payments on the Bonds are not made when due by the Corporation, such payments would be made by the Department from the HFCLIF. The last actuarial study of HFCLIF obtained by the Department was as of June 30, 2022, and indicated that the HFCLIF could be depleted prior to the final maturity date of the Bonds in the event a 10% probability of catastrophic loss was assumed. The 2022 Actuarial Study is available at the website of the

Department. See “CALIFORNIA HEALTH FACILITY CONSTRUCTION LOAN INSURANCE PROGRAM—The Department, the Insurance Program and the Insurance Fund.”

To the extent the HFCLIF reserves are depleted and subject to the requirements of the Insurance Law, the Department shall request the Treasurer to issue debentures which are fully and unconditionally guaranteed as to principal and interest by the State in an amount equal to the then outstanding principal amount of the Bonds. Accordingly, any decline in the State’s fiscal condition could adversely affect the State’s ability to make payment on debentures in the event of a claim on such insurance. See “CERTAIN FINANCIAL INFORMATION REGARDING THE STATE.”

In addition, over certain time periods, deterioration in the State’s budget and cash situation may cause the nationally recognized rating services to reduce the State’s credit ratings. S&P Global Ratings, the rating agency for the Bonds, has indicated that it rates the Department’s insured bonds on par with the rating of the State’s general obligation bonds and that any rating action affecting the State will directly affect the rating on the Insurance Program. Therefore, any decline in the State’s fiscal condition could adversely affect the rating on the Bonds. See “CALIFORNIA HEALTH FACILITY CONSTRUCTION LOAN INSURANCE PROGRAM—The Department, the Insurance Program and the Insurance Fund.” See also “CERTAIN FINANCIAL INFORMATION REGARDING THE STATE” and “RATING.”

POTENTIAL CHANGES TO TAX TREATMENT OF BONDS

Proposals to alter or eliminate the exclusion of interest on tax-exempt bonds such as the Bonds from gross income for some or all taxpayers have been made in the past and may be made again in the future. If adopted, any such proposals could alter the federal tax and/or state tax treatment described under the heading “TAX MATTERS” herein. Certain legislative proposals, if enacted, could result in taxation of all or a portion of the interest on tax-exempt bonds, including the Bonds, for certain taxpayers under the regular income tax, the alternative minimum tax or otherwise, and could apply to bonds issued before, on, or after the date of enactment.

It is unclear whether any legislation will be enacted affecting the tax treatment of interest on the Bonds. If any such legislation is retroactive and applies to tax-exempt bonds previously issued for the benefit of the Corporation, including the Bonds, the adoption of any such legislation could adversely affect the market value or marketability of the Bonds and the financial condition of the Corporation. In addition, the adoption of any such legislation could increase the cost to the Corporation of financing future capital needs.

FUTURE LEGISLATION AND SHIFTING FEDERAL LANDSCAPE

Legislation is periodically introduced in the U.S. Congress and in the State legislature that may directly or indirectly affect the health care and senior living industries. The scope and effect of any such future legislation cannot be predicted, but may materially affect the Corporation’s operation, financial condition, or tax-exempt status.

The evolving priorities and policies of the Trump administration may have a significant effect on the health care and senior living industries. For example, shifts in leadership at

executive agencies such as the U.S. Department of Health and Human Services and the Centers for Medicare & Medicaid Services (“CMS”) and the creation of temporary executive commissions such as the Department of Government Efficiency, may create uncertainty for health care and senior living providers around regulatory priorities, Medicare and Medicaid reimbursement, and other funding or programs upon which providers may rely. The imposition of tariffs may create supply chain issues, which could materially increase operating costs or construction costs and adversely affect operations of the Corporation. Additionally, efforts to weaken or repeal the ACA (defined and discussed in more detail below) or to reduce federal expenditures, including as required by the recently enacted One Big Beautiful Bill Act (“OBBBA”), could lead to reduced reimbursement or federal funds otherwise available to health care providers, a decrease in Medicaid beneficiaries, and a corresponding financial strain on health care and senior living providers that accept Medicaid. As noted below under “FEDERAL AND STATE REGULATIONS—*Federal and State Health Care Program Reimbursement Cuts or Delays*,” the Corporation does not currently participate in Medicaid. While the OBBBA does not directly cut federal Medicare spending, the law indirectly may result in future Medicare cuts as the Congressional Budget Office has estimated that the law will increase the federal deficit by \$3.4 trillion through 2034.

PANDEMIC OR OTHER PUBLIC HEALTH EMERGENCY

General. The occurrence of a public health emergency, including a pandemic similar to the COVID-19 pandemic and governmental and public responses to such emergency, may directly or indirectly affect the operations and financial condition of senior living facility operations and senior care providers in a multitude of ways. There can be no assurance that a future pandemic or other public health emergency will not result in material adverse consequences to the operations or financial condition of the Corporation. The extent to which government stimulus and support or business interruption insurance would be available in connection with any such event is fact-dependent and there can be no assurance that any available government support or insurance coverage would be sufficient to cover losses.

COVID-19 Pandemic. The COVID-19 pandemic had significant negative effects on the economy generally as well as direct health care and senior care related consequences. The pandemic resulted in volatility in equity markets and the public markets for the issuance and trading of all securities. The pandemic caused business failures and cutbacks attributable to changes in market behavior, the complete effects of which are still unclear. National, state, and local governmental actions taken during the pandemic, including the passage of laws and regulations, caused substantial changes to the way health care and senior care are provided and how society in general functions and may have long-term consequences for the way health care services are provided generally.

GENERAL ECONOMIC CONDITIONS AND FINANCIAL MARKET DISRUPTION

The U.S. economy is unpredictable. Economic downturns and other unfavorable economic conditions have previously impacted the health care and senior care industries and health care and senior care providers’ business and financial condition. If general economic conditions worsen, the Corporation may not be able to achieve or sustain future profitability, and its liquidity and ability to repay outstanding debt, including debt service on the Bonds, may be

adversely affected. Broad economic factors—such as inflation, unemployment rates, instabilities in consumer spending, or instabilities in the housing market—could adversely affect the Corporation’s business and its ability to collect outstanding receivables. Other economic conditions that from time to time may adversely affect the Corporation’s revenues and expenses, and, consequently, its ability to make all scheduled payments under the Loan Agreement (and corresponding payments on the Bonds), include but are not limited to: (1) an inability to access financial markets on acceptable terms at a desired time or increased borrowing costs, (2) significant investment portfolio losses, (3) increased business failures and consumer and business bankruptcies, (4) federal and state budget challenges resulting in reduced or delayed federal health care program reimbursement or pension benefit cuts, (5) a reduction in the demand for senior living and care services, (6) an increase in lawsuits and increased malpractice and casualty insurance expenses, (7) reduced availability or affordability of insurance, (8) a shortage of professional or non-professional personnel, (9) a shortage of medical supplies or equipment due to a public health emergency, tariffs, or other factors, (10) increased operating costs due to inflation, tariffs or other factors, (11) a reduction in the receipt of grants and charitable contributions, (12) unfavorable demographic developments in the Communities’ service areas, and/or (13) increased competition from other senior living facilities or health care institutions. Future financial market disruptions cannot be predicted and there can be no assurance that future financial disruptions will not materially or adversely affect the operations and financial condition of the Corporation. **The Financial Feasibility Study should be read in its entirety, including management’s notes and assumptions set forth therein.** See APPENDIX C hereto.

Like the rest of the country, the senior living sector has recently experienced significant increases in costs of food and energy, in addition to associated wage and salary pressures. Management cannot anticipate how long such inflationary pressures, particularly in wages, food, and energy prices, will continue. The inability of the Corporation to increase fees and charges to keep pace with inflation could adversely affect the financial condition and results of operations of the Corporation.

UNCERTAINTY OF REVENUES

Although the Corporation expects that revenues will be adequate to make all scheduled payments under the Loan Agreement (and corresponding payments on the Bonds), a number of factors could decrease revenues. Future economic and other conditions, including those summarized above under “GENERAL ECONOMIC CONDITIONS AND FINANCIAL MARKET DISRUPTION”, may adversely affect revenues and, consequently, the Corporation’s ability to make payments under the Loan Agreement.

The principal and interest payments on the Bonds will be insured by the Department. The Authority has no control, financial or otherwise, over the Department. If the Corporation were to default in making Loan Repayments under the Loan Agreement and the Department were to default on its insurance obligations under the Contract of Insurance, there could be insufficient funds available to pay the Holders of the Bonds. See “CALIFORNIA HEALTH FACILITY CONSTRUCTION LOAN INSURANCE PROGRAM,” “CERTAIN FINANCIAL INFORMATION REGARDING THE STATE,” and “BONDHOLDERS’ RISKS—State Bond Insurance.”

FAILURE TO ACHIEVE AND MAINTAIN OCCUPANCY AND TURNOVER

The ability of the Corporation to generate sufficient revenues depends in large part on the Corporation's ability to attract sufficient numbers of residents to the Communities in order to maintain substantial occupancy and turnover of occupancy throughout the term of the Bonds. Because occupancy and turnover at the Communities depend upon factors outside the Corporation's control, such as residents' rights to terminate their contracts with the Corporation or residents' financial condition, the Corporation must rely on various assumptions about the Corporation's residents and the market for its services. Where such assumptions prove to be wrong, the Corporation's revenue will be affected. For example, the Corporation's receipt of additional monthly service or entrance fees could be impaired by fewer permanent transfers to higher levels of care at the Communities than anticipated, or a market-induced reduction in the amount of or deferral of the monthly service or fees payable by new residents. Revenues would also be impaired if the Corporation is unable to remarket units as they become available. If the Corporation fails to maintain occupancy levels and remarket residential living units as they become available, or if there is a reduction in the amount of monthly service or entrance fees received, the Corporation may lack sufficient funds to pay debt service on the Bonds. **The Financial Feasibility Study should be read in its entirety, including management's notes and assumptions set forth therein.** See APPENDIX C hereto.

COMPETITION

Increased competition from a wide variety of potential sources, including but not limited to other life plan communities (or CCRCs), multi-level retirement communities, assisted living communities, retirement communities, memory care communities, residential living communities, life care communities, skilled nursing facilities, nursing homes, inpatient and outpatient health care facilities, independent living communities, home health agencies, home care agencies, and other providers could adversely affect the utilization and/or revenue of the Corporation. Existing and potential competitors may not be subject to various restrictions applicable to the Corporation, and competition may, in the future, arise from new sources not currently anticipated or prevalent. Such competition could inhibit the extent to which the Corporation will be able to raise charges and maintain or increase admissions. There can be no assurance that additional competing facilities will not be built in the future or that medical and technological advances will not reduce demand for the Corporation's programs and services. **The Financial Feasibility Study should be read in its entirety, including management's notes and assumptions set forth therein.** See APPENDIX C hereto.

CHANGES IN CAPABILITIES OF HOME HEALTH CARE TECHNOLOGY

New and changing methods of care delivery, such as web-based home monitoring, telemedicine, mobile health, and smartphone technology, will continue to rapidly change the way in which providers of health services to seniors deliver home health, home care, hospice and other community-based services. These developments will further the ability of the home health, home care, personal care, and hospice industries to care for patients in their homes. The availability of technological advances is expected to increase the ability of seniors to remain in their homes longer than has historically been feasible, which could result in significantly reduced

demand for senior living and care facilities. Efforts to reduce hospital readmissions and costs in the overall care continuum will further the use of these new and changing technologies. These changes may allow other companies, including hospitals and other health care organizations that are not currently providing home health, home care, personal care, and hospice care, to expand their services to include home health care, home care, personal care, hospice care, telehealth, or similar services.

REAL ESTATE MARKETS/SALE OF PERSONAL RESIDENCES

During the term of the Bonds, prospective residents of the Communities may have difficulty selling their current homes due to national and local economic conditions impairing the sale of residential real estate and, as a consequence, may not have sufficient assets to pay entrance fees and monthly service fees. This could cause a delay in scheduled occupancy of the Communities or the remarketing of vacated units, or a reduction in the amount or deferral of the monthly service or entrance fees payable, all of which would have an adverse effect on the revenue of the Corporation.

FIXED INCOME OF THE ELDERLY

A large percentage of the monthly income of residents and prospective residents of the Communities is fixed income derived from pensions and Social Security. If, due to inflation or otherwise, substantial increases in fees are required to cover increases in operating costs, wages, benefits and other expenses, many residents may have difficulty paying or may be unable to pay such increased fees. Alternatively, any decrease in the amounts paid by a resident's fixed income sources could affect such resident's ability to meet financial obligations. The Corporation's inability to collect the full amount of residents' payment obligations may adversely affect the ability of the Corporation to make payments with respect to the Bonds.

REDUCED DEMAND

Several factors could, if present, affect demand for services of the Corporation, including: (i) efforts by insurers and governmental agencies to reduce utilization of assisted living, skilled nursing, and long-term care facilities by means such as preventive medicine and home health programs; (ii) increased consumer demand for services at home; (iii) advances in scientific and medical technology; (iv) a decline in the population or a change in the age composition of the population; (v) a decline in the economic conditions of the service areas of the Communities; (vi) an increase in premiums or other disruption in the long-term care insurance market, causing fewer prospective residents to consider the Communities as a retirement option; (vii) governmental, commercial and individual responses to a pandemic or other infectious disease outbreak; and (viii) general disruptions in the health care, long-term care or insurance markets resulting from health care reform efforts or otherwise. **The Financial Feasibility Study should be read in its entirety, including management's notes and assumptions set forth therein.** See APPENDIX C hereto.

FINANCIAL ASSISTANCE AND OBLIGATION TO RESIDENTS

At its life plan communities (also known as continuing care retirement communities), the Corporation only enters into residency agreements with residents whom it judges to be creditworthy. The Corporation may provide, but does not guarantee, financial assistance to residents unable to pay the required fees due to circumstances beyond their control and through no fault of their own. Additionally, the Corporation may elect, in its sole discretion, to provide the resident with a credit against all or a portion of the fees due. Established criteria will determine an individual's eligibility for the subsidy or credit, and the application and review process will be administered by the Corporation. The Corporation is required by applicable law relating to its status as an organization described under Section 501(c)(3) of the Code to maintain a policy of generally not requiring residents to leave its facilities because of the inability to pay, provided they did not transfer their assets for less than fair market value or otherwise compromise their own financial condition, and to the extent that the Corporation can subsidize residents without jeopardizing its own financially sound operations. The Corporation maintains such a policy. Such requirement and policy may require the Corporation in the future to provide increased financial assistance or absorb greater operating losses. There may be circumstances, however, under which the requirements for greater financial assistance may have a material adverse effect on the financial condition of the Corporation.

DISCOUNTING OR REFUNDING OF ENTRANCE FEES

The Corporation may feel compelled to offer discounted entrance fees, monthly service fees, or other fees in the future to achieve desired levels of occupancy of the Communities. Certain assumptions regarding the operations of the Communities will be directly affected by the discounting of initial entrance fees or other fees and could significantly affect the cash flow of the Corporation and the Corporation's ability to redeem the Bonds. Additionally, under certain circumstances, the Corporation is obligated to refund a resident's entrance fee. The payment of such refunds could adversely affect the Corporation's ability to make payments required by the Loan Agreement.

LONG TERM CARE INSURANCE

Some residents of the Communities may use long-term care insurance to help cover their costs of care. If long-term care insurance premiums rise, or residents otherwise lose their long-term care insurance coverage due to insurance market disruptions or reforms, such residents may have difficulty meeting their financial obligations. The Corporation's inability to collect the full amount of residents' payment obligations may adversely affect the ability of the Corporation to make payments with respect to the Bonds. The potential for reduced reimbursement rates from government payors (*e.g.*, Medicare) is discussed in detail below under the heading "FEDERAL AND STATE REGULATIONS—*Federal and State Health Care Program Reimbursement Cuts or Delays.*"

UNCERTAINTY OF INVESTMENT INCOME

The investment earnings of, and accumulations in, certain funds established pursuant to the Indenture have been estimated and are based on assumed interest rates. While these assumptions are believed to be reasonable in view of the rates of return presently and previously available on the types of securities in which the Trustee is permitted to invest under the Indenture, there can be no assurance that similar interest rates will be available on such securities in the future, nor can there be any assurance that the estimated earnings will actually be realized.

The Corporation has significant holdings in a diversified portfolio of investments. Market fluctuations have affected and will continue to affect the value of those investments and those fluctuations may be material.

PHILANTHROPY

The Corporation derives income from unrestricted gifts and donations to supplement operating revenues to finance operations and capital needs. Operating revenue is sufficient to cover operating costs. See APPENDIX B—“AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF SEQUOIA LIVING, INC. AND SUBSIDIARIES AS OF AND FOR THE FISCAL YEARS ENDED DECEMBER 31, 2022, 2023 AND 2024.” Although Management expects gifts and donations to remain at least at current levels, there can be no assurance that this revenue will not decrease, adversely affecting the financial condition of the Corporation.

INCREASES IN COSTS OF CARE AND SERVICES

Because the Corporation is obligated to provide its continuing care contract residents with the right to move to a higher level of care, a deviation from the anticipated mortality rate or care requirements of the resident population or substantial unanticipated increases in the cost of such care could have a negative impact on the operations of the Communities. The undertaking to provide such care is a contractual obligation of the Corporation, and no assurance can be given that the Corporation will have sufficient funds to meet its anticipated obligations. Residents are required to obtain Medicare Parts A and B or a substitute policy acceptable to the Corporation; however, Medicare does not cover the cost of nursing home care except under certain limited circumstances (including up to 100 days of skilled nursing care following a 3-day qualifying hospital stay). Each of the Corporation’s skilled nursing facilities is Medicare certified. In addition, the cost of providing personal care and health care services, as well as resident activities and programs, may increase due to numerous factors, including increases in the cost of supplies, increases in nurse and other care provider salaries, and due to shortages in personnel which may require use of registries or employment agencies. Increases in third party therapy services and other ancillary costs such as drugs and medical supplies may also increase costs.

ADDITIONAL CAPITAL REQUIREMENTS

The Corporation’s operations are capital intensive. Economic conditions such as credit market dysfunction and increased regulation of the financial industry could make it more difficult for the Corporation to access the capital markets or to otherwise fund capital expenses

through borrowings on favorable terms and conditions. Any such limitation could result in delayed or deferred capital expenditures that could be integral to the operations of the Corporation.

LABOR COSTS AND RELATIONS; MINIMUM STAFFING REQUIREMENTS

General. The Corporation's workforce includes professional, quasi-professional, technical, clerical, housekeeping, maintenance, dietary and other types of workers. As with all employers, the Corporation bears a wide variety of risks in connection with these employees. These risks include strikes and other related work actions, contract disputes, difficulties in recruitment or retention, discrimination claims, personal tort actions, work-related injuries, exposure to hazardous materials, interpersonal torts, risks related to benefit plans, and other risks that may flow from the relationships between employer and employee or between residents and employees. Certain of these risks are not covered by insurance, and certain of them cannot be anticipated or prevented in advance. Such risks, alone or in combination, could have material adverse consequences to the financial condition or operations of the Corporation.

Prevailing Wage. The Corporation cannot control the prevailing or required minimum wage rates in its service area and any increase in such rates will directly affect the costs of its operations. Effective January 1, 2025, California's minimum wage for all industries is \$16.50 per hour for all employers, among the highest in the country. Minimum wage laws specifically targeting the health care industry may implement a higher prevailing wage for health care workers in the near future. Management has examined the effect of California's current minimum wage laws and does not anticipate that any currently scheduled minimum wage increases will have a material adverse effect on the financial condition of the Corporation.

Collective Bargaining. Employees subject to collective bargaining agreements may include nurses and technical personnel, as well as food service, maintenance, and other personnel. Renegotiation of collective bargaining agreements upon expiration may result in significant cost increases. Employee strikes or other adverse labor actions may have an adverse impact on operations, revenue, and facility reputation. Presently, some of the Corporation's employees are represented by labor unions, and Management is not aware of any efforts to organize employees into any collective bargaining groups.

Minimum Staffing Requirements. On April 22, 2024, CMS issued the "Medicare and Medicaid Programs: Minimum Staffing Standards for Long-Term Care Facilities and Medicaid Institutional Payment Transparency Reporting" Final Rule (the "Minimum Staffing Rule") that created new minimum staffing standards for long-term care facilities that participate in the Medicare or Medicaid programs. The Minimum Staffing Rule requires long term facilities, which includes skilled nursing facilities ("SNFs"), to, among other things: (1) have a Registered Nurse ("RN") onsite 24 hours a day, seven days a week available to provide direct resident care (the "24/7 Requirement"), and (2) provide a minimum of 3.48 hours per resident day of total direct nursing care to residents, of which at least 0.55 hours per resident day of care must be provided by RNs and 2.45 hours per resident day of care must be provided by nurse aides (the "HPRD Requirement"). Staffing hours per resident day are the total number of hours worked by each type of staff divided by the total number of residents.

CMS has acknowledged that it may be challenging for certain facilities to reach these goals and thus has stated that it will phase in the requirements over time (three years for urban facilities and five years for rural facilities). CMS has also stated that it will allow for temporary hardship exemptions (one year at a time) in limited circumstances where certain criteria are met by the requesting facility. Exemptions will be posted on the Medicare.gov Care Compare website to inform current and prospective residents that a facility is permitted to maintain lower levels of staffing than the law generally requires. Failure to meet the requirements of the Minimum Staffing Rule could result in fines or penalties, including a denial of Medicare payments, revocation of licensure and/or certification as a Medicare and Medicaid provider. Compounding the compliance challenge are general workforce shortages in the senior care industry discussed below.

On April 7, 2025, a federal district court vacated the 24/7 Requirement and HPRD Requirement of the Minimum Staffing Rule, as unlawful executive agency action. CMS has appealed the district court ruling. The outcome of such appeal cannot be predicted. Additionally, the OBBBA places a moratorium on the implementation, administration, and enforcement of the Minimum Staffing Rule until after September 30, 2034.

NATIONWIDE STAFFING SHORTAGE IN SENIOR LIVING FACILITIES

The health care and senior care industries have historically experienced regular turnover in certain health care and dietary personnel, particularly, nurses, nurses' aides, dietary staff and certain housekeeping positions. Staffing shortages may result in increased costs and lost revenues from time to time due to the need to hire temporary nurses or other personnel at higher rates and increased compensation levels, and the inability to operate at full capacity. Currently, a nationwide staffing shortage at both the professional and non-professional level is affecting the senior living sector and is forcing many such facilities to reduce admissions, rely on overtime shifts, increase wages, and hire staff through outside staffing agencies at increased hourly rates. Such increased costs and lost revenues could adversely affect the operations or financial condition of the Corporation. There can be no assurance that the Corporation will be able to attract enough full- and part-time employees to meet its staffing needs. Additionally, to the extent implemented after the moratorium, the federal Minimum Staffing Rule discussed above may exacerbate any national staffing shortage existing at that time.

SENIOR MANAGEMENT TURNOVER AND SUCCESSION PLANNING

Turnover and retention challenges in the senior living industry may make it more difficult to retain members of the Corporation's senior management team or to recruit replacements should any members of the management team retire or otherwise cease employment with the Corporation. While the Corporation has been able to retain the services of qualified professionals for its senior management team in the past, there can be no guarantee that the Corporation will continue to be able to do so. A lack of qualified professionals for its senior management team could adversely affect the operating results of the Corporation.

GENERAL RISKS OF SENIOR LIVING FACILITIES

There are many diverse factors not within the Corporation's control that have a substantial bearing on the risks generally incident to the operation of the Communities. These factors include generally imposed fiscal policies, adverse use of adjacent or neighboring real estate, the ability to maintain the Communities, community acceptance of the Communities, changes in demand for long-term care services, changes in the number of competing facilities, changes in the costs of operation of the Communities, changes in the laws of the State affecting long term care programs, the limited income of the elderly, changes in the long term care and health care industries, difficulties in or restrictions on the Corporation's ability to raise rates charged, general economic conditions and the availability of working capital. In recent years, several senior living facilities throughout the United States have defaulted on various financing obligations or otherwise have failed to perform as originally expected. There can be no assurance that the Corporation will not experience one or more of the adverse factors that caused other senior living facilities to fail. Many other factors may adversely affect the operation of facilities like the Communities and cannot be determined at this time.

PROFESSIONAL LIABILITY CLAIMS AND LIABILITY INSURANCE

In recent years, the number of professional and general liability lawsuits and the dollar amounts of damage recoveries have increased nationwide in the health care and senior care industries, resulting in substantial increases in malpractice insurance premiums, higher deductibles and generally less coverage. Professional liability, elder abuse, and other actions alleging wrongful conduct and seeking punitive damages are often filed against health care providers. Insurance does not provide coverage for judgments for punitive damages. Insurers are mandating lower amounts of coverage, requiring greater deductibles, and charging higher premiums. Policies issued may not be renewed or renewable. It is not possible at this time to determine either the extent to which professional or general liability coverage will continue to be available to the Corporation or the premiums at which such coverage can be obtained. Although the Corporation currently carries professional liability and general liability insurance that Management considers adequate, the Corporation is unable to predict the availability, cost or adequacy of such insurance in the future.

FEDERAL AND STATE BUDGETARY PRESSURES

The effect of future government health care funding, spending reductions, or federal or state deficit policy changes on health care and senior living providers is unpredictable. As health care comprises a significant portion of federal spending, health care spending has been, and may continue to be, a large part of government cost-reduction efforts. If reimbursement rates paid by government payors are reduced, if the scope of services covered by governmental payors is limited, or if other health care program spending is eliminated or reduced, there could be a material adverse effect on the Corporation.

Medicare Sequestration. Past federal legislation and policies aimed at federal deficit reduction have resulted in across the board federal program spending reductions, including a yearly 2% reduction in Medicare reimbursement rates (known as "Medicare sequestration")

required by the Budget Control Act of 2011. Another federal statutory sequester, the “Pay-As-You-Go” or “PAYGO” sequester, may be triggered in future years. Further, with no long-term resolution in place for federal deficit reduction, Medicare and Medicaid reimbursement may continue to be targets for interim and long-term federal spending reduction efforts. It is possible that Congress could act to extend or increase Medicare and Medicaid spending reductions in the future.

Federal Debt Limit. The federal government is subject to a debt “ceiling” established by Congress. In the past several years political disputes concerning authorization of a federal debt ceiling increase have led to shutdowns of substantial portions of the federal government and other federal budget authorization delays have occurred. Federal budget delays and federal government shutdowns are unpredictable and may occur in the future. Any failure by Congress to increase the federal debt ceiling may impact the federal government’s ability to incur additional debt, pay its existing debt instruments and to satisfy its obligations relating to the Medicare and Medicaid programs.

State Budgets. Many states, including the California, face budgetary challenges that have resulted, and likely will continue to result, in reduced Medicaid funding levels to health care providers. Because most states are required to operate with balanced budgets, and the Medicaid program is generally a significant portion of a state’s budget, states can be expected to adopt or consider adopting future legislation designed to reduce or freeze Medicaid expenditures. In addition, some states delay issuing Medicaid payments to providers to manage state expenditures. Continuing pressure on state budgets, state budget authorization delays, and other factors could result in future reductions to Medicaid payments, payment delays or additional taxes on providers. In addition, executive or legislative proposals to cap the federal share of Medicaid expenditures, otherwise reduce Medicaid expenditures, or “block grant” the Medicaid program would further shift rising cost risk to the states, exacerbating state budget challenges, and potentially resulting in decreased payments to providers or a reduction in the services covered by Medicaid. Each of these situations may have a material adverse effect on a provider’s business or financial condition.

FEDERAL AND STATE REGULATIONS

Changes in Law and Policies. The operations of senior living providers are subject to federal, state and local laws and regulations, and sanctions imposed under or changes to such laws or regulations could adversely affect the operations or financial results of the Corporation. Licensing and certification requirements are subject to change, and there can be no assurance that the Corporation will be able to maintain all necessary licenses or certifications, or that it will not incur substantial costs in doing so. Both federal and state regulation relating to senior living providers have been subject to change in the past, and future change can be expected. Such changes may materially adversely affect the operations and financial condition of the Corporation. In attempts to limit federal and state expenditures, there have been, and likely will continue to be, proposals to limit federal health care program payments, including those for care provided by SNFs. Previous federal changes included limitations on payments to SNFs under the Medicare and Medicaid programs and an increased emphasis on cost control. The methods of determining the amount and availability of payments under the Medicaid programs have been

subject to a variety of significant changes in the past, and future changes can be expected to occur.

Federal and State Health Care Program Reimbursement Cuts or Delays. Medicare and Medicaid are the commonly used names for reimbursement or payment programs governed by certain provisions of the federal Social Security Act. Medicare is an exclusively federal program and Medicaid is a combined federal and state program. Medicare provides certain health care benefits to beneficiaries who are 65 years of age or older, are disabled, or qualify for the End Stage Renal Disease Program. Medicare Part A covers inpatient hospital services, up to 100 days of certain post-hospital skilled nursing and rehabilitative services, and certain other services, and Medicare Part B covers outpatient services, physician services, medical supplies and durable medical equipment. Medicare Part D provides a prescription drug benefit. Medicaid is designed to pay providers for care given to the medically indigent and others who receive federal aid. Medicaid is funded by federal and state appropriations and administered by the applicable state. CMS administers the Medicare program and works with the states to administer the Medicaid program, as well as other health care programs. Under such programs, participating providers are subject to various regulatory requirements relating thereto, including without limitation limits on reimbursement, anti-fraud and abuse provisions, restrictions on referrals, and various reporting requirements.

The Corporation does not currently participate in Medicaid (known as Medi-Cal in California). The Corporation is, however, a Medicare provider in its skilled nursing facilities and is minimally dependent upon the reimbursement from such program. For the fiscal years ended December 31, 2023 and 2024, Medicare reimbursement represented approximately 2.8% and 2.7%, respectively, of the Corporation's total operating revenues. See APPENDIX A—"INFORMATION REGARDING SEQUOIA LIVING, INC.—STATISTICAL INFORMATION—Payor Mix."

Due to health care reform as well as continuing political and financial pressures, the legal and regulatory environment surrounding the federal health care programs has been changing and is expected to continue to change. Future changes to the federal health care programs may alter program features including: (1) services eligible for payment; (2) rates of payment; (3) eligibility requirements to participate or qualify for different levels of payment/reimbursement; (4) consequences of violations; (5) rates and requirements relating to additional payments unrelated to services offered to patients; (6) guidelines relating to interactions among the participating health care providers, third party payors and the federal and state governments; and (7) payment methodologies.

The federal and state governments have in the past, and may in the future, make changes to their respective budgets, which budget reductions may include reductions to the federal health care programs. Federal or state budget authorization delays, or other challenges such as government shutdowns, may cause federal health care program reimbursements to be paid late. Federal budget delays and federal government shutdowns are unpredictable and may occur in the future. While it is uncertain whether future federal budget or policy changes will result in a decrease in federal health care program reimbursement, any reduction thereof could have an adverse impact on the revenues of the Corporation and the ability to pay the debt service of the Bonds.

Medicare. Unless a specific waiver or pilot program applies, SNF services are covered by the Medicare program only if the patient spends at least three consecutive days as a hospital inpatient for a related condition prior to admission to the SNF and if the patient was admitted to the SNF within 30 days of discharge from a qualifying hospital stay. Medicare Part A reimburses for such post hospital inpatient nursing services provided by the SNF for up to 100 days for each spell of illness, subject to coinsurance and deductible payments from the patient.

Medicare reimburses SNFs pursuant to a prospective payment system (“PPS”). Historically, Medicare PPS payments to SNFs were based upon certain resource utilization group (“RUG”) per diem payment rates developed by CMS that provided various levels of reimbursement based upon a patient case-mix classification system. Effective October 1, 2019, the RUG payment methodology was replaced with a revised payment methodology called the “SNF Patient-Driven Payment Model” (“PDPM”). Reimbursement under the PDPM is determined based on ICD-10 diagnosis codes and patient characteristics and adjusted based on the services rendered in order to account for varying costs throughout the stay. Per CMS, the goals of the PDPM are to tie payment to patient conditions and needs rather than the volume of services and to reduce provider paperwork burdens. There is no assurance that Medicare PPS payments will be sufficient to cover a SNF’s costs. Additionally, Management cannot predict with any reasonable degree of certainty or reliability the nature of any changes to the PDPM payment model or the ultimate effects of any such revised PDPM payment model on the Corporation’s operations or financial condition, though revenues may be negatively affected.

All SNFs paid under Medicare’s PPS are subject to the SNF Value-Based Purchasing Program (“SNF VBP Program”) and the SNF Quality Reporting Program (“SNF QRP”). The SNF VBP Program either positively or negatively adjusts a SNF’s reimbursement payments based on its performance on the program’s hospital readmission measure. Under the SNF QRP, SNFs that fail to submit the required quality data to CMS will be subject to a 2% reduction in the otherwise applicable annual market basket percentage update with respect to that fiscal year. Management cannot predict the Corporation’s performance under these programs or the corresponding effects on the Corporation’s operations or financial condition. See also, “*Industry Trend Toward Alternative Payment Models*” below.

Health Care Reform. The Patient Protection and Affordable Care Act of 2010 and the Health Care and Education Affordability Reconciliation Act of 2010 (collectively referred to as the “ACA”) have significantly changed the United States health care delivery system, addressing almost all aspects of health facility and provider operations, including the delivery of health care services, the financing of health care costs, health care provider reimbursement and the legal obligations of health care providers, insurers, employers and consumers. Key changes include cost containment measures, including new payment models resulting in lower health care provider reimbursement and utilization changes; quality improvement and clinical integration initiatives; fraud and abuse enforcement enhancements; health insurance market reforms; and Medicaid expansion. Additionally, the ACA included several initiatives that impact SNF reimbursement. Each of these ACA initiatives has required health care providers to assess, and potentially alter, their business strategy and practices. While the ACA has and may continue to result in many providers receiving reduced payments for care, millions of previously uninsured Americans have obtained health insurance coverage as a result of the ACA. There is no

assurance that federal payments made as a result of reimbursement reform measures will be sufficient to cover the Corporation's skilled nursing facility costs.

Due to the controversial nature of health care reform generally, implementation of the ACA has been, and remains, politically controversial. Since its enactment, the ACA has faced a stream of opposition from Republican lawmakers calling for its repeal and/or replacement, along with a string of lawsuits challenging various aspects of the law. To date, the ACA has survived three major Supreme Court challenges and no bills wholly repealing the ACA have passed both chambers of Congress. While the majority of the ACA remains law, new legal or legislative challenges to the ACA may occur in the future which could materially impact the business or financial condition of senior living providers. In particular, a repeal, replacement or other significant modification of the ACA could directly affect the Corporation in various ways, including affecting (1) the health insurance coverage and costs provided by the Corporation to its employees, (2) Medicare and Medicaid reimbursement, (3) the costs to residents of services provided by the Corporation, and (4) the willingness of prospective residents to consider the Communities as a retirement option. Additionally, any legal, legislative, or executive action that significantly changes or disrupts the health care, senior care, or health insurance industries, generally, could have a material adverse effect on the Corporation's business or financial condition.

Industry Trend Toward Alternative Payment Models. It is generally expected that alternative payment models that condition reimbursement on patient outcome measures (such as the SNF VBP Program discussed above) will become more common and involve a higher percentage of reimbursement amounts. As discussed above, the ACA contains a number of health care delivery reform measures intended to promote value-based purchasing in the federal health care programs and commercial third-party payors are increasingly implementing value-based purchasing and other alternative payment models. This rapid volume-to-value reimbursement shift within the health care industry could present financial challenges for the Corporation and the employed or contracted clinicians with whom the Corporation partners to deliver care, particularly to the extent they are unable to meet targeted measures.

Federal and State Fraud and Abuse Laws. Certain federal laws, including the laws commonly known as the Anti-Kickback Statute, the Stark Law and the False Claims Act (collectively, the "*Federal Healthcare Fraud Laws*"), seek to protect the federal health care programs from fraud and abuse. The Federal Healthcare Fraud Laws are complex, heavily enforced and subject to frequent amendment. In addition, *qui tam* or "whistleblower" provisions of the False Claims Act allow private individuals to bring actions on behalf of the government. Violation of the Federal Healthcare Fraud Laws may result in significant financial penalties, fines, exclusion from the federal health care programs and/or criminal liability. In addition, a number of states, including California, have passed health care fraud and abuse laws similar to the Federal Healthcare Fraud Laws, but have expanded the scope of the prohibitions to apply to entities which bill private insurers.

Although the Corporation has a compliance program designed to help ensure material compliance with laws, rules and regulations affecting the senior living sector, including the Federal Healthcare Fraud Laws and similar state laws, these policies and procedures may not be

wholly effective. If the Corporation is alleged or found to have violated such laws, rules or regulations or if government health care program payments are suspended due to an allegation of fraud, the Corporation's operations and financial condition could be materially adversely affected. At the present time, Management is not aware of any pending or threatened claims, investigations or enforcement actions regarding any applicable federal or state health care fraud laws which, if determined adversely to the Corporation, would have a material adverse effect on the financial condition of the Corporation.

Billing Practices. Medicare requires that extensive financial information be reported on a periodic basis and in a specific format or content. These requirements are numerous, technical and complex and may not be fully understood or implemented by billing or reporting personnel. With respect to certain types of required information, the False Claims Act may be violated by mere negligence or recklessness in the submission of information to the government even without any specific intent to defraud. New billing systems, new medical procedures and procedures for which there is not clear guidance may all result in liability. Medicare providers are subject to various government reviews, audits and investigations to verify compliance with applicable payment laws and regulations. Government audit contractors conduct extensive reviews of claims data to evaluate appropriateness of claims submitted for payment and may identify overpayments based on coverage requirements, billing and coding rules or other risk areas. Typically, such contractors can also refer suspected violations of law to government authorities. Adverse determinations from such audits, review and investigations can result in criminal or civil liability and may include, for serious or repeated violations, exclusion from participation in the Medicare program. While Management believes that the Corporation's billing practices are consistent with Medicare criteria, there can be no assurance that audits or fraud and abuse action will not adversely affect the business of the Corporation.

Federal and State Privacy Laws. Specific state and federal laws govern the use and disclosure of confidential patient health information, as well as patients' rights to access and amend their own health information. The Administrative Simplification Requirements of the Health Insurance Portability and Accountability Act of 1996 ("*HIPAA*") established national standards to facilitate the electronic exchange of Protected Health Information ("*PHI*") and to maintain the privacy and security of the PHI. These standards have a major effect on health care providers which transmit PHI in electronic form in connection with HIPAA standard transactions (e.g., health care claims). In particular, HIPAA established standards governing: (1) electronic transactions and code sets; (2) privacy; (3) security; and (4) national identifiers.

In 2009, HIPAA was amended by the Health Information Technology for Economic and Clinical Health ("*HITECH*") Act to impose certain of the HIPAA privacy and security requirements directly upon business associates of covered entities and significantly increase the monetary penalties for violations of HIPAA. Regulations that took effect in late 2009 also require business associates to notify covered entities, who in turn must notify affected individuals and government authorities, of data security breaches involving unsecured PHI. Since the passage of the HITECH Act, enforcement of HIPAA violations has increased.

Two state medical information privacy laws expanded California's health care privacy standards and provided new oversight mechanisms and enforcement penalties. These state

privacy laws, among other things, penalize unlawful access, use or disclosure of a patient's health care information. State consumer privacy laws may also provide the basis for legal action for privacy and security breaches and, unlike HIPAA, authorize a private right of action. The state privacy laws provide additional sources of potential legal liability for the Corporation and compliance with such laws may require the Corporation to incur additional costs.

The Corporation has developed policies, procedures and practices that Management believes address applicable federal and state privacy and security laws and regulations, but if it was determined that the Corporation was not in compliance with such law and regulations, criminal and civil penalties could be imposed.

STATE LICENSURE AND REGULATION OF SENIOR LIVING PROVIDERS

The operations of the Corporation are subject to numerous licensing, certification, accreditation, and other governmental requirements that are administered by a variety of federal and state governmental agencies as well as by self-regulatory associations and commercial medical insurance reimbursement programs. These include, but are not limited to, requirements relating to Medicare and Medicaid participation, accrediting organizations, state licensing agencies and private payors. Renewal and continuance of certain of these licenses, certifications, accreditations, and approvals are based upon inspections, surveys, audits, investigations or other review, some of which may require or include affirmative action or response by the Corporation. An adverse determination could result in a loss, fine or reduction in the Corporation's scope of licensure or certification, could adversely affect the Corporation's ability to undertake certain expenditures, or could reduce the payment received or require the repayment of the amounts previously remitted. A pandemic or similar public health emergency may result in increased governmental inspection and survey activity or enhanced penalties. Management currently anticipates no difficulty in renewing or continuing the Corporation's currently-held licenses, accreditations, and certifications. It is impossible, however, to predict the effect of future regulation on the operations or financial condition of the Corporation.

State Licensure of the Communities. The Corporation operates four Communities with varying levels of services as described in APPENDIX A under the heading "INFORMATION REGARDING SEQUOIA LIVING, INC.—Sequoia Living, Inc. and Related Entities—The Corporation and the Communities." Each Community is operated as a life plan community, also known as a continuing care retirement community ("CCRC") with a certificate of authority from the Continuing Care Contracts Bureau of the California Department of Social Services ("DSS") and a Residential Care Facility for the Elderly ("RCFE") license from DSS for all residential and assisted living units. The three Communities that operate an SNF also have a SNF license from the California Department of Public Health ("DPH").

If the Corporation fails to meet any of the state statutory or regulatory requirements described below with respect to CCRCs, RCFEs, or SNFs, it could become unable to operate the Communities as described herein and, consequently, the Corporation could be unable to meet debt service requirements on the Bonds. State laws and regulations governing such facilities are occasionally amended or reformed by the California legislature, DSS or DPH, as applicable.

There is no assurance that future legislation or regulation in California will not have an adverse impact on the ability of the Corporation to operate the Communities as expected.

Per the California Health and Safety Code (*“Health and Safety Code”*), an agreement to provide one or more elements of care to an elderly resident for the duration of his or her life or for a term in excess of one year in exchange for the payment of periodic charges is regarded as a “continuing care contract” subject to rules and regulations under the Health and Safety Code. Any facility entering into such continuing care contracts in the state of California is considered a CCRC which must obtain: (i) a license to operate a RCFE from DSS, (ii) where there is a SNF on the premises, a license to operate a SNF from DPH, and (iii) a certificate of authority (*“COA”*) from DSS to enter into continuing care contracts with residents.

RCFE and SNF Licensure. RCFE licenses renew annually upon payment of renewal fees; however, the license is subject to suspension or revocation on any ground specified in Health and Safety Code Section 1569.50 (violation by the licensee of the RCFE law; aiding, abetting, or permitting violation of the RCFE law; conduct inimical to the health, morals, welfare, or safety of either an individual in or receiving services from the facility or the people of the State of California; the conviction of a licensee, or other person for whom criminal record clearance is required, any time before or during licensure, of a crime as defined in the RCFE law; and engaging in acts of financial malfeasance concerning operation of a facility, including, but not limited to, improper use or embezzlement of client monies and property or fraudulent appropriation for personal gain of facility monies and property, or willful or negligent failure to provide services for the care of clients). DPH inspects SNFs approximately once a year, and facilities failing to meet the state or federal standards are subject to fines or other enforcement actions.

DPH and DSS may deny licensing if either agency is not satisfied with the Corporation’s compliance with requirements to operate as a SNF or RCFE, respectively, in the state. In addition, DPH and DSS both have broad remedial powers to intervene in the operation of a provider who fails to comply with applicable regulatory requirements once the provider is licensed and in operation.

CCRC Certificate of Authority. In addition to the licenses described above, continuing care providers are required to obtain a COA from DSS prior to entering into continuing care contracts with residents. A COA may be suspended, conditioned or revoked by DSS if it finds that the continuing care provider has done any of the following: (i) violated the statutes, or the rules and regulations of the Health and Safety Code governing continuing care contracts (Health and Safety Code Sections 1770 et. seq) (the *“Continuing Care Law”*); (ii) aided, abetted, or permitted the violation of the Continuing Care Law; (iii) had a license suspended or revoked; (iv) made a material misstatement, misrepresentation, or fraud in obtaining its licenses, permits or COA; (v) demonstrated a lack of fitness or trustworthiness; (vi) engaged in any fraudulent or dishonest practices or management in the conduct of business; (vii) misappropriated, converted, or withheld moneys; (viii) after request by DSS for an examination, access to records, or information, refused to be examined or otherwise to cooperate; (ix) manifested an unsound financial condition; (x) used methods and practices in the conduct of business so as to render further transactions by the provider hazardous or injurious to the public; (xi) failed to maintain at

least the minimum statutory reserves required by the Continuing Care Law; (xii) failed to comply with the requirements of the Continuing Care Law for maintaining escrow accounts for funds; (xiii) failed to file its annual report; (xiv) violated a condition of its permit to accept deposits, or COA; (xv) failed to comply with its approved financial and marketing plan or to secure approval of a modified plan; (xvi) materially changed or deviated from an approved plan of operation without the prior consent of DSS; (xvii) failed to fulfill its obligations under continuing care contracts; (xviii) made material misrepresentations to depositors, prospective residents or residents of a continuing care retirement community; (xix) failed to submit proposed changes to continuing care contracts prior to use, or is using a continuing care contract that has not been previously approved by DSS; or (xx) failed to diligently submit materials requested by DSS or required by the Continuing Care Law.

The suspension or revocation of a COA by DSS, or the voluntary return of the COA by a continuing care provider, does not release such provider from the obligations assumed at the time continuing care contracts were executed. In the case of any violation or threatened violation of the Continuing Care Law, DSS may institute a proceeding or may request the Attorney General of the State to institute a proceeding to obtain injunctive or other equitable relief in the superior court in and for the county in which the violation has occurred or will occur, or in which the principal place of business of the continuing care provider is located. If at any time DSS determines that further efforts to rehabilitate the continuing care provider would not be in the best interest of the CCRC residents or prospective residents, or would not be economically feasible, DSS may apply to the court for an order of liquidation and dissolution or may apply for other appropriate relief for dissolving the property and bringing to conclusion its business affairs. Upon issuance of an order directing the liquidation or dissolution of the provider, DSS shall revoke the continuing care provider's COA.

A provider offering continuing care contracts is required by the Continuing Care Law to maintain at all times qualifying assets ("*Qualifying Assets*") as a liquid reserve in an amount at least equal to the sum of (a) the amount the provider is required to hold as a debt service reserve under Section 1792.3 of the Health and Safety Code (the "*Debt Service Reserve Amount*") and (b) the amount the continuing care provider is required to hold as an operating expense reserve under Section 1792.4 of the Health and Safety Code (the "*Operating Expense Reserve Amount*"). The Debt Service Reserve Amount is the amount equal to the sum of (i) all regular principal and interest payments, and credit enhancement premiums, paid by the Corporation during the immediately preceding fiscal year on account of any fully amortizing long-term debt owed by the Corporation; (ii) facility rental or leasehold payments, and any related payments, paid by the Corporation during the immediately preceding fiscal year; and (iii) all payments paid by the Corporation during the immediately preceding fiscal year on account of any debt that provides for a balloon payment. The Operating Expense Reserve Amount is an amount that equals or exceeds 75 days' net operating expenses, which includes all expenses of the Corporation except (1) interest and credit enhancement expenses factored into the Debt Service Reserve Amount described above, (2) depreciation or amortization expenses, (3) an amount equal to the reimbursement paid to the Corporation during the past 12 months for services to residents other than residents holding continuing care contracts, and (4) extraordinary expenses that DSS determines may be excluded by the Corporation. Qualifying Assets are: (1) cash; (2) certificates of deposit and United States Treasury securities with a maturity of five years or less;

(3) certain investment securities (as defined in Section 1771(i)(2) of the Health and Safety Code); (4) certain equity securities, including mutual funds (as defined in Section 1771(e)(7) of the Health and Safety Code); and (5) certain lines of credit and letters of credit meeting the requirements of Section 1792.2(a)(5) of the Health and Safety Code. The Corporation is not required to set aside, deposit into escrow, or otherwise restrict the assets it holds as its liquid reserve, unless DSS expressly requires it to do so because DSS has reason to believe the Corporation is insolvent, in imminent danger of becoming insolvent, in a financially unsound or unsafe condition, or in a condition such that it may otherwise be unable fully to perform its obligations pursuant to continuing care contracts. As of December 31, 2024, the Corporation was in compliance with the financial reserve requirements described above with respect to its CCRCs.

The Continuing Care Contracts Bureau of DSS reviews each CCRC in the state at least once every three years to augment the Bureau's assessment of the CCRC's financial soundness. The Bureau considers the condition of the CCRC, whether the CCRC is operating in compliance with applicable state law, and whether the CCRC is performing the services specified in its continuing care contracts. Failure to maintain any required financial reserves or to comply with regulatory requirements may result in civil penalties or the suspension or revocation of a CCRC's COA. If DSS believes a CCRC is in imminent danger of becoming insolvent, is in a financially unsound or unsafe condition, or observes other deficiencies as set forth in Section 1793.13 of the Health and Safety Code, DSS may require the CCRC to submit a financial plan and periodic financial reports (collectively, a "*Financial Plan*"). Such Financial Plan must (i) explain how and when the CCRC will remedy the deficiencies identified by DSS, (ii) be approved by DSS, and (iii) be shared with the CCRC's resident council or association and any prospective or incoming residents within certain time periods. Such disclosure requirement may adversely affect marketing efforts and thus occupancy rates.

Additionally, upon certain failures to comply with regulatory requirements, including the CCRC becoming insolvent or unable to perform its contractual obligations, DSS is authorized to petition for the appointment of a court-appointed administrator to rehabilitate the CCRC. In this capacity, the administrator's powers include taking possession of the CCRC's assets and property, dealing with the property in the administrator's name, depositing and investing any of the CCRC's funds, and paying all expenses of the rehabilitation. In the event of a permanent relocation of residents from the Community is required due to termination or forfeiture of the CCRC's COA, or licenses, certain procedures are required to be followed. These procedures include the establishment of a reserve, trust fund or performance bond in an amount sufficient to cover the cost and ensure the fulfillment the CCRC's statutory obligations, which include the cost of moving residents to other communities and may include additional monetary compensation to the affected residents in certain circumstances.

CCRCs are subject to a statutory limitation on transfer. Pursuant to Sections 1773 and 1789.4 of the Health and Safety Code, a provider may not sell or transfer ownership of a CCRC without the approval of DSS, including the granting of any interest in the facility, such as a mortgage or deed of trust. Pursuant to Health and Safety Code Section 1779.4, as a condition to the receipt of a COA to operate as a CCRC, a provider must also record a "Notice of Statutory Limitation of Transfer" with respect to the real property on which the facility is located,

indicating that use and transfer of the property is subject to the conditions and limitations imposed by the Health and Safety Code, which Notice is required to be recorded prior to encumbering the CCRC property with a proposed encumbrance securing financing. The limitations on transfer imposed by Health and Safety Code Section 1789.4 include approval by DSS following review of an application that identifies the purchaser, the terms of the sale, a plan for ensuring performance of the existing continuing care contract obligations and notice to and acknowledgment by the residents. Further, unless a new provider assumes all of the continuing care obligations of the selling provider at the close of the sale or transfer, the selling provider must set up a trust fund or secure a performance bond to ensure the fulfillment of all of its continuing care contract obligations. The purchaser must also make application for and obtain the appropriate licenses and COA before executing any continuing care contracts or assuming the selling provider's continuing care contracts.

In 2016, then Governor Brown signed a bill (the "*Monning Bill*") which aims to protect CCRC residents and their estates against significant delays in the repayment of residents' entrance fees when contracts condition the repayment on the resale of CCRC units ("*Repayable Contracts*"). The Monning Bill amended the Continuing Care Law to require that unpaid entrance fee repayment amounts that remain outstanding after certain periods of time will accrue interest as provided in Section 1788.4 of the Continuing Care Law. Specifically, (i) any entrance fee repayment balance that has not been paid to the resident or the resident's estate within 180-239 days after termination of the Repayable Contract will accrue simple interest at an annual rate of 4%, (ii) any entrance fee repayment balance still outstanding at 240 days after termination of the Repayable Contract will accrue simple interest at an annual rate of 6% until repayment is made, and (iii) any entrance fee repayment not made within one year after the 240-day period will accrue interest at an annual rate of 6%, compounded annually. By its terms, the Monning Bill applies only to Repayable Contracts entered into on or after January 1, 2017. The Corporation has obligations under existing Repayable Contracts and currently offers Repayable Contracts at one of its Communities. The Monning Bill also requires CCRCs to disclose the average and longest length of time for repayable entrance fee repayment over the preceding five years. Any future state action to further regulate the conditions and timing of entrance fee refunds could negatively affect the operations and financial condition of the Corporation. See also APPENDIX A—"INFORMATION REGARDING SEQUOIA LIVING, INC.—Life Care, Continuing Care and Rental Contracts" for a description of the Communities' residency agreements.

The Corporation has obtained the necessary RCFE licenses, SNF licenses, and CCRC COAs to enter into continuing care contracts from DSS and DPH in order to operate the Communities. In the opinion of Management, the Corporation operates the Communities in a manner consistent with the Health and Safety Code. To Management's knowledge, the Corporation's existing RCFE licenses, SNF licenses, and CCRC COAs have never been suspended, conditioned, or revoked, and the CCRCs are not currently subject to the Financial Plan requirements described above. There is no guarantee that the Corporation's COAs or licenses to operate the licensed portions of the Communities will not be suspended, conditioned, or revoked in the future.

For more information regarding the types of services offered by the Corporation at the Communities, see APPENDIX A—“INFORMATION REGARDING SEQUOIA LIVING, INC.—Sequoia Living, Inc. and Related Entities—The Corporation and the Communities.”

State Penalties for Significant Patient Care Events. In California, DPH is authorized to issue citations to and impose administrative remedies on SNFs that experience certain significant patient care events that violate State or federal law. In accordance with Sections 1424 and 1424.5 of the Health and Safety Code, a violation is assigned one of several citation classes based on the scope and impact of the incident on patient health and safety. Depending on the citation class, the administrative penalty for such incidents ranges from \$100 to \$100,000.

SNF Quality Assurance Fees. Certain SNFs in California are subject to “quality assurance fees” on skilled nursing services which require payment of a daily fee for each occupied SNF bed. State law, however, includes a waiver which exempts certain types of SNFs, such as SNFs that are components of CCRCs and SNFs operated by the state or another public entity, from the obligation to pay such quality assurance fees. There can be no assurance that any such exemption (which, as presently in effect, exempts the Corporation’s CCRCs) will continue in whole or in part, and legislative proposals that contemplate modifying or terminating the scope of the quality assurance fee exemption have been discussed from time to time.

CYBERSECURITY RISKS

Cybersecurity refers to the combination of technologies, processes and procedures established to protect information technology systems and data from unauthorized access, attack, or damage. The Corporation relies on its information systems for its business operations and to provide security for processing, transmission and storage of confidential resident and other information, including information relating to health protected by HIPAA. Although the Corporation has taken steps to protect the security of its information systems and the data maintained in those systems, it is possible that these security measures will not prevent improper access or disclosure of personally identifiable information. Security breaches, including electronic break-ins, computer viruses, attacks by hackers and similar breaches can create system disruptions or shutdowns or the unauthorized disclosure of confidential information. Cyber-attacks (such as ransomware or malware attacks) targeting health care entities and their third-party vendors have been occurring more frequently, and in some cases, have resulted in the interruption or temporary cessation of services. If protected personal or health information of residents or others is improperly accessed, tampered with or distributed, the Corporation may incur significant costs to remediate possible injury to the affected residents or other persons, and the Corporation may be subject to sanctions and civil penalties if it is found to be in violation of the privacy or security rules under HIPAA or other similar federal or state laws protecting confidential patient health information. Any failure by the Corporation or a third-party vendor to maintain proper functionality and security of information systems could interrupt the Corporation’s operations, damage its reputation, subject it to liability claims or regulatory penalties and could have a material adverse effect on its operations, financial condition and results of operations. Although the Corporation has insurance against some cyber risks and attacks, it may not be sufficient to offset the impact of a material loss event.

AMENDMENTS TO THE DOCUMENTS

Certain amendments to the Indenture and the Loan Agreement may be made without the consent of the owners of the outstanding Bonds under the Indenture and certain amendments may be made with the consent of the owners of a majority of the outstanding Bonds. Certain amendments to the Deed of Trust may be made with the consent of the Department and the Corporation, but without the consent of the Trustee, the Bondholders, holders of Parity Debt or the Authority. Such amendments may adversely affect the security of the Bondholders. See APPENDIX D—“SUMMARY OF PRINCIPAL DOCUMENTS—INDENTURE—Amendment of Indenture.”

ADDITIONAL INDEBTEDNESS

In addition to its obligations with respect to the Bonds, the Corporation may incur other indebtedness that may be secured by a security interest in Gross Revenues and the lien of the Deed of Trust on a parity with the Corporation’s obligation to make Loan Repayments under the Loan Agreement, if issued for the purposes and subject to the conditions provided in the Regulatory Agreement. Parity Debt may not be incurred unless it is insured by the Department or, if the Parity Debt can be issued as such without being insured under the Insurance Law, it is issued with the consent of the Department. See APPENDIX D—“SUMMARY OF PRINCIPAL DOCUMENTS—REGULATORY AGREEMENT—Parity Debt.”

COVENANTS RELATED TO OTHER INDEBTEDNESS

The Wells Fargo Credit Agreement contains certain covenants and restrictions (collectively, the “*Bank Covenants*”) solely for the benefit of the Bank, which covenants are in addition to, and in certain cases more restrictive than, the covenants in the Loan Agreement and the Regulatory Agreement. The Bank Covenants include, but are not limited to, the following: (i) a requirement for the Corporation to maintain 220 days cash on hand, tested semi-annually, and (ii) restrictions on the incurrence of indebtedness from loans or borrowings, the grant of security interests or mortgages and mergers, consolidations and transfers of assets not in the ordinary course of business, each without the consent of the Bank. These Bank Covenants may be waived, modified or amended by the Bank in its sole discretion and without notice to or consent by the bond trustee of any outstanding bonds, the Bond Trustee, the holders of outstanding bonds, including the Bonds, or any other Person. Violation of any of such Bank Covenants may result in an event of default under the Wells Fargo Credit Agreement, which may result in an event of default under the Loan Agreement or the Regulatory Agreement.

BANKRUPTCY

In the event of bankruptcy of the Corporation, the rights and remedies of the holders of the Bonds are subject to various provisions of the federal Bankruptcy Code. If the Corporation was to file a petition in bankruptcy, payments made by the Corporation during the 90-day (or perhaps one-year) period immediately preceding the filing of such petition may be voidable as preferential transfers to the extent such payments allow the recipients thereof to receive more than they would have received in the event of the Corporation’s liquidation. Security interests and other liens granted to the Trustee and perfected during such preference period also may be

voided as preferential transfers to the extent such security interest or other lien secures obligations that arose prior to the date of such perfection. Such a bankruptcy filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against the Corporation and its property and as an automatic stay of any act or proceeding to enforce a lien upon or to otherwise exercise control over its property as well as various other actions to enforce, maintain or enhance the rights of the Trustee. If the bankruptcy court so ordered, the property of the Corporation, including accounts receivable and proceeds thereof, could be used for the financial rehabilitation of the Corporation despite any security interest of the Trustee therein. The rights of the Trustee to enforce its security interests and other liens it may have could be delayed during the pendency of the rehabilitation proceeding.

The Corporation could file a plan for the adjustment of its debts in any such proceeding, which plan could include provisions modifying or altering the rights of creditors generally or any class of creditors, secured or unsecured. The plan, when confirmed by a court, binds all creditors who had notice or knowledge of the plan and, with certain exceptions, discharges all claims against the debtor to the extent provided for in the plan. No plan may be confirmed unless certain conditions are met, among which conditions are that the plan be feasible and that it shall have been accepted by each class of claims impaired thereunder. Each class of claims has accepted the plan if at least two thirds in dollar amount and more than one-half in number of the class cast votes in its favor. Even if the plan is not so accepted, it may be confirmed if the court finds that the plan is fair and equitable with respect to each class of non-accepting creditors impaired thereunder and does not discriminate unfairly.

Pursuant to the Indenture, the Department will have the right to vote in the place and stead of all owners of Bonds with respect to any plan of reorganization on any agreement for composition of creditors and on any assignment for the benefit of creditors.

RISKS RELATED TO TAX-EXEMPT STATUS

Tax-Exempt Status of the Bonds. The Code imposes a number of requirements that must be satisfied for interest on state and local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include, among other things, limitations on the use of bond proceeds and facilities financed with bond proceeds, limitations on the investment earnings of bond proceeds prior to expenditure, a requirement that certain investment earnings on bond proceeds be paid periodically to the United States, and a requirement that the Authority file an information report with the IRS. The Authority, the Corporation and the Trustee have covenanted to comply with these requirements to the extent applicable. Failure to comply with the requirements stated in the Code and related regulations, rulings and policies may result in the treatment of the interest on the Bonds as taxable. Such adverse treatment may be retroactive to the date of issuance. See also, “TAX MATTERS.”

The Bonds may be, from time to time, subject to audits by the IRS. Bond Counsel will render an opinion with respect to the tax-exempt status of the Bonds, as described under the caption “TAX MATTERS” below. The opinion of Bond Counsel is not binding on the IRS. There is no assurance that an IRS examination on the Bonds will not adversely affect the market value of the Bonds. See “TAX MATTERS” below.

Proposed Legislation Regarding Limitations or Elimination of Tax-exempt Status of Bonds. Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law or otherwise prevent beneficial owners of the Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Bonds.

Prospective investors should consult with their tax advisors on the foregoing matters as they consider an investment in the Bonds. See also, “POTENTIAL CHANGES TO TAX TREATMENT OF BONDS” above.

Tax-Exempt Status of the Corporation. The tax-exempt status of the Bonds depends upon, among other things, maintenance by the Corporation of its status as an organization described in Section 501(c)(3) of the Code. The maintenance of such status is contingent on compliance with general rules promulgated in the Code and related regulations regarding the organization and operation of tax-exempt entities, including its operation for charitable and other permissible purposes and its avoidance of transactions that may cause its earnings or assets to inure to the benefit of private individuals. As these general principles were developed primarily for charities that do not conduct large-scale technical operations and business activities, they often do not adequately address the myriad operations and transactions entered into by a modern senior living organization. Although traditional activities of senior living providers have been the subject of interpretations by the IRS in the form of Private Letter Rulings, many activities or categories of activities have not been fully addressed in any official opinion, interpretation or policy of the IRS.

The IRS has issued Revenue Rulings dealing specifically with the manner in which a facility providing residential services to the elderly must operate in order to maintain its exemption under Section 501(c)(3) of the Code. Revenue Ruling 72-124 states that an otherwise qualified organization will qualify for charitable status for purposes of the Code if it operates in a manner designed to satisfy the needs of elderly persons for housing, health care and financial security. The need for housing is generally met if the organization provides residential facilities specifically designed to meet some combination of the physical, emotional, recreational, social, religious and similar needs of elderly persons. The need for health care is generally met if the organization directly provides some form of health care or, in the alternative, makes such care available through continuing arrangements with other organizations, facilities or health personnel. The need for financial security is generally met if two conditions are satisfied: (1) the organization must be committed to an established policy of maintaining in residence any persons who become unable to pay their regular charges, and (2) the organization operates so as to provide its services to the elderly at the lowest feasible cost, taking into account such expenses as the payment of indebtedness, maintenance of adequate reserves, and reserves for physical expansion. Revenue Ruling 79-18 states that a charitable organization providing residential services to the elderly may admit only those tenants who are able to pay full rental charges, *provided* that those charges are set at a level that is within the financial reach of a significant segment of the community’s elderly persons and that the organization maintains in residence those tenants who become unable to pay monthly charges. Later rulings clarify that the need to

subsidize residents is limited to the extent the provider can provide such subsidies without jeopardizing its own sound financial operations.

If the IRS were to find that the Corporation has participated in activities in violation of certain regulations or rulings, the Corporation's tax-exempt status could be in jeopardy. Although the IRS has not frequently revoked the Section 501(c)(3) tax-exempt status of nonprofit senior living corporations, it could do so in the future. Loss of tax-exempt status by the Corporation potentially could result in loss of tax exemption of all or a portion of the Bonds, and defaults in covenants regarding the Bonds and other outstanding tax-exempt debt and obligations likely would be triggered. Loss of the Corporation's tax-exempt status also could result in substantial tax liabilities on the income of the Corporation.

In lieu of revocation of exempt status, the IRS may impose penalty excise taxes on certain "excess benefit transactions" involving Section 501(c)(3) organizations and "disqualified persons." An excess benefit transaction is one in which a disqualified person receives more than fair market value from the exempt organization or pays the exempt organization less than fair market value for property or services, or shares the net revenues of the tax-exempt entity. A disqualified person is a person (or a certain kind of entity) who is in a position to exercise substantial influence over the affairs of the exempt organization during the five years preceding an excess benefit transaction. The statute imposes excise taxes on the disqualified person and any "organization manager" who knowingly participates in an excess benefit transaction. These rules do not penalize the exempt organization itself, so there would be no direct impact on the Corporation or the tax status of the Bonds if an excess benefit transaction were subject to IRS enforcement.

It is not possible to predict the scope or effect of future legislative or regulatory actions with respect to taxation of nonprofit corporations. There can be, however, no assurance that future changes in the laws and regulations of the federal, state or local governments, or the interpretation of existing or future laws and regulations will not materially and adversely affect the operations and revenues of the Corporation by requiring them to pay income taxes.

