DISCLOSURE STATEMENT

THE VILLAGE AT PROVIDENCE POINT, INC. (TVPP)
November 1, 2023

THE ISSUANCE OF A CERTIFICATE OF REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT OF THE FACILITY BY THE MARYLAND DEPARTMENT OF AGING, NOR IS IT EVIDENCE OF, OR DOES IT ATTEST TO, THE ACCURACY OR COMPLETENESS OF THE INFORMATION SET OUT IN THE DISCLOSURE STATEMENT.

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DISCLOSURE STATEMENT

Provider

The Village at Providence Point, Inc.
A National Lutheran Community
5275 Westview Drive, Suite 110
Frederick, MD 21703
Phone: 301-354-2710
Fax: 240-386-8623

The name of the Community is The Village at Providence Point ("TVPP") located in Annapolis, Maryland on Skippers Drive. The project has not yet been provided the actual street number address on Skippers Drive. Skippers Drive is an east west road that connects to the East at Spa Road, to the North at Forest Drive and dead ends to the west at the edge of the property. South of Skippers Lane will be the southern boundary of the property.

Parent
National Lutheran Inc.
5275 Westview Drive, Suite 110
Frederick, MD 21703
Phone: 301-354-2710
Fax: 240-386-8623

National Lutheran, Inc. d/b/a National Lutheran Communities & Services ("NLCS") is affiliated with the Evangelical Lutheran Church in America and functions in accordance with Church body criteria and provisions. NLCS' ministry and mission are to provide outreach services to seniors of all social and economic demographics.

Once constructed, TVPP will own all of the buildings that make up the facility and the land on which they are located. All services and facilities of TVPP are available to every resident equally without regard to race, color, national origin, or the plan under which admitted. TVPP was incorporated in the State of Maryland on Oct. 8, 2010. TVPP is a not-for-profit, federally tax-exempt organization, as defined in section 501(c)(3) of the Internal Revenue Code. Phase I of the campus, once constructed will consist of a 16 bed skilled nursing facility, a 16 unit Memory Care assisted living facility and a 246-unit Independent Living Community. The Executive Director of TVPP position will be filled approximately nine months prior to opening.

DESCRIPTION OF THE COMMUNITY

The Community is proposed to ultimately include a 350 unit not-for-profit entrance fee continuing care retirement community ("CCRC") to consist of residential independent living apartments and cottage-style housing, assisted living units and skilled nursing beds to be built in two phases (the "Project").

Management is in the construction drawing phase of project planning for the first of two phases. Phase I is currently designed to consist of 246 independent living units made up of apartments and duplex cottages (collectively referred to as the "Independent Living Units"), a separate healthcare center providing for 16 Memory Care Assisted Living units (the "Assisted Living Units") and 16 skilled nursing beds (the "Skilled Nursing Beds"). Assisted living includes memory care. The Assisted Living Units and Skilled Nursing Beds are collectively referred to as the "Health Care Center." In addition, some assisted living services will be provided in the Independent Living Units through Home Health and Home Care services.

Phase II of the Project will consist of an addition 16 Memory Care Assisted Living units and 56 additional independent living apartments to be constructed at a to be determined future date.

The property for the project will be constructed on land purchased from four different land owners:

- Katherine Properties Inc. and Katherine Properties, LLC
- EAJ Forest Drive, LLC
- AIC Forest, LLC; Campus Drive, LLC 1623 Forest LLC, AIC Forest II, LLC.
- American Legion Cook Pinkney Post 141

PROPOSED PRELIMINARY ENTRANCE AND MONTHLY FEES

INDEPENDENT LIVING (IL), ASSISTED LIVING (AL), SKILLED NURSING BEDS (SNF)

The following table summarizes the preliminary proposed type, number, approximate square footage, monthly fees ("Monthly Fees") and entrance fees ("Entrance Fees") for the Independent Living Units, Assisted Living Units, and Skilled Nursing Beds of Phase I of the Project.

