

December 10, 2021

# Communiqué

## **Responses to Resident Questions Following Announcement of Strategic Alliance with Acts**

Thank you for your continued support of the recently-announced Strategic Alliance between Willow Valley Communities and Acts.

Following Resident meetings on November 18, 2021, we received a number of questions from you, Willow Valley Communities Residents. Many of the questions were similar in nature. Thus, in preparing responses, we have identified 16 commonly asked questions. The attached Questions and Answers (Q&A) document reflects those questions and Willow Valley Communities' responses.

*Denny* — Dennis W. Griest, President & CFO



## **RESPONSES TO RESIDENT QUESTIONS FOLLOWING ANNOUNCEMENT OF STRATEGIC ALLIANCE WITH ACTS**

**Issued December 10, 2021**

### **Why is Willow Valley Communities pursuing this alliance? And, how will it benefit the Residents of Willow Valley Communities?**

*A few years ago, Willow Valley Communities' Board of Directors began to assess options for leadership succession, anticipating that Marlin Thomas and John Swanson would ultimately wish to retire from day-to-day management responsibilities. Marlin has led the organization since its inception 37+ years ago, and John joined Marlin in leadership in 1991. Their contributions have been enormous – and, together, they've elevated Willow Valley Communities to a national best-practice standard.*

*Of course, changes in leadership are inevitable – and they are also likely to result in some changes to operational procedures and practices. For well over a year, WVC's Board – with participation from Marlin and John – has worked directly with Acts' leadership to envision a structure, unique to this alliance, that will preserve Willow Valley Communities' singularity and standard of excellence, maintain high levels of resident satisfaction, and make both organizations stronger.*

*Founded nearly 50 years ago, Acts has long been known to WVC's Board and leadership, going all the way back to the creation of Willow Valley Communities, and the organizations have maintained a strong rapport since that time, connected by common values, occasional exchanges of support, and a great deal of mutual respect.*

*Acts' substantial management depth helps us address succession – not only at the executive level, but across all areas of operation. Their large scale immediately expands WVC's access to resources, improving cost efficiencies and our ability to handle operations complexities, which have only intensified over the past couple of years. Acts' employee recruitment and training programs will positively impact service quality, as will access to new insights on technology, wellness clinics, nurse practitioners, and more. Our combined purchasing power will reduce acquisition costs and capital expenditures, thus building financial strength and stability, while minimizing impacts to Resident monthly service fees. Also, Acts' strong national presence will provide a platform for Willow Valley Communities' future growth.*

*It is the ultimate goal of all parties that this alliance will perpetuate what you have come to know and love about Willow Valley Communities.*

**With Acts as the parent organization and the WVL president reporting to the Acts president, how is this considered a strategic alliance, and not an acquisition or affiliation?**

*Strategic alliances can take many forms, and ours has been customized to achieve specific objectives. To meet our succession planning objectives, WVC is transferring its corporate membership to Acts, which allows Acts to be the parent organization. However, this is not an “affiliation” structure where WVC will be “absorbed” into the Acts organization; rather, this alliance enables WVC to remain a separate entity, maintaining its own Board and governance structure, distinct brand, and operations philosophies, with Acts as the sole corporate member.*

**What does it mean to be Sole Corporate Member?**

*A “member” of a nonprofit organization is an entity or individual that generally has certain rights concerning that organization. Those rights are usually delineated in the governing documents of the organization, and often include the right to: (1) elect or remove members of the Board of Directors, (2) approve or reject amendments to the governing documents, and/or (3) approve or reject certain transactions in which the organization is looking to undertake. As sole corporate member of WVC, Acts will hold these rights.*

*Unlike for-profit business organizations, where a member might be considered the “owner” of the organization, nonprofit organizations have no owners, and therefore, the member is not the owner of the nonprofit.*

**Who owns WVC assets? Please further explain the financial relationship between the related entities of Willow Valley Communities, Acts, and Willow Valley Living. Please address how Acts might be profiting from this Alliance, and any financial dependency between the WVC and Acts.**