Below-Market Interest Loans. Section 7872 of the Code (Treatment of Loans with Below-Market Interest Rates), provides for, in certain circumstances, the imputation of interest income to a lender when the rate of interest charged by the lender is below prevailing market rates (as determined under a formula) or, even if the below-market interest rate loan would otherwise be exempt from the provisions of Section 7872, when one of the principal purposes for such below-market rate loan is the avoidance of federal income taxation.

A refundable entrance fee payment made by a resident to certain continuing care facilities has been determined under Section 7872 to constitute a below-market interest rate loan by the resident to the facility to the extent that the resident is not receiving a market rate of interest on the refundable portion of the entrance fee. Section 7872(g) provides a "Safe Harbor" exemption for certain types of refundable entrance fees. The statutory language of Section 7872 does not permit a conclusive determination as to whether residency agreements come within the scope of the continuing care facility safe harbor or within the statute itself. Section 7872 is applicable only to "Loans" in excess of \$90,000, as annually increased by inflation. Any determination of

applicability of Section 7872 could have the effect of discouraging potential residents from becoming or remaining residents of the Corporation's facilities.

Property Taxes. The Communities are exempt from property taxation except for minor assessments and payments in lieu of taxes (PILOTs). However, budgetary pressures on state and local government may lead to increasing pressures for state legislation to amend the property tax statutes to subject to taxation various properties owned by nonprofit organizations or to condition exemption from taxation upon the performance of specific types or level of charitable activity.

In recent years, state, county, and local taxing authorities have been undertaking audits and reviews of the operations of tax-exempt organizations with respect to their property tax exemption for both real and personal property. In some states, including California, these authorities have interpreted the criteria for exemption more narrowly than in the past, resulting in revocation, denial, or limitation of exemption. The Corporation expects the majority of its real and personal property to be exempt from ad valorem property taxes. Investigations or audits could lead to challenges of the property tax exemption that, if successful, could adversely and materially affect the property tax exemption of the Communities.

Intermediate Sanctions. In 1996, the Taxpayers Bill of Rights 2 (the "*Taxpayers Act*") was signed into law. The Taxpayers Act provides the IRS with an "intermediate" tax enforcement tool to combat violations by tax-exempt organizations of the private inurement prohibition of the Code. Prior to the "intermediate sanctions law," the IRS could punish such violations only through revocation of an entity's tax-exempt status.

Intermediate sanctions may be imposed where there is an "Excess Benefit Transaction," defined to include a disqualified person (*i.e.*, an insider) (1) engaging in a non-fair market value transaction with the tax-exempt organization; (2) receiving unreasonable compensation from the tax-exempt organization; or (3) receiving payment in an arrangement that violates the private inurement proscription.

A disqualified person who benefits from an excess benefit transaction will be subject to a "*first tier*" penalty excise tax equal to 25% of the amount of the excess benefit. Organizational managers who participate in an excess benefit transaction knowing it to be improper are subject to a first-tier penalty excise tax of 10% of the amount of the excess benefit, subject to a maximum penalty of \$20,000. A "*second tier*" penalty excise tax of 200% of the amount of the excess benefit may be imposed on the disqualified person (but not the organizational manager) if the excess benefit transaction is not corrected in a specified time period.

CERTAIN MATTERS RELATING TO ENFORCEABILITY

The effectiveness of the security interests in the Corporation's Gross Revenues granted in the Loan Agreement and the Regulatory Agreement may be limited by a number of factors, including: (i) the absence of an express provision permitting assignment of receivables owed to the Corporation under its contracts, and present or future prohibitions against assignment contained in any applicable statutes or regulations; (ii) commingling of the proceeds of Gross Revenues with other moneys not subject to the security interest in the Gross Revenues;

(iii) statutory liens; (iv) rights arising in favor of the United States of America or any agency thereof; (v) constructive trusts, equitable or other rights impressed or conferred by a federal or state court in the exercise of its equitable jurisdiction; (vi) federal bankruptcy laws or state insolvency laws which may affect the enforceability of the Deed of Trust or the security interest in the Gross Revenues of the Corporation which are earned by the Corporation within 90 days preceding or, in certain circumstances with respect to related corporations, within one year preceding and after any effectual institution of bankruptcy proceedings by or against the Corporation; (vii) rights of third parties in Gross Revenues converted to cash and not in the possession of the Trustee; and (viii) claims that might arise if appropriate financing or continuation statements are not filed or other documents are not executed in accordance with the California Uniform Commercial Code as from time to time in effect. The security interests described above will be perfected, to the extent such interests can be perfected, by the filing of financing statements and the delivery by the Corporation of deposit account control agreements governing bank depository accounts of the Corporation. Under the Uniform Commercial Code, such security interest ceases to attach to proceeds of Gross Revenues, e.g., collections of accounts receivable which cannot be traced to a specific account of the Corporation other than the Gross Revenue Fund created under the Loan Agreement and the Regulatory Agreement or otherwise have ceased to be “identifiable cash proceeds.”

There exists, in addition to the foregoing, common law authority and authority under California statutes pursuant to which the California courts may terminate the existence of a nonprofit corporation or undertake supervision of its affairs on various grounds, including a finding that such corporation has insufficient assets to carry out its stated charitable purposes or has taken some action which renders it unable to carry out such purposes. Such court action may arise on the court’s own motion pursuant to a petition of the California Attorney General or such other persons who have interests different from those of the general public, pursuant to the common law and statutory power to enforce charitable trusts and to see to the application of their funds to their intended charitable uses.

CERTAIN RISKS ASSOCIATED WITH THE DEED OF TRUST

Valuation. The Communities are located in a region that has experienced real property market volatility throughout the past few years. There can be no assurance that, if the Corporation were to default in making the payments under the Loan Agreement, (i) any part or all of the Communities could be foreclosed upon and sold for an amount sufficient to fully pay the outstanding principal of and interest on the Bonds or (ii) any bid would be received for the Communities and, if received, that such bid would be sufficient to fully pay the outstanding principal of and interest on the Bonds.

Priority of the Liens. The liens created under the Deed of Trust delivered by the Corporation constitute a first lien on and security interest in the Collateral Property. The liens are subordinate to and independent of liens for general property taxes, special taxes and assessments. Additional special taxes or assessments may be imposed on the Communities by other public agencies that have jurisdiction over the Collateral Property. Such future special taxes or assessments would have priority over the liens created under the Deed of Trust.

Additionally, the Corporation may create Permitted Encumbrances which have priority over the liens created under the Deed of Trust.

Hazardous Substances. While governmental taxes, assessments and charges are common claims against the value of property, other less common claims may be relevant. One of the most serious in terms of the potential reduction in the value that may be realized is a claim with regard to hazardous substances. In general, the Corporation may be required by law to remedy conditions of the Communities relating to release of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or the “Superfund Act,” is the most well-known and widely applicable of these laws. California laws with regard to hazardous substances are stringent and similar to the federal acts. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition on property, whether or not the owner (or operator) had or has anything to do with the creation or handling of the hazardous substance. Consequently, if any part of the Communities is affected by a hazardous substance, the marketability and value of the parcel may be reduced by the cost of remedying the condition. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling the hazardous substance. Any of these circumstances could significantly affect the value of the Collateral Property that would be realized upon a delinquency and foreclosure.

Foreclosure. There are two methods of foreclosing on a deed of trust under California law: by nonjudicial sale and by judicial sale. Foreclosure under a deed of trust may be accomplished by a nonjudicial trustee’s sale under the power of sale provision in the deed of trust. Prior to such sale, the trustee must record a notice of default and election to sell and must send a copy to the trustor, any person who has recorded a request for a copy of the notice of default and notice of sale, any successor in interest of the trustor and the beneficiary of any junior deed of trust. Following the lapse of three months after recording the notice of default and election to sell, the trustee may give notice of sale. The notice of sale must be posted in a public place and published once each week throughout a 20-day period prior to the trustee’s sale. Such notice of sale must be posted on the property and must be sent to the trustor, to each person who has requested a copy, to any successor in interest of the trustor and to the beneficiary of any junior deed of trust at least 20 days prior to the sale. The trustor, any successor in interest of the trustor, or any person having a junior lien or encumbrance of record may cure the default during the statutory reinstatement period by paying the entire amount of the debt then due under the terms of the deed of trust and the obligations secured thereby (exclusive of principal due by virtue of acceleration upon default) plus costs and expenses actually incurred in enforcing the obligation and certain statutorily limited attorneys’ and trustee’s fees. In addition, the notice of sale must be recorded with the county recorder at least 14 days prior to the date of sale. Following the sale, neither the trustor nor any junior lien holder has any right of redemption, and the beneficiary may not ordinarily obtain a deficiency judgment against the trustor.

If foreclosure under a deed of trust is sought in the form of a judicial foreclosure, it generally is subject to most of the delays and expenses that occur with other lawsuits. Judicial foreclosure sometimes requires up to several years to complete. The primary advantage of a judicial foreclosure is that the beneficiary is entitled, subject to other limitations, to obtain a deficiency judgment against the trustor to the extent that the amount of the debt is in excess of

the fair market value of the property. Following a judicial foreclosure sale, the trustor or its successors in interest may redeem the property for a period of one year (or a period of three months if the entire amount of the debt is bid at the foreclosure sale).

Anti-deficiency Legislation and Other Limitations on Lenders. The State of California has four principal statutory prohibitions limiting the remedies of a beneficiary under a deed of trust. Two of these prohibitions limit the beneficiary's right to obtain a deficiency judgment, one being based on the method of foreclosure and the other on the type of debt secured. Under the former, a deficiency judgment ordinarily is barred when the foreclosure is accomplished by means of a nonjudicial trustee's sale, except where the deed of trust is given to secure the payment of bonds authorized or permitted to be issued by the California Commissioner of Corporations. Under the latter (not intended to be applicable in this situation), a deficiency judgment is barred where a foreclosed deed of trust secures certain purchase money obligations.

Another California statute, commonly known as the "one form of action" rule, requires the beneficiary to exhaust the security under a deed of trust by foreclosure before bringing a personal action against the trustor on the indebtedness. If a court were to hold that this rule was applicable to the Deed of Trust and the Authority or the Trustee were to file suit to collect the debt under the Loan Agreement without seeking first to enforce their remedies under the Deed of Trust, they might be precluded from thereafter proceeding under the Deed of Trust to foreclose on the Collateral Property.

Another statutory provision limits any deficiency judgment obtained by a beneficiary following a judicial sale to the excess of the outstanding debt above the fair market value of the property at the time of sale. This prevents a beneficiary from obtaining a large deficiency judgment against the debtor as the result of low bids at a judicial sale.

Other statutory provisions (such as the federal bankruptcy laws) may have the effect of delaying enforcement of the lien of the Deed of Trust in the event of a default by the Corporation.

RIGHTS OF RESIDENTS

The Corporation enters into residency agreements with residents of the Communities. Although these agreements give to each resident a contractual right to use space and do not grant any ownership rights in the Communities, in the event that either the Trustee or the holders of the Bonds seek to enforce any of the remedies provided by the Indenture upon the occurrence of a default, Management is unable to predict how a court might resolve competing claims between the Trustee, the Authority or the holders of the Bonds, on the one hand, and the residents of the Communities who have fully complied with all the terms and conditions of their residency agreements, on the other.

The Corporation may, from time to time, be subject to pressure from organized groups of residents seeking, among other things, to raise the level of services without a fee increase or to maintain the level of facility service fees or other charges despite the increased costs of providing services. Moreover, the Corporation may be subject to conflicting pressures from

different groups of residents, some of whom may seek an increase in the level of services while others wish to hold down monthly service fees and other charges. No assurance can be given that the Corporation will be able to satisfy such resident groups.

ENVIRONMENTAL, OCCUPATIONAL, AND OTHER HEALTH AND SAFETY MATTERS

Typical health care and senior living facility operations include the handling, use, storage, transportation, disposal and/or discharge of hazardous, infectious, toxic, radioactive, flammable and other hazardous materials, wastes, pollutants and contaminants. As such, health care and senior living facility operations are particularly susceptible to the practical, financial and legal risks associated with compliance with environmental and occupational health and safety laws and regulations. Further, environmental and occupational health and safety risks may result in (1) damage to individuals, property or the environment, (2) the interruption of operations and/or increased costs, (3) legal liability, damages, injunctions, citations or fines, and (4) investigations, administrative proceedings, civil litigation, criminal prosecution, penalties or other governmental agency actions. Such actions may not be covered by insurance. There is no assurance that the Corporation will not encounter such problems in the future and such problems may result in material adverse consequences to the Corporation's business or financial condition. At the present time, Management is not aware of any pending or threatened claim, investigation or enforcement action regarding any such environmental or occupational health and safety issues which would have a material adverse effect on the Corporation's business or financial condition.

Under the federal Comprehensive Environmental Response, Compensation and Liability Act and under comparable California State law, a secured party which takes a deed in lieu of foreclosure, purchases a mortgaged property at a foreclosure sale or operates a mortgaged property may become liable in certain circumstances for the cost of remedial action if hazardous waste or hazardous substances have been released or disposed of on the property. Such remedial action costs could subject the Collateral Property to a lien and reduce or eliminate the amounts otherwise available to pay the owners of the Bonds if such remedial action costs were incurred.

NATURAL DISASTERS

The Communities are situated near a region that has experienced significant wildfires in recent years. The occurrence of a significant wildfire or flood in the area, or the occurrence of other natural disasters in the area such as droughts and earthquakes, may damage part or all of the Communities, interrupt utility service to part or all of the Communities or otherwise impair the operation of part or all of the Communities or the generation of revenues from part or all of the Communities beyond existing insurance coverage. No assurance is given as to the continuation of existing insurance coverage, which, among other things, may not be available (or available at a reasonable cost) in the future. Climate change may increase the frequency or severity of wildfires, significant weather events, or other natural disasters. See also, "SEISMIC RISK" below.

SEISMIC RISK

The Communities are situated in an active earthquake zone. A significant earthquake in the region could have a material adverse effect on the Corporation and could result in material damage and temporary or permanent cessation of operations at the Communities. Under the Regulatory Agreement, the Corporation will agree to keep each Community and all of its operations adequately insured at all times including through earthquake insurance (unless waived by the Department).

CONSTRUCTION RISKS

Construction projects are subject to a variety of risks including, but not limited to, delays in the issuance of necessary approvals or permits, strikes, shortages of materials, tariffs on materials, supply chain disruptions, adverse weather conditions, and general cost overruns. Cost overruns may occur due to change orders, delays in construction schedules, scarcity of building materials and labor, inflation, and other factors. Any of the foregoing could cause completion delays or the expenditure of more funds than originally allocated.

POSSIBLE FUTURE CHANGES TO ACCOUNTING POLICIES AND PROCEDURES

From time to time, accounting policies and procedures change as accounting principles that are generally accepted in the United States change. Such changes may cause a variation in the presentation of the financial information of the Corporation. There can be no assurance that any such changes would not have a material adverse impact on the Corporation's compliance with certain covenants contained in the Regulatory Agreement.

MARKETABILITY OF THE BONDS

Although the Underwriter intends, but is not obligated, to make a market for the Bonds, there can be no assurance that there will be a secondary market for the Bonds, and the absence of such a market for the Bonds could result in investors not being able to resell the Bonds should they need to or wish to do so.

OTHER POSSIBLE RISK FACTORS

Potential purchasers should also consider the following factors prior to purchasing the Bonds. This list is not, and is not intended to be, all inclusive.

Energy. Changes to the cost and availability of energy could, among other things, affect the cost of utilities of the Corporation's facilities and thereby adversely affect the operations of the Corporation.

Changes to Federal, State or Local Laws or Regulations. Changes to the laws and regulations affecting the Corporation's operations such as reinstatement or establishment of mandatory governmental wage, rent or price controls, or changes in tax, pension, social security or other laws and regulations affecting the provisions of health care, retirement benefits and

other services to seniors, could have an adverse effect on the future operating or financial performance of the Corporation.

Early Redemption. Purchasers of Bonds, including those who purchase Bonds at prices in excess of their principal amount or who hold Bonds trading at prices in excess of their principal amount, should consider that the Bonds are subject to redemption prior to maturity at a redemption price that may be less than the prices at which such Bonds were purchased or are trading. See “THE BONDS—Redemption.”

Forward-Looking Statements. Certain statements contained in this Official Statement do not reflect historical facts but instead are forecasts and “Forward-Looking Statements.” No assurance can be given that the future results discussed herein will be achieved, and actual results may differ materially from the forecasts described herein. In this respect, the words “estimate,” “forecast,” “project,” “anticipate,” “expect,” “intend,” “believe” and other similar expressions are intended to identify forward-looking statements. All projections, forecasts, assumptions and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement.

The information and expressions of opinions herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Corporation or any other person described herein since the date thereof.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Concurrently with the issuance of the Bonds, Robert Thomas CPA will deliver a report with respect to the mathematical accuracy of certain computations contained in schedules provided to them, which were prepared by the Underwriter, relative to the sufficiency of moneys and securities deposited into the escrow fund established pursuant to an escrow agreement to pay, when due, the principal and interest requirements and the redemption price of the Series 2015 Bonds. The report of Robert Thomas CPA will include the statement that the scope of its engagement is limited to verifying the mathematical accuracy of the aforesaid computations and that it has no obligation to update its report because of events occurring, or data or information coming to its attention, subsequent to the date of the report.

ABSENCE OF MATERIAL LITIGATION

THE CORPORATION

There is no controversy or litigation of any nature now pending against the Corporation or, to the knowledge of its officers, threatened, restraining or enjoining the issuance of the Bonds or in any way contesting or affecting (i) the validity of the Bonds, or (ii) any proceedings of the Corporation taken concerning the issuance or sale thereof or the collection of Revenues pledged under the Indenture.

As with most senior care providers, the Corporation is subject to certain legal actions that, in whole or in part, are not or may not be covered by insurance because of the type of action or amount or types of damages requested (e.g., punitive damages), because of a reservation of rights by an insurance carrier, or because the action has not proceeded to a stage that permits full evaluation. The Corporation intends to vigorously defend itself against this lawsuit. At this time, the Corporation expects that, in the event of an adverse determination of the litigation, any damages owed by the Corporation will be covered by insurance; however, there can be no assurance that the Corporation's insurance will cover the full amount of any damages. There is no other litigation of any nature now pending against the Corporation or, to the knowledge of the Corporation's officers, threatened, which, if successful, would materially adversely affect the operations or financial condition of the Corporation.

THE AUTHORITY

To the knowledge of the Authority, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending against the Authority seeking to restrain or enjoin the sale or issuance of the Bonds, or in any way contesting or affecting any proceedings of the Authority taken concerning the sale thereof, the pledge or application of any moneys or security provided for the payment of the Bonds, the validity or enforceability of the documents executed by the Authority in connection with the Bonds, the completeness or accuracy of this Official Statement or the existence or powers of the Authority relating to the sale of the Bonds.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority ("*Bond Counsel*"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code, and interest on the Bonds is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX G hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses,

brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("*Premium Bonds*") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The Authority and the Corporation have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

In addition, Bond Counsel has relied, among other things, on the opinion of Hanson Bridgett LLP, counsel to the Corporation, regarding the current qualification of the Corporation as an organization described in Section 501(c)(3) of the Code. Such opinion is subject to a number of qualifications and limitations. Bond Counsel has also relied upon representations of the Corporation concerning the Corporation's "unrelated trade or business" activities as defined in Section 513(a) of the Code. Neither Bond Counsel nor Counsel to the Corporation has given any opinion or assurance concerning Section 513(a) of the Code and neither Bond Counsel nor Counsel to the Corporation can give or has given any opinion or assurance about the future activities of the Corporation, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the resulting changes in enforcement thereof by the IRS.

Failure of the Corporation to be organized and operated in accordance with the IRS's requirements for the maintenance of its status as an organization described in Section 501(c)(3) of the Code, or to operate the facilities financed by the Bonds in a manner that is substantially related to the Corporation's charitable purpose under Section 513(a) of the Code, may result in interest payable with respect to the Bonds being included in federal gross income, possibly from the date of the original issuance of the Bonds.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the IRS or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority or the Corporation, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority and the Corporation have covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority, the Corporation, or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, Beneficial Owners would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority or the Corporation legitimately disagree, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the Authority, the Corporation or the Beneficial Owners to incur significant expense.

Payments on the Bonds generally will be subject to U.S. information reporting and possibly to “backup withholding.” Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate Beneficial Owner of Bonds may be subject to backup withholding with respect to “reportable payments,” which include interest paid on the Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number (“*TIN*”) to the payor in the manner required, (ii) the IRS notifies the payor that the *TIN* furnished by the payee is incorrect, (iii) there has been a “notified payee underreporting” described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against a Beneficial Owner’s federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain Beneficial Owners (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. The failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

APPROVAL OF LEGALITY

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, substantially in the form set forth as APPENDIX G. Certain legal matters will be passed upon for the Corporation by its counsel, Hanson Bridgett LLP, San Francisco, California, and for the Authority by its counsel, Orrick, Herrington & Sutcliffe LLP. Certain legal matters will be passed upon for the Underwriter by Chapman and Cutler LLP. None of the counsel mentioned above undertakes any responsibility for the accuracy, completeness or fairness of this Official Statement.

FEASIBILITY STUDY

As part of the Corporation’s application to the Department for insurance, the Feasibility Study dated May 5, 2025 was prepared for the Corporation by Hendrickson Consulting. The conclusions of the Feasibility Study were based on certain assumptions, as outlined in the Feasibility Study.

The Authority has not reviewed the Feasibility Study or financial information provided by the Corporation. There can be no assurance that as a result of the Feasibility Study or issuance of insurance by the Department that the Corporation will be able to meet its obligation to make Loan Repayments.

A copy of the Feasibility Study is included herein as APPENDIX C—“FINANCIAL FEASIBILITY REPORT.” PROSPECTIVE INVESTORS SHOULD REVIEW THE FEASIBILITY STUDY IN ITS ENTIRETY FOR A FULL UNDERSTANDING OF THE ASSUMPTIONS AND RATIONALE UNDERLYING THE FORECASTS AND CONCLUSIONS CONTAINED THEREIN PRIOR TO PURCHASING THE BONDS.

UNDERWRITING

Pursuant to a Bond Purchase Contract among the Underwriter, the Authority and the Corporation (the “*Purchase Contract*”), the Underwriter has agreed to purchase the Bonds at an aggregate purchase price of \$154,124,345.15 (representing the aggregate principal amount of the Bonds, plus net original issue premium of \$3,471,097.40 and less an Underwriter’s discount of \$901,752.25). Pursuant to the Purchase Contract, the Corporation has agreed to indemnify the Underwriter and the Authority against certain liabilities. The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The obligation of the Underwriter to accept delivery of the Bonds is subject to the various conditions of the Purchase Contract.

FINANCIAL STATEMENTS

The audited consolidated financial statements of the Corporation and its subsidiaries, as of and for the fiscal years ended December 31, 2023 and 2024 and December 31, 2022 and 2023 included in APPENDIX B to this Official Statement have been audited by Moss Adams LLP, independent auditors, as stated in its reports appearing therein. Neither Moss Adams LLP, which combined with Baker Tilly US, LLP as of June 3, 2025, nor Baker Tilly US, LLP, has been engaged to perform, or has performed, since the date of Moss Adams LLP’s most recent report included in APPENDIX B, any procedures on the consolidated financial statements addressed in that report. The consolidated financial statements of the Corporation and its subsidiaries as of and for the fiscal year ended December 31, 2024 are the most recent audited financial statements.

Certain unaudited summarized financial information of the Corporation as of and for the four-month periods ended April 30, 2024 and 2025 is included in APPENDIX A hereto. Such unaudited summarized financial information for the four-month period ended April 30, 2025 is not necessarily indicative of the financial results of the Corporation for the fiscal year ending December 31, 2025.

RATING

Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., has assigned its municipal bond rating of “AA-” to the Bonds with the understanding that, upon delivery of the Bonds, payment of the principal of and interest on the Bonds will be insured by the Department. The rating reflects the rating agency’s current assessment of the creditworthiness of the Department and its ability to pay claims under the Insurance Program.

The rating and an explanation of its significance may be obtained from the rating agency furnishing such rating. Such rating reflects only the view of the rating agency. The Corporation has furnished the rating agency with certain information and materials relating to the Bonds that have not been included in this Official Statement. Generally, rating agencies base their ratings on the information and materials so furnished and on investigations, studies, and assumptions by the rating agencies. There is no assurance that a particular rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the

agency originally establishing the rating, circumstances so warrant. Any such change in or withdrawal of such rating could have an adverse effect on the market price of the Bonds.

MISCELLANEOUS

The foregoing and subsequent summaries or descriptions of provisions of the Bonds, the Contract of Insurance, the Indenture, the Loan Agreement, the Regulatory Agreement and the Deed of Trust and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof and do not purport to summarize or describe all of the provisions thereof. Reference is made to said documents for full and complete statements of the provisions of such documents. The appendices attached hereto are a part of this Official Statement. Copies, in reasonable quantity, of the Indenture, the Loan Agreement, the Contract of Insurance, the Regulatory Agreement and the Deed of Trust may be obtained during the offering period upon request to the Underwriter and thereafter upon request to the principal corporate trust office of the Trustee.

So far as any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of such statements will be realized. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the owners of the Bonds.

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such numbers nor any error in the printing of such numbers shall constitute grounds for a failure or refusal by any purchaser thereof to accept delivery of and payment for any Bonds.

The attached Appendices are integral parts of this Official Statement and must be read together with all of the foregoing statements.

The Corporation has reviewed the information contained herein which relates to it and its property and operations and has approved all such information for use within this Official Statement.

The Authority furnished only the information in this Official Statement contained under the captions "THE AUTHORITY" and "ABSENCE OF MATERIAL LITIGATION—The Authority" and, except for such information, makes no representation or warranty as to the adequacy, completeness or accuracy of this Official Statement.

This Official Statement has been delivered by the Corporation. This Official Statement is not to be construed as a contract or agreement among any of the Authority, the Corporation or the purchasers or holders of any of the Bonds.

SEQUOIA LIVING, INC., a California nonprofit
public benefit corporation

By: /s/ Charlie Shoemake
Chief Financial Officer

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APPENDIX A

INFORMATION REGARDING SEQUOIA LIVING, INC.

*The information contained herein as APPENDIX A
to this Official Statement has been obtained from the Corporation.*

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INTRODUCTION

GENERAL

Sequoia Living, Inc. is a California nonprofit public benefit corporation (the “*Corporation*”) and services provider dedicated to enhancing the lives of older adults throughout Northern California since 1958. The Corporation, originally known as Northern California Presbyterian Homes and later renamed Northern California Presbyterian Homes and Services, Inc. The Corporation and its related entities own four life plan communities and three affordable housing communities, and provide a range of other community services.

The four life plan communities (the “*Communities*”), the revenues of which are pledged to the payment of the Bonds, include the following:

The Sequoias – Portola Valley	Portola Valley, CA
The Sequoias – San Francisco	San Francisco, CA
The Sequoias – Tamalpais	Greenbrae, CA
Viamonte Senior Living	Walnut Creek, CA

The Communities contain 844 residential living apartments (also known as independent living), 146 assisted living or memory care residences, and 112 skilled nursing beds. The affordable housing properties offer approximately 600 apartments to low-income residents. Only the Communities are subject to the gross revenue pledge and the Deed of Trust.

The revenues and assets of the affordable housing properties and other Non-Obligated Entities (described herein) are included in the consolidated financial statements of the Corporation but are excluded from support for the Bonds. See “SEQUOIA LIVING, INC. AND RELATED ENTITIES” for a description of the corporate structure and for a description of the Communities, see “THE COMMUNITIES AND SERVICES” in this Appendix A. For a description of the security for the Bonds, see “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS” in this Official Statement.

The Corporation is an organization described under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “*Tax-Exempt Organization*”).

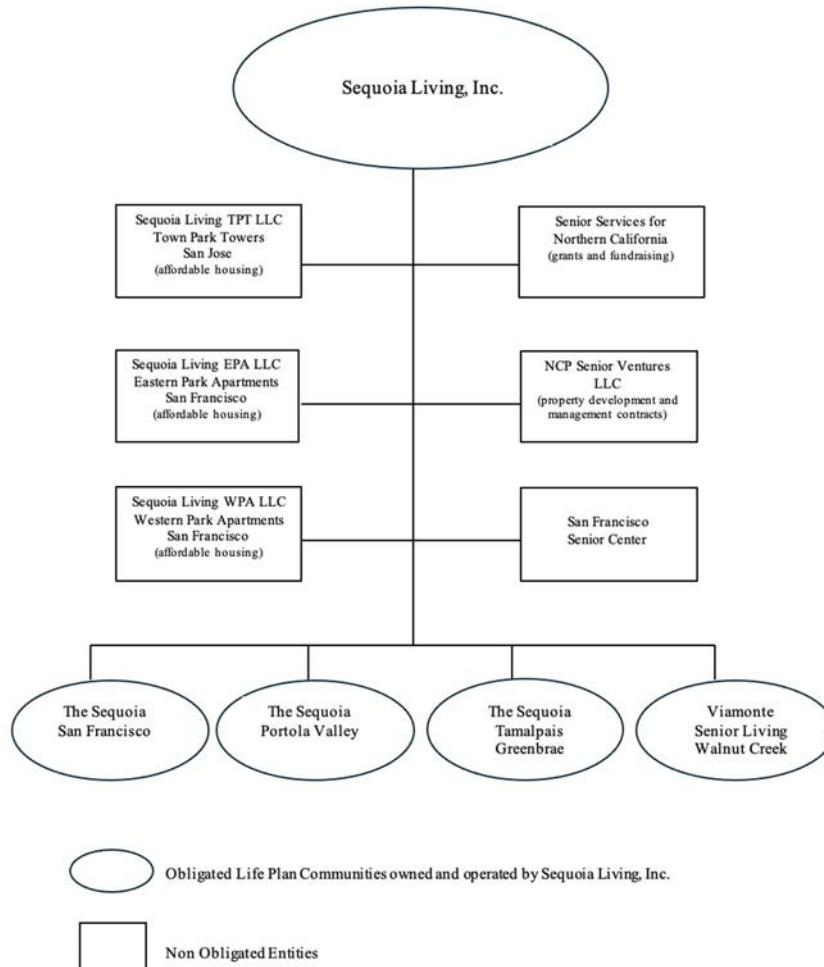
The proceeds of the Bonds will be used to refinance certain outstanding debt and to finance certain capital expenditures which are part of the Corporation’s “future proofing” plan. See “PLAN OF FINANCING” in this Official Statement “FUTURE PROOFING PROJECTS” in this Appendix A.

This APPENDIX A is intended to provide information about the Corporation that is not found elsewhere in this Official Statement. For additional information about the Corporation, potential investors should refer to the audited consolidated financial statements with supplementary information of Sequoia Living, Inc. as of and for the years ended December 31, 2022, 2023, and 2024 that are included in APPENDIX B. Other information is set forth in the Financial Feasibility Study included in this Official Statement as APPENDIX C. The materials included in this APPENDIX A and the other appendices to this Official Statement should be read in their entirety.

For the definitions of terms not defined herein, see the forepart of this Official Statement and APPENDIX D – “Definitions of Certain Terms.”

SEQUOIA LIVING, INC. AND RELATED ENTITIES

A brief overview of the Corporation and description of the Corporation's affiliated entities is set forth below.



THE CORPORATION AND THE COMMUNITIES

Brief descriptions of the Communities:

The Sequoias Portola Valley ("Sequoias-PV"). Sequoias-PV was the Corporation's first community. Opened in 1961, Sequoias-PV is located on 42 acres of rolling forest and meadows seven miles southwest of downtown Palo Alto. Sequoias-PV has 193 Residential Living units, 26 assisted living residences, 18 memory care units, and 41 skilled nursing beds.

The Sequoias San Francisco ("Sequoias-SF"). Sequoias-SF was the Corporation's second community. Located in the Japantown neighborhood of San Francisco, Sequoias-SF opened in 1969. Sequoias-SF has 260 Residential Living units, 18 assisted living residences, 19 memory care units, and 45 skilled nursing beds.

The Sequoias Tamalpais (“Tamalpais”). Tamalpais opened in 1969 and became affiliated with the Corporation in 1984. Tamalpais is located in Greenbrae in southern Marin County and has 221 Residential Living units, 28 assisted living residences, 19 memory care units and 26 skilled nursing beds.

Viamonte Senior Living (“Viamonte”). Located in Walnut Creek, Viamonte opened in 2020 and its owner/operator was recently merged into the Corporation. Viamonte has 170 Residential Living units, 8 assisted living residences and 10 memory care units. See “RECENT DEVELOPMENTS” in this Appendix.

The following table is a summary unit mix of each of the Communities:

Sequoia Living Life Plan Communities-Unit Mix

Community	Location	Residential Living Apartments	Assisted Living Residences	Memory Care Units	Skilled Nursing Beds	Total
The Sequoias – Portola Valley	Portola Valley, CA	193	26	18	41	278
The Sequoias – San Francisco	San Francisco, CA	260	18	19	45	342
The Sequoias – Tamalpais	Greenbrae, CA	221	28	19	26	294
Viamonte Senior Living	Walnut Creek, CA	<u>170</u>	<u>8</u>	<u>10</u>	<u>=</u>	<u>188</u>
Total		844	80	66	112	1,102

See “THE CORPORATION COMMUNITIES AND SERVICES” herein.

HISTORY

The formation of Northern California Presbyterian Homes, Inc. (“NCPH”) was approved by the Presbytery of San Francisco on October 3, 1957. The Articles of Incorporation for NCPH, dated January 17, 1958, specified that the purpose of the Corporation was to: “establish, build, equip, maintain, conduct, and operate one or more establishments, institutions, homes and other places for the reception and care of aged persons, regardless of income, race, or religious affiliation.” The Corporation's purposes statement has been updated over time; however, its mission has not substantively changed.

Ground-breaking ceremonies for Sequoias -PV were held May 11, 1960. Soon after the formal dedication celebration on June 18, 1961, the community’s 231 apartments were filled with a waiting list for admission.

In 1960, San Francisco was one of the first cities to take advantage of the new Urban Redevelopment Program and designated the Western Addition for redevelopment funded by Federal money. Sequoias-SF, NCPH’s second community, broke ground on October 5, 1966 and opened the Tower section on January 15, 1969. The Garden Court followed on March 1, 1969.

At the request of the San Francisco Redevelopment Agency, and with Federal financing, NCPH planned and built Western Park Apartments in the Western Addition, which opened in September of 1971, and Eastern Park Apartments in the Tenderloin, which opened in November of 1979. Town Park Towers, completed in 1972, was acquired from the First Presbyterian Church of San Jose and the Presbytery of San Jose and became the third NCPH affordable community in 1985. The Corporation later transferred

ownership of the affordable housing communities to limited partnerships and is the sole member of the limited liability companies that control the affordable housing communities.

In 1984, NCPH affiliated with Ross Valley Homes, Inc. to run The Tamalpais, which had opened in 1969. NCPH assumed operational control of what became its third life plan community in 1989. Subsequently, Ross Valley Homes was merged into the Corporation.

The NCPH name was changed to Northern California Presbyterian Homes and Services, Inc. (“NCPHS”) on January 1, 1997, to better represent the scope of programs the organization maintained.

In 2014, the NCPHS Board of Directors approved the Viamonte project, and after planning and preparation, construction kicked off in 2018. Completion of Viamonte was delayed slightly due to the COVID pandemic. On December 1, 2020, the community officially opened, only three months after its scheduled date. For more information about Viamonte, see "RECENT DEVELOPMENTS AND STRATEGIC INITIATIVES" in this Appendix A.

On September 7, 2018, with unanimous written consent from the NCPHS Board of Directors, the name of NCPHS was changed to Sequoia Living. The change was prompted by a desire for a shorter name that expressed more succinctly what the organization was about and to eliminate any implied corporate relationship with the Presbyterian Church.

NON-OBLIGATED ENTITIES

The Corporation is the sole corporate member or shareholder or affiliate of six related entities. The Corporation currently sponsors three older adult affordable housing communities (the “*Affordable Housing Properties*”). In addition, the Corporation is the sole corporate member or affiliate of two additional nonprofit entities and a special purpose for-profit entity which are all engaged in the support of the mission activities of the Corporation. The following affiliates of the Corporation have been excluded from support for the Bonds and are not obligated to make any payments of principal or interest on the Bonds (“*Non-Obligated Entities*”):

Affordable Housing Properties

The affordable housing properties are owned by affiliates of the Corporation and offer approximately 600 apartments to low-income residents.

Sequoia Living EPA LLC. The Corporation is the sole corporate member of Sequoia Living EPA LLC (“*SL-EPA*”) which was formed in 2019. SL-EPA is the general partner of Eastern Park Apartments L.P., a California limited partnership which owns Eastern Park Apartments, a 201-unit affordable housing property located in San Francisco, California.

Sequoia Living WPA LLC. The Corporation is the sole corporate member of Sequoia Living WPA LLC (“*SL-WPA*”) which was formed in 2013. SL-WPA is the general partner of Western Park Apartments, L.P., a California limited partnership which owns Western Park Apartments, a 182-unit affordable housing property located in San Francisco, California.

Sequoia Living TPT LLC. The Corporation is the sole corporate member of Sequoia Living TPT LLC (“*SL-TPT*”) which was formed in 2015. SL-TPT is the general partner of Town Park Towers L.P., a

California limited partnership which owns Town Park Towers, a 216-unit affordable housing property located in San Jose, California.

The Affordable Housing Properties are designed for seniors and adults with disabilities who have limited incomes. All residents must qualify for a rental subsidy through the United States Department of Housing and Urban Development (HUD) which allows them to cap their contribution toward rent and utilities at 30% of their income. For additional information on the Affordable Housing Properties, see “Note 1-Corporate Purposes and Structure-Corporate Structure” in the audited consolidated financial statements of the Corporation included as Appendix B to this Official Statement.

Other Entities

Senior Services for Northern California. The Corporation is the sole corporate member of Senior Services for Northern California (“SSNC”), a California nonprofit public benefit corporation and a Tax-Exempt Organization. SSNC is a supporting organization of the Corporation which receives and disburses gifts and bequests of money and property donated for the benefit of the Corporation and its facilities and programs. As of December 31, 2024, SSNC had net assets without donor restrictions of approximately \$7.4 million and total assets of \$53.5 million. Financial information regarding SSNC is included in the Supplementary Information (unaudited) in the Sequoia Living consolidated financial statements set forth in Appendix B to this Official Statement.

NCP Senior Ventures, LLC. The Corporation is the sole member of NCP Senior Ventures, LLC (“NSV”), a California for-profit limited liability company. NSV was formed in 2008 for the purpose of seeking and implementing new development opportunities. In 2009, NSV began managing Kokoro Assisted Living, a low-income housing facility in San Francisco. NSV’s financial information is consolidated in the audited financial statements of the Corporation; however, NSV is excluded from support for the 2025 Bonds.

San Francisco Senior Center. The Corporation is affiliated with the San Francisco Senior Center (“SFSC”), a California nonprofit public benefit corporation. SFSC has no corporate members but its corporate purposes include supporting the Corporation. SFSC operates two senior centers in San Francisco and delivers services to help seniors and adults with disabilities stay engaged in the community. SFSC opened in Aquatic Park in San Francisco in 1947 as one of the first nonprofit senior centers in the United States. It began with a bold idea: to create a place where older adults could come together, learn, and build community. The activities of SFSC were merged into the Corporation to simplify audit and reporting activities for these entities.

RECENT DEVELOPMENTS AND STRATEGIC INITIATIVES

Viamonte Senior Living 1, Inc. (“Viamonte Living”) was formed in 2016 to develop and operate a continuing care retirement community in Walnut Creek, California. The Corporation was the sole corporate member of Viamonte Living, a nonprofit corporation principally organized to provide housing, services and other means of care for elderly persons. Viamonte Living was established as a stand-alone entity to isolate the financial risks of developing and operating a start-up organization until it reached stabilized occupancy which is the primary indicator of financial stability. From Viamonte Living’s inception, the Corporation anticipated that Viamonte Living would be merged into the Corporation once it reached this milestone. In 2024, the community reached stabilized occupancy. Viamonte Living merged into the Corporation effective May 1, 2025.

The Corporation is in the process of reviewing and updating its long-term strategic plan. While there are no specific initiatives that would impact the ongoing operations of the Corporation, management constantly assesses opportunities for growth and development of both our existing communities as well as opportunities for growth within the senior living industry. The Corporation owns an approximately 25,000 square foot parcel of land in San Francisco that has been designated by the Board for future development as an affordable housing community. The timing, legal structure and financing for any such development have not been determined and are subject to the availability of government affordable housing incentives and economic conditions as well as compliance with the Regulatory Agreement and other debt instruments.

GOVERNANCE AND MANAGEMENT

The bylaws of the Corporation provide that the Corporation has no corporate members and that the affairs of the Corporation are governed, and all corporate powers shall be exercised, by or under the direction of its Board of Directors (the “*Board*”). The Board consists of at least nine but not more than 15 voting directors. The directors are elected by the Board and serve staggered, three-year terms. Directors may serve a maximum of three full three-year terms not counting those periods during which a director filled the unexpired term of another former director. After serving three terms, a director may be re-elected to one additional three-year term after such director leaves the Board for at least one year. After serving his or her final three-year term, the Chair of the Board may serve one additional year as a director provided that such person may not serve as a director for more than ten consecutive years. One director must be a resident of one of the Communities who is elected and approved in the manner required by the California Health and Safety Code (the “*Resident Director*”). The Resident Director serves one three-year term.

The members of the Board of Directors of the Corporation and their occupations and offices are as follows:

Name	Occupation	Term Expires May
Steve Herman, Chair	Attorney	2026
Val Agostino	Senior VP of Community Impact and Healthcare Partnerships	2027
Marianne Lim	Director of Portfolio Finance & Policy of EAH Housing	2026
Richard Corriea	Retired Police Commander, Attorney, Adjunct Professor	2027
Cory Sanderson	Global Operations Manager at Flexport	2027
Patricia Lynn	Principal of Lynnk, Real Estate Consulting Company	2028
Holly Ito	Resident Representative & Retired CPA	2027
Marilyn Suey	Founder and CEO of The Diamond Group Wealth Advisors	2026
Anthony Witte	Founder of Witte's End Consulting, LLC, a DEIB firm	2028

CONFLICT OF INTEREST

The Corporation conducts annual reviews for potential conflicts of interest in known or potential transactions with members of the Board and its committees or officers. Directors complete an annual conflict of interest statement. In accordance with California law, the Corporation's policy is that no such person may participate in the approval of a transaction in which he or she has a financial interest. Management believes that transactions approved in this manner are conducted on an arm's-length basis.

MANAGEMENT

Key management positions and summary biographical information for the officers and members of the management team of the Corporation and the Corporation are listed below.

Sara McVey, President and Chief Executive Officer (age 57). Ms. McVey has been the President and Chief Executive Officer of the Corporation since 2019. She has over 20 years of experience in global marketing and strategy. Prior to joining the Corporation Ms. McVey was the Chief Executive Officer of Horizon House in Seattle, Washington from 2015 to 2019. She spent more than a decade with Mather LifeWays in a series of executive roles, including Vice President of Marketing, Vice President of Strategic Initiatives, and Vice President and Experience Director of The Mather, a Life Plan Community that opened in 2009 in Evanston, Illinois. Prior to joining Mather Lifeways, Ms. McVey worked with Classic Residence by Hyatt (Vi), where she was an Assistant Vice President responsible for managing marketing and advertising. Ms. McVey has a Bachelor of Arts in Marketing/Mass Communication and Health Education from the University of Wisconsin-Oshkosh and a Master's degree from the University of Chicago.

Charlie Shoemake, Chief Financial Officer (age 68). Mr. Shoemake joined the Corporation in 2020. Mr. Shoemake brings over 35 years of accounting and finance experience to his role as the Corporation's Chief Financial Officer. Prior to joining the Corporation, Mr. Shoemake held a variety of senior financial executive positions, including Chief Financial Officer of a specialty finance company for a legal funding company, Chief Financial Officer of a national event staffing firm, Chief Financial Officer of a large privately held receivables management company, Senior Vice President of the Corporate Bank, and Chief Financial Officer for the Corporate Banking Division of PNC Financial Services, Inc. He also served as a senior consultant with a national consulting firm working on complex accounting and business intelligence projects for a top tier financial services company. He began his career with KPMG where he successfully completed his requirements as a CPA. Mr. Shoemake earned both a Bachelor in Science degree in Accounting with Honors and an MBA in Finance from Indiana University. The Corporation has a succession plan for Mr. Shoemake's retirement.

Marc Shores, Vice President of Operations and Finance (age 61). Mr. Shores oversees the four Communities, to help ensure their financial health and operational efficiency. His strategic leadership is built on a solid foundation of previous roles, including the Chief Financial Officer for North Shore Healthcare, where he was responsible for the fiscal management of 60 skilled nursing facilities and 11 assisted living centers. Prior to North Shore, he was Chief Financial Officer of various consumer packaged goods companies as well as a senior financial executive for 14 years at Clean Harbors Environmental Services. He holds an MBA from Northeastern University and a Bachelor of Science in Accounting from Quinnipiac University.

Martha Atwood, Chief People Officer (age 65). Ms. Atwood has over 35 years of human resources and labor relations experience in the long-term care and financial services industries. Ms. Atwood currently oversees all People operations, including the Human Resources and Compliance, Privacy and Safety teams.

She is nationally certified as a Senior Professional in Human Resources. She is a member of Leading Age Human Resources Steering Committee, Society of Human Resource Management, and Northern California Human Resources Association. Ms. Atwood holds an M.S. in Human Resources and Organization Development from the University of San Francisco and a Bachelor of Science. in Rehabilitation Services and Psychology from Springfield College in Massachusetts.

David Latina, Chief Business Development Officer (age 64). Mr. Latina is responsible for overseeing the growth strategy of the Corporation. Prior to joining the Corporation, Mr. Latina served as Director for the Marin County Housing Authority where he was responsible for managing Marin's Below Market Rate (BMR) Homeownership program, Community Development Block Grant (CDBG) Home Loan Rehab program and the County's public housing portfolio. He also served as Director of Housing Development for Mercy Housing California. He earned a Master's degree in Real Estate Development from Columbia University's School of Architecture, Planning, and Preservation and earned his designation as a Certified Commercial Investment Member (CCIM).

David Madson, Chief Philanthropy Officer (age 69). Mr. Madson works with the Corporation's donors to help them achieve their philanthropic goals. Prior to joining the Corporation, Mr. Madson held fundraising positions at Stanford University, Alameda Health System Foundation, Sutter Health CPMC Foundation, University of California's San Francisco and Berkeley campuses, and the University of Minnesota. Mr. Madson has earned the Advanced Certified Fund-Raising Executive (ACFRE) credential from the Association of Fundraising Professionals, where he has also served on the board of directors. Mr. Madsen has a Bachelor of Science degree in communications from the University of Minnesota.

Paula Rathgaber-Gomez, Vice President of Sales and Marketing (age 60). Ms. Rathgaber-Gomez manages sales and marketing for the Communities and has spent the entirety of her career in marketing. She has held sales and leadership roles with Kisco, HumanGood, and Silverado. Ms. Rathgaber-Gomez also managed sales and marketing at 11 cemeteries and mortuaries for one of the largest Archdioceses in the United States. Ms. Rathgaber-Gomez holds a master's degree from the Franciscan School of Theology and is working towards completing her MBA.

Sue Fairley, Executive Director, The Sequoias-Portola Valley (age 69). Ms. Fairley has over 30 years of expertise in employee development, customer service, strategic planning, and innovation. She is a recipient of the American College of Health Care Administrators (ACHCA) Facility Leadership Award and has been recognized for groundbreaking initiatives in palliative care and culture change. She holds a Master of Science degree in Health Services Administration and Bachelor of Arts degree in Psychology. She is licensed as a Nursing Home Administrator and Residential Care for the Elderly (RCFE) administrator in California.

Paul Friesen, Executive Director, The Sequoias-Tamalpais (age 58). Mr. Friesen has more than 25 years of experience as a Nursing Home Administrator, Regional Director, Executive Director, and Chief Operating Officer. Previously, Mr. Friesen was Chief Operating Officer for Memorial Hermann Health System, where he was responsible for their continuing care retirement community and some acute care functions. He holds a Bachelor of Science degree in Health Care Administration from the University of Wisconsin-Eau Claire and an Master of Business Administration degree from Texas A&M-Corpus Christi.

Tomas Mendez, Executive Director, The Sequoias-San Francisco (age 53). Mr. Mendez has 20 years of experience in senior living including continuing care retirement communities and continuing care at home. Prior to his arrival at Sequoia Living, Tomas served as Vice President of Operations for Frasier, a life plan community in Boulder, Colorado. He also held multiple senior roles at Lutheran Homes of South

Carolina in Charleston, South Carolina (Franke at Seaside) over a span of 15 years. Tomas holds a bachelor's degree in Exercise Science from the College of Charleston and Master's degree in Exercise Physiology from the University of Maryland. He is a Certified Aging Specialist Professional and a graduate of the LeadingAge Leadership Academy.

Melody Allan, Executive Director, Viamonte at Walnut Creek (age 53). Ms. Allan has more than 24 years of experience in health and senior services. Ms. Allan began her career working in a variety of settings as a Physical Therapy Assistant. Later, she served as the Skilled Nursing Administrator at several facilities in Southern California. Ms. Allen has served as Administrator and then Executive Director at Royal Oaks in Southern California, Executive Director at San Francisco Towers and Spring Lake Village, and as Regional Vice President of Operations at Covia. Ms. Allan holds a Masters in Gerontology from University of La Verne, an associate degree in Physical Therapy from Loma Linda University, and a Bachelor's degree in Sociology from California State University Los Angeles.

COMMUNITIES AND SERVICES

Following is a description of the levels of care available at the Communities, a description of the Communities and summaries of their rates and fees.

DESCRIPTION OF THE CORPORATION COMMUNITIES

The Sequoias Portola Valley is a campus of single-story homes, private patios, and individual gardens set within 42 acres of landscaped grounds. Surrounding the community are hiking trails in the connecting 1,200 acres of the Windy Hill Preserve.

The Sequoias San Francisco is a 26-story high-rise on San Francisco's Cathedral Hill, directly adjacent to Japantown, a vibrant community with access to museums, movies, theaters, opera, as well as Chrissy Field and other outdoor green spaces.

The Sequoias Tamalpais is a multi-story tower nestled in the Greenbrae foothills on the edge of the Baltimore Canyon Preserve. With majestic views of the mountains and the bay, "The Tam" is also close to shopping and other amenities in Larkspur and Kentfield.

Viamonte Senior Living was opened in 2020 and built in the midst of Walnut Creek's "Shadelands," a vibrant hub of great places, spaces, services and programs. With multiple dining and social options within the community, residents have options out in the neighborhood and close to home, as well.

Each of the Communities is unique in its architectural design and specialty offerings, but all of them provide dining, maintenance, and cleaning services, along with transportation and essentials such as cable and internet. Life Experience and Wellness coordinators develop and run activities and programs specifically designed with resident wants and needs in mind. And each of the Communities has a health clinic staffed 24/7.

LEVELS OF CARE

The Communities offer residents a continuum of care options that provide a different mix of care levels. The following is a summary of the services provided for each level of care.

Residential Living. Services and amenities in residential living include private accommodations, up to three daily meals and daily snacks, utilities, Wi-Fi internet, various furnishings, weekly laundry (bed linens and towels), weekly housekeeping, planned activities (recreation, fitness, cultural, and social programs), and communal areas (including a library, dining areas, gardens, movie theater, family room, billiard room, arts and crafts room, private dining room for resident events, and wellness gym). The monthly fee includes accommodations, meals, services, cable service, ride service, apartment and landscape maintenance, water, electricity, and heating. Residential living residents enjoy full access to community amenities and services, as needed.

The residential living apartments at the Communities are all licensed under the California Residential Care Facility for the Elderly ("*RCFE*") Law. In this level of care, Corporation staff observes residents regularly to identify changes in their condition, dietary needs, and/or needs for special services. It also performs periodic assessments to evaluate residents' functional capabilities and assure that residents live in the most appropriate level of care. Residents are checked daily to help protect their safety and are provided with a pendant to call for assistance. Staff are on-site 24/7 to respond to residents' calls. As residents age in place, they can enroll in additional services such as medication management and assistance with activities of daily living.

Assisted Living. The assisted living apartments at the Communities are also licensed under the RCFE Law. Residents receive all the services described above for residents in residential living. In addition, residents in assisted living receive (1) assistance with activities of daily living including assistance with bathing, dressing, feeding, grooming, toileting, and storage, distribution, and assistance with administration of medications; (2) arrangement of medical and dental appointments, including transportation; (3) supervision of residents' schedules and activities; (4) monitoring of food intake and special diets; and (5) assistance in carrying out physician's orders.

Memory Care. The memory care apartments at the Communities are likewise licensed under the RCFE Law. Residents receive all the services described above for residents in assisted living. In addition, the memory care facilities include (1) special design features (such as delayed egress mechanisms and locked perimeters) for residents' safety; (2) activities intended to enhance the quality of life of people with memory loss; (3) additional training of staff regarding the behaviors and needs of residents with memory loss; and (4) strict rules designed for residents' safety regarding storage of potentially dangerous items (such as sharp implements, chemicals, or certain plants).

Skilled Nursing. Skilled nursing services are provided at Sequoias – PV, Sequoias – SF and Tamalpais but not at Viamonte. Each of these communities participate in the Medicare program and offers both convalescent and custodial care at its nursing facilities. Residents receive 24-hour licensed nursing care that includes routine nursing, skin and wound care, incontinence care, and arrangements for diagnostic and therapeutic services, all performed under the supervision of the resident's physician. Residents receive all meals and participate in daily activities. Social services and specialized dietary care are provided on an ongoing basis. Rehabilitation services and speech, occupational, and physical therapy are available upon doctor's orders.

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FEES AND CHARGES

The following table summarizes the fees and charges to residents of the Communities, as of April 1, 2025.

Residential Living						
Units	Number of Units	Approximate Square Feet	Amortized Entrance Fee ¹	Repayable Entrance Fee ¹	Monthly Fee	Second Person Monthly Fee
Portola Valley	193	340-1,445	\$144,785-\$1,395,360	\$204,585-\$1,971,840	\$4,768-\$10,340	\$2,948
San Francisco	260	371-1,492	\$207,000-\$1,284,435	\$316,365-\$1,963,050	\$4,713-\$10,553	\$2,683
Tamalpais	221	415-1,665	\$135,585-\$1,184,385	\$205,505-\$1,795,265	\$4,690-\$12,111	\$2,908
Viamonte	170	747-1,526	\$469,775-\$1,284,895	\$722,660-\$1,976,735	\$3,622-\$7,434	\$1,240-\$1,652

¹ Entrance fees for a second person range from \$24,000 to \$35,2000 depending on the Community, the type of apartment and the type of residency agreement.

Units	Number of Units	Monthly Fees for Continuing Care Contracts
Assisted Living¹		
Portola Valley	26	\$11,929
San Francisco	18	\$11,945
Tamalpais	47*	\$12,104-\$19,248
Viamonte	8	\$9,466-\$11,119
Memory Care		
Portola Valley	18	\$13,336
San Francisco	19	\$11,945
Viamonte	10	\$11,119-\$11,373
Skilled Nursing		
Portola Valley	41	\$15,930-\$25,740
San Francisco	45	\$16,350-\$19,410
Tamalpais	26	\$18,150-\$23,460

*Assisted living units at Tamalpais are designated as high acuity assisted living which may include memory care.

CONTRACT TYPE

The following table summarizes the number of amortized and repayable entrance fee contracts at each Community, as of April 1, 2025. The Corporation has existing residency agreements with fully amortizing entrance fees and with repayable entrance fee options ranging from 50% to 90% repayable entrance fees. Sequoias-PV, Sequoias-SF and Tamalpais currently offers fully amortizing and 50% repayable contracts. Viamonte offers fully amortizing and 75% repayable contracts.

Sequoia Living Life Plan Communities- Residency Agreements By Contract Type

Community	Residential Living Apartments	AMORTIZED ENTRANCE FEE CONTRACTS	REPAYABLE ENTRANCE FEE CONTRACTS
The Sequoias – Portola Valley	192	94.3%	5.7%
The Sequoias – San Francisco	259	98.4%	1.6%
The Sequoias – Tamalpais	219	98.8%	1.2%
Viamonte Senior Living	170	14.0%	86.0%

LIFE CARE, CONTINUING CARE AND RENTAL CONTRACTS

For much of the Corporation's history, eligible individuals desiring to become a resident of one of the Communities chose to enter into one of two forms of care and resident agreements, the Life Care Contract or the Continuing Care Contract. With the opening of Viamonte in 2020, residents of that community were only offered Continuing Care Contracts. The Corporation ceased offering Life Care Contracts in the other three Communities in 2022. Starting in 2023, all residents entered into Continuing Care Contracts. Beginning in 2024, the Corporation began to offer a limited number of monthly rental contracts to provide services to individuals who may not have been able to afford the entrance fees associated with the Continuing Care Contracts.

Prior to becoming a resident of a Community, both Life Care and Continuing Care Contract holders are responsible for paying an entrance fee. Life Care Contract residents generally do not have a repayment option and their entrance fees are fully amortized over a period of years. Residents choosing the Continuing Care Contracts may choose to pay an entrance fee that is fully amortizable or may select repayment option under which the resident pays a higher entrance fee, of which a percentage will be repaid after the resident moves out of the facility and the resident's unit is relet to a new resident. Rental Contract holders do not pay an entrance fee. Entrance fees vary depending on the apartment and type of contract selected. See "COMMUNITIES AND SERVICES - Fees And Charges" in this Appendix A.

Under the Life Care Contracts, the Corporation agrees to provide to the resident living accommodations, utilities (excluding outside telephone), meals, laundry and housekeeping services, social and recreational facilities and programs, and medical care for the rest of the resident's natural life so long as the resident remains in accommodations furnished by the Corporation (or is hospitalized) and carries out the resident's obligations under the Life Care Contract. The Corporation is responsible to provide for the resident's personal care (as needed), nursing and medical care, including the services rendered by licensed medical doctors and nurses under contract with the Corporation and offsite acute care hospitals. The resident's monthly fee does not increase based on a level of care change. Excluded are the costs of drugs, medicines, medical appliances, or transplants; experimental or investigational items; psychiatric services in excess of reimbursement by federal or state programs; an ailment existing at the time of entry which is

listed as an exclusion, and certain other conditions known to the resident but undisclosed to the Corporation. Under the Life Care Contract, the resident is required to enroll, at his or her own expense, in Medicare Parts A and B. The resident is required to grant to the Corporation a limited power of attorney to handle any such benefits, and the Corporation is only responsible for medical and hospital costs in excess of reimbursement available under the Medicare program or any other public or private insurance.

Under the Continuing Care Contracts, a resident pays lower entrance and monthly fees than a resident under a Life Care Contract but is responsible for paying a market rate for higher levels of care. Under this contract, the Corporation is not responsible to pay for residents' personal care needs, including medical doctors and off-site acute care hospitalization. Medical and personal care services including skilled nursing, assisted living, and memory care are provided at an additional cost to the resident. The Corporation offers Continuing Care and Continuing Care Preferred Contracts. Under the Continuing Care Preferred Contracts, residents pay a higher entrance fee than the standard Continuing Care Contract and receive a 10% discount on monthly fees for assisted living, memory care and skilled nursing care.

Upon the death of a resident (or, in the event of double occupancy, both residents) or a permanent transfer to one of the Corporation's skilled nursing facilities, assisted living units, memory care units, or an outside facility as appropriate, the Corporation may make that resident's unit available to other potential residents. Transfers may be voluntary or involuntary after carrying out the steps described in the transfer and review procedure required by California statute. Additional entrance fees are collected by the Corporation each time a residential unit becomes available due to the former occupant's death or transfer. The Corporation may use all or a portion of such additional entrance fees to make payments under the Loan Agreement or for any other corporate purpose.

The resident or the Corporation may cancel the Life Care or Continuing Care Contract during the first ninety days of residency upon 30 days' notice during a State-mandated cancellation period. The refund during the cancellation period is equal to the entrance fee less the reasonable costs of cancellation and the value of accommodations, care, and services rendered. After the cancellation period, the contract may be terminated at any time by either party by giving the other party 90 days' notice. If a Life Care or Continuing Care Contract with an amortized entrance fee is so terminated, the Corporation is required to refund to the resident the entrance fee paid less a percentage of the entrance fee for each month or partial month between the effective date of the Life Care or Continuing Care Contract and the date the Life Care or Continuing Care Contract is terminated by the resident. No refund is made after a specified period (66.6 months in the event of a 1.5% monthly amortization rate). If the Life Care or Continuing Care Contract is terminated by the Corporation for cause upon 90 days' written notice to the resident, the resident is entitled to a refund of the entrance fee, less the reasonable value of services provided.

For more information regarding the Corporation's two major types of care contracts, see Note 2 "*Continuing Care Contracts*" in Appendix B - "AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF SEQUOIA LIVING, INC."

In addition to the entrance fee, a resident agrees, under the Life Care and Continuing Care Contracts, to pay a specified monthly fee that may be increased upon 30 days' advance notice to the resident. In determining a monthly fee adjustment, the Corporation looks to its projected costs in the ensuing year, the actual cost per resident for care in the year prior to the time the monthly fee adjustment is to be effective, and economic indicators as determined by the Corporation. See "BONDHOLDERS' RISKS" in this Official Statement.

Under the Life Care and Continuing Care Contracts, if the resident is unable to make the monthly fee payment because his or her assets and income become exhausted, the Corporation will continue to provide services to the extent it is able to do so without harming its own sound financial operations and provided that the resident did not engage in conduct that created or accelerated the need for financial assistance. The primary source of such assistance is SSNC.

STATISTICAL INFORMATION

OCCUPANCY

The tables below highlight the average occupancy for the Corporation's Communities:

Average Occupancy by Community

Community	Fiscal Years Ended December 31,			Four Months
	2022	2023	2024	Ended April 30, 2025
The Sequoias San Francisco				
Residential Living	90%	87%	96%	95%
Health Center	80%	80%	82%	84%
Assisted Living	72%	83%	78%	94%
Memory Care	79%	84%	89%	79%
The Sequoias Portola Valley				
Residential Living	96%	96%	96%	97%
Health Center	53%	63%	61%	73%
Assisted Living	100%	88%	88%	92%
Memory Care	67%	78%	72%	72%
The Sequoias Tamalpais				
Residential Living	90%	86%	90%	90%
Health Center	79%	71%	85%	73%
Assisted Living	75%	100%	89%	91%
Viamonte Senior Living				
Residential Living	78%	95%	99%	99%
Assisted Living	43%	86%	88%	88%
Memory Care	50%	70%	80%	100%

PAYOR MIX

The majority of the revenue of the Corporation is derived from earned entrance fees, monthly service fees, and investment income. Entrance fees for the Communities are considered “earned” only to the extent that they are (i) net of the portion that is refundable to a resident and (ii) amortized to income for the present year, using the straight-line method over the estimated remaining life expectancy of the resident. Management anticipates that earned entrance fees and monthly service fees paid by residents will continue to be the largest source of revenue for the Corporation.

The income and asset levels of the residents of the Communities are typically such that they are not expected to qualify for Medi-Cal benefits. Currently, the Corporation is not qualified to receive reimbursement from the State of California for the care of Medi-Cal-eligible residents.

The table below reflects the percentages of the Corporation’s total operating revenues for the past three years and for the four months ended April 30, 2025.

Payor Mix				
Payor	2022	2023	2024	Four Months Ended April 30, 2025
Non-Medicare	96.2%	97.2%	97.3%	97.3%
Medicare	3.8%	2.8%	2.7%	2.7%
Total	100.0%	100.0%	100.0%	100.0%

ENTRANCE FEE TURNOVER

The table below summarizes turnover experience of the Communities for the Residential Living units (“RLU”) for the three most recent fiscal years.

	Fiscal Years Ended December 31,			Four Months Ended April 30, 2025
	2022	2023	2024	
Beginning Number of RLUs Occupied	721	742	759	791
Transfers	84	83	82	24
Deaths	32	37	26	4
Move-outs				
Move-ins	<u>137</u>	<u>137</u>	<u>140</u>	<u>36</u>
Ending Number of ILUs Occupied	742	759	791	799
Net Entrance Fees Received from Turnover of ILUs	\$24.8	\$25.4	\$25.5	\$4.9
Initial Entrance Fees Received from New Units	<u>\$41.3</u>	<u>\$33.4</u>	<u>\$2.5</u>	<u>\$0</u>
Total Net Entrance Fees Received	\$66.1	\$58.8	\$28.0	\$4.9

FUTURE PROOFING PROJECTS

The Corporation has identified approximately \$216 million of “future proofing” projects for completion from 2024 through 2028. The Sequoias-PV community opened in 1961 while the Sequoias-SF and Tamalpais communities both opened in 1969. Those Communities have been continuously maintained and upgraded to maintain their physical integrity and market competitiveness. The future proofing projects include the remodeling of portions of the Communities and new amenities to meet market demand and upgrades the buildings and mechanical systems. The future proofing projects are in addition to normal capital expenditures which will continue to be made while the future proofing projects are being constructed and placed in service.