(See table on next page)

Table 1
Proposed Unit Configuration – The Community (Phase I)

Type of Unit (1)	Number of Units	Square Footage	Entrance Fees (1)(2)(3) Type C 90% Refund	Type C 50% Refund	Type C Traditional	Type A Traditional	Type C Monthly Fees (1)(2)(3)
Independent Living (IL)							
Apartments:							
Chesapeake (one bedroom)	20	881	$859,110	$676,464	$450,976	$537,093	$3,313
Fairlee (one bedroom with den)	38	1,041	1,006,004	792,129	528,086	614,203	3,895
Miles (one bedroom with den)	3	1,080	1,025,236	807,129	538,182	624,297	4,037
Corsica (one bedroom - corner)	8	1,104	1,034,685	814,713	543,142	629,258	4,125
Patuxent (two bedroom - corner)	8	1,135	1,096,638	863,495	575,663	661,779	4,238
Magothy (two bedroom)	57	1,184	1,109,663	873,750	582,500	668,617	4,416
James (one bedroom with den - corner)	4	1,257	1,178,079	927,622	618,414	704,531	4,682
Sassafras (two bedroom - corner)	8	1,304	1,259,926	999,068	661,379	747,495	4,853
Severn (two bedroom large)	51	1,419	1,329,908	1,047,172	698,115	784,230	5,272
St. Marys (two bedroom with den)	3	1,462	1,412,586	1,112,272	741,515	827,631	5,429
Marley (two bedroom with den)	4	1,560	1,488,433	1,171,994	781,330	867,446	5,786
Potomac (two bedroom with den)	4	1,581	1,527,564	1,202,806	801,871	887,987	5,862
Tangier (two bedroom)	4	1,643	1,543,813	1,215,601	810,401	896,517	6,088
York (two bedroom - corner)	4	1,825	1,732,459	1,364,141	909,427	995,544	6,751
Cottages:							
Cottage A	10	1,600	$1,518,172	$1,195,411	$796,941	$883,057	$4,817
Cottage B	10	1,800	1,667,012	1,312,608	875,072	961,188	5,406
Cottage C	10	2,100	1,776,075	1,398,484	923,323	1,018,440	6,290
Total/Weighted Avg. IL	**246**	**1,295**	**$1,221,235**	**$961,603**	**$641,068**	**$727,185**	**$4,678**
Second person fees			**$45,711**	**$45,711**	**$45,711**	**$76,557**	**$1,061**

			Monthly Fee/ Daily Fee: Life Care Transfer Rate	Market Rate
Health Care Center				
Memory Support Units	16	310	$5,218	$8,627
Skilled Nursing Beds	16	310	$165	$390
Total Health Care Center	32			

Source: Management

(1) The Corporation intends to offer four Entrance Fee plans: Type C - 90 Percent Refundable Plan, Type C - 50 Percent Refundable Plan, Type C – Traditional Declining Balance Plan, and Type A – Traditional Declining Balance Plan. The Type C plans are considered to be fee-for-service agreements. The Type A – Traditional Declining Balance Plan Entrance Fee is considered to be a Life Care agreement. All Life Care residents are assumed to transfer to the Health Care Center at the current "Fairlee 1 Bedroom with Den" unit rate plus meals (the "Life Care Transfer Rate"). Fee-For-Service contract holders are assumed to transfer and pay current market rates at the Healthcare Center. The Type C Traditional Declining Balance Plan Entrance Fee is assumed to be priced approximately $66,650 less than the Type A Traditional Declining Balance Plan.

(2) The Community unit mix, as well as the Entrance Fee and Monthly Fee pricing is effective as of January 1, 2027 (assumed opening of the Community). Management anticipates various price increases at different milestones during the marketing and construction of the Community. See Table 2 for assumed Entrance Fee pricing for these milestones.

(3) The Monthly Fee for the Type A Traditional Entrance Fee plan is approximately 20 percent higher than the Type C plans.

DESCRIPTION OF THE RESIDENCY AGREEMENT

Management is assumed to offer a Residence and Services Agreement (the "Residency Agreement") for residents seeking to live independently at the Community.

Admittance Standards

Under the terms of the proposed Residency Agreement, a prospective resident must be at least 62 years of age at the time residency is established (spouse must be at least 55, if applicable), meet health qualifications to live independently at the Community, have financial assets adequate to pay the

Entrance Fee, and must have sufficient income to meet the anticipated Monthly Fee and other personal expenses not provided under the Residency Agreement (the "Resident"). If you have a long–term care insurance policy, request your advisors to review the policy and the continuing care agreement to determine whether there are potential areas of duplication or areas where benefits can be coordinated.

