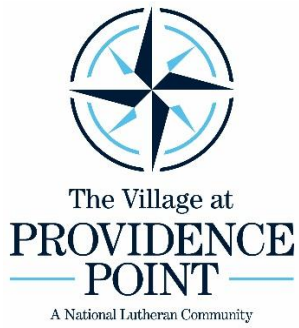

EXHIBIT K

DISCLOSURE STATEMENT

THE VILLAGE AT PROVIDENCE POINT, INC. (TVPP)
April 30, 2025

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.TABLE OF CONTENTS

DISCLOSURE STATEMENT-EXHIBIT K

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.

Sole Member
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 ("ELCA") 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. TVPP shall be fully responsible for its fiscal affairs including any liabilities and debts it may incur. NLCS's affiliation with the ELCA shall not obligate the ELCA to assume any liabilities and debts incurred by TVPP.

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 position of TVPP 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 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 assistance with 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 additional 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, and 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	Monthly Fees [1][2][3]	Entrance Fees [1][2][3][4]
Independent Living				
Apartments:				
Chesapeake (one bedroom)	20	881	$ 3,800	$ 1,011,610
Fairlee (one bedroom with den)	38	1,041	4,475	1,150,157
Miles (one bedroom with den)	3	1,080	4,650	1,162,905
Corsica (one bedroom – corner)	8	1,104	4,725	1,204,335
Patuxent (two bedroom – corner)	8	1,135	4,850	1,264,542
Magothy (two bedroom)	57	1,184	5,050	1,248,657
James (one bedroom with den – corner)	4	1,257	5,375	1,343,689
Sassafras (two bedroom – corner)	8	1,304	5,575	1,423,230
Severn (two bedroom large)	51	1,419	6,050	1,457,046
St. Marys (two bedroom with den)	3	1,462	6,225	1,565,027
Marley (two bedroom with den)	4	1,560	6,625	1,609,612
Potomac (two bedroom with den)	4	1,581	6,725	1,683,328
Tangier (two bedroom)	4	1,643	6,975	1,662,236
York (two bedroom – corner)	4	1,825	7,725	1,882,451
Apartments – Total/Weighted Avg.	**216**	**1,224**	**$ 5,231**	**$ 1,303,088**
Cottages:				
Cottage A	10	1,600	6,775	1,649,363
Cottage B	10	1,800	7,625	1,874,381
Cottage C	10	2,100	8,875	2,111,724
Cottages – Total/Weighted Avg.	**30**	**1,833**	**$ 7,758**	**$ 1,878,489**
ILUs – Total/Weighted Avg.	**246**	**1,299**	**$ 5,541**	**$ 1,373,258**
Second person fees			**$ 1,350**	**$ 48,660**
			Life Care Transfer Rate	**Market Rate Monthly Fee/ Daily Fee [5]**
Health Care Center				
Memory Support Units	16	310	$ 5,799	$ 13,048
Skilled Nursing Beds [6]	16	310	191	636
Total Health Care Center	**32**	**310**		

Source: Management

(1) The unit mix, Entrance Fee pricing, and Monthly Fee pricing is shown effective as of January 1, 2028, the assumed opening of the Community.

(2) As of January 1, 2025, the Corporation offers one Entrance Fee plan, the Type C – 75 Percent Refund Plan (the "Type C 75% Refund Plan").

(3) Entrance Fees include view and floor plan premiums. There are 45 Independent Living Apartments located on the first floor and 57 Independent Living Apartments located on each of the second, third, and fourth floors. Premiums are included in the first person Entrance Fee for apartments on the first, third and fourth floors.

(4) Additional levels of care ("Levels of Care") for direct admission Residents in Assisted Living Memory Support Units are available with level of care fees ("LOC Fees") as follows and shown in 2028 dollars: Level I – $639; and Level II – $1,420.

(5) For purposes of the projection, the Skilled Nursing Beds are assumed to be available for occupancy 36 months after the opening of the Independent Living Units.

DESCRIPTION OF THE RESIDENCY AGREEMENT

Management is offering 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 if applicable, 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"). Prospective residents who have a long–term care insurance policy may request their advisors 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 the following 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 have access to wireless internet service with basic connection speeds. The Resident is responsible for the purchase of all streaming content, enhanced connection speeds, and all phone services.;
- 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;
- 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;

- Hair salon; and
- Rehabilitation therapy and fitness programs.

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

Chair:	Rev. John Wertz Jr.	Clergy
Vice Chair:	Mr. Michael Brady	Non-profit Executive
	Chaplain Paula Thistle	Clergy
	Ms. Cynthia Walters	CEO, NLI

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. TVPP intends to host quarterly meetings with subscribers in accordance with Section 10-426 of the Human Services Article of the Annotated Code of Maryland and COMAR 32.02.01.19. The governing body shall be open to receive and answer questions raised by the subscribers atthe meeting. The meeting shall be open to all subscribers. TVPP will have a subscriber as a member of the Boardof Trustees.

At each annual meeting, the Board of Trustees elects new trustees to hold office until their respective terms expire and until their successor is elected. The Board of Trustees seek the most qualified candidate willing to serve as Trustees, provided that the Board of Trustees is encouraged, but not required, to elect Trustees who are members of the Lutheran congregations and accordingly shall give preference to and endeavor to select, when available, qualified candidates who are also members of Lutheran congregations.

The Board of Trustees of National Lutheran, Inc. appoints the joint board governance committee to identify and nominate Trustee candidates for approval by the full Board of Trustees. Annually, the joint board governance committee nominates a slate of trustee candidates for TVPP's Board of Trustees approval and recommendation to the National Lutheran, Inc. Board of Trustees.

To our knowledge, no member of the TVPP Board of Trustees has been implicated in any matters defined by COMAR 32.02.01.21C(.19) and Human Services Article §10–425(a)(7).

To our knowledge, no member of the Board of Trustees has been implicated in any of the following violations:

- Been convicted of, or pleaded nolo contendere to, a felony charge involving fraud, embezzlement,

fraudulent conversion, or misappropriation of property;

- Been held liable, or enjoined by a final judgment, in a civil action involving fraud, embezzlement, fraudulent conversion, or misappropriation as a fiduciary;
- Been subject to an effective injunctive or restrictive order of a court of record arising out of or relating to business activity or health care, including actions affecting a license to operate any facility or service for aging, impaired, or dependent persons; and
- Had any state or federal license or permit suspended or revoked within the past 10 years, as a result of an action brought by a governmental agency arising out of or relating to business activity or health care, including actions affecting a license to operate any facility or service foraging, impaired, or dependent persons.

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

Chair:	Mr. Cornell Abod	CPA/Business Owner	
Immediate Past Chair:	Mr. John Handley	Self-employed	
Vice Chair:	Ms. Susan Dailey	Community resident	Governance Committee*
Secretary/Treasurer:	Rev. Debbie Dukes	Clergy	
	Rev. Sandra Shaw	Clergy	
	Mr. Thomas Whiteford	Attorney/Business owner	
	Dr. Rachel Carlson	Healthcare executive	
	Dr. Alan Lovell	Retired	
	Ms. Cynthia Walters	CEO, NLI	Governance Committee*

*Governance Committee is comprised of board members of the Communities and NLCS boards of trustees.

RESIDENT BOARD REPRESENTATIVE

A subscriber of TVPP serves as a full voting member of the TVPP Board of Trustees. The subscriber member is selected and recommended by three individuals: the Executive Director, the outgoing subscriber of the TVPP Board of Trustees, and the Residents' Association President (who, confers with the resident association membership) for qualified candidates. Like the process for appointing non-subscriber members of the Board of Trustees, the candidate is presented to the joint board governance committee for approval before presenting to TVPP's Board of Trustees for approval and recommendation to the National Lutheran, Inc. Board of Trustees as the subscriber member of TVPP's Board of Trustees. The resident board member position will be filled once TVPP is operational. No Board of Trustees member receives monetary compensation for their tenure.