Major components of the future proofing projects include, but are not limited to, the following:

Sequoias PV- The capital improvements at Sequoias PV include fire mitigation projects: window replacements roofing; insulation; fence and patio replacement, an emergency response radio communication system; fire alarm and sprinkler system expansion; a hydrogen fuel cell and various renovation projects. The total budget for these projects is equal to approximately \$55.7 million.

Sequoias SF- The capital improvements at Sequoias SF include an update of the common corridors, atrium, library, lounge and patio; repair of the building façade; the expansion of electrical infrastructure; HVAC replacement; hydrogen fuel cells; boilers; elevator replacement and fire mitigation. The total budget for these projects is equal to approximately \$86.9 million.

Tamalpais- The capital improvements at Tamalpais include updates to common corridors, the lobby and the garage entry; a kitchen remodel; waterproofing; hydrogen fuel cells; boilers, fire mitigation and electrical infrastructure. The total budget for these projects is equal to approximately \$70 million.

Viamonte- The capital improvements at Viamonte include a hydrogen fuel cell and a passenger bus. The total budget for these projects is equal to approximately \$2.5 million

The costs and the timing of all of the projects may vary as the cost estimates, agreements with contractors and permits are finalized or obtained.

The proceeds of the Bonds will be used to finance approximately \$100 million of the future proofing and routine capital projects in 2025 and 2026. Additional costs of the future proofing projects will be paid from Corporation equity.

SELECTED FINANCIAL INFORMATION OF THE CORPORATION

The following tables set forth selected financial information of the Corporation as of and for the years ended December 31, 2022, 2023, and 2024, and as of and for the four months ending April 30, 2024 and 2025 and includes results for the obligated Communities only. Financial information for the Non-Obligated Entities is not included in the tables set forth below.

The Corporation’s financial information as of and for the years ended December 31, 2022, 2023, and 2024 has been derived from the audited consolidated financial statements and consolidating schedules of the Corporation. The audited consolidated financial statements of the Corporation for the fiscal years ended December 31, 2022, 2023 and 2024, audited by Moss Adams LLP, are included as APPENDIX B to

this Official Statement. Such consolidated financial statements include the Non-Obligated Entities and should be read in their entirety.

The financial information as of and for the four months ending April 30, 2024 and 2025 has been derived from the unaudited financial statements of the Corporation prepared by management of the Corporation, and does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. Such information includes results for the obligated Communities only. Operating results for the four-month period ending April 30, 2025 are not necessarily indicative of the results for the full fiscal year ending December 31, 2025.

See “RECENT DEVELOPMENTS AND STRATEGIC INITIATIVES” in this Appendix A. For the fiscal years ended December 31, 2022, 2023 and 2024, the operating results for Viamonte were included in the consolidated audited financial statements of the Corporation set forth in Appendix B hereto.

See “MANAGEMENT’S DISCUSSION AND ANALYSIS” below for management’s discussion and analysis of the Corporation’s finances and results of operations.

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BALANCE SHEETS

Balance Sheets
(Dollars in thousands)

	As of December 31,			As of April 30,	
	2022	2023	2024	2024	2025
ASSETS					
Current Assets:					
Cash and cash equivalents	\$9,916	\$35,810	\$31,025	\$41,968	\$44,114
Marketable securities	58,650	67,697	91,282	69,714	79,344
Accounts, notes and interest receivable	39,867	35,028	37,946	36,727	29,217
Limited use assets, current portion	60,483	4,273	5,020	5,457	8,962
Investments designated for refundable deposits	2,712	761	-	761	-
Prepaid expenses and other assets	2,059	3,495	3,835	3,716	4,365
Total current assets	\$173,687	\$147,064	\$169,108	\$158,343	166,002
Other Assets:					
Investments contractually limited for replacement reserves on properties financed by HUD	\$18,029	\$6,008	\$6,000	\$6,008	\$6,000
Investments, other	8,389	6,774	7,863	6,377	7,335
Notes receivable	104,898	93,540	89,812	89,812	88,917
Pension asset	7,545	12,495	21,870	12,495	21,870
Limited use assets, noncurrent portion	9,964	9,964	9,964	9,964	5,544
Property and equipment, net	335,808	349,491	354,527	353,285	368,600
Total noncurrent assets	484,633	478,272	490,036	477,941	498,266
Total assets	\$658,320	\$625,336	\$659,144	\$636,284	\$664,268
LIABILITIES AND NET ASSETS					
Current Liabilities					
Accounts payable	\$6,343	\$5,374	\$6,081	\$5,460	\$6,632
Payroll and related taxes payable	6,317	5,745	6,224	5,692	6,588
Line of credit – unsecured	2,000	-	-	-	-
Long-term debt, current portion	1,470	2,615	2,745	2,615	2,745
Accrued interest and other liabilities	2,807	2,215	2,057	3,884	1,362
Refundable deposits	3,336	3,245	3,964	2,147	5,408
Unamortized entrance fees, current portion	-	1,222	-	-	-
Entrance fees paid in advance	3,699	722	768	1,387	2,542
Refunds due residents	1,456	825	846	151	155
Total current liabilities	\$27,428	\$21,963	\$22,685	\$21,336	\$25,432
Other liabilities:					
Long term debt, net, less current portion	\$162,738	\$98,006	\$95,023	\$97,934	\$94,944
Liability on repayable contracts	105,963	134,842	134,632	137,643	134,305
Unamortized entrance fees	173,838	177,756	192,440	185,156	192,796
Other long-term liabilities	4,021	3,636	3,606	3,636	3,606
Total long term and other liabilities	446,560	414,240	425,701	424,369	425,651
Total liabilities	\$473,988	\$436,203	\$448,386	\$445,705	\$451,083
Net assets:					
Net assets without donor restrictions					
Total net assets	\$184,332	\$189,133	\$210,758	\$190,579	\$213,185
Total liabilities and net assets	\$658,320	\$625,336	\$659,144	\$636,284	\$664,268

STATEMENTS OF OPERATIONS

Statements of Operations and Changes in Net Assets
(Dollars in thousands)

	Year Ended December 31,			Four Months Ended April 30,	
	2022	2023	2024	2024	2025
REVENUES					
Operating Revenues					
Resident fees	\$67,377	\$74,809	\$81,660	\$26,346	\$28,395
Amortization of entrance fees	22,555	26,989	25,982	7,753	9,441
Fees for services and other income	21,941	16,505	17,488	5,867	6,470
Investment income (loss), including realized and unrealized gains and losses on investments	(7,044)	15,987	14,203	3,460	2,221
Total operating revenues	\$104,829	\$134,290	\$139,333	\$43,426	\$46,527
 Total operating revenues and support	 \$104,829	 \$134,290	 \$139,333	 \$43,426	 \$46,527
 EXPENSES					
Operating Expenses					
Compensation and benefits	\$45,858	\$49,025	\$53,355	\$17,818	\$18,660
Purchased services	28,247	29,813	31,260	10,233	10,659
Medical services	2,510	2,222	2,178	668	812
Supplies	2,257	2,226	2,423	743	862
Repairs and maintenance	4,035	4,553	4,914	1,488	1,784
Utilities	5,582	5,984	6,902	2,229	2,352
Professional fees	2,243	2,341	2,346	780	800
Depreciation	14,636	15,826	18,636	5,546	6,310
Interest	6,681	5,740	4,127	1,497	1,376
Other operating	1,694	3,385	4,939	1,683	1,626
Total operating expenses	\$113,743	\$121,115	\$131,080	\$42,685	\$45,241
 Excess (deficit) of operating revenues, gains and support, net, over expenses	 \$(8,914)	 \$13,175	 \$8,253	 \$741	 \$1,286
Changes in additional minimum pension liability	9,917	2,510	7,347	-	-
Grants transferred for programs and facilities	1,745	1,263	7,024	705	1,151
Contributed capital	-	(12,000)	-	-	-
Other	366	(147)	(999)	-	(10)
Changes in net assets without donor restrictions	3,114	4,801	21,625	1,446	2,427
 Changes in net assets	 \$3,114	 \$4,801	 \$21,625	 \$1,446	 \$2,427

DEBT SERVICE COVERAGE RATIO

The table below sets forth Maximum Aggregate Annual Debt Service, Net Income Available for Debt Service and the Debt Service Coverage Ratio (each calculated as provided in the Regulatory Agreement) for the Corporation's obligated Communities for the years ended December 31, 2022, 2023 and 2024, and for the four months ending April 30, 2024 and 2025.

Debt Service Coverage Ratio for the Corporation (Dollars in thousands)

	Year Ended December 31,			Four Months Ended April 30,	
	2022	2023	2024	2024	2025
Excess (deficit) of operating revenues, gains, and support, net, over expenses	\$(8,914)	\$13,175	\$8,253	\$741	\$1,286
Depreciation expense	14,636	15,826	18,636	5,546	6,310
Interest expense	6,681	5,740	4,127	1,497	1,376
Amortization of entrance fees	(22,555)	(26,989)	(25,982)	(7,753)	(9,441)
Investment (income) loss - unrealized	17,223	(4,839)	(1,943)	(848)	2,190
Income available for debt service	<u>7,071</u>	<u>2,913</u>	<u>3,091</u>	<u>(817)</u>	<u>1,721</u>
Entrance fees received, net	24,741	25,419	25,539	15,310	4,935
Net income available for debt service (A)	<u>\$31,812</u>	<u>\$28,332</u>	<u>\$28,630</u>	<u>\$14,493</u>	<u>\$6,656</u>
 Maximum aggregate annual debt service (B)	 \$7,048	 \$7,048	 \$7,048	 \$2,349	 \$2,349
 Maximum aggregate annual debt service coverage ratio (A/B)	 4.51	 4.02	 4.06	 6.17	 2.83

DAYS CASH ON HAND AND CURRENT RATIO

The tables below set forth days cash on hand and the current ratio for the Corporation's obligated Communities for the years ended December 31, 2022, 2023 and 2024, and for the four months ending April 30, 2024 and 2025.

Days Cash on Hand for the Corporation (Dollars in thousands)

	Year Ended December 31,			Four Months Ended April 30,	
	2022	2023	2024	2024	2025
Cash and cash equivalents	\$9,916	\$35,810	\$31,025	\$41,968	\$44,114
Marketable securities	58,650	67,697	91,282	69,714	79,344
Total cash on hand	\$68,566	\$103,507	\$122,307	\$111,682	\$123,458
Total operating expenses less depreciation expense (from Statements of Operations)	\$99,107	\$105,289	\$112,444	\$37,139	\$38,931
Cash operating expenses per day	272	288	308	309	324
Days cash on hand	252	359	397	361	381

⁽¹⁾ Computation performed in accordance with the requirements of the Master Indenture.

Current Ratio for the Corporation (Dollars in thousands)

	Year Ended December 31,			Four Months Ended April 30,	
	2022	2023	2024	2024	2025
Current assets	\$173,687	\$147,064	\$169,108	\$158,343	\$166,002
Current liabilities	27,428	21,963	22,685	21,336	25,432
Current Ratio	6.33	6.70	7.45	7.42	6.53

MANAGEMENT'S DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS AND FINANCIAL CONDITION FOR THE FOUR MONTHS ENDING APRIL 30, 2025 COMPARED TO THE FOUR MONTHS ENDING APRIL 30, 2024

This overview and analysis should be used to supplement the summary of financial results for the four months ending April 30, 2025. Note that these results are for the obligated Communities only and are internal unaudited statements. Results for the Non-Obligated Entities are excluded.

Operating Revenues

Total operating revenues for the four months ending April 30, 2025 were \$46.5 million, which is \$3.1 million or 7.1% higher than prior year. Positive variances were primarily the result of annual monthly

fee increases coupled with an increase in Residential Living units occupied at Sequoias-SF and Tamalpais and increases in third party fees for service. Occupancy remained high at all Communities and all higher levels of care experienced increases in demand for these services.

Operating Expenses

Total operating expenses of \$45.2 million was \$2.5 million or 6.0% higher than prior year. Primary drivers of operating expenses are compensation and benefits and purchased services (outsourced dining and certain housekeeping and maintenance costs) which comprise approximately 65% of total operating costs. Non-compensation and benefits and purchased services operating expenses ended the period at \$15.9 million, which was \$1.3 million or 8.8% higher than prior year.

- Total compensation and benefits ended the period at \$18.7 million, which was 4.7% higher than prior year due primarily to inflationary wage cost increases.
- Purchased services of \$10.7 million ended the period 4.2% higher than prior year. Food costs at Morrison, the outsourced dining services vendor, were up only 3.7% due to continued inflation in direct food costs. Increases in number of meals served due to higher occupancy was offset by staffing efficiencies. Non-Morrison outsourced services were up 7.3% due to staffing challenges and increased marketing costs related to keeping occupancy high.
- Medical services expenses were \$144,000 or 21.6% higher than prior year with higher costs of services relating to third-party service providers staffing challenges.
- Repairs and maintenance expenses were up 19.9% due to higher building maintenance expenses as our facilities continue to age.
- Utilities expenses were \$123,000 over prior year due to a combination of higher electricity and gas costs.

Conclusion

Overall, 2025 operating results continue to improve over prior year results. Community operations are reporting positive results driven by continued high occupancy and continued cost diligence.

RESULTS OF OPERATIONS AND FINANCIAL CONDITION FOR THE YEAR ENDED DECEMBER 31, 2024 COMPARED TO THE YEAR ENDED DECEMBER 31, 2023

This overview and analysis should be used to supplement the summary of financial results for the year ending December 31, 2024. Note that these results are for the obligated Communities only and are internal unaudited statements. Results for the Non-Obligated Entities are excluded.

Operating Revenues

Total operating revenues for the year ending December 31, 2024, were \$139.3 million, which is \$5.0 million or 3.8% better than prior year. Positive variances were primarily the result of an increase in Residential Living units occupied at Sequoias-SF and Tamalpais coupled with a significant increase in month-to-month residents at Tamalpais. Sequoias-PV experienced a shortfall in revenues primarily due to the lag in turnover of Residential Living apartments during the year. Occupancy remained high, but delays in turning vacant apartments resulted in lower overall fees for the year. Higher levels of care experienced

stable occupancy with Tamalpais reporting increases in assisted living due to month-to-month resident activity.

Operating Expenses

Total operating expenses of \$131.1 million was \$10.0 million or 8.2% higher than prior year. The Corporation's CCRC communities experienced more than half of this negative variance due primarily to continued staffing challenges, especially at Sequoias-PV. The home office experienced a negative variance during the year due to accrual of incentive compensation at year end. Total compensation and benefits ended the year at \$53.4 million, which was \$4.3 million or 8.8% higher than the prior year due primarily to inflationary wage increases and incentive compensation not incurred in the prior year. Staffing issues continue to challenge the organization with continued use of overtime and registry to fill open positions. The Communities spent \$4.3 million in overtime and registry in 2024. While the Corporation significantly reduced registry costs in 2024, overtime continues to be used to fill staffing needs.

Non-compensation operating expenses ended the year at \$77.7 million, which was \$5.6 million or 7.8% higher than prior year.

- Morrison, the outsourced dining services vendor (included in purchased services) ended the year 7.6% higher than the prior year. Food costs at Morrison were higher due to continued inflation in direct food costs and partially offset by lower food service staffing levels.
- Supplies expenses were \$197,000 higher than prior year at most business units as spending is impacted by higher staffing levels.
- Repairs and maintenance expenses were \$361,000 or 7.9% higher than prior year. All communities experience higher building maintenance expenses as the facilities continue to age.
- Utilities expenses were \$918,000 higher than prior year due to a combination of higher electricity and gas costs coupled with new Telecom contracts that provide bundled services to residents at attractive rates. Historically these costs were paid directly by residents. With the new services the Corporation bills residents and the offset to these costs are seen in fee for service revenues.
- Other operating expenses of \$4.9 million were \$1.6 million or 45.9% higher than prior year. Higher insurance, marketing costs and recruiting fees were partially offset by less discretionary spending.

Conclusion

Overall, 2024 net operating results were \$4.9 million below prior year due primarily to lower investment earnings and partially offset by a lower non-cash adjustment to pension expense. Note that revenues are the primary driver of the positive results as the Corporation continues to fill the Communities and maintain very high occupancy levels. Management continues to work on managing costs while also focusing on further strengthening revenues in 2025.

RESULTS OF OPERATIONS AND FINANCIAL CONDITION FOR THE YEAR ENDED DECEMBER 31, 2023
COMPARED TO THE YEAR ENDED DECEMBER 31, 2022

This overview and analysis should be used to supplement the summary of financial results for the year ending December 31, 2023. Note that these results are for the obligated Communities only and are internal unaudited statements. Results for the Non-Obligated Entities are excluded.

Operating Revenues

Total operating revenues for the year ending December 31, 2023 were \$134.3 million, which is \$29.5 million or 28.1% above the prior year. Virtually all the increase in operating revenues is due to a combination of investment earnings of \$16.0 million vs. a \$7.0 million loss in the prior year coupled with an increase in total operating revenues at Viamonte of \$7.6 million due to new revenue from Viamonte as the community continued to fill.

All of the Communities experienced soft demand for third-party skilled nursing sales which has not allowed us to fill vacancies with higher margin non-contract revenues. Completion of the assisted living/memory care unit at the Tamalpais opened up an additional 24 units in the 4th Quarter and had a slightly positive impact on revenue in that community for the year.

Operating Expenses

Total operating expenses of \$121.1 million for the year were \$7.4 million or 6.5% higher than prior year. Total compensation and benefits ended the year at \$49.0 million, which was \$3.2 million or 6.9% higher than prior year. Staffing issues continue to challenge the organization and require continued use of overtime and registry to fill open positions. The Communities spent \$5.1 million in overtime and registry in 2023. Compensation was also impacted by increases in staffing at Viamonte as we continue to fill the building. Employee benefits experienced the positive impact of a worker's compensation credit from prior years.

Non-compensation operating expenses ended the year at \$72.1 million, which was \$4.2 million or 6.2% higher than prior year. This increase was generally due to inflationary cost increases.

- Morrison, the outsourced dining services vendor (included in purchased services), ended the year at \$24.3 million which was \$1.7 million or 7.5% higher than the previous year. Much of the increase was due to volume of meals served due to higher occupancy at Viamonte. Food costs at Morrison were slightly above prior year due to continued inflation in direct food costs and offset by lower food service staffing levels. In addition, Morrison completed its labor negotiations resulting in a lower than planned increase in compensation for food service staff and refunded the Corporation for an over accrual of expenses.
- Medical services expenses were \$288,000 lower than prior year with higher costs of services offset by lower volumes due to skilled nursing shortfalls.
- Repairs and maintenance expenses were up \$518,000 compared to prior year. San Francisco, Portola Valley, and the Tamalpais communities all experienced higher building maintenance expenses as our facilities continue to age partially offset by lower maintenance costs at Viamonte.

- Utilities expenses were \$402,000 or 7.2% higher than prior year due to global increases in utility costs. The Corporation saw positive impacts of the solar program at Sequoias-PV coupled with lower power usage at The Tamalpais as the construction project is completed.
- Other operating expenses were up \$1.7 million or 99.8% from the prior year due primarily to inflation. Higher insurance and recruiting fees were offset by less discretionary spending.

Conclusion

Overall, operating results in 2023 were significantly better than in 2022 driven primarily by the impact of gains in the investment portfolio coupled with a lower non-cash adjustment to pension expense. In addition, Viamonte experienced positive operating trends as the new community approached stabilized occupancy.

ADDITIONAL INFORMATION

EMPLOYEES AND STAFFING

As of April 30, 2025, the Corporation employed approximately 350 full-time equivalent employees. Approximately 65 full-time equivalent employees at Sequoias-SF are members of the SEIU-United Health Care Workers West and are governed by a collective bargaining agreement that expires September 30, 2027. The Corporation's management believes that its relations with its employees are satisfactory.

PENSION PLAN

The Corporation sponsors a non-contributory defined benefit pension plan (the "*Plan*") covering employees who work 1,000 hours per year or more. The benefits generally are based on an employee's average salary in the last five years of employment and on years of service. The Corporation funds the Plan in accordance with the requirements of the Employee Retirement Income Security Act of 1974 ("*ERISA*").

See Note 11 in Appendix B – "AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF SEQUOIA LIVING, INC." for more information about the Plan.

SUMMARY OF INSURANCE

The Corporation insures the Communities and operations and maintains insurance coverage in amounts that are customarily carried against such risks by other facilities in the State of California of similar character and size. While the Corporation carries no earthquake insurance for coverage in the event of property damage, the Corporation has insurance to cover lost income and extra expense resulting from an earthquake. The Communities are located in a region where the risk of earthquakes is significant.

INVESTMENT POLICY

The Board of Directors of the Corporation is responsible for overseeing the investment of the assets of the Corporation. The Finance Committee of the Board is responsible for reviewing the investments and making investment policy recommendations to the Board. The purpose of the Investment Policy Statement is to facilitate a clear understanding between the Finance Committee and the various investment managers of Corporation Funds regarding policies, guidelines, and objectives. The Committee regularly reviews this statement and each manager's adherence to it. The statement also defines realistic long-term rates of return that will serve as standards for evaluating investment performance. Finally, the statement establishes

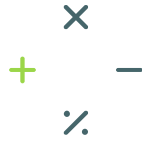
investment restrictions placed upon each investment portfolio and outlines procedures for policy and performance review.

Based on the current long-term investment objectives of the Board, the current allocation targets for investment are 60% Equities, 30% Fixed Income, and 10% Private Real Estate investments. Minimum and maximum limits are placed on these allocations and the investment portfolios are rebalanced annually or when cash flows or market movements dictate a need to rebalance.

APPENDIX B

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF SEQUOIA LIVING, INC. AND
SUBSIDIARIES AS OF AND FOR THE FISCAL YEARS ENDED DECEMBER 31, 2022, 2023 AND 2024**

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Report of Independent Auditors and
Consolidated Financial Statements with
Supplementary Information

Sequoia Living, Inc.

December 31, 2024 and 2023



MOSSADAMS

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Report of Independent Auditors

The Board of Directors
Sequoia Living, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Sequoia Living, Inc. and its subsidiaries (Sequoia Living), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of operations, changes in net assets, 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 Sequoia Living, Inc. and its subsidiaries as of December 31, 2024 and 2023, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Western Park Apartments, L.P., a controlled partnership, which statements reflect total assets of \$25,500,796 and \$25,716,529, respectively, as of December 31, 2024 and 2023, and total revenues of \$5,664,021 and \$5,303,052, respectively, for the years then ended. We also did not audit the financial statements of Town Park Towers, L.P., another controlled partnership, which statements reflect total assets of \$31,020,573 and \$31,152,964, respectively, as of December 31, 2024 and 2023, and total revenues of \$4,907,725 and \$4,508,824, respectively, for the years then ended. We also did not audit the financial statements of Eastern Park Apartments, L.P., another controlled partnership, which statements reflect total assets of \$78,749,088 and \$80,839,359, respectively, as of December 31, 2024 and 2023, and total revenues of \$7,513,482 and \$7,932,802, respectively, for the years then ended. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for Western Park Apartments, L.P., Town Park Towers, L.P. and Eastern Park Apartments, L.P., is based solely on the report of the other auditors.

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sequoia Living, Inc. and its subsidiaries 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 Sequoia Living, Inc. and its subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are issued.

Auditor's Responsibilities for the Audit of the 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 auditor's 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 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 Sequoia Living, Inc. and its subsidiaries' 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 Sequoia Living, Inc. and its subsidiaries' 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating financial statement information beginning on page 44 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in cursive script that reads "Moss Adams LLP".

San Francisco, California

April 29, 2025

Consolidated Financial Statements

Sequoia Living, Inc.
Consolidated Balance Sheets
December 31, 2024 and 2023
(In Thousands)

	<u>2024</u>	<u>2023</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 44,941	\$ 44,557
Marketable securities	129,381	104,381
Accounts, notes, and interest receivable	15,139	6,583
Pledges receivable – net of allowance, current portion	95	640
Limited use assets, current portion	4,511	4,142
Investments designated for refundable deposits	-	761
Prepaid expenses and other assets	<u>4,374</u>	<u>3,703</u>
Total current assets	198,441	164,767
INVESTMENTS CONTRACTUALLY LIMITED FOR REPLACEMENT RESERVES ON PROPERTIES FINANCED BY HUD		
	16,972	23,155
INVESTMENTS HELD IN TRUST		
	10,947	10,851
INVESTMENTS, OTHER		
	10,675	9,569
TRUST CONTRIBUTIONS RECEIVABLE		
	1,119	1,143
PLEDGES RECEIVABLE, noncurrent portion		
	111	128
BENEFICIAL INTEREST IN NET INCOME TRUST		
	-	626
PENSION ASSET		
	21,870	12,495
LIMITED USE ASSETS, noncurrent portion		
	10,319	10,395
PROPERTY AND EQUIPMENT, net		
	<u>448,604</u>	<u>446,686</u>
Total assets	<u><u>\$ 719,058</u></u>	<u><u>\$ 679,815</u></u>

See accompanying notes.

Sequoia Living, Inc.
Consolidated Balance Sheets
December 31, 2024 and 2023
(In Thousands)

	2024	2023
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 7,747	\$ 7,169
Payroll and related taxes payable	5,403	5,297
Long-term debt, current portion	5,658	4,743
Accrued interest payable	2,490	2,560
Refundable deposits	4,508	3,704
Unamortized entrance fees, current portion	-	1,222
Entrance fees paid in advance	690	722
Refunds due residents	758	-
Total current liabilities	27,254	25,417
Long-term debt, net of current portion	183,402	188,434
Liability on refundable contracts	134,632	134,842
Liability for payments to trust beneficiaries	4,721	4,908
Unamortized entrance fees, net of current portion	192,440	177,757
Other long-term liabilities	4,162	4,246
Total liabilities	546,611	535,604
NET ASSETS		
Net assets without donor restrictions		
Controlling interest	57,798	37,116
Noncontrolling interest	74,882	66,729
Total net assets without donor restrictions	132,680	103,845
Net assets with donor restrictions	39,767	40,366
Total net assets	172,447	144,211
Total liabilities and net assets	\$ 719,058	\$ 679,815

See accompanying notes.

Sequoia Living, Inc.
Consolidated Statements of Operations
Years Ended December 31, 2024 and 2023
(In Thousands)

	2024	2023
OPERATING REVENUES, INCOME, GAINS, AND SUPPORT, NET		
Operating revenues, income, and gains, net		
Resident fees	\$ 99,079	\$ 91,839
Amortization of entrance fees	25,982	26,990
Fees for services and other income	17,942	16,507
Investment income, including realized and unrealized gains and losses on investments	12,318	13,900
Gain on sale of property and equipment	24	2,275
Administrative service fees	107	104
Total operating revenues, income, and gains	155,452	151,615
Support		
Contributions	352	263
Net assets released from restrictions	4,415	1,325
Total support	4,767	1,588
Total operating revenues, income, gains, and support, net	160,219	153,203
EXPENSES		
Compensation and benefits	55,663	52,978
Purchased services	33,208	31,531
Medical services	2,178	2,222
Supplies	2,484	2,292
Repairs and maintenance	5,611	5,242
Utilities	8,893	7,747
Professional fees	2,818	2,813
Depreciation	22,372	19,327
Interest	8,349	12,887
Other operating	6,381	5,164
Total expenses	147,957	142,203
EXCESS OF OPERATING REVENUES, INCOME, GAINS, AND SUPPORT, NET, OVER EXPENSES	\$ 12,262	\$ 11,000

See accompanying notes.

Sequoia Living, Inc.
Consolidated Statements of Changes in Net Assets
Years Ended December 31, 2024 and 2023
(In Thousands)

	2024	2023
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Excess of operating revenues, income, gains, and support, net, over expenses	\$ 12,262	\$ 11,000
Changes in additional minimum pension liability	7,347	3,923
Contributed capital	9,830	32,053
Other (loss) income	(604)	627
	<u>28,835</u>	<u>47,603</u>
Changes in net assets without donor restrictions		
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	562	1,185
Investment income including net realized gains on investments	1,931	987
Changes in value of split-interest agreements	485	688
Unrealized gain from investments	838	2,362
Net assets released from restrictions	(4,415)	(1,325)
	<u>(599)</u>	<u>3,897</u>
Changes in net assets with donor restrictions		
CHANGES IN NET ASSETS	28,236	51,500
NET ASSETS, beginning of year	<u>144,211</u>	<u>92,711</u>
NET ASSETS, end of year	<u><u>\$ 172,447</u></u>	<u><u>\$ 144,211</u></u>

See accompanying notes.

Sequoia Living, Inc.
Consolidated Statements of Cash Flows
Years Ended December 31, 2024 and 2023
(In Thousands)

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from entrance fees	\$ 33,402	\$ 35,476
Cash received from resident fees	101,502	91,270
Cash received from services and other income	18,633	16,372
Cash received from contributions	1,347	6,410
Investment income received	11,124	8,980
Interest paid, net of amount capitalized	(8,544)	(11,144)
Refunds of entrance fees paid	(2,612)	(3,345)
Cash paid to employees and suppliers	<u>(114,140)</u>	<u>(108,442)</u>
Net cash provided by operating activities	<u>40,712</u>	<u>35,577</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturities of investments	4,005	15,385
Proceeds from sale of property and equipment	5,692	3,021
Purchase of investments	(32,064)	(30,460)
Purchase of property and equipment	<u>(29,905)</u>	<u>(29,983)</u>
Net cash used in investing activities	<u>(52,272)</u>	<u>(42,037)</u>

See accompanying notes.

Sequoia Living, Inc.
Consolidated Statements of Cash Flows (continued)
Years Ended December 31, 2024 and 2023
(In Thousands)

	2024	2023
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of long-term debt and notes payable	(4,009)	(149,452)
Payment on line of credit	-	(2,000)
Proceeds from issuance of debt	-	60,006
Proceeds from endowment contributions	25	165
Proceeds from contributions held in trust	1,038	678
Payments to trust beneficiaries	(734)	(678)
Proceeds from refundable deposits	2,087	1,837
Proceeds from refundable entrance fees	6,126	30,339
Proceeds from limited partner equity	9,830	32,053
Refunds of refundable deposits	(776)	(2,735)
Refunds of refundable entrance fees	(8,913)	(3,631)
Payment of loan financing costs	-	(1,107)
Investment income received from marketable securities held in trust	619	552
Net cash provided by (used in) financing activities	5,293	(33,973)
NET DECREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(6,267)	(40,433)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of year	83,010	123,443
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of year	\$ 76,743	\$ 83,010
SUPPLEMENTAL DISCLOSURE OF NONCASH OPERATING ACTIVITIES		
Promissory notes entered into in exchange for long term care contracts - nonrefundable contracts	\$ 8,653	\$ -
Promissory notes entered into in exchange for long term care contracts - refundable contracts	\$ 2,924	\$ -
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES		
Changes in fixed asset additions included in accounts payable	\$ -	\$ 100
Noncash investment contribution	\$ 591	\$ 138

See accompanying notes.

Sequoia Living, Inc.
Notes to Consolidated Financial Statements
(In Thousands)

Note 1 – Corporate Purpose and Structure

Corporate purpose – Sequoia Living, Inc. (Sequoia Living), based on its historic mission, provides for the wellbeing of older persons who are in need of housing, health care, food, wellness, and other related programs and services through the following communities and programs:

- Four continuing care retirement communities which provide housing, health care, and other services to approximately 1,000 residents. Confidential financial support is also provided to residents who outlive their financial resources.
- Three residential housing communities which receive federal support and provide affordable housing to approximately 600 residents with low and moderate income.
- A portfolio of Community Services programs that promote the health and wellbeing of low-income seniors who live independently and in senior communities.

Corporate structure – Sequoia Living is a nonprofit corporation principally organized to provide facilities and other means of care for elderly persons. Board membership consists only of those elected as Directors and only during their period of service as such Directors. The Board of Directors governs the operations of Sequoia Living.

The consolidated financial statements of Sequoia Living also include the activities and balances of the following affiliates and subsidiaries discussed below.

Sequoia Living presently operates continuing care facilities for the care of elderly persons at four locations: The Sequoias-San Francisco (Sequoias-SF), the Sequoias-Portola Valley (Sequoias-PV), the Sequoias-Tamalpais (TAM), which was previously known as Tamalpais-Ross Valley Homes, and Viamonte Senior Living 1 (VSL), which is described below. It also operates residential housing facilities for elderly persons at three locations: Western Park Apartments (WPA), Eastern Park Apartments (EPA), and Town Park Towers (TPT). All facilities are located in Northern California.

Sequoia Living solely owned and operated EPA as a low-to-moderate income rental housing facility in accordance with the provisions of Section 202 of the National Housing Act, until December 19, 2019, at which point, Eastern Park Apartments, L.P. (EPA L.P.) was formed as a limited partnership to acquire, rehabilitate, own, and operate EPA. EPA L.P. is controlled by the partnership general partner, Sequoia Living EPA LLC. Sequoia Living is the sole member of Sequoia Living EPA LLC. During 2024 and 2023, the facility received approximately 83% and 87%, respectively, of its rental revenue from the U.S. Department of Housing and Urban Development (HUD).

Sequoia Living, Inc.
Notes to Consolidated Financial Statements
(In Thousands)

In 2019, EPA began undergoing a significant rehabilitation which was completed in October 2022. The financing was funded by a construction disbursement loan (see Note 9). EPA L.P. participates in the low-income housing tax credit (LIHTC) program under Section 42 of the Internal Revenue Code as modified by the State of California. It also continues to operate in accordance with the provisions of Section 202 of the National Housing Act. Various loans, regulatory, and other agreements dictate the maximum income levels of new tenants and provide rent and other restrictions through 2076. The limited partner will receive 99.99% of tax credits for 10 years and 99.99% of the taxable operating income (losses) of EPA L.P. for 15 years (which also marks the end of the compliance period). On March 1, 2023, the construction loan was fully paid off and permanent loan financing was obtained in the amount of \$60.0 million. After the compliance period, Sequoia Living will have an option (expiring one year thereafter) to purchase the rehabilitated building, which if exercised, will cause EPA L.P. to cease to exist. The purchase price will be the greater of the outstanding debt and taxes of EPA L.P. or the then fair market value of EPA L.P.

Sequoia Living solely owned and operated WPA and TPT as low-to-moderate income rental housing facilities operated in accordance with the provisions of Section 236 of the National Housing Act. Western Park Apartments, L.P. (WPA L.P.) and Town Park Apartments, L.P. (TPT L.P.) were formed in 2013 and 2015, respectively, as limited partnerships to acquire, rehabilitate, own, and operate WPA and TPT. WPA L.P. and TPT L.P. are controlled by the respective partnerships' general partners, Sequoia Living WPA LLC and Sequoia Living TPT LLC. Sequoia Living is the sole member of Sequoia Living WPA LLC and Sequoia Living TPT LLC.

WPA underwent a significant rehabilitation in 2014. The permanent financing was funded by a Citibank loan (see Note 9). WPA L.P. participates in the LIHTC program under Section 42 of the Internal Revenue Code as modified by the State of California. It also continues to operate in accordance with the provisions of Section 236 of the National Housing Act. Various loans, regulatory, and other agreements dictate the maximum income levels of new tenants and provide rent and other restrictions through 2068. The limited partners will receive 99.99% of tax credits for 10 years and 99.99% of the taxable operating income (losses) of WPA L.P. for 15 years (which also marks the end of the compliance period). In exchange, the limited partners were required to provide capital contributions of \$15.1 million that were used to repay a portion of the \$28.8 million construction loan. After the compliance period, Sequoia Living will have an option (expiring 18 months thereafter) to purchase the rehabilitated building, which if exercised, will cause WPA L.P. to cease to exist. The purchase price will be the greater of the outstanding debt and taxes of WPA L.P. or the then fair market value of WPA L.P.

Sequoia Living, Inc.
Notes to Consolidated Financial Statements
(In Thousands)

TPT underwent a significant rehabilitation in 2016–2017. The permanent financing was funded by a Citibank loan (see Note 9). TPT L.P. participates in the LIHTC program under Section 42 of the Internal Revenue Code as modified by the State of California. It is also expected to continue to operate in accordance with the provisions of Sections 236 of the National Housing Act. Various loans, regulatory and other agreements dictate the maximum income levels of new tenants and provide rent and other restrictions through 2070. The limited partner will receive 99.99% of tax credits for 10 years and 99.99% of the taxable operating income (losses) of TPT L.P. for 15 years (which also marks the end of the compliance period). In exchange, the limited partner is required to provide capital contributions of \$23.0 million that will be used to repay a portion of the \$40.0 million construction loan. In 2017, the limited partners made \$23.0 million in capital contributions. After the compliance period, Sequoia Living will have an option (expiring 18 months thereafter) to purchase the rehabilitated building, which if exercised, will cause TPT L.P. to cease to exist. The purchase price will be the greater of the outstanding debt and taxes of TPT L.P. or the then fair market value of TPT L.P.

For financial reporting purposes, the balance sheets, statements of operations, statements of changes in net assets, and statements of cash flows of EPA L.P., WPA L.P., and TPT L.P. are consolidated with Sequoia Living. The limited partner interests in EPA L.P., WPA L.P., and TPT L.P. are reported as noncontrolling interests in the net assets section of the accompanying consolidated balance sheets.

Sequoia Living is the sole corporate member of Senior Services for Northern California (SSNC). SSNC is a supporting organization of Sequoia Living. Trustees of SSNC are charged with receiving, disbursing, and accounting for all current gifts, deferred gift investments, and bequests of money and property given for the benefit of Sequoia Living and its programs, facilities, managed properties, and community outreach.

Sequoia Living and SSNC are exempt from income and franchise taxes under Sections 501(c)(3) and 23701(d) of the respective federal and state revenue codes.

Sequoia Living formed a for-profit company, NCP Senior Ventures, LLC, a California limited liability company (NSV), in 2008. Sequoia Living, as its sole member, signed an operating agreement with NSV on the same date. The purpose of NSV is to engage in the business of the acquisition, investment, development, ownership, management, operation, and sale of real estate. For financial reporting purposes, NSV's balance sheets, statements of operations, statements of changes in net assets, and statements of cash flows are consolidated with Sequoia Living.

NSV began managing Kokoro Assisted Living, a 54-unit residential housing facility located in San Francisco, California, in 2009. The management fee received for this service is included in fees for services and other income in the accompanying consolidated statements of operations.

Sequoia Living, Inc.
Notes to Consolidated Financial Statements
(In Thousands)

Sequoia Living formed VSL to develop, construct, own, and operate a continuing care retirement community in Walnut Creek, California, on a nonprofit, nondenominational basis. Under a consulting agreement, Sequoia Living provides development and management services to VSL. The land for the project was purchased by VSL in 2017. VSL's total contributed capital from Sequoia Living for the continuing care retirement community is \$25.2 million. The permanent financing closed on May 24, 2018, with revenue bonds insured by the State of California through its Cal Mortgage Loan Program (see Note 9). The bonds are designated as (a) "California Statewide Communities Development Authority Insured Revenue Bonds, Series 2018A (VSL Project)" for \$45.2 million; (b) "California Statewide Communities Development Authority Insured Revenue Bonds, Series 2018B-1 (VSL Project – Entrance Fee Redemption)" for \$80.0 million; (c) "California Statewide Communities Development Authority Insured Revenue Bonds, Series 2018B-2 (VSL Project – Entrance Fee Redemption)" for \$39.0 million; and (d) "California Statewide Communities Development Authority Insured Revenue Bonds, Series 2018B-3 (VSL Project – Entrance Fee Redemption)" for \$23.0 million. VSL has paid off the Series 2018B-1 bonds during the year ended December 31, 2022 and paid off the Series 2018B-2 and Series 2018B-3 bonds during the year ended December 31, 2023 with limited-use assets and entrance fee proceeds. The Series 2018A bonds will mature on July 1, 2047. VSL anticipates redeeming the Series 2018A (which is subject to optional redemption on or after January 1, 2021) in full from initial entrance fees prior to the stated maturities. The actual timing of the extraordinary redemption of the bonds may differ from the assumed timing because of timing differences in the receipt of initial entrance fees. VSL opened in November 2020 and consists of 174 independent living units, with an additional 7 assisted living units and 10 memory care units that opened in June 2021. The facility was constructed to allow the delivery of assisted living services to independent living units. Occupancy of 97% and 93% has been achieved during the years ended December 31, 2024 and 2023, respectively.

Sequoia Living is affiliated with San Francisco Senior Center (SFSC), a not-for-profit corporation that operates two senior centers in San Francisco and delivers services to help seniors stay engaged in the community.

Note 2 – Basis of Presentation and Summary of Significant Accounting Policies

Basis of presentation – The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and include Sequoia Living, EPA L.P., WPA L.P., TPT L.P., NSV, VSL, and SSNC. All significant inter-entity amounts have been eliminated in consolidation. SSNC, VSL, EPA L.P., WPA L.P., and TPT L.P. prepare separate stand-alone financial statements in conformity with U.S. GAAP.

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

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions are classified as net assets without donor restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors or otherwise limited by contractual arrangements with outside parties. Net assets without donor restrictions also include net assets contributed by Sequoia Living to its subsidiaries, which are eliminated upon consolidation. There are no board-designated net assets without donor restrictions.

Net assets with donor restrictions – Net assets that are subject to donor-imposed restrictions represent contributions that are limited in use by Sequoia Living in accordance with donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires; that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Contributions for which restrictions are satisfied in the same period as received are recorded as contributions revenue without donor restrictions.

Performance indicator – “Excess of operating revenues, income, gains and support, net, over expenses” as reflected in the accompanying consolidated statements of operations is the performance indicator. The performance indicator excludes receipt of contributions with donor restrictions, changes in additional minimum pension liability, changes in values of investments for debt securities, contributed capital, change in the value of split-interest agreements, and transfer of net assets.

Fair value measurements – The Financial Accounting Standards Board (FASB) statement on fair value measurements establishes a framework for measuring fair value in conformity with U.S. GAAP and expands disclosures about fair value measurements. This authoritative guidance clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering assumptions, this authoritative guidance establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 – Observable inputs such as quoted prices in active markets;

Level 2 – Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

Level 3 – Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

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Assets and liabilities measured at fair value are based on one or more of three valuation techniques. The three valuation techniques are as follows:

- *Market approach* – Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- *Cost approach* – Amount that would be required to replace the service capacity of an asset (i.e., replacement cost); and
- *Income approach* – Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

The carrying values reported on the accompanying consolidated balance sheets for current financial assets and liabilities approximate fair value. Investments, investments held in trust, liability for trust beneficiaries, beneficial interest in net income trust, and trust contributions receivable are carried at fair value. See Note 10 for discussion of the fair value of Sequoia Living's financial assets and liabilities.

Cash and cash equivalents – Cash and cash equivalents, which consist of deposits and money market funds, include money market funds purchased with a maturity at purchase date of three months or less, with the exception of cash and cash equivalents held as investments or whose use is limited or designated.

The following table provides a reconciliation of the cash, cash equivalents, and restricted cash balances within the accompanying consolidated balance sheets that sums to the total of the same amounts shown in the accompanying consolidated statements of cash flows:

	2024	2023
Reconciliation of cash, cash equivalents, and restricted cash		
Cash and cash equivalents	\$ 44,941	\$ 44,557
Investments designated for refundable deposits	-	761
Investments contractually limited for replacement reserves on properties financed by HUD	16,972	23,155
Cash and cash equivalents in limited use assets	14,830	14,537
	<u>76,743</u>	<u>83,010</u>
Total cash, cash equivalents, and restricted cash on the consolidated statements of cash flows	<u>\$ 76,743</u>	<u>\$ 83,010</u>

Limited use assets – Limited use assets as of December 31, 2024 and 2023, consist of cash, money market funds, and other investments whose use is held for capital projects and debt service reserve funds held with a trustee in accordance with indenture requirements. Amounts required to pay current liabilities or otherwise support current operations are classified as current. The indenture terms require that the trustee control the expenditure of bond proceeds for capital projects. For limited use assets, net carrying value approximates fair value at period end.

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Investments designated for refundable deposits – Investments designated for refundable deposits are subject to repayment based the executed continuing care contract or deposit agreement. These funds are held in cash and cash equivalents.

Marketable securities and investments held in trust – Equity and debt securities are carried at fair value with realized and unrealized gains and losses included in the accompanying consolidated statements of operations and consolidated statements of changes in net assets. Realized gains or losses on the sale of investments represent the difference between cost on a first-in first-out basis and the related market price at the sale date. A decline in the fair value of an investment in debt securities that is other than temporary is accounted for as a realized loss, whereby the cost basis of the security is written down to fair value. Cash and cash equivalents, which consist of deposits and money market funds, are carried at cost, which approximates fair value because of the short-term nature of these investments.

Property and equipment, net – Property and equipment, net are recorded at cost. Depreciation is based on straight-line method at rates based on the estimated useful lives of the various classes of property using the following schedule:

Buildings	60 years
Building equipment	20 years
Building and land improvement	10 years
Equipment, furniture, and furnishings	4–10 years

Interest costs incurred on borrowed funds, less investment income earned on certain unspent borrowed proceeds during the period of construction of long-lived assets, are capitalized and amortized over the related assets' estimated useful lives. Repairs and maintenance expenditures are expensed as incurred.

Sequoia Living periodically evaluates the carrying value of its long-lived assets for impairment. The evaluations address the estimated recoverability of the assets' carrying value, which is principally determined based on projected undiscounted cash flows generated by the underlying tangible assets. When the carrying value of an asset exceeds estimated recoverability, asset impairment is recognized. No asset impairment was recognized for the years ended December 31, 2024 and 2023.

Investments held in trust and liability for payments to trust beneficiaries – Investments held in trust represent charitable remainder trusts and other deferred funds in which the donor, or stated beneficiary, has a life interest in the trust income and for which SSNC is trustee and remainderman. Trust assets are carried at fair value remeasured on a recurring basis. The related liabilities for payments to trust beneficiaries are estimated at fair value at the time the related trust assets are received based on the present value of estimated future payments over the expected life of income beneficiaries using an appropriate credit risk-adjusted rate determined at the inception of each agreement. The liabilities are adjusted during the terms of the agreements for changes in the fair value of the assets, accretion of discounts, and other changes in the estimates of future benefits. As of December 31, 2024, the valuation technique utilizes published actuarial life expectancies ranging from 2.2 to 13.8 years and discount rates ranging from 1.63% to 6.75%. As of December 31, 2023, the valuation technique utilizes published actuarial life expectancies ranging from 2.3 to 14.4 years and discount rates ranging from 1.63% to 6.75%.

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Beneficial interest in net income trust – SSNC recognizes an asset when it becomes aware of the agreements and has sufficient information to measure the beneficial interest. The beneficial interest asset is measured at fair value, which is estimated as the present value of the expected future cash flows from trusts. Change in the fair value of the beneficial interest asset is recognized as an increase or decrease in change in value of split-interest agreements. As the net income trust beneficiary, SSNC recognizes revenue for the beneficial interest as stipulated in the agreements.

Pledges receivable – Pledges receivable are recorded initially at fair value and consist of unconditional promises to give that are expected to be collected in future years. Such receivables are recognized at fair value based on the present value of their estimated cash flows using the discount rate technique. Subsequent to the initial recording, pledges are recorded at net realizable value. The discounts on these amounts are computed using rates applicable in the years in which those promises are received. As of December 31, 2024, the valuation technique utilizes published actuarial life expectancies ranging from 0 to 4.0 years and discount rates ranging from 1.6% to 9.4%. As of December 31, 2023, the valuation technique utilizes published actuarial life expectancies ranging from 0 to 4.2 years and discount rates ranging from 1.6% to 9.4%. Pledges receivable are reviewed for collectability and reserves for uncollectible amounts are established when needed. Conditional promises to give are not included as support until the conditions are substantially met.

Trust contributions receivable – Trust contributions receivable consist of gifts made to SSNC through split-interest agreements in which SSNC is a remainderman or has a perpetual income interest as beneficiary and for which there is an external trustee. These assets are carried at fair value based upon the present value of amounts anticipated to be received, using discount rates commensurate with the expected term to receipt of the assets. The change in the fair value of trust contributions receivable is reflected in the change in value of split-interest agreements for net assets with donor restrictions in the statements of activities and changes in net assets. As of December 31, 2024, the valuation technique utilizes published actuarial life expectancies ranging from 3.1 to 6.7 years and a discount rate of 1.3%. As of December 31, 2023, the valuation technique utilizes published actuarial life expectancies ranging from 3.3 to 7.2 years and a discount rate of 1.1%.

Continuing care contracts – Sequoia Living has entered continuing care contracts with the residents of its continuing care facilities. Under the provision of these contracts, residents are required to pay an entrance fee and periodic monthly fees (resident fees) for services and the use of facilities. The resident fees are subject to adjustment for changes in operating costs or other economic reasons. Sequoia Living is obligated to provide long-term care.

Sequoia Living provides three types of continuing care contracts to its residents: fully amortizable, fee-for-service continuing care, and fee-for-service continuing care—repayment option. Under the fully amortizable contract, entrance fees are one-time payments made by residents of the continuing care facilities that, in addition to monthly care fees, provide for living accommodations and are recorded as deferred revenue when received and are amortized to income using the straight-line method over the estimated remaining life expectancy of the resident. The period of amortization is adjusted annually using the 1979 Life Expectancies tables from Health and Safety Code for single residents and an actuarially prepared joint life expectancy table for married residents.

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Under the fully amortizable and fee-for-service continuing care contracts, Sequoia Living is contractually obligated to refund to a vacating resident the entrance fee received less an amount equal to 1.5% of the entrance fee for each month of residency. No refund is made after five and a half years of occupancy. In the event of death or involuntary termination, Sequoia Living is obligated to refund a portion of the entrance fee determined as follows (based on the time transpired since the initial date of resident occupancy):

Fewer than 90 days	90%
More than 90, less than one year	75%
More than one year, less than two years	50%
More than two years, less than three years	25%
More than three years	0%

Under the fee-for-service continuing care - repayment options of 90% or 75%, residents pay a higher entrance fee, 90% or 75% of which will be refunded when the unit is resold. The “refundable deposit” portion of the entrance fee subject to repayment is recorded as a liability and the remaining 10% or 25% is recorded as deferred revenue and amortized to income using the straight-line method over the estimated remaining life expectancy of the resident. The period of amortization is adjusted annually using the 1979 Life Expectancies tables from Health and Safety Code for single residents and an actuarially prepared joint life expectancy table for married residents.

Future service obligation – If the present value of estimated future cash outflows to provide services to residents exceeds the present value of estimated future cash inflows from residents, a liability is recognized. Sequoia Living has determined that no accrual for the obligation to provide future services and use of facilities to current residents is required as of December 31, 2024 and 2023. The discount rate used to calculate the obligation to provide future services is 5.0% and 4.5% in 2024 and 2023, respectively.

Revenue recognition – Sequoia Living accounts for a majority of its revenue recognition under Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers* (ASC 606).

Sequoia Living has elected the lessor practical expedient Accounting Standards Update (ASU) 2018-11, *Leases (Topic 842): Targeted Improvements* (ASU 2018-11), within ASC 842, *Leases* (ASC 842), and recognizes, measures, presents, and discloses the revenue for services under their senior living residency agreements based upon the predominant component, either the lease or nonlease component, of the contracts. Sequoia Living has determined that the services included under their independent living, assisted living, memory care, and skilled nursing residency agreements have the same timing and pattern of transfer. Sequoia Living has estimated that the nonlease component of such residency agreements are the predominant component of the contract and therefore recognizes resident fees revenue under ASC 606. Sequoia Living recognizes resident fees for its three residential housing facilities as operating leases under ASC 842.

Those activities that are accounted for outside the scope of ASC 606 include funds received by Sequoia Living which are voluntary and unconditional un-reciprocal transfers as well as investment income including realized gains and losses on investments.

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Resident fees – Under the provision of continuing care contracts, residents are required to pay periodic monthly fees (resident fees) for services and the use of facilities. Resident fee revenue is reported at the amount that reflects the consideration Sequoia Living expects to receive in exchange for the services provided. Performance obligations are determined based on the nature of the services provided. Resident fee revenue is recognized monthly as services are provided and performance obligations are satisfied.

The following table shows resident fees revenue by line of service:

	2024	2023
Resident fees by line of service		
Independent living	\$ 55,889	\$ 52,152
Assisted living	5,144	4,429
Memory care	2,043	1,940
Skilling nursing	4,550	3,874
Affordable housing rents	31,453	29,444
	<u>\$ 99,079</u>	<u>\$ 91,839</u>

Amortization of entrance fees revenue – Under the provision of continuing care contracts, residents are required to pay an entrance fee, which are one-time payments made by residents of the continuing care facilities that, in addition to resident fees, provide for living accommodations. The performance obligation for nonrefundable entrance fees is that Sequoia Living is standing ready to provide a service such that the resident can continue to live in the CCRC and access the appropriate level of care based on his or her needs. This decision is at the discretion of the resident and is dependent on the resident's health and life span, along with his or her decision to continue to reside at the respective facility. Management has determined that these are a series of distinct services that are considered one performance obligation which is satisfied over time. Therefore, the nonrefundable portion of the entrance fee is recorded as an unamortized entrance fee when received and amortized using the straight-line method over the estimated remaining life expectancy of the resident. As of December 31, 2024 and 2023, Sequoia Living had \$192.4 million and \$179.0 million, respectively, in unamortized entrance fees to be recognized as the performance obligations are satisfied. See Note 15 for changes in the unamortized entrance fees for the years ended December 31, 2024 and 2023. The performance obligation is satisfied upon termination of the residency agreement.

Fees for services and other income – Under the provision of fee-for-service continuing care contracts, residents are required to pay an entrance fee, as well as additional fees for some services that are not covered by fee-for-service continuing care contracts. Additionally, Sequoia Living enters into separate contracts to provide outpatient services. Each service provided under these contracts is capable of being distinct, and thus, the services are considered individual and separate performance obligations which are satisfied as services are provided and revenue is recognized over time as services are provided.

Sequoia Living determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments, or explicit price concessions, provided to a third party. Sequoia Living determines its estimates of contractual adjustments based on contractual agreements, historical experience, and expected future credit losses.

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Agreements with third-party payors provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

Medicare – Certain health care services are paid at prospectively determined rates per discharge based on clinical, diagnostic or other factors. Certain services are paid based on a cost-reimbursement methodology subject to certain limits. Physical services are paid based upon established fee schedules.

Secondary Insurance – Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Laws and regulations concerning government programs, including Medicare, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge Sequoia Living's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon Sequoia Living.

Settlements with third-party payors for retroactive adjustments due to audits, review, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and Sequoia Living's historic settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews and investigations. Adjustments arising from a change in the transaction price were not significant in 2024 or 2023.

Generally, patients who are covered by third-party payors are responsible for related deductibles and co-insurance, which vary in amount. Sequoia Living estimates the transaction price for patients with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments determined on a resident-by-resident basis. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to health services revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the resident's ability to pay are recorded as bad debt expense. Bad debt expense for the years ended December 31, 2024 and 2023, was not significant.

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Contributions – Contributions, which may include unconditional promises to give (pledges), are recognized at fair value as revenues in the period received or unconditionally pledged. Donated securities, real property, and contributions in kind are recorded at fair value at the date of contribution. Contributions are derived primarily from donors in Northern California. Contributions of trust interests in which SSNC serves as the trustee are recognized at fair value in the period of receipt. Fair value is determined based upon the difference between the fair value of the assets received and the fair value of the estimated liability to beneficiaries. Contributions of trust interests in which the assets are invested and administered by outside trustees are recorded at fair value when notice of the interest is received.

Charity care – Sequoia Living provides care without charge or at amounts less than its established rates to residents who meet certain criteria under its charity care policy. Because Sequoia Living does not normally pursue collection of amounts determined to qualify as benevolence, they are not reported as revenue.

Donated services – Significant amounts of time from a number of people have been donated to Sequoia Living. The accompanying consolidated financial statements do not reflect the value of those donated services, as no reliable basis exists for reasonably determining the amounts involved.

Investment income – Investment income includes interest and dividend income earned on investments, net realized gains and losses on sales of investments, other-than-temporary realized losses on available-for-sale securities, unrealized gains and losses on trading securities, and related investment counseling fees. Investment counseling fees were \$0.2 million for both years ended December 31, 2024 and 2023.

Marketing and advertising expenses – The cost of advertising, promotion, and marketing programs are charged to expense in the year incurred. For the years ended December 31, 2024 and 2023, Sequoia Living incurred marketing and advertising costs of \$0.9 million and \$1.0 million, respectively.

Administrative service fees – SSNC manages its split-interest agreements internally and assesses a fee of 1% of trust assets per year.

Change in value of split-interest agreements – Changes in the value of split-interest agreements are the result of the following transactions and events related to SSNC's deferred gifts:

- Accretion of the discounts on previously received deferred gifts.
- Revaluations of expected future benefits to be received, net of income earned and market changes on deferred gift assets.
- Revaluations of expected future payments to beneficiaries, net of payments made, based on changes in life expectancy and other actuarial assumptions.

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Workers' compensation plan – Sequoia Living is self-insured for workers' compensation. Claims are accrued under the plan as the incidents that give rise to them occur. Unpaid claims accruals, including estimates of incurred-but-not-reported claims, are based on the estimated ultimate cost of settlement, including claim settlement expenses, in accordance with Sequoia Living's past experience. The workers' compensation reserve liability is \$2.8 million and \$2.9 million as of December 31, 2024 and 2023, respectively, and is included in payroll and related taxes payable in the accompanying consolidated balance sheets. The discount rate used to calculate the reserve liability is 2.0% for both 2024 and 2023.

Concentration of credit risk – Financial instruments potentially subjecting Sequoia Living to concentrations of credit risk consist primarily of bank demand deposits in excess of the Federal Deposit Insurance Corporation (FDIC) insurance thresholds and cash held in money market accounts in excess of the amounts insured by the U.S. Treasury insurance for money market funds. Demand deposits are placed with local financial institutions. If any of the financial institutions with whom Sequoia Living does business were to be placed into receivership with the FDIC, Sequoia Living may be unable to access the cash they have on deposit with such institutions. If Sequoia Living was unable to access its cash and cash equivalents as needed, Sequoia Living's financial position and ability to operate its business could be adversely affected. Sequoia Living has not experienced any loss related to these demand deposits in the past. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. It is at least reasonably possible, given the level of risk associated with investment securities, that changes in the near term could materially affect the amount reported in the financial statements. The risk associated with the investments is mitigated through diversification.

Concentration of credit risk results from Sequoia Living granting credit without collateral to its residents and patients, most of whom are local residents and insured under third-party payor agreements.

Estimates – The preparation of consolidated financial statements in conformity with U.S. GAAP 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 and the reported amounts of revenues and expenses during the reporting period. Significant estimates include unamortized entrance fees, estimated future service obligations, pension asset, fair values of investments, useful lives of fixed assets, pledges and contributions receivable and the liability for payments to trust beneficiaries. Actual results may differ from those estimates.

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Note 3 – Investment Securities

The composition of investment securities is set forth in the following table. The majority of these securities are held with four investment firms:

	2024	2023
	<hr/>	<hr/>
Money market funds	\$ 8,069	\$ 4,445
Common stock	11,830	9,299
Corporate fixed income securities	336	299
Equity mutual funds	65,856	54,973
Fixed income mutual funds	<hr/> 43,290	<hr/> 35,365
	<hr/>	<hr/>
Total marketable securities	129,381	104,381
	<hr/>	<hr/>
Investment in real estate fund	10,675	9,569
	<hr/>	<hr/>
Total investment securities	<u><u>\$ 140,056</u></u>	<u><u>\$ 113,950</u></u>

Operating investment income is comprised of the following for the years ended December 31:

	2024	2023
	<hr/>	<hr/>
Interest income	\$ 6,807	\$ 6,365
Net realized gains on sales of investments	2,205	2,281
Unrealized gains on equity securities	3,602	5,556
Investment expenses	<hr/> (296)	<hr/> (302)
	<hr/>	<hr/>
	<u><u>\$ 12,318</u></u>	<u><u>\$ 13,900</u></u>

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Note 4 – Property and Equipment, Net

Property and equipment, net as of December 31 consist of the following:

	2024	2023
	<u>2024</u>	<u>2023</u>
Land	\$ 23,097	\$ 28,767
Land and building improvements	111,779	97,581
Building and building equipment	483,168	467,780
Equipment and furniture	<u>56,806</u>	<u>55,135</u>
Property, plant, and equipment	674,850	649,263
Less accumulated depreciation	<u>(259,405)</u>	<u>(237,398)</u>
	415,445	411,865
Construction in progress	<u>33,159</u>	<u>34,821</u>
Property, plant, and equipment, net	<u><u>\$ 448,604</u></u>	<u><u>\$ 446,686</u></u>

Total depreciation expense for the years ended December 31, 2024 and 2023, is \$22.4 million and \$19.3 million, respectively.

Note 5 – Investments Held in Trust

Investments held in trust as of December 31 are summarized below. The majority of these investments are held with one investment firm:

	2024	2023
	<u>2024</u>	<u>2023</u>
Money market funds	\$ 110	\$ 103
Fixed income mutual funds	3,881	4,257
Equity mutual funds	6,169	6,491
Promissory note	<u>787</u>	<u>-</u>
	<u><u>\$ 10,947</u></u>	<u><u>\$ 10,851</u></u>

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Note 6 – Pledges Receivable, Net

Pledges receivable, net was due as follows as of December 31:

	2024	2023
Current portion	\$ 100	\$ 674
Less allowance	(5)	(34)
Total current portion	<u>\$ 95</u>	<u>\$ 640</u>
Greater than one year to five years	\$ 127	\$ 150
Greater than five years to twenty years	-	-
	127	150
Less allowance	(6)	(7)
Less unamortized discount	(10)	(15)
Total noncurrent portion	<u>\$ 111</u>	<u>\$ 128</u>

Note 7 – Investments Contractually Limited for Replacement, Development Deposit, and Net Operating Income Reserve

Investments contractually limited for replacement – In connection with long-term debt agreements for Sequoia Living's residential housing facilities, HUD requires monthly deposits to a replacement account. Replacement accounts are held by Sequoia Living for TPT L.P., EPA L.P., and WPA L.P.

The investments for replacement are spent on improvements or repairs of structural elements and mechanical equipment of the facilities. Disbursements from the replacement accounts may be made upon receiving consent in writing from HUD.

Equity reserves – EPA L.P. was required to establish a deposit account for an initial amount of \$2.0 million for cash reserves. In addition, a deposit account was established for capital contribution of \$12.0 million upon occurrence of the loan conversion. On March 1, 2023, the construction loan was converted to a permanent loan financing for \$60.0 million and the \$12.0 million capital contribution was made to EPA L.P.

Outside reserves – Sequoia Living was required to set aside funds in the amount of \$6 million for so long as the partnership continues in existence or based on the account terms of the reserve pledge agreement.

Earnings attributable to these investment categories accrue to the facility. As of December 31, 2024 and 2023, the investments consist of cash and certificates of deposit in the amounts of \$17.0 million and \$23.2 million, respectively.

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Note 8 – Limited Use Assets

Limited use assets as of December 31 are held for two entities, Sequoia Living and VSL. The composition of limited use assets as of December 31, 2024 and 2023, for Sequoia Living and VSL consisted solely of cash and cash equivalents. All limited use assets are classified as Level 1 securities.

	2024	2023
California Health Facilities Financing Authority		
Revenue Bond Series 2015		
Project fund	\$ 1,229	\$ 798
Principal and interest fund	677	2
Debt service reserve fund	4,040	4,040
Revenue fund	1,416	2,143
	<u>7,362</u>	<u>6,983</u>
Revenue Bond Series 2018		
Project fund	139	420
Revenue fund	214	-
Principal and interest fund	1,119	968
Debt service reserve fund	5,924	5,924
	<u>7,396</u>	<u>7,312</u>
Investments held by trustee for development	-	177
Investments held by trustee for working capital	69	54
Investments held by trustee for repayment of revenue bonds	3	11
	<u>14,830</u>	<u>14,537</u>
Less current portion	<u>(4,511)</u>	<u>(4,142)</u>
Limited use assets, noncurrent portion	<u>\$ 10,319</u>	<u>\$ 10,395</u>

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Note 9 – Long-Term Debt, Net and Line of Credit

Long-term debt, net for Sequoia Living comprises the following as of December 31:

	<u>2024</u>	<u>2023</u>
Sequoia Living		
California Health Facilities Financing Authority		
Revenue Bond Series 2015, Serial Bonds Payable		
through 2031 to 2044 in annual principal installments		
with interest ranging from 2–5%, collateralized by a first		
deed of trust on the gross revenues of Sequoia Living.	\$ 51,320	\$ 52,865
VSL		
California Health Facilities Financing Authority		
Revenue Bond Series 2018, Series Bonds Payable,		
collateralized by a first deed of trust on the gross		
revenues of VSL, Series 2018A interest at 3.5–5%,		
maturing in 2047	44,160	45,230
Eastern Park Apartments L.P.		
Bellwether Enterprise Mortgage Investments, Inc. loan, payable		
through 2039 in monthly installments of \$262 including interest		
at 3.91%, with a balloon payment of \$42,999 due at maturity.	58,627	59,429
Western Park Apartments L.P.		
Citibank permanent loan, in monthly installments		
of \$86 payable through 2045 including interest at 5.81%,		
collateralized by a first deed of trust on WPA L.P. real estate.	13,787	14,011
Town Park Towers L.P.		
Payable through 2051 in monthly installments including		
interest at 4.41% collateralized by first deed of trust.	<u>20,706</u>	<u>21,074</u>
	188,600	192,609
Plus unamortized bond premium	6,541	7,041
Less unamortized deferred financing costs	<u>(6,081)</u>	<u>(6,473)</u>
	189,060	193,177
Less current portion	<u>(5,658)</u>	<u>(4,743)</u>
Long-term debt, net of current portion	<u><u>\$ 183,402</u></u>	<u><u>\$ 188,434</u></u>

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Scheduled principal payments on long-term debt are as follows:

<u>Years Ending December 31,</u>	
2025	\$ 5,658
2026	4,409
2027	4,622
2028	4,802
2029	5,038
Thereafter	<u>164,071</u>
	<u><u>\$ 188,600</u></u>

The revenue bonds are insured by the State of California, through its Cal Mortgage Loan Program. Both agreements with Cal Mortgage includes a number of covenants, including the following:

- Punctual payment
- Maintenance of records and filing of financial statements
- Payment of taxes
- Maintenance of exempt status
- Certain financial covenants
- Continuing disclosure

Sequoia Living's debt incurred in connection with its residential housing facilities includes covenants which require that these facilities be operated to provide housing for seniors whose income levels do not exceed certain thresholds. Rent increases are subject to approval and are limited to maintain affordability.