Services and Amenities

Payment of the Entrance Fee and Monthly Fee entitles the Resident to occupy the selected Independent Living Unit (the "Residence") and receive certain services and amenities (see the Residency Agreement for more information):

- One assigned parking space for the Resident's personal vehicle;
- The Residence contains a certain amount of storage space. Additional storage is available on a first-come, first-serve basis for an additional price;
- All utilities including water, electricity, heat and air conditioning, sewer and standard municipal services. The Residence will include a telephone jack. The Resident is responsible for providing a telephone and any charges related to local or long-distance telephone service. The Residence will have access to wireless internet service with basic connection speeds. The Resident is responsible for the purchase of all streaming content and enhanced connection speeds. ;
- A stated monthly amount which residents may use for meals, provided at the Community in a dining venue of the Resident's choice;
- Bi-weekly (every other week) housekeeping provided to each Residence;
- Maintenance of buildings and grounds, including maintenance of all equipment owned by the Corporation in the Residence;
- Scheduled local transportation in the Annapolis area within a ten-mile radius of the Community;
- Twenty-four-hour security including evening and night-time security patrol supplemented with the use of security technology, smoke detectors and urgent call system; and
- Recreational, educational, cultural, wellness and spiritual life programs (there may be a charge related to some programs).

Certain Services with Fees (see the Residency Agreement for more information):

- Housekeeping in addition to the services provided in the Resident contract;
- Transportation for special, personal or group trips;
- Additional meals; and
- Hair salon.

PART OR ALL OF THE ENTRANCE FEE IS OR MAY BE REFUNDABLE. CAREFULLY READ THE CONTINUING CARE AGREEMENT FOR THE CONDITIONS THAT MUST BE SATISFIED BEFORE THE PROVIDER IS REQUIRED TO PAY THE ENTRANCE FEE REFUND.

MANAGEMENT AGREEMENT

The Corporation plans to enter into a management agreement with NLCS (the "Operating Manager") effective upon opening of the Project to provide operating, administrative, and marketing activities for the Project (the "Management Agreement").Pursuant to the terms of the Management Agreement, the Operating Manager is required to provide various management services to the Corporation. Some of those services include, but are not limited to, providing general ledger support and financial reporting, providing support related to financial planning, maintaining and developing real property facilities and infrastructure, facilitating employee relations, and providing legal counsel on contracts and other matters.

The initial term of the Management Agreement is 24 months and will automatically renew for successive one-year periods unless sooner terminated.

As compensation for providing services outlined in the Management Agreement, the Corporation shall pay the Operating Manger up to seven and one half percent (7.50%) of the gross receipts of the Project (the "Management Fee"). The Management Fee is assumed to be 100 percent subordinate to the payment of debt service (the "Subordinated Management Fee").

RESIDENTS' ASSOCIATION

The Residents' Association of Independent Living (IL) will work cooperatively with the Administration and the Board of Trustees as a vital part of TVPP. All TVPP IL residents are members of the Association. The Association's functions include the following: encourage all IL residents to sense a common bond of friendship as participants in the TVPP community; coordinate and plan community activities; provide a focal point for situations deemed pertinent to all members; provide information related to current public policies as they affect the role of the IL residents as an active continuing care retirement community; and cooperate with the Administration and the Board of Trustees in maintaining an enjoyable and purposeful life together.

GRIEVANCE PROCEDURE

TVPP will establish an internal grievance procedure to address resident grievances. An IL Resident or a group of residents collectively, may submit a grievance in writing to the Executive Director or to the Resident Experience Director. TVPP will send a written acknowledgement to the resident, or group of residents, within five days after receipt of the written grievance. TVPP will assign personnel to investigate the grievance. A resident, or groups of residents, who file a written grievance are entitled to a meeting with management of TVPP within 30 days after receipt of the written grievance in order to present the grievance. TVPP will provide a response in writing within 45 days after receipt of the written grievance as to the investigation and resolution of the grievance. Within 30 days after TVPP provides its response to the grievance, a resident or group of residents, or TVPP, may seek mediation through one of the community mediation centers in the State or another mediation provider. If a resident, group of residents, or TVPP seeks mediation under the preceding sentence, the mediation shall be nonbinding.