INVESTMENT ACTIVITIES

TVPP will use the services of an investment advisor to manage, supervise, administer, and change investments per a written agreement. The 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 Independent Living (IL) or Assisted Living (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, applying for and receiving payment from 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 $5,799 (in 2028 dollars) per month, and the Market Rate will approximate starting at $13,048 per month (in 2028 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 $361,426,000. The Corporation proposes to fund these financial requirements primarily through the issuance of $289,185,000 Series 2025 Bonds and would be solely responsible for the payment of debt service on the Series 2025 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 2025 Bonds	
Series 2025A Bonds [1]	$ 104,185
Series 2025C Bonds [1]	80,000
Series 2025D Bonds [1]	105,000
Total Series 2025 Bonds	$ 289,185
Series 2021 Bonds – trustee held funds [2]	$ 796
Interest earnings on trustee funds [3]	1,283
Sponsor investment pre-close [4]	8,071
Sponsor contributed capital at closing [5]	15,000
Excess initial Entrance Fees [6]	47,091
Total Sources of Funds	**$ 361,426**
Uses of Funds	
Direct construction costs [7]	$ 176,773
Land [8]	25,773
Marketing costs [9]	7,030
Project contingency [10]	13,580
Development costs – Sponsor [11]	16,589
Development costs – Other [11]	3,297
Architect and engineering costs [12]	10,875
Fixtures, furnishings, and equipment [13]	5,750
Indirect construction costs [14]	6,390
Other soft costs [15]	5,741
Total Project Related Costs	$ 271,798
Working Capital - Excess Initial Entrance Fees [16]	44,179
Working Capital - Series 2025 Bonds[16]	2,000
Funded Interest Fund [17]	29,977
Debt Service Reserve Funds Series 2025A [18]	5,895
Cost of issuance and other costs [19]	7,577
Total Estimated Financing and Other Costs	$ 89,628
Total Uses of Funds	**$ 361,426**

Source: Management and the Financing Advisors

Notes to the tale:

(1) The following series of bonds are assumed to be issued on a draw-down basis:
- $104,185,000 of non-rated tax-exempt fixed rate serial and term bonds (the "Series 2025A Bonds") assumed to be issued at an average coupon rate of 6.90percent per annum;
- $80,000,000of non-rated tax-exempt floating rate short term bonds (the "Series 2025C Bonds") assumed to be issued at an average coupon rate of 6.00 percent per annum; and
- $105,000,000 of non-rated tax-exempt adjustable rate short term bonds (the "Series 2025D Bonds") assumed to be issued at an average coupon rate of 6.475 percent per annum.

(2) Trustee held funds associated with the Series 2021 Bonds of approximately $796,000 are to be made available upon closing of the Series 2025 Bonds.

(3) Interest of approximately $1,283,000 is assumed to be earned on the Project Fund and on the Funded Interest Fund at 3.00 percent.

(4) Prior to the assumed financing in July 2025, total Sponsor support of pre-marketing, capital expenditures and other development costs related to the Community are assumed to reach approximately $28,502,000. Management plans to reimburse the Sponsor with excess cash flows from operations in future years. This amount includes approximately $8,071,000 related to the current Project related budget of approximately $271,798,000.

(5) At closing of the Series 2025 Bonds, the Sponsor is assumed to contribute cash of $15,000,000.

(6) The Series 2025C Bonds and Series 2025D Bonds are sized at approximately 80 percent of the initial Entrance Fee Pool, or $185,000,000. The excess initial Entrance Fees collected of $47,091,000 are assumed to be used to fund start-up losses, operating reserves, operating cash, interest expense, and operations related to the Community.

(7) Construction, site work, and other costs related to the construction of the Community are assumed to approximate $176,773,000, including all remaining escalation costs prior to financing, based on estimates provide by the Architect, distributed to prospective construction contractors under consideration by Management.

(8) Land and land related costs approximate $25,773,000 and include land acquisition costs, engineering reports, permitting, and legal fees.

(9) Marketing costs related to acquiring initial continual care contracts are assumed to approximate $7,030,000.

(10) Project contingency of $13,580,000 for unidentified and unexpected project related costs have been assumed.

(11) Development Fees to the Sponsor are assumed to approximate $16,589,000. Payments to the Sponsor are due of $4,000,000 at closing, $4,000,000 upon completion of construction, and $8,589,000 upon reaching stable occupancy of the Independent Living Units.
Development Fees to an un-related third party Developer are assumed to approximate $3,297,000.

(12) Architect and engineering costs are assumed to approximate $10,875,000 based on information provided by the Architect.

(13) Fixtures, furnishings, and equipment for the Community are assumed to total $5,750,000 and would include interior design fees, furniture, and equipment costs.

(14) Indirect construction costs are assumed to approximate $6,390,000 and include off-site improvements, sales center costs, and other miscellaneous expenses.

(15) Other soft costs associated with the Project are assumed to approximate $5,741,000 including planning costs, zoning, pre-finance issuance cost, and other soft costs.

(16) Working Capital of $46,179,000 is assumed to be funded by Series 2025 Bond proceeds in the approximate amount of $2,000,000 and initial Entrance Fee receipts of $44,179,000 for start-up costs and operations during fill-up.

(17) Funded interest of approximately $29,977,000 net of interest earnings, would be used to fund interest expense for 30 months from the date of issuance of the Series 2025 Bonds (30 months of construction).

(18) The deposits to the Debt Service Reserve Funds for the Series 2025A Bonds are assumed to approximate $5,895,000.

(19) Cost of issuance related to the Series 2025 Bonds are assumed to be $7,577,000 and include the financing discount, accounting fees, legal fees, the feasibility consulting fee, the bond issuance fees, and other miscellaneous financing related costs.

The provided financial projections have been revised since the feasibility study for Phase I of the project was approved in February, 2019 by the Maryland Department of Aging.

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.

A summary of projected pre sales is shown below.

Month	Net Monthly Pre Sales	Cummulative Net Pre Sales
Dec-24		164
Jan-25	0	164
Feb-25	2	166
Mar-25	0	166
Apr-25	4	170
May-25	1	171
Jun-25	0	171
Jul-25	0	171
Aug-25	1	172
Sep-25	2	174
Oct-25	3	177
Nov-25	2	179
Dec-25	2	181
Jan-26	2	183
Feb-26	2	185
Mar-26	3	188
Apr-26	3	191
May-26	3	194
Jun-26	3	197
Jul-26	3	200
Aug-26	3	203
Sep-26	3	206
Oct-26	2	208
Nov-26	2	210
Dec-26	2	212
Jan-27	1	213
Feb-27	2	215
Mar-27	3	218
Apr-27	2	220
May-27	3	223
Jun-27	2	225
Jul-27	2	227
Aug-27	3	230
Sep-27	2	232
Oct-27	2	234
Nov-27	2	236
Dec-27	2	238
Jan-28	2	240
Feb-28	2	242

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. An appeal of the Commission's Supplemental Opinion and Order was filed with the Circuit Court for Anne Arundel County, MD ("Circuit Court") on May 23, 2023. On January 26, 2024, the Circuit Court affirmed the Commission's Order dated March 31, 2022 and the Supplemental Opinion and Order dated April 26, 2023. Subsequent to the Circuit Court's affirmation of the Commission's approval of the project, a notice of appeal was filed with the Appellate Court of Maryland on February 16, 2024. On February 7, 2025, a 3-judge panel of the Appellate Court of Maryland heard oral arguments from both parties. On April 24, 2025, the Appellate Court of Maryland affirmed the judgment of the Circuit Court. As of the date of this report, it is not yet known whether a petition for writ of certiorari will be filed with the Supreme Court of Maryland. Construction of TVPP will commence at the earliest possible date.

ATTACHMENTS

Projected Financial Statements including:
Statement of Operations and Changes in Net Assets;
Statement of Cash Flows;
Projected Balance Sheet for the 7 year period beginning with the year ending December 31, 2025 to December 31, 2031;
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.

The Village at Providence Point, Inc.

Compilation of a Financial Projection

For each of the Seven Years Ending
December 31, 2031

(with Accountant's
Compilation Report thereon)

The Village at Providence Point, Inc.
Compilation of a Financial Projection
Seven Years Ending December 31, 2031

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ACCOUNTANT'S COMPILATION REPORT

Board of Trustees
The Village at Providence Point, Inc.
Annapolis, Maryland

Management of The Village at Providence Point, Inc. (the "Corporation") is responsible for the accompanying financial projection of the Corporation, which comprises the projected balance sheets and related projected statements of operations and changes in net deficits and cash flows as of and for each of the seven years ending December 31, 2031 and the related summaries of significant assumptions and rationale in accordance with guidelines for the presentation of a financial projection established by the American Institute of Certified Public Accountants ("AICPA").

The accompanying projection and this report were prepared for the use of management of the Corporation, National Lutheran, Inc. d/b/a National Lutheran Communities and Services, as the Corporation's sponsor (the "Sponsor" and collectively with the Corporation, "Management"), and the Maryland Department of Aging in conjunction with the feasibility study requirement of maintaining the Corporation's Preliminary Certificate of Registration for Continuing Care Facilities and Providers submission per the Code of Maryland Regulations Title 32.01.05 and for the inclusion in the Corporation's Annual Disclosure Statement, and should not be used for any other purpose.

We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the financial projection nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by Management. Accordingly, we do not express an opinion, a conclusion, or provide any form of assurance on this financial projection. The projected results may not be achieved, as there will usually be differences between the prospective and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

Furthermore, even if the following hypothetical assumptions occurs during the projection period:

- Adequate demand for services exists to support the assumed occupancy of the proposed senior living community (the "Project");
- The Corporation issues debt to construct the Project at terms and rates similar to those reflected in the projection; and
- Construction, development, marketing, and other related costs for the Project occur in the assumed timeline and at the assumed costs.