The most restrictive covenants of these loans are associated with compliance with the LIHTC program under Section 42 of the Internal Revenue Code as modified by the State of California and the provisions of Section 202 of the National Housing Act. As of December 31, 2024, management believes Sequoia Living was in compliance with these debt covenants.

EPA L.P. was formed to rehabilitate and operate the EPA property in compliance with the LIHTC program under the provisions of Section 42 of the Internal Revenue Code. The City of San Francisco tax-exempt bonds of \$60.0 million Series J and \$24.8 million Series K are collateral to the qualifying financing under the LIHTC program to then finance the acquisition and renovation of EPA L.P. J.P. Morgan Chase Bank funded a loan on behalf of the City of San Francisco (tax-exempt bond issuer and governmental lender). EPA L.P. entered into an agreement with J.P. Morgan Chase Bank to borrow up to \$84.8 million to acquire EPA and fund renovations.

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Funds are released periodically as renovations proceed and paid invoices are submitted to J.P. Morgan Chase Bank for reimbursement. Renovations were completed in 2022. During the year ended December 31, 2023, the construction loan was fully paid off and permanent loan financing was obtained in the amount of \$60.0 million. Deferred loan costs of \$2.5 million were written off in 2023 related to the construction loan payoff.

Lines of credit – Sequoia Living has a standby line of credit in the amount of \$4.0 million as of December 31, 2024 and 2023, with a bank, of which the whole facility was collateralized by a gross revenue pledge. Sequoia Living had a line of credit in the amount of \$2.0 million during the year ended December 31, 2023, which was closed during the year ended December 31, 2024. As of both December 31, 2024 and 2023, Sequoia Living had no outstanding balance on these lines of credit. Subsequent to December 31, 2024, Sequoia Living entered into a new standby line of credit with a maximum borrowing amount of \$4.0 million with a different bank and closed the existing standby line of credit.

Sequoia Living has stand-by letters of credit totaling approximately \$3.0 million to collateralize its obligations under a high deductible workers' compensation program as of both December 31, 2024 and 2023, from the same bank that issued the lines of credit described above. No amounts were outstanding as of December 31, 2024 and 2023. The stand-by letters of credit restrict the availability of the lines of credit in that the total amount available at any one time from the letters of credit and lines of credit cannot exceed \$4.0 million as of December 31, 2024.

Sequoia Living is required to provide written notification to the bank of any material adverse change in its financial condition or operation. Management believes there were no such changes in 2024 or 2023.

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Note 10 – Fair Value Measurements

The fair values of financial assets and liabilities that are measured on a recurring basis are as follows as of December 31, 2024 and 2023:

2024					
	Total	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	NAV as Practical Expedient
Assets measured at fair value					
on a recurring basis ⁽¹⁾					
Marketable securities ⁽²⁾					
Money market funds	\$ 8,069	\$ 8,069	\$ -	\$ -	\$ -
Common stock	11,830	11,830	-	-	-
Corporate fixed income securities	336	336	-	-	-
Equity mutual funds	65,856	65,856	-	-	-
Fixed income mutual funds	43,290	43,290	-	-	-
Trust contributions receivable ⁽³⁾	1,119	-	-	1,119	-
Investment in real estate fund ⁽⁴⁾	10,675	-	-	-	10,675
Promissory note in charitable remainder trust ⁽⁷⁾	787	-	-	787	-
Investment held in trust ⁽²⁾					
Money market funds	110	110	-	-	-
Equity mutual funds	6,169	6,169	-	-	-
Fixed income mutual funds	3,881	3,881	-	-	-
	<u>\$ 152,122</u>	<u>\$ 139,541</u>	<u>\$ -</u>	<u>\$ 1,906</u>	<u>\$ 10,675</u>
Liabilities measured at fair value					
on a recurring basis ⁽⁵⁾					
Liability for payments to trust beneficiaries	<u>\$ 4,721</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,721</u>	<u>\$ -</u>
2023					
	Total	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	NAV as Practical Expedient
Assets measured at fair value					
on a recurring basis ⁽¹⁾					
Marketable securities ⁽²⁾					
Money market funds	\$ 4,445	\$ 4,445	\$ -	\$ -	\$ -
Common stock	9,299	9,299	-	-	-
Corporate fixed income securities	299	299	-	-	-
Equity mutual funds	54,973	54,973	-	-	-
Fixed income mutual funds	35,365	35,365	-	-	-
Trust contributions receivable ⁽³⁾	1,143	-	-	1,143	-
Investment in real estate fund ⁽⁴⁾	9,569	-	-	-	9,569
Beneficial interest in net income trust ⁽⁶⁾	626	-	-	626	-
Investment held in trust ⁽²⁾					
Money market funds	103	103	-	-	-
Equity mutual funds	6,491	6,491	-	-	-
Fixed income mutual funds	4,257	4,257	-	-	-
	<u>\$ 126,570</u>	<u>\$ 115,232</u>	<u>\$ -</u>	<u>\$ 1,769</u>	<u>\$ 9,569</u>
Liabilities measured at fair value					
on a recurring basis ⁽⁵⁾					
Liability for payments to trust beneficiaries	<u>\$ 4,908</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,908</u>	<u>\$ -</u>

Sequoia Living, Inc.
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⁽¹⁾ For cash and cash equivalents, limited use assets and investments designated for refundable deposits, the net carrying value approximates fair value at period end.

⁽²⁾ The fair values of marketable securities and investments held in trust which are included in the accompanying consolidated balance sheets are determined based on quoted market prices in active markets. The marketable securities consist of cash equivalents, common stocks, corporate fixed income securities, equity mutual funds, and fixed income mutual funds as detailed in Note 3. The investments held in trust consist of cash equivalents, corporate fixed income securities, equity mutual funds, and fixed income mutual funds at fair value with realized and unrealized gains and losses included in the consolidated statements of operations and changes in net assets.

⁽³⁾ The fair value of trust contributions receivable, which is included in the accompanying consolidated balance sheets, is determined using a present value calculation of expected future cash flows with assumptions for the risk-adjusted interest rate, inherent risk, mortality risk, and the expected term of cash flows using the discount rate adjustment technique.

⁽⁴⁾ This investment includes securities held in a limited partnership in which net asset value (NAV) as a practical expedient has been used. This investment has not been classified in the fair value hierarchy, and the amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying consolidated balance sheets. The NAV is based on the total value of the securities held in the limited partnership per the December 31 fund statement. The NAV of the limited partnership equals the total assets of the fund, less total liabilities of the fund. Total assets of the fund primarily include real estate assets and real estate owned in joint ventures. The value of real estate assets is established by independent appraisals as of December 31. Real estate assets owned in joint ventures are carried at the fund's ownership share before the impact of promote structures. Total liabilities of the fund primarily include mortgage notes payable and senior notes payable, both of which are carried by the fund at fair value. Disclosure to and consent by the general partner is required for redemption, transfer or assignment of any of the investment.

⁽⁵⁾ The fair value of the liability for payments to trust beneficiaries that is included in the accompanying consolidated balance sheets is determined using a present value calculation of expected future cash flows with assumptions for the risk-adjusted interest rate, inherent risk, mortality risk, and the expected term of cash flows using the discount rate adjustment technique.

⁽⁶⁾ The fair value of beneficial interest in net income trust included in the accompanying consolidated balance sheets is determined using a present value calculation of expected future cash flows from trusts.

⁽⁷⁾ The carrying value of the promissory note in charitable remainder trust included in the consolidated statements of financial position approximates the fair value of the note, using a present value calculation of expected future cash flow from interest income with assumptions for the risk-adjusted interest rate.

There were no transfers of assets or liabilities between Levels 1 and 2 during the years ended December 31, 2024 and 2023.

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Note 11 – Pension Plan

Sequoia Living sponsors a noncontributory defined benefit pension plan covering employees who work 1,000 hours or more. The benefits are generally based on an employee's average salary in the last five years of employment and years of service. Sequoia Living funds the pension plan in accordance with the requirements of the Employee Retirement Income Security Act of 1974 (ERISA). Contributions to the plan are determined under the projected unit credit cost method and are made each year in an amount at least equal to the minimum requirements of ERISA. The defined benefit pension plan was frozen in March 2022.

A reconciliation of the plan's benefit obligations, fair value of assets, funded status, and amount recognized in the consolidated balance sheets is as follows as of December 31:

	2024	2023
Changes in benefit obligation		
Benefit obligation, beginning of year	\$ 55,119	\$ 52,179
Interest cost	2,588	2,648
Actuarial (gain) loss	(3,523)	3,019
Benefits paid	(2,944)	(2,727)
Benefit obligation at measurement date	51,240	55,119
Changes in plan assets		
Fair value of plan assets, beginning of year	67,614	59,724
Actual return on plan assets	8,440	10,617
Benefits paid	(2,944)	(2,727)
Fair value of plan assets at measurement date	73,110	67,614
Funded status at measurement date	\$ 21,870	\$ 12,495
	2024	2023
Amounts recognized in the consolidated balance sheets consist of		
Noncurrent assets	\$ 21,870	\$ 12,495
Amounts recognized in net assets without donor restrictions consist of		
Unrecognized net actuarial (gain) loss	\$ (6,735)	\$ 612
Amounts recognized in net assets without donor restrictions, measurement date	\$ (6,735)	\$ 612
Accumulated benefit obligation	\$ 51,240	\$ 55,119

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For the year ended December 31, 2024, there was a \$3.5 million gain related to changes in the benefit obligation, which mainly consisted of gains due to interest rate changes and due to demographic experience that was different from expected. For the year ended December 31, 2023, there was a \$3.0 million loss related to changes in the benefit obligation, which mainly consisted of losses due to assumption changes due to discount rate changes and due to demographic experience that was different from expected.

Net periodic pension cost for 2024 and 2023 was determined by an independent actuary and is calculated using a prescribed attribution method, based on acceptable actuarial assumptions, which are adjusted periodically to reflect actual experience. Sequoia Living uses a December 31 measurement date for the above defined benefit plan.

The components of net periodic benefit cost included as part of compensation and benefits in the accompanying consolidated statements of operations and are as follows for the years ended December 31:

	2024	2023
Interest cost	\$ 2,589	\$ 2,647
Expected return on plan assets	(4,617)	(4,068)
Amortization of net loss	-	8
Net periodic benefit cost	<u>(2,028)</u>	<u>(1,413)</u>
Other changes in plan assets and benefit obligations recognized in net assets without donor restrictions		
Net actuarial gain	(7,347)	(3,915)
Amortization of net loss	-	(8)
Amounts recognized in net assets without donor restrictions, measurement date	<u>(7,347)</u>	<u>(3,923)</u>
Total recognized in net periodic benefit cost and net assets without donor restrictions, measurement date	<u>\$ (9,375)</u>	<u>\$ (5,336)</u>

Estimated future benefit payments are as follows:

<u>Years Ending December 31,</u>	
2025	\$ 3,496
2026	3,607
2027	3,690
2028	3,775
2029	3,778
2030–2034	<u>18,716</u>
	<u>\$ 37,062</u>

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Sequoia Living expects to contribute the minimum required amount under Internal Revenue Service Regulations to its pension plan in 2025.

Plan assets are invested with an appointed custodian. The contract with the custodian allows for investments in equity, money market, mutual fund, and real estate investments. Under the direction of Sequoia Living plan, assets are invested with the objective of achieving a long-term rate of return of 7.00%. This is achieved through investment in a mix of equity and fixed income investments, with targeted allocations of 70% equity instruments and 30% fixed income instruments. Over time, equity investments are expected to return 8.00%, while fixed income investments are expected to return 4.67%. This produces an expected composite long-term return on investment of 7.00%.

Plan assets as of December 31 were invested as follows:

	2024	2023
Cash and cash equivalents	\$ 19,891	\$ 2,468
Common stocks	2,266	8,861
Equity mutual funds	12,315	37,012
Fixed income mutual funds	38,638	19,273
	<u>\$ 73,110</u>	<u>\$ 67,614</u>

Equity mutual funds held in the plan assets invest in common stocks of companies based either inside or outside the United States, including some small-capitalization companies. The primary objective is to provide growth of capital. Fixed income mutual funds held in the plan assets primarily invest in a diversified portfolio of high-quality bonds and other fixed income securities of varying maturities.

For 2024 and 2023, plan assets are stated at fair value using Level 1 inputs within the fair value hierarchy. Cash equivalents and mutual funds are valued at quoted market prices on an exchange and active markets. Common stocks are valued at the last sale price on the last business day of the plan year, as quoted on a recognized exchange or an industry standard pricing service.

Effective July 1, 2012, Sequoia Living changed the formula used to calculate Defined Benefit Pension Plan benefits in order to allow for more stable expenses while maintaining a competitive retirement benefits program for its employees. Sequoia Living also started contributing 2.5% of compensation to eligible employees each pay period as part of its 403(b) plan.

Effective January 1, 2016, Sequoia Living adopted a spot rate approach for determining plan obligations and net pension cost. Under this approach, the individual spot rates on the yield curve are applied to each year's cash flow in measuring the obligations, service cost, and interest cost.

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Weighted average discount rate assumptions are as follows:

	2024	2023
Discount rate - benefit obligation	5.59%	5.01%
Discount rate - service cost	N/A	N/A
Discount rate - interest cost	4.70%	5.07%

Sequoia Living also sponsors a defined contribution tax-sheltered annuity plan for substantially all its full-time employees. The Tax-Sheltered Annuity Plan was amended effective January 1, 2012, consistent with guidance under Treasury Regulation Section 1.403(b)-10 to delete Section 7.01(b) of the plan, which provided that a complete discontinuance of contributions under the plan would constitute termination of the plan. Consistent with Internal Revenue Service guidance, the plan is considered a frozen plan, and all provisions remain in effect until Sequoia Living determines to take further action, except that new contributions will not be made to the plan. Effective as of the first payroll date on or after January 1, 2012, consistent with amendments to the plan, contributions to the plan were discontinued and contributions began being made to a new 403(b) plan. The new 403(b) plan permits contributions which can be matched at the discretion of Sequoia Living. Total employer contributions were \$1.4 million and \$1.2 million for the years ended December 31, 2024 and 2023, respectively.

Note 12 – Endowments

SSNC's endowment consists of donor-restricted funds established for a variety of purposes. The purpose restrictions consist of financial assistance, meal subsidies, improvements to the quality of life to residents of certain Sequoia Living facilities and maintenance of a resident garden. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law – The Board of Trustees of SSNC has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date absent explicit donor stipulations to the contrary. As a result of this interpretation, Sequoia Living classifies as donor-restricted endowment (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) all investment income on the endowment funds less the appropriation of investment income for expenditure.

The net asset composition for donor restricted endowment funds by type of fund as of December 31 is as follows:

	2024	2023
Tomorrow Fund	\$ 13,403	\$ 13,462
Other	509	441
	<u>\$ 13,912</u>	<u>\$ 13,903</u>

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Changes in endowment net assets for the years ended December 31 are as follows:

	2024	2023
Endowment net assets with donor restrictions, January 1	\$ 13,903	\$ 13,013
Investment return		
Investment income	544	280
Net appreciation (realized and unrealized)	225	706
Total investment return	769	986
Contributions	25	165
Appropriation of endowment assets for expenditure	(785)	(261)
Endowment net assets with donor restrictions, December 31	<u>\$ 13,912</u>	<u>\$ 13,903</u>

The amounts contributed to SSNC endowment funds have been retained permanently by explicit donor stipulation, and the fair values of the original gifts have been preserved in accordance with UPMIFA. SSNC does not hold term endowment funds or perpetual endowment funds subject to time restrictions.

Funds with deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires SSNC to retain as a fund of perpetual duration. SSNC had no deficiencies of this nature in its endowment funds as of December 31, 2024 and 2023.

Return objectives and risk parameters – SSNC has adopted an investment policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment funds while seeking to maintain the original gift value of the endowment assets. Endowment assets include those assets of donor-restricted funds that SSNC must hold in perpetuity. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the Consumer Price Index by 3.25% annually, on average, while assuming a moderate level of investment risk. SSNC expects its endowment funds, over time, to provide an average rate of return of at least 6.25% annually. Actual returns in any given year may vary from this amount.

Strategies employed for achieving objectives – To satisfy its long-term rate-of-return objectives, SSNC relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). SSNC targets a diversified asset allocation that places a greater emphasis on fixed income investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy – SSNC has a policy of appropriating the endowment fund's investment income for expenditure as the income is earned. In establishing this policy, SSNC considered the long-term expected return on its endowment. This is consistent with SSNC's objective to maintain the original gift value of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment returns.

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Note 13 – Net Assets

Sequoia Living's net assets with donor restrictions include endowments and other donor-restricted funds established for a variety of purposes. The composition for net assets with donor restrictions is as follows:

	<u>2024</u>	<u>2023</u>
Tomorrow fund	\$ 19,827	\$ 18,843
Other funds	14,285	15,743
Planned gifts	<u>5,655</u>	<u>5,780</u>
Total net assets with donor restrictions	<u><u>\$ 39,767</u></u>	<u><u>\$ 40,366</u></u>

There are no board-designated net assets without donor restrictions.

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Note 14 – Functional Expense

The following reflects the expenditures made by Sequoia Living, net of amounts funded by grants and other donation support for the years ended December 31, 2024 and 2023:

Functional Expense 2024					
	Program Services			Supporting Services	Total
	Housing	Health Care	Other Program Services	Management and General	
Compensation and benefits	\$ 21,455	\$ 21,673	\$ 4,347	\$ 8,188	\$ 55,663
Purchased services	31,495	445	399	869	33,208
Medical services	866	1,312	-	-	2,178
Supplies	1,235	879	306	64	2,484
Repairs and maintenance	4,969	98	175	369	5,611
Utilities	8,750	-	143	-	8,893
Professional fees	2,023	7	-	788	2,818
Depreciation	19,973	1,602	-	797	22,372
Interest	8,349	-	-	-	8,349
Other operating	5,599	383	311	88	6,381
	<u>\$ 104,714</u>	<u>\$ 26,399</u>	<u>\$ 5,681</u>	<u>\$ 11,163</u>	<u>\$ 147,957</u>
Functional Expense 2023					
	Program Services			Supporting Services	Total
	Housing	Health Care	Other Program Services	Management and General	
Compensation and benefits	\$ 19,856	\$ 20,887	\$ 3,817	\$ 8,418	\$ 52,978
Purchased services	30,136	407	748	240	31,531
Medical services	707	1,515	-	-	2,222
Supplies	1,198	845	166	83	2,292
Repairs and maintenance	4,666	61	202	313	5,242
Utilities	7,604	-	143	-	7,747
Professional fees	1,988	9	-	816	2,813
Depreciation	16,915	1,621	286	505	19,327
Interest	12,887	-	-	-	12,887
Other operating	4,707	243	-	214	5,164
	<u>\$ 100,664</u>	<u>\$ 25,588</u>	<u>\$ 5,362</u>	<u>\$ 10,589</u>	<u>\$ 142,203</u>

The consolidated financial statements report certain categories of expenses that are attributable to more than one program or support services. Programs include areas such as activities, transportation, and wellness. The expenses are allocated based on location and related overhead costs while other expenses such as compensation and benefits are based on actual department categories.

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Note 15 – Unamortized Entrance Fees

	2024	2023
Balance, beginning of year	\$ 178,979	\$ 173,838
New fees received	42,055	35,476
Entrance fees refunded	(2,612)	(3,345)
Amortization	(25,982)	(26,990)
Balance, end of year	<u>\$ 192,440</u>	<u>\$ 178,979</u>

Entrance fees still within a potentially refundable declining period as of December 31, 2024 and 2023, were \$84.3 million and \$71.7 million, respectively. Based on the past five years, actual refunds have averaged \$6.3 million per year for the potentially refundable declining period for the Sequoias-SF, Sequoias-PV, and TAM. VSL has achieved stabilized occupancy and management expects to pay refunds in the future years of \$1.0 million per year.

Note 16 – Liquidity and Availability of Financial Assets

Sequoia Living financial assets available within one year of the consolidated balance sheet dates for general expenditures are as follows:

	2024	2023
Cash and cash equivalents	\$ 44,941	\$ 44,557
Marketable securities	129,381	104,381
Accounts, notes, and interest receivable	15,139	6,583
Pledges receivable - net of allowance, current portion	95	640
	<u>\$ 189,556</u>	<u>\$ 156,161</u>

Sequoia Living's liquidity management policy is to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

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Note 17 – Noncontrolling Interest

The change in noncontrolling interest in WPA L.P., TPT L.P., and EPA L.P. is shown below:

	WPA L.P.	TPT L.P.	EPA L.P.	Total
Noncontrolling interest, January 1, 2023	\$ 9,421	\$ 22,303	\$ 5,106	\$ 36,830
Capital contributions	-	-	32,053	32,053
Net income (loss)	275	1,587	(4,016)	(2,154)
Attributed net income	275	1,587	28,037	29,899
Noncontrolling interest, December 31, 2023	9,696	23,890	33,143	66,729
Capital contributions	-	-	9,830	9,830
Net income (loss)	597	(323)	(1,951)	(1,677)
Attributed net income	597	(323)	7,879	8,153
Noncontrolling interest, December 31, 2024	\$ 10,293	\$ 23,567	\$ 41,022	\$ 74,882

Note 18 – Commitments and Contingencies

Sequoia Living is involved in certain routine matters of litigation related to its operations. Management does not expect any material impact on the consolidated financial position from any such matters; however, due to the inherent uncertainties in litigation, it is possible that amounts ultimately paid, if any, may exceed management's expectations.

Sequoia Living is a recipient of federal awards. These awards are subject to audit and final acceptance by federal granting agencies. The amount of expenditures that may be disallowed by the grantors, if any, cannot be determined at this time, although Sequoia Living expects such amounts, if any, to be immaterial.

Sequoia Living is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations relate to, among other things, matters such as licensure, accreditation, and government health care program participation requirements, regulations regarding reimbursement for patient services and regulations regarding Medicare billing, fraud, and abuse. Government agencies are actively conducting investigations concerning possible violations of statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs, together with the imposition of fines and penalties, as well as significant repayments for patient services previously billed. Sequoia Living has implemented a voluntary corporate compliance program which includes guidance for all Sequoia Living employees' adherence to applicable laws and regulations. Management is not aware of any actions or potential actions as December 31, 2024 and 2023.

Sequoia Living, Inc.
Notes to Consolidated Financial Statements
(In Thousands)

Note 19 – Subsequent Events

Subsequent events are events or transactions that occur after the consolidated balance sheet date, but before consolidated financial statements are issued. Sequoia Living recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated balance sheet, including the estimates inherent in the process of preparing the consolidated financial statements. Sequoia Living's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated balance sheet, but arose after the consolidated balance sheet date and before consolidated financial statements are issued.

Sequoia Living has evaluated subsequent events through April 29, 2025, which is the date the consolidated financial statements were issued.

Supplementary Information (Unaudited)

Sequoia Living, Inc.
Consolidating Balance Sheet (Unaudited)
December 31, 2024
(In Thousands)

	Sequoia Living	VSL	SSNC	Eliminations	Consolidated
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 14,790	\$ 29,786	\$ 365	\$ -	\$ 44,941
Marketable securities	91,651	-	37,730	-	129,381
Accounts, notes, and interest receivable	13,977	2,940	-	(1,778)	15,139
Pledges receivable, net of allowance	-	-	95	-	95
Limited use assets, current portion	3,323	1,188	-	-	4,511
Prepaid expenses and other assets	4,365	9	-	-	4,374
Total current assets	128,106	33,923	38,190	(1,778)	198,441
INVESTMENTS CONTRACTUALLY LIMITED FOR REPLACEMENT RESERVES ON PROPERTIES FINANCED BY HUD					
	16,972	-	-	-	16,972
INVESTMENTS HELD IN TRUST					
	-	-	10,947	-	10,947
INVESTMENTS, OTHER					
	7,494	-	3,181	-	10,675
TRUST CONTRIBUTIONS RECEIVABLE					
	-	-	1,119	-	1,119
PLEDGES RECEIVABLE, noncurrent portion					
	-	-	111	-	111
PENSION ASSET					
	21,870	-	-	-	21,870
LIMITED USE ASSETS, noncurrent portion					
	4,040	6,279	-	-	10,319
PROPERTY AND EQUIPMENT, net					
	275,010	173,594	-	-	448,604
Total assets	\$ 453,492	\$ 213,796	\$ 53,548	\$ (1,778)	\$ 719,058
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable	\$ 6,754	\$ 931	\$ 62	\$ -	\$ 7,747
Payroll and related taxes payable	5,403	-	-	-	5,403
Long-term debt, current portion	4,533	1,125	-	-	5,658
Accrued interest payable	1,549	941	-	-	2,490
Refundable deposits	3,031	1,477	-	-	4,508
Entrance fees paid in advance	690	-	-	-	690
Refunds due residents	-	758	-	-	758
Due to (from) related party	-	723	1,055	(1,778)	-
Total current liabilities	21,960	5,955	1,117	(1,778)	27,254
Long-term debt, net of current portion					
	140,399	43,003	-	-	183,402
Liability on refundable contracts					
	10,028	124,604	-	-	134,632
Liability for payments to trust beneficiaries					
	-	-	4,721	-	4,721
Unamortized entrance fees, net of current portion					
	149,963	42,477	-	-	192,440
Other long-term liabilities					
	3,606	-	556	-	4,162
Total liabilities	325,956	216,039	6,394	(1,778)	546,611
NET ASSETS					
Net assets without donor restrictions					
Controlling interest	77,854	(27,443)	7,387	-	57,798
Noncontrolling interest	74,882	-	-	-	74,882
Contributed capital	(25,200)	25,200	-	-	-
Total net assets without donor restriction	127,536	(2,243)	7,387	-	132,680
Net assets with donor restrictions					
	-	-	39,767	-	39,767
Total net assets	127,536	(2,243)	47,154	-	172,447
Total liabilities and net assets	\$ 453,492	\$ 213,796	\$ 53,548	\$ (1,778)	\$ 719,058

Sequoia Living, Inc.
Consolidating Statement of Operations (Unaudited)
Year Ended December 31, 2024
(In Thousands)

	Sequoia Living	VSL	SSNC	Eliminations	Consolidated
OPERATING REVENUES, INCOME, GAINS, AND SUPPORT, NET					
Operating revenues, income, and gains, net					
Resident fees	\$ 85,071	\$ 14,008	\$ -	\$ -	\$ 99,079
Amortization of entrance fees	20,268	5,714	-	-	25,982
Fees for services and other income	17,082	860	-	-	17,942
Administrative service fees			107		107
Gain on sale of assets	24	-	-	-	24
Investment income, including realized and unrealized gains and losses on investments	8,998	1,775	1,545	-	12,318
Total operating revenues, income, and gains	131,443	22,357	1,652	-	155,452
Support					
Contributions	-	-	352	-	352
Net assets released from restrictions	-	-	4,415	-	4,415
Total support	-	-	4,767	-	4,767
Total operating revenues, income, gains, and support, net	131,443	22,357	6,419	-	160,219
EXPENSES					
Compensation and benefits	49,739	5,924	-	-	55,663
Purchased services	29,034	4,174	-	-	33,208
Medical services	2,178	-	-	-	2,178
Supplies	2,216	268	-	-	2,484
Repairs and maintenance	4,720	891	-	-	5,611
Utilities	7,525	1,368	-	-	8,893
Professional fees	2,490	328	-	-	2,818
Depreciation	19,008	3,364	-	-	22,372
Interest	6,481	1,868	-	-	8,349
Other operating	4,058	2,323	-	-	6,381
Total expenses	127,449	20,508	-	-	147,957
EXCESS OF OPERATING REVENUES, INCOME, GAINS, AND SUPPORT, NET, OVER EXPENSES	\$ 3,994	\$ 1,849	\$ 6,419	\$ -	\$ 12,262

Sequoia Living, Inc.
Consolidating Statement of Changes in Net Assets (Unaudited)
Year Ended December 31, 2024
(In Thousands)

	Sequoia Living	VSL	SSNC	Eliminations	Consolidated
NET ASSETS WITHOUT DONOR RESTRICTIONS					
Excess operating revenues, income, gains, and support, net, over expenses	\$ 3,994	\$ 1,849	\$ 6,419	\$ -	\$ 12,262
Grants transferred for programs and facilities	6,751	171	(6,922)	-	-
Change in additional minimum pension liability	7,347	-	-	-	7,347
Contributed capital	9,830	-	-	-	9,830
Other	(863)	259	-	-	(604)
Change in net assets without donor restrictions	27,059	2,279	(503)	-	28,835
NET ASSETS WITH DONOR RESTRICTIONS					
Contributions	-	-	562	-	562
Investment income including net realized gains on investments	-	-	1,931	-	1,931
Change in value of split-interest agreements	-	-	485	-	485
Unrealized gains from investments held in trust	-	-	838	-	838
Net assets released from restrictions	-	-	(4,415)	-	(4,415)
Change in net assets with donor restrictions	-	-	(599)	-	(599)
CHANGE IN NET ASSETS	27,059	2,279	(1,102)	-	28,236
NET ASSETS, beginning of year	100,477	(4,522)	48,256	-	144,211
NET ASSETS, end of year	\$ 127,536	\$ (2,243)	\$ 47,154	\$ -	\$ 172,447

Sequoia Living, Inc.
Consolidating Statement of Cash Flows (Unaudited)
Year Ended December 31, 2024
(In Thousands)

	Sequoia Living	VSL	SSNC	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from entrance fees	\$ 30,414	\$ 2,988	\$ -	\$ 33,402
Cash received from resident fees	86,929	14,573	-	101,502
Cash received from services and other income	17,773	860	-	18,633
Cash received from contributions	-	-	1,347	1,347
Cash received (paid) for grants and support	6,751	171	(6,922)	-
Investment income received	6,210	1,775	3,139	11,124
Interest paid, net of amount capitalized	(6,609)	(1,935)	-	(8,544)
Refunds of entrance fees paid	(1,998)	(614)	-	(2,612)
Cash paid to employees and suppliers	(99,468)	(14,672)	-	(114,140)
Payments to (from) related party	3,717	(3,717)	-	-
Net cash provided by (used in) operating activities	43,719	(571)	(2,436)	40,712
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale and maturities of investments	-	-	4,005	4,005
Proceeds from sale of property and equipment	5,692	-	-	5,692
Purchase of investments	(28,175)	-	(3,889)	(32,064)
Purchase of property and equipment	(29,072)	(833)	-	(29,905)
Net cash (used in) provided by investing activities	(51,555)	(833)	116	(52,272)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of long-term debt and notes payable	(2,939)	(1,070)	-	(4,009)
Proceeds from endowment contributions	-	-	25	25
Proceeds from contributions held in trust	-	-	1,038	1,038
Payments to trust beneficiaries	-	-	(734)	(734)
Proceeds from refundable deposits	488	1,599	-	2,087
Proceeds from refundable entrance fees	634	5,492	-	6,126
Proceeds from limited partner equity	9,830	-	-	9,830
Refunds of refundable deposits	-	(776)	-	(776)
Refunds of refundable entrance fees	(3,504)	(5,409)	-	(8,913)
Investment income received from marketable securities held in trust	-	-	619	619
Net cash provided by (used in) financing activities	4,509	(164)	948	5,293
NET DECREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(3,327)	(1,568)	(1,372)	(6,267)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of year	42,452	38,821	1,737	83,010
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of year	\$ 39,125	\$ 37,253	\$ 365	\$ 76,743
SUPPLEMENTAL DISCLOSURE OF NONCASH OPERATING ACTIVITIES				
Promissory notes entered into in exchange for long term care contracts - nonrefundable contracts	\$ 8,653	\$ -	\$ -	\$ 8,653
Promissory notes entered into in exchange for long term care contracts - refundable contracts	\$ -	\$ 2,924	\$ -	\$ 2,924
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES				
Noncash investment contribution	\$ -	\$ -	\$ 591	\$ 591

Sequoia Living, Inc.

Notes to Consolidating Financial Statements (Unaudited)

Basis of presentation – The consolidating information is not a required part of the consolidated financial statements. The accompanying consolidating information was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The first column, Sequoia Living alone represents the parent entity without consolidation of its direct or indirect subsidiaries listed in the next columns. VSL and SSNC are described in Note 1 of the consolidated financial statements under Corporate Structure.

The consolidating information is prepared to clarify continuing disclosure as required by Municipal Securities Rulemaking Board (MSRB) through Electronic Municipal Market Access (EMMA) in connection with the issuance of revenue bonds described in Note 9 for Sequoia Living and VSL.

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Report of Independent Auditors and
Consolidated Financial Statements
with Supplementary Information

Sequoia Living, Inc.

December 31, 2023 and 2022

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Report of Independent Auditors

The Board of Directors
Sequoia Living, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Sequoia Living, Inc. and its subsidiaries (the Organization), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations, changes in net assets, 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 Sequoia Living, Inc. and its subsidiaries as of December 31, 2023 and 2022, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Western Park Apartments, L.P., a controlled partnership, which statements reflect total assets of \$25,716,529 and \$26,584,369, respectively, as of December 31, 2023 and 2022, and total revenues of \$5,303,052 and \$5,106,494, respectively, for the years then ended. We also did not audit the financial statements of Town Park Towers, L.P., another controlled partnership, which statements reflect total assets of \$31,152,964 and \$29,312,999, respectively, as of December 31, 2023 and 2022, and total revenues of \$4,508,824 and \$4,317,629, respectively, for the years then ended. We also did not audit the financial statements of Eastern Park Apartments, L.P., another controlled partnership, which statements reflect total assets of \$80,839,359 and \$81,144,730, respectively, as of December 31, 2023 and 2022, and total revenues of \$7,932,802 and \$6,644,781, respectively, for the years then ended. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for Western Park Apartments, L.P., Town Park Towers, L.P. and Eastern Park Apartments, L.P., is based solely on the report of the other auditors.

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sequoia Living, Inc. and its subsidiaries 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.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sequoia Living, Inc. and its subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are issued.

Auditor's Responsibilities for the Audit of the 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 auditor's 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 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 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 Sequoia Living, Inc. and its subsidiaries' 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sequoia Living, Inc. and its subsidiaries' 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating financial statement information beginning on page 44 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Information

Management is responsible for the other information included in the California Department of Social Services Annual Report. The other information comprises the Forms 1-1, 1-2, and 7-1, but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

A handwritten signature in cursive script that reads "Moss Adams LLP".

San Francisco, California
April 30, 2024

Consolidated Financial Statements

Sequoia Living, Inc.
Consolidated Balance Sheets
December 31, 2023 and 2022
(in Thousands)

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 44,557	\$ 19,226
Marketable securities	104,381	84,266
Accounts, notes, and interest receivable	6,583	6,034
Pledges receivable - net of allowance, current portion	640	5,534
Limited use assets, current portion	4,142	19,876
Investments designated for refundable deposits	761	2,712
Prepaid expenses and other assets	<u>3,703</u>	<u>2,636</u>
Total current assets	164,767	140,284
INVESTMENTS CONTRACTUALLY LIMITED FOR REPLACEMENT RESERVES ON PROPERTIES FINANCED BY HUD		
	23,155	29,293
INVESTMENTS HELD IN TRUST	10,851	10,834
INVESTMENTS, OTHER	9,569	11,726
TRUST CONTRIBUTIONS RECEIVABLE	1,143	1,047
PLEDGES RECEIVABLE, noncurrent portion	128	58
BENEFICIAL INTEREST IN NET INCOME TRUST	626	-
PENSION ASSET	12,495	7,545
LIMITED USE ASSETS, noncurrent portion	10,395	52,336
PROPERTY AND EQUIPMENT, net	<u>446,686</u>	<u>436,315</u>
Total assets	<u><u>\$ 679,815</u></u>	<u><u>\$ 689,438</u></u>

See accompanying notes.

Sequoia Living, Inc.
Consolidated Balance Sheets (Continued)
December 31, 2023 and 2022
(in Thousands)

	<u>2023</u>	<u>2022</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 7,169	\$ 8,534
Payroll and related taxes payable	5,297	6,147
Line of credit - unsecured	-	2,000
Long-term debt - net, current portion	4,743	27,446
Accrued interest payable	2,560	3,427
Refundable deposits	3,704	3,769
Unamortized entrance fees, current portion	1,222	-
Entrance fees paid in advance	722	3,699
	<u>25,417</u>	<u>55,022</u>
Total current liabilities	25,417	55,022
LONG-TERM DEBT - net, less current portion	188,434	252,389
LIABILITY ON REFUNDABLE CONTRACTS	134,842	105,963
LIABILITY FOR PAYMENTS TO TRUST BENEFICIARIES	4,908	4,924
UNAMORTIZED ENTRANCE FEES, less current portion	177,757	173,838
OTHER LONG-TERM LIABILITIES	4,246	4,591
	<u>535,604</u>	<u>596,727</u>
Total liabilities	535,604	596,727
NET ASSETS		
Net assets without donor restrictions:		
Controlling interest	37,116	19,412
Noncontrolling interest	66,729	36,830
	<u>103,845</u>	<u>56,242</u>
Total net assets without donor restrictions	103,845	56,242
Net assets with donor restrictions	40,366	36,469
	<u>144,211</u>	<u>92,711</u>
Total net assets	144,211	92,711
Total liabilities and net assets	<u>\$ 679,815</u>	<u>\$ 689,438</u>

See accompanying notes.

Sequoia Living, Inc.
Consolidated Statements of Operations
Years Ended December 31, 2023 and 2022
(in Thousands)

	2023	2022
OPERATING REVENUES, INCOME, GAINS, AND SUPPORT, NET		
Operating revenues, income, and gains, net:		
Resident fees	\$ 91,839	\$ 81,984
Amortization of entrance fees	26,990	22,555
Fees for services and other income	16,507	17,002
Investment income (loss), including realized and unrealized gains and losses on investments	13,900	(11,911)
Gain on sale of property and equipment	2,275	-
Gain on forgiveness of Paycheck Protection Program loan	-	1,922
Administrative service fees	104	122
Total operating revenues, income, and gains	<u>151,615</u>	<u>111,674</u>
Support:		
Contributions	263	557
Net assets released from restrictions	1,325	2,359
Total support	<u>1,588</u>	<u>2,916</u>
Total operating revenues, income, gains, and support, net	<u>153,203</u>	<u>114,590</u>
EXPENSES		
Compensation and benefits	52,978	49,339
Purchased services	31,531	28,643
Medical services	2,222	2,510
Supplies	2,292	2,366
Repairs and maintenance	5,242	4,548
Utilities	7,747	7,211
Professional fees	2,813	2,689
Depreciation	19,327	16,759
Interest	12,887	11,512
Other operating	5,164	4,130
Total expenses	<u>142,203</u>	<u>129,707</u>
EXCESS (DEFICIT) OF OPERATING REVENUES, INCOME, GAINS, AND SUPPORT, NET, OVER EXPENSES	<u>\$ 11,000</u>	<u>\$ (15,117)</u>

See accompanying notes.

Sequoia Living, Inc.
Consolidated Statements of Changes in Net Assets
Years Ended December 31, 2023 and 2022
(in Thousands)

	2023	2022
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Excess (deficit) of operating revenues, income, gains, and support, net, over expenses	\$ 11,000	\$ (15,117)
Changes in additional minimum pension liability	3,923	9,795
Contributed capital	32,053	810
Other	627	(108)
	<u>47,603</u>	<u>(4,620)</u>
Changes in net assets without donor restrictions		
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	1,185	5,428
Investment income including net realized gains on investments	987	1,389
Changes in value of split-interest agreements	688	(2,189)
Unrealized gain (loss) from investments	2,362	(4,898)
Net assets released from restrictions	(1,325)	(2,359)
	<u>3,897</u>	<u>(2,629)</u>
Changes in net assets with donor restrictions		
CHANGES IN NET ASSETS	51,500	(7,249)
NET ASSETS, beginning of year	92,711	99,960
NET ASSETS, end of year	<u>\$ 144,211</u>	<u>\$ 92,711</u>

See accompanying notes.

Sequoia Living, Inc.
Consolidated Statements of Cash Flows
Years Ended December 31, 2023 and 2022
(in Thousands)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from entrance fees	\$ 35,476	\$ 40,315
Cash received from resident fees	91,270	81,077
Cash received from services and other income	16,372	16,150
Cash received from contributions	6,410	1,784
Investment income received	8,980	8,107
Interest paid, net of amount capitalized	(11,144)	(11,693)
Refunds of entrance fees paid	(3,345)	(758)
Cash paid to employees and suppliers	(108,442)	(97,851)
Cash contribution to defined benefit plan	-	(3,300)
Net cash provided by operating activities	<u>35,577</u>	<u>33,831</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturities of investments	15,385	19,830
Proceeds from sale of property and equipment	3,021	-
Purchase of investments	(30,460)	(15,594)
Purchase of property and equipment	<u>(29,983)</u>	<u>(49,984)</u>
Net cash used in investing activities	<u>(42,037)</u>	<u>(45,748)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of long-term debt and notes payable	(149,452)	(26,919)
Payment on line of credit	(2,000)	-
Proceeds from issuance of debt	60,006	6,966
Proceeds from endowment contributions	165	5
Proceeds from contributions held in trust	678	789
Payments to trust beneficiaries	(678)	(918)
Proceeds from refundable deposits	1,837	2,459
Proceeds from refundable entrance fees	30,339	30,710
Proceeds from limited partner equity	32,053	533
Refunds of refundable deposits	(2,735)	(548)
Refunds of refundable entrance fees	(3,631)	(4,156)
Payment of syndication fees	-	(135)
Payment of loan financing costs	(1,107)	(3,892)
Investment income received from marketable securities held in trust	552	723
Net cash (used in) provided by financing activities	<u>(33,973)</u>	<u>5,617</u>
NET DECREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	<u>(40,433)</u>	<u>(6,300)</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of year	<u>123,443</u>	<u>129,743</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of year	<u><u>\$ 83,010</u></u>	<u><u>\$ 123,443</u></u>

See accompanying notes.

Sequoia Living, Inc.
Consolidated Statements of Cash Flows (Continued)
Years Ended December 31, 2023 and 2022
(in Thousands)

	<u>2023</u>	<u>2022</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES		
Changes in fixed asset additions included in accounts payable	\$ 100	\$ 144
Noncash investment contribution	\$ 138	\$ 37
SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITY		
Forgiveness of Paycheck Protection Program loan	\$ -	\$ 1,922

See accompanying notes.

Sequoia Living, Inc.
Notes to Consolidated Financial Statements
(in Thousands)

Note 1 – Corporate Purpose and Structure

Corporate purpose – Sequoia Living, Inc. (Sequoia Living), based on its historic mission, provides for the wellbeing of older persons who are in need of housing, health care, food, wellness, and other related programs and services through the following communities and programs:

- Four continuing care retirement communities which provide housing, health care, and other services to approximately 1,000 residents. Confidential financial support is also provided to residents who outlive their financial resources.
- Three residential housing communities which receive federal support and provide affordable housing to approximately 600 residents with low and moderate income.
- A portfolio of Community Services programs that promote the health and wellbeing of low-income seniors who live independently and in senior communities.

Corporate structure – Sequoia Living is a nonprofit corporation principally organized to provide facilities and other means of care for elderly persons. Board membership consists only of those elected as Directors and only during their period of service as such Directors. The Board of Directors governs the operations of Sequoia Living.

The consolidated financial statements of Sequoia Living also include the activities and balances of the following affiliates and subsidiaries discussed below.

Sequoia Living presently operates continuing care facilities for the care of elderly persons at four locations: The Sequoias-San Francisco (Sequoias-SF), the Sequoias-Portola Valley (Sequoias-PV), the Sequoias-Tamalpais (TAM), which was previously known as Tamalpais-Ross Valley Homes, and Viamonte Senior Living 1 (VSL), which is described below. It also operates residential housing facilities for elderly persons at three locations: Western Park Apartments (WPA), Eastern Park Apartments (EPA), and Town Park Towers (TPT). All facilities are located in Northern California.

Sequoia Living solely owned and operated EPA as a low-to-moderate income rental housing facility in accordance with the provisions of Section 202 of the National Housing Act, until December 19, 2019, at which point, Eastern Park Apartments, L.P. (EPA L.P.) was formed as a limited partnership to acquire, rehabilitate, own, and operate EPA. EPA L.P. is controlled by the partnership general partner, Sequoia Living EPA LLC. Sequoia Living is the sole member of Sequoia Living EPA LLC. During 2023 and 2022, the facility received approximately 87% and 78%, respectively, of its rental revenue from the U.S. Department of Housing and Urban Development (HUD).

Sequoia Living, Inc.
Notes to Consolidated Financial Statements
(in Thousands)

In 2019, EPA began undergoing a significant rehabilitation which was completed in October 2022. The financing was funded by a construction disbursement loan (see Note 9). EPA L.P. participates in the low-income housing tax credit program under Section 42 of the Internal Revenue Code as modified by the State of California. It also continues to operate in accordance with the provisions of Section 202 of the National Housing Act. Various loans, regulatory, and other agreements dictate the maximum income levels of new tenants and provide rent and other restrictions through 2076. The limited partner will receive 99.99% of tax credits for 10 years and 99.99% of the taxable operating income (losses) of EPA L.P. for 15 years (which also marks the end of the compliance period). On March 1, 2023, the construction loan was fully paid off and permanent loan financing was obtained in the amount of \$60.0 million. After the compliance period, Sequoia Living will have an option (expiring one year thereafter) to purchase the rehabilitated building, which if exercised, will cause EPA L.P. to cease to exist. The purchase price will be the greater of the outstanding debt and taxes of EPA L.P. or the then fair market value of EPA L.P.

Sequoia Living solely owned and operated WPA and TPT as low-to-moderate income rental housing facilities operated in accordance with the provisions of Section 236 of the National Housing Act. Western Park Apartments, L.P. (WPA L.P.) and Town Park Apartments, L.P. (TPT L.P.) were formed in 2013 and 2015, respectively, as limited partnerships to acquire, rehabilitate, own, and operate WPA and TPT. WPA L.P. and TPT L.P. are controlled by the respective partnerships' general partners, Sequoia Living WPA LLC and Sequoia Living TPT LLC. Sequoia Living is the sole member of Sequoia Living WPA LLC and Sequoia Living TPT LLC.

WPA underwent a significant rehabilitation in 2014. The permanent financing was funded by a Citibank loan (see Note 9). WPA L.P. participates in the low-income housing tax credit program under Section 42 of the Internal Revenue Code as modified by the State of California. It also continues to operate in accordance with the provisions of Section 236 of the National Housing Act. Various loans, regulatory, and other agreements dictate the maximum income levels of new tenants and provide rent and other restrictions through 2068. The limited partners will receive 99.99% of tax credits for 10 years and 99.99% of the taxable operating income (losses) of WPA L.P. for 15 years (which also marks the end of the compliance period). In exchange, the limited partners were required to provide capital contributions of \$15.1 million that were used to repay a portion of the \$28.8 million construction loan. After the compliance period, Sequoia Living will have an option (expiring 18 months thereafter) to purchase the rehabilitated building, which if exercised, will cause WPA L.P. to cease to exist. The purchase price will be the greater of the outstanding debt and taxes of WPA L.P. or the then fair market value of WPA L.P.

Sequoia Living, Inc.
Notes to Consolidated Financial Statements
(in Thousands)

TPT underwent a significant rehabilitation in 2016–2017. The permanent financing was funded by a Citibank loan (see Note 9). TPT L.P. participates in the low-income housing tax credit program under Section 42 of the Internal Revenue Code as modified by the State of California. It is also expected to continue to operate in accordance with the provisions of Sections 236 of the National Housing Act. Various loans, regulatory and other agreements dictate the maximum income levels of new tenants and provide rent and other restrictions through 2070. The limited partner will receive 99.99% of tax credits for 10 years and 99.99% of the taxable operating income (losses) of TPT L.P. for 15 years (which also marks the end of the compliance period). In exchange, the limited partner is required to provide capital contributions of \$23.0 million that will be used to repay a portion of the \$40.0 million construction loan. In 2017, the limited partners made \$23.0 million in capital contributions. After the compliance period, Sequoia Living will have an option (expiring 18 months thereafter) to purchase the rehabilitated building, which if exercised, will cause TPT L.P. to cease to exist. The purchase price will be the greater of the outstanding debt and taxes of TPT L.P. or the then fair market value of TPT L.P.

For financial reporting purposes, the balance sheets, statements of operations, statements of changes in net assets, and statements of cash flows of EPA L.P., WPA L.P., and TPT L.P. are consolidated with Sequoia Living. The limited partner interests in EPA L.P., WPA L.P., and TPT L.P. are reported as noncontrolling interests in the net assets section of the accompanying consolidated balance sheets.

Sequoia Living is the sole corporate member of Senior Services for Northern California (SSNC). SSNC is a supporting organization of Sequoia Living. Trustees of SSNC are charged with receiving, disbursing, and accounting for all current gifts, deferred gift investments, and bequests of money and property given for the benefit of Sequoia Living and its programs, facilities, managed properties, and community outreach.

Sequoia Living and SSNC are exempt from income and franchise taxes under Sections 501(c)(3) and 23701(d) of the respective federal and state revenue codes.

Sequoia Living formed a for-profit company, NCP Senior Ventures, LLC, a California limited liability company (NSV), in 2008. Sequoia Living, as its sole member, signed an operating agreement with NSV on the same date. The purpose of NSV is to engage in the business of the acquisition, investment, development, ownership, management, operation, and sale of real estate. For financial reporting purposes, NSV's balance sheets, statements of operations, statements of changes in net assets, and statements of cash flows are consolidated with Sequoia Living.

NSV began managing Kokoro Assisted Living, a 54-unit residential housing facility located in San Francisco, California, in 2009. The management fee received for this service is included in fees for services and other income in the accompanying consolidated statements of operations.

Sequoia Living, Inc.
Notes to Consolidated Financial Statements
(in Thousands)

Sequoia Living formed Viamonte Senior Living 1 (VSL) to develop, construct, own, and operate a continuing care retirement community in Walnut Creek, California, on a nonprofit, nondenominational basis. Under a consulting agreement, Sequoia Living provides development and management services to VSL. The land for the project was purchased by VSL in 2017. VSL's total contributed capital from Sequoia Living for the continuing care retirement community is \$25.2 million. The permanent financing closed on May 24, 2018, with revenue bonds insured by the State of California through its Cal Mortgage Loan Program (see Note 9). The bonds are designated as (a) "California Statewide Communities Development Authority Insured Revenue Bonds, Series 2018A (VSL Project)" for \$45.2 million; (b) "California Statewide Communities Development Authority Insured Revenue Bonds, Series 2018B-1 (VSL Project – Entrance Fee Redemption)" for \$80.0 million; (c) "California Statewide Communities Development Authority Insured Revenue Bonds, Series 2018B-2 (VSL Project – Entrance Fee Redemption)" for \$39.0 million; and (d) "California Statewide Communities Development Authority Insured Revenue Bonds, Series 2018B-3 (VSL Project – Entrance Fee Redemption)" for \$23.0 million. VSL has paid off the Series 2018B-1 bonds during the year ended December 31, 2022 and paid off the Series 2018B-2 and Series 2018B-3 bonds during the year ended December 31, 2023 with limited-use assets and entrance fee proceeds. The Series 2018A bonds will mature on July 1, 2047. VSL anticipates redeeming the Series 2018A (which is subject to optional redemption on or after January 1, 2021) in full from initial entrance fees prior to the stated maturities. The actual timing of the extraordinary redemption of the bonds may differ from the assumed timing because of timing differences in the receipt of initial entrance fees. VSL opened in November 2020 and consists of 174 independent living units, with an additional 7 assisted living units and 10 memory care units that opened in June 2021. The facility was constructed to allow the delivery of assisted living services to independent living units. Stabilized occupancy of 93% has been achieved during the year ended December 31, 2023.

Sequoia Living is affiliated with San Francisco Senior Center (SFSC), a not-for-profit corporation that operates two senior centers in San Francisco and delivers services to help seniors stay engaged in the community.

Note 2 – Basis of Presentation and Summary of Significant Accounting Policies

Basis of presentation – The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and include Sequoia Living, EPA L.P., WPA L.P., TPT L.P., NSV, VSL, and SSNC. All significant inter-entity amounts have been eliminated in consolidation. SSNC, VSL, EPA L.P., WPA L.P., and TPT L.P. prepare separate stand-alone financial statements in conformity with U.S. GAAP.

Sequoia Living, Inc.
Notes to Consolidated Financial Statements
(in Thousands)

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

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions are classified as net assets without donor restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors or otherwise limited by contractual arrangements with outside parties. Net assets without donor restrictions also include net assets contributed by Sequoia Living to its subsidiaries, which are eliminated upon consolidation. There are no board-designated net assets without donor restrictions.

Net assets with donor restrictions – Net assets that are subject to donor-imposed restrictions represent contributions that are limited in use by Sequoia Living in accordance with donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires; that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Contributions for which restrictions are satisfied in the same period as received are recorded as contributions revenue without donor restrictions.

Performance indicator – “Excess (deficit) of operating revenues, income, gains and support, net, over expenses” as reflected in the accompanying consolidated statements of operations is the performance indicator. The performance indicator excludes receipt of contributions with donor restrictions, changes in additional minimum pension liability, unrealized change in values of investments for debt securities, contributed capital, change in the value of split-interest agreements, and transfer of net assets.

Fair value measurements – The Financial Accounting Standards Board (FASB) statement on fair value measurements establishes a framework for measuring fair value in conformity with U.S. GAAP and expands disclosures about fair value measurements. This authoritative guidance clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering assumptions, this authoritative guidance establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 – Observable inputs such as quoted prices in active markets;

Level 2 – Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

Level 3 – Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Sequoia Living, Inc.
Notes to Consolidated Financial Statements
(in Thousands)

Assets and liabilities measured at fair value are based on one or more of three valuation techniques. The three valuation techniques are as follows:

Market approach – Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;

Cost approach – Amount that would be required to replace the service capacity of an asset (i.e., replacement cost); and

Income approach – Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

The carrying values reported on the accompanying consolidated balance sheets for current financial assets and liabilities approximate fair value. Investments, investments held in trust, liability for trust beneficiaries, and trust contributions receivable are carried at fair value. See Note 10 for discussion of the fair value of Sequoia Living's financial assets and liabilities.

Cash and cash equivalents – Cash and cash equivalents, which consist of deposits and money market funds, include money market funds purchased with a maturity at purchase date of three months or less, with the exception of cash and cash equivalents held as investments or whose use is limited or designated.

The following table provides a reconciliation of the cash, cash equivalents, and restricted cash balances within the accompanying consolidated balance sheets that sums to the total of the same amounts shown in the accompanying consolidated statements of cash flows:

	2023	2022
Reconciliation of cash, cash equivalents, and restricted cash:		
Cash and cash equivalents	\$ 44,557	\$ 19,226
Investments designated for refundable deposits	761	2,712
Investments contractually limited for replacement reserves on properties financed by HUD	23,155	29,293
Cash and cash equivalents in limited use assets	14,537	72,212
	<hr/>	<hr/>
Total cash, cash equivalents, and restricted cash on the consolidated statements of cash flows	<u>\$ 83,010</u>	<u>\$ 123,443</u>

Limited use assets – Limited use assets as of December 31, 2023 and 2022, consist of cash, money market funds, and other investments whose use is held for capital projects and debt service reserve funds held with a trustee in accordance with indenture requirements. Amounts required to pay current liabilities or otherwise support current operations are classified as current. The indenture terms require that the trustee control the expenditure of bond proceeds for capital projects. For limited use assets, net carrying value approximates fair value at period end.

Sequoia Living, Inc.
Notes to Consolidated Financial Statements
(in Thousands)

Investments designated for refundable deposits – Investments designated for refundable deposits are subject to repayment based the executed continuing care contract or deposit agreement. These funds are held in cash and cash equivalents.

Marketable securities and investments held in trust – Equity and debt securities are carried at fair value with realized and unrealized gains and losses included in the accompanying consolidated statements of operations and consolidated statements of changes in net assets. Realized gains or losses on the sale of investments represent the difference between cost on a first-in first-out basis and the related market price at the sale date. A decline in the fair value of an investment in debt securities that is other than temporary is accounted for as a realized loss, whereby the cost basis of the security is written down to fair value. Cash and cash equivalents, which consist of deposits and money market funds, are carried at cost, which approximates fair value because of the short-term nature of these investments.

Property and equipment, net – Property and equipment, net are recorded at cost. Depreciation is based on straight-line method at rates based on the estimated useful lives of the various classes of property using the following schedule:

Buildings	60 years
Building equipment	20 years
Building and land improvement	10 years
Equipment, furniture, and furnishings	4–10 years

Interest costs incurred on borrowed funds, less investment income earned on certain unspent borrowed proceeds during the period of construction of long-lived assets, are capitalized and amortized over the related assets' estimated useful lives. Repairs and maintenance expenditures are expensed as incurred.

Sequoia Living periodically evaluates the carrying value of its long-lived assets for impairment. The evaluations address the estimated recoverability of the assets' carrying value, which is principally determined based on projected undiscounted cash flows generated by the underlying tangible assets. When the carrying value of an asset exceeds estimated recoverability, asset impairment is recognized. No asset impairment was recognized for the years ended December 31, 2023 and 2022.

Investments held in trust and liability for payments to trust beneficiaries – Investments held in trust represent charitable remainder trusts and other deferred funds in which the donor, or stated beneficiary, has a life interest in the trust income and for which SSNC is trustee and remainderman. Trust assets are carried at fair value remeasured on a recurring basis. The related liabilities for payments to trust beneficiaries are estimated at fair value at the time the related trust assets are received based on the present value of estimated future payments over the expected life of income beneficiaries using an appropriate credit risk-adjusted rate determined at the inception of each agreement. The liabilities are adjusted during the terms of the agreements for changes in the fair value of the assets, accretion of discounts, and other changes in the estimates of future benefits. As of December 31, 2023, the valuation technique utilizes published actuarial life expectancies ranging from 2.3 to 14.4 years and discount rates ranging from 1.63% to 6.75%. As of December 31, 2022, the valuation technique utilizes published actuarial life expectancies ranging from 2.4 to 15.0 years and discount rates ranging from 1.63% to 6.75%.

Sequoia Living, Inc.
Notes to Consolidated Financial Statements
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Beneficial interest in net income trust – SSNC recognizes an asset when it becomes aware of the agreements and has sufficient information to measure the beneficial interest. The beneficial interest asset is measured at fair value, which is estimated as the present value of the expected future cash flows from trusts. Change in the fair value of the beneficial interest asset is recognized as an increase or decrease in change in value of split-interest agreements. As the net income trust beneficiary, SSNC recognizes revenue for the beneficial interest as stipulated in the agreements.

Pledges receivable – Pledges receivable are recorded initially at fair value and consist of unconditional promises to give that are expected to be collected in future years. Such receivables are recognized at fair value based on the present value of their estimated cash flows using the discount rate technique. Subsequent to the initial recording, pledges are recorded at net realizable value. The discounts on these amounts are computed using rates applicable in the years in which those promises are received. As of December 31, 2023, the valuation technique utilizes published actuarial life expectancies ranging from 0 to 4.2 years and discount rates ranging from 1.6% to 9.4%. As of December 31, 2022, the valuation technique utilizes published actuarial life expectancies ranging from 0 to 4.5 years, and discount rates ranging from 1.6% to 9.4%. Pledges receivable are reviewed for collectability and reserves for uncollectible amounts are established when needed. Conditional promises to give are not included as support until the conditions are substantially met.

Trust contributions receivable – Trust contributions receivable consist of gifts made to SSNC through split-interest agreements in which SSNC is a remainderman or has a perpetual income interest as beneficiary and for which there is an external trustee. These assets are carried at fair value based upon the present value of amounts anticipated to be received, using discount rates commensurate with the expected term to receipt of the assets. The change in the fair value of trust contributions receivable is reflected in the change in value of split-interest agreements for net assets with donor restrictions in the statements of activities and changes in net assets. As of December 31, 2023 and 2022, the valuation technique utilizes published actuarial life expectancies ranging from 3.3 to 7.2 years and a discount rate of 1.1%. As of December 31, 2022, the valuation technique utilizes published actuarial life expectancies ranging from 4.8 to 7.7 years and discount rates ranging from 2.1% to 3.8%.

Continuing care contracts – Sequoia Living has entered continuing care contracts with the residents of its continuing care facilities. Under the provision of these contracts, residents are required to pay an entrance fee and periodic monthly fees (resident fees) for services and the use of facilities. The resident fees are subject to adjustment for changes in operating costs or other economic reasons. Sequoia Living is obligated to provide long-term care.

Sequoia Living provides three types of continuing care contracts to its residents: fully amortizable, fee-for-service continuing care, and fee-for-service continuing care—repayment option. Under the fully amortizable contract, entrance fees are one-time payments made by residents of the continuing care facilities that, in addition to monthly care fees, provide for living accommodations and are recorded as deferred revenue when received and are amortized to income using the straight-line method over the estimated remaining life expectancy of the resident. The period of amortization is adjusted annually using the 1979 Life Expectancies tables from Health and Safety Code for single residents and an actuarially prepared joint life expectancy table for married residents.

Sequoia Living, Inc.
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(in Thousands)

Under the fully amortizable and fee for service continuing care contracts, Sequoia Living is contractually obligated to refund to a vacating resident the entrance fee received less an amount equal to 1.5% of the entrance fee for each month of residency. No refund is made after five and a half years of occupancy. In the event of death or involuntary termination, Sequoia Living is obligated to refund a portion of the entrance fee determined as follows (based on the time transpired since the initial date of resident occupancy):

Fewer than 90 days	90%
More than 90, less than one year	75%
More than one year, less than two years	50%
More than two years, less than three years	25%
More than three years	0%

Under the fee for service continuing care - repayment options of 90% or 75%, residents pay a higher entrance fee, 90% or 75% of which will be refunded when the unit is resold. The “refundable deposit” portion of the entrance fee subject to repayment is recorded as a liability and the remaining 10% or 25% is recorded as deferred revenue and amortized to income using the straight-line method over the estimated remaining life expectancy of the resident. The period of amortization is adjusted annually using the 1979 Life Expectancies tables from Health and Safety Code for single residents and an actuarially prepared joint life expectancy table for married residents.

Future service obligation – If the present value of estimated future cash outflows to provide services to residents exceeds the present value of estimated future cash inflows from residents, a liability is recognized. Sequoia Living has determined that no accrual for the obligation to provide future services and use of facilities to current residents is required as of December 31, 2023 and 2022. The discount rate used to calculate the obligation to provide future services is 4.5% for both 2023 and 2022.

Revenue recognition – Sequoia Living accounts for a majority of its revenue recognition under Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers* (ASC 606).

Sequoia Living has elected the lessor practical expedient Accounting Standards Update (ASU) 2018-11, *Leases (Topic 842): Targeted Improvements* (ASU 2018-11), within ASC 842, *Leases* (ASC 842), and recognizes, measures, presents, and discloses the revenue for services under their senior living residency agreements based upon the predominant component, either the lease or nonlease component, of the contracts. Sequoia Living has determined that the services included under their independent living, assisted living, memory care, and skilled nursing residency agreements have the same timing and pattern of transfer. Sequoia Living has estimated that the nonlease component of such residency agreements are the predominant component of the contract and therefore recognizes resident fees revenue under ASC 606. Sequoia Living recognizes resident fees for its three residential housing facilities as operating leases under ASC 842.

Those activities that are accounted for outside the scope of ASC 606 include funds received by Sequoia Living which are voluntary and unconditional un-reciprocal transfers as well as investment income including realized gains and losses on investments.

Sequoia Living, Inc.
Notes to Consolidated Financial Statements
(in Thousands)

Resident fees – Under the provision of continuing care contracts, residents are required to pay periodic monthly fees (resident fees) for services and the use of facilities. Resident fee revenue is reported at the amount that reflects the consideration Sequoia Living expects to receive in exchange for the services provided. Performance obligations are determined based on the nature of the services provided. Resident fee revenue is recognized monthly as services are provided and performance obligations are satisfied.

