

Some Questions for the Rose Villa Board

Misc. Questions

Do residents have any say at all in whether Rose Villa moves ahead with North Star?

Has Rose Villa made an investment in North Star? If so:

- How much and at what interest rate over what term?
- Would an “ordinary prudent person” consider those terms fair, given the risk?
- Have you talked to a bank to determine what terms are fair?
- Would a bank loan to North Star on those terms?

How much in staff time and services has Rose Villa spent on North Star this year?

How large is the reserve that Rose Villa has allocated to North Star today?

Where did those reserve funds come from?

- Membership fees?
- Excess cash from operations?

Paul Wathen’s analysis of the audited financial statements determined that in 2020 and in 2021 normal operations generated approximately \$5 million in surplus cash each year..

- Why did operations generate cash of almost almost \$10 million in those years? It appears that resident fees were substantially higher than required to cover normal operating expenses.
- What reserve fund was the excess cash put into?
- What is the projected cash increase from operations for 2022?

Questions about the claimed Challenges/Benefits addressed by North Star

Mary Muñoz suggested that as a stand-alone CCRC, things might go fine for a while, but there could be problems - e.g., the demographics of RV’s market could change causing a drop in occupancy rates. How would being a subsidiary of North Star help that?

Would North Star over-charge well performing CCRCs under its umbrella in order to fund relief to CCRCs that are not doing well?

If so, how does the Board feel about RV being overcharged to support other CCRCs?

If not —then how is it that North Star provides safety in numbers?

If there are economies of scale in North Star’s growth, how many CCRCs and how many years will it take for Rose Villa to see those benefits?

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Mary Muñoz suggested that Rose Villa will have to invest millions in the first CCRC North Star will build. Will RV also have to invest in the 2nd CCRC that North Star builds? The 3rd CCRC it builds? How many times will RV have to invest?

Questions about Alternatives to North Star

Instead of investing millions creating a new CCRC management company, did the Board seriously consider becoming a subsidiary of an existing nonprofit CCRC manager, such as Kendal? That's a much lower cost and a much lower risk, and delivers all the argued benefits, with the possible exception of retaining Vassar. Why was that option rejected?

Thousands of small colleges are successful in the U.S., some of them for hundreds of years, proving that being a stand-alone that pursues excellence is viable. Why did the Board decide not to pursue a stand-alone strategy when it clearly can succeed?

Questions about Risks Relating to North Star

Has the Board investigated the question of whether bond investors would be willing to invest in North Star without some kind of guarantee, given that North Star has no revenue and no operating history?

If a guarantee were required for North Star to raise bond funding, exposing Rose Villa to much more risk, would the Board agree to that?

Being CEO of a new venture can be a more-than-full-time task. Vassar will be very busy. How does the Board feel about Rose Villa losing Vassar to North Star?

Rogue Valley Manor started with a "special relationship" with PRS since they founded it, but 11 years later PRS had a new Board and everything changed. They were overcharging Rogue Valley. Why does the Board believe that North Star will be different?

Vassar stated that "When deciding on matters that present a potential conflict of interest, Rose Villa Board members who are not involved with North Star will make the decision." Do Directors who sit on both RV and NSSC Boards have a conflict of interest when the RV Board agrees to loan money to NSSC?

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