

**APPENDIX F**  
**RESERVE FUNDING**

## RESERVE FUNDING

Advance deposits, unamortized and earned entrance fees relate to the entrance fees paid by Brandon Oaks residents under the Residency Agreement upon entering an independent living unit. Management expects to maintain entrance fees at rates that will be competitive in the marketplace. The entrance fees are assumed by management to increase annually.

Residents pay 10% of the entrance fee at the time of signing the Residency Agreement. The remaining 90% of the entrance fee is payable within 90 days of the unit becoming available for occupancy.

Upon entering Brandon Oaks, residents may select a Traditional entrance fee plan, a 50% refundable entry fee plan, a 90% refundable entry fee plan, or a Modified 90% refundable entry fee plan with 180 days of health care. Management currently anticipates, based on past history and recent discussions with future residents, that approximately 50% of the entrants will select the Traditional plan, 5% will select the 50% refundable plan, 40% will select the 90% refundable plan, and 5% will select the 90%/180 day plan. Depending upon the timing and the type of entrance fee, fees may be refunded if a resident withdraws due to death or other reasons. Refunds are calculated as follows:

- Residents selecting the traditional plan will receive their entrance fee minus 2% per month for each month of residency at Brandon Oaks.
- Residents selecting the 50% refundable plan will receive at least 50% of their original fee regardless of the reason or timing for withdrawal, without interest. The refundable amount is reduced by 2% per month for the first 25 months of residency after occupancy.
- Residents selecting the Modified 90% plan with 180 days of health care will receive 90% of their original entrance fee regardless of the reason or timing for withdrawal, without interest. The 180 days of health care (Assisted Living and Nursing Home services) will be provided at the contracted Monthly Service Fee. Services provided after the 180 days will be charged at the per-diem rates for the related care levels.
- Residents selecting the 90% refundable plan will receive 90% of their original fee regardless of the reason or timing for withdrawal, without interest.

For Traditional Plans, the refunds, if any, will be paid within 120 days from the date the vacated apartment is available for re-occupancy. For the 50%, 90% and Modified 90%, refunds are not payable until the unit is reoccupied by a new resident, and a new entrance fee has been paid. Any refund of the total deposit due upon death or departure of a resident will be paid out of the entrance fee that is paid by the new occupant.

The traditional entrance fees are amortized over the average life expectancy of the residents as determined by actuarial tables. Management has estimated the average life expectancy of future entrants into the Independent Living units at twelve (12) years. The 50%, 90%, and Modified 90% refundable entrance fees are amortized over the expected life of the facility or 30 years for pre 2003 contracts. For post 2002 contracts the refundable portion of all contracts will be amortized over the life of the resident.

Based on the 2003 actuarial report as required by SOP 90-8, Brandon Oaks is not required to set aside any amount to fund advance healthcare costs.