The following table shows resident fees revenue by line of service:

	2023	2022
Resident fees by line of service:		
Independent living	\$ 52,152	\$ 48,968
Assisted living	4,429	3,730
Memory care	1,940	1,790
Skilling nursing	3,874	3,664
Affordable housing rents	29,444	23,832
	<u>\$ 91,839</u>	<u>\$ 81,984</u>

Amortization of entrance fees revenue – Under the provision of continuing care contracts, residents are required to pay an entrance fee, which are one-time payments made by residents of the continuing care facilities that, in addition to resident fees, provide for living accommodations. The performance obligation for nonrefundable entrance fees is that Sequoia Living is standing ready to provide a service such that the resident can continue to live in the CCRC and access the appropriate level of care based on his or her needs. This decision is at the discretion of the resident and is dependent on the resident's health and life span, along with his or her decision to continue to reside at the respective facility. Management has determined that these are a series of distinct services that are considered one performance obligation which is satisfied over time. Therefore, the nonrefundable portion of the entrance fee is recorded as an unamortized entrance fee when received and amortized using the straight-line method over the estimated remaining life expectancy of the resident. As of December 31, 2023 and 2022, Sequoia Living had \$179.0 million and \$173.8 million, respectively, in unamortized entrance fees to be recognized as the performance obligations are satisfied. See Note 15 for changes in the unamortized entrance fees for the years ended December 31, 2023 and 2022. The performance obligation is satisfied upon termination of the residency agreement.

Fees for services and other income – Under the provision of fee for service continuing care contracts, residents are required to pay an entrance fee, as well as additional fees for some services that are not covered by fee for service continuing care contracts. Additionally, Sequoia Living enters into separate contracts to provide outpatient services. Each service provided under these contracts is capable of being distinct, and thus, the services are considered individual and separate performance obligations which are satisfied as services are provided and revenue is recognized over time as services are provided.

Sequoia Living determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments, or explicit price concessions, provided to a third party. Sequoia Living determines its estimates of contractual adjustments based on contractual agreements, historical experience, and expected future credit losses.

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Agreements with third-party payors provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

Medicare – Certain health care services are paid at prospectively determined rates per discharge based on clinical, diagnostic or other factors. Certain services are paid based on a cost-reimbursement methodology subject to certain limits. Physical services are paid based upon established fee schedules.

Secondary Insurance – Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Laws and regulations concerning government programs, including Medicare, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge Sequoia Living's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon Sequoia Living.

Settlements with third-party payors for retroactive adjustments due to audits, review, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and Sequoia Living's historic settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews and investigations. Adjustments arising from a change in the transaction price were not significant in 2023 or 2022.

Generally, patients who are covered by third-party payors are responsible for related deductibles and co-insurance, which vary in amount. Sequoia Living estimates the transaction price for patients with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments determined on a resident-by-resident basis. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to health services revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the resident's ability to pay are recorded as bad debt expense. Bad debt expense for the years ended December 31, 2023 and 2022, was not significant.

Sequoia Living, Inc.
Notes to Consolidated Financial Statements
(in Thousands)

Contributions – Contributions, which may include unconditional promises to give (pledges), are recognized at fair value as revenues in the period received or unconditionally pledged. Donated securities, real property, and contributions in kind are recorded at fair value at the date of contribution. Contributions are derived primarily from donors in Northern California. Contributions of trust interests in which SSNC serves as the trustee are recognized at fair value in the period of receipt. Fair value is determined based upon the difference between the fair value of the assets received and the fair value of the estimated liability to beneficiaries. Contributions of trust interests in which the assets are invested and administered by outside trustees are recorded at fair value when notice of the interest is received.

Charity care – Sequoia Living provides care without charge or at amounts less than its established rates to residents who meet certain criteria under its charity care policy. Because Sequoia Living does not normally pursue collection of amounts determined to qualify as benevolence, they are not reported as revenue.

Donated services – Significant amounts of time from a number of people have been donated to Sequoia Living. The accompanying consolidated financial statements do not reflect the value of those donated services, as no reliable basis exists for reasonably determining the amounts involved.

Investment income – Investment income includes interest and dividend income earned on investments, net realized gains and losses on sales of investments, other-than-temporary realized losses on available-for-sale securities, unrealized gains and losses on trading securities, and related investment counseling fees. Investment counseling fees were \$0.2 million and \$0.3 million for years ended December 31, 2023 and 2022, respectively.

Marketing and advertising expenses – The cost of advertising, promotion, and marketing programs are charged to expense in the year incurred. For the years ended December 31, 2023 and 2022, Sequoia Living incurred marketing and advertising costs of \$1.0 million and \$0.9 million, respectively.

Administrative service fees – SSNC manages its split-interest agreements internally and assesses a fee of 1% of trust assets per year.

Change in value of split-interest agreements – Changes in the value of split-interest agreements are the result of the following transactions and events related to SSNC's deferred gifts:

- Accretion of the discounts on previously received deferred gifts.
- Revaluations of expected future benefits to be received, net of income earned and market changes on deferred gift assets.
- Revaluations of expected future payments to beneficiaries, net of payments made, based on changes in life expectancy and other actuarial assumptions.

Sequoia Living, Inc.
Notes to Consolidated Financial Statements
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Workers' compensation plan – Sequoia Living is self-insured for workers' compensation. Claims are accrued under the plan as the incidents that give rise to them occur. Unpaid claims accruals, including estimates of incurred-but-not-reported claims, are based on the estimated ultimate cost of settlement, including claim settlement expenses, in accordance with Sequoia Living's past experience. The workers' compensation reserve liability is \$2.9 million and \$3.1 million as of December 31, 2023 and 2022, respectively, and is included in payroll and related taxes payable in the accompanying consolidated balance sheets. The discount rate used to calculate the reserve liability is 2.0% for both 2023 and 2022.

Concentration of credit risk – Financial instruments potentially subjecting Sequoia Living to concentrations of credit risk consist primarily of bank demand deposits in excess of the Federal Deposit Insurance Corporation (FDIC) insurance thresholds and cash held in money market accounts in excess of the amounts insured by the U.S. Treasury insurance for money market funds. Demand deposits are placed with local financial institutions. If any of the financial institutions with whom Sequoia Living does business were to be placed into receivership with the FDIC, Sequoia Living may be unable to access the cash they have on deposit with such institutions. If Sequoia Living was unable to access its cash and cash equivalents as needed, Sequoia Living's financial position and ability to operate its business could be adversely affected. Sequoia Living has not experienced any loss related to these demand deposits in the past. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. It is at least reasonably possible, given the level of risk associated with investment securities, that changes in the near term could materially affect the amount reported in the financial statements. The risk associated with the investments is mitigated through diversification.

Concentration of credit risk results from Sequoia Living granting credit without collateral to its residents and patients, most of whom are local residents and insured under third-party payor agreements.

Estimates – The preparation of consolidated financial statements in conformity with U.S. GAAP 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 and the reported amounts of revenues and expenses during the reporting period. Significant estimates include unamortized entrance fees, estimated future service obligations, pension asset, fair values of investments, useful lives of fixed assets, pledges and contributions receivable and the liability for payments to trust beneficiaries. Actual results may differ from those estimates.

Recent pronouncements – In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13).

ASU 2016-13 replaces the current incurred loss impairment methodology for credit losses with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Sequoia Living will be required to use a forward-looking expected credit loss model for accounts receivable and other financial instruments. The adoption of ASU 2016-13 is effective for Sequoia Living beginning January 1, 2023. The adoption of ASU 2016-13 did not have a material impact on Sequoia Living's consolidated financial statements, and resulted in enhanced disclosures.

Sequoia Living, Inc.
Notes to Consolidated Financial Statements
(in Thousands)

Note 3 – Investment Securities

The composition of investment securities is set forth in the following table. The majority of these securities are held with four investment firms:

	2023	2022
	<hr/>	<hr/>
Money market funds	\$ 4,445	\$ 6,953
Common stock	9,299	8,255
Corporate fixed income securities	299	759
Equity mutual funds	54,973	41,979
Fixed income mutual funds	<hr/> 35,365	<hr/> 26,320
	<hr/>	<hr/>
Total marketable securities	104,381	84,266
	<hr/>	<hr/>
Investment in real estate fund	9,569	11,726
	<hr/>	<hr/>
Total investment securities	<u><u>\$ 113,950</u></u>	<u><u>\$ 95,992</u></u>

Operating investment gains (loss) is comprised of the following for the years ended December 31:

	2023	2022
	<hr/>	<hr/>
Interest income	\$ 6,365	\$ 3,532
Net realized gains on sales of investments	2,281	3,773
Unrealized gains (loss) on equity securities	5,556	(18,929)
Investment expenses	<hr/> (302)	<hr/> (287)
	<hr/>	<hr/>
	<u><u>\$ 13,900</u></u>	<u><u>\$ (11,911)</u></u>

Sequoia Living, Inc.
Notes to Consolidated Financial Statements
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Note 4 – Property and Equipment, Net

Property and equipment, net as of December 31 consist of the following:

	2023	2022
	<u>2023</u>	<u>2022</u>
Land	\$ 28,767	\$ 29,211
Land and building improvements	97,581	95,128
Building and building equipment	467,780	465,698
Equipment and furniture	<u>55,135</u>	<u>53,807</u>
	649,263	643,844
Less: accumulated depreciation	<u>(237,398)</u>	<u>(218,149)</u>
	411,865	425,695
Construction in progress	<u>34,821</u>	<u>10,620</u>
Total property, plant, and equipment, net	<u><u>\$ 446,686</u></u>	<u><u>\$ 436,315</u></u>

Total depreciation expense for the years ended December 31, 2023 and 2022, is \$19.3 million and \$16.8 million, respectively.

Note 5 – Investments Held in Trust

Investments held in trust as of December 31 are summarized below. The majority of these investments are held with one investment firm:

	2023	2022
	<u>2023</u>	<u>2022</u>
Money market funds	\$ 103	\$ 257
Fixed income mutual funds	4,257	6,531
Equity mutual funds	<u>6,491</u>	<u>4,046</u>
	<u><u>\$ 10,851</u></u>	<u><u>\$ 10,834</u></u>

Sequoia Living, Inc.
Notes to Consolidated Financial Statements
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Note 6 – Pledges Receivable, Net

Pledges receivable, net was due as follows as of December 31:

	2023	2022
Current portion	\$ 674	\$ 5,773
Less: allowance	(34)	(239)
	<u>\$ 640</u>	<u>\$ 5,534</u>
Total current portion		
Greater than one year to five years	\$ 150	\$ 171
Greater than five years to twenty years	-	-
	150	171
Less: allowance	(7)	(58)
Less: unamortized discount	(15)	(55)
	<u>\$ 128</u>	<u>\$ 58</u>
Total noncurrent portion		

Note 7 – Investments Contractually Limited for Replacement, Development Deposit, and Net Operating Income Reserve

Investments contractually limited for replacement – In connection with long-term debt agreements for Sequoia Living's residential housing facilities, HUD requires monthly deposits to a replacement account. Replacement accounts are held by Sequoia Living for TPT L.P., EPA L.P., and WPA L.P.

The investments for replacement are spent on improvements or repairs of structural elements and mechanical equipment of the facilities. Disbursements from the replacement accounts may be made upon receiving consent in writing from HUD.

Equity reserves – EPA L.P. was required to establish a deposit account for an initial amount of \$2.0 million for cash reserves. In addition, a deposit account was established for capital contribution of \$12.0 million upon occurrence of the loan conversion. On March 1, 2023, the construction loan was converted to a permanent loan financing for \$60.0 million and the \$12.0 million capital contribution was made to EPA L.P.

Outside reserves – Sequoia Living was required to set aside funds in the amount of \$6 million for so long as the partnership continues in existence or based on the account terms of the reserve pledge agreement.

Earnings attributable to these investment categories accrue to the facility. As of December 31, 2023 and 2022, the investments consist of cash and certificates of deposit in the amounts of \$23.2 million and \$29.3 million, respectively.

Sequoia Living, Inc.
Notes to Consolidated Financial Statements
(in Thousands)

Note 8 – Limited Use Assets

Limited use assets as of December 31 are held for two entities, Sequoia Living and VSL. The composition of limited use assets as of December 31, 2023 and 2022, for Sequoia Living and VSL consisted solely of cash and cash equivalents. All limited use assets are classified as Level 1 securities.

	2023	2022
California Health Facilities Financing Authority		
Revenue Bond Series 2015:		
Project fund	\$ 798	\$ 514
Principal and interest fund	2	-
Debt service reserve fund	4,040	4,040
Revenue fund	2,143	1,684
	<u>6,983</u>	<u>6,238</u>
Revenue Bond Series 2018:		
Project fund	420	99
Revenue fund	-	36
Principal and interest fund	968	1,862
Debt service reserve fund	5,924	5,924
	<u>7,312</u>	<u>7,921</u>
Investments held by trustee in accordance with construction loan agreement	-	600
Investments held by trustee for development	177	1,164
Investments held by trustee for working capital	54	15,721
Investments held by trustee for repayment of revenue bonds	11	40,568
	<u>14,537</u>	<u>72,212</u>
Less: current portion	<u>(4,142)</u>	<u>(19,876)</u>
Limited use assets, noncurrent portion	<u>\$ 10,395</u>	<u>\$ 52,336</u>

Sequoia Living, Inc.
Notes to Consolidated Financial Statements
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Note 9 – Long-Term Debt, Net and Line of Credit

Long-term debt, net for Sequoia Living comprises the following as of December 31:

	<u>2023</u>	<u>2022</u>
Sequoia Living		
California Health Facilities Financing Authority:		
Revenue Bond Series 2015, Serial Bonds Payable through 2031 to 2044 in annual principal installments with interest ranging from 2–5%, collateralized by a first deed of trust on the gross revenues of Sequoia Living.	\$ 52,865	\$ 54,335
VSL		
California Health Facilities Financing Authority		
Revenue Bond Series 2018, Series Bonds Payable, collateralized by a first deed of trust on the gross revenues of VSL:		
Series 2018A interest at 3.5–5% maturing in 2047	45,230	45,230
Series 2018B-2 interest 3% paid off in 2023	-	39,000
Series 2018B-3 interest 3% paid off in 2023	-	23,000
Eastern Park Apartments L.P.		
Construction disbursement loan, paid in full in 2023 including interest at 3.17%, collateralized by a first deed of trust on EPA L.P. real estate.	-	84,840
Bellwether Enterprise Mortgage Investments, Inc. loan, payable through 2039 in monthly installments of \$262 including interest at 3.91%, with a balloon payment of \$42,999 due at maturity	59,429	-
Western Park Apartments L.P.		
Citibank permanent loan, in monthly installments of \$86 payable through 2045 including interest at 5.81%, collateralized by a first deed of trust on WPA L.P. real estate.	14,011	14,223
Town Park Towers L.P.		
Payable through 2051 in monthly installments including interest at 4.41% collateralized by first deed of trust.	<u>21,074</u>	<u>21,427</u>
	192,609	282,055
Plus: unamortized bond premium	7,041	7,565
Less: unamortized deferred financing costs	<u>(6,473)</u>	<u>(9,785)</u>
	193,177	279,835
Less: current portion	<u>(4,743)</u>	<u>(27,446)</u>
Total long-term debt - net, less current portion	<u><u>\$ 188,434</u></u>	<u><u>\$ 252,389</u></u>

Sequoia Living, Inc.
Notes to Consolidated Financial Statements
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Scheduled principal payments on long-term debt are as follows:

<u>Years Ending December 31,</u>	
2024	\$ 4,743
2025	4,208
2026	4,409
2027	4,622
2028	4,802
Thereafter	<u>169,825</u>
	<u><u>\$ 192,609</u></u>

The revenue bonds are insured by the State of California, through its Cal Mortgage Loan Program. Both agreements with Cal Mortgage includes a number of covenants, including the following:

- Punctual payment
- Maintenance of records and filing of financial statements
- Payment of taxes
- Maintenance of exempt status
- Continuing disclosure

Management believes Sequoia Living and VSL were in compliance with all debt covenants as of December 31, 2023. Sequoia Living's debt incurred in connection with its residential housing facilities includes covenants which require that these facilities be operated to provide housing for seniors whose income levels do not exceed certain thresholds. Rent increases are subject to approval and are limited to maintain affordability.

The most restrictive covenants of these loans are associated with compliance with the low-income housing tax credit (LIHTC) program under Section 42 of the Internal Revenue Code as modified by the State of California and the provisions of Section 202 of the National Housing Act. As of December 31, 2023, management believes Sequoia Living was in compliance with these debt covenants.

Sequoia Living, Inc.
Notes to Consolidated Financial Statements
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EPA L.P. was formed to rehabilitate and operate the EPA property in compliance with the LIHTC program under the provisions of Section 42 of the Internal Revenue Code. The City of San Francisco tax-exempt bonds of \$60.0 million Series J and \$24.8 million Series K are collateral to the qualifying financing under the LIHTC program to then finance the acquisition and renovation of EPA L.P. J.P. Morgan Chase Bank funded a loan on behalf of the City of San Francisco (tax-exempt bond issuer and governmental lender) with the outstanding amounts of \$0 million and \$84.8 million as of December 31, 2023 and 2022, respectively. EPA L.P. entered into an agreement with J.P. Morgan Chase Bank to borrow up to \$84.8 million to acquire EPA and fund renovations.

Funds are released periodically as renovations proceed and paid invoices are submitted to J.P. Morgan Chase Bank for reimbursement. Renovations were completed in 2022. During the year ended December 31, 2023, the construction loan was fully paid off and permanent loan financing was obtained in the amount of \$60.0 million. Deferred loan costs of \$2.5 million were written off in 2023 related to the construction loan payoff.

Lines of credit – Sequoia Living has lines of credit in the amount of \$4.0 million as of December 31, 2023 and \$6.0 million as of December 31, 2022, with a bank, of which \$4.0 million is collateralized by a gross revenue pledge. The lines of credit renew annually each July. As of both December 31, 2023 and 2022, Sequoia Living had an outstanding balance on these lines of credit of \$0.0 million and \$2.0 million, respectively.

Sequoia Living has stand-by letters of credit totaling approximately \$3.0 million to collateralize its obligations under a high deductible workers' compensation program as of both December 31, 2023 and 2022, from the same bank that issued the lines of credit described above. No amounts were outstanding as of December 31, 2023 and 2022. The stand-by letters of credit restrict the availability of the lines of credit in that the total amount available at any one time from the letters of credit and lines of credit cannot exceed \$6.0 million.

Sequoia Living is required to provide written notification to the bank of any material adverse change in its financial condition or operation. Management believes there were no such changes in 2023 or 2022.

Sequoia Living, Inc.
Notes to Consolidated Financial Statements
(in Thousands)

Note 10 – Fair Value Measurements

The fair values of financial assets and liabilities that are measured on a recurring basis are as follows as of December 31, 2023 and 2022:

	2023				
	Total	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	NAV as Practical Expedient
Assets measured at fair value on a recurring basis: ⁽¹⁾					
Marketable securities: ⁽²⁾					
Money market funds	\$ 4,445	\$ 4,445	\$ -	\$ -	\$ -
Common stock	9,299	9,299	-	-	-
Corporate fixed income securities	299	299	-	-	-
Equity mutual funds	54,973	54,973	-	-	-
Fixed income mutual funds	35,365	35,365	-	-	-
Trust contributions receivable ⁽³⁾	1,143	-	-	1,143	-
Investment in real estate fund ⁽⁴⁾	9,569	-	-	-	9,569
Beneficial interest in net income trust ⁽⁶⁾	626	-	-	626	-
Investment held in trust: ⁽²⁾					
Money market funds	103	103	-	-	-
Equity mutual funds	6,491	6,491	-	-	-
Fixed income mutual funds	4,257	4,257	-	-	-
	<u>\$ 126,570</u>	<u>\$ 115,232</u>	<u>\$ -</u>	<u>\$ 1,769</u>	<u>\$ 9,569</u>
Liabilities measured at fair value on a recurring basis: ⁽⁵⁾					
Liability for payments to trust beneficiaries	<u>\$ 4,908</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,908</u>	<u>\$ -</u>
	2022				
	Total	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	NAV as Practical Expedient
Assets measured at fair value on a recurring basis: ⁽¹⁾					
Marketable securities: ⁽²⁾					
Money market funds	\$ 6,953	\$ 6,953	\$ -	\$ -	\$ -
Common stock	8,255	8,255	-	-	-
Corporate fixed income securities	759	759	-	-	-
Equity mutual funds	41,979	41,979	-	-	-
Fixed income mutual funds	26,320	26,320	-	-	-
Trust contributions receivable ⁽³⁾	1,047	-	-	1,047	-
Investment in real estate fund ⁽⁴⁾	11,726	-	-	-	11,726
Investment held in trust: ⁽²⁾					
Money market funds	257	257	-	-	-
Equity mutual funds	4,046	4,046	-	-	-
Fixed income mutual funds	6,531	6,531	-	-	-
	<u>\$ 107,873</u>	<u>\$ 95,100</u>	<u>\$ -</u>	<u>\$ 1,047</u>	<u>\$ 11,726</u>
Liabilities measured at fair value on a recurring basis: ⁽⁵⁾					
Liability for payments to trust beneficiaries	<u>\$ 4,924</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,924</u>	<u>\$ -</u>

Sequoia Living, Inc.
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- (1) For cash and cash equivalents, limited use assets and investments designated for refundable deposits, the net carrying value approximates fair value at period end.
- (2) The fair values of marketable securities and investments held in trust which are included in the accompanying consolidated balance sheets are determined based on quoted market prices in active markets. The marketable securities consist of cash equivalents, common stocks, corporate fixed income securities, equity mutual funds, and fixed income mutual funds as detailed in Note 3. The investments held in trust consist of cash equivalents, corporate fixed income securities, equity mutual funds, and fixed income mutual funds at fair value with realized and unrealized gains and losses included in the consolidated statements of operations and changes in net assets.
- (3) The fair value of trust contributions receivable, which is included in the accompanying consolidated balance sheets, is determined using a present value calculation of expected future cash flows with assumptions for the risk-adjusted interest rate, inherent risk, mortality risk, and the expected term of cash flows using the discount rate adjustment technique.
- (4) This investment includes securities held in a limited partnership in which Net Asset Value (NAV) as a practical expedient has been used. This investment has not been classified in the fair value hierarchy, and the amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying consolidated balance sheets. The NAV is based on the total value of the securities held in the limited partnership per the December 31 fund statement. The NAV of the limited partnership equals the total assets of the fund, less total liabilities of the fund. Total assets of the fund primarily include real estate assets and real estate owned in joint ventures. The value of real estate assets is established by independent appraisals as of December 31. Real estate assets owned in joint ventures are carried at the fund's ownership share before the impact of promote structures. Total liabilities of the fund primarily include mortgage notes payable and senior notes payable, both of which are carried by the fund at fair value. Disclosure to and consent by the general partner is required for redemption, transfer or assignment of any of the investment.
- (5) The fair value of the liability for payments to trust beneficiaries that is included in the accompanying consolidated balance sheets is determined using a present value calculation of expected future cash flows with assumptions for the risk-adjusted interest rate, inherent risk, mortality risk, and the expected term of cash flows using the discount rate adjustment technique.
- (6) The fair value of beneficial interest in net income trust included in the accompanying consolidated balance sheets is determined using a present value calculation of expected future cash flows from trusts.

There were no transfers of assets or liabilities between Levels 1 and 2 during the years ended December 31, 2023 and 2022.

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Note 11 – Pension Plan

Sequoia Living sponsors a noncontributory defined benefit pension plan covering employees who work 1,000 hours or more. The benefits are generally based on an employee's average salary in the last five years of employment and years of service. Sequoia Living funds the pension plan in accordance with the requirements of the Employee Retirement Income Security Act of 1974 (ERISA). Contributions to the plan are determined under the projected unit credit cost method and are made each year in an amount at least equal to the minimum requirements of ERISA.

In February 2021, due to the expansion of a vendor contract that reduced the number of active participants in the noncontributory defined benefit pension plan, a plan curtailment occurred, and the plan was frozen in March 2022. Plan assets and obligations were remeasured as of both February 28, 2021 and March 31, 2022. The curtailments resulted in a liability gain of \$5.4 million for the year ended December 31, 2022, due to a reduction in the planned benefit obligation for the affected participants. The gain was offset against existing unrecognized losses as of the measurement dates. Net pension costs were determined separately for 2022 before and after the curtailments.

A reconciliation of the plan's benefit obligations, fair value of assets, funded status, and amount recognized in the consolidated balance sheets is as follows as of December 31:

	2023	2022
Changes in benefit obligation:		
Benefit obligation, beginning of year	\$ 52,179	\$ 103,612
Service cost	-	787
Interest cost	2,648	2,762
Actuarial loss (gain)	3,019	(24,982)
Curtailments	-	(5,396)
Settlements	-	(21,128)
Benefits paid	(2,727)	(3,476)
	<u>55,119</u>	<u>52,179</u>
Benefit obligation at measurement date	<u>55,119</u>	<u>52,179</u>
Changes in plan assets:		
Fair value of plan assets, beginning of year	59,724	97,152
Actual return on plan assets	10,617	(16,124)
Employer contribution	-	3,300
Settlements	-	(21,128)
Benefits paid	(2,727)	(3,476)
	<u>67,614</u>	<u>59,724</u>
Fair value of plan assets at measurement date	<u>67,614</u>	<u>59,724</u>
Funded status at measurement date	<u>\$ 12,495</u>	<u>\$ 7,545</u>

Sequoia Living, Inc.
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	<u>2023</u>	<u>2022</u>
Amounts recognized in the consolidated balance sheets consist of:		
Noncurrent assets	<u>\$ 12,495</u>	<u>\$ 7,545</u>
Amounts recognized in net assets without donor restrictions consist of:		
Unrecognized net actuarial loss	<u>\$ 612</u>	<u>\$ 4,535</u>
Amounts recognized in net assets without donor restrictions, measurement date	<u>\$ 612</u>	<u>\$ 4,535</u>
Accumulated benefit obligation	<u>\$ 55,119</u>	<u>\$ 52,179</u>

For the year ended December 31, 2023, there was a \$3.0 million loss related to changes in the benefit obligation, which mainly consisted of losses due to assumption changes due to discount rate changes and due to demographic experience that was different from expected. For the year ended December 31, 2022, there was a \$30.3 million gain related to changes in the benefit obligation, primarily due to the curtailment and plan freeze and an increase in the discount rate.

Net periodic pension cost for 2023 and 2022 was determined by an independent actuary and is calculated using a prescribed attribution method, based on acceptable actuarial assumptions, which are adjusted periodically to reflect actual experience. Sequoia Living uses a December 31 measurement date for the above defined benefit plan.

Sequoia Living, Inc.
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The components of net periodic benefit cost included as part of compensation and benefits in the accompanying consolidated statements of operations and are as follows for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Service cost	\$ -	\$ 787
Interest cost	2,647	2,762
Expected return on plan assets	(4,068)	(6,421)
Amortization of net loss	8	125
Recognized loss due to settlements	<u>-</u>	<u>1,837</u>
Net periodic benefit cost	<u>(1,413)</u>	<u>(910)</u>
Other changes in plan assets and benefit obligations recognized in net assets without donor restrictions:		
Net actuarial gain	(3,915)	(2,437)
Amortization of net loss	(8)	(125)
Effect of settlement	-	(1,837)
Effect of curtailment	<u>-</u>	<u>(5,396)</u>
Amounts recognized in net assets without donor restrictions, measurement date	<u>(3,923)</u>	<u>(9,795)</u>
Total recognized in net periodic benefit cost and net assets without donor restrictions, measurement date	<u><u>\$ (5,336)</u></u>	<u><u>\$ (10,705)</u></u>

Estimated future benefit payments are as follows:

Years Ending December 31,

2024	\$ 3,356
2025	3,517
2026	3,621
2027	3,699
2028	3,776
2029–2031	<u>18,804</u>
	<u><u>\$ 36,773</u></u>

Sequoia Living expects to contribute the minimum required amount under IRS Regulations to its pension plan in 2024.

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Plan assets are invested with an appointed custodian. The contract with the custodian allows for investments in equity, money market, mutual fund, and real estate investments. Under the direction of Sequoia Living plan, assets are invested with the objective of achieving a long-term rate of return of 7.00%. This is achieved through investment in a mix of equity and fixed income investments, with targeted allocations of 70% equity instruments and 30% fixed income instruments. Over time, equity investments are expected to return 8.00%, while fixed income investments are expected to return 4.67%. This produces an expected composite long-term return on investment of 7.00%.

Plan assets as of December 31 were invested as follows:

	2023	2022
Cash and cash equivalents	\$ 2,468	\$ 2,082
Common stocks	8,861	6,205
Equity mutual funds	37,012	33,977
Fixed income mutual funds	19,273	17,460
	<u>\$ 67,614</u>	<u>\$ 59,724</u>

Equity mutual funds held in the plan assets invest in common stocks of companies based either inside or outside the United States, including some small-capitalization companies. The primary objective is to provide growth of capital. Fixed income mutual funds held in the plan assets primarily invest in a diversified portfolio of high-quality bonds and other fixed income securities of varying maturities.

For 2023 and 2022, plan assets are stated at fair value using Level 1 inputs within the fair value hierarchy. Cash equivalents and mutual funds are valued at quoted market prices on an exchange and active markets. Common stocks are valued at the last sale price on the last business day of the plan year, as quoted on a recognized exchange or an industry standard pricing service.

Effective July 1, 2012, Sequoia Living changed the formula used to calculate Defined Benefit Pension Plan benefits in order to allow for more stable expenses while maintaining a competitive retirement benefits program for its employees. Sequoia Living also started contributing 2.5% of compensation to eligible employees each pay period as part of its 403(b) plan.

Effective January 1, 2016, Sequoia Living adopted a spot rate approach for determining plan obligations and net pension cost. Under this approach, the individual spot rates on the yield curve are applied to each year's cash flow in measuring the obligations, service cost, and interest cost.

Weighted average discount rate assumptions are as follows:

	2023	2022
Discount rate - benefit obligation	5.01%	5.23%
Discount rate - service cost	N/A	2.98% / N/A
Discount rate - interest cost	5.07%	2.67%

Sequoia Living, Inc.
Notes to Consolidated Financial Statements
(in Thousands)

Sequoia Living also sponsors a defined contribution tax-sheltered annuity plan for substantially all its full-time employees. The Tax-Sheltered Annuity Plan was amended effective January 1, 2012, consistent with guidance under Treasury Regulation Section 1.403(b)-10 to delete Section 7.01(b) of the plan, which provided that a complete discontinuance of contributions under the plan would constitute termination of the plan. Consistent with Internal Revenue Service guidance, the plan is considered a frozen plan, and all provisions remain in effect until Sequoia Living determines to take further action, except that new contributions will not be made to the plan. Effective as of the first payroll date on or after January 1, 2012, consistent with amendments to the plan, contributions to the plan were discontinued and contributions began being made to a new 403(b) plan. The new 403(b) plan permits contributions which can be matched at the discretion of Sequoia Living. Total employer contributions were \$1.2 million and \$1.1 million for the years ended December 31, 2023 and 2022, respectively.

Note 12 – Endowments

SSNC's endowment consists of donor-restricted funds established for a variety of purposes. The purpose restrictions consist of financial assistance, meal subsidies, improvements to the quality of life to residents of certain Sequoia Living facilities and maintenance of a resident garden. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law – The Board of Trustees of SSNC has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date absent explicit donor stipulations to the contrary. As a result of this interpretation, Sequoia Living classifies as donor-restricted endowment (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) all investment income on the endowment funds less the appropriation of investment income for expenditure.

The net asset composition for donor restricted endowment funds by type of fund as of December 31 is as follows:

	<u>2023</u>	<u>2022</u>
Tomorrow Fund	\$ 13,462	\$ 12,688
Other	<u>441</u>	<u>325</u>
	<u>\$ 13,903</u>	<u>\$ 13,013</u>

Sequoia Living, Inc.
Notes to Consolidated Financial Statements
(in Thousands)

Changes in endowment net assets for the years ended December 31 are as follows:

	2023	2022
Endowment net assets with donor restrictions, January 1	\$ 13,013	\$ 14,259
Investment return:		
Investment income	280	401
Net appreciation (realized and unrealized)	706	(1,239)
Total investment return	986	(838)
Contributions	165	5
Appropriation of endowment assets for expenditure	(261)	(413)
Endowment net assets with donor restrictions, December 31	<u>\$ 13,903</u>	<u>\$ 13,013</u>

The amounts contributed to SSNC endowment funds have been retained permanently by explicit donor stipulation, and the fair values of the original gifts have been preserved in accordance with UPMIFA. SSNC does not hold term endowment funds or perpetual endowment funds subject to time restrictions.

Funds with deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires SSNC to retain as a fund of perpetual duration. SSNC had no deficiencies of this nature in its endowment funds as of December 31, 2023 and 2022.

Return objectives and risk parameters – SSNC has adopted an investment policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment funds while seeking to maintain the original gift value of the endowment assets. Endowment assets include those assets of donor-restricted funds that SSNC must hold in perpetuity. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the Consumer Price Index by 3.25% annually, on average, while assuming a moderate level of investment risk. SSNC expects its endowment funds, over time, to provide an average rate of return of at least 6.25% annually. Actual returns in any given year may vary from this amount.

Strategies employed for achieving objectives – To satisfy its long-term rate-of-return objectives, SSNC relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). SSNC targets a diversified asset allocation that places a greater emphasis on fixed income investments to achieve its long-term return objectives within prudent risk constraints.

Sequoia Living, Inc.
Notes to Consolidated Financial Statements
(in Thousands)

Spending policy and how the investment objectives relate to spending policy – SSNC has a policy of appropriating the endowment fund's investment income for expenditure as the income is earned. In establishing this policy, SSNC considered the long-term expected return on its endowment. This is consistent with SSNC's objective to maintain the original gift value of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment returns.

Note 13 – Net Assets

Sequoia Living's net assets with donor restrictions include endowments and other donor-restricted funds established for a variety of purposes as described under endowments. The composition for net assets with donor restrictions is as follows:

	2023	2022
Tomorrow fund	\$ 18,843	\$ 16,904
Other funds	15,743	9,556
Planned gifts	5,780	10,009
Total net assets with donor restrictions	<u>\$ 40,366</u>	<u>\$ 36,469</u>

There are no board-designated net assets without donor restrictions.

Note 14 – Functional Expense

The following reflects the expenditures made by Sequoia Living, net of amounts funded by grants and other donation support for the years ended December 31, 2023 and 2022:

	Functional Expense 2023				
	Program Services			Supporting Services	
	Housing	Health Care	Other Program Services	Management and General	Total
Compensation and benefits	\$ 19,856	\$ 20,887	\$ 3,817	\$ 8,418	\$ 52,978
Purchased services	30,136	407	748	240	31,531
Medical services	707	1,515	-	-	2,222
Supplies	1,198	845	166	83	2,292
Repairs and maintenance	4,666	61	202	313	5,242
Utilities	7,604	-	143	-	7,747
Professional fees	1,988	9	-	816	2,813
Depreciation	16,915	1,621	286	505	19,327
Interest	12,887	-	-	-	12,887
Other operating	4,707	243	-	214	5,164
	<u>\$ 100,664</u>	<u>\$ 25,588</u>	<u>\$ 5,362</u>	<u>\$ 10,589</u>	<u>\$ 142,203</u>

Sequoia Living, Inc.
Notes to Consolidated Financial Statements
(in Thousands)

Functional Expense 2022					
	Program Services			Supporting Services	Total
	Housing	Health Care	Other Program Services	Management and General	
Compensation and benefits	\$ 17,984	\$ 19,437	\$ 3,747	\$ 8,171	\$ 49,339
Purchased services	27,478	479	342	344	28,643
Medical services	653	1,857	-	-	2,510
Supplies	1,257	759	254	96	2,366
Repairs and maintenance	3,916	70	169	393	4,548
Utilities	7,045	-	166	-	7,211
Professional fees	1,846	-	-	843	2,689
Depreciation	14,591	1,638	30	500	16,759
Interest	11,512	-	-	-	11,512
Other operating	3,540	190	224	176	4,130
	<u>\$ 89,822</u>	<u>\$ 24,430</u>	<u>\$ 4,932</u>	<u>\$ 10,523</u>	<u>\$ 129,707</u>

The consolidated financial statements report certain categories of expenses that are attributable to more than one program or support services. Programs include areas such as activities, transportation and wellness. The expenses are allocated based on location and related overhead costs while other expenses such as compensation and benefits are based on actual department categories.

Note 15 – Unamortized Entrance Fees

	2023	2022
Balance, beginning of year	\$ 173,838	\$ 155,506
New fees received	35,476	40,315
Entrance fees received in advance	-	1,330
Entrance fees refunded	(3,345)	(758)
Amortization	<u>(26,990)</u>	<u>(22,555)</u>
Balance, end of year	<u>\$ 178,979</u>	<u>\$ 173,838</u>

Entrance fees still within a potentially refundable declining period as of December 31, 2023 and 2022, were \$71.7 million and \$71.7 million, respectively. Based on the past five years, actual refunds have averaged \$4.8 million per year for the potentially refundable declining period for the Sequoias-SF, Sequoias-PV, and TAM. Upon achieving stabilized occupancy, VSL management expects to pay refunds in future years of approximately \$2.1 million per year.

Sequoia Living, Inc.
Notes to Consolidated Financial Statements
(in Thousands)

Note 16 – Liquidity and Availability of Financial Assets

Sequoia Living financial assets available within one year of the consolidated balance sheet dates for general expenditures are as follows:

	2023	2022
Cash and cash equivalents	\$ 44,557	\$ 19,226
Marketable securities	104,381	84,266
Accounts, notes, and interest receivable	6,583	6,034
Pledges receivable - net of allowance, current portion	640	5,534
	<u>\$ 156,161</u>	<u>\$ 115,060</u>

Sequoia Living's liquidity management policy is to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

Note 17 – Noncontrolling Interest

The change in noncontrolling interest in WPA L.P., TPT L.P., and EPA L.P. is shown below:

	WPA L.P.	TPT L.P.	EPA L.P.	Total
Noncontrolling interest, January 1, 2022	\$ 9,061	\$ 22,907	\$ 6,527	\$ 38,495
Capital contributions	-	-	810	810
Net income (loss)	360	(604)	(2,231)	(2,475)
Attributed net income	360	(604)	(1,421)	(1,665)
Noncontrolling interest, December 31, 2022	9,421	22,303	5,106	36,830
Capital contributions	-	-	32,053	32,053
Net income (loss)	275	1,587	(4,016)	(2,154)
Attributed net income	275	1,587	28,037	29,899
Noncontrolling interest, December 31, 2023	<u>\$ 9,696</u>	<u>\$ 23,890</u>	<u>\$ 33,143</u>	<u>\$ 66,729</u>

Sequoia Living, Inc.
Notes to Consolidated Financial Statements
(in Thousands)

Note 18 – Commitments and Contingencies

Sequoia Living is involved in certain routine matters of litigation related to its operations. Management does not expect any material impact on the consolidated financial position from any such matters; however, due to the inherent uncertainties in litigation, it is possible that amounts ultimately paid, if any, may exceed management's expectations.

Sequoia Living is a recipient of federal awards. These awards are subject to audit and final acceptance by federal granting agencies. The amount of expenditures that may be disallowed by the grantors, if any, cannot be determined at this time, although Sequoia Living expects such amounts, if any, to be immaterial.

Sequoia Living is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations relate to, among other things, matters such as licensure, accreditation, and government health care program participation requirements, regulations regarding reimbursement for patient services and regulations regarding Medicare billing, fraud, and abuse. Government agencies are actively conducting investigations concerning possible violations of statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs, together with the imposition of fines and penalties, as well as significant repayments for patient services previously billed. Sequoia Living has implemented a voluntary corporate compliance program which includes guidance for all Sequoia Living employees' adherence to applicable laws and regulations. Management is not aware of any actions or potential actions as December 31, 2023 and 2022.

Note 19 – Subsequent Events

Subsequent events are events or transactions that occur after the consolidated balance sheet date, but before consolidated financial statements are issued. Sequoia Living recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated balance sheet, including the estimates inherent in the process of preparing the consolidated financial statements. Sequoia Living's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated balance sheet, but arose after the consolidated balance sheet date and before consolidated financial statements are issued.

Sequoia Living has evaluated subsequent events through April 30, 2024, which is the date the consolidated financial statements were issued.

Supplementary Information (Unaudited)

Sequoia Living, Inc.
Consolidating Balance Sheet (Unaudited)
December 31, 2023
(in Thousands)

	Sequoia Living	VSL	SSNC	Eliminations	Consolidated
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 12,137	\$ 30,683	\$ 1,737	\$ -	\$ 44,557
Marketable securities	68,040	-	36,341	-	104,381
Accounts, notes, and interest receivable	11,207	581	-	(5,205)	6,583
Pledges receivable, net of allowance	-	-	640	-	640
Limited use assets, current portion	3,120	1,022	-	-	4,142
Investments designated for refundable deposits, current portion	-	761	-	-	761
Prepaid expenses and other assets	3,696	7	-	-	3,703
Total current assets	98,200	33,054	38,718	(5,205)	164,767
INVESTMENTS CONTRACTUALLY LIMITED FOR REPLACEMENT RESERVES ON PROPERTIES FINANCED BY HUD					
	23,155	-	-	-	23,155
INVESTMENTS HELD IN TRUST	-	-	10,851	-	10,851
INVESTMENTS, OTHER	6,432	-	3,137	-	9,569
TRUST CONTRIBUTIONS RECEIVABLE	-	-	1,143	-	1,143
PLEDGES RECEIVABLE, noncurrent portion	-	-	128	-	128
BENEFICIAL INTEREST IN NET INCOME TRUST	-	-	626	-	626
PENSION ASSET	12,495	-	-	-	12,495
LIMITED USE ASSETS, noncurrent portion	4,040	6,355	-	-	10,395
PROPERTY AND EQUIPMENT, net	270,560	176,126	-	-	446,686
Total assets	\$ 414,882	\$ 215,535	\$ 54,603	\$ (5,205)	\$ 679,815
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable	\$ 6,656	\$ 449	\$ 64	\$ -	\$ 7,169
Payroll and related taxes payable	5,297	-	-	-	5,297
Long-term debt, current portion	3,673	1,070	-	-	4,743
Accrued interest payable	1,592	968	-	-	2,560
Refundable deposits	2,504	1,200	-	-	3,704
Unamortized entrance fees, current portion	-	1,222	-	-	1,222
Entrance fees paid in advance	722	-	-	-	722
Due to (from) related party	-	4,440	765	(5,205)	-
Total current liabilities	20,444	9,349	829	(5,205)	25,417
LONG-TERM DEBT - net, less current portion	144,266	44,168	-	-	188,434
LIABILITY ON REFUNDABLE CONTRACTS	12,898	121,944	-	-	134,842
LIABILITY FOR PAYMENTS TO TRUST BENEFICIARIES	-	-	4,908	-	4,908
UNAMORTIZED ENTRANCE FEES, less current portion	133,161	44,596	-	-	177,757
OTHER LONG-TERM LIABILITIES	3,636	-	610	-	4,246
Total liabilities	314,405	220,057	6,347	(5,205)	535,604
NET ASSETS					
Net assets without donor restrictions:					
Controlling interest	58,948	(29,722)	7,890	-	37,116
Noncontrolling interest	66,729	-	-	-	66,729
Contributed capital	(25,200)	25,200	-	-	-
Total net assets without donor restriction	100,477	(4,522)	7,890	-	103,845
Net assets with donor restrictions	-	-	40,366	-	40,366
Total net assets	100,477	(4,522)	48,256	-	144,211
Total liabilities and net assets	\$ 414,882	\$ 215,535	\$ 54,603	\$ (5,205)	\$ 679,815

Sequoia Living, Inc.
Consolidating Statement of Operations (Unaudited)
Year Ended December 31, 2023
(in Thousands)

	<u>Sequoia Living</u>	<u>VSL</u>	<u>SSNC</u>	<u>Eliminations</u>	<u>Consolidated</u>
OPERATING REVENUES, INCOME, GAINS, AND SUPPORT, NET					
Operating revenues, income, and gains, net:					
Resident fees	\$ 80,195	\$ 11,644	\$ -	\$ -	\$ 91,839
Amortization of entrance fees	21,709	5,281	-	-	26,990
Fees for services and other income	15,474	1,033	104	-	16,611
Gain on sale of assets	2,275	-	-	-	2,275
Investment income, including realized and unrealized gains and losses on investments	9,499	2,800	1,601	-	13,900
Total operating revenues, income, and gains	<u>129,152</u>	<u>20,758</u>	<u>1,705</u>	<u>-</u>	<u>151,615</u>
Support:					
Contributions	-	-	263	-	263
Net assets released from restrictions	-	-	1,325	-	1,325
Total support	<u>-</u>	<u>-</u>	<u>1,588</u>	<u>-</u>	<u>1,588</u>
Total operating revenues, income, gains, and support, net	<u>129,152</u>	<u>20,758</u>	<u>3,293</u>	<u>-</u>	<u>153,203</u>
EXPENSES					
Compensation and benefits	47,925	5,053	-	-	52,978
Purchased services	27,010	4,521	-	-	31,531
Medical services	2,222	-	-	-	2,222
Supplies	2,026	266	-	-	2,292
Repairs and maintenance	4,457	785	-	-	5,242
Utilities	6,578	1,169	-	-	7,747
Professional fees	2,521	292	-	-	2,813
Depreciation	15,981	3,346	-	-	19,327
Interest	9,565	3,322	-	-	12,887
Other operating	3,462	1,702	-	-	5,164
Total expenses	<u>121,747</u>	<u>20,456</u>	<u>-</u>	<u>-</u>	<u>142,203</u>
EXCESS OF OPERATING REVENUES, INCOME, GAINS, AND SUPPORT, NET, OVER EXPENSES	<u>\$ 7,405</u>	<u>\$ 302</u>	<u>\$ 3,293</u>	<u>\$ -</u>	<u>\$ 11,000</u>

Sequoia Living, Inc.
Consolidating Statement of Changes in Net Assets (Unaudited)
Year Ended December 31, 2023
(in Thousands)

	<u>Sequoia Living</u>	<u>VSL</u>	<u>SSNC</u>	<u>Eliminations</u>	<u>Consolidated</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS					
Excess operating revenues, income, gains, and support, net, over expenses	\$ 7,405	\$ 302	\$ 3,293	\$ -	\$ 11,000
Grants transferred for programs and facilities	1,945	2	(1,947)	-	-
Change in additional minimum pension liability	3,923	-	-	-	3,923
Contributed capital	32,053	-	-	-	32,053
Other	582	45	-	-	627
	<u>45,908</u>	<u>349</u>	<u>1,346</u>	<u>-</u>	<u>47,603</u>
Change in net assets without donor restrictions					
NET ASSETS WITH DONOR RESTRICTIONS					
Contributions	-	-	1,185	-	1,185
Investment income including net realized gains on investments	-	-	987	-	987
Change in value of split-interest agreements	-	-	688	-	688
Unrealized gains from investments held in trust	-	-	2,362	-	2,362
Net assets released from restrictions	-	-	(1,325)	-	(1,325)
	<u>-</u>	<u>-</u>	<u>3,897</u>	<u>-</u>	<u>3,897</u>
Change in net assets with donor restrictions					
CHANGE IN NET ASSETS	45,908	349	5,243	-	51,500
NET ASSETS, beginning of year	54,569	(4,871)	43,013	-	92,711
NET ASSETS, end of year	<u>\$ 100,477</u>	<u>\$ (4,522)</u>	<u>\$ 48,256</u>	<u>\$ -</u>	<u>\$ 144,211</u>

Sequoia Living, Inc.
Consolidating Statement of Cash Flows (Unaudited)
Year Ended December 31, 2023
(in Thousands)

	Sequoia Living	VSL	SSNC	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from entrance fees	\$ 22,967	\$ 12,509	\$ -	\$ 35,476
Cash received from resident fees	80,206	11,064	-	91,270
Cash received from services and other income	15,339	1,033	-	16,372
Cash received from contributions	-	-	6,410	6,410
Cash received (paid) for grants and support	1,945	2	(1,947)	-
Investment income received	4,653	2,800	1,527	8,980
Interest paid, net of amount capitalized	(7,323)	(3,821)	-	(11,144)
Refunds of entrance fees paid	(2,978)	(367)	-	(3,345)
Cash paid to employees and suppliers	(94,719)	(13,723)	-	(108,442)
Payments to (from) related party	2,778	(2,778)	-	-
Net cash provided by operating activities	22,868	6,719	5,990	35,577
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale and maturities of investments	-	-	15,385	15,385
Proceeds from sale of property and equipment	2,925	96	-	3,021
Purchase of investments	(7,575)	-	(22,885)	(30,460)
Purchase of property and equipment	(29,983)	-	-	(29,983)
Net cash (used in) provided by investing activities	(34,633)	96	(7,500)	(42,037)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of long-term debt and notes payable	(87,452)	(62,000)	-	(149,452)
Payment on line of credit	(2,000)	-	-	(2,000)
Proceeds from issuance of debt	60,006	-	-	60,006
Proceeds from endowment contributions	-	-	165	165
Proceeds from contributions held in trust	-	-	678	678
Payments to trust beneficiaries	-	-	(678)	(678)
Proceeds from refundable deposits	746	1,091	-	1,837
Proceeds from refundable entrance fees	-	30,339	-	30,339
Proceeds from limited partner equity	32,053	-	-	32,053
Refunds of refundable deposits	(1,557)	(1,178)	-	(2,735)
Refunds of refundable entrance fees	(360)	(3,271)	-	(3,631)
Payment of loan financing costs	(1,107)	-	-	(1,107)
Investment income received from marketable securities held in trust	-	-	552	552
Net cash provided by (used in) financing activities	329	(35,019)	717	(33,973)
NET DECREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(11,436)	(28,204)	(793)	(40,433)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of year	53,888	67,025	2,530	123,443
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of year	\$ 42,452	\$ 38,821	\$ 1,737	\$ 83,010
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES				
Change in fixed asset additions included in accounts payable	\$ 100	\$ -	\$ -	\$ 100
Noncash investment contribution	\$ -	\$ -	\$ 138	\$ 138

Sequoia Living, Inc.

Notes to Consolidating Financial Statements (Unaudited)

Basis of presentation – The consolidating information is not a required part of the consolidated financial statements. The accompanying consolidating information was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The first column, Sequoia Living alone represents the parent entity without consolidation of its direct or indirect subsidiaries listed in the next columns. VSL and SSNC are described in Note 1 of the consolidated financial statements under Corporate Structure.

The consolidating information is prepared to clarify continuing disclosure as required by Municipal Securities Rulemaking Board (MSRB) through Electronic Municipal Market Access (EMMA) in connection with the issuance of revenue bonds described in Note 9 for Sequoia Living and VSL.



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APPENDIX C

FINANCIAL FEASIBILITY REPORT

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HENDRICKSON CONSULTING

6 Beach Road – #494, Tiburon, California 94920- (415) 889-5035– Bill1Hendrickson@gmail.com

FINAL REPORT

SEQUOIA LIVING, INC.

FINANCIAL FEASIBILITY REPORT

MAY 5, 2025

HENDRICKSON CONSULTING

6 Beach Road – #494, Tiburon, California 94920 - (415) 889-5035 – Bill1Hendrickson@gmail.com

May 5, 2025

Charles Shoemake
Chief Financial Officer
Sequoia Living, Inc.
1525 Post Street
San Francisco, CA 94109

Dear Mr. Shoemake:

We are pleased to submit this feasibility study for Sequoia Living, Inc. (SL), a California non-profit Corporation. SL provides a range of senior housing and community services to Bay Area residents. Housing services are provided by four State-licensed continuing care retirement communities (CCRCs), and three rental affordable housing facilities. Community services include two senior centers, a “living at home” program, a transitional care program, and community engagement programs. SL began operations in 1958.

The proceeds of the proposed \$150.5 million par Series 2025 Revenue Bonds will be used to refinance the 2015 Bonds and fund \$100.0 million of SL’s “future proofing” CCRC capital improvements. The Series 2025 Bond payments will be secured by all assets and revenues of SL with the exception of its Foundation (Senior Services for Northern California - SSNC), the three affordable housing facilities, and a small separately incorporated NCP Senior Ventures (NSV).

The Series 2025 Bonds are anticipated to be issued in July 2025 and will be insured through Cal Mortgage. The Series 2025 Bonds are expected to have a 30-year term. The forecasts are based on an average coupon rate of 5.0%. Semi-annual interest payments to bondholders will begin on January 1, 2026. Annual principal payments will be made to bondholders beginning on July 1, 2026.

To evaluate the financial feasibility of the transaction we have reviewed critical information sources, including the following:

- the key revenue and expenses for SL,
- the estimated costs and timing of the proposed improvements, and
- the terms and structure of the proposed bond issue.

The information obtained through this process has been used to forecast SL’s financial statements for the fiscal years ending December 31, 2025 to 2030. Based on our evaluation, the debt coverage ratio is expected to equal or exceed 3.00x maximum annual debt service in all forecast years. In addition, the sources of funds will be adequate to meet operating expenses, working capital, and other capital requirements.

The forecasts contained in this report are based on several assumptions. To the extent that these assumptions are not realized, the actual results may vary accordingly. Implementation of policies and procedures to attain the forecast results is the responsibility of SL. Since forecasts of future events are subject to uncertainty, we cannot guarantee these forecasts as specific results that will be achieved.

We appreciate the assistance provided by SL during the preparation of this study.

Sincerely,

William D. Hendrickson

William D. Hendrickson
Hendrickson Consulting

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SECTION A
SEQUOIA LIVING, INC.
STATEMENTS OF ACTIVITIES
(\$000s)

Fiscal Year Ending 12/31	2023	2024	2025	2026	2027	2028	2029	2030
<u>REVENUE</u>								
Resident Fees/Other - CCRC/Other	\$90,528	\$98,970	\$105,763	\$109,929	\$114,261	\$118,764	\$123,445	\$128,311
Resident Fees/Other - Affordable	19,887	17,910	18,985	19,744	20,534	21,355	22,209	23,098
SSNC/NSV Income	310	248	258	268	279	290	302	314
Amortized Entrance Fees - CCRC	26,990	25,982	27,524	28,640	29,881	31,246	32,736	34,354
Contributions/Net Released Assets	1,588	4,767	3,400	3,400	3,400	3,400	3,400	3,400
Investment Income/Other	13,900	12,342	4,905	4,711	4,804	4,965	5,196	4,898
Total Revenue	\$153,203	\$160,219	\$160,834	\$166,693	\$173,159	\$180,020	\$187,288	\$194,374
<u>EXPENSES</u>								
CCRC/Other - Salaries/Benefits	\$50,802	\$53,326	\$55,672	\$57,899	\$60,215	\$62,624	\$65,129	\$67,734
CCRC/Other - Other	50,841	55,193	57,621	59,926	62,323	64,816	67,409	70,105
Affordable Housing	7,745	8,029	8,382	8,718	9,066	9,429	9,806	10,198
SSNC/NSV	601	601	627	653	679	706	734	763
Depreciation & Amortization	19,327	22,372	24,203	26,530	28,760	31,083	33,323	33,627
Interest	12,887	8,436	10,519	12,961	13,060	12,814	12,542	12,264
Total Expenses	\$142,203	\$147,957	\$157,025	\$166,686	\$174,104	\$181,471	\$188,943	\$194,692
Net Operating Income	\$11,000	\$12,262	\$3,809	\$7	(\$945)	(\$1,452)	(\$1,655)	(\$318)
Contributed Capital - Affordable H.	\$32,053	\$9,830	\$0	\$0	\$0	\$0	\$0	\$0
Pension Liability/Other	4,550	6,743	0	0	0	0	0	0
Change in Assets w/o Donor Restr.	\$47,603	\$28,835	\$3,809	\$7	(\$945)	(\$1,452)	(\$1,655)	(\$318)
Revenues - Donor Restricted	\$5,222	\$3,816	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000
Net Assets Released from Restriction	(1,325)	(4,415)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)
CHANGE IN NET ASSETS	\$51,500	\$28,236	\$4,809	\$1,007	\$55	(\$452)	(\$655)	\$682
BALANCE (DEFICIT)	\$144,211	\$172,447	\$177,256	\$178,263	\$178,318	\$177,866	\$177,212	\$177,893

SECTION A
SEQUOIA LIVING, INC.
STATEMENTS OF FINANCIAL POSITION
(\$000s)

Fiscal Year Ending 12/31	2023	2024	2025	2026	2027	2028	2029	2030
ASSETS								
Cash & Securities - Unrestr.	\$104,483	\$122,636	\$117,775	\$120,103	\$124,118	\$129,895	\$122,449	\$147,217
Cash & Securities - SSNC	38,078	38,139	38,139	38,139	38,139	38,139	38,139	38,139
Accounts/Notes Receivable	6,583	15,234	9,627	10,274	10,680	11,102	11,540	11,996
Other Current Assets	5,104	4,374	4,549	4,731	4,920	5,117	5,322	5,535
Total Current Assets	\$154,248	\$180,383	\$170,090	\$173,247	\$177,857	\$184,252	\$177,451	\$202,887
Cash/Investments - Affordable	\$29,532	\$30,519	\$30,519	\$30,519	\$30,519	\$30,519	\$30,519	\$30,519
Investments - Restricted Trust	10,851	10,947	10,947	10,947	10,947	10,947	10,947	10,947
Trustee-Held Funds - Bonds	14,537	14,830	103,241	73,241	43,241	13,241	13,241	13,241
Investments - Real Estate	9,569	10,675	10,675	10,675	10,675	10,675	10,675	10,675
Net Property, Plant, Equip.	446,686	448,604	493,167	527,238	559,702	590,492	605,117	589,739
Pension/Other	14,392	23,100	23,100	23,100	23,100	23,100	23,100	23,100
TOTAL ASSETS	\$679,815	\$719,058	\$841,739	\$848,966	\$856,041	\$863,226	\$871,049	\$881,108
LIABILITIES								
Accts. Payable/Accr. Exp.	\$12,466	\$13,150	\$15,483	\$16,375	\$17,280	\$17,919	\$18,541	\$19,186
Refundable Deposits	3,704	4,508	4,508	4,508	4,508	4,508	4,508	4,508
Other Current Liabilities	3,282	3,938	4,096	4,259	4,430	4,607	4,791	4,983
Current Debt	4,743	5,658	4,883	5,221	5,466	5,743	6,015	6,304
Total Current Liabilities	\$24,195	\$27,254	\$28,970	\$30,364	\$31,683	\$32,777	\$33,855	\$34,981
Unamortized Entrance Fees	\$313,821	\$327,072	\$340,948	\$350,996	\$362,162	\$374,448	\$387,862	\$402,418
Long-term Debt	188,434	183,402	285,682	280,461	274,995	269,252	263,237	256,933
Pension/Other Liabilities	9,154	8,883	8,883	8,883	8,883	8,883	8,883	8,883
TOTAL LIABILITIES	\$535,604	\$546,611	\$664,483	\$670,704	\$677,723	\$685,360	\$693,838	\$703,215
NET ASSETS	\$144,211	\$172,447	\$177,256	\$178,263	\$178,318	\$177,866	\$177,212	\$177,893
TOTAL NET ASSETS/LIAB.	\$679,815	\$719,058	\$841,739	\$848,966	\$856,041	\$863,226	\$871,049	\$881,108

SECTION A
SEQUOIA LIVING, INC.
STATEMENTS OF CASH FLOWS
(\$000s)

Fiscal Year Ending 12/31	2023	2024	2025	2026	2027	2028	2029	2030
<u>OPERATING ACTIVITIES</u>								
Change in Assets	\$51,500	\$28,236	\$4,809	\$1,007	\$55	(\$452)	(\$655)	\$682
Depreciation and Amortization	19,327	22,372	24,203	26,530	28,760	31,083	33,323	33,627
Amortized Entrance Fees	(26,990)	(25,982)	(27,524)	(28,640)	(29,881)	(31,246)	(32,736)	(34,354)
Other Adjustments	(40,000)	(628)	0	0	0	0	0	0
Changes in Assets/Liabilities	(1,802)	(15,862)	7,463	227	480	198	163	168
Cash From Operating Act.	\$2,035	\$8,136	\$8,951	(\$877)	(\$586)	(\$417)	\$95	\$123
<u>INVESTING ACTIVITIES</u>								
2025 Bond Future P. Expenditures	\$0	\$0	(\$22,000)	(\$30,000)	(\$30,000)	(\$30,000)	\$0	\$0
Other Future P. Expenditures	0	(4,500)	(24,000)	(15,000)	(15,000)	(15,000)	(30,400)	0
Routine/Other Expenditures	(29,983)	(25,405)	(15,000)	(15,600)	(16,224)	(16,873)	(17,548)	(18,250)
Other	3,021	5,692	0	0	0	0	0	0
Cash From Investing Act.	(\$26,962)	(\$24,213)	(\$61,000)	(\$60,600)	(\$61,224)	(\$61,873)	(\$47,948)	(\$18,250)
<u>FINANCING ACTIVITIES</u>								
Net Entrance Fees	\$62,034	\$39,580	\$41,400	\$38,688	\$41,047	\$43,532	\$46,151	\$48,909
Debt Proceeds	0	0	155,981	0	0	0	0	0
Refunding	0	0	(49,804)	0	0	0	0	0
Issuance/Fees	0	0	(7,766)	0	0	0	0	0
Principal Payments	(2,346)	(4,009)	(4,212)	(4,883)	(5,221)	(5,466)	(5,743)	(6,015)
Cash From Financing Act.	\$59,688	\$35,571	\$135,599	\$33,805	\$35,826	\$38,066	\$40,408	\$42,894
Net Change in Cash/Inv.	\$34,761	\$19,494	\$83,550	(\$27,672)	(\$25,984)	(\$24,224)	(\$7,445)	\$24,768
Cash & Investments	\$186,630	\$206,124	\$289,674	\$262,002	\$236,017	\$211,794	\$204,348	\$229,116
Unrestricted	104,483	122,636	117,775	120,103	124,118	129,895	122,449	147,217
Restricted - Affordable	29,532	30,519	30,519	30,519	30,519	30,519	30,519	30,519
Restricted - Bonds	14,537	14,830	103,241	73,241	43,241	13,241	13,241	13,241
Restricted - SSNC	38,078	38,139	38,139	38,139	38,139	38,139	38,139	38,139

B. BACKGROUND

The purpose of this report is to provide financial forecasts for Sequoia Living, Inc. (SL), formerly known as Northern California Presbyterian Homes and Services (NCPHS), a comprehensive provider of housing and community services for seniors in Northern California. SL housing services are provided by four Bay Area continuing care retirement communities (CCRCs) licensed by the State Department of Social Services (DSS), and three Bay Area Affordable Housing projects, originally financed with United States Housing and Urban Development (HUD) loans. SL also provides a range of community services.

THE CONTINUING CARE RETIREMENT COMMUNITIES

The four CCRCs include The Sequoias - San Francisco (SSF), The Sequoias - Portola Valley (SPV), The Tamalpais (TAM), and the recently (December 2020) opened Viamonte Senior Living (VSL). These provide independent living (IL) at all campuses, assisted living (AL) and Memory Care (MC) at SSF, SPV, and VSL, and skilled nursing (SN) services at SSF, SPV, and TAM. Although no longer offered, the majority of the residents at SSF, SPV, and TAM are covered by a “Type A” contract, which provides full long-term care and non-Medicare reimbursed medical services at the same monthly IL fee for all levels of care. Beginning in 2023 NCPHS began offering only Type B (10% off market rates for AL, MC, SNF) and C contracts (no discounts off market rates) at SSF, SPV, and TAM (VSL only offers Type C). The four CCRCs total 844 IL units, 101 AL/MC units, and 141 SNF beds and serve over 1,200 residents. The combined monthly fees and entrance fees from these CCRCs account for approximately 85% of total \$160 million SL program revenues. Affordable Housing and Community Programs comprise the remaining 15%.

OTHER PROGRAMS

The three Housing and Urban Development (HUD)-financed affordable projects include the Eastern Park Apartments (EPA) and Western Park Apartments (WPA) in San Francisco, and the Town Park Towers (TPT) in San Jose. These facilities offer 600-subsidized apartments to low-income residents. The revenues and assets of these facilities are included in the consolidated forecasts for information purposes but are excluded from support for the 2025 Series Bonds. Forecast financial ratios exclude Affordable Housing operating revenues/expenses and assets/liabilities.

SL is affiliated with the San Francisco Senior Center (SFSC), for which it provides support services. SL also provides service coordinators (through the “living at home” program) to its three HUD facilities and several other non-SL facilities. NCP Senior Ventures, LLC (NSV) is for SL’s development and new business, and was formed in 2008 as a for-profit company. In 2009 NSV began managing Kokoro Assisted Living, a low-income housing facility in San Francisco. NSV is excluded from support for the 2025 Bonds.

SENIOR SERVICES FOR NORTHERN CALIFORNIA (SSNC)

SSNC is SL's Foundation. SSNC was incorporated in 1987 for the purposes of receiving donations and grants and distributing these to SL to support operations and capital needs. SSNC cash and investments total approximately \$40 million. Annual revenues are approximately \$5+ million in combined donations and earnings. Revenues are transferred to SL in the form of grants for programs and facilities. SSNC assets, liabilities and revenues (other than the grants transferred to SL) will not be pledged to support the 2025 Bonds and therefore are not reflected in the forecasts.

THE BOARD OF DIRECTORS

SL is currently governed by a 21-member Board of Directors who are elected for three-year terms. Directors may not serve more than two consecutive terms. The President of the residents' council of each CCRC is invited to attend Board meetings and to participate fully on issues affecting their facilities. The resident representatives, however, do not vote on matters before the Board. Members of the Board of Directors do not receive compensation from SL.