There will usually be differences between the projected and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

Forvis Mazars, LLP

Atlanta, Georgia
April 17, 2025

The Village at Providence Point, Inc.

Projected Statements of Operations and Changes in Net Deficit
For the Years Ending December 31,
(In Thousands)

	2025	2026	2027	2028	2029	2030	2031
Revenues:							
Entrance fee amortization	$ -	$ -	$ -	$ 6,688	$ 7,136	$ 7,815	$ 8,137
Independent living	-	-	-	7,950	16,049	18,286	18,892
Assisted living and memory support	-	-	-	903	2,518	2,614	2,682
Skilled nursing	-	-	-	-	-	-	2,279
Other revenue	-	-	-	159	321	366	378
Investment income	-	-	-	346	542	462	664
Total revenues	-	-	-	16,046	26,566	29,543	33,032
Expenses:							
Pre-opening marketing and related costs	1,800	1,997	1,762	956	-	-	-
Administrative	-	-	589	1,977	2,222	2,328	2,420
Dining services	-	-	-	2,457	4,242	4,733	4,960
Assisted living and memory support	-	-	-	488	1,216	1,372	1,671
Skilled nursing	-	-	-	-	-	-	1,419
Housekeeping	-	-	-	671	715	746	776
Maintenance	-	-	-	1,502	1,669	1,738	1,808
Marketing	-	-	-	1,132	1,095	1,009	873
Life enrichment	-	-	-	943	1,297	1,403	1,461
Security	-	-	-	336	350	364	378
Insurance	-	-	-	472	535	557	579
Property Tax	-	-	-	2,889	3,278	3,409	3,546
Utilities	-	-	-	1,108	1,258	1,308	1,360
Management Fee	-	-	-	1,178	1,952	2,181	2,428
Lease expense	258	264	270	-	-	-	-
Depreciation	196	467	467	6,035	8,063	8,122	8,203
Interest expense - Series 2025 Bonds	-	-	-	15,179	9,556	7,643	7,013
Amortization-financing costs	-	-	-	253	253	253	253
Total expenses	2,254	2,728	3,088	37,576	37,701	37,166	39,148
Net loss	(2,254)	(2,728)	(3,088)	(21,530)	(11,135)	(7,623)	(6,116)
NLI contribution at closing	15,000	-	-	-	-	-	-
Change in net deficit	12,746	(2,728)	(3,088)	(21,530)	(11,135)	(7,623)	(6,116)
Net deficit at beginning of year	(17,424)	(4,678)	(7,406)	(10,494)	(32,024)	(43,159)	(50,782)
Net deficit at end of year	$ (4,678)	$ (7,406)	$ (10,494)	$ (32,024)	$ (43,159)	$ (50,782)	$ (56,898)

See Summary of Significant Projection Assumptions and Rationale and Accountant's Compilation Report

The Village at Providence Point, Inc.

Projected Statements of Cash Flows
For the Years Ending December 31,
(In Thousands)

	2025	2026	2027	2028	2029	2030	2031
Cash flows from operating activities:							
Change in net deficit	$ 12,746	$ (2,728)	$ (3,088)	$ (21,530)	$ (11,135)	$ (7,623)	$ (6,116)
Adjustments to reconcile change in net deficit							
to net cash provided by (used in) operating activities:							
Depreciation	196	467	467	6,035	8,063	8,122	8,203
Amortization-financing costs	-	-	-	253	253	253	253
Entrance fee amortization	-	-	-	(6,688)	(7,136)	(7,815)	(8,137)
Change in accrued interest	(297)	-	-	5,186	(1,271)	(389)	(38)
Net change in current assets and liabilities	297	-	-	(3,384)	651	476	83
Proceeds from non-refundable entrance fees - attrition	-	-	-	705	2,368	3,854	3,917
Net cash provided by (used in) operating activities	12,942	(2,261)	(2,621)	(19,423)	(8,207)	(3,122)	(1,835)
Cash flows from investing activities:							
Project costs	(51,296)	(103,345)	(68,059)	(466)	-	-	-
Development fees - Other	(423)	(595)	(595)	(50)	-	-	-
Development fees - NLI	(252)	-	(4,000)	-	-	(8,589)	-
Routine capital additions	-	-	-	(302)	(535)	(769)	(915)
Capitalized interest expense - 2021 Bonds	(309)	-	-	-	-	-	-
Capitalized interest expense - 2025 Bonds	(2,450)	(10,665)	(16,862)	-	-	-	-
Capitalized interest earnings	244	555	485	-	-	-	-
Changes in assets limited as to use, restricted	570	-	(1,411)	1,411	-	-	-
Change in resident deposits	(3,600)	(4,800)	(2,217)	18,708	2,853	1,427	-
Net cash provided by (used in) investing activities	(57,516)	(118,850)	(92,659)	19,301	2,318	(7,931)	(915)
Cash flows from financing activities:							
Initial entrance fees received	-	-	-	189,296	28,530	14,265	-
Resident deposits received (converted)	3,600	4,800	2,217	(18,708)	(2,853)	(1,427)	-
Proceeds from refundable entrance fees - attrition	-	-	-	2,116	7,105	11,561	11,752
Entrance fee refunds	-	-	-	(1,296)	(3,746)	(5,554)	(6,526)
Change in deferred development fees - NLI	(4,000)	-	(1,025)	-	-	-	-
Use of NLI contribution at closing - Land Credit, paydown NLI Payable	(4,198)	-	-	-	-	-	-
Increase in NLI intercompany payable, pre-closing	2,123	-	-	-	-	-	-
Issuance of Series 2025A Bonds - for NLI def. dev' fee	4,034	-	-	-	-	-	-
Issuance of Series 2025A Bonds	28,166	40,900	31,085	-	-	-	-
Issuance of Series 2025C Bonds	18,700	34,400	26,900	-	-	-	-
Issuance of Series 2025D Bonds	24,600	45,200	35,200	-	-	-	-
Deferred financing costs	(5,240)	(1,339)	(999)	-	-	-	-
Principal payments - Series 2021 Bonds	(9,500)	-	-	-	-	-	-
Principal payments - Series 2025A Bonds	-	-	-	-	(960)	(1,035)	(1,100)
Principal payments - Series 2025C Bonds	-	-	-	(80,000)	-	-	-
Principal payments - Series 2025D Bonds	-	-	-	(12,746)	(71,733)	(20,521)	-
Net cash provided by (used in) financing activities	58,285	123,961	93,378	78,662	(43,657)	(2,711)	4,126
Change in cash, cash equivalents, and restricted cash	13,711	2,850	(1,902)	78,540	(49,546)	(13,764)	1,376
Cash, cash equivalents, and restricted cash, beginning of year	-	13,711	16,561	14,659	93,199	43,653	29,889
Cash, cash equivalents, and restricted cash, end of year	13,711	16,561	14,659	93,199	43,653	29,889	31,265
Cash, cash equivalents, and restricted cash reconciliation:							
Cash and cash equivalents	-	-	-	6,577	9,795	19,037	20,083
Construction and interest fund	11,711	14,561	8,764	8,589	8,589	-	-
Statutory Operating Reserve Fund	-	-	-	588	4,027	4,957	5,287
Entrance fee fund	-	-	-	71,550	15,347	-	-
Debt Service Reserve Fund - Series 2025A Bonds	2,000	2,000	5,895	5,895	5,895	5,895	5,895
Total cash, cash equivalents, and restricted cash	13,711	16,561	14,659	93,199	43,653	29,889	31,265

See Summary of Significant Projection Assumptions and Rationale and Accountant's Compilation Report

The Village at Providence Point, Inc.