A Health Care Center resident may submit a grievance to the Executive Director's office. TVPP will acknowledge receipt of the grievance within five days and provide a response within 30 days after receipt of the written grievance as to the investigation and resolution of the Resident's grievance. A copy of the Grievance Policy will be included in the residents' handbook when operations commence.

BOARD OF TRUSTEES

The Board of Trustees is comprised of the following individuals who volunteer their time to serve the development of TVPP and have no financial interest:

The TVPP Board of Trustees, in consultation with the President/Chief Executive Officer of National Lutheran Inc., shall appoint an Executive Director to manage TVPP. At least annually, the Executive Director, along with a Board representative, shall present a summary of the provider's operation, significant changes from the previous year, and the goals and objectives for the next year. The governing body shall be open to receive and answer questions raised by the subscribers at the meeting. The meeting shall be open to all subscribers. TVPP will have a subscriber as a member of the Board of Trustees.

RESIDENT BOARD REPRESENTATIVE

A member of the community serves as a full voting member of the TVPP Board of Trustees. The Residents' Association puts forth a slate of interested community members to the entire community who chooses which representative to recommend to the Board and Administration for installation. The Board has the final ratification for the community representative.

INVESTMENT ACTIVITIES

TVPP will use the services of an investment advisor to manage, supervise, administer, and change investments per a written agreement. Investment policy is set by the Board of Trustees Finance Committee and is reviewed annually.

OPERATING RESERVES

TVPP is expecting to be in full compliance with the Operating Reserve requirements defined in Sections 10-419 through 10-421 of the Human Services Article of the Annotated Code of Maryland. The operating reserve fund investments are reviewed by the Finance Committee of the Board of Trustees annually and by independent auditors annually.

IMPROVEMENTS TO THE PROJECT

The project's financial projection includes initial and on-going capital improvements to the project. Funding for on-going improvements will be generated by funds created through surplus operating revenues over expenses, along with turnover of entry fees net of any required refunds. There will be no separate Renewal and Replacement fund created by the facility and funds necessary for capital expenditures will be provided through the cash/treasury positions or accumulated investment reserves of the Facility.

HEALTH CARE FACILITY

If an IL or AL resident transfers into the Health Care Center for Comprehensive Nursing Care, a new contract is signed whereby care is paid for at the market rate, a fee-for-service arrangement, including, if necessary, Medical Assistance (Medicaid). All residents of the Health Care Center, whether originally from IL or AL pay the market rate with the exception of any Type A contract residents. "Health Care Center" shall mean the Community's health care facility which contains the Assisted Living residences, the Comprehensive Nursing Care units, outpatient clinic, areas for physical and other rehabilitation therapies and appurtenant facilities.

ASSISTED LIVING

Assisted Living neighborhood fees are generated from services provided to Residents transferring from the Independent Living residences as well as direct admissions to Assisted Living. Assisted Living refundable entrance fee continuing care agreements are available for continuing care residents who originally reside in an Assisted Living residence, and direct admit agreements for Assisted Living may be available with a community fee in the future. (Note that an individual who is party to such assisted living community fee agreement is not permitted admission to an independent living or Comprehensive Nursing Care unit unless that individual becomes a continuing care resident.) Residents permanently transferring from the Independent Living residences to the Assisted Living neighborhood are assumed to pay the then-current Market Rate or the Life Care Transfer Rate. It is projected that the Life Care Transfer Rate will approximate $5,218 (in 2027 dollars) per month, and the Market Rate will approximate starting at $8,627 per month (in 2027 dollars), which increases with the level of care. Assisted Living neighborhood Monthly Fees are assumed to increase 4% annually throughout the projection period. Assisted Living level of care fees in addition to the base fees are assumed to increase 4% annually through the projection period. A Resident's level of care is determined by the Resident Assessment Tool, which assesses a resident's physical, functional and psychological strengths and deficits. TVPP will offer three levels of care and they are: a) Level 1/low level of care; b) Level 2/moderate level of care; and (3) Level 3/high level of care.