C. PROJECT DESCRIPTION

The Series 2025 Bond proceeds will be used for two purposes:

- “future proofing” renovation of CCRC facilities, and
- refinancing of existing debt.

CCRC “FUTURE PROOFING” PROJECTS

SSF, SPV, and TAM were constructed more than 50 years ago and over the years have been upgraded to maintain their physical integrity and market competitiveness. SL has identified \$215.9 million in “future proofing” projects scheduled from 2024 through 2028. This category is one-step above their more typical \$15-\$20 million in “routine” improvements, which will continue alongside the future proofing improvements. None of the future proofing projects will directly generate additional revenues. The projects are divided amongst the three older CCRCs (about \$87 million at SSF, \$70 million at TAM, and \$57 million at SPV) with \$2 million for VSL. Total combined annual expenditures are roughly equal from 2025 to 2028, and vary in terms of estimates (internal, third-party, and under contract) and permit status. Major projects include \$50+ million for window replacement at all campuses (2027-28), and \$40+ million in fire safety improvements (2025-26). **Section A** Statement of Cash Flows shows a total of \$216 million through 2029 (an extra year added to account for any project delays). Depending on inflation/other cost increases, SL may prioritize projects to fit within its operating budget, since many of the projects are discretionary.

The 2025 Bond proceeds will be used to fund \$100.0 million (\$112.0 million including expenditures prior to closing counted as Cal Mortgage-required equity) of these future proofing projects through 2028. SL will identify specific projects to be financed with the 2025 Bond proceeds prior to closing based on the status of permits and readiness. The use of Bond proceeds for these purposes is in part to preserve cash reserves for needs beyond these improvements. SL has relatively little debt, having traditionally used cash reserves for capital projects. Annual debt payments (excluding HUD-related housing) currently represent a low 5% of annual revenues.

REFINANCING OF EXISTING DEBT

SL currently has two Bond issues, both insured through the Cal Mortgage program. The 2015 Bonds will be refinanced from the \$49.8 million refunding escrow. The 2015 Bond annual payments of \$4.0 million will be reduced to approximately \$3.7 million with the term kept at 2044. The 2018 Bonds currently have a balance of \$44.2 million and are not being refinanced.

FINANCING ASSUMPTIONS

The Series 2025 Bonds financing assumptions reflected in **Tables 1 and 2** have been provided by Ziegler, SL's investment banker. The Series 2025 Bonds are dated July 1, 2025, and insured through the State of California's Cal Mortgage insurance program. Average interest rates are estimated at 5.0% and the bond term extends through 2055. Interest payments are due on January 1 and July 1, beginning in 2026, and principal payments are due annually on July 1, beginning in 2026. Besides the Bonds, other sources include the proceeds of the \$4.04 million 2015 Bonds debt reserve and \$12.0 million in 2024 and 2025 pre-closing "future proofing" expenditures.

TABLE 1
SEQUOIA LIVING, INC.
SOURCES/USES OF FUNDS
(\$000s)

Fiscal Year Ending 12/31	TOTAL	2025	2026	2027	2028
<u>SOURCES</u>					
Bonds - Par	\$150,535	\$150,535	\$0	\$0	\$0
Bonds - Premium	\$5,446	5,446	0	0	0
Debt Reserve - 2015 Bonds	\$4,040	4,040	0	0	0
SL Cash Equity - Prepaids	\$12,000	12,000	0	0	0
TOTAL SOURCES	\$172,021	\$172,021	\$0	\$0	\$0
<u>USES</u>					
Refinancing - 2015 Bonds	\$49,804	\$49,804	\$0	\$0	\$0
Capital Improvements	\$112,000	22,000	30,000	30,000	30,000
Subtotal - Project Costs	\$161,804	\$71,804	\$30,000	\$30,000	\$30,000
Cal Mortgage Fees	\$5,287	\$5,287	\$0	\$0	\$0
Discount/Issuance Fees	\$2,479	2,479	0	0	0
Debt Reserve Fund	\$2,451	2,451	0	0	0
Subtotal - Financing Costs	\$10,217	\$10,217	\$0	\$0	\$0
TOTAL USES	\$172,021	\$82,021	\$30,000	\$30,000	\$30,000
BALANCE	\$0	\$90,000	\$60,000	\$30,000	\$0

Table 2 shows a summary of annual debt payments. The annual debt payments for the 2015 and 2018 Bonds totaled \$7.0 million in 2024, the first year that reflected no short-term debt payments on the 2018 Bonds. As shown, combined annual debt for the 2018 and 2025 Bonds is estimated at \$12.8 million. The HUD-related Affordable Housing debt totals \$5.5 million per year.

TABLE 2
SEQUOIA LIVING, INC.
DEBT PAYMENTS (EXCLUDING AFFORDABLE HOUSING)
(\$000s)

Fiscal Year Ending 12/31	2025	2026	2027	2028	2029	2030
<u>2025 BONDS</u>						
Interest/Fees	\$3,420	\$7,193	\$7,420	\$7,299	\$7,174	\$7,043
Principal	<u>0</u>	<u>2,170</u>	<u>2,380</u>	<u>2,500</u>	<u>2,630</u>	<u>2,755</u>
Total	\$3,420	\$9,363	\$9,800	\$9,799	\$9,804	\$9,798
Balance - Par	\$150,535	\$148,365	\$145,985	\$143,485	\$140,855	\$138,100
<u>2018 BONDS</u>						
Interest/Fees	\$1,881	\$1,826	\$1,766	\$1,706	\$1,641	\$1,571
Principal	<u>1,125</u>	<u>1,180</u>	<u>1,240</u>	<u>1,300</u>	<u>1,365</u>	<u>1,435</u>
Total	\$3,006	\$3,006	\$3,006	\$3,006	\$3,006	\$3,006
Balance	\$43,035	\$41,855	\$40,615	\$39,315	\$37,950	\$36,515
<u>TOTAL DEBT</u>						
Interest/Fees	\$5,301	\$9,019	\$9,186	\$9,005	\$8,815	\$8,614
Principal	<u>\$1,125</u>	<u>\$3,350</u>	<u>\$3,620</u>	<u>\$3,800</u>	<u>\$3,995</u>	<u>\$4,190</u>
Total	\$6,426	\$12,369	\$12,806	\$12,805	\$12,810	\$12,804
Balance	\$193,570	\$190,220	\$186,600	\$182,800	\$178,805	\$174,615

D. OPERATING ASSUMPTIONS

The following is a discussion of key utilization, revenue, and expense assumptions SL. Fiscal year (FY) ending December 31, 2023 and 2024 estimates are based on internal financials statements and occupancy records. The 2025 estimates are based on the Budget and internal statements through March 31.

KEY OPERATING ASSUMPTIONS – CCRC

The following is a summary of key operating assumptions for the four CCRCs.

Entrance Fees and Monthly Fees

Table 3 shows a summary of the range of fees for the four CCRCs. CCRC entrants pay a one-time entrance fee and ongoing monthly fees. Prices are generally comparable amongst the three older CCRCs. VSL, which opened at the end of 2020, and reached stable occupancy by the end of 2023, has higher entrance fees and lower monthly fees than the other three. Monthly fees were raised by 5.25% and entrance fees by 15.0% at all campuses effective April 1, 2025.

For decades SL (then NCPHS) offered only a Type A contract with an “amortized” entrance fee whose refundability declined over 66 months (1.5% per month). SL began offering Type B and C amortized and refundable (up to 90%) contract options in the early 2000s at the three older CCRCs. SL stopped offering Type A contracts at SSF, SPV, and TAM at the end of 2022. Currently VSL offers three Type C contract options: amortized, 50%, or 75% refundable plans. The most popular has been the 75% refundable option. SSF, SPV, and TAM each offer the same four contract options: Type B and C amortized, and Type B and C 50% refundable. Refunds are contingent upon re-sale of the apartment. The Type C amortized option has been selected by most 2023 and 2024 entrants. About 70% of the current contract residents at the three older campuses are Type A, but this share will decline to effectively 0% by 2040. All contracts at the older campuses include three meals per day and weekly housekeeping. VSL provides one meal per day and bi-weekly housekeeping.

For forecasting purposes all rates are estimated to increase by 4.0% per year, beginning on April 1, 2026. In fact, the replacement of Type A IL residents with Type B and C IL residents at the three campuses will result in a lower weighted average percent increase, since Type B and C monthly fees are 20% less than Type A rates. This resulting lower percent increase will be largely offset by a higher rate of increase in AL, MC, and SN levels of care, since Type B and C transfers will pay significantly more than average Type A transfers (roughly 50%+ higher for AL/MC, 100% for SN).

TABLE 3
SEQUOIA LIVING
CCRC INDEPENDENT LIVING UNITS/FEES
RATES EFFECTIVE APRIL 1, 2025

Facility	Total IL Units	Square Feet	Entrance Fee - Single	Monthly Fee - Single
Sequoias San Francisco	260	370-1,490	\$210,000-\$1,170,000	\$4,710-\$10,550
Sequoias Portola Valley	193	340-1,450	\$170,000-\$1,490,000	\$4,770-\$10,340
The Tamalpais	221	300-1,670	\$150,000-\$1,080,000	\$4,690-\$10,110
Viamonte Senior Living	170	750-1,530	\$470,000-\$1,290,000	\$4,830 - \$7,180
TOTAL/AVERAGE	844			

- (1) Pricing for Type C Declining Balance contracts - the most popular. Type B contracts have same monthly fees and 10% higher entrance fees for SSF, SPV, TAM.
(2) VSL prices for Declining Balance contract. 75% Repayable contracts are the most popular and entrance fees are priced 54% above Declining Balance.
(3) Monthly fees were increased by 5.25% and entrance fees by 15.0% effective 4/1/25.

CCRC Utilization and Revenue Assumptions

Table 4 shows a summary of available and budgeted occupied units/beds by facility and level of care for contract and non-contract occupants. As shown, the highest occupancy levels are for IL. The lower AL/MC/SN occupancy levels are due to several factors, including SL's need to manage occupancy to accommodate potential surge demand by contract residents. In addition, many SN available beds are in semi-private rooms, and are often used for private occupants.

Table 5 shows a summary of historical and project occupancy and combined CCRC revenues by level of care. The lower occupancy in 2023 reflected the fill-up of VSL. In addition, TAM was undergoing significant renovation of its AL, with resulting temporary lower occupancy. Occupancy is forecast to remain at the estimated 2025 levels. **Table 5** also includes Community Program estimates with the San Francisco Senior Center (SFSC) providing the majority of revenues.

TABLE 4
SEQUOIA LIVING
2025 CCRC AVAILABLE/OCCUPIED UNITS/BEDS
(\$000s)

CCRC Campus	SPV	SSF	TAM	VSL	TOTAL
<u>Available CCRC Units/Beds</u>					
Independent Living	193	260	221	170	844
Assisted/Memory Care	44	37	46	18	145
Skilled Nursing	41	45	26	-	112
Total Units/Beds	278	342	293	188	1,101
<u>Occupied CCRC Units/Beds</u>					
Independent Living	182	248	204	166	800
Assisted/Memory Care	38	29	40	15	122
Skilled Nursing	27	41	18	-	86
Occupied Units/Beds	247	318	262	181	1,008
<u>Percent Occupancy</u>					
Independent Living	94.3%	95.4%	92.3%	97.6%	94.8%
Assisted/Memory Care	86.4%	78.4%	87.0%	83.3%	84.1%
Skilled Nursing	65.9%	91.1%	69.2%	0.0%	76.8%
Combined Occupancy	88.8%	93.0%	89.4%	96.3%	91.6%

TABLE 5
SEQUOIA LIVING
OCCUPANCY AND RESIDENT FEES
(\$000s)

Fiscal Year Ending 12/31	2023	2024	2025	2026	2027	2028	2029	2030
<u>Available CCRC Units/Beds</u>								
Independent Living	844	844	844	844	844	844	844	844
Assisted Living/Memory Care	145	145	145	145	145	145	145	145
Skilled Nursing	112	112	112	112	112	112	112	112
Total CCRC Units/Beds	1,101	1,101	1,101	1,101	1,101	1,101	1,101	1,101
<u>Occupied CCRC Units/Beds</u>								
Independent Living	757	788	800	800	800	800	800	800
Assisted Living/Memory Care	109	116	122	122	122	122	122	122
Skilled Nursing	95	90	86	86	86	86	86	86
Total CCRC Units/Beds	961	994	1,008	1,008	1,008	1,008	1,008	1,008
<u>Percent Occupancy</u>								
Independent Living	89.7%	93.4%	94.8%	94.8%	94.8%	94.8%	94.8%	94.8%
Assisted Living/Memory Care	75.2%	80.0%	84.1%	84.1%	84.1%	84.1%	84.1%	84.1%
Skilled Nursing	84.8%	80.4%	76.8%	76.8%	76.8%	76.8%	76.8%	76.8%
Combined	87.3%	90.3%	91.6%	91.6%	91.6%	91.6%	91.6%	91.6%
Average Revenue/Unit/Month	\$7,449	\$7,904	\$8,314	\$8,641	\$8,981	\$9,335	\$9,703	\$10,085
<u>Total Revenues (000s)</u>								
Resident Fees - IL	\$63,306	\$68,969	\$73,695	\$76,643	\$79,709	\$82,897	\$86,213	\$89,661
Resident Fees - AL/MC	\$8,716	\$10,290	\$11,390	\$11,846	\$12,320	\$12,813	\$13,325	\$13,858
Resident Fees - SNF	\$5,842	\$6,545	\$6,583	\$6,846	\$7,120	\$7,405	\$7,701	\$8,009
Fees for Service - Medical/SNF	\$5,994	\$6,067	\$6,370	\$6,561	\$6,758	\$6,961	\$7,170	\$7,385
Fees for Service - Other	\$2,046	\$2,404	\$2,524	\$2,625	\$2,730	\$2,839	\$2,953	\$3,071
Total CCRC Revenues	\$85,904	\$94,275	\$100,563	\$104,521	\$108,637	\$112,915	\$117,362	\$121,984
Fee for Service-Comm.Programs	\$4,624	\$4,695	\$5,200	\$5,408	\$5,624	\$5,849	\$6,083	\$6,327
Total CCRC/CP Revenues	\$90,528	\$98,970	\$105,763	\$109,929	\$114,261	\$118,764	\$123,445	\$128,311

SL classifies CCRC revenues as “Resident Fees” (monthly fees paid by contract residents) and “Fees for Service” (Medicare receipts, non-contract resident revenues, and other such as guest rooms and additional meals). Resident fees and Fee-for-Service Other categories are increased by a weighted average of 4.0% per year. Medical-related Fees-for-Service are increased by a weighted average of 3.0% to reflect lower Medicare reimbursement growth.

Table 6 shows a summary of historical and forecast entrance fee move-ins, gross receipts, and refunds/repayments. The 2023 totals reflect an estimated 30+ first-time move-ins accounting for \$35 million related gross receipts at VSL. All move-ins in 2024 represent re-sales of formerly occupied IL units. Entrance fees were increased by 15.0% on April 1, 2025, and are estimated to increase by 4.0% in 2026 and thereafter. The total number of projected move-ins equates to about 10% of the occupied units at SSF, SPV, and TAM (on average approximately 3-5 move-ins per year are rental and pay no entrance fee). Re-sales at VSL are expected to increase each year during the forecast period and stabilize at about 10% of occupied IL units.

TABLE 6
SEQUOIA LIVING
ENTRANCE FEES
(\$000s)

Fiscal Year Ending 12/31	2023	2024	2025	2026	2027	2028	2029	2030
SPV	16	23	18	18	18	18	18	18
SSF	19	24	26	22	22	22	22	22
TAM	16	22	26	20	20	20	20	20
VSL	39	8	9	10	11	12	13	14
Total Move-Ins	90	77	79	70	71	72	73	74
Average E.Fee - VSL	\$1,135	\$1,426	\$1,250	\$1,300	\$1,352	\$1,406	\$1,462	\$1,521
Average E.Fee - SSF/SPV/TAM	\$485	\$575	\$550	\$572	\$595	\$619	\$643	\$669
E.Fee Revenues - VSL	\$44,273	\$11,404	\$11,250	\$13,000	\$14,872	\$16,873	\$19,010	\$21,291
E.Fee Revenues - SSF/SPV/TAM	\$24,738	\$39,701	\$38,500	\$34,320	\$35,693	\$37,121	\$38,605	\$40,150
E.Fee Revenues - Total	\$69,011	\$51,105	\$49,750	\$47,320	\$50,565	\$53,993	\$57,616	\$61,441
Refunds - VSL	(\$3,638)	(\$6,023)	(\$4,500)	(\$5,200)	(\$5,949)	(\$6,749)	(\$7,604)	(\$8,517)
Refunds - SSF/SPV/TAM	(\$3,339)	(\$5,502)	(\$3,850)	(\$3,432)	(\$3,569)	(\$3,712)	(\$3,861)	(\$4,015)
Refunds - Total	(\$6,977)	(\$11,525)	(\$8,350)	(\$8,632)	(\$9,518)	(\$10,461)	(\$11,465)	(\$12,532)
Net Revenues - VSL	\$40,635	\$5,381	\$6,750	\$7,800	\$8,923	\$10,124	\$11,406	\$12,775
Net Revenues - SSF/SPV/TAM	\$21,399	\$34,199	\$34,650	\$30,888	\$32,124	\$33,408	\$34,745	\$36,135
Net Revenues - Total	\$62,034	\$39,580	\$41,400	\$38,688	\$41,047	\$43,532	\$46,151	\$48,909

CCRC Operating Expenses

SL currently employs approximately 650 full-time-equivalent (FTE) employees (excluding Affordable Housing FTEs). Approximately 580 of these are located on-site at the four CCRCs, including 350 FTEs for IL and 280 FTEs for Health services. Community programs and administrative staffing (headquarters) account for approximately 32 and 44 FTEs respectively. The CCRCs account for more than 80% of total staffing and operating expenses.

Operating expenses are estimated to increase by 4.0% per year. From 2023 to 2025 weighted-average salaries increased by approximately 4% per year. Employment benefits average 26% of salaries and include an employer contribution to Social Security/Medicare; health, dental, long-term disability, accidental death, life insurance and retirement benefits.

COMMUNITY PROGRAMS

SL is budgeting a total of \$5.2 million revenue for Community Service programs (primarily residential services and SFSC services). About \$3.3 million of this total is supported by fees, with the remainder from grants and contributions. Staffing and other operating expenses have historically been slightly above revenues before allocation of Headquarters' expenses.

OTHER PROGRAMS

As discussed previously, the **Section A** financial forecasts are for combined SL entities, including those (Affordable Housing, SSNC, NSV) whose assets, liabilities, revenues, and expenses are excluded from support for both existing and 2025 Bonds. Affordable Housing operating revenues and expenses are both projected to increase by 4.0% per year from 2025 estimates (\$19.0 million revenues, \$8.4 million expenses). SSNC has no operating revenues or expenses (fund-raising expenses are included in SL administration for the CCRCs) other than earnings, and NSV revenues include about \$200,000 in management fees and \$600,000 in SL administration allocated expenses. NSV revenues and expenses are inflated by 4.0% per year after 2025.

OTHER REVENUES

Other revenues include interest earnings, contributions, and grants transferred from SSNC. Together these revenues are expected to account for approximately 7% of total SL revenues.

Interest Earnings and Realized Gains

SL earnings before investment fees totaled \$13.9 million in 2023, of which \$5.6 million was in unrealized gains. In 2024 total earnings were \$12.3 million, including \$3.6 million in unrealized

gains. Earnings over these two years averaged about 8% on all unrestricted and restricted cash and investments. Estimates for 2025 and thereafter are based on an earnings rate of 4.0% on unrestricted cash and marketable securities and exclude earnings on Affordable Housing and SSNC balances, and 3.0% on debt reserves for the 2018 and 2025 Bonds. No unrealized gains are forecast.

Contributions and Grants Transferred for Operations

In 2023 and 2024 the SSNC received an average of \$1.2 million in annual contributions, including an average of \$0.9 million which were donor restricted. SSNC combined these with earnings and transferred \$1.9 million and \$6.9 million to SL respectively in these same years for resident financial assistance, community services, and capital projects. For forecasting purposes, SSNC transfers for operations are estimated at \$3.0 million per year.

E. FINANCIAL STATEMENT ASSUMPTIONS

In addition to SL operating assumptions, there are several other assumptions used to forecast the **Section A** financial statements. FY 2023 and 2024 totals are based on the audited and internal statements. FY 2025 estimates are based on the budget.

STATEMENTS OF ACTIVITIES

The new improvements are depreciated over an average 25-year period, while ongoing capital expenditures are depreciated over a 10-year period. Fees and 2025 Bond issuance costs are amortized over 30 years. Amortized entrance fees are amortized over a 10-year period.

STATEMENTS OF FINANCIAL POSITION

Accounts receivable are estimated at 30 days of daily and monthly fee revenues. Accounts payable and accrued expenses are estimated at 45 days of cash operating expenses. Other current assets are increased by 4.0% per year.

STATEMENTS OF CASH FLOWS

Combined “future proofing” and routine capital expenditures are estimated at \$300+ million from 2025 to 2030 (average \$52 million per year). The totals shown in **Section A** do not include capital expenditures for Affordable Housing, which are expected to be well under \$1 million annually due to recent major facility improvements.

F. KEY FINANCIAL RATIOS

Table 7 shows a summary of key financial ratios for SL excluding Affordable Housing, SSNC, and NSV net operating cash flows, annual debt payments, and cash reserves. The SL audits do not separate out Affordable Housing (or NSV which are minor) activities, and SL uses internal statements to adjust the ratios to exclude them. As shown, maximum annual debt service (MADS) coverage exceeds 3.00x in all years. Days cash on hand exceed 300 days.

TABLE 7
SEQUOIA LIVING, INC.
DEBT COVERAGE AND OTHER KEY RATIOS
(\$000s)

Fiscal Year Ending 12/31	2023	2024	2025	2026	2027	2028	2029	2030
<u>CASH AVAILABLE FOR DEBT SERVICE</u>								
Net Operating Income	\$47,603	\$28,835	\$3,809	\$7	(\$945)	(\$1,452)	(\$1,655)	(\$318)
Aff.Housing Deficit/(Surplus)	(44,195)	(19,919)	(10,602)	(11,026)	(11,467)	(11,926)	(12,403)	(12,899)
SSNC/NSV Deficit/(Surplus)	(1,346)	961	370	384	400	416	432	450
Unrealized/Other Losses (Gains)	(5,556)	(3,626)	0	0	0	0	0	0
Pension/Other Adjustments	(3,923)	(7,347)	0	0	0	0	0	0
Depreciation and Amortization	19,327	22,372	24,203	26,530	28,760	31,083	33,323	33,627
Amortized Entrance Fees	(26,990)	(25,982)	(27,524)	(28,640)	(29,881)	(31,246)	(32,736)	(34,354)
Net Entrance Fees - Resale	22,269	39,580	41,400	38,688	41,047	43,532	46,151	48,909
Interest	12,887	8,436	10,519	12,961	13,060	12,814	12,542	12,264
Net Cash for Debt Service	\$20,076	\$43,310	\$42,174	\$38,903	\$40,973	\$43,221	\$45,654	\$47,679
<u>Debt Payments w/o Affordable</u>								
Interest	\$9,144	\$4,355	\$6,511	\$9,019	\$9,186	\$9,005	\$8,815	\$8,614
Principal	1,402	2,615	2,745	3,350	3,620	3,800	3,995	4,190
Total Payments	\$10,546	\$6,970	\$9,256	\$12,369	\$12,806	\$12,805	\$12,810	\$12,804
<u>Key Totals w/o Affordable/SSNC/NSV</u>								
Unrestricted Cash/Inv.	\$104,483	\$122,636	\$117,775	\$120,103	\$124,118	\$129,895	\$122,449	\$147,217
Net Operating Expenses	\$111,388	\$112,874	\$119,805	\$126,845	\$131,725	\$136,445	\$141,353	\$146,453
Long-term Debt	\$93,920	\$90,282	\$194,029	\$190,341	\$186,476	\$182,399	\$178,132	\$173,653
Maximum Annual Debt Service	\$10,546	\$6,970	\$12,810	\$12,810	\$12,810	\$12,810	\$12,810	\$12,810
<u>Key Ratios w/o Affordable/SSNC/NSV</u>								
Debt Coverage - MADS	1.90	6.21	3.29	3.04	3.20	3.37	3.56	3.72
Unrestr. Days Cash on Hand	342	397	359	346	344	347	316	367
Unrestr. Cash to Long-term Debt	111.2%	135.8%	60.7%	63.1%	66.6%	71.2%	68.7%	84.8%

G. SENSITIVITY FORECASTS

Table 8 shows MADS debt coverage and days cash calculations under the following scenarios.

Scenario 1 – Interest rates are increased by 1.0% above the base case of 5.0%. As a result, 2015 Bonds are not refinanced and combined annual debt for the 2015, 2018, and 2025 Bonds totals \$13.87 million versus \$12.81 million in the base case.

Scenario 2 – Future-proofing project costs increase from the \$216 million in the base case to \$250 million (16%) due to such factors as cost inflation, scope increases, and updated estimates. While this scenario shows the full impact of this increase, many of these projects are discretionary and SL is likely to either reduce or delay individual projects based on need and affordability.

Scenario 3 – Annual entrance fee IL move-ins to the SSF, SPV and TAM campuses are reduced by 10 units (from 60 to 50) from 2026-2028 and resulting average IL occupancy declines to 91.2% by 2028, versus the base case of 94.8%.

Scenario 4 – Operating expense inflation averages 5.0% per year, with rate increases remaining at the base case of 4.0% per year.

TABLE 8
SEQUOIA LIVING, INC.
SENSITIVITY ANALYSIS
(\$000s)

Fiscal Year Ending 12/31	2026	2027	2028	2029	2030
<u>Base Case</u>					
Debt Coverage	3.04	3.20	3.37	3.56	3.72
Unrestricted Days Cash	346	344	347	316	367
<u>Sensitivity 1 - Higher Interest Rate</u>					
Debt Coverage	2.80	2.95	3.11	3.28	3.43
Unrestricted Days Cash	340	336	337	303	351
<u>Sensitivity 2 - Higher Project Costs</u>					
Debt Coverage	3.01	3.15	3.30	3.47	3.61
Unrestricted Days Cash	302	280	265	220	271
<u>Sensitivity 3 - Lower Sales/Occupancy</u>					
Debt Coverage	2.56	2.61	2.65	3.24	3.38
Unrestricted Days Cash	328	306	287	247	289
<u>Sensitivity 4 - High Expense Inflation</u>					
Debt Coverage	2.92	2.96	3.00	3.04	3.01
Unrestricted Days Cash	295	265	238	156	186

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APPENDIX D

SUMMARY OF PRINCIPAL DOCUMENTS

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APPENDIX D

SUMMARY OF PRINCIPAL DOCUMENTS

The following is a summary of certain provisions of the Indenture, the Loan Agreement, the Regulatory Agreement, the Deed of Trust and the Contract of Insurance, which are not described elsewhere in this Official Statement. *These summaries do not purport to be complete or definitive and are qualified in their entirety by reference to the full terms of the Loan Agreement, the Indenture, the Regulatory Agreement, the Deed of Trust and the Contract of Insurance.* All capitalized terms not defined in this Official Statement have the meaning set forth in the Indenture or in the Regulatory Agreement. The definitions set forth below are derived from the Indenture and the Regulatory Agreement. Certain terms defined for purposes of the Indenture are defined differently in the Regulatory Agreement. Reference should be made to the Regulatory Agreement for definitions of terms used therein.

DEFINITIONS OF CERTAIN TERMS

“Accountant” means any Independent certified public accountant or firm of such accountants with a national or regional reputation selected by the Corporation and acceptable to the Department.

“Act” means the Joint Exercise of Powers Act, comprising Articles 1, 2, 3 and 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the Government Code of the State of California, as now in effect and as it may from time to time hereafter be amended or supplemented.

“Additional Payments” means payments so designated and required to be made by the Corporation pursuant to the Loan Agreement.

“Adjusted Annual Operating Revenues” means operating revenue and investment income of the Corporation, less contractual allowances, allowance for bad debts and free services for any Fiscal Year, all as determined in accordance with generally accepted accounting principles.

“Administrative Fees and Expenses” means any application, commitment, financing or similar fee charged, or reimbursement for administrative, legal or other fees or expenses incurred by the Authority or the Trustee.

“Affiliate” means a Person which, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with the Corporation.

“Aggregate Debt Service” means, as of any date of calculation and with respect to any period, the sum of amounts of Debt Service for all Long-Term Indebtedness for such period (excluding any Debt Service for Long-Term Indebtedness derived from the Corporation’s operation and possession of, or arising from or pertaining to, its HUD Facilities).

“Authority” means the California Statewide Communities Development Authority, or its successors and assigns, a joint exercise of powers authority formed by the Joint Powers Agreement, pursuant to the Act.

“Authorized Denomination” means \$5,000 or any integral multiple thereof or the outstanding principal amount of the Bonds, if less.

“Authorized Representative” means (1) with respect to the Corporation, its Chief Executive Officer, Chief Operating Officer, Board President, Board Vice President, Board Treasurer or Board Secretary and/or any other person designated as an Authorized Representative of the Corporation by a Certificate of the Corporation signed by an Authorized Representative described above and filed with the Trustee, and (2) with respect to the Department, the Director of the Department or the Deputy Director of the Office of Health Facility Loan Insurance or any other person designated as an Authorized Representative of the Department by a Statement of the Department signed by its Director or the Deputy Director of the Office of Health Facility Loan Insurance and filed with the Trustee. Such authorization shall remain in effect until the Trustee has received written notice to the contrary accompanied by a new designation.

“Authorized Signatory” means with respect to the Authority, any member of the Commission of the Authority and any other person as may be designated and authorized to sign on behalf of the Authority pursuant to a resolution adopted thereby.

“Beneficial Owner” means any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including Persons holding Bonds through nominees, depositories or other intermediaries).

“Board” means the Board of Directors of the Corporation.

“Bond Counsel” means Independent counsel of recognized national standing in the field of obligations the interest on which is excluded from gross income for federal income tax purposes, selected by the Corporation and acceptable to the Authority and the Department.

“Bond Reserve Account” means the account by that name in the Revenue Fund established pursuant to the Indenture.

“Bond Reserve Account Requirement” means, as of any date of calculation, an amount equal to the lesser of (i) 25% of Maximum Annual Debt Service on all Bonds then Outstanding, (ii) 125% of average annual debt service on the Bonds then Outstanding, or (iii) 10% of the Outstanding principal amount of the Bonds. As of the date of issuance of the Bonds, the Bond Reserve Account Requirement is the amount described in this Official Statement.

“Bondholder” or **“Holder,”** whenever used with respect to a Bond, means the Person in whose name such Bond is registered.

“Bonds” means the California Statewide Communities Development Authority Insured Revenue and Refunding Bonds (Sequoia Living Projects), Series 2025A, issued under the Indenture.

“Building Projects” means the costs of, or reimbursements for, the capital construction, improvement, furnishing and equipping of projects at the Facilities, to be financed with a portion of the proceeds of the Bonds.

“Business Day” means any day other than a Saturday, Sunday, or a day on which banking institutions in the city in which the Corporate Trust Office of the Trustee is located are authorized or obligated by law or executive order to be closed or a day on which the New York Stock Exchange or the payment system of the Federal Reserve System is not operational.

“Calculation Agent” means any Person, financial institution or financial advisory firm appointed prior to delivery of a Request of the Corporation pursuant to the Indenture by the Borrower and not objected to by the Trustee for the sole purpose of calculating the unamortized premium pursuant to the Indenture.

“Certificate,” “Statement,” “Request,” “Requisition” and “Order” of the Authority, the Department or the Corporation mean, respectively, a written certificate, statement, request, requisition or order signed in the name of the Authority by an Authorized Signatory or such other person as may be designated and authorized to sign for the Authority, in the name of the Corporation by an Authorized Representative of the Corporation and in the name of the Department by an Authorized Representative of the Department.

“Code” means the Internal Revenue Code of 1986, or any successor statute thereto, and any regulations promulgated thereunder. Reference to any particular Code section shall, in the event of such a successor Code, be deemed to be a reference to the successor to such Code section.

“Continuing Disclosure Agreement” means that certain Continuing Disclosure Agreement, dated the date of issuance and delivery of the Bonds, delivered by the Corporation, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Contract of Insurance” means that certain Contract of Insurance, dated as of July 1, 2025, among the Department, the Corporation and the Authority relating to the Bonds, as amended, modified and supplemented from time to time.

“Corporate Trust Office” means the designated corporate trust office of the Trustee at which at any time its corporate trust business shall be administered, which at the date of the execution of the Indenture is located at The Bank of New York Mellon Trust Company, N.A., Corporate Trust Services, 333 South Hope Street, Suite 2525, Los Angeles, CA 90071, or such other address as the Trustee may designate from time to time in accordance with the Indenture, or the designated corporate trust office of any successor Trustee (or such other address as such successor Trustee may designate from time to time in accordance with the Indenture), provided that for purposes of exchange, transfer, cancellation, payment, redemption and surrender of Bonds such term means the designated office or agency of the Trustee in Minneapolis, Minnesota.

“Corporation” means Sequoia Living, Inc., a California nonprofit public benefit corporation duly organized and existing under the laws of the State, its successors and assigns, or

any corporation which is the surviving, resulting or transferee corporation in any merger, consolidation or transfer of assets permitted under the Regulatory Agreement.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Corporation and related to the authorization, issuance, sale and delivery of the Bonds, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees, expenses and charges of the Trustee (including legal fees, expenses and charges of its counsel), legal fees and charges, fees and disbursements of consultants and professionals, rating agency fees, fees and charges for preparation, execution, transportation and safekeeping of Bonds, and any other cost, charge or fee in connection with the original issuance of Bonds.

“Costs of Issuance Fund” means the fund by that name established pursuant to the Indenture.

“Current Ratio” means a ratio of current assets to current liabilities (excluding any current assets and current liabilities derived from the Corporation’s operation and possession of, or arising from or pertaining to, its HUD Facilities), as determined in accordance with generally accepted accounting principles and as shown on the Corporation’s audited financial statements.

“Days Cash on Hand” means, for any Fiscal Year, the quotient obtained by dividing (a) the Corporation’s cash and cash equivalents (including, as applicable, board designated funds and funded depreciation but excluding donor restricted funds and proceeds of short term debt and excluding any cash and cash equivalents derived from the Corporation’s operation and possession of, or arising from or pertaining to, its HUD Facilities) as of the end of such Fiscal Year by (b) the quotient of dividing (i) the Corporation’s operating expenses including interest expense (excluding depreciation, amortization, allowance for bad debts, and any other noncash expenses) for such Fiscal Year by (ii) the number of days in such Fiscal Year.

“Debt Service” when used with respect to any Long-Term Indebtedness, means, as of any date of calculation and with respect to any period, the sum of (a) the interest falling due on such Long-Term Indebtedness during such period (except to the extent that such interest is payable from the proceeds of such Long-Term Indebtedness set aside for such purpose), and (b) the scheduled principal (or mandatory sinking fund or installment purchase price or lease rental or similar) payments or deposits required with respect to such Long-Term Indebtedness during such period (except to the extent such principal is payable from the proceeds of such Long-Term Indebtedness set aside for such purpose), computed on the assumption that no portion of such Long-Term Indebtedness shall cease to be outstanding during such period except by reason of the application of such scheduled payments, provided, however, that for purposes of such computation:

(1) if Long-Term Indebtedness is

(a) secured by an irrevocable letter of credit or irrevocable line of credit issued by a financial institution having a combined capital and surplus of at least fifty million dollars (\$50,000,000) and whose unsecured securities are rated in one of the

two highest short-term or long-term rating categories (without regard to numerical modifier) by each rating agency then rating the Bonds, or

(b) insured by an insurance policy or surety bond issued by an insurance company rated at least A+ by Alfred M. Best Company in Best's Insurance Reports,

principal payments or deposits with respect to such Long-Term Indebtedness nominally due in the last Fiscal Year in which such Long-Term Indebtedness matures may, at the option of the Corporation, be treated as if they were due as specified in any loan agreement or installment sale/purchase agreement issued in connection with such letter of credit, line of credit, insurance policy or surety bond or pursuant to the repayment provisions of such letter of credit, line of credit, insurance policy or surety bond (or, if such loan agreement or installment sale/purchase agreement or repayment provisions provide for repayment over less than 20 years and the Trustee receives a Statement of the Corporation to the effect that the Corporation intends to refinance such Long-Term Indebtedness prior to maturity, as if they were amortized over a 20-year period with substantially level debt service) and interest on such Long-Term Indebtedness after such Fiscal Year shall be assumed to be payable at an interest rate equal to a rate per annum equal to the 25-year revenue bond index most recently published preceding the date of calculation in The Bond Buyer (subject to any adjustment for errors therein which may be acknowledged by the publishers thereof);

(2) if interest on Long-Term Indebtedness is payable pursuant to a variable interest rate formula, the interest rate on such Long-Term Indebtedness for periods when the actual interest rate cannot yet be determined shall be assumed to be equal to the greater of

(a) the average rate of interest borne (or which would have been borne) by such Long-Term Indebtedness during the Fiscal Year immediately preceding the date of calculation, plus one percent (1%); or

(b) the average rate of interest borne by such Long-Term Indebtedness during the three full calendar months immediately preceding the date of calculation, plus one percent (1%);

(3) if interest is capitalized with respect to Long-Term Indebtedness, Debt Service on such Long-Term Indebtedness shall be included in computations of Maximum Aggregate Annual Debt Service under the Regulatory Agreement only in proportion to the amount of interest payable in the then-current Fiscal Year from sources other than amounts funded to pay such capitalized interest;

(4) with respect to a Guarantee, there shall be included in the Debt Service of the Corporation:

(a) twenty-five percent (25%) of the Corporation's maximum possible monetary liability under the Guarantee in any Fiscal Year unless the Guarantee is drawn upon;

(b) one hundred percent (100%) of the Corporation's monetary liability under the Guarantee which has been drawn upon, until such time as all amounts drawn upon the Guarantee have been repaid to the Corporation, and for two Fiscal Years thereafter; and

(5) if moneys or Investment Securities described in subsections (a), (b), (e) or (f) of the definition thereof set forth below and contained in the applicable Indenture (not callable by the issuer thereof prior to maturity) have been deposited with a trustee or escrow agent in an amount, together with earnings thereon, sufficient to pay the principal of or interest on Long-Term Indebtedness as it comes due, such principal or interest, as the case may be, shall not be included in computations of Debt Service.

“Debt Service Coverage Ratio” means, for any period of time, the ratio determined by dividing Net Income Available for Debt Service by Maximum Aggregate Annual Debt Service, each described below under the caption “REGULATORY AGREEMENT—Rates and Charges; Debt Coverage; Current Ratio; Days Cash on Hand.”

“Deed of Trust” means, collectively, the Series 2018 Deed of Trust and the Series 2025 Deed of Trust, and such other deeds of trust that the Department may require.

“Deed Trustee” means the Person at the time serving as such under the Deed of Trust.

“Department” means the Department of Health Care Access and Information of the Health and Human Services Agency of the State, or its successors and assigns, and any other corporation or association which may at any time be substituted in its place as provided in the Indenture.

“Department Documents” means the Contract of Insurance, the Deed of Trust and the Regulatory Agreement.

“Deposit Account Control Agreement” means a deposit account control agreement among the Corporation, the Department, the Trustee and a Depository Bank.

“Depository” means The Depository Trust Company and its successors and assigns, or any other Securities Depository selected as set forth in the Indenture, which agrees to follow the procedures required to be followed by such depository in connection with the Bonds.

“Depository Bank” means a financial institution which has entered into a Deposit Account Control Agreement with the Corporation, the Department and the Trustee.

“Electronic Means” shall mean the following communication methods: unsecured e-mail or other similar unsecured electronic methods, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys, or another method or system specified by the Trustee as available for use in connection with its services under the Indenture.

“Entrance Fees” means fees, other than security deposits, monthly rentals or monthly service charges, paid to the Corporation by residents of Independent Living Units for the purpose

of obtaining the right to reside in those Independent Living Units including any refundable or nonrefundable resident deposits described in any lease or similar Residency Agreements with respect to those Independent Living Units, but shall not include any such amounts held in escrow or otherwise set aside pursuant to the requirements of any such Residency Agreement prior to the occupancy of the Independent Living Unit covered by such Residency Agreement (which amounts shall be included if and when occupancy occurs).

“Environmental Indemnity” means the Environmental Indemnity entered into as of July 1, 2025, by the Corporation, for the benefit of the Department, the Authority and the Trustee, in connection with the Contract of Insurance and the Deed of Trust.

“Environmental Regulations” means any federal, state or local law, statute, code, ordinance, regulation, requirement or rule relating to dangerous, toxic or hazardous pollutants, Hazardous Substances or chemical waste, materials or substances.

“Event of Default” means any of the events specified in the Indenture and described below under the caption “INDENTURE—Events of Default under the Indenture and Remedies—Events of Default.”

“Facilities” means (a) the real property described in an exhibit attached to the Regulatory Agreement and all real property required to be added, from time to time, to the definition of Facilities pursuant to the Regulatory Agreement; (b) all buildings and structures thereon and fixtures and improvements thereto, whether now existing or thereafter constructed, installed or acquired; and (c) all tangible personal property owned by the Corporation, whether now existing or thereafter constructed, installed or acquired, and used in, around or about the aforesaid real property, including but not limited to the personal property described in an exhibit attached to the Regulatory Agreement.

“Favorable Opinion of Bond Counsel” means an opinion of Bond Counsel, addressed to the Trustee to the effect that the action proposed to be taken will not, in and of itself, cause interest on the Bonds to be included in gross income for purposes of federal income taxation.

“Financing Documents” means, collectively, the Loan Agreement, the Department Documents, the Tax Agreement and the Continuing Disclosure Agreement.

“Fiscal Year” means the period beginning on January 1 of each year and ending on the next succeeding December 31 or any other twelve-month period hereafter selected and designated as the official fiscal year period of the Corporation.

“501(c)(3) Organization” means an organization described in Section 501(c)(3) of the Code.

“Governmental Unit” shall have the meaning set forth in Section 150 of the Code.

“Gross Revenue Fund” means the fund by that name established pursuant to the Loan Agreement.

“Gross Revenues” means all revenues, income, receipts and money received in any period by the Corporation, including, but without limiting the generality of the foregoing, the following: (a) gross revenues derived from its operation and possession of and pertaining to its properties (including Entrance Fees); (b) proceeds with respect to, arising from, or relating to its properties and derived from (1) insurance (including business interruption insurance) or condemnation proceeds (except to the extent such proceeds are required by the terms of the Regulatory Agreement or other agreements with respect to the Indebtedness which the Corporation is permitted to incur pursuant to the terms of the Regulatory Agreement) to be used for purposes inconsistent with their use for the payment of Loan Repayments or Additional Payments or similar payments with respect to Parity Debt, (2) accounts, including but not limited to, accounts receivable, (3) securities and other investments, (4) inventory and intangible property, (5) payment/reimbursement programs and agreements, and (6) contract rights, accounts, instruments, claims for the payment of moneys and other rights and assets now or hereafter owned, held or possessed by or on behalf of the Corporation, and (c) rentals received from the lease of the Corporation’s properties or space in its facilities; provided, however, that there shall be excluded from Gross Revenues (i) any amounts received by the Corporation as a billing agent for another entity, except for fees received for serving as billing agent, (ii) gifts, grants, bequests, donations, contributions, endowment funds and tax revenues to the Corporation heretofore or hereafter made, and the income and gains derived therefrom, which are specifically restricted by the donor or grantor to a particular purpose which is inconsistent with their use for Loan Repayments, Additional Payments or similar payments with respect to Parity Debt, (iii) any moneys received by the Corporation from prospective residents or commercial tenants in order to pay for customized improvements to those Independent Living Units or other areas of the Corporation’s facilities to be occupied or leased to such residents or tenants, (iv) payments or deposits under a Residency Agreement that by its terms or applicable law are required to be held in escrow or trust for the benefit of a resident until the conditions for the release of such payment or deposit have been satisfied, (v) all deposits and/or advance payments made in connection with any residency of the Independent Living Units or other areas of the Corporation’s facilities to be occupied by residents or tenants and received prior to receipt of such certificate and licenses for occupancy of such units (provided, however, that such deposits and/or advance payments shall be included in Gross Revenues if and when occupancy occurs), and (vi) any gross revenues derived from its operation and possession of and pertaining to HUD Facilities, proceeds with respect to, arising from, or relating to its properties and derived from HUD Facilities, or rentals received from the lease of all of or space in the HUD Facilities.

“Guarantee” means any obligation of the Corporation guaranteeing in any manner, whether directly or indirectly, any obligation of any Persons which would, if such Persons were the Corporation, constitute Long-Term Indebtedness.

“Hazardous Substances” means: (a) any oil, flammable substance, explosives, radioactive materials, hazardous wastes or substances, toxic wastes or substances or any other wastes, materials or pollutants which (i) pose a hazard to the Project or to persons on or about the Project or (ii) cause the Project to be in violation of any Environmental Regulation; (b) asbestos in any form which is or could become friable, urea formaldehyde foam insulation, transformers or other equipment which contain dielectric fluid containing levels of polychlorinated biphenyls, or radon gas; (c) any chemical, material or substance defined as or included in the definition of “waste,” “hazardous substances,” “hazardous wastes,” “hazardous materials,” “extremely

hazardous waste,” “restricted hazardous waste,” or “toxic substances” or words of similar import under any Environmental Regulation including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”), 42 USC §§ 9601 et seq.; the Resource Conservation and Recovery Act (“RCRA”), 42 USC §§ 6901 et seq.; the Hazardous Materials Transportation Act, 49 USC §§ 1801 et seq.; the Federal Water Pollution Control Act, 33 USC §§ 1251 et seq.; the California Hazardous Waste Control Law (“HWCL”), Cal. Health & Safety Code §§ 25100 et seq.; the Hazardous Substance Account Act (“HSAA”), Cal. Health & Safety Code §§ 25300 et seq.; the Underground Storage of Hazardous Substances Act, Cal. Health & Safety Code §§ 25280 et seq.; the Porter-Cologne Water Quality Control Act (the “Porter-Cologne Act”), Cal. Water Code §§ 13000 et seq., the Safe Drinking Water and Toxic Enforcement Act of 1986 (Proposition 65); and Title 22 of the California Code of Regulations, Division 4, Chapter 30; (d) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any governmental authority or agency or may or could pose a hazard to the health and safety of the occupants of the Project or the owners and/or occupants of property adjacent to or surrounding the Project, or any other person coming upon the Project or adjacent property; or (e) any other chemical, materials or substance which may or could pose a hazard to the environment.

“HUD Facilities” means Town Park Towers, located at 60 North 3rd Street, San Jose, California, Western Park Apartments, located at 1280 Laguna Street, San Francisco, California, and Eastern Park Apartments, located at 711 Eddy Street, San Francisco, California, and, subject to the written consent of the Department, any other rental retirement community owned and operated by the Corporation.

“Indebtedness” means (a) any Guarantee and (b) any indebtedness or obligation of the Corporation (other than accounts payable and accruals), as determined in accordance with generally accepted accounting principles, including obligations under conditional sales contracts or other title retention contracts, and rental obligations under leases which are considered capital leases under generally accepted accounting principles. Indebtedness shall not include Non-recourse Indebtedness.

“Indenture” means the Indenture relating to the Bonds, between the Authority and the Trustee, dated as of July 1, 2025, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture.

“Independent,” when referring to an Accountant, counsel, Management Consultant or a Person, means an Accountant, counsel, Management Consultant or Person who is independent of and not under the control of the Corporation, does not have any substantial interest, direct or indirect, in the Corporation, and in the case of an individual, is not connected, including through a spouse, with the Corporation as a director, officer or employee of the Corporation, and in the case of a firm, is not connected with the Corporation as a partner, director, officer or employee of the Corporation, but who may be regularly retained by the Corporation.

“Independent Living Unit” or “Independent Living Units” means the newly-constructed independent living units that are part of the Project.

“Information Services” means, initially, the Electronic Municipal Market Access system (EMMA), or any successor designated by the Securities and Exchange Commission.

“Initial Entrance Fees” means Entrance Fees received upon the initial occupancy of any Independent Living Units (including any such fees collected for the purpose of obtaining a parking space) not previously occupied.

“Insurance and Condemnation Proceeds Fund” means the fund by that name established pursuant to the Indenture.

“Insurance Law” means Chapter 1, Part 6, Division 107 of the Health and Safety Code of the State, cited as the “California Health Facility Construction Loan Insurance Law,” as now in effect and as it may from time to time hereafter be amended or supplemented.

“Insurance Premium” means the premium charged for insurance by the Department pursuant to Insurance Law Section 129040.

“Interest Account” means the account by that name in the Revenue Fund established pursuant to the Indenture.

“Interest Payment Date” means January 1 and July 1 of each year, commencing January 1, 2026.

“Investment Securities” means any of the following:

- (a) United States Government Obligations;
- (b) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America (including stripped securities if the agency has stripped them itself)
 - (i) U.S. Export-Import Bank;
 - (ii) Farmers Home Administration;
 - (iii) Federal Financing Bank;
 - (iv) Federal Housing Administration;
 - (v) General Services Administration;
 - (vi) Government National Mortgage Association (“GNMA”) (including guaranteed mortgage-backed bonds and guaranteed pass-through obligations);
 - (vii) Rural Economic Community Development Administration;
 - (viii) Small Business Administration;

- (ix) U.S. Maritime Administration (guaranteed Title XI financing); and
- (x) U.S. Department of Housing and Urban Development (including project notes, local authority bonds, new communities debentures, U.S. government guaranteed debentures, U.S. Public Housing Notes and Bonds and U.S. government guaranteed public housing notes and bonds);

(c) Debentures, bonds, notes or other evidence of indebtedness issued or guaranteed by any of the following U.S. government agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America (including stripped securities if the agency has stripped them itself):

- (i) Federal Home Loan Bank System (senior debt obligations);
- (ii) Resolution Funding Corporation (REFCORP) obligations;
- (iii) Federal Home Loan Mortgage Corporation (FHLMC or “Freddie Mac”) senior debt obligations or participation certificates;
- (iv) Federal National Mortgage Association (FNMA or “Fannie Mae”) mortgage-backed securities and senior debt obligations;
- (v) Senior debt obligations of other government sponsored agencies approved by the Department.

(d) Investments in money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating in the highest investment category granted thereby by S&P (including funds for which the Trustee, its parent holding company, if any, or any affiliates or subsidiaries of the Trustee provide investment advisory or other management services, whether as a custodian, transfer agent, investment advisor or otherwise; notwithstanding that, (a) the Trustee charges and collects fees and expenses from such funds for services rendered, (b) the Trustee charges and collects fees and expenses for services rendered pursuant to the Indenture and (c) services performed for such funds and pursuant to the Indenture may converge at any time);

(e) Pre-refunded municipal obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local Governmental Unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(i) which are rated, based on an irrevocable escrow account or fund (the “Escrow”), in the highest rating category of Moody’s or S&P or any successors thereto; or

(ii) (A) which are fully secured as to principal, interest and redemption premium, if any, by an Escrow consisting only of cash or obligations described in paragraph (a) above, which Escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates

thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (B) which Escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(f) Repurchase or reserve purchase agreements (including those of the Trustee or any of its affiliates) fully secured by collateral security described in clauses (a), (b), (c), or (h) of this definition, provided that (i) the collateral security is held by the Trustee or a third party agent during the term of such repurchase agreement, (ii) collateral security is not, pursuant to the terms of such agreement, subject to liens or claims of third parties and (iii) repurchase or reserve purchase agreement must provide that the value of the underlying obligations shall be maintained at a current market value, calculated no less frequently than monthly, of not less than the repurchase price;

(g) Demand deposits, including trust accounts, trust funds, interest bearing money market accounts, other deposit products, overnight bank deposits, interest bearing deposits, banker's acceptances or certificates of deposit of, or time deposits in, any bank (including the Trustee or any of its affiliates) or savings and loan association (i) which certificates of deposit or time deposits are fully insured by the Federal Deposit Insurance Corporation or (ii) which certificates of deposit (including those placed by a third party pursuant to an agreement between the Trustee and the Corporation, or bankers acceptances of depository institutions, including the Trustee or any of its affiliates) or time deposits are secured at all times, in the manner and to the extent provided by law, by collateral security (described in clauses (a), (b), (c), or (h) of this definition) with a market value (valued at least quarterly) of no less than the original amount of moneys so invested;

(h) Municipal obligations rated "Aaa/AAA" on the basis of insurance or credit enhancement, provided the underlying rating of the municipal obligation must be at least "Baa/BBB," uninsured, or unenhanced municipal obligations rated at least "Aa2/AA" or general obligations of states with a rating of "A2/A" by Moody's or S&P;

(i) U.S. dollar denominated deposit accounts, federal funds or bankers acceptances with domestic commercial banks which may include the Trustee and its affiliates which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P (for purposes of rating, ratings on holding companies are not considered as the rating of the bank) and maturing not more than 360 calendar days after the date of purchase;

(j) The Local Agency Investment Fund of the State, created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name;

(k) Direct obligations of the State (including obligations issued or held in book-entry form on the books of the Office of the Treasurer of the State) or obligations the timely payments of the principal of and interest on which are fully guaranteed by the State; and

- (l) Other forms of investments approved in writing by the Department.

“Joint Powers Agreement” means the Amended and Restated Joint Exercise of Powers Agreement, dated June 1, 1988, relating to the formation of the Authority, among certain cities, counties and special districts in the State of California, including the Program Participants, as the same may be amended from time to time.

“Loan Agreement” means that certain Loan Agreement, dated as of July 1, 2025, between the Corporation and the Authority, as amended, modified and supplemented from time to time in accordance with the terms thereof and of the Indenture.

“Loan Default Event” means any of the events specified in the Loan Agreement and described below under the caption “LOAN AGREEMENT—Loan Default Events.”

“Loan Repayments” means the payments so designated and required to be made by the Corporation pursuant to the Loan Agreement.

“Long-Term Indebtedness” means Indebtedness having an original maturity greater than one year or renewable at the option of the Corporation for a period greater than one year from the date of original incurrence or issuance thereof unless, by the terms of such Indebtedness, no Indebtedness is permitted to be outstanding thereunder for a period of at least 30 consecutive days during each calendar year.

“Management Agent” means that Person or those Persons with whom the Corporation has entered into a contract, whether as an independent contractor or employee, for managerial services, relating to the management or operation of all or substantially all of the Facilities. In the event the Corporation does not have a separate management contract, then “Management Agent” shall mean all of those Persons serving as the Corporation’s chief executive officer, chief financial officer, chief operating officer, or other similar officers. In the event the Corporation does not have such officers, then “Management Agent” shall mean all of those Persons that manage or operate all or substantially all of the Facilities, including, but not limited to, the Corporation’s chairperson.

“Management Consultant” means an Independent Person of national or regional reputation qualified to report on questions relating to the financial condition and projections of continuing care retirement communities, selected by the Corporation so long as such Management Consultant is acceptable to the Department.

“Mandatory Sinking Account Payment” means, with respect to Term Bonds of any maturity, the amount required by the Indenture to be paid on any single date for the redemption or payment at maturity of Term Bonds of such maturity.

“Maximum Aggregate Annual Debt Service” means, as of any date of calculation, the Aggregate Debt Service as computed for the then current or any future Fiscal Year in which such sum shall be largest.

“Maximum Annual Debt Service” means, as of any date of calculation, the sum of (1) the interest falling due on then Outstanding Bonds (assuming that all then Outstanding Serial

Bonds are retired on their respective maturity dates and all Outstanding Term Bonds are retired at the times and in the amounts provided by Mandatory Sinking Account Payments), and (2) the principal amount of then Outstanding Serial Bonds falling due by their terms and the aggregate amount of all Mandatory Sinking Account Payments required (less the amount on deposit in the Bond Reserve Account which shall reduce the Mandatory Sinking Account Payments in the final Fiscal Year), all as computed for the Fiscal Year in which such sum shall be the largest.

“Moody’s” means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Corporation by notice to the Authority and the Trustee.

“Net Income Available for Debt Service” means, with respect to any period, the excess of revenues (including non-operating revenues but excluding any gross revenues or proceeds derived from the Corporation’s operation and possession of, or arising from or pertaining to, its HUD Facilities) over expenses (excluding expenses derived from the Corporation’s operation and possession of, or arising from or pertaining to, its HUD Facilities) from operations of the Corporation for such period, determined in accordance with generally accepted accounting principles, to which shall be added interest expense, amortization expense, depreciation expense, other non-cash charges, and, to the extent not already included in revenues, proceeds of Entrance Fees from resales net of applicable refunds, each item determined in accordance with generally accepted accounting principles, and excluding (a) any profits or losses on the sale or other disposition, not in the ordinary course of business, of investments or fixed or capital assets or resulting from the early extinguishment of debt, (b) gifts, grants, bequests, donations, contributions, endowment funds, and tax revenues to the extent specifically restricted by the donor to a particular purpose inconsistent with their use for the payment of Debt Service or operating expenses, (c) the net proceeds of insurance (other than business interruption insurance) and condemnation awards, (d) changes in net unrealized gain (loss) on investments, (e) non-cash revenues, (f) Initial Entrance Fees, (g) amortization of Entrance Fees; and (h) amortization and other non-cash credits.

“Non-recourse Indebtedness” means any indebtedness of the Corporation, which is not a general obligation of the Corporation and is secured by a lien on property of the Corporation, liability for which is effectively limited to the property subject to such lien (which property is not integral to the operation of the Facilities) with no recourse, directly or indirectly, to any other property of the Corporation.

“Opinion of Counsel” means a written opinion of counsel (including, without limitation, counsel for the Authority, the Trustee or the Corporation) selected by the Corporation and acceptable to the Authority.

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture relating to unclaimed Bonds) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except: (1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (2) Bonds that have been paid or Bonds deemed to have been paid with respect to which all liability

of the Authority shall have been discharged in accordance with the Indenture; (3) Bonds that have matured or been called for redemption; and (4) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

“Parity Debt” means (i) the obligations of the Corporation with respect to the Series 2018 Bonds and the Bonds, and (ii) any Long-Term Indebtedness which is incurred by the Corporation in accordance with the provisions of the Regulatory Agreement and secured equally and ratably with the obligations of the Corporation under the Loan Agreement by a lien on and security interest in the Gross Revenues and the Deed of Trust.

“Participating Underwriter” means the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Permitted Encumbrances” means and includes:

(a) undetermined liens and charges incident to construction or maintenance, and liens and charges incident to construction or maintenance now or hereafter filed of record which are being contested in good faith and have not proceeded to final judgment (and for which all applicable periods for appeal or review have not expired), provided that the Corporation shall have set aside reserves with respect thereto which, in the opinion of the Department, are adequate;

(b) notices of *lis pendens* or other notices of or liens with respect to pending actions which are being contested in good faith and have not proceeded to final judgment (and for which all applicable periods for appeal or review have not expired), provided that the Corporation shall have set aside reserves with respect thereto which, in the opinion of the Department, are adequate;

(c) the lien of taxes and assessments which are not delinquent, or, if delinquent, are being contested in good faith, provided that the Corporation shall have set aside reserves with respect thereto which, in the opinion of the Department, are adequate;

(d) minor defects and irregularities in title to the Facilities which in the aggregate do not materially adversely affect the value or operation of the Facilities for the purposes for which they are or may reasonably be expected to be used;

(e) easements, exceptions or reservations for the purpose of ingress and egress, parking, pipelines, telephone lines, telegraph lines, power lines and substations, roads, streets, alleys, highways, railroad purposes, drainage and sewerage purposes, dikes, canals, laterals, ditches, the removal of oil, gas, coal or other minerals, and other like purposes, or for the joint or common use of real property, facilities and equipment, which in the aggregate do not materially interfere with or impair the operation of the Facilities for the purposes for which they are or may reasonably be expected to be used;

(f) rights reserved to or vested in any municipality or governmental or other public authority to control or regulate or use in any manner any portion of the Facilities which do not

materially impair the operation of the Facilities for the purposes for which they are or may reasonably be expected to be used;

(g) present or future valid zoning laws and ordinances;

(h) the rights of the Authority, the Corporation, the Department, the Trustee and holders of Parity Debt under the Loan Agreement, the Indenture, the Regulatory Agreement and the Deed of Trust, and the lien and charge of the Indenture, the Regulatory Agreement and the Deed of Trust;

(i) liens securing indebtedness for the payment, redemption or satisfaction of which money (or evidences of indebtedness) in the necessary amount shall have been deposited in trust with a trustee or other holder of such indebtedness;

(j) purchase money security interests and security interests existing on any personal property prior to the time of its acquisition by the Corporation through purchase, merger, consolidation or otherwise, whether or not assumed by the Corporation, or placed upon property being acquired by the Corporation to secure a portion of the purchase price thereof, or lessor's interests in leases required to be capitalized in accordance with generally accepted accounting principles;

(k) statutory liens arising in the ordinary course of business which are not delinquent or are being contested in good faith by the Corporation;

(l) the lease or license of the use of a part of the Facilities for use in performing professional or other services necessary for the proper and economical operation of the Facilities in accordance with customary business practices in the health care industry;

(m) liens or encumbrances existing as of the date of initial execution and delivery of the Bonds as listed on an exhibit to the Regulatory Agreement;

(n) liens securing Parity Debt on parity with the obligations of the Corporation under the Regulatory Agreement;

(o) statutory rights of the United States of America to recover against the Corporation by reason of federal funds made available under 42 U.S.C. § 291 et seq., and similar rights under other federal and state statutes;

(p) any liens arising from or in connection with assistance provided by the Federal Emergency Management Agency;

(q) liens on any of the Corporation's accounts receivable to secure Indebtedness permitted by the Regulatory Agreement, but only for so long as the Corporation shall maintain a valid Credit Rating BBB- or higher. Should the Corporation become unrated, it shall not extend or renew such Indebtedness without the consent of the Department; and

(r) other liens and encumbrances specifically approved in writing by the Department.

“Person” means a person, individual, company, firm, association, organization, partnership, trust, corporation or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“Principal Account” means the account by that name in the Revenue Fund established pursuant to the Indenture.

“Principal Payment Date” means the principal and Mandatory Sinking Account Payment dates for the Bonds, which dates occur on July 1 of each year.

“Program Participants” means (i) the City and County of San Francisco, California, (ii) the City of Walnut Creek, California, (iii) the County of Marin, California, and (iv) the County of San Mateo, California, all being program participants of the Authority.

“Project” has the meaning given in this Official Statement.

“Project Costs” means (a) the obligations of the Corporation incurred for labor and materials and to architects, engineers, project supervisors, contractors, builders and materialmen in connection with the design, demolition of existing structures, acquisition, construction, installation and equipping of the Building Projects; (b) the cost of contract bonds and of insurance of all kinds that may be required or necessary during the course of construction of the Building Projects which is not paid by the contractor or contractors or otherwise provided for; (c) all costs of engineering services, including test borings, surveys, estimates, plans and specifications and preliminary investigations, and supervising construction, as well as for the performance of all other duties required by or consequent upon the proper construction of the Building Projects; (d) Costs of Issuance; (e) all other costs which the Corporation shall be required to pay, under the terms of any contract or contracts, for the acquisition, construction and installation of the Building Projects; (f) other costs of a nature comparable to those described in clauses (a) through (e) above which the Corporation shall be required to pay as a result of the damage, destruction, condemnation or taking of the Building Projects or any portion thereof; (g) fees and expenses including consultants’ fees and expenses incurred in connection with the Building Projects; (h) any other costs incurred by the Corporation which are properly chargeable to the capital account of the Building Projects and which may be financed by the Bonds under the Act and the Code (including any fees for a qualified guarantee, as defined in Regulations, to the extent properly chargeable to the capital account of the Building Projects under the Code); and (i) repayment of any loan incurred to pay any of the costs described in (a) through (h) above which may be financed by the Bonds under the Act and the Code; provided, however, that in no event shall the term “Project Costs” include any item or items of expense which may not be financed from the proceeds of the Bonds under the Act or which, if paid or reimbursed from the proceeds of the Bonds would, individually or in the aggregate, cause the interest on the Bonds to be includable for federal income tax purposes in the gross income of the registered owners thereof.

“Project Fund” means the fund by that name established pursuant to the Indenture.

“Rating Category” means (i) with respect to any long term Rating Category, all ratings designated by a particular letter or combination of letters, without regard to any numerical

modifier, plus or minus sign or other modifier and (ii) with respect to any short term or commercial paper Rating Category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

“Rebate Fund” means the fund by that name established pursuant to the Indenture.

“Rebate Requirement” means the Rebate Requirement as defined in the Tax Agreement.

“Record Date” means, with respect to any Interest Payment Date for the Bonds, the 15th day of the month prior to the Interest Payment Date, whether or not such day is a Business Day.

“Redemption Fund” means the fund by that name established pursuant to the Indenture.

“Redemption Price” means, with respect to any Bond (or portion thereof), the principal amount of such Bond (or portion thereof), plus interest accrued to the date of redemption, payable upon redemption thereof pursuant to the provisions of such Bond and the Indenture.

“Refunded Bonds” means the Series 2015 Bonds to be refunded.

“Regulations” means the federal income tax regulations, as the same may be amended from time to time.