Projected Balance Sheets
As of December 31,
(In Thousands)

Assets	2025	2026	2027	2028	2029	2030	2031
Current assets:							
Cash and cash equivalents	$ -	$ -	$ -	$ 6,577	$ 9,795	$ 19,037	$ 20,083
Accounts receivable, net	-	-	-	67	186	193	367
Inventory	-	-	-	139	167	174	206
Prepaid expenses	24	24	24	162	195	203	240
Current portion of assets limited as to use	-	-	-	5,186	4,875	4,561	4,588
Total current assets	24	24	24	12,131	15,218	24,168	25,484
Assets limited as to use:							
Construction and interest fund	11,711	14,561	8,764	8,589	8,589	-	-
Debt Service Reserve Fund - Series 2025A Bonds	2,000	2,000	5,895	5,895	5,895	5,895	5,895
Entrance fee fund	-	-	-	71,550	15,347	-	-
Deposits held in escrow	15,971	20,771	22,988	4,280	1,427	-	-
Statutory Operating Reserve Fund	-	-	-	588	4,027	4,957	5,287
Working Capital Fund - funded by bonds	-	-	1,411	-	-	-	-
Bond Fund	-	-	-	5,186	4,875	4,561	4,588
Total assets limited as to use	29,682	37,332	39,058	96,088	40,160	15,413	15,770
Less: current portion	-	-	-	(5,186)	(4,875)	(4,561)	(4,588)
Total assets limited as to use, net	29,682	37,332	39,058	90,902	35,285	10,852	11,182
Property and equipment	80,809	194,859	283,890	284,708	285,243	294,601	295,516
Less: accumulated depreciation	(373)	(840)	(1,307)	(7,342)	(15,405)	(23,527)	(31,730)
Property and equipment, net	80,436	194,019	282,583	277,366	269,838	271,074	263,786
Right of Use Asset	474	247	-	-	-	-	-
Other assets	18	18	18	18	18	18	18
Total Assets	$ 110,634	$ 231,640	$ 321,683	$ 380,417	$ 320,359	$ 306,112	$ 300,470

See Summary of Significant Projection Assumptions and Rationale and Accountant's Compilation Report

The Village at Providence Point, Inc.

Projected Balance Sheets, continued
As of Ending December 31,
(In Thousands)

Liabilities and Net Deficit	2025	2026	2027	2028	2029	2030	2031
Current liabilities:							
Accounts payable	$ -	$ -	$ -	$ 927	$ 1,141	$ 1,217	$ 1,362
Accrued expenses	105	105	105	1,324	1,630	1,738	1,946
Accrued interest	-	-	-	5,186	3,915	3,526	3,488
Current portion of long-term debt	-	-	92,746	72,693	21,556	1,100	1,175
Total current liabilities	105	105	92,851	80,130	28,242	7,581	7,971
Due to affiliates/partners							
Deferred development fees - NLI	1,025	1,025	-	-	-	-	-
NLI Intercompany payable	27,477	27,477	27,477	27,477	27,477	27,477	27,477
Due to affiliates/partners total	28,502	28,502	27,477	27,477	27,477	27,477	27,477
Long-term debt							
Series 2025A Bonds	32,200	73,100	104,185	103,225	102,190	101,090	99,915
Series 2025C Bonds	18,700	53,100	-	-	-	-	-
Series 2025D Bonds	24,600	69,800	92,254	20,521	-	-	-
Deferred financing costs, net of accumulated amortization	(5,240)	(6,579)	(7,578)	(7,325)	(7,072)	(6,819)	(6,566)
Total long-term debt, net (includes affiliates/partners)	98,762	217,923	216,338	143,898	122,595	121,748	120,826
Resident deposits	15,971	20,771	22,988	4,280	1,427	-	-
Non-refundable entrance fees (deferred revenue, net)	-	-	-	67,472	73,775	75,350	71,130
Refundable entrance fees	-	-	-	116,661	137,479	152,215	157,441
Lease liability	474	247	-	-	-	-	-
Total liabilities	115,312	239,046	332,177	412,441	363,518	356,894	357,368
Net deficit							
Without donor restrictions	(4,684)	(7,412)	(10,500)	(32,030)	(43,165)	(50,788)	(56,904)
With donor restrictions	6	6	6	6	6	6	6
Total liabilities and net deficit	$ 110,634	$ 231,640	$ 321,683	$ 380,417	$ 320,359	$ 306,112	$ 300,470

See Summary of Significant Projection Assumptions and Rationale and Accountant's Compilation Report

The Village at Providence Point, Inc.

Projected Financial Ratios
For the Years Ending December 31,
(In Thousands, Except for Ratios)

Debt Service Coverage Ratio	**2031**
Change in net deficit	$ (6,116)
Deduct:	
Entrance fee amortization	(8,137)
Entrance fee refunds	(6,526)
Add:	
Amortization - financing costs	253
Interest expense - Series 2025 Bonds	7,013
Depreciation	8,203
Proceeds from refundable entrance fees	11,752
Proceeds from non-refundable entrance fees	3,917
Funds Available for Debt Service	$ 10,359
Annual Debt Service (a)	$ 8,113
Annual Debt Service Coverage Ratio	**1.28 x**
Maximum Annual Debt Service (b)	$ 8,151
Maximum Annual Debt Service Coverage Ratio	**1.27 x**

Days' Cash on Hand	**2031**
Cash and cash equivalents	$ 20,083
Statutory Operating Reserve Fund	5,287
-	25,370
Total expenses	$ 39,148
Deduct:	
Depreciation	(8,203)
Amortization-financing costs	(253)
Total Expenses, net of depreciation and amortization	$ 30,692
Daily operating expenses (c)	$ 84
Days' Cash on Hand	**302**

(a) Estimated annual debt service requirements for the Series 2025A Bonds.
(b) Estimated maximum annual debt service requirements for the Series 2025A Bonds.
(c) Daily operating expenses are equal to annual operating expenses less depreciation and amortization divided by 365 days.

See Summary of Significant Projection Assumptions and Rationale and Accountant's Compilation Report

Basis of Presentation

The accompanying financial projection presents, to the best of the knowledge and belief of The Village at Providence Point, Inc. (the "Corporation") the expected financial position, results of operations and changes in net deficit, and cash flows of the Corporation as of and for each of the seven years ending December 31, 2031. Accordingly, the financial projection reflects the judgement of management of the Corporation and National Lutheran, Inc. d/b/a National Lutheran Communities and Services as the Corporation sponsor (as defined later in the report and collectively with the Corporation, "Management") as of April 17, 2025 the date of this projection, based on present circumstances and the expected course of action during the projection period, assuming the hypothetical assumptions defined below.

The prospective financial statements included in the projection have been prepared in accordance with the accounting principles generally accepted in the United States of America. Significant accounting policies are described in the appropriate assumptions and notes to the prospective financial statements. The assumptions disclosed herein are those that Management believes are significant to the projection and are not all-inclusive.

A hypothetical assumption is an assumption used in a financial projection to present a condition or course of action that is not necessarily expected to occur, but is consistent with the purpose of the presentation. However, even if the hypothetical assumptions stated below were to occur, there will usually be differences between the projection and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. Management has prepared its financial projection assuming the following hypothetical assumptions:

- Adequate demand for services exists to support the assumed occupancy of the proposed senior living community (the "Project");
- The Corporation issues debt to construct the Project at terms and rates similar to those reflected in the projection; and
- Construction, development, marketing, and other related costs for the Project occur in the assumed timeline and at the assumed costs.

Management recognizes that there will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

The accompanying projection and this report were prepared for the use of the Corporation and representatives of the Maryland Department of Aging (the "Department") in conjunction with the feasibility study requirement of maintaining the Corporation's Preliminary Certificate of Registration for Continuing Care Facilities and Providers submission per The Code of Maryland Regulations ("COMAR") Title 32.02.01.05 and for the inclusion in the Corporation's Annual Disclosure Statement. Accordingly, this document should not be used for any other purpose.

Background of the Corporation

The Corporation is a Maryland not-for-profit corporation established to acquire and develop property associated with a proposed continuing care retirement community ("CCRC") to be known as The Village at Providence Point (the "Community" or the "Project") in Anne Arundel County, Annapolis, Maryland.

The sponsor of the Corporation, National Lutheran, Inc. ("NLI") d/b/a National Lutheran Communities and Services ("NLCS" or the "Sponsor"), was incorporated in 2014 and is an affiliate of Evangelical Lutheran Church in America ("ELCA") and the parent organization overseeing management and support services for the following entities:

- The Village at Rockville, Inc. is a Maryland not-for-profit corporation originally incorporated in the District of Columbia more than 130 years ago, which owns and operates a CCRC in Rockville, Maryland known as The Village at Rockville ("TVAR"). TVAR opened its existing location in 1980 and currently consists of 130 independent living apartments, 111 independent living cottages, 50 assisted living units, and 160 skilled nursing beds
- The Village at Orchard Ridge, Inc. is a Virginia not-for-profit corporation incorporated in 2008, which owns and operates a CCRC in Winchester, Virginia known as The Village at Orchard Ridge ("TVOR"). TVOR opened in 2013 and currently consists of 239 independent living apartments, 69 independent living cottages, 17 assisted living units, 18 memory care units, and 20 skilled nursing beds.
- The Legacy at North Augusta, Inc. is a Virginia not-for-profit corporation incorporated in 2011, which owns and operates an assisted living community in Staunton, Virigina known as The Legacy at North Augusta ("TLNA"). TLNA opened in 2009 and currently consists of 103 assisted living units and 18 memory care units.
- Community Services, LLC is a Maryland limited liability corporation, which owns and manages a network of medical clinics and other health care ministries. Community Services, LLC is the sole member of the following corporations: myPotential Maryland, LLC; myPotential Virgina, LLC; myPotential Clinic-Rockville, LLC; and TVOR Clinic LLC, which are collectively referred to as the "Community Services, LLC Subsidiaries".
- Augsburg Lutheran Home of Maryland, Inc. d/b/a Augsburg Acorn Foundation ("AAF") is a Maryland limited liability corporation formed in 2024 for the purpose of providing benevolent care funding.
- Impact 1890, LLC is a Maryland limited liability corporation formed in 2014 for the purpose of making grants exclusively to not-for-profit organizations that promote the health and welfare of senior citizens.
- National Lutheran Home for the Aged, Inc. ("NLHA") is a Maryland not-for-profit corporation formed for the purpose of supporting NLI and related organizations that provide for healthcare, housing, general care, and well-being for aged persons.