*As a 501(c)3 not-for-profit organization, WVC and its assets are not “owned,” but governed by its Board of Directors.*

*Our strategic alliance was customized to allow WVC to remain a separate legal entity from Acts entities, including Acts Retirement-Life Communities (ARLC). As such, the finances between Acts (including ARLC) and WVC will remain separate.*

*Acts Management Services (AMS), with its subsidiary Willow Valley Living (WVL) as of January 1, 2022, will assume the existing management agreement that is currently in place between WVC and WVL. The fees paid to WVL by WVC will continue as currently contracted. We expect this arrangement to be modestly profitable to WVL, the AMS subsidiary, thus supporting the expansion of resources, services, and expertise available to WVC. AMS and its WVL subsidiary will be not-for-profit 501(C)3 organizations, so any/all “profits” will be reinvested in these organizations.*

*As there will be no financial dependency between Acts and WVC, each organization will maintain a separate Fitch credit rating.*

**Why will the WVC Board include four members assigned by WVC, and four assigned by Acts? Will it always be that way, and who will appoint replacement Board Members?**

*To start, the alliance provides for a new Board structure with two classes: “Class W” (with four members assigned by WVC) and “Class A” (with four members assigned by Acts). This structure ensures that both organizations will be well represented.*

*Three “Class W” members have accepted three-year terms, and one has accepted a one-year term. The goal of the Alliance is to eliminate these classes over time, and it will always be the case that all who serve on WVC’s Board are committed to the furtherance of WVC’s vision, mission, and continued success.*

*WVC’s Board President (presently Jill Gilbert), will continue to serve as Board Chair of WVC and has also been nominated as a voting board member of the Acts Board.*

**Acts is donating to WVC’s planned Memory Care Center. Does this entitle Acts to transition residents there from other communities?**

*Acts announced that it will contribute to the Willow Valley Communities Charitable Foundation to advance plans for the Memory Care Center. This donation in no way obligates or influences WVC to admit Acts’ residents.*

**Can this Alliance be undone or cancelled if it’s not working?**

*The Strategic Alliance can be adjusted or even cancelled as desired by the WVC Board of Directors. While the Board will be comprised of members from both organizations, all members are charged with making decisions that are in the best interest of Willow Valley Communities. If the Strategic Alliance requires a new direction, that would be directed by the Board. Both Acts’ and Willow Valley Communities’ current Board Members affirm the intent and desire for the Alliance to be a success, with the goal of elevating both organizations. As the alliance develops, the Boards will explore ways to strengthen connections and ensure positive outcomes.*

**Acts has some communities that don’t seem to be as high-quality as Willow Valley Communities. Why would we want them as a parent over Willow Valley Communities?**

*Acts acknowledges and celebrates that Willow Valley Communities is unique and an industry exemplar – and again – it is the intent of all parties to maintain WVC’s difference and its standard of excellence.*

*Unlike the single location of WVC, if you have visited one Acts community, it doesn’t inform you about the others in terms of size, décor, residential options, or amenities. All Acts communities are very different from each other – some reflecting regional differences, some new, some developed decades ago, and others recently acquired and in some stage of transition or improvement. Each one has its own unique look and feel. With a mission to serve as many seniors as possible, the Acts communities also differ in terms of pricing levels.*

*With steady growth over five decades, Acts has built a strong management team with the experience, resources, and capability to operate agilely and successfully, even in the wake of*

*challenges like COVID, labor shortages, and economic downturns. The WVC Board feels confident in Acts' capability to lead and manage WVC into the future.*

### **What is Acts getting out of this?**

*Like Willow Valley Communities, Acts is known for being a very strong community operator. Meanwhile, WVC is regarded as the industry's best real estate developer and hospitality provider, contributing to a community lifestyle so exceptional that we've attracted residents from 40 U.S. states, and beyond. Acts will benefit from the insights and expertise that are foundational to Willow Valley Communities' success and unique appeal, as well as expanded resources and operations scale.*