“Regulatory Agreement” means the Series 2018 Regulatory Agreement, as it has been amended and restated by that certain Amended and Restated Regulatory Agreement, dated as of July 1, 2025, and effective as of the date of issuance of the Bonds, among the Corporation, the Department and the Authority, as originally executed and as amended, supplemented or restated from time to time in accordance with its terms.

“Residency Agreement” means any written agreement or contract, as amended from time to time, between the Corporation and a resident or potential resident of a facility giving the resident certain rights of occupancy in the facility, including without limitation, Independent Living Units, assisted living units, memory support units, nursing beds or specialty care beds and providing for certain services to such resident including any reservation agreement or other agreement or contract reserving rights of occupancy.

“Retained Rights” means the right of the Authority to receive payment of its fees and expenses (including Additional Payments and Administrative Fees and Expenses to the extent payable to the Authority), the Authority’s right to indemnification in certain circumstances, the Authority’s right to enforce venue provisions, the Authority’s right to execute and deliver supplements and amendments to the Loan Agreement, the Authority’s right to grant consents under the Loan Agreement and the Authority’s right to receive notices and consent to amendments.

“Revenue Fund” means the fund by that name established pursuant to the Indenture.

“Revenues” means all amounts received by the Authority or the Trustee pursuant or with respect to the Loan Agreement, including, without limiting the generality of the foregoing, Loan

Repayments (including both timely and delinquent payments and any late charges, and regardless of source), prepayments, insurance proceeds, payments received pursuant to the Insurance Law, condemnation proceeds, and all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to the Indenture (except the Rebate Fund), but not including (1) any Additional Payments or Administrative Fees and Expenses, (2) any amounts paid to the Authority or the Trustee pursuant to rights of indemnification, or (3) any moneys required to be deposited in the Rebate Fund.

“Risk Management Consultant” means an Independent Person having experience and a favorable reputation in consulting on the insurance requirements of continuing care retirement communities in the State of the general size and character of the Facilities, selected by the Corporation, so long as such Risk Management Consultant is acceptable to the Department.

“Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“S&P” means S&P Global Ratings, its successors and assigns or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Corporation by notice to the Authority and the Trustee.

“Serial Bonds” means, collectively, the Bonds maturing on July 1st of the years set forth in this Official Statement.

“Series 2015 Bonds” means the California Health Facilities Financing Authority Insured Revenue Bonds (Northern California Presbyterian Homes and Services, Inc.), Series 2015.

“Series 2018 Bonds” means, collectively, the California Statewide Communities Development Authority Insured Revenue Bonds, Series 2018A (Viamonte Senior Living 1 Project), California Statewide Communities Development Authority Insured Revenue Bonds, Series 2018B-1 (Viamonte Senior Living 1 Project – Entrance Fee Redemption), California Statewide Communities Development Authority Insured Revenue Bonds, Series 2018B-2 (Viamonte Senior Living 1 Project – Entrance Fee Redemption) and California Statewide Communities Development Authority Insured Revenue Bonds, Series 2018B-3 (Viamonte Senior Living 1 Project – Entrance Fee Redemption).

“Series 2018 Deed of Trust” means that certain Deed of Trust, Assignment of Rents and Leases with Fixture Filing and Security Agreement, dated as of May 1, 2018, executed by the Corporation (as successor to Viamonte Senior Living 1, Inc.), as trustor, in favor of the Deed Trustee for the benefit of the Department and the Trustee for the benefit of the holders of the Series 2018 Bonds and of Parity Debt, as beneficiaries, as amended, modified and supplemented from time to time.

“Series 2018 Regulatory Agreement” means that certain Regulatory Agreement, dated as of May 1, 2018, among the Corporation, the Department and the Authority, as originally executed and as amended, supplemented or restated from time to time in accordance with its terms.

“Series 2025 Deed of Trust” means that certain Deed of Trust, Assignment of Rents and Leases with Fixture Filing and Security Agreement, dated as of July 1, 2025, executed by the Corporation, as trustor, in favor of the Deed Trustee for the benefit of the Department and the Trustee for the benefit of the holders of the Bonds and of Parity Debt, as beneficiaries, as amended, modified and supplemented from time to time.

“Short-Term Indebtedness” means Indebtedness having an original maturity less than or equal to one year and not renewable at the option of the Corporation for a term greater than one year from the date of original incurrence or issuance unless, by the terms of such Indebtedness, no Short-Term Indebtedness is permitted to be outstanding thereunder for a period of at least 30 consecutive days during each calendar year.

“Special Record Date” means the date established by the Trustee pursuant to the provisions of the Indenture as a record date for the payment of defaulted interest on Bonds.

“State” means the State of California.

“Supplemental Indenture” means any indenture hereafter duly authorized and entered into between the Authority and the Trustee, supplementing, modifying or amending the Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

“Tax Agreement” means the Tax Certificate and Agreement, delivered by the Authority and the Corporation at the time of issuance of the Bonds, as the same may from time to time be amended or supplemented in accordance with the terms thereof.

“Term Bonds” means, collectively, the Bonds maturing on July 1st of the years set forth in this Official Statement.

“Trustee” means The Bank of New York Mellon Trust Company, N.A., a national banking association duly organized and existing under and by virtue of the laws of the United States of America, or its successor, as Trustee under the Indenture as provided in the Indenture.

“United States Government Obligations” means:

(1) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America, and “CATS” and “TIGRS”) or obligations the payment of principal of and interest on which are unconditionally guaranteed by the United States of America; and

(2) senior debt obligations of other agencies of the United States of America approved in writing by the Department.

INDENTURE

General

The Indenture sets forth the terms of the Bonds, the application of the Bond proceeds, the nature and extent of the security, various rights of the Bondholders, rights, duties and

immunities of the Trustee and the rights and obligations of the Authority. Certain provisions of the Indenture are summarized below. Other provisions are summarized in this Official Statement under the captions “THE BONDS” and “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS.” These summaries do not purport to be complete or definitive and are qualified in their entireties by reference to the full terms of the Indenture.

Pledge and Assignment

Pursuant to the provisions of the Indenture, the Authority transfers in trust, grants a security interest in and assigns to the Trustee, for the benefit of the Holders from time to time of the Bonds, all of the Revenues and other assets pledged in the Indenture and all of the right, title and interest of the Authority in the Loan Agreement (except for (i) Retained Rights and (ii) the obligation of the Corporation to make deposits pursuant to the Tax Agreement), the Deed of Trust, the Contract of Insurance, the Environmental Indemnity and the Regulatory Agreement. The Trustee shall be entitled to and shall collect and receive all of the Revenues, and any Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee. The Trustee shall also be entitled to, and subject to the provisions of the Indenture, shall take all steps, actions and proceedings reasonably necessary to enforce, either jointly with the Authority or separately, any or all rights of the Authority (other than those specifically retained by the Authority) and all of the obligations of the Corporation under the Indenture, the Loan Agreement, the Deed of Trust, the Contract of Insurance, the Environmental Indemnity, and the Regulatory Agreement. Notwithstanding the foregoing, the Retained Rights are reserved by the Authority and are exempted from the foregoing assignment.

Establishment of Funds and Accounts

The Indenture creates the Revenue Fund, including the Interest Account, the Principal Account, the Bond Reserve Account, established within the Revenue Fund, the Insurance and Condemnation Proceeds Fund, the Project Fund, the Costs of Issuance Fund and the Rebate Fund. All of such funds and accounts shall be established, maintained and held in trust by the Trustee and applied in accordance with the provisions set forth in the Indenture.

Project Fund. The Trustee shall establish, maintain and hold in trust a separate fund designated as the “Project Fund.” The moneys in the Project Fund shall be used and withdrawn by the Trustee to pay Project Costs. No moneys in the Project Fund shall be used to pay Costs of Issuance. Before any payment from the Project Fund shall be made, the Corporation shall file or cause to be filed with the Trustee certain items described in the Indenture. When the Project has been completed, and the required items described in the Indenture shall have been delivered to the Trustee and the Department by the Corporation, the Trustee shall, as directed by the Corporation, transfer any remaining balance in such Project Fund, less the amount of any retention, to the Redemption Fund and the Project Fund shall be closed.

Costs of Issuance Fund. The Trustee shall establish, maintain and hold in trust a separate fund designated as the “Costs of Issuance Fund.” The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee to pay the Costs of Issuance upon receipt by the Trustee of (i) a Requisition of the Corporation, and (ii) an executed form of the Department

stating that such disbursements are authorized and the amounts so authorized. Amounts, if any, remaining in the Costs of Issuance Fund shall be transferred to the Revenue Fund and the Costs of Issuance Fund shall be closed.

Revenue Fund. All Revenues shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the “Revenue Fund,” which the Trustee shall establish, maintain and hold in trust, except as otherwise provided in the Indenture and except that (i) all moneys received by the Trustee and required by the Regulatory Agreement to be deposited in the Insurance and Condemnation Proceeds Fund or the Redemption Fund shall be promptly deposited in such fund and (ii) all moneys received by the Trustee and required to be deposited in the Bond Reserve Account shall be promptly deposited in such account. All Revenues deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture.

Interest Account. All amounts in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to the Indenture).

Principal Account. All amounts in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds when due and payable as provided in the Indenture.

The Trustee shall establish and maintain within the Principal Account a separate subaccount for the Bonds, designated as the “2025A Sinking Account.” On each Mandatory Sinking Account Payment date, the Trustee shall apply the Mandatory Sinking Account Payment required on that date to the redemption (or payment at maturity, as the case may be) of the Term Bond, upon the notice and in the manner provided in the Indenture; provided that, at any time prior to giving such notice of such redemption, the Trustee may apply moneys in the Principal Account to the purchase of the Term Bond at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as directed by the Corporation in writing, except that the purchase price (excluding accrued interest) shall not exceed the principal amount of such Term Bond. If, during the twelve-month period immediately preceding said Mandatory Sinking Account Payment date, the Trustee has purchased the Term Bond with moneys in the Principal Account, or, during said period and prior to giving said notice of redemption, the Corporation has deposited the Term Bond with the Trustee, or the Term Bond was at any time purchased or redeemed by the Trustee from the Redemption Fund and allocable to said Mandatory Sinking Account Payment, such Term Bond so purchased or deposited or redeemed shall be applied, to the extent of the full principal amount thereof, to reduce said Mandatory Sinking Account Payment. The Term Bond purchased or deposited as described in this paragraph shall be canceled by the Trustee upon the order of the Authority. The Term Bond purchased from the Principal Account or deposited by the Corporation with the Trustee shall be allocated first to the Mandatory Sinking Account Payments as may be specified by the Corporation or, if the Corporation fails to specify such Mandatory Sinking Account Payments, in inverse order of their payment dates.

Insurance and Condemnation Proceeds Fund. The Trustee shall establish, maintain and hold in trust when deposits thereto are required, a separate fund designated as the “Insurance and Condemnation Proceeds Fund,” and shall administer said fund in accordance with the Regulatory Agreement.

Redemption Fund. The Trustee shall establish and maintain a fund designated as the “Redemption Fund.” The Trustee shall accept all moneys deposited for redemption (other than for sinking account redemption) and shall deposit such moneys into the Redemption Fund. All amounts deposited in the Redemption Fund shall be accepted and used and withdrawn by the Trustee solely for the purpose of redeeming Bonds, in the manner and upon the terms and conditions specified in the Indenture, at the next succeeding date of redemption for which notice has not been given and at the Redemption Prices then applicable to redemptions from the Redemption Fund; provided that, at any time prior to selection of Bonds for redemption, the Trustee shall, upon written direction of the Corporation, apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as the Corporation may direct, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to such Bonds (or, if such Bonds are not then subject to redemption, the par value of such Bonds); and provided further that in the case of optional redemption of Bonds pursuant to the Indenture in lieu of optional redemption at such next succeeding date of redemption, or in combination therewith, amounts on deposit in the Redemption Fund for such optional redemption may, upon written direction of the Corporation, be transferred to the Principal Account and credited against Loan Repayments in order of their due date as set forth in a Request of the Corporation.

The Term Bond purchased or redeemed from the Redemption Fund shall be allocated to the Mandatory Sinking Account Payments for such Term Bond specified by the Corporation (in accordance with the Tax Agreement) in writing delivered to the Trustee, provided, however, if the Corporation fails to deliver such specification, in inverse order of the Mandatory Sinking Account Payments. The Corporation shall include with the written delivery of such specification to the Trustee a revised schedule of Mandatory Sinking Account Payments.

Bond Reserve Account. The Trustee shall establish, maintain and hold in trust when deposits thereto are required a separate account within the Revenue Fund designated as the “Bond Reserve Account.”

All amounts in the Bond Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of making up any deficiency in the Interest Account or Principal Account for the Bonds (but, in each case, only with the consent of the Department as provided in the Regulatory Agreement) or (together with any other moneys available therefor) for the payment or redemption of all Bonds then Outstanding.

All Investment Securities in the Bond Reserve Account shall be valued by the Trustee semi-annually on June 30 and December 31, commencing December 31, 2025 (or more frequently if requested in writing by the Corporation, but not more frequently than quarterly), and such valuation shall be reported, in the event the amount on deposit therein is less than the Bond Reserve Account Requirement and, in all other cases, shall be reported in the regular

monthly statement of the Trustee sent to the Corporation. On the fifth day of the calendar month following the month in which a valuation is made as described in the Indenture, any amount in the Bond Reserve Account in excess of the Bond Reserve Account Requirement shall be transferred to the Revenue Fund. To the extent that amounts in the Bond Reserve Account are less than 100% of the Bond Reserve Account Requirement, the Corporation shall within 30 days after receiving notice of such valuation pay to the Trustee an amount sufficient to increase the balance in the Bond Reserve Account to the Bond Reserve Account Requirement. The Trustee may engage an Independent consultant, at the expense of the Corporation, to make this valuation.

Rebate Fund. The Trustee shall establish and maintain a fund separate from any other fund established and maintained under the Indenture designated as the Rebate Fund. Within the Rebate Fund, the Trustee shall, upon the direction of the Authority or the Corporation, maintain such accounts as shall be necessary to comply with the terms and conditions of the Tax Agreement. Subject to the transfer provisions provided in the Indenture, all money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement (as defined, computed and provided to the Trustee in accordance with the Tax Agreement), for payment to the federal government of the United States of America. Neither the Authority, the Corporation, the Department nor the Holder of any Bonds shall have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by the Indenture and by the Tax Agreement.

Allocation of Revenues

On or before the 25th day of each month, the Trustee shall transfer from the Revenue Fund and deposit into the following respective accounts and subaccounts (each of which the Trustee shall establish and maintain within the Revenue Fund) and then to the Rebate Fund, the following amounts, in the following order of priority, the requirements of each such account or fund (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account or fund subsequent in priority:

First: to each respective subaccount of the Interest Account, one-sixth of the aggregate amount of interest becoming due and payable during the next ensuing six months on all Bonds of the related series then Outstanding on the next Interest Payment Date, until the balance in said subaccount is equal to said aggregate amount of interest; provided, however, that from the date of delivery of the Bonds until the first Interest Payment Date with respect to the Bonds (if less than six months), transfers to each respective subaccount of the Interest Account shall be sufficient on a monthly pro rata basis, to pay the interest becoming due and payable on said Interest Payment Date on the related series of Bonds by such Interest Payment Date;

Second: to each respective subaccount of the Principal Account, one-twelfth of the aggregate amount of principal becoming due and payable during the next ensuing twelve months on the Outstanding Serial Bonds of the related series plus one-twelfth of the aggregate amount of Mandatory Sinking Account Payments required to be paid during the next ensuing twelve months into the respective sinking accounts for Outstanding Term Bonds of the related series, on the next Principal Payment Date, until

the balance in said subaccount of the Principal Account is equal to said aggregate amount of such principal and Mandatory Sinking Account Payments for the related series of Bonds; provided, however, that from the date of delivery of the Bonds until the first Principal Payment Date with respect to the Bonds (if less than twelve months), transfers to each respective subaccount of the Principal Account shall be sufficient on a monthly pro rata basis to pay the principal and Mandatory Sinking Account Payments becoming due and payable on said Principal Payment Date on the related series of Bonds by such Principal Payment Date;

Third: to the Bond Reserve Account, (i) one-twelfth of the aggregate amount of each prior withdrawal from the Bond Reserve Account for the purpose of making up a deficiency in the Interest Account or Principal Account for the Bonds (until deposits on account of such withdrawal are sufficient to fully restore the amount withdrawn), provided that no deposit need be made into the Bond Reserve Account if the balance in said account is at least equal to the related Bond Reserve Account Requirement, and (ii) in the event the balance in said account shall be less than the Bond Reserve Account Requirement due to valuation of the Investment Securities deposited therein in accordance with the Indenture, the amount necessary to increase the balance in said account to an amount at least equal to the Bond Reserve Account Requirement (until deposits on account of such valuation deficiency are sufficient to increase the balance in said account to said amount); and

Fourth: upon written direction of the Authority or the Corporation, to the Rebate Fund, such amounts as are required to be deposited therein by the Indenture (including the Tax Agreement).

Any moneys remaining in the Revenue Fund after the foregoing transfers shall be transferred first to the Department to the extent necessary to repay insurance advances made by the Department (as directed by the Department to the Trustee in writing), including interest thereon as specified in the Regulatory Agreement, and thereafter to the Corporation.

Investment of Moneys in Funds and Accounts

All moneys in any of the funds and accounts established pursuant to the Indenture shall be invested by the Trustee, upon the written direction of the Corporation two Business Days in advance of the making of such investment, if and to the extent then permitted by law, solely in Investment Securities (such written direction to specify the particular investment in Investment Securities to be made). The Trustee shall acquire such Investment Securities upon the written direction of the Corporation at such prices and on such terms as directed by the Corporation. In the absence of written directions from the Corporation, the Trustee shall hold all moneys uninvested as cash. All Investment Securities shall be acquired subject to the limitations set forth in the Indenture, the limitations as to maturities described under this caption and such additional limitations or requirements consistent with the foregoing as may be established by Request of the Corporation.

Moneys in all funds and accounts (other than the Bond Reserve Account) shall be invested in Investment Securities maturing not later than the date on which it is estimated that

such moneys will be required for the purposes specified in the Indenture. Moneys in the Bond Reserve Account shall be invested in Investment Securities maturing prior to the final maturity of the Bonds but in no event longer than five years from the date of investment therein; provided, however, moneys in the Bond Reserve Account may be invested in Investment Securities with a nominal maturity date which is greater than five years as long as said Investment Securities by their terms allow the Trustee to obtain (at any time the Trustee is required to draw on the Bond Reserve Account under the Indenture) the corpus thereof at no less than the purchase price thereof without any loss in value. Investment Securities purchased under a repurchase agreement may be deemed to mature on the date or dates on which the Trustee may deliver such Investment Securities for repurchase under such agreement.

Notwithstanding any other provision in the Indenture, the Authority shall not enter into or direct the Trustee to enter into any agreement, including, without limitation, any investment or sale agreement involving the sale of future interest income or forward delivery agreement or forward purchase contract or forward purchase supply contract, which provides for an upfront payment to the Corporation, in connection with the investment of any of the funds or accounts established under the Indenture and held by the Trustee.

All interest, profits and other income received from the investment of moneys in the Rebate Fund shall be deposited when received in the Rebate Fund. All interest, profits and other income received from the investment of moneys in the Insurance and Condemnation Proceeds Fund shall be deposited when received in the Insurance and Condemnation Proceeds Fund. All interest, profits and other income received from the investment of moneys in any other fund or account established pursuant to the Indenture, shall be transferred when received (a) first, to the Bond Reserve Account to the extent necessary to increase the balance therein to the Bond Reserve Account Requirement, (b) second, to the Principal Account to the extent necessary to increase the balance therein to the aggregate amount of principal of the Bonds coming due during the next ensuing twelve months, and (c) third, to the Revenue Fund. Notwithstanding anything to the contrary contained in this paragraph, an amount of interest received with respect to any Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security shall be credited to the fund or account for the credit of which such Investment Security was acquired.

Certain Covenants

Against Encumbrances. The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under the Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by the Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, including other programs under the Act, and reserves the right to issue other obligations for such purposes.

Enforcement of Loan Agreement and Other Covenants. The Trustee shall collect all amounts due from the Corporation pursuant to the Loan Agreement, and subject to the provisions of the Indenture, shall exercise all rights assigned to it pursuant to the Loan Agreement and shall enforce, and take all steps, actions and proceedings reasonably necessary for the enforcement of all of the rights of the Authority upon the written request of the Holders of a majority in

aggregate principal amount of the Bonds then Outstanding, except as is otherwise provided in the Indenture and all of the obligations of the Corporation, including, without limitation, such steps, actions and proceedings as shall be directed by the Authority.

The Authority shall not amend, modify or terminate any of the terms of the Loan Agreement, or consent to any such amendment, modification or termination, without the written consent of (1) the Department (provided that the Contract of Insurance is then in effect and the Department is not in default thereunder), or (2) the Holders of a majority in principal amount of the Bonds then Outstanding (if the Contract of Insurance is no longer in effect or the Department is in default thereunder). The Authority shall not amend, modify or terminate the Loan Agreement or any of the Department Documents in any manner adverse to the interests of the Trustee without the written consent of the Trustee.

The Trustee, subject to the provisions of the Indenture, shall take all actions required by the terms of the Contract of Insurance, and shall enforce the Contract of Insurance by appropriate legal action, for the benefit of the Bondholders.

If (1) a Loan Default Event has occurred and is continuing under the Loan Agreement or (2) debentures have been issued by the Treasurer of the State of California in satisfaction of the Department's obligations under the Contract of Insurance, the Trustee shall, within three Business Days of receipt of a Request of the Department, transfer to the Department all of the Trustee's right, title and interest in the Loan Agreement and the Regulatory Agreement and the Deed of Trust other than the right of the Trustee to receive payments under the Loan Agreement.

Events of Default under the Indenture and Remedies

Events of Default. The following events shall be Events of Default:

(a) default in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise, or default in the redemption of any Bonds from Mandatory Sinking Account Payments in the amounts and at the times provided therefor;

(b) default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable;

(c) default by the Authority in the observance of any of the other covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, if such default shall have continued for a period of 60 days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority and the Corporation by the Trustee, or to the Authority, the Corporation and the Trustee by the Holders of not less than 25% in aggregate principal amount of the Bonds at the time Outstanding; or

(d) a Loan Default Event.

Acceleration of Maturities. If an Event of Default shall occur, then, and in each and every such case during the continuance of such Event of Default, the Trustee may and, upon

receipt of instructions from the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, or the Department shall, upon notice in writing to the Authority, the Department and the Corporation, declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Indenture or in the Bonds contained to the contrary notwithstanding; provided, however, that no such declaration may be made if the Contract of Insurance is in effect and the Department is not in default thereunder unless (i) the Trustee is required to make such declaration pursuant to the provisions of the Indenture described below under the caption "Collection Upon Insurance" or (ii) the Department consents to such acceleration and agrees to pay an amount equal to the full principal amount of Bonds then Outstanding and interest thereon at the stated interest rates on the Bonds to the date of acceleration.

Any such declaration, however, is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Authority, the Department or the Corporation shall deposit with the Trustee a sum sufficient to pay all the principal or Mandatory Sinking Account Payments or Redemption Price of and installments of interest on the Bonds payment of which is overdue, with interest on such overdue principal at the rate borne by the respective Bonds, and the reasonable fees, charges and expenses of the Authority and the Trustee, including without limitation those of their respective attorneys, and any and all other defaults actually known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Trustee may, if such declaration was made by the Trustee without instruction from the Holders, and the Trustee shall, upon receipt of written notice by the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding, which written notice shall also be delivered to the Authority, the Department and the Corporation, on behalf of the Holders of all of the Bonds, rescind and annul such declaration and its consequences and waive such default; but no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon. Notwithstanding the foregoing, the Trustee shall waive any Event of Default which is caused solely by a default under the Regulatory Agreement if the Department waives such default in writing.

Collection Upon Insurance. Upon the occurrence and continuance of an Event of Default, the Trustee shall proceed to take such steps as are necessary, in the reasonable judgment of the Trustee, to collect upon the insurance provided by the Insurance Law. If the Department and the Treasurer of the State of California have notified the Trustee in writing that they elect to pay such insurance by means of debentures of the Department's Health Facility Construction Loan Insurance Fund, the Trustee shall as soon as practicable provide notice to each Bondholder of the exchange of such debentures for the Bonds then Outstanding in the same manner as for notice of redemption pursuant to the Indenture, and shall deliver to each Bondholder, as soon as practicable after surrender of such Bondholder's Bonds, debentures in a principal amount equal to the principal amount of such Bonds plus accrued interest thereon and having maturities the same as such Bonds, and bearing interest at such rate or rates equal to the rates on the respective Bonds.

Application of Revenues and Other Funds After Default. If an Event of Default shall occur and be continuing, all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of the Indenture, after payment of the reasonable fees, charges and expenses of the Trustee (including reasonable fees, expenses and disbursements of its counsel, agents and advisors and indemnities) incurred, subject to the provisions described below under the caption “Trustee to Represent Bondholders,” in and about the performance of its powers and duties under the Indenture, shall be applied by the Trustee as follows and in the following order:

(1) To the payment of the principal or Redemption Price of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of the Indenture, as follows:

(i) Unless the principal of all of the Bonds shall have become or have been declared due and payable,

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference;

Second: To the payment to the Persons entitled thereto of the unpaid principal (including Mandatory Sinking Account Payments) or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, with interest on the overdue principal at the rate borne by the respective Bonds, and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date to the persons entitled thereto, without any discrimination or preference.

(ii) If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal or Redemption Price and interest then due and unpaid upon the Bonds, with interest on the overdue principal at the rate borne by the respective Bonds, and, if the amount available shall not be sufficient to pay in full the whole amount so due and unpaid, then to the payment thereof ratably, without preference or priority of principal over interest or Redemption Price, or of interest over principal or Redemption Price, or of Redemption Price over principal or interest, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, according to the amounts due respectively for principal, Redemption Price, and interest, to the persons entitled thereto without any discrimination or preference;

(2) To the payment of any fees or expenses necessary to protect the interests of the Holders of the Bonds;

(3) To the Department to the extent necessary to repay insurance advances (including interest thereon calculated in accordance with the Regulatory Agreement) made by the Department; and

(4) To the payment of the reasonable fees, charges and expenses of the Authority and the payment of any amounts owed under the expense and indemnification provisions of the Loan Agreement.

Notwithstanding the foregoing or any other provision of the Indenture to the contrary, in the event that the Department shall no longer be obligated under the Contract of Insurance for any reason while any of the Bonds remain Outstanding, if an Event of Default shall occur and be continuing, all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of the Indenture (other than funds held for the payment of particular Bonds pursuant to the provisions of the Indenture) shall be applied by the Trustee first to the payment of any fees or expenses necessary to protect the interests of the Holders of the Bonds and payment of fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its counsel, agents and advisors) incurred, subject to the provisions of the Indenture described below under the caption "Trustee to Represent Bondholders," in and about the performance of its powers and duties under the Indenture and then in accordance with the order described above under this caption.

Trustee to Represent Bondholders. Pursuant to the Indenture, the Trustee is irrevocably appointed (and the successive respective Holders of the Bonds by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney in fact of the Holders of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Holders under the provisions of the Bonds, the Indenture, the Loan Agreement, the Regulatory Agreement, the Contract of Insurance, the Deed of Trust, the Environmental Indemnity, the Act and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bondholders, the Trustee in its discretion may, and upon the written request of the Department or the Holders of not less than 25% in aggregate principal amount of the Bonds then Outstanding (provided, however, that if more than one such request is received by the Trustee from the Holders, the Trustee shall follow the request executed by the Holders of the greater percentage of Bonds then Outstanding in excess of 25%), and upon being indemnified to its satisfaction therefor, shall, with the written consent of the Department (so long as the Contract of Insurance is in effect and the Department is not in default thereunder,) proceed to protect or enforce its rights or the rights of such Holders by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained in the Indenture, or in aid of the execution of any power granted under the Indenture, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Holders under the Indenture, the Loan Agreement, the Regulatory Agreement, the Contract of Insurance, the Deed of Trust, the Environmental Indemnity, the Act or any other law; and upon instituting such proceeding, the

Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other assets pledged under the Indenture, pending such proceedings. All rights of action under the Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Holders of such Bonds, subject to the provisions of the Indenture.

Notwithstanding anything to the contrary in the Indenture, the Authority shall have no obligation to and instead the Trustee may, without further direction from the Authority, take any and all steps, actions and proceedings, to enforce any or all rights of the Authority (other than those specifically retained by the Authority pursuant to the Indenture) under the Indenture and the Loan Agreement, including, without limitation, the rights to enforce the remedies upon the occurrence and continuation of an Event of Default and the obligations of the Corporation under the Loan Agreement.

Department and Bondholders' Direction of Proceedings. Anything in the Indenture to the contrary notwithstanding, the Department (so long as the Contract of Insurance is in effect and the Department is not in default thereunder) and/or the Holders of a majority in aggregate principal amount of the Bonds then Outstanding, in each case where the Holders seek to direct proceedings with the written consent of the Department (so long as the Contract of Insurance is in effect and the Department is not in default thereunder), shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings taken by the Trustee under the Indenture, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Indenture, and that, unless the Department is the Holder of all Bonds or has caused all Bonds to be paid in full, the Trustee shall have the right to decline to follow any such direction which might involve the Trustee in personal liability or would be unjustly prejudicial to Bondholders not parties to such direction; provided, further, that the Trustee shall have no duty to ascertain whether or not such actions or forbearances are unduly prejudicial to such Bondholders.

Anything in the Indenture to the contrary notwithstanding, in the event that any of the following has occurred and is continuing:

(a) the Corporation files a petition in voluntary bankruptcy, for the composition of its affairs or for its corporate reorganization under any state or federal bankruptcy or insolvency law, or makes an assignment for the benefit of creditors, or admits in writing to its insolvency or inability to pay debts as they mature, or consents in writing to the appointment of a trustee or receiver for itself or for the whole or any substantial part of the Facilities;

(b) a court of competent jurisdiction shall enter an order, judgment or decree declaring the Corporation an insolvent, or adjudging it bankrupt, or appointing a trustee or receiver of the Corporation or of the whole or any substantial part of the Facilities, or approving a petition filed against the Corporation seeking reorganization of the Corporation under any applicable law or statute of the United States of America or any state thereof, and such order, judgment or decree shall not be vacated or set aside or stayed within 60 days from the date of the entry thereof; or

(c) under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the Corporation or of the whole or any substantial part of the Facilities, and such custody or control shall not be terminated within 60 days from the date of assumption of such custody or control;

then, so long as the Contract of Insurance is in effect and the Department is not in default thereunder, the Department shall have the right to vote in the place and stead of all Holders with respect to any plan of reorganization or liquidation, on any agreement for composition of creditors, and on any assignment for the benefit of creditors. Any reorganization or liquidation plan with respect to the Corporation must be acceptable to the Department.

The Department shall represent Bondholders in all bankruptcy proceedings and may take such action or consent to any agreement on behalf of the Bondholders, provided that any such action or consent shall in no way impair the rights and benefits due Bondholders under the Contract of Insurance.

Limitation on Bondholders' Right to Sue. No Holder of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the Loan Agreement, the Regulatory Agreement, the Contract of Insurance, the Deed of Trust, the Environmental Indemnity, the Act or any other applicable law with respect to such Bond, unless: (1) such Holder shall have given to the Trustee written notice of the occurrence of an Event of Default; (2) the Holders of not less than 25% in aggregate principal amount of the Bonds then Outstanding (or if more than one such request is received, the written request executed by the Holders of the greatest percentage of Bonds then Outstanding in excess of 25%) shall have made written request upon the Trustee to exercise the powers granted by the Indenture or to institute such suit, action or proceeding in its own name; (3) such Holder or said Holders shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (4) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; and (5) the Department consents in writing to the action specified in such request (provided that such consent shall be required only so long as the Contract of Insurance is in effect and the Department is not in default thereunder).

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Holder of Bonds of any remedy under the Indenture or under law; it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture or the rights of any other Holders of Bonds (it being understood that the Trustee does not have an affirmative duty to ascertain whether or not such actions or forbearances are unduly prejudicial to the security of the Indenture or to the Holders), or to enforce any right under the Indenture, the Loan Agreement, the Regulatory Agreement, the Contract of Insurance, the Deed of Trust, the Environmental Indemnity, the Act or other applicable law with respect to the Bonds, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner provided in the Indenture and for the benefit and protection of all Holders of the Outstanding Bonds, subject to the provisions of the Indenture.

Control Rights of the Department. Notwithstanding anything in the Indenture to the contrary, so long as the Contract of Insurance is in effect and the Department is not in default under the Contract of Insurance: (a) the Department shall be deemed to be the Holder of all of the Bonds for purposes of (i) exercising all remedies and directing the Trustee to take actions or for any other purposes following an Event of Default, and (ii) granting any consent, direction or approval or taking any action permitted by or required under the Indenture or the Loan Agreement, as the case may be, to be granted or taken by the Holders of such Bonds; (b) anything in the Indenture or the Loan Agreement to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default, the Department shall be entitled to control and direct the enforcement of all rights and remedies granted to the Holders or the Trustee for the benefit of the Holders; and (c) the rights granted to the Department under the Indenture and/or the Loan Agreement to request, consent to or direct any action are rights granted to the Department in consideration of its issuance of its insurance for the Bonds. Any exercise by the Department of such rights is merely an exercise of the Department's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Holders and such action does not evidence any position of the Department, affirmative or negative, as to whether the consent of the Holders or any other person is required in addition to the consent of the Department.

Amendment of Indenture

The Indenture and the rights and obligations of the Authority and of the Holders of the Bonds and of the Trustee may be modified or amended from time to time and at any time by an indenture or indentures supplemental thereto, which the Authority and the Trustee may enter into when the written consent of the (i) Department (provided that the Contract of Insurance is then in effect and the Department is not in default thereunder) or (ii) the Holders of a majority in aggregate principal amount of the Bonds then Outstanding (if the Contract of Insurance is no longer in effect or the Department is in default thereunder), shall have been filed with the Trustee; provided that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any particular maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Bonds Outstanding under the Indenture. No such modification or amendment shall (1) extend the fixed maturity of any Bond, extend the time of payment for the payment of any Bond, reduce the amount of any Mandatory Sinking Account Payment or principal thereof, or reduce the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Holder of each Bond so affected, or (2) reduce the aforesaid percentage of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture, or deprive the Holders of the Bonds of the lien created by the Indenture on such Revenues and other assets (except as expressly provided in the Indenture and the Loan Agreement), without the consent of the Holders of all of the Bonds then Outstanding. It shall not be necessary for the consent of the Bondholders to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution by the Authority and the Trustee of any Supplemental Indenture pursuant to the Indenture, the Trustee shall mail a notice attaching a copy of such Supplemental Indenture to the Bondholders at the addresses shown on the bond registration books maintained by the Trustee, or

if the Bonds are held by the Depository, shall send such notice to the Bondholders by Electronic Means. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

The Indenture and the rights and obligations of the Authority, of the Trustee and of the Holders of the Bonds may also be modified or amended from time to time and at any time by an indenture or indentures supplemental thereto, which the Authority and the Trustee may enter into without the consent of any Bondholders, but only with the consent of the Corporation and the Department (provided that the Contract of Insurance is then in effect and the Department is not in default thereunder), if the Trustee has been furnished an Opinion of Counsel, that the provisions of such Supplemental Indenture shall not materially adversely affect the interests of the Holders, including, without limitation, for any one or more of the following purposes:

(1) to add to the covenants and agreements of the Authority contained in the Indenture other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power reserved to or conferred upon the Authority by the Indenture, provided that no such covenant, agreement, pledge, assignment or surrender shall materially and adversely affect the interests of the Holders of the Bonds;

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the Authority may deem necessary or desirable and not inconsistent with the Indenture, and which shall not materially and adversely affect the interests of the Holders of the Bonds;

(3) to modify, amend or supplement the Indenture in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially and adversely affect the interests of the Holders of the Bonds;

(4) to make such provisions for the purpose of preserving the exclusion from gross income for federal income tax purposes of interest on the Bonds as the Authority may deem necessary or desirable and not inconsistent with the Indenture; or

(5) to modify, amend or supplement the Indenture in any other respect that does not materially adversely affect the interests of the Holders of the Bonds.

Defeasance

Discharge of Indenture. Bonds may be paid by the Authority in any of the following ways; provided that the Authority also pays or causes to be paid any other sums payable under the Indenture by the Authority and related to the Bonds: (a) by paying or causing to be paid the principal or Redemption Price of and interest on all Bonds then Outstanding, as and when the same become due and payable; (b) by depositing with the Trustee, in trust, or with an escrow agent in irrevocable escrow, at or before maturity, moneys or securities in the necessary amount

(as provided in the Indenture) to pay or redeem all Bonds then Outstanding; or (c) by delivering to the Trustee, for cancellation by it, all Bonds then Outstanding.

If the Authority shall pay all Bonds then Outstanding and shall also pay or cause to be paid all other sums payable under the Indenture by the Authority, then and in that case, at the election of the Authority, and notwithstanding that any Bonds shall not have been surrendered for payment, the Indenture and the pledge of Revenues and other assets made under the Indenture and all covenants, agreements and other obligations of the Authority under the Indenture shall cease, terminate, become void and be completely discharged and satisfied, except only as provided pursuant to the provisions of the Indenture described below under the caption "Discharge of Liability on Bonds."

Discharge of Liability on Bonds. Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the Indenture) to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the Authority in respect of such Bond shall cease, terminate and be completely discharged, except only that thereafter the Holder thereof shall be entitled to payment of the principal of and interest on such Bond by the Authority and the Authority shall remain liable for such payment, but only out of such money or securities deposited with the Trustee as aforesaid for their payment, provided further, however, that the provisions of the Indenture shall apply in all events.

Deposit of Money or Securities with Trustee. Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Indenture (exclusive of the Rebate Fund) and shall be:

(a) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount or Redemption Price of such Bonds and all unpaid interest thereon to the redemption date; or

(b) Investment Securities described in clause (A) of the definition thereof in "DEFINITIONS OF CERTAIN TERMS" above (not callable by the issuer thereof prior to maturity) the principal of and interest on which when due will provide money sufficient in the written opinion of an Accountant to pay the principal or Redemption Price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal or Redemption Price and interest become due, provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice;

provided, in each case, that the Trustee shall have been irrevocably instructed (by the terms of the Indenture or by Request of the Authority) to apply such money to the payment of such principal or Redemption Price and interest with respect to such Bonds.

LOAN AGREEMENT

General

The Loan Agreement is an agreement between the Authority and the Corporation whereby the Authority agrees to lend the proceeds of the Bonds to the Corporation and the Corporation agrees to make payments to the Trustee sufficient to pay debt service on the Bonds. Certain of the provisions of the Loan Agreement are summarized below. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Loan Agreement.

Loan of Proceeds; Loan Repayments

The Authority lends and advances to the Corporation, and the Corporation borrows and accepts from the Authority (solely from the proceeds of the sale of the Bonds), the net proceeds received from the sale of the Bonds, such proceeds to be applied under the terms and conditions of the Loan Agreement and the Indenture. In consideration of the loan of such proceeds to the Corporation, the Corporation agrees that, on or before the first Business Day of each month and as long as any of the Bonds remain Outstanding, it shall pay to the Trustee for deposit in the Revenue Fund such amount as is required by the Trustee to make the transfers and deposits required on or before the 25th day of such month pursuant to the Indenture. Notwithstanding the foregoing, if five Business Days prior to any interest or principal payment date with respect to the Bonds, the aggregate amount in the Revenue Fund (other than the Bond Reserve Account) is for any reason insufficient or unavailable to make the required payments of principal, Mandatory Sinking Account Payments or Redemption Price of or interest on the Bonds then becoming due (whether by maturity, redemption or acceleration), the Corporation shall forthwith pay the amount of any such deficiency to the Trustee. In addition, the Corporation shall pay (or cause to be paid) to the Trustee for deposit in the Bond Reserve Account in accordance with the Indenture such amount as is required to be deposited in such month to replenish any prior withdrawal from the Bond Reserve Account and shall pay (or cause to be paid) to the Trustee such amount as shall be necessary to increase the Bond Reserve Account to the Bond Reserve Account Requirement in accordance with the provisions set forth in the Indenture in the event that a valuation of the Bond Reserve Account indicates that the amount on deposit in the Bond Reserve Account on the date of valuation is less than 100% of the Bond Reserve Account Requirement. Each payment by the Corporation to the Trustee under the Loan Agreement (each a "Loan Repayment," and collectively, the "Loan Repayments") shall be in lawful money of the United States of America and paid to the Trustee at its Corporate Trust Office and held, invested, disbursed and applied as provided in the Indenture.

Except as otherwise expressly provided in the Loan Agreement, all amounts payable by the Corporation to the Authority under the Loan Agreement shall be paid to the Trustee, as assignee of the Authority, and the Loan Agreement and all right, title and interest of the

Authority in any such payments shall be assigned and pledged to the Trustee so long as any Bonds remain Outstanding.

Additional Payments

In addition to Loan Repayments, the Corporation shall also pay to the Authority or the Trustee, as the case may be, "Additional Payments," as provided in the Loan Agreement. Such Additional Payments shall be billed to the Corporation by the Authority or the Trustee from time to time, together with a statement certifying the amount billed has been incurred or paid for one or more of the below items. After such a demand, amounts so billed shall be paid by the Corporation within 30 days after receipt of the bill by the Corporation.

The Additional Payments to the Authority are:

(a) All taxes and assessments of any type or character charged to the Authority or to the Trustee affecting the amount available to the Authority or the Trustee from payments to be received under the Loan Agreement or in any way arising due to the transactions contemplated by the Loan Agreement (including taxes and assessments assessed or levied by any public agency or governmental authority of whatsoever character having power to levy taxes or assessments) but excluding franchise taxes based upon the capital and/or income of the Trustee and taxes based upon or measured by the net income of the Trustee; provided, however, that the Corporation shall have the right to protest any such taxes or assessments and to require the Authority or the Trustee, at the Corporation's expense, to protest and contest any such taxes or assessments levied upon them and that the Corporation shall have the right to withhold payment of any such taxes or assessments pending disposition of any such protest or contest unless such withholding, protest or contest would adversely affect the rights or interests of the Authority or the Trustee;

(b) All reasonable and documented fees, costs and charges of the Authority identified in the Loan Agreement, including reasonable fees and expenses of such attorneys, accountants, consultants and other experts, incurred in good faith and arising out of or in connection with the Financing Documents (as defined below), the Bonds or the Indenture;

(c) The reasonable and documented fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Authority to prepare audits, financial statements, reports, opinions or provide such other services required under the Loan Agreement, the Department Documents, the Tax Agreement and the Continuing Disclosure Agreement (collectively, the "Financing Documents") or the Indenture;

(d) The annual fee of the Authority and the reasonable and documented fees and expenses of the Authority or any agent or attorney selected by the Authority to act on its behalf in connection with the Financing Documents, the Bonds or the Indenture, including, without limitation, any and all reasonable and documented expenses incurred in connection with the authorization, issuance, sale and delivery of any such Bonds or in connection with any litigation, investigation, inquiry or other proceeding which may at any time be instituted involving the Financing Documents, the Bonds or the Indenture or any of the other documents contemplated thereby, or in connection with the reasonable supervision or inspection of the Corporation, its

properties, assets or operations or otherwise in connection with the administration of the Financing Documents;

(e) Any amounts due and payable by the Corporation as arbitrage rebate under Section 148 of the Code, pursuant to the Corporation's covenants and agreements with respect thereto in the Financing Documents; and

(f) All other reasonable, documented and necessary fees and expenses attributable to the Bonds, the Loan Agreement, or related documents, including without limitation all payments required pursuant to the Tax Agreement.

The Additional Payments to the Trustee are:

(a) All taxes and assessments of any type or character charged to the Trustee affecting the amount available to the Trustee from payments to be received under the Loan Agreement or in any way arising due to the transactions contemplated thereby (including taxes and assessments assessed or levied by any public agency or governmental authority of whatsoever character having power to levy taxes or assessments); provided, however, that the Corporation shall have the right to protest any such taxes or assessments and to require the Trustee, at the Corporation's expense, to protest and contest any such taxes or assessments levied upon them and that the Corporation shall have the right to withhold payment of any such taxes or assessments pending disposition of any such protest or contest unless such withholding, protest or contest would adversely affect the rights or interests of the Trustee and the Corporation has provided the Trustee with security and indemnification satisfactory to the Trustee in respect of such affected rights or interests;

(b) All fees and expenses of accountants, consultants, attorneys and other experts as may be engaged by the Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under the Loan Agreement or the Indenture;

(c) All fees, costs and charges of the Trustee identified in the Loan Agreement, including fees and expenses of attorneys, accountants, consultants and other experts, incurred in good faith and without negligence and arising out of or in connection with the Financing Documents; and

(d) All other fees and expenses attributable to the Bonds, the Loan Agreement, or related documents, including without limitation all payments required pursuant to the Tax Agreement.

Security For Corporation's Obligations

In consideration of the issuance of the Bonds by the Authority and the loan of the proceeds thereof to the Corporation and to secure the payment of Loan Repayments and Additional Payments and the performance of the other obligations of the Corporation under the Loan Agreement, the Corporation pledges and grants a security interest (subject to Permitted Encumbrances) to the Trustee and the Department, as their interests may appear, in the Facilities. The Corporation will enter into the Deed of Trust to further secure the Corporation's obligations under the Loan Agreement. The Corporation agrees to execute and cause to be filed and to

deliver such other documents (including, but not limited to, deposit account control agreements) as the Authority, the Department or the Trustee may reasonably require in order to perfect or maintain as perfected such security interest or give public notice thereof. The Deed of Trust, pursuant to its terms, may be amended and property released therefrom upon written notice to the Trustee with the consent of the Department without the necessity of obtaining the consent of the Authority, the Trustee or the Bondholders.

Obligations of the Corporation Unconditional

The obligations of the Corporation under the Loan Agreement are absolute and unconditional, notwithstanding any other provision of the Loan Agreement or the Indenture. Until the Loan Agreement is terminated and all payments under the Loan Agreement are made, the Corporation: (i) will pay all amounts required under the Loan Agreement without abatement, deduction or setoff except as otherwise expressly provided in the Loan Agreement; (ii) will not suspend or discontinue any payments due under the Loan Agreement for any reason whatsoever, including, without limitation, any right of setoff or counterclaim; (iii) will perform and observe all its other agreements contained in the Loan Agreement; and, (iv) except as provided in the Loan Agreement, will not terminate the Loan Agreement for any cause including, without limiting the generality of the foregoing, damage, destruction or condemnation of the Facilities or any part thereof, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State, or any political subdivision of either thereof or any failure of the Authority or the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Loan Agreement.

Prepayment

The Corporation shall have the right, so long as all amounts that have theretofore become due under the Loan Agreement have been paid, at any time or from time to time to prepay all or any part of the Loan Repayments, and the Authority agrees that the Trustee shall accept such prepayments when the same are tendered. All such prepayments shall be deposited upon receipt in the Redemption Fund established pursuant to the Indenture and used for the redemption or purchase of Outstanding Bonds in the manner and subject to the terms and conditions set forth in the Indenture. The Corporation also shall have the right to surrender Bonds acquired by it in any manner whatsoever to the Trustee for cancellation, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired, and allocated as set forth in the Indenture; and principal and interest otherwise payable on such Bonds shall be credited against Loan Repayments. Notwithstanding any such prepayment or surrender of Bonds, as long as any Bonds remain Outstanding or any Additional Payments remain unpaid, the Corporation shall not be relieved of its obligations under the Loan Agreement.

Limitation on Indebtedness

The Corporation shall not incur any indebtedness or financial obligations, including without limitation, by borrowing money, by assuming or guaranteeing the obligations of others, and by entering into installment purchase contracts or leases required to be capitalized in accordance with generally accepted accounting principles, provided, however, that notwithstanding the foregoing provision, the Corporation may incur the following: (i) obligations

and liabilities under the Loan Agreement, the Regulatory Agreement or the Indenture, including any supplements or amendments thereto; (ii) obligations and liabilities permitted under the Regulatory Agreement; and (iii) any other indebtedness or obligations of the Corporation approved in writing by the Department.

Tax Covenant

The Corporation covenants and agrees that it will at all times do and perform all acts and things permitted by law and the Loan Agreement which are necessary in order to assure that interest paid on the Bonds will be excluded from gross income for federal income tax purposes and will take no action that would result in such interest not being so excluded. Without limiting the generality of the foregoing, the Corporation agrees to comply with the provisions of the Tax Agreement. This covenant shall survive payment in full or defeasance of the Bonds.

Continuing Disclosure

In the Loan Agreement, the Corporation covenants and agrees to comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of the Loan Agreement, failure of the Corporation to comply with the Continuing Disclosure Agreement shall not be considered a Loan Default Event; however, the Trustee, at the written request of any Participating Underwriter or the Holders of at least 25% aggregate principal amount of Bonds Outstanding, shall, but only to the extent the Trustee is indemnified to its satisfaction from and against any cost, liability or expense related thereto, including, without limitation, reasonable and documented fees and expenses of its attorneys and advisors and its additional fees and expenses, or any Holder or Beneficial Owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Corporation to comply with its obligations under the provisions of the Loan Agreement described in this paragraph.

Loan Default Events

The following events shall be “Loan Default Events:”

(a) If the Corporation shall fail to pay any Loan Repayments on or before the day such Loan Repayments are due and payable;

(b) If any representation or warranty made by the Corporation in the Loan Agreement or in any document, instrument or certificate furnished to the Trustee or the Authority in connection with the issuance of the Bonds shall at any time prove to have been incorrect in any material respect as of the time made;

(c) If the Corporation shall fail to observe or perform any covenant, condition, agreement or provision in the Loan Agreement or the Regulatory Agreement on its part to be observed or performed, other than as referred to in paragraph (a) of this caption, or shall breach any warranty by the Corporation contained in the Loan Agreement, for a period of 60 days after written notice, specifying such failure or breach and requesting that it be remedied, has been given to the Corporation by the Authority, the Trustee or the Department; except that, if such failure or breach can be remedied but not within such 60-day period and if the Corporation has

taken all action reasonably possible to remedy such failure or breach within such 60-day period, such failure or breach shall not become a Loan Default Event for so long as the Corporation shall diligently proceed to remedy the same in accordance with and subject to any directions or limitations of time established by the Trustee or the Department;

(d) If the Corporation shall abandon the Facilities, or any substantial part thereof, and such abandonment shall continue for a period of 60 days after written notice thereof shall have been given to the Corporation by the Authority, the Trustee or the Department;

(e) If any default shall exist under any agreement respecting Long-Term Indebtedness (other than Parity Debt) and if, as a result thereof, Long-Term Indebtedness in an aggregate principal amount in excess of 10% of the Corporation's Adjusted Annual Operating Revenues shall be declared immediately due and payable or a proceeding is brought for enforcement thereof; provided, however, that a Loan Default Event shall not exist under this clause (e) if the Corporation establishes reserves or obtains a surety bond acceptable to the Department for the payment of such Long-Term Indebtedness which, in the opinion of the Department, are adequate or sets aside 100% of the payments then due on such Long-Term Indebtedness in a separate fund or with an escrow agent until any dispute as to the amount due has been resolved;

(f) If any default shall exist under any instrument pursuant to which Parity Debt was issued and is Outstanding, and such default shall continue after the applicable grace period;

(g) If the Corporation files a petition in voluntary bankruptcy, for the composition of its affairs or for its corporate reorganization under any state or federal bankruptcy or insolvency law, or makes an assignment for the benefit of creditors, or admits in writing to its insolvency or inability to pay debts as they mature, or consents in writing to the appointment of a trustee or receiver for itself or for the whole or any substantial part of the Facilities;

(h) If a court of competent jurisdiction shall enter an order, judgment or decree declaring the Corporation an insolvent, or adjudging it bankrupt, or appointing a trustee or receiver of the Corporation or of the whole or any substantial part of the Facilities, or approving a petition filed against the Corporation seeking reorganization of the Corporation under any applicable law or statute of the United States of America or any state thereof, and such order, judgment or decree shall not be vacated or set aside or stayed within 60 days from the date of the entry thereof;

(i) If, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Corporation or of the whole or any substantial part of the Facilities, and such custody or control shall not be terminated within 60 days from the date of assumption of such custody or control; or

(j) If any Event of Default under the Indenture shall occur.

Remedies on Default

If a Loan Default Event shall occur, then, and in each and every such case during the continuance of such Loan Default Event, the Trustee on behalf of the Authority, subject to the limitations in the Indenture as to the enforcement of remedies and subject to the Trustee's rights and protections under the Indenture, may, with the consent of the Department (so long as the Contract of Insurance is in full force and effect and the Department is not in default thereunder) take any one or more of the following remedial steps subject to applicable law:

(a) The Trustee may, upon notice in writing to the Corporation, declare all installments of Loan Repayments and Additional Payments payable for the remainder of the term of the Loan Agreement to be immediately due and payable, whereupon the same shall be immediately due and payable, anything in the Loan Agreement to the contrary notwithstanding; "all installments" as used in this paragraph (a) shall mean an amount equal to the entire principal amount of the then Outstanding Bonds, together with any applicable redemption premiums and all interest accrued or to accrue on and prior to the next succeeding redemption date or dates on which the Bonds can be redeemed after giving notice to the Holders thereof as required by the Indenture (less moneys available for such purposes then held by the Trustee) plus any other payments due or to become due under the Loan Agreement, including, without limitation, any unpaid fees and expenses of the Trustee which are then due or will become due prior to the time that the Bonds are paid in full and the trust established by the Indenture is terminated.

(b) The Trustee may take whatever action, at law or in equity, as may appear necessary or desirable to collect the Loan Repayments, Additional Payments and any other payments then due and thereafter to become due under the Loan Agreement or to enforce the performance and observance of any obligation, covenant, agreement or provision contained in the Loan Agreement to be observed or performed by the Corporation.

(c) The Authority or the Trustee shall have all the rights and remedies of a secured party or creditor under the Uniform Commercial Code of the State of California, and the general laws of the State of California, with respect to the enforcement of the security interests granted or reserved under the Loan Agreement, including without limitation to the extent permitted by law the right to require that all or a portion of the Gross Revenues be assembled and delivered to the Trustee and the Trustee may, to the extent permitted by law, impound books and records evidencing the Corporation's accounts, accounts receivable and other similar claims for the payment of money and take possession of all notes and other documents which evidence such accounts, accounts receivable and claims for money and give notice to obligors thereunder of its interest in Gross Revenues and make direct collections on such accounts, accounts receivable and claims for money.

(d) The Authority or the Trustee may take whatever legal action may appear necessary or desirable to enforce their rights and the rights of the Holders of the Bonds under the Deed of Trust.

(e) With regard to the Deed of Trust, the exercise of any remedies are subject to the provisions of the Indenture described above under the caption "INDENTURE— Events of Default under the Indenture and Remedies—Additional Requirements Concerning Foreclosure."

Loan Agreement Represents Complete Agreement; Amendments

The Loan Agreement represents the entire contract between the parties. The Loan Agreement may not be effectively amended, changed, modified, altered or terminated except by the written agreement of the Corporation and the Authority, with the concurring written consent of the Trustee and the Department, given in accordance with the provisions of the Indenture.

REGULATORY AGREEMENT

General

The Regulatory Agreement is an agreement among the Department, the Authority and the Corporation to establish the requirements of the Department with respect to certain details of the financing transaction. The Regulatory Agreement also sets out certain business covenants of the Corporation, including maintenance, operation and management of the Facilities and limitations on encumbrances, assignment and transfer of any part of the Facilities and other matters. The Regulatory Agreement also provides for the rights and obligations of the parties in the event of a default and provides for the manner in which the benefits of the insurance are to be paid. Although certain provisions of the Regulatory Agreement are summarized below, this summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Regulatory Agreement.

Security of Gross Revenues Pledged and Deed of Trust

The performance of the obligations of the Corporation to the Department under the Regulatory Agreement and the Contract of Insurance is secured by the lien on the Facilities created by the Corporation pursuant to the Deed of Trust. The Corporation covenants and agrees that the lien of the Deed of Trust shall be subject only to liens, conditions, covenants and restrictions, easements, taxes and assessments of record approved by the Department as exceptions to the ALTA title insurance policy identified in the Regulatory Agreement, and Permitted Encumbrances.

Use of Proceeds of Bonds

The proceeds of the Bonds together with other available funds shall be used exclusively by the Corporation to fund the Project.

Negative Covenants

The Corporation shall not, without the prior written consent of the Department, among other things: (a) remodel, reconstruct, or demolish any part of the Facilities (except in the ordinary course of business) or subtract from any real property of the Corporation except for the maintenance described in the regulations of the relevant State licensing agencies, which may be accomplished without limitation; (b) pay any compensation or make any distribution of income or other assets to any of its officers or directors other than as compensation to such persons in their capacities as officers, directors, employees, contractors or suppliers of the Corporation or the reimbursement of ordinary out-of-pocket expenses; (c) amend the Corporation's articles of incorporation or bylaws in any material respect, except as required by applicable law; (d) except

for affiliations or contracts with public agencies, health maintenance organizations and other health care plans and providers entered into by the Corporation in its ordinary course of business, establish, maintain or affiliate with a Person in conjunction with which the Corporation will carry on its activities, transfer control of any of the Facilities, to any other Person, or assume, either directly, indirectly or through intermediaries, the management or control of any other Person, subject to limited exceptions set forth in the Regulatory Agreement; (e) cease to operate the Facilities such that the Facilities no longer qualify as a “health facility” as defined in Insurance Law Section 129010, except to the extent permitted by the Insurance Law; or (f) amend any architectural or construction contract for the Project except for customary change orders for which moneys are available in the Project Fund, as established in the Indenture.

Maintenance of the Facilities

The Corporation shall maintain the Facilities in good and substantial repair and condition; provided that, in the event all or any of the Facilities shall be destroyed or damaged by fire or other casualty, the money derived from any insurance on the property shall be applied in accordance with the terms of the Regulatory Agreement and the Indenture.

Bankruptcy; Insolvency; Receiver

The Corporation shall not file any petition in bankruptcy or in insolvency, or for a receiver or reorganization or composition; or make any assignment for the benefit of creditors or to a trustee for creditors; or permit an adjudication in bankruptcy, the taking possession of the Facilities or any part thereof by a receiver, or the seizure and sale of the Facilities or any part thereof under judicial process or pursuant to any power of sale (except as provided in the Deed of Trust) and fail to have such adverse actions set aside within 45 days.

The Corporation immediately shall give notice to the Department of the filing of any petition, or commencement of any proceedings, in bankruptcy, or for a receiver or insolvency or for reorganization or composition, or any assignment for the benefit of creditors to a trustee for the benefit of creditors, relating to the Corporation or the Facilities.

If the Corporation, or its creditors, file a petition alleging insolvency, requesting reorganization or a composition of creditors, or for an assignment for the benefit of creditors, in any court, the Department shall have the right to participate in, or vote on, any plan or reorganization, agreement for a composition of creditors and on any assignment for the benefit of creditors. If there is a proceeding to effect a receivership for the Corporation, the Department shall have the right to select the receiver.

So long as the Contract of Insurance is in full force and effect and the Department is not in default thereunder, the Department shall represent the Holders in all bankruptcy proceedings and may take such action or consent to any agreement on behalf of such Holders, provided that any such action or consent shall in no way impair the rights and benefits due such Holders under the Contract of Insurance.

Maintenance of Existence; Affiliation, Merger, Consolidation Sale or Transfer Under Certain Conditions

The Corporation shall maintain its existence as a nonprofit public benefit corporation of the State, operating a health facility and meeting the requirements of Section 501(c)(3) of the Code, and shall not dissolve, sell or otherwise dispose of all or substantially all of its assets or affiliate with, consolidate with or merge into another Person or permit one or more other Persons to affiliate with, consolidate with or merge into it; provided, that the Corporation may, without violating the covenants contained in the Regulatory Agreement, affiliate with, consolidate with or merge into another Person, or permit one or more other Persons to affiliate with, consolidate with or merge into it, or sell or otherwise transfer to another Person such assets, if:

(1) The Corporation obtains the written consent of the Department to such transaction and a Statement of the Department to the effect that the Contract of Insurance remains in full force and effect after such transaction;

(2) The Department, the Authority, and the Trustee shall have received a Favorable Opinion of Bond Counsel to the effect that such affiliation, merger, consolidation, sale or other transfer will not cause the interest on the Bonds to be included in gross income for federal income tax purposes under Section 103 of the Code;

(3) The surviving, resulting or transferee Person: (a) assumes in writing, if such Person is not the Corporation, all of the obligations of the Corporation under the Regulatory Agreement, the Loan Agreement and the Contract of Insurance, and agrees to fulfill and comply with the terms, covenants and conditions thereof; and further consents to the terms of the Indenture; (b) is not, after such transaction, otherwise in default under any provision of the Regulatory Agreement, the Loan Agreement or the Indenture; (c) is an organization meeting the requirements of section 501(c)(3) of the Code or a corresponding provision of the federal income tax laws then in effect; and (d) shall have net assets at least equal to the net assets of the Corporation prior to such transaction;

(4) The Trustee and the Department shall have received the report of a Management Consultant to the effect that Net Income Available for Debt Service of the surviving, resulting or transferee Person (after giving effect to such merger, consolidation, sale or other transfer) for each of the first two full Fiscal Years following such merger, consolidation, sale or other transfer is projected to be not less than the greater of Net Income Available for Debt Service of the Corporation for each of the two most recent Fiscal Years for which audited financial statements are available, as certified by an Accountant;

(5) The Trustee and the Department shall have received a report of an Accountant to the effect that the net worth of the surviving, resulting or transferee Person, after giving effect to such merger, consolidation, sale or other transfer, is at least equal to 100% of the net worth of the Corporation immediately prior to such merger, consolidation, sale or other transfer; and

(6) The Trustee, the Authority and the Department shall have received an Opinion of Counsel to the effect that the Loan Agreement, the Contract of Insurance and the Regulatory Agreement constitute the legal, valid and binding obligations of the surviving, resulting or

transferee Person, as the case may be, enforceable against such Person in accordance with their respective terms.

Notwithstanding the foregoing, the Corporation may, without complying with the provisions described above under this caption, transfer substantially all of its assets to an Affiliate provided that:

(1) The Corporation obtains the written consent of the Department to such transaction and a statement of the Department confirming that the Contract of Insurance remains in full force and effect after such transaction;

(2) The Department, the Authority, and the Trustee shall have received a Favorable Opinion of Bond Counsel to the effect that such proposed transfer(s) will not cause the interest on the Bonds to be included in the gross income for federal income tax purposes under Section 103 of the Code;

(3) Such Affiliate agrees to become a co-obligor and jointly and severally liable with the Corporation under the Regulatory Agreement, the Contract of Insurance and the Loan Agreement; and

(4) After such transaction, the Corporation and the Affiliate are in compliance with the provisions of the Regulatory Agreement and the Loan Agreement.

In the event of such a transfer to an Affiliate, references in the Regulatory Agreement to Indebtedness of the Corporation shall apply to the combined Indebtedness of the Corporation and the Affiliate, and references to the financial condition or forecasted results of operations of the Corporation shall apply to the consolidated financial condition or results of operations of the Corporation and the Affiliate.

If an affiliation, merger, consolidation, sale or other transfer is effected, as described under this caption, the provisions described under this caption shall continue in full force and effect, and no further affiliation, merger, consolidation, sale or transfer shall be effected except in accordance with such provisions.

Rates and Charges; Debt Coverage; Current Ratio; Days Cash on Hand

(A) The Corporation shall operate the Facilities as revenue producing health facilities. The Corporation shall fix, charge and collect, or cause to be fixed, charged and collected, subject to applicable requirements or restrictions imposed by law, such rates, fees and charges which, together with all other receipts and revenues of the Corporation and any other funds available therefor, are reasonably projected to be sufficient in each Fiscal Year, commencing in the Fiscal Year ending December 31, 2025, to produce a Debt Service Coverage Ratio of at least 1.25:1.0 for each such Fiscal Year.

(B) The Corporation shall maintain, as of the end of each Fiscal Year, commencing in the Fiscal Year ending December 31, 2025, a Current Ratio of at least 1.50:1.0 for such Fiscal Year.

(C) The Corporation shall maintain, as of the end of each Fiscal Year, commencing in the Fiscal Year ending December 31, 2025, at least 150 Days Cash on Hand, as shown on the Corporation's audited financial statements for such Fiscal Year.

(D) Within 120 days after the end of each Fiscal Year, the Corporation shall compute (1) the Debt Service Coverage Ratio, (2) the Current Ratio and (3) the Days Cash on Hand for such Fiscal Year and promptly furnish to the Authority, the Trustee and the Department a Statement setting forth the results of such computation.