A DESCRIPTION OF THE LONG TERM FINANCING OF THE FACILITY

The total financial requirements for the Project are assumed to approximately $336,737,000. The Corporation proposes to fund these financial requirements primarily through the issuance of $279,760,000 Series 2024 Bonds and would be solely responsible for the payment of debt service on the Series 2024 Bonds. The following sources and uses of funds have been assumed in preparing the financial projection, based on information provided by the Management:

Table 6
Sources and Uses of Funds
(In Thousands of Dollars)

Sources of Funds:	**Total:**
Series 2024 Bonds	
Series 2024A Bonds [1]	$ 60,000
Series 2024B Bonds [1]	64,760
Series 2024C Bonds [1]	60,000
Series 2024D Bonds [1]	95,000
Total Series 2024 Bonds	$ 279,760
Sponsor contributed capital [2]	31,374
Deferred development fee [3]	8,103
Initial Entrance Fees [4]	17,500
Total Sources of Funds:	$ 336,737
Uses of Funds:	
Direct construction costs [5]	$ 168,800
Land [6]	26,523
Marketing costs [7]	7,800
Project contingency [8]	12,800
Development costs [9]	15,443
Design and engineering costs [10]	10,140
Fixtures, furnishings and equipment [11]	5,350
Planning and other soft costs [12]	4,408
Indirect construction costs [13]	5,300
Total Project Related Costs	$ 256,564
Previously incurred Project Related Costs – written off or no longer classified as Project related [14]	20,836
Total Project Related Costs – including previously written off or no longer Project related costs	$ 277,400
Working Capital [15]	19,500
Funded Interest Fund [16]	25,455
Debt Service Reserve Funds Series 2024A and Series 2024B [17]	5,846
Cost of issuance and other costs [18]	8,536
Total Estimated Financing and Other Costs	$ 59,337
Total Uses of Funds	$ 336,737

Sources: Management and the Financing Advisors

Notes:

(1) According to Management and the Financing Advisors, the following series of bonds are assumed to be issued on a draw-down basis:

- $60,000,000 of non-rated tax-exempt fixed rate serial and term bonds (the "Series 2024A Bonds") assumed to be issued at an average coupon rate of 7.07 percent per annum;
- $64,760,000 of non-rated tax-exempt fixed rate serial and term bonds (the "Series 2024B Bonds") assumed to be issued at an average coupon rate of 6.00 percent per annum;
- $60,000,000 of non-rated tax-exempt floating rate short term bonds (the "Series 2024C Bonds") assumed to be issued at an average coupon rate of 5.80 percent per annum; and
- $95,000,000 of non-rated tax-exempt adjustable rate short term bonds (the "Series 2024D Bonds") assumed to be issued at an average coupon rate of 6.00 percent per annum.

(2) Prior to the assumed financing in July 2024, total support of capital expenditures and other development costs related to the Community from the Sponsor is assumed to reach approximately $31,374,000. This amount includes total capital contributions with no expectation of return to complete the Community of approximately $20,836,000, including those previously incurred Project related costs that have since been written off. It is Management's plan to continue to reimburse the Sponsor with excess cash flows from operations in future years.

(3) Pursuant to the development agreement with the Sponsor, approximately $8,103,000 of the Development Fees is assumed to be deferred.

(4) Approximately $17,500,000 of initial resident Entrance Fees are assumed to be used to fund start-up losses, operating reserves, and a portion of the deferred development fees related to the Community.

(5) Construction, site work and other costs related to the construction of the Community are assumed to approximate $168,800,000, including all remaining escalation costs prior to financing, based on estimates provide by Management's architect Perkins Eastman, distributed to prospective construction contractors under consideration by Management.

(6) Land and land related costs approximate $26,523,000 and include acquisition costs the land, engineering reports, permitting and legal fees.

(7) Marketing costs related to acquiring initial continual care contracts are assumed to approximate $7,800,000.

(8) Project contingency of $12,800,000 for unidentified and unexpected project related costs have been assumed.

(9) Development Fees are assumed to approximate $15,443,000 based on a prior development agreement with a third party totaling approximately $4,000,000, a $2,900,000 development fee to the Sponsor and other reimbursable development costs totaling approximately $440,000. Pursuant to the Sponsor's development agreement, approximately $8,103,000 of the Development Fees are assumed to be deferred.