The Village at Rockville, Inc., The Village at Orchard Ridge, Inc., The Legacy at North Augusta, Inc., Community Services, LLC, AAF, Impact 1890, LLC, and NLHA are subsidiaries of NLI and collectively defined as the "Related Entities". The Related Entities, the Community Services, LLC Subsidiaries, nor ELCA are responsible for the payment of debt service of the Corporation, including the proposed 2025 Bonds (hereinafter defined). As such, the Related Entities, the Community Services, LLC Subsidiaries, and ELCA are not included as part of the accompanying financial forecast.

Community Development

NLCS is to provide development, marketing, and management services to the Corporation. Initial planning for the Community has begun and Management has assembled the development team, which currently includes an architect, contractor, investment banker, engineer, and feasibility, marketing, and planning consultants. NLCS has provided pre-development and pre-finance capital to the Corporation to assist in the funding prior to permanent financing of the Community.

The Corporation has entered into four separate land purchase agreements to acquire approximately 176 combined acres of property – approximately 5 acres will be dedicated to the public right of way, approximately 103 acres will remain held by the current owner and approximately 47 acres on which the Community is to be built (the "Site"). The Site is located at the intersection of Spa Road and Forest Drive in the City of Annapolis, Maryland.

Description of the Community

The Community is to be constructed in two phases. At full build-out, the Community is to be a 350-unit entrance fee CCRC to consist of independent living residential apartments and cottage-style housing, assisted living memory care units, and skilled nursing beds.

Management is completing the schematic design phase of project planning for the first of two phases. Phase I is currently designed to consist of 246 independent living units to include apartments and cottages (collectively referred to as the "Independent Living Units" or "ILUs") and a separate healthcare center with 16 assisted living memory support units (the "Assisted Living Memory Support Units") and 16 skilled nursing beds (the "Skilled Nursing Beds"). For purposes of the projection, the Skilled Nursing Beds are assumed to be available for occupancy 36 months after the opening of the Independent Living Units due to anticipated time to complete inspections, licensing, and initial Medicare certification of the Skilled Nursing Beds. The Assisted Living Memory Support 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 is anticipated to include an additional 56 independent living apartments and 16 beds in the Health Care Center. For purposes of the projection, no impact from Phase II is reflected in the projection.

The following table summarizes the assumed type, number, approximate square footage, monthly fees ("Monthly Fees"), entrance fees ("Entrance Fees"), and daily fees ("Daily Fees") for the Independent Living Units, Assisted Living Memory Support Units, and Skilled Nursing Beds for Phase I.

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

Type of Unit [1]	Number of Units	Square Footage	Monthly Fees [1][2][3]	Entrance Fees [1][2][3][4]
Independent Living				
Apartments:				
Chesapeake (one bedroom)	20	881	$ 3,800	$ 1,011,610
Fairlee (one bedroom with den)	38	1,041	4,475	1,150,157
Miles (one bedroom with den)	3	1,080	4,650	1,162,905
Corsica (one bedroom – corner)	8	1,104	4,725	1,204,335
Patuxent (two bedroom – corner)	8	1,135	4,850	1,264,542
Magothy (two bedroom)	57	1,184	5,050	1,248,657
James (one bedroom with den – corner)	4	1,257	5,375	1,343,689
Sassafras (two bedroom – corner)	8	1,304	5,575	1,423,230
Severn (two bedroom large)	51	1,419	6,050	1,457,046
St. Marys (two bedroom with den)	3	1,462	6,225	1,565,027
Marley (two bedroom with den)	4	1,560	6,625	1,609,612
Potomac (two bedroom with den)	4	1,581	6,725	1,683,328
Tangier (two bedroom)	4	1,643	6,975	1,662,236
York (two bedroom – corner)	4	1,825	7,725	1,882,451
Apartments – Total/Weighted Avg.	**216**	**1,224**	**$ 5,231**	**$ 1,303,088**
Cottages:				
Cottage A	10	1,600	6,775	1,649,363
Cottage B	10	1,800	7,625	1,874,381
Cottage C	10	2,100	8,875	2,111,724
Cottages – Total/Weighted Avg.	**30**	**1,833**	**$ 7,758**	**$ 1,878,489**
ILUs – Total/Weighted Avg.	**246**	**1,299**	**$ 5,541**	**$ 1,373,258**
Second person fees			**$ 1,350**	**$ 48,660**
			Life Care Transfer Rate	**Market Rate Monthly Fee/ Daily Fee [5]**
Health Care Center				
Memory Support Units	16	310	$ 5,799	$ 13,048
Skilled Nursing Beds [6]	16	310	191	636
Total Health Care Center	**32**	**310**		

Source: Management

(1) The unit mix, Entrance Fee pricing, and Monthly Fee pricing is shown effective as of January 1, 2028, the assumed opening of the Community.

(2) As of January 1, 2025, the Corporation offers one Entrance Fee plan, the Type C – 75 Percent Refund Plan (the "Type C 75% Refund Plan").

(3) Entrance Fees include view and floor plan premiums. There are 45 Independent Living Apartments located on the first floor and 57 Independent Living Apartments located on each of the second, third, and fourth floors. Premiums are included in the first person Entrance Fee for apartments on the first, third and fourth floors.

(4) Additional levels of care ("Levels of Care") for direct admission Residents in Assisted Living Memory Support Units are available with level of care fees ("LOC Fees") as follows and shown in 2028 dollars: Level I – $639; and Level II – $1,420.

(5) For purposes of the projection, the Skilled Nursing Beds are assumed to be available for occupancy 36 months after the opening of the Independent Living Units.

Previously Offered Entrance Fee Contract Types

During different periods of development, Management has marketed the following Entrance Fee plans that, as of January 1, 2025, are no longer available to new depositors ("Depositors"):

- Type C – 90 Percent Refund Plan (the "Type C 90% Refund Plan");
- Type C – 50 Percent Refund Plan (the "Type C 50% Refund Plan");
- Type C – Traditional Declining Balance Plan (the "Type C Traditional Plan"); and
- Type A – Traditional Declining Balance Plan (the "Type A Traditional Plan").

Depositors that selected any of these plans will have their selection, contract type, and pricing honored upon move in.

The Type C plans are considered to be fee-for-service agreements ("Fee-For-Service Contracts"). The Type A Traditional Plan is considered to be a life care agreement ("Life Care Agreements"). Residents (hereinafter defined) on a Fee-For-Service Contract are assumed to transfer and pay the then-current market rates at the Healthcare Center (the "Fee-For-Service Transfer Rate"). Residents on a Life Care Agreement 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").

Assumed Entrance Fee Pricing and Entrance Fee Pool

Management has assumed the following Entrance Fee inflation assumptions, as well as mix of pricing levels in developing the assumed available Entrance Fee pool for Phase I of the Project:

Table 2
Assumed Entrance Fee Pricing and Entrance Fee Pool (Phase I)

	Presale Pricing	Construction Pricing #1	Construction Pricing #2	Construction Pricing #3	Opening Pricing	Total
Effective Pricing Date:	*4/1/22 – 12/31/24*	*1/1/25 – 12/31/25*	*1/1/26 – 12/31/26*	*1/1/27 – 12/31/27*	*1/1/28 – 12/31/28*	
Applicable Pricing Increase	**–**	***10-15%***	***4.0%***	***4.0%***	***4.0%***	
Weighted Avg. Entrance Fee [(1)(2)]						
Type C 75% Refund Plan	$ 1,044,447	$ 1,220,822	$ 1,269,655	$ 1,320,441	$ 1,373,258	
Type C 50% Refund Plan [(3)]	854,943	1,046,419	1,088,275	1,131,806	1,177,079	
Type C Traditional Plan [(3)]	555,213	697,612	725,517	754,538	784,719	
Type A Traditional Plan [(3)]	655,624	–	–	–	–	
Utilization of Entrance Fee Pool at each pricing level	46%	16%	20%	10%	8%	**100%**
Project at 95% occupancy	107.4	37.4	46.8	23.4	18.7	**233.7**
Entrance Fee Pool	**$96,509,686**	**$37,867,993**	**$49,701,740**	**$26,093,414**	**$21,918,468**	**$232,091,301**

Source: Management

(1) The weighted average Entrance Fee pricing above is based on the unit configuration presented in Table 1 for single person occupancy, including view and floor plan premiums. Double occupancy is assumed to be approximately 50 percent.