The Corporation further covenants and agrees that if at the end of such Fiscal Year, (i) the Debt Service Coverage Ratio shall have been less than the amount required by the provision of the Regulatory Agreement described above in subsection (A), (ii) the Current Ratio shall have been less than the amount required by the provision of the Regulatory Agreement described above in subsection (B), or (iii) the Days Cash on Hand shall have been less than the amount required by the provision of the Regulatory Agreement described above in subsection (C), the Corporation will promptly employ a Management Consultant to make recommendations as to a revision of the rates, fees and charges of the Corporation or the methods of operation of the Corporation which will result in producing (x) a Debt Service Coverage Ratio of at least equal to the amount required by the provision of the Regulatory Agreement described above in subsection (A), (y) a Current Ratio of at least the amount required by the provision of the Regulatory Agreement described above in subsection (B) in the current Fiscal Year; and (z) Days Cash on Hand of at least the amount required by the provision of the Regulatory Agreement described above in subsection (C) in the current Fiscal Year; provided, however, the Corporation need not so employ a Management Consultant if the Department consents, in writing, to a waiver of said covenant to employ a Management Consultant. Copies of the recommendations of the Management Consultant shall be filed with the Authority, the Trustee and the Department. The Corporation shall, to the extent feasible, promptly upon its receipt of such recommendations, subject to applicable requirements or restrictions imposed by law, revise its rates, fees and charges or its methods of operation or collections and shall take such other action as shall be in conformity with such recommendations; provided, however, the Corporation need not make such revisions or take such actions in conformity with such recommendations if (1) the Board makes a good faith determination that such recommendations, in whole or in part, are not in the best interests of the Corporation, and (2) the Department gives its written consent to the effect that the Corporation need not comply, in whole or in part, with such recommendations. In the event that the Corporation fails to comply with the recommendations of the Management Consultant, the Department may replace existing management with new management, which shall be chosen unilaterally by the Department.

If the Corporation complies in all material respects with the reasonable recommendations of the Management Consultant in respect to said rates, fees, charges and methods of operation or collection, the Corporation will be deemed to have complied with the covenants set forth in the Regulatory Agreement and described herein for such Fiscal Year, notwithstanding that the Debt Service Coverage Ratio, the Current Ratio or the Days Cash on Hand shall be less than the amount required under subsections (A), (B) or (C) above; provided, that (1) this sentence shall not be construed as in any way excusing the Corporation from taking any action or performing any duty required under the Regulatory Agreement or be construed as constituting a waiver of

any other event of default under the Regulatory Agreement and (2) the Debt Service Coverage Ratio shall be at least equal to 1.0 for such Fiscal Year.

(E) Notwithstanding the foregoing, the Corporation may permit the rendering of service at, or the use of, the Facilities without charge or at reduced charges, at the discretion of the Board, to the extent necessary for maintaining its tax-exempt status or to establish or maintain its eligibility for grants, loans, subsidies or payments from the United States of America, any instrumentality thereof, or the State or any political subdivision or instrumentality thereof, or in compliance with any recommendation for free services that may be made by the Management Consultant.

Limitation on Encumbrances

The Corporation shall not create, assume or suffer to exist and shall immediately satisfy or release any mortgage, deed of trust, pledge, security interest, encumbrance, lien, attachment or charge of any kind (including the charge upon property purchased under conditional sales or other title retention agreements) upon the Facilities or the Gross Revenues; provided, however, that notwithstanding the foregoing provision, the Corporation may create, assume or suffer to exist Permitted Encumbrances.

Limitation on Indebtedness

The Corporation shall not incur any Indebtedness or financial obligations, including without limitation, by borrowing money, by assuming or guaranteeing the obligations of others, and by entering into installment purchase contracts or leases required to be capitalized in accordance with generally accepted accounting principles, except the Corporation may incur the following:

1. Obligations and liabilities under the Regulatory Agreement, the Loan Agreement or the Indenture, including any supplements or amendments thereto or thereto in connection with the issuance of any additional series of Bonds;
2. Contractual liabilities (other than liabilities for borrowed money or liabilities which would otherwise be considered Indebtedness under generally accepted accounting principles) incurred in the ordinary course of business for which moneys are available;
3. Short-Term Indebtedness with the prior written consent of the Department and provided that no amount of Short-Term Indebtedness shall be outstanding for a period of 30 consecutive days during each Fiscal Year. The aggregate amount incurred by the Corporation under the provisions of the Regulatory Agreement described in this subsection and subsections 8 and 9 below shall not exceed at the time of incurrence 10% of the Corporation's Adjusted Annual Operating Revenues for the most recent Fiscal Year for which audited financial statements are available;
4. Liabilities for contributions to self-insurance programs;

5. Long-Term Indebtedness (which may be Parity Debt) incurred for the purpose of refinancing outstanding Long-Term Indebtedness provided that (a) the Department has consented in writing to the incurring of such Indebtedness, and (b) the issuance of such Long-Term Indebtedness does not increase Maximum Aggregate Annual Debt Service by more than 10%, as certified by a written report of an Accountant which shall be filed with the Authority, the Trustee and the Department prior to such transaction;

6. Long-Term Indebtedness (which may be Parity Debt), provided that:

(a) the Department has consented in writing to the incurring of such Indebtedness; and

(b) (1) the Debt Service Coverage Ratio, as certified by a written report of an Accountant which shall be filed with the Trustee and the Department for the most recent Fiscal Year for which audited financial statements are available immediately preceding the date of incurrence of such Long-Term Indebtedness, was at least equal to 1.25 on all outstanding Long-Term Indebtedness and the Long-Term Indebtedness proposed to be incurred, or (2) (a) the Debt Service Coverage Ratio, as certified by a written report of an Accountant which shall be filed with the Trustee and the Department for the most recent Fiscal Year for which audited financial statements are available immediately preceding the date of incurrence of such Long-Term Indebtedness, was at least equal to 1.25 on all Long-Term Indebtedness then outstanding; and (b) the Debt Service Coverage Ratio, as shown in a written feasibility report prepared by a Management Consultant and filed with the Trustee, the Authority and the Department prior to such transaction, for each of the first two Fiscal Years following the incurrence of such Long-Term Indebtedness (or, if such Long-Term Indebtedness is incurred to finance additional facilities, in each of the first three Fiscal Years following the Fiscal Year when it is proposed that such facilities will be completed and placed in service) is forecasted to be at least 1.25 on all Long-Term Indebtedness proposed to be outstanding at the end of each such Fiscal Year;

7. Long-Term Indebtedness (which may be Parity Debt), incurred to complete a project if the Board certifies that the Corporation cannot complete such project unless such Long-Term Indebtedness is incurred, provided that (a) the Department has consented in writing to the incurring of such Indebtedness; and (b) the aggregate principal amount of such Indebtedness does not exceed 10% of the principal amount of Long-Term Indebtedness incurred to finance such project;

8. Long-Term Indebtedness (excluding Parity Debt), provided that (a) the Department has consented in writing to the incurring of such Indebtedness; and (b) the aggregate amount incurred by the Corporation under the provisions of the Regulatory Agreement described in this paragraph, paragraph 3 and paragraph 9 and then outstanding shall not exceed at the time of incurrence 10% of the Corporation's Adjusted Annual Operating Revenues for the most recent Fiscal Year for which audited financial statements are available;

9. Liabilities under capitalized lease agreements for the lease of, or Indebtedness for money borrowed or liabilities under instruments evidencing deferred payment arrangements for the purchase of, equipment, tangible personal property or real property; provided that the aggregate amount incurred by the Corporation under the provisions of the Regulatory Agreement described in this paragraph, paragraph 3 and paragraph 8 above and then outstanding shall not exceed at the time of incurrence 10% of the Corporation's Adjusted Annual Operating Revenues for the latest Fiscal Year for which audited financial statements are available;

10. Non-recourse Indebtedness, provided that the Department has approved in writing the incurrence of such Indebtedness and such Indebtedness does not encumber the Facilities;

11. Repayment obligations under reimbursement or similar agreements with banks or insurance companies relating to letters or lines of credit or other credit facilities used to secure Long-Term Indebtedness;

12. Indebtedness, not for borrowed money, incurred in the ordinary course of business; and

13. Any Indebtedness or obligations of the Corporation consented to in writing by the Department.

Limitations on Disposition of Property

Disposition of Cash. The Corporation shall not dispose of any cash or cash equivalents unless the disposition is made in the ordinary course of business, and: (1) the Corporation receives an asset or service of reasonably equivalent value for such cash or cash equivalents; or (2) prior to such disposition, there is filed with the Department, the Authority and the Trustee a Statement of the Corporation, which Statement is satisfactory to the Department, to the effect that, either (a) the Debt Service Coverage Ratio for the most recent Fiscal Year for which audited financial statements are available next preceding such disposition would not be reduced or, if reduced, would not be reduced below a ratio of 2.0:1.0 (such calculation to be made assuming such disposition had occurred at the beginning of such Fiscal Year), or (b) the average Debt Service Coverage Ratio, as forecasted in such Statement of the Corporation for the two Fiscal Years immediately following such disposition, will be not less than a ratio of 2.0:1.0; and (c) such disposition has been consented to by the Department in writing.

Disposition of Real Property. The Corporation shall not sell, lease, sublease, assign, transfer, encumber or otherwise dispose of all or any part or parts of the real property described in the Regulatory Agreement, including the buildings and structures thereon and fixtures and improvements of such real property, without the prior written consent of the Department.

Disposition of Personal Property. The Corporation shall not sell, lease, sublease, assign, transfer, encumber or otherwise dispose of all or any part or parts of the Facilities not included in the preceding paragraphs, other than in the "ordinary course of business," unless the Department gives its prior written consent to such disposition. "Ordinary course of business" shall be defined during the term of the Regulatory Agreement by the Department in the exercise of its sound and

reasonable discretion, by the Department giving written notice thereof to the Corporation, which determination will become effective on receipt of such notice by the Corporation.

Except as provided pursuant to the Regulatory Agreement concerning a disposition of substantially all of the Corporation's assets, in no event shall the Corporation dispose of any part or parts of its Facilities in any Fiscal Year aggregating in excess of 2-1/2% of the Corporation's net property, plant and equipment (as shown on the Corporation's most recent audited financial statements), unless the Department gives its prior written consent to such disposition.

Execution of Releases. In connection with a disposal of property, including cash, as described under this caption, upon receipt of such consent by the Department or Statement of the Corporation required by the Regulatory Agreement, the Department, the Authority and the Trustee shall execute and deliver releases from security interests or other documents reasonably requested by the Corporation.

Parity Debt

The Corporation may incur Parity Debt, subject, however to compliance with the provisions of the Regulatory Agreement described above under the caption "Limitation on Indebtedness," and subject to the following conditions: (1) the Trustee shall act as trustee for the Parity Debt; (2) the agreement under which Parity Debt is issued shall require that: (a) a Loan Default Event shall constitute an event of default under such agreement and the Regulatory Agreement; (b) rights and obligations of the holders of Parity Debt shall be substantially the same as the rights and obligations of the Holders of Bonds under the Indenture, except that if the Parity Debt is not covered under the Contract of Insurance, the holders of Parity Debt shall have no rights under the Contract of Insurance or to payments made with respect thereto; and (c)

remedies upon an event of default shall be substantially the same as the remedies provided in the Indenture, the Regulatory Agreement and the Loan Agreement, and, prior to exercising any such remedies, the holders of such Parity Debt (or a trustee representing their interest) shall be required to cooperate with the Trustee to the end that the interests of such holders and the Holders of the Bonds shall be equally protected; (3) any collateral given or to be given to secure Parity Debt shall also secure the Bonds on a pari passu basis; provided that the Debt Service Reserve Account shall only secure the Bonds to the extent provided in the Indenture, and the Corporation may, but need not, establish similar reserve accounts for debt service of Parity Debt; (4) the Parity Debt shall be prepayable in accordance with terms substantially in the form of and under the conditions prescribed in the Indenture; (5) any Parity Debt shall be insured by the Department under the Insurance Law or, if the Parity Debt can be issued as such without being insured under the Insurance Law, with the consent of the Department; and (6) in the case of any Parity Debt which will not be insured by the Department, the Corporation shall pay any associated legal document review costs incurred by the Department, including fees for outside counsel.

Limitation on Acquisition of Property, Plant and Equipment

The Corporation shall not acquire additional property, plant and equipment (except (1) in the ordinary course of business, (2) with the proceeds of Indebtedness permitted by the Regulatory Agreement, (3) as part of a merger or consolidation permitted by the Regulatory

Agreement) or (4) by gift (other than gifts of cash or personal property or gifts of real property if either (i) its use is residential or (ii) it is subject of a phase I report indicating no contaminants), purchase, construction, merger or consolidation, unless the Department gives its prior written consent to such acquisition.

Insurance

The Corporation shall keep the Facilities and their operations adequately insured at all times, and, shall carry and maintain, or cause to be carried and maintained, and will pay, or cause to be paid, in timely fashion the premiums for, at least the coverages specified in the Regulatory Agreement. The coverages and limits may be varied only with the prior written consent of the Department.

The Corporation shall employ a Risk Management Consultant to review the insurance requirements of the Corporation from time to time (but not less frequently than once every 24 months). If the Risk Management Consultant makes recommendations for the increase of any of the coverage required by the Regulatory Agreement, the Corporation shall increase such coverage in accordance with such recommendations, subject to a good faith determination of the Board that such recommendations, in whole or in part, are in the best interests of the Corporation. The Corporation shall have the right, without giving rise to an event of default under the Regulatory Agreement solely on such account; (1) with the prior written consent of the Department, to maintain insurance coverage below that required by the Regulatory Agreement, provided further that the Corporation shall furnish to the Trustee and the Department a Statement of the Risk Management Consultant or other evidence, satisfactory to the Department, that the insurance so provided affords the greatest amount of coverage available for the risk being insured against at rates which in the judgment of the Risk Management Consultant are reasonable in connection with reasonable and appropriate risk management, or (2) with the prior written consent of the Department, to adopt alternative risk management programs which the Board determines to be reasonable and which shall not have a material adverse impact on the Corporation's reimbursement from third-party payers, including, without limitation, to self-insure in whole or in part, to participate in programs of captive insurance companies, to participate with other health care institutions in mutual or other cooperative insurance or other risk management programs, to participate in state or federal insurance programs, to take advantage of state or federal laws now or hereafter in existence limiting medical and malpractice liability or to establish or participate in other alternative risk management programs; all as may be approved in writing as reasonable and appropriate risk management by the Risk Management Consultant. A copy of any such approval shall be furnished to the Trustee and the Department.

Title Insurance

The Corporation shall obtain, at its own cost and expense, an ALTA Lender's policy of title insurance, with such endorsements as may be required by the Department, at the time of and dated as of the date of delivery of the Bonds or Parity Debt, in a sufficient amount, when combined with policies previously delivered and remaining available in aggregate to the Department in connection with the issuance of outstanding Parity Debt, to equal not less than the aggregate principal amount of the Bonds and Parity Debt to be outstanding after the issuance of such Bonds or Parity Debt, payable to the Department, the Trustee and the Authority (as

applicable), insuring the title of the Corporation to the site of the Facilities, subject only to Permitted Encumbrances, issued by a title insurance company admitted to do business in the State by the Department of Insurance of the State, and which is acceptable to the Department.

Disposition of Insurance and Condemnation Proceeds

The proceeds of property and builders risk insurance maintained by the Corporation pursuant to the Regulatory Agreement, the proceeds of any title insurance, and the proceeds of any condemnation awards with respect to the Facilities, shall be paid immediately upon receipt by the Corporation or other named insured parties to the Trustee, as assignee of the Authority, for deposit in a special fund which the Trustee shall establish and maintain and hold in trust under the Indenture, to be known as the "Insurance and Condemnation Proceeds Fund." In the event the Corporation elects to repair or replace the property damaged, destroyed or taken, it shall furnish to the Trustee and the Department plans of the contemplated repair or replacement, accompanied by a Statement of an architect or other qualified expert satisfactory to the Department estimating the reasonable cost of such repair or replacement and a Statement of the Corporation stating that amounts in one or more of the Insurance and Condemnation Proceeds Fund, together with investment income reasonably expected to be received with respect thereto and any other funds available or reasonably expected to become available therefor (and which the Corporation shall agree to deposit in said funds when so available), shall be sufficient to repair or replace the property damaged, destroyed or taken in accordance with said plans. After deducting therefrom the reasonable fees, charges and expenses of the Trustee in connection with the collection and disbursement of such moneys (including fees and disbursements of counsel), moneys in the Insurance and Condemnation Proceeds Fund shall be disbursed by the Trustee upon written direction of the Corporation for the purpose of repairing or replacing the property damaged, destroyed or taken in the manner and subject to the conditions set forth in the Indenture to the extent the provisions thereof may reasonably be made applicable. In the event that the proceeds of any loss or damage to or condemnation of the Facilities shall be less than 1-1/2% of the Corporation's Adjusted Annual Operating Revenues (as shown on the Corporation's most recent audited financial statements), and so long as an event of default under the Regulatory Agreement has not occurred and is not then continuing, the Trustee shall pay over such proceeds to the Corporation without requiring any of the documents referred to in the Regulatory Agreement described under this caption and without any formality whatsoever.

In the event the Corporation, with the consent of the Department, shall elect not to repair or replace the property damaged, destroyed or taken, as provided in the provisions of the Regulatory Agreement described in the paragraph above, the Trustee shall transfer all amounts in any Insurance and Condemnation Proceeds Fund on account of such damage, destruction or condemnation to the Redemption Fund (established under the Indenture) in order to prepay the Loan Repayments and redeem the Bonds; provided that if any Parity Debt is then outstanding, any such transfer from the Insurance and Condemnation Proceeds Fund shall be deposited in part in the Redemption Fund and in part in such other fund or account as may be appropriate (and used for the retirement of such Parity Debt) in the same proportion which the aggregate principal amount of Outstanding Bonds then bears to the aggregate unpaid principal amount of such Parity Debt.

If all amounts in the Insurance and Condemnation Proceeds Fund and any special redemption account for the retirement of Parity Debt exceed 1-1/2% of the Corporation's Adjusted Annual Operating Revenues (as shown on the Corporation's most recent audited financial statements) but are not sufficient to retire all Bonds then outstanding, the Trustee shall not transfer said amounts to the Redemption Fund and the respective special redemption accounts unless the Corporation shall file with the Trustee a report of a Management Consultant showing that projected Net Income Available for Debt Service will be sufficient to pay Aggregate Debt Service for the three full Fiscal Years immediately following such transfer after giving effect to the retirement of such Bonds and Parity Debt. In the event such report of a Management Consultant shows that projected Net Income Available for Debt Service will not be sufficient to pay Aggregate Debt Service for the three full Fiscal Years immediately following such transfer after giving effect to the retirement of such Bonds and Parity Debt, the Corporation shall provide written direction to the Trustee to apply all amounts in the Insurance and Condemnation Proceeds Fund to the repair or replacement of the property damaged, destroyed or taken, described in the first paragraph under this caption, unless the Corporation shall file a further report of a Management Consultant showing that even after making such repair and replacement, projected Net Income Available for Debt Service will not be sufficient to pay Aggregate Debt Service for the three Fiscal Years immediately following such repair and replacement, in which event the Corporation shall direct the Trustee to transfer all moneys in the Insurance and Condemnation Proceeds Fund to the related Redemption Fund and/or such other trust account for the retirement of Bonds and Parity Debt, as described in the second paragraph under this caption.

Certain Covenants Relating to Operations

Indebtedness on Loan Default Event. During the continuance of a default under the Regulatory Agreement, a Loan Default Event under the Loan Agreement or an Event of Default under the Indenture, the Corporation shall not incur any additional Indebtedness or make any additional capital acquisition without the prior written consent of the Department.

Lien on Future Acquired Real Property. If the Corporation acquires any real property to be used or usable in connection with the operation of the Corporation while the Regulatory Agreement is in effect, such acquired real property ("Acquired Property") shall be deemed to fall within the definition of Facilities and therefore shall be subject to the Regulatory Agreement. The Corporation shall convey a security interest (which need not give the Department a first lien position) in the Acquired Property for the benefit of the Department under the Deed of Trust, as applicable, unless such requirement is waived in writing by the Department.

Default; Remedies Upon Default

Notice and Declaration of a Default. Upon a violation of any of the provisions of the Regulatory Agreement by the Corporation, the Department may give written notice thereof to the Corporation by registered or certified mail, addressed to the address stated in the Regulatory Agreement, or such other address as may subsequently, upon appropriate written notice thereof to the Department, be designated by the Corporation as its legal business address (with a copy to the Trustee). If such violation is not corrected to the satisfaction of the Department within 30 days, or in the event the default is the result of the failure of the Corporation to make a payment

required to be made to the Trustee or the result of the loss or threatened loss of the license of the Corporation, then five days, after the date such notice is given, or within such further time as the Department determines, in the Department's sole discretion, is necessary to correct the violation, without further notice the Department may declare a default under the Regulatory Agreement effective on the date of such declaration of default.

Department Directives to the Corporation. Upon an event of default under the Regulatory Agreement, the Deed of Trust, the Indenture or the Loan Agreement, the Department shall have the remedies provided by California Health and Safety Code section 129173 which are incorporated in the Regulatory Agreement, as well as the following: The Department may conduct an evaluation of, and direct the Corporation with respect to, the management and operation of the Facilities and the expenses of the Department or any consultants associated with such evaluation and direction shall be reimbursed by the Corporation. The Corporation shall follow all such directives, which may at the option of the Department include immediately terminating and replacing the existing Management Agent with a new Management Agent selected by the Department at the expense of the Corporation. In the event of any such termination, the Management Agent shall not be entitled to compensation for more than 30 days from the date of such termination. The Department may retain attorneys and consultants to assist in such evaluation and the Corporation shall pay the reasonable fees and expenses of such attorneys and consultants and any other expenses incurred by the Department in that connection. These remedies are in addition to those provided under Insurance Law Section 129173. The Department reserves its rights to exercise all its remedies under Insurance Law Section 129173, including, but not limited to, subsection (a) wherein the Department may remove and appoint members of the governing body of the Corporation sufficient such that the new members constitute a voting majority of the governing body.

Payment from the Health Facility Construction Loan Insurance Fund. (1) In any case in which an Event of Default under the Indenture shall have occurred and the Trustee shall have given notice to the Department at least 30 days prior to any date on which payments of interest or principal are due and payable with respect to a particular series of Bonds that: (a) available moneys in the Principal Account and Interest Account held by the Trustee pursuant to the Indenture will be insufficient to pay in full the next succeeding payment of interest and/or principal when due to the Holders under the Indenture, and (b) the amount by which the obligation to make such payment exceeds the amount available (the "Shortfall"), the Department shall cause an amount equal to the Shortfall to be deposited into the related subaccounts of the Principal Account and/or Interest Account at least three Business Days prior to the date on which said payment is due, as described in the following paragraphs (2) and (3).

(2) Said deposit shall be made by the Department directing the Trustee to transfer an amount equal to the Shortfall out of the Debt Service Reserve Account into the related subaccounts of the Principal Account and/or Interest Account. (However, if there are funds in the Debt Service Reserve Account at the time the Department receives such notice of the Shortfall from the Trustee, nothing contained in the Regulatory Agreement shall prevent the Department from then determining pursuant to Insurance Law Section 129145 that the lender and borrower have exhausted all reasonable means of curing the Event of Default and that it would be in the best interest of the State, the borrower and the lender to pay a portion or all of the Shortfall from the Health Facility Construction Loan Insurance Fund instead of the Debt

Service Reserve Account, and from paying such amount from the Health Facility Construction Loan Insurance Fund.)

(3) If the Department, pursuant to Insurance Law Section 129145, determines, in the event the funds in the Debt Service Reserve Account are insufficient to meet the Shortfall as described in paragraph (2) above, that (a) the lender and the borrower will have exhausted all reasonable means of curing the Event of Default, and (b) a payment or payments from the Health Facility Construction Loan Insurance Fund to cure the Event of Default is now and will be at the time of the Event of Default in the best interest of the State, the lender and the borrower, then the Department may pay such amount required to meet the Shortfall from the Health Facility Construction Loan Insurance Fund to the related subaccounts of the Principal Account and/or Interest Account for the benefit of the lender within the time as described in paragraph (1) above.

(4) Any payment made by the Department from the Health Facility Construction Loan Insurance Fund (the "Fund") shall be secured pursuant to Insurance Law Section 129145 by a pro rata share of the security held by the Trustee through the Deed of Trust and all applicable UCC-1s, and, upon such payment, the Corporation shall become liable for repayment of the amount thereof to the Department upon demand and shall be liable for interest on the unpaid balance thereof at the rate of 10% per annum.

(5) If the principal of all Bonds at the time Outstanding, and the interest accrued thereon have been declared immediately due and payable pursuant to the terms of the Indenture, the Department shall make payment from the Fund, or, if the Fund is insufficient to make such payment, or if the Department determines it to be in the best interest of the State, the Corporation, the Authority and the Department shall request issuance of debentures as described below under the caption "Issuance of Debentures."

Issuance of Debentures. (1) In any case in which (a) the Trustee shall have directed the foreclosure and taking possession of the Facilities under the Deed of Trust and under applicable statutes, (b) the Trustee, with the consent of the Department, shall have otherwise acquired the Facilities from the Corporation after default, (c) the Trustee, with the consent of the Department, shall have assigned to the Department the security interest created by the Deed of Trust, (d) the Trustee shall have tendered to the Department a satisfactory conveyance of title and transfer of possession of the Facilities directly from the Corporation, or other appropriate grantor, or (e) it has been determined that debentures should be issued as described in the paragraph above under the caption entitled "Payment from the Health Facility Construction Loan Insurance Fund," the Trustee shall be entitled to receive the benefit of the insurance as provided in Insurance Law Sections 129125 through 129160, upon (i) the prompt conveyance to the Department of title to the Facilities or, with the consent of the Department, the security interest created by the Deed of Trust, (ii) the assignment to the Department of all claims of the Trustee against the Corporation or others arising out of the sale of the Bonds, the loan transaction or the foreclosure proceedings, except such claims as may have been released with the consent of the Department, and (iii) surrender to the Department of each Bond which has been surrendered to the Trustee, which Bond shall be returned to the Trustee upon issuance of debentures and canceled by the Trustee.

(2) Upon such conveyance, assignment and surrender, the Department shall request the State Treasurer to issue to the Trustee for the benefit of the Holders so surrendered, a

debenture or debentures having a total face value of and bearing interest at the rate on the respective surrendered Bonds which they replace and additional debentures equal to all additional amounts due under the Indenture as provided by Insurance Law Sections 129125 through 129160.

Additional Remedies Available to the Department. Notwithstanding any other provision in the Regulatory Agreement or provision of law relating to the acquisition, management or disposal of real property by the State, the Department shall have the power to do any or all of the following: (a) possess, operate, complete, lease, rent, renovate, modernize, insure, or sell for cash or credit, in its sole discretion, any properties conveyed to it in exchange for debentures as provided in the Insurance Law; (b) pursue to final collection by way of compromise or otherwise all claims against the Corporation assigned by the Trustee to the Department; or (c) convey and execute in the name of the Department deeds of conveyance, deeds of release, assignments and satisfactions of the Deed of Trust, and any other written instrument relating to real or personal property or any interest therein acquired by the Department.

Remedies Not Exclusive; No Waiver of Rights. No remedy conferred in the Regulatory Agreement upon or reserved to the Department is intended to be exclusive of any other available remedy or remedies, but each and every such remedy, to the extent permitted by law, shall be cumulative and shall be in addition to every other remedy given under the Regulatory Agreement, Loan Agreement and the Deed of Trust, or now or thereafter existing at law or in equity or otherwise. In order to entitle the Department to exercise any remedy, to the extent permitted by law, reserved to it contained in the Regulatory Agreement, it shall not be necessary to give any notice, other than such notice as may be expressly required in the Regulatory Agreement.

Capital Replacement

The Corporation shall maintain the Facilities in good and substantial repair and condition. The Corporation shall prepare a long-term capital replacement budget, as required by the Regulatory Agreement, for capital improvements, major remodeling, and for new and replacement items necessary and appropriate to maintain the Facilities for the purposes for which they are or may reasonably be expected to be used. Capital replacement costs may include, but are not limited to, carpet, flooring, roofing, windows, painting exterior and interior, major appliances, cabinets, bathrooms, walkways, fencing, stairways, exterior siding, drainage, sewage, security and alarm systems, HVAC systems, elevators, and fire sprinkler systems for the Facilities. The Corporation shall allocate the required annual budget amount for long-term capital replacement to be used solely for capital replacement costs as they are incurred.

Upon written demand of the Department, the Corporation shall perform or cause to be performed a formal inspection of its Facilities resulting in a written report by a qualified professional recommending replacement and repairs necessary to maintain the Facilities in good and substantial repair and condition. The long-term capital replacement budget shall be revised to reflect the recommended replacement and repairs included in the inspection report. The Corporation shall deliver a copy of its Board approved revised long-term capital replacement budget and the inspection report to the Department. The Corporation shall allocate the revised

required annual budget amount for long-term capital replacement to be used solely for capital replacement costs as they are incurred, provided that the Corporation shall give residents of the Corporation's Facility reasonable notice prior to inspecting their units and shall inspect individual units only as necessary.

Debt Service Coverage Ratio Reporting

Within 45 days after each March 31, June 30, September 30 and December 31 (each three-month period ending on each such date referred to in the Regulatory Agreement as a "Fiscal Quarter"), commencing with the Fiscal Quarter ending September 30, 2025, the Corporation shall compute the Debt Service Coverage Ratio for the twelve-month period ending on the last day of such Fiscal Quarter ("Running Twelve-Month Period") and promptly furnish to the Department a Statement setting forth the results of such computation. If at the end of such Fiscal Quarter the Debt Service Coverage Ratio shall have been less than 1.25 for such Running Twelve-Month Period, the Corporation shall, upon the request of the Department, employ a Management Consultant to make recommendations as to a revision of the rates, fees and charges of the Facilities or the methods of operation of the Facilities which will result in producing a Debt Service Coverage Ratio equal to at least 1.25 by the end of the current Fiscal Year. Copies of the recommendations of the Management Consultant shall be provided to the Department. The Department also may retain attorneys and consultants to assist in an evaluation of the operation and management of the Facilities and the Corporation shall pay the reasonable fees and expenses of such attorneys and consultants and any expenses incurred by the Department in that connection.

DEED OF TRUST

The obligations of the Corporation pursuant to the Loan Agreement, the Regulatory Agreement and the Contract of Insurance are secured by the liens of a Deed of Trust upon each of the Facilities. With the written consent of the Department and the Corporation, the Deed of Trust may be amended, changed, modified or terminated at any time, without the necessity of obtaining the consent of the Trustee, the Authority or the holders of the Bonds or of any Parity Debt. To the extent permitted under the Regulatory Agreement, certain Property may be removed from the lien and security interest of the Deed of Trust upon written request by the Department.

Upon the failure of the Corporation to perform its obligations as required under the Deed of Trust, the Deed Trustee, the Trustee (as assignee of the Authority) and the Department, as beneficiaries under the Deed of Trust, may elect to do any or all of the following: (1) make any such payment or do any such act in such manner and to the extent necessary to protect the security of the Deed of Trust; (2) pay, purchase, contest or compromise any claim, debt, lien, charge or encumbrance which may affect or appear to affect the security of the Deed of Trust, the interest of the beneficiary or the rights, powers or duties of the Deed Trustee or the beneficiary; or (3) enter into and upon and take and hold possession of any or all of the Property, exclude the Corporation and all other persons therefrom, and operate and manage the Property, and rent and lease the same and collect any and all rents, issues, income and profits therefrom.

The Regulatory Agreement and the Deed of Trust confer certain powers and rights upon the Department which may limit the discretion of the Deed Trustee under the Deed of Trust. So long as the Department is obligated under the Contract of Insurance, all rights of beneficiaries under the Deed of Trust shall be exercised solely by the Department for the equal and ratable benefit of the Department and the Trustee. All rights and proceeds inuring to the benefit of the Trustee under the Deed of Trust are for the benefit of the holders of the Bonds and Parity Debt.

CONTRACT OF INSURANCE

The Contract of Insurance is an agreement among the Department, the Corporation and the Authority whereby the Corporation and the Authority agree to abide by the terms of the Bonds, the Loan Agreement, the Indenture, the Deed of Trust, the Regulatory Agreement and the Contract of Insurance, as the terms of each such agreement apply to each of them, and the Department agrees that the Bonds are eligible for insurance and are thereby insured under the Insurance Law. The Contract of Insurance provides that the insurance may be terminated only (1) upon payment in full of the insurance of the Bonds pursuant to the Insurance Law, (2) upon the payment in full of the principal of and the accrued and unpaid interest on the Bonds (including defeasance of the Bonds) so that all principal and interest components of the Bonds that have or may come due to the Holders of the Bonds and the Trustee under the Indenture are paid, (3) upon joint written request of the Corporation, the Authority, and all the Holders as provided in Insurance Law Section 129185, or (4) if the Deed of Trust are judicially foreclosed as to such property, or the Authority, the Trustee or the Holders of the Bonds non-judicially foreclose or otherwise acquire such property after a Loan Default Event and the Authority and the Trustee do not execute and deliver to the Department a grant deed, trustee deed or quitclaim deed covering such property within 60 days of such foreclosure or other acquisition; or if any Bonds are surrendered to the Trustee to be exchanged for debentures and such Bonds are not surrendered to the Department within 60 days of receipt by the Trustee; provided that, if the required conveyance or surrender is restrained, enjoined, or otherwise prevented by any court or governmental body or agency, then the Authority and the Trustee shall have 60 days to make the conveyance or surrender from the date such restraint or injunction is vacated, dismissed or discharged.

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APPENDIX E

FORM OF CONTRACT OF INSURANCE

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APPENDIX E

FORM OF CONTRACT OF INSURANCE

LOAN NO. 1098

STATE OF CALIFORNIA DEPARTMENT OF HEALTH CARE ACCESS AND INFORMATION

THIS CONTRACT OF INSURANCE, dated as of July 1, 2025, and effective as of July [], 2025, is by and among SEQUOIA LIVING, INC. (the “Corporation”), a California nonprofit public benefit corporation (the “Corporation”), the DEPARTMENT OF HEALTH CARE ACCESS AND INFORMATION OF THE STATE OF CALIFORNIA (the “Department”) and the CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY, a joint exercise of powers authority and public entity of the State of California, organized and existing under the laws of the State of California (the “Authority”);

WHEREAS, the Department is authorized to enter into this Contract of Insurance pursuant to California Health and Safety Code Section 129105;

WHEREAS, the Director of the Department is authorized to enter into this Contract of Insurance on behalf of the Department pursuant to California Health and Safety Code Section 127010 and California Government Code Section 11150, *et seq.*;

WHEREAS, the undersigned Deputy Director of the Department was appointed by the Director of the Department to act on the Director’s behalf pursuant to Delegation Order 25-01, effective March 27, 2025, and is so authorized by California Health and Safety Code Section 7 and California Government Code Sections 7, 1194 and 18572;

WHEREAS, the Corporation is authorized to enter into this Contract of Insurance pursuant to the resolution of the Corporation adopted on May 29, 2025;

WHEREAS, the Authority is authorized to enter into this Contract of Insurance pursuant to the Authority’s resolution adopted on June 5, 2025;

WHEREAS, the Authority desires to issue its Insured Revenue and Refunding Bonds (Sequoia Living Projects), Series 2025A, in the aggregate principal amount of [PAR WRITTEN OUT] Dollars (\$[PAR]) (the “Bonds”), pursuant to an Indenture, dated as of July 1, 2025 (the “Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), and to lend the proceeds of the Bonds to the Corporation pursuant to a Loan Agreement, dated as of July 1, 2025 (the “Loan Agreement”), between the Authority and the Corporation, which shall be secured by a Deed of Trust with Fixture Filing, Security Agreement and Assignment Agreement, dated the effective date hereof (the “Deed of Trust”), on certain of the Corporation’s properties and a pledge of the Corporation’s Gross Revenues;

WHEREAS, the Authority and the Corporation desire to obtain the Health Facility Construction Loan Insurance (the “Insurance”) insuring the payment of the Bonds, and the Department is willing to extend the Insurance;

WHEREAS, the Department has reviewed the final form of the Bonds, the Indenture, the Loan Agreement, the Deed of Trust and the American Land Title Association title insurance policies (issued by Chicago Title Insurance Company) insuring the Corporation’s fee title to those properties which are subject to the Deed of Trust and naming the Trustee and the Department as beneficiaries, as their interests may appear;

WHEREAS, the Department has approved the Corporation’s application for insurance of the Bonds; and

WHEREAS, in consideration of the Insurance and in order to comply with the requirements of Chapter 1, Part 6, Division 107 of the Health and Safety Code of the State of California, cited as the “California Health Facility Construction Loan Insurance Law,” as now in effect and as it may, from time to time, hereafter be amended or supplemented (the “Insurance Law”), the Corporation, the Department, the California Health Facilities Financing Authority and the Authority have entered into an amended and restated regulatory agreement, dated as of July 1, 2025, and effective as of July [], 2025 (the “Regulatory Agreement”), regulating the terms and conditions of the Insurance of the Bonds;

NOW, THEREFORE, in consideration of these presents and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto mutually agree, and agree for the benefit of the Holders of the Bonds from time to time and the Trustee, as follows:

Section 1. Definitions. Unless the context clearly otherwise requires, all capitalized terms used herein shall have the meanings assigned to such terms in the Regulatory Agreement or in the Indenture.

Section 2. Insurance. The Department hereby declares and agrees that the Bonds are eligible for the Insurance under the Insurance Law and that the payment to the Trustee of the principal of and the accrued and unpaid interest on the insured principal of the Bonds and, such other costs and expenses required by the Insurance Law, are insured. However, payments from the Trustee to the Holders are not insured.

Section 3. Incontestability. Pursuant to Insurance Law Section 129110, such Insurance shall be incontestable from the date of the execution of this Contract of Insurance except in case of fraud or misrepresentation on the part of the lender (as defined in Insurance Law Section 129010(i)).

Section 4. Approval of Documents. The Department approves the execution and delivery of the Loan Agreement, the Indenture and the Deed of Trust.

Section 5. Completion of the Projects. The Corporation shall accomplish the Projects with all practical dispatch and in an economical manner.

Section 6. Disbursement of Proceeds. Prior to each disbursement of funds to the Corporation pursuant to the provisions of the Indenture, the Corporation shall apply to the Department by submission of the Department's Form HCAI-CM-134 and supporting documentation, for an authorization of the disbursement of funds to the Corporation pursuant to the Indenture, pursuant to Insurance Law Section 129030. Certification by the Department of the Form HCAI-CM-134 submitted to the Department by the Corporation shall constitute the Department's authorization and consent to the disbursement of funds to the Corporation.

Section 7. Compliance with Law and Documents. The Authority and the Corporation shall, to the extent they are respectively obligated thereunder, comply with the Insurance Law and the terms, conditions and covenants of the Bonds, the Loan Agreement, the Indenture, the Deed of Trust, the Regulatory Agreement and this Contract of Insurance.

Section 8. Premium Payment. The Corporation has paid all premiums required for the Insurance on the effective date hereof. Insurance of the Bonds shall not be cancelled or terminated for any reason, including any failure by the Corporation to comply with the provisions of the Regulatory Agreement or any other agreement or failure by the Trustee to enforce such compliance, except as provided in Section 9 hereof.

Section 9. Termination of Insurance. The Insurance provided herein may be terminated by the Department only upon the occurrence of any of the following:

(a) *Payment of Insurance by the Department.* Upon the payment in full by the Department of the Insurance of the Bonds pursuant to the Insurance Law.

(b) *Payment of Bonds; Defeasance.* Upon the payment in full of the principal of and the accrued and unpaid interest on the Bonds (including defeasance of the Bonds) so that all principal and interest components of the Bonds that have or may come due to the Holders of the Bonds and the Trustee under the Indenture are paid.

(c) *Joint Request.* Upon the joint written request of the Authority, the Corporation and all the Holders as provided in Insurance Law Section 129185.

(d) *Foreclosure or Conveyance; Surrender of Bonds.* If the Deed of Trust are judicially foreclosed as to such property, or the Authority, the Trustee or the Bond Holders non-judicially foreclose or otherwise acquire such property after a Loan Default Event and the Authority and the Trustee do not execute and deliver to the Department a grant deed, trustee deed or quitclaim deed covering such property within sixty (60) days of such foreclosure or other acquisition; or if any Bonds are surrendered to the Trustee to be exchanged for debentures and such Bonds are not surrendered to the Department within sixty (60) days of receipt by the Trustee; provided that, if the required conveyance or surrender is restrained, enjoined, or otherwise prevented by any court or governmental body or agency, then the Authority and the Trustee shall have sixty (60) days to make the conveyance or surrender from the date such restraint or injunction is vacated, dismissed or discharged.

Section 10. Successors Bound. This Contract of Insurance shall bind, and the benefits shall inure to, the respective parties hereto, their legal representatives, successors in office or

interest, and assigns, and shall be directly enforceable by the Trustee. The Department hereby consents to the Authority's assignment of its rights under this Contract of Insurance to the Trustee.

Section 11. Severability of Invalid Provisions. The invalidity of any clause, part, or provision of this Contract of Insurance shall not affect the validity of the remaining portions hereof so long as the Insurance remains in effect.

Section 12. Agreement Represents Complete Agreement; Amendments. Except as otherwise provided herein, this Contract of Insurance represents the entire contract among the parties. This Contract of Insurance may be amended, changed or modified by the written agreement of the Department and the Corporation, provided that such amendment, change or modification shall not materially adversely affect the Holders of the Bonds.

Section 13. Headings and References. The headings or titles of the several sections, subsections and subdivisions hereof shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Contract of Insurance. All references herein to "sections," "subsections" and other subdivisions are to the corresponding sections, subsections or subdivisions of this Contract of Insurance. The words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Contract of Insurance as a whole and not to any particular section, subsection or subdivision hereof. Words of the masculine gender shall mean and include words of the feminine and neuter genders.

Section 14. Governing Law; Venue. The laws of the State of California shall govern this Contract of Insurance, the interpretation thereof and any right or liability arising hereunder. Any action or proceeding to enforce or interpret any provision of this Contract of Insurance shall be brought, commenced or prosecuted in Sacramento County Superior Court, Sacramento, California.

Section 15. Attorneys' Fees. In the event of any action at law or in equity between the parties hereto to interpret or enforce any of the provisions of this Contract of Insurance, the non-prevailing party or parties to such litigation shall pay to the prevailing party or parties all fees, costs and expenses, including the reasonable and documented fees and expenses of the Trustee for Bond Holders, and actual attorneys' fees and expenses, incurred therein by such prevailing party or parties; and if such prevailing party or parties shall recover judgment in any such action or proceeding, such fees, costs, expenses and attorneys' fees may be included in and as part of such judgment. The prevailing party shall be the party who is entitled to recover its costs of suit, whether or not the suit proceeds to final judgment. A party not entitled to recover its costs of suit shall not recover attorneys' fees or expenses.

Section 16. Electronic Signature. Each of the parties hereto agrees that the transaction consisting of this Contract of Insurance may be conducted by electronic means. Each party agrees, and acknowledges that it is such party's intent, that if such party signs this Contract of Insurance using an electronic signature, it is signing, adopting, and accepting this Contract of Insurance and that signing this Contract of Insurance using an electronic signature is the legal equivalent of having placed its handwritten signature on this Contract of Insurance on paper. Each party acknowledges that it is being provided with an electronic or paper copy of this Contract of Insurance in a usable format.

Section 17. Execution in Counterparts. This Contract of Insurance may be executed in any number of counterparts, each of which shall be deemed for all purposes to be an original and all of which shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have duly executed this Contract of Insurance as of the day and year first above written.

SEQUOIA LIVING, INC.

By: _____
Charlie Shoemake
Chief Financial Officer

**DEPARTMENT OF HEALTH CARE ACCESS
AND INFORMATION**

By: Elizabeth A. Landsberg, Director

By: _____
Dean O'Brien
Deputy Director

**CALIFORNIA STATEWIDE COMMUNITIES
DEVELOPMENT AUTHORITY**

By: _____
Authorized Signatory

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APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “*Disclosure Agreement*”) is executed and delivered by Sequoia Living, Inc., a nonprofit public benefit corporation incorporated under the laws of the State of California (the “*Borrower*”), as of July 29, 2025. The Borrower covenants and agrees as follows:

Section 1. Definitions. Any capitalized terms used herein but not defined herein shall have the meanings assigned to them in the hereinafter described Regulatory Agreement, and the following capitalized terms shall have the following meanings:

“*Annual Budget*” shall mean the operating budget of the Borrower in the form required by Section XXIII of the Regulatory Agreement.

“*Annual Report*” shall mean any Annual Report provided by the Borrower pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“*Authority*” shall mean the California Statewide Communities Development Authority, a public instrumentality of the State of California.

“*Bondholders*” shall mean the owners and beneficial owners from time to time of the Series 2025 Bonds.

“*Borrower*” shall mean Sequoia Living, Inc., a nonprofit public benefit corporation incorporated under the laws of the State of California.

“*Current Ratio*” shall have the meaning set forth in the Regulatory Agreement (as amended or waived by the Department).

“*Days Cash on Hand*” shall have the meaning set forth in the Regulatory Agreement (as amended or waived by the Department).

“*Debt Service Coverage Ratio*” shall have the meaning set forth in the Regulatory Agreement (as amended or waived by the Department).

“*Department*” shall mean the Department of Health Care Access and Information of the State of California.

“*Disclosure Agreement*” shall mean this agreement.

“*Dissemination Agent*” shall mean (i) the Borrower or any Dissemination Agent designated in writing by the Borrower and which has filed with the Borrower a written acceptance of such designation, and (ii) initially, BLX Group LLC.

“*EMMA*” shall mean the Electronic Municipal Market Access system of the MSRB accessible at <http://emma.msrb.org> or such other information repository as may be determined by the SEC from time to time.

“*Financial Obligation*” means a (a) debt obligation, (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) guarantee of a debt obligation or a derivative instrument. The term Financial Obligation does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“*Indenture*” shall mean the Indenture dated as of July 1, 2025, between the Authority and the Trustee, pursuant to which the Series 2025 Bonds are issued.

“*Listed Events*” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“*Loan Agreement*” shall mean the Loan Agreement dated as of July 1, 2025, between the Borrower and the Authority relating to the Series 2025 Bonds.

“*MSRB*” shall mean the Municipal Securities Rulemaking Board or any successor entity as described in the Rule.

“*Obligated Person*” shall have the meaning set forth in the Rule.

“*Offering Document*” shall mean the Official Statement dated July 16, 2025 describing the Series 2025 Bonds.

“*Quarterly Report*” shall mean any quarterly report provided by the Borrower pursuant to Sections 3 and 4 of this Disclosure Agreement.

“*Regulatory Agreement*” shall mean the Amended and Restated Regulatory Agreement, dated as of July 1, 2025, among the Borrower, the Authority, the California Health Facilities Financing Authority and the Department.

“*Rule*” shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934.

“*SEC*” shall mean the United States Securities and Exchange Commission.

“*Series 2025 Bonds*” means the Authority’s Insured Revenue and Refunding Bonds (Sequoia Living Projects), Series 2025A.

“*Trustee*” shall mean The Bank of New York Mellon Trust Company, N.A., as trustee.

“Underwriter” shall mean B.C. Ziegler and Company, or any additional purchaser of the Series 2025 Bonds required to comply with the Rule in connection with an offering of the Series 2025 Bonds.

Section 2. Purpose of the Disclosure Agreement. The purpose of this Disclosure Agreement is to assist the Underwriter in complying with the Rule in connection with the Series 2025 Bonds. The Borrower represents that the Borrower is the only Obligated Person with respect to the Series 2025 Bonds at the time the Series 2025 Bonds are delivered to the Underwriter.

Section 3. Provision of Annual Reports, Annual Budgets and Quarterly Reports.
(a) The Borrower shall, or shall cause the Dissemination Agent to, not later than 150 days after the completion of each fiscal year of the Borrower (beginning with the fiscal year ending December 31, 2025), provide or cause to be provided to the MSRB (in an electronic format by transmission to EMMA and accompanied by identifying information as prescribed by the MSRB) an Annual Report that is consistent with the requirements of Section 4(a) of this Disclosure Agreement.

(b) The Borrower shall, or shall cause the Dissemination Agent to, not later than 45 days after the completion of each fiscal quarter of the Borrower (beginning with the fiscal quarter ending June 30, 2025), provide or cause to be provided to the MSRB (in an electronic format by transmission to EMMA and accompanied by identifying information as prescribed by the MSRB) a Quarterly Report that is consistent with the requirements of Section 4(b) of this Disclosure Agreement.

(c) The Borrower shall, or shall cause the Dissemination Agent to, not later than 30 days after the approval of the Annual Budget for the ensuing fiscal year by the governing board of the Borrower, provide or cause to be provided to the MSRB (in an electronic format by transmission to EMMA and accompanied by identifying information as prescribed by the MSRB), a copy of the Annual Budget for the ensuing fiscal year.

(d) In each case the Annual Report and the Quarterly Report may be submitted as a single document or as a package comprising separate documents. Any or all of the items constituting the Annual Report or the Quarterly Report may be incorporated by reference from other documents that have been submitted to the MSRB or the SEC. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Borrower shall clearly identify each such other document so incorporated by reference.

(e) The Dissemination Agent shall (if the Dissemination Agent is other than the Borrower) file a report with the Borrower certifying that the Annual Report, the Quarterly Report or the Annual Budget, as applicable, has been provided pursuant to this Disclosure Agreement, stating the date it was provided to the MSRB.

(f) With respect to each Annual Report, Quarterly Report or Annual Budget required to be submitted to the MSRB in this Section 3, the Borrower agrees to deliver such information or, alternatively, a notice of the Borrower’s intent to act as its own Dissemination Agent with

respect to such information, to the Dissemination Agent at least five (5) days prior to the date required for dissemination to the MSRB. If the Dissemination Agent does not receive an Annual Report, Quarterly Report or Annual Budget or a notice of the Borrower's intent to act as Dissemination Agent with respect to such information on or before such required dissemination date, then the Dissemination Agent shall file with the MSRB a Notice of Failure to file. If the Borrower is unable to provide to the MSRB an Annual Report, Quarterly Report or Annual Budget by the dates required in this Section 3 and the Dissemination Agent has not filed with the MSRB a related Notice of Failure to file, the Borrower shall send or cause to be sent a notice of such fact to the MSRB (in an electronic format by transmission to EMMA and accompanied by identifying information as prescribed by the MSRB).

Section 4. Content of Annual Reports and Quarterly Reports. (a) The Annual Report to be delivered under Section 3(a) shall provide the following financial and operating data:

(1) Audited financial statements of the Borrower for the fiscal year immediately preceding the due date of the Annual Report. Such financial statements shall be prepared in accordance with generally accepted accounting principles and shall be audited by an independent certified public accountant, and shall include a statement of financial position as of the end of such fiscal year, and a statement of changes in net assets (deficit), a statement of operations, and a statement of cash flows for such fiscal year, showing in each case in comparative form the financial figures for the preceding fiscal year, prepared in accordance with generally accepted accounting principles; *provided, however*, that if such audited financial statements are not available by the deadline for filing the Annual Report, they shall be provided when and if available, and unaudited financial statements shall be included in the Annual Report.

(2) To the extent not otherwise provided, an update of the financial and operating data included in the tables and charts under the headings "SEQUOIA LIVING, INC. AND RELATED ENTITIES – The Corporation and the Communities" (the table with the heading "Sequoia Living Life Plan Communities – Unit Mix"), "COMMUNITIES AND SERVICES – Fees and Charges," "STATISTICAL INFORMATION – Occupancy," "STATISTICAL INFORMATION – Payor Mix," "STATISTICAL INFORMATION – Entrance Fee Turnover," "SELECTED FINANCIAL INFORMATION OF THE CORPORATION – Balance Sheets," "SELECTED FINANCIAL INFORMATION OF THE CORPORATION – Statements of Operations," "SELECTED FINANCIAL INFORMATION OF THE CORPORATION – Debt Service Coverage Ratio," and "SELECTED FINANCIAL INFORMATION OF THE CORPORATION – Days Cash on Hand and Current Ratio" contained in Appendix A to the Official Statement.

(3) (A) Borrower's calculations of the Borrower's Debt Service Coverage Ratio for such fiscal year, of the Borrower's Current Ratio as of the last day of such fiscal year and of the Borrower's Days Cash on Hand as of the last day of such fiscal year, and (B) a statement from the independent certified public accountant that audited the financial statements described in subparagraph (1) above that such independent certified public accountant has no knowledge of any default under the Regulatory Agreement or the Loan Agreement, insofar as such default relates to accounting matters, or if such independent certified public accountant shall have obtained knowledge of any such default or defaults,

they shall disclose in such statement the default or defaults and the nature thereof, insofar as such default or defaults relate to accounting matters.

(b) The Quarterly Report to be delivered under Section 3(b) shall contain the following financial and operating data:

(1) Management-prepared financial statements, including a statement of operations and statement of cash flows of the Borrower during such period and a statement of financial position as of the end of each such fiscal quarter, all prepared in reasonable detail and certified, subject to year-end adjustment, by an officer of the Borrower (including, if necessary, a management-prepared discussion and analysis regarding the results of operations for such fiscal quarter).

(2) A calculation of the Current Ratio, the Days Cash on Hand and the Debt Service Coverage Ratio for each fiscal quarter.

(3) An Officer's Certificate of the Borrower stating that the Borrower is in compliance with all of the terms, provisions and conditions of the Regulatory Agreement and the Loan Agreement or, if not, specifying all such defaults and the nature thereof.

Section 5. Reporting of Listed Events. (a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Series 2025 Bonds:

(1) principal and interest payment delinquencies;

(2) non-payment related defaults, if material;

(3) unscheduled draws on debt service reserves reflecting financial difficulties;

(4) unscheduled draws on credit enhancements reflecting financial difficulties;

(5) substitution of credit or liquidity providers, or their failure to perform;

(6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2025 Bonds, or other material events affecting the tax status of the Series 2025 Bonds;

(7) modifications to rights of security holders, if material;

(8) bond calls, if material, and tender offers (except for mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event);

- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Series 2025 Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the Borrower;
- (13) the consummation of a merger, consolidation, or acquisition involving the Borrower or the sale of all or substantially all of the assets of the Borrower, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) the incurrence of a Financial Obligation of the Borrower, if material, or an agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Borrower (including debt service schedules), any of which affect security holders, if material; and
- (16) a default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Borrower, any of which reflect financial difficulties.

(b) On the occurrence of a Listed Event, the Borrower shall, or shall cause the Dissemination Agent to, promptly file a notice of such occurrence with the MSRB (in an electronic format by transmission to EMMA and accompanied by identifying information as prescribed by the MSRB). Such notice shall be filed within 10 Business Days after the occurrence of the Listed Event. If the Borrower determines that it failed to give notice as required by this Section, it shall promptly file a notice of such occurrence in the same manner.

Section 6. Termination of Reporting Obligation. The Borrower's obligations under this Disclosure Agreement with respect to the Series 2025 Bonds shall terminate upon the defeasance, prior redemption or payment in full of all the Series 2025 Bonds.

Section 7. Dissemination Agent. From time to time, the Borrower may appoint or engage a Dissemination Agent to assist the Borrower in carrying out its obligations under this Disclosure Agreement, and may discharge any such agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Borrower shall be the Dissemination Agent. The initial Dissemination Agent shall be BLX Group LLC. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement or a subsequent agreement between the Borrower and the Dissemination Agent. The Dissemination Agent's obligation to deliver the information at the

times and with the contents described herein shall be limited to the extent the Borrower has provided such information to the Dissemination Agent as required by this Disclosure Agreement. The Dissemination Agent shall not be responsible for the form or content of any Annual Report, Quarterly Report, Annual Budget, notice of Listed Event, or other document furnished to the Dissemination Agent by the Borrower, nor shall it have any duty or obligation to review or verify any information, disclosures or notices provided to it by the Borrower. The Dissemination Agent shall have no responsibility for the Borrower's failure to report to the Dissemination Agent a notice of Listed Event or a duty to determine the materiality thereof. The Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the Borrower has complied with this Dissemination Agreement. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the Borrower, the Authority, or any Bondholder. The Dissemination Agent may conclusively rely upon certifications of the Borrower at all times unless it is evident from the facts and circumstances that such reliance would be misplaced.

THE BORROWER AGREES TO INDEMNIFY AND SAVE THE DISSEMINATION AGENT AND ITS OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS, HARMLESS AGAINST ANY LOSS, EXPENSE AND LIABILITIES WHICH THEY MAY INCUR ARISING OUT OF OR IN THE EXERCISE OR PERFORMANCE OF THEIR POWERS AND DUTIES HEREUNDER, INCLUDING THE REASONABLE COSTS AND EXPENSES (INCLUDING REASONABLE DOCUMENTED ATTORNEYS' FEES) OF DEFENDING AGAINST ANY CLAIM OF LIABILITY, BUT EXCLUDING LIABILITIES DUE, IN WHOLE OR IN PART, TO THE DISSEMINATION AGENT'S, OR ITS OFFICERS', DIRECTORS', EMPLOYEES', OR AGENTS', NEGLIGENCE OR WILLFUL MISCONDUCT. The obligations of the Borrower under this paragraph of Section 7 shall survive resignation or removal of the Dissemination Agent and defeasance, redemption or payment of the Series 2025 Bonds.

The Dissemination Agent shall receive reasonable compensation for its services provided hereunder. The Dissemination Agent may resign at any time by providing at least 60 days' written notice to the Borrower. The Borrower may terminate the Dissemination Agent's services at any time immediately by providing a written termination notice to the Dissemination Agent.

Section 8. Amendment; Waiver; Modification. The Borrower may amend or waive any provision of this Disclosure Agreement, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule or adjudication of the Rule by a final decision of a court of competent jurisdiction. The Borrower may modify from time to time the specific types of information provided in an Annual Report or Quarterly Report to the extent necessary as a result of a change in legal requirements, change in law or change in the nature of the Borrower or its businesses, *provided* that any such modification will be done in a manner consistent with the Rule and will not, in the reasonable opinion of Bond Counsel or another party unaffiliated with the Authority or the Borrower, materially impair the interests of the Bondholders. As the initial Dissemination Agent is a wholly owned subsidiary of Bond Counsel, no opinion shall be requested or required of Bond Counsel where the Authority, the Borrower, or the Department

reasonably concludes that such relationship would compromise or could create the appearance of compromising, the independence of Bond Counsel. The Borrower shall provide any such amendment, waiver or modification to the Dissemination Agent. The Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether any amendment, waiver or modification pursuant to this Section 8 is consistent with guidance provided by the SEC with regard to permitted amendments, or the manner of effecting such amendments, under the Rule.

Section 9. Additional Information. The Borrower may from time to time choose to disseminate other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or include other information in any Annual Report, Quarterly Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Borrower chooses to include any information in any Annual Report, Quarterly Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Borrower shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Quarterly Report or notice of occurrence of a Listed Event.

Section 10. Default. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, the Regulatory Agreement or the Loan Agreement, and the sole remedy of Bondholders against the Borrower under this Disclosure Agreement in the event of any failure of the Borrower to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Borrower, the Underwriter and the Bondholders, and shall create no rights in any other person or entity.

Section 12. Responsible Officer. The Borrower's Chief Financial Officer shall be the officer, agency, or agent of the Borrower responsible for providing Annual Reports and Quarterly Reports and giving notice of Listed Events, to the extent required hereunder, and any inquiries regarding this Disclosure Agreement should be directed to the Borrower, to the attention of its Chief Financial Officer.

Section 13. Future Changes to the Rule. As set forth in Section 2 of this Disclosure Agreement, the Borrower has executed and delivered this Disclosure Agreement solely to assist the Underwriter in complying with the requirements of the Rule. Therefore, notwithstanding anything in this Disclosure Agreement to the contrary, in the event the SEC, the MSRB or other regulatory authority shall approve or require changes to the requirements of the Rule, the Borrower shall be permitted, but shall not be required, to unilaterally modify the covenants in this Disclosure Agreement, without complying with the requirements of Section 8 of this Disclosure Agreement, in order to comply with, or conform to, such changes. In the event of any such modification of this Disclosure Agreement, the Borrower shall file or shall cause the Dissemination Agent to file a copy of this Disclosure Agreement, as revised, on EMMA in a timely manner.

IN WITNESS WHEREOF, the Borrower caused this Disclosure Agreement to be executed by its duly authorized officers as of the date first set forth above.

SEQUOIA LIVING, INC.

By: _____
Chief Financial Officer

The undersigned has reviewed this Disclosure Agreement and acknowledges and agrees to perform the duties of Dissemination Agent hereunder as of the date set forth above.

The undersigned acknowledges that it is a wholly owned subsidiary of Bond Counsel and that neither BLX Group LLC nor Bond Counsel will act in any manner that would compromise or could create the appearance of compromising the independence of Dissemination Agent or Bond Counsel.

BLX GROUP LLC, as Dissemination Agent

By: _____
Authorized Signatory

APPENDIX G

FORM OF OPINION OF BOND COUNSEL

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APPENDIX G

FORM OF OPINION OF BOND COUNSEL

July __, 2025

California Statewide Communities
Development Authority
Sacramento, California

California Statewide Communities Development Authority
Insured Revenue and Refunding Bonds
(Sequoia Living Projects), Series 2025A
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the California Statewide Communities Development Authority (the “Issuer”) in connection with issuance of \$151,555,000 aggregate principal amount of its Insured Revenue and Refunding Bonds (Sequoia Living Projects), Series 2025A (the “Bonds”), issued pursuant to an Indenture, dated as of July 1, 2025 (the “Indenture”), between the Issuer and The Bank of New York Mellon Trust Company, N.A., as bond trustee (the “Trustee”). The Indenture provides that the Bonds are issued for the stated purpose of making a loan of the proceeds thereof to Sequoia Living, Inc., a California nonprofit public benefit corporation (the “Corporation”), pursuant to a Loan Agreement, dated as of July 1, 2025 (the “Loan Agreement”), between the Issuer and the Corporation. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Loan Agreement, the Tax Agreement, an opinion of counsel to the Corporation, certificates of the Issuer, the Trustee, the Corporation and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

We have assumed the correctness of the opinion of Hanson Bridgett LLP, counsel to the Corporation, regarding, among other matters, the current qualification of the Corporation as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the “Code”). We note that the opinion is subject to a number of qualifications and limitations. We have also assumed the correctness of representations of the Corporation regarding the use of the facilities financed or refinanced with the proceeds of the Bonds in activities that are not considered unrelated trade or business activities of the Corporation within the meaning of Section 513 of the Code. We note that the opinion of counsel to the Corporation does not address Section 513 of the Code. Failure of the Corporation to be organized and operated in accordance with the Internal Revenue Service’s requirements for the maintenance of its status as an organization described in Section 501(c)(3) of the Code, or use of the bond-financed or refinanced facilities in activities that

are considered unrelated trade or business activities of the Corporation within the meaning of Section 513 of the Code, may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of issuance of the Bonds.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after original delivery of the Bonds on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after original delivery of the Bonds on the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures provided to us and the due and legal execution and delivery of each such document by each party thereto other than the Issuer and that each such document constitutes a valid and binding agreement of such party. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions referred to in the second and third paragraphs hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Loan Agreement and the Tax Agreement, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Indenture, the Loan Agreement and the Tax Agreement and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities such as the Issuer in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or as subject to the lien of the Indenture or the Loan Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no view with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding limited obligations of the Issuer.
2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding agreement of, the Issuer. The Indenture creates a valid pledge, to secure the payment

of the principal of and interest on the Bonds, of the Revenues and the other assets pledged therefor under the Indenture, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

3. The Loan Agreement has been duly executed and delivered by, and constitutes the valid and binding agreement of, the Issuer.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. We observe that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

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APPENDIX H

BOOK-ENTRY SYSTEM

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. The ownership of one fully-registered Bond for each maturity, each in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("*Direct Participants*") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("*DTCC*"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("*Indirect Participants*"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("*Beneficial Owner*") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them. Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an "Omnibus Proxy" to the Authority as soon as possible after the Record Date. The "Omnibus Proxy" assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the Record Date (identified in a listing attached to the "*Omnibus Proxy*").

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Trustee or the Authority, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee or the Authority. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority and the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

THE INFORMATION PROVIDED ABOVE HAS BEEN PROVIDED BY DTC. NO REPRESENTATION IS MADE BY THE AUTHORITY, THE CORPORATION OR THE UNDERWRITER AS TO THE ACCURACY OR ADEQUACY OF SUCH INFORMATION PROVIDED BY DTC OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

For so long as the Bonds are registered in the name of DTC or its nominee, Cede & Co., the Authority and the Trustee will recognize only DTC or its nominee, Cede & Co., as the registered owner of the Bonds for all purposes, including payments, notices and voting.

Under the Indenture, payments made by the Trustee to DTC or its nominee will satisfy the Authority's obligations under the Indenture and the Corporation's obligations under the Loan Agreement, to the extent of the payments so made.

None of the Authority, the Underwriter, the Corporation or the Trustee will have any responsibility or obligation with respect to (i) the accuracy of the records of DTC, its nominee or any Direct Participant or Indirect Participant with respect to any beneficial ownership interest in any Bond, (ii) the delivery to any Direct Participant or Indirect Participant or any other Person, other than an owner, as shown in the Bond Register, of any notice with respect to any Bond including, without limitation, any notice of redemption, tender, purchase or any event which would or could give rise to a tender or purchase right or option with respect to any Bond, (iii) the payment of any Direct Participant or Indirect Participant or any other Person, other than an owner, as shown in the Bond Register, of any amount with respect to the principal of, premium, if any, or interest on, or the purchase price of, any Bond or (iv) any consent given by DTC as registered owner.

Prior to any discontinuation of the book-entry only system described above, the Authority and the Trustee may treat DTC as, and deem DTC to be, the absolute owner of the Bonds for all purposes whatsoever, including, without limitation, (i) the payment of principal of, premium, if any, and interest on the Bonds, (ii) giving notices of redemption and other matters with respect to the Bonds, (iii) registering transfers with respect to the Bonds and (iv) the selection of Bonds for redemption.

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