(10) Design and engineering costs are assumed to approximate $10,140,000 based on information provided by the Corporation's architect, Perkins Eastman.

(11) Fixtures, furnishings, and equipment for the Community are assumed to total $5,350,000 and would include interior design fees, furniture, and equipment costs.

(12) Costs associated with remaining pre-finance capital, planning and approval process and other soft costs are assumed to approximate $4,408,000.

(13) Indirect construction costs are assumed to approximate $5,300,000 and include off-site improvements, sales center costs, and other miscellaneous expenses.

(14) Approximately $19,941,000 of previously incurred Project related costs funded by the Sponsor are either no longer classified as Project related costs or have either been written off and no longer part of the Project cost budget.

(15) Working Capital of $19,500,000 is assumed funded by Series 2024 Bond proceeds in the approximate amount of $2,000,000 and initial Entrance Fee receipts of $17,500,000 for start-up costs and operating deficits during fill-up.

(16) Funded interest of approximately $25,455,000, plus investment earnings, would be used to fund interest expense for 30 months from the date of issuance of the Series 2024 Bonds (24 months of construction and 6 months post-construction).

(17) The deposits to the Debt Service Reserve Funds for the Series 2024A Bonds and the Series 2024B Bonds are assumed to approximate $5,846,000.

(18) Cost of issuance related to the Series 2024 Bonds are assumed to be $8,536,000 and include the financing discount, accounting fees, legal fees, the feasibility consulting fee, the bond issuance fees, and other miscellaneous financing related costs.

A DESCRIPTION OF THE CONDITIONS OF THE PROVIDER

The Maryland Department of Aging shall issue an initial certificate of registration when it determines all of the following conditions have been met:

i. The provider has been issued a preliminary certificate of registration;
ii. The provider has received all licenses and certifications and letters of exemption required as of that date from the Department of Health, the Maryland Health Care Commission, and the Department of Aging;
iii. The provider has submitted documentation which demonstrates to the satisfaction of the Department of Aging that:
    a. Agreements have been executed for at least sixty-five percent (65%) of the independent living units, and
    b. At least ten percent (10%) of the total entrance fee has been paid as a deposit for each unit for which an agreement has been executed;
iv. The provider has submitted documentation to the satisfaction of the Department of Aging that there is a commitment for permanent long-term financing;
v. The provider has submitted documentation to the satisfaction of the Department of Aging that closing on construction financing has taken place; and
vi. The form and substance of all advertising and other promotional materials filed are not deceptive, misleading, or likely to mislead.

In addition, Maryland law requires the Corporation to maintain all deposits and entrance fees paid by, or on behalf of, any resident to the Corporation in an escrow account in Maryland in a financial institution until:

i. An initial certificate of registration is issued,
ii. A certificate of occupancy is received,
iii. Construction is complete, and
iv. The Corporation has been issued appropriate licenses or certificates by the Maryland Department of Health, the Maryland Health Care Commission, and the Maryland Department of Aging.

If applicable a statement of the amount of a subscriber's deposit that may be used upon issuance of an initial certificate of registration

See requirement above regarding issuance of initial certificate of registration and use of escrowed deposits.

Approval by the City of Annapolis

The construction of TVPP is subject to the approval of the City of Annapolis Planning Commission ("Commission") under provisions for a Planned Unit Development. TVPP provided a Planned Unit Development Application on January 22, 2019, and subsequently filed an amendment to that Plan on May 4, 2020. The amended Plan was formally approved by the Commission on March 31, 2022. Subsequent to this approval, an appeal was filed and the approval was remanded to the Commission for further clarification and documentation supporting the approval. On April 26, 2023, the Commission issued a Supplemental Opinion and Order which upheld the original approval.

ATTACHMENTS

Projected Financial Statements including:
Statement of Operations and Changes in Net Assets;
Statement of Cash Flows;
Projected Balance Sheet for the 8 year period beginning December 31, 2023 to December 31, 2030;
The Compilation of a Financial Projection Report; and
Management Services Agreement.

This Disclosure Statement shall be amended as necessary, if at any time, in the opinion of the provider or the Maryland Department of Aging, an amendment is necessary to prevent the disclosure statement from containing any material misstatement of fact required to be stated in the disclosure statement or omission of a material fact required to be stated in the disclosure statement.