*The alliance also presents new opportunities for growth. Acts restructured its community branding hierarchy to create an entirely new category for WVC. As such, WVC will continue to innovate and operate at the industry's highest standard, and it becomes a guidepost for future development and expansion.*

### **How will this impact my monthly fees?**

*The financial performance and costs of WVC, which determine the monthly fee, are isolated from Acts, and your monthly fees will not go up because of this strategic alliance. Further, it is hoped that by combining resources, we can reduce some operations costs, and in so doing, help to minimize future fee increases.*

### **Willow Valley Communities has a "true" Life Care contract. Does Acts offer this, or is it just "continuing care" where the fees increase as you need higher levels of care? Does Acts plan to change the Life Care program at WVC?**

*All Acts communities offer true "Type A" Life Care contracts like those offered by WVC. In fact, WVC's Life Care contract was initially modeled after Acts' Life Care contract. In some markets, Acts also offers other options that are a modified Life Care, which are similar to a "Type B" or "Type C" contract, but these are exceptions, not the norm.*

*At WVC, your Life Care Contract will remain intact and will not change. And, at least for the foreseeable future, there are no plans to change the Life Care contracts available to future residents.*

### **We've heard that Acts residents can move to other Acts communities, or even stop in at one for a short vacation stay. Is that true, and will WVC residents be able to do this?**

*Acts has made it very easy for residents to travel to and vacation at other Acts locations. Like WVC, Acts has guest suite accommodations, and their residents' meal plans follow them. It is also rather simple to transfer to another community permanently if a resident chooses to do so. Once the strategic alliance is finalized in April 2022, Acts and WVC will study this issue and determine how this benefit could be offered to WVC residents.*

**What will happen when Denny eventually retires? And why is Brian Rutter reporting to the Acts president instead of Denny?**

*Denny is excited to work with Acts toward the success of this strategic alliance. At the time Denny ultimately leaves the organization, his successor will be recommended by the Acts president, Karen Christiansen, for approval from the WVC Board.*

*Currently, both Denny and WVC's Chief Marketing Officer, Brian Rutter, report to Willow Valley Living's CEO, John Swanson. In similar fashion, as of January, Denny and Brian will report to Karen Christiansen. Karen is ideally qualified and experienced to oversee such work, and she is well positioned to share best practices and align resources as needed across both organizations.*

**Will the Acts logo be used within WVC materials and marketing displays?**

*The Acts logo will not be used in WVC marketing displays or materials, and the intent is to keep these two brands separate and distinct. Further, Willow Valley Communities logo, brand positioning, and messaging strategies will not be modified because of the alliance with Acts.*

**What is Acts' position on matters of diversity and inclusion, particularly those of other faiths, no faith, and the LGBTQ community?**

*Acts and WVC each embrace a philosophy of diversity and inclusion. Both organizations work to ensure that real or perceived barriers to enjoy the communities are addressed, and that people from diverse backgrounds are welcomed and respected. These differences include race, religion, socio-economic status, sexual orientation, gender, or disability. Both organizations will not advocate for a group or cause where, by doing so, would inadvertently promote a particular group over others or support a position on a divisive social issue.*

**How can we see the submitted questions, the presentation slides, the video of the meeting and how will future questions be answered?**

*A special landing page portal has been established on the Resident intranet. Please look for the button that reads "Strategic Alliance Resources." The following items can be found there:*

- 1. Letter to Residents announcing the strategic alliance, dated November 16.*
- 2. A recording of the Resident Meeting (Cultural Center Theater) held on November 18 to discuss the strategic alliance and introduce Residents to Acts' leadership;*
- 3. The presentation slides used at Resident Meetings on November 18; and*
- 4. This summarized questions and answers (Q&A) document.*

Looking ahead, we will continue to address your questions in a variety of ways, including in writing, one-to-one communications, and others as needed. We are making every effort to make this transition smooth and seamless, and we expect you to see many benefits of the alliance coming into focus over the coming months. Meanwhile, thank you for your thoughtful engagement, and your ongoing support.