(2) Management assumes the following initial Entrance Fee plan utilization: Type C 75% Refund Plan – 69.1 percent; Type C 50% Refund Plan – 2.8 percent; Type C Traditional Plan – 26.3 percent; and Type A Traditional Plan – 1.8 percent.

(3) As of January 1, 2025, these Entrance Fee plans are no longer offered to new Depositors.

Under current law, a person or non-federal health care facility in the state of Maryland may not develop, operate, or participate in a covered health care project, such as the Skilled Nursing Beds proposed by the Corporation, unless the Maryland Health Care Commission (the "Commission") has issued a certificate of need ("CON") for the project. Management does not intend to apply for a CON and assumes all residents in the Skilled Nursing Beds to be residents of the Community. Direct admission to the Skilled Nursing Beds is limited to the twenty percent (20%) direct admission resident provision for CCRCs in the state of Maryland as described in Health-General law section 19-124. For the purpose of Management's projection, Management assumes no more than 20 percent (20%) private pay residents in the Skilled Nursing Beds.

Under Maryland law, assisted living services are not considered covered health care services. Accordingly, no CON is required in connection with the construction of the Assisted Living Memory Support Units.

Assumed Project Timing

Construction of Phase I of the Project is assumed to commence July 2025 and is to be available for occupancy in February 2028. The anticipated timeline for Phase I of the Project is shown below:

Table 3
Development of the Project (Phase I)

Pre-construction Phase	
Began marketing efforts and accepting 10% deposits	May 2021
Long-term financing	July 2025
Construction Phase	
Construction commences	July 2025
Receive certificate of occupancy	January 2028
Independent Living Units available for occupancy	February 2028
Assisted Living Memory Support Units available for occupancy	March 2028
Operating Phase	
Independent Living Units achieve stabilized occupancy of 93.5%	May 2030
Independent Living Units achieve sales of 95.0%	July 2030
Assisted Living Memory Support Units achieve stabilized occupancy of 93.8%	February 2029
Skilled Nursing Beds available for occupancy [(1)]	February 2031

Source: Management

(1) The Skilled Nursing Beds are anticipated to become available for occupancy 36 months after the Community opens in February 2028. For purposes of the projection, Management assumes the Skilled Nursing Beds will be available for occupancy in February 2031.

Management Agreement

The Corporation plans to enter into a management agreement with the Sponsor (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 an operating budget, including the following: preparation of pro forma budgets; establish a schedule of charges; coordinate and implement the preparation and/or maintenance for financial and accounting services; maintain operating certificates and other licenses; acquire and maintain equipment which are needed to maintain or upgrade the Project; supervise, hire, promote, or discharge employees; negotiate contracts; and provide periodic recommendations regarding improvements in required insurance policies and carriers.

The initial term of the Management Agreement (the "Initial Term" or "Term") shall be for a period of three years or 36 months, unless sooner terminated by either party.

As compensation for providing services outlined in the Management Agreement, the Corporation shall pay the Operating Manager up to seven- and one-half percent (7.5%) of the gross revenues 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").

Marketing of the Community

The success of the Community is dependent, in part, on Management's ability to achieve specified pre-sales, fill-up pace, and turnover rates for the Independent Living Units. Upon Department approval in May 2021, Management began accepting non-binding priority deposit agreements for the Independent Living Units. The following table summarizes presales by contract type as of March 27, 2025.

Table 4
Presales Entrance Fee Plan Utilization (Phase I) [1]

Entrance Fee Plan Utilization	Number of Presales	Percent of Presales
Type C 90% Refund Plan [2]	44	26.7%
Type C 50% Refund Plan [2]	11	6.7%
Type C Traditional Plan [2]	104	63.0%
Type A Traditional Plan [2]	6	3.6%
Total Entrance Fee Plan Utilization	**165**	100.0%

Source: Management
(1) Presales data as of March 27, 2025.
(2) As of January 1, 2025, this Entrance Fee plan is no longer offered to new Depositors.

Construction Costs

The following construction and related costs are assumed for the Community:

Table 5
Construction and Related Costs
(Based on Preliminary Schematic Design Level of Drawings)

Construction and Related Costs	Total Cost
Contractor's Payment	$ 169,826,000
Construction contingency	1,500,000
Other miscellaneous	4,328,000
Total Construction (without Escalation) [1]	$ 175,654,000
Escalation [2]	1,119,000
Total Construction and related costs:	$ 176,773,000

Source: Management
(1) Pre-construction and site estimates are based on preliminary schematic design level of drawings, as provided by Management's architect Perkins Eastman (the "Architect"), sent to prospective construction contractors under consideration by Management.
(2) Management assumes construction costs to escalate 3.0 percent on annual basis to the construction start date of July 2025.

Summary of Project Financing

Pre-development Financing

The Corporation began incurring costs related to the Project in 2019. In previous years, such costs were funded by the Sponsor. As of December 31, 2024, the Corporation had approximately $40,129,000 of liabilities including approximately $9,500,000 of Series 2021 Bonds, and approximately $34,577,000 of an intercompany payable to the Sponsor. Management assumes additional pre-development costs to accumulate through July 1, 2025, the date of the Series 2025 Bonds financing. Management assumes to pay off the Series 2021 Bonds and associated interest with proceeds from the Series 2025 Bonds.

Assumed Project Financing

According to Management and their financing advisors ("Financing Advisors"), total financial requirements for the Community are assumed to approximate $361,426,000. The Corporation proposes to fund these financial requirements primarily through the issuance of $289,185,000 Series 2025 Bonds and would be solely responsible for the payment of debt service on the Series 2025 Bonds. Management has assumed the following sources and uses of funds in preparing its financial projection.

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

Sources of Funds	**Total:**
Series 2025 Bonds	
Series 2025A Bonds [1]	$ 104,185
Series 2025C Bonds [1]	80,000
Series 2025D Bonds [1]	105,000
Total Series 2025 Bonds	$ 289,185
Series 2021 Bonds – trustee held funds [2]	$ 796
Interest earnings on trustee funds [3]	1,283
Sponsor investment pre-close [4]	8,071
Sponsor contributed capital at closing [5]	15,000
Excess initial Entrance Fees [6]	47,091
Total Sources of Funds	**$ 361,426**
Uses of Funds	
Direct construction costs [7]	$ 176,773
Land [8]	25,773
Marketing costs [9]	7,030
Project contingency [10]	13,580
Development costs – Sponsor [11]	16,589
Development costs – Other [11]	3,297
Architect and engineering costs [12]	10,875
Fixtures, furnishings, and equipment [13]	5,750
Indirect construction costs [14]	6,390
Other soft costs [15]	5,741
Total Project Related Costs	$ 271,798
Working Capital - Excess Initial Entrance Fees [16]	44,179
Working Capital - Series 2025 Bonds[16]	2,000
Funded Interest Fund [17]	29,977
Debt Service Reserve Funds Series 2025A [18]	5,895
Cost of issuance and other costs [19]	7,577
Total Estimated Financing and Other Costs	$ 89,628
Total Uses of Funds	**$ 361,426**

Source: Management and the Financing Advisors

Notes to the tale:

(1) The following series of bonds are assumed to be issued on a draw-down basis:
- $104,185,000 of non-rated tax-exempt fixed rate serial and term bonds (the "Series 2025A Bonds") assumed to be issued at an average coupon rate of 6.90percent per annum;
- $80,000,000of non-rated tax-exempt floating rate short term bonds (the "Series 2025C Bonds") assumed to be issued at an average coupon rate of 6.00 percent per annum; and
- $105,000,000 of non-rated tax-exempt adjustable rate short term bonds (the "Series 2025D Bonds") assumed to be issued at an average coupon rate of 6.475 percent per annum.

(2) Trustee held funds associated with the Series 2021 Bonds of approximately $796,000 are to be made available upon closing of the Series 2025 Bonds.

(3) Interest of approximately $1,283,000 is assumed to be earned on the Project Fund and on the Funded Interest Fund at 3.00 percent.

(4) Prior to the assumed financing in July 2025, total Sponsor support of pre-marketing, capital expenditures and other development costs related to the Community are assumed to reach approximately $28,502,000. Management plans to reimburse the Sponsor with excess cash flows from operations in future years. This amount includes approximately $8,071,000 related to the current Project related budget of approximately $271,798,000.

(5) At closing of the Series 2025 Bonds, the Sponsor is assumed to contribute cash of $15,000,000.

(6) The Series 2025C Bonds and Series 2025D Bonds are sized at approximately 80 percent of the initial Entrance Fee Pool, or $185,000,000. The excess initial Entrance Fees collected of $47,091,000 are assumed to be used to fund start-up losses, operating reserves, operating cash, interest expense, and operations related to the Community.

(7) Construction, site work, and other costs related to the construction of the Community are assumed to approximate $176,773,000, including all remaining escalation costs prior to financing, based on estimates provide by the Architect, distributed to prospective construction contractors under consideration by Management.

(8) Land and land related costs approximate $25,773,000 and include land acquisition costs, engineering reports, permitting, and legal fees.

(9) Marketing costs related to acquiring initial continual care contracts are assumed to approximate $7,030,000.

(10) Project contingency of $13,580,000 for unidentified and unexpected project related costs have been assumed.

(11) Development Fees to the Sponsor are assumed to approximate $16,589,000. Payments to the Sponsor are due of $4,000,000 at closing, $4,000,000 upon completion of construction, and $8,589,000 upon reaching stable occupancy of the Independent Living Units.
Development Fees to an un-related third party Developer are assumed to approximate $3,297,000.

(12) Architect and engineering costs are assumed to approximate $10,875,000 based on information provided by the Architect.

(13) Fixtures, furnishings, and equipment for the Community are assumed to total $5,750,000 and would include interior design fees, furniture, and equipment costs.

(14) Indirect construction costs are assumed to approximate $6,390,000 and include off-site improvements, sales center costs, and other miscellaneous expenses.

(15) Other soft costs associated with the Project are assumed to approximate $5,741,000 including planning costs, zoning, pre-finance issuance cost, and other soft costs.

(16) Working Capital of $46,179,000 is assumed to be funded by Series 2025 Bond proceeds in the approximate amount of $2,000,000 and initial Entrance Fee receipts of $44,179,000 for start-up costs and operations during fill-up.

(17) Funded interest of approximately $29,977,000 net of interest earnings, would be used to fund interest expense for 30 months from the date of issuance of the Series 2025 Bonds (30 months of construction).

(18) The deposits to the Debt Service Reserve Funds for the Series 2025A Bonds are assumed to approximate $5,895,000.

(19) Cost of issuance related to the Series 2025 Bonds are assumed to be $7,577,000 and include the financing discount, accounting fees, legal fees, the feasibility consulting fee, the bond issuance fees, and other miscellaneous financing related costs.

Description of the Residency Agreement

Management is 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, which has been approved by the Department, 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").

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 the following services and amenities:

- One assigned parking space for the Resident's personal vehicle;
- Limited storage space for apartment Residents outside of the Resident's apartment;
- All utilities, including water, electricity, heat and air conditioning, sewer, and standard municipal services. The Residence will have access to wireless internet service with basic connection speeds. The Resident is responsible for the purchase of all streaming content, enhanced connection speeds, and all phone services;
- 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;
- 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).

Type C Contract Resident

Under the Residency Agreement, Residents who select a Fee-For-Service Contract may reside temporarily in the Health Care Center and retain their Residence as long as they pay the Monthly Fee for the Residence in addition to the Monthly Fee or Daily Rate for the Health Care Center unit. The Resident agrees, however, to release the Residence after six (6) months if the Residence is needed. The Corporation may also declare a Residence vacant if the Resident has transferred on a permanent basis from the Residence. Arrangements by a Resident or their representative must be made to remove personal belongings from the Residence from which they have moved within thirty (30) days after it has been determined that the transfer will be permanent. If, after a Residence has been so released, the

Resident's condition improves so that they are able to resume residency in a Residence from which they have transferred, the Corporation agrees to provide a living arrangement appropriate to the Resident's condition as soon as one becomes available.

Residents needing to vacate their Independent Living Unit and permanently transfer to the Health Care Center are charged the Fee-For-Service Transfer Rate, as well as charges for any ancillary services and additional meals as needed.

In the case of double occupancy, if one occupant is permanently transferred to the Health Care Center while the second person remains in the Independent Living Unit, the Resident remaining in the Independent Living Unit will continue to pay the first person Monthly Fee and the second person Resident moving into the Health Care Center will pay the Fee-For-Service Transfer Rate in addition to fees for any additional meals in the Health Care Center and any ancillary services as needed.

Should both Residents transfer to the Health Care Center, each Resident will pay the Fee-For-Service Transfer Rate in addition to fees for any additional meals in the Health Care Center and any ancillary services as needed.

The Resident is expected to obtain and maintain Medicare Parts A and B (or an equivalent substitute policy approved by the Corporation), suitable supplemental medical insurance, and coverage under Medicare Part D or similar insurance coverage as determined by the Corporation.

Life Care Benefit

Under the Residency Agreement, Residents who select a "Type A" Life Care contract may reside temporarily in the Health Care Center and retain their Residence for a cumulative maximum period of ninety (90) days. After ninety (90) days have elapsed, (1) if the Residence is declared vacant by the Corporation, charges only for the Health Care Center will incur to the Resident, or (2) if the Residence is not declared vacant by the Corporation, charges for both the Residence and the Health Care Center will incur to the Resident. The Resident agrees, however, to release the Residence after six (6) months if the Residence is needed. The Corporation may also declare a Resident's Residence vacant if a Resident has transferred on a permanent basis from the Residence. Arrangements by the Resident or Resident's representative must be made to remove Resident's personal belongings from the Residence from which Resident has moved within thirty (30) days after it has been determined that the transfer will be permanent. If, after a Resident's Residence has been released, the Resident's condition improves so that the Resident is able to resume residency in a Residence from which the Resident had transferred, the Corporation agrees to provide the Resident a living arrangement appropriate to the Resident's condition as soon as one becomes available.

Residents needing to vacate their Independent Living Unit and permanently transfer to the Health Care Center are charged the Life Care Transfer Rate, as well as charges for any ancillary services and additional meals as needed.

In the case of double occupancy, if one occupant is permanently transferring to the Health Care Center while the second person remains in the Independent Living Unit, the Resident remaining in the Independent Living Unit will continue to pay the first person Monthly Fee and the second person Resident moving into the Health Care Center will pay the Life Care Transfer Rate in addition to fees for additional meals in the Health Care Center and any ancillary services as needed.

Should both Residents transfer to the Health Care Center, each Resident will pay the Life Care Transfer Rate in addition to fees for additional meals in the Health Care Center and any ancillary services as needed.

The Resident is expected to obtain and maintain Medicare Parts A and B (or an equivalent substitute policy approved by the Corporation), suitable supplemental medical insurance, and coverage under Medicare Part D or similar insurance coverage as determined by the Corporation.

Direct Admit Residents

Persons who have not paid an Entrance Fee may be admitted to the Assisted Living portion of the Health Care Center ("Direct Admit Residents") for short-term respite stays, rehabilitation stays, or longer stays if beds are available in excess of those needed for Residents. Residents of the Independent Living Units requiring care in the Health Care Center will have priority access to the Health Care Center over Direct Admit Residents. Direct Admit Residents pay the then-current market rate Monthly Fees, pay a non-refundable Community Fee of approximately $5,000, and are assumed to be admitted under a Direct Admit Resident fee-for-service contract.

Direct Admit Residents utilizing Assisted Living Memory Support Units are assumed to transfer offsite for skilled nursing care when a higher level of care is required.

Termination Prior to Occupancy Date

If the Residency Agreement is terminated for any reason prior to occupancy, the Resident is entitled to a full refund of all money paid less a processing fee (approximately $300 per Resident) and any special additional costs incurred in connection with modifications of the residence requested by the Resident. The refund is to be paid to the Resident within 30 days of termination.

Termination by the Resident after Occupancy Date

Within the first 90 days of occupancy – If a Resident terminates the Residency Agreement within the first 90 days of occupancy by providing written notice to the Corporation, the Entrance Fee would be refunded based on the provisions in the *"Entrance Fee Refundability"* section below. The applicable refund is to be paid to the Resident within 30 days of the earlier to occur of 1) the date that the Residence is resold and the Corporation has received the new Entrance Fee in full; or 2) the later to occur of: a) the 90th day following the termination of the Residency Agreement; or b) the day the Independent Living Units have been operating at 95 percent of capacity for the previous six months.

After the first 90 days of occupancy – If a Resident terminates the Residency Agreement after the first 90 days of occupancy, the Entrance Fee would be refunded based on the provisions in the *"Entrance Fee Refundability"* section above. If the Resident occupies a Residence, the applicable refund would be paid to the Resident within 60 days provided that the Resident's unit has been vacated, all belongings removed, and the Corporation has accepted and entered into a Residency Agreement with a new resident who has accepted and paid the entrance fee for the unit formerly assigned the Resident. If the Resident occupied a Health Care Center unit/bed, the applicable refund would be paid to the Resident within 60 days provided that the last unit in which the Resident resided at the initial level of care on entering the Community has been occupied by, or reserved for, another resident who has paid an Entrance Fee.

Entrance Fee Refundability

In the Traditional Plan, there is a ten percent administrative charge which is non-refundable. For the Type C 50% Refund Plan, after the ten percent administrative charge, the remaining 40 percent of the Entrance Fee is amortized at the rate of 1.50 percent per month not to drop below 50 percent. If termination occurs for the Type C 50% Refund Plan during the amortization period, the Resident will be entitled to a partial refund equal to the Entrance Fee less 1.5 percent for each month or partial month of residency. The Type C 75% Refund Plan does not amortize, and the refund is the Entrance Fee paid minus an immediate 25 percent administrative percent administrative charge. For the Traditional Plan – Type C and the Traditional Plan – Type A, after the ten percent administrative charge the remaining 75 percent of the Entrance fee is amortized at a rate of 3.75 percent per month for 24 months. If termination occurs for a Traditional Plan – Type C or Traditional Plan – Type A during the 60-month amortization period, the Resident will be entitled to a partial refund equal to the Entrance Fee less 3.75 percent for each month or partial month of residency.

Entrance Fee Plan Utilization

The following table presents Management's Entrance Fee plan utilization assumptions for Phase I during the projection period:

Table 7
Entrance Fee Plan Utilization (Phase I)

Entrance Fee Plan Utilization	Initial	Attrition
Type C 75% Refund Plan [1]	69%	100%
Type C 50% Refund Plan [2]	3%	–
Type C Traditional Plan [2]	26%	–
Type A Traditional Plan [2]	2%	–
Total Entrance Fee Plan Utilization	**100%**	**100%**

Source: Management and the Actuary (defined hereinafter)
(1) Includes the Type C 90% Refund Plan, Type C 85 Percent Refund Plan, and Type C – 80 Percent Refund Plan, all of which are no longer offered by Management. As of January 1, 2025, only the Type C 75% Plan is available to new Depositors.
(2) As of January 1, 2025, this Entrance Fee plan is no longer offered by Management.

Summary of Significant Accounting Policies

(a) Basis of Accounting – The Corporation maintains its accounting and financial records according to the accrual basis of accounting.

(b) Deferred Marketing Costs – Management has implemented ASU No. 2014-09 "Revenue from Contracts with Customers" regarding treatment of deferred marketing costs. Under the Standard, only incremental marketing expenditures incurred specifically to obtain the Resident contract can be capitalized. Management assumes all future marketing expenses are expensed when incurred.

(c) Deferred Financing Costs – Costs associated with the issuance of the Series 2025 Bonds are assumed to be capitalized and amortized over the expected life of the bonds using the effective interest method.

(d) Property, Equipment and Depreciation Expense – Property and equipment are recorded at cost. Depreciation expense is calculated on the straight-line method over the estimated useful lives of depreciable assets. The cost of maintenance and repairs is charged to operations as incurred, whereas significant renewals and betterments are capitalized.

(e) Assets Limited as to Use – Assets limited as to use are assumed to be carried at fair value, which, based on the nature of the underlying securities, is assumed to approximate historical cost. Management assumes no material changes in fair values that would result in material net realized or unrealized gains or losses during the projection period.

(f) Investment Income – Investment income, other than that capitalized as part of Project costs, is reported as operating revenue unless restricted by donor or law. Management does not assume any unrealized gains or losses on investments.

(g) Costs of Borrowing – Net interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

(h) Deferred Revenue – Entrance Fees – Entrance Fees, which are expected to be non-refundable to the Resident, are recorded as deferred revenue and are amortized into revenue using the straight-line method over the estimated remaining life expectancy of the Resident or amortization period, whichever is shorter, as determined by an actuarial report.

(i) Refundable Entrance Fees – Refundable Entrance Fees received are maintained as a liability, reflecting the Corporation's future obligation for repayment.

(j) Cash and Cash Equivalents – Cash and cash equivalents include investments in highly liquid securities with an original maturity of three months or less when purchased.

(k) Income Tax Status – The Corporation is a nonprofit organization exempt from federal income and excise taxes under section 501(c)3 of the Internal Revenue Code and is classified as other than a private foundation.

(l) Related Party Transactions - NLCS is the sole member of the Corporation and provides support in the form of management and support services in exchange for management fees and provides additional capital support when needed. Various entities that are part of the NLCS system make working capital advances to each other as needed. Related Party transactions bear no interest and have no stated repayment terms. As of December 31, 2024, approximately $34,577,000 are considered due to affiliated organizations.

(m) Restricted Cash – The FASB issued ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows.

For purposes of the projection, Management has presented restricted cash or restricted cash equivalents on the projected statements of cash flows.

(n) Leases – ASU No. 2016-02, Lease Accounting Standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification determines whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less are accounted for similar to existing guidance for operating leases today. For purposes of the projection ASU 2016-02 has been implemented by the Corporation.

Operating Revenues

Independent Living Service Revenue

Service revenue for Residents in Independent Living Units is based upon the assumed occupancy and the Monthly Fees of the respective units. Monthly Fees are assumed increase 4.0 percent on January 1, 2029 and annually thereafter throughout the projection period.

Entrance Fees shown in Table 1 of this report are assumed to be the pricing available to Residents upon the opening of the project (fiscal year 2028), inflating 4.0 percent on January 1, 2029 and annually thereafter throughout the projection period.

Assumed Independent Living Unit Utilization

The Independent Living Units are assumed to achieve and maintain 93.5 percent occupancy level in May 2030 and remain constant at that level throughout the projection period. The following table summarizes the assumed utilization of the Phase I Independent Living Units:

Table 8
Utilization of Independent Living Units (Phase I)

Year Ending December 31,	Average Units Occupied	Average Units Available	Average Occupancy [1]
2028	103.4	246.0	42.0%
2029	206.4	246.0	83.9%
2030	229.1	246.0	93.1%
2031 and thereafter [2]	230.0	246.0	93.5%

Source: Management

(1) The Independent Living Units are assumed to be completed and available for occupancy in February 2028 and are anticipated to fill to a 93.5 percent occupancy level over a 28 month period at an average 8.2 units per month.

(2) For purposes of the projection, Management assumes that 95.0 percent of the Independent Living Units will be sold. Management assumes that Monthly Fee revenue will be based on 93.5 percent occupancy.

The following table summarizes the move-in assumptions for the Phase I Independent Living Units during the projection period through stabilized occupancy:

Table 9
Assumed Monthly Move-in Pattern for the Phase I ILUs (Net of Move-Outs)

Year Ending December 31,	Monthly Total	Cumulative Total	Cumulative Percentage [1]
2028			
February	20.5	20.5	8.3%
March	24.2	44.7	18.2%
April	22.1	66.8	27.2%
May	22.1	88.9	36.1%
June	22.1	111.0	45.1%
July	20.1	131.1	53.3%
August	14.4	145.5	59.1%
September	12.3	157.8	64.1%
October	12.3	170.1	69.1%
November	10.3	180.4	73.3%
December	10.3	190.7	77.5%
2029			
January	6.2	196.9	80.0%
February	2.1	199.0	80.9%
March	2.1	201.1	81.7%
April	2.1	203.2	82.6%
May	2.1	205.3	83.5%
June	2.1	207.4	84.3%
July	2.1	209.5	85.2%
August	2.1	211.6	86.0%
September	2.1	213.7	86.9%
October	2.0	215.7	87.7%
November	2.0	217.7	88.5%
December	2.0	219.7	89.3%
2030			
January	2.0	221.7	90.1%
February	2.0	223.7	90.9%
March	2.0	225.7	91.7%
April	2.0	227.7	92.6%
May	2.0	229.7	93.4%
June	2.0	231.7	94.2%
July	2.0	233.7	95.0%
Total	233.7	233.7	95.0%

Source: Management
(1) Cumulative Occupancy based on 246 Independent Living Units.
(2) For purposes of the projection, Management assumes that 95.0 percent of the Independent Living Units will be sold. Management assumes that Monthly Fee revenue will be based on 93.5 percent occupancy.

Assumed Independent Living Turnover

The assumed turnover for the Independent Living Units due to death, withdrawal, or transfer to the Health Care Center, and double occupancy of the Independent Living Units are based on information provided by Management and the Corporation's actuary, Continuing Care Actuaries (the "Actuary").

Refunds of Entrance Fees are generated upon death or termination of the Residency Agreement and withdrawal from the Community and are subject to the re-occupancy of the vacated Independent Living Units. Entrance Fees may be generated from Independent Living Units turning over without a corresponding refund because the resident has not withdrawn from the Community but has permanently transferred to the Health Care Center. The following table presents the assumed initial and attrition Entrance Fees received and the total Entrance Fee refunds for Phase I during the projection period.

Table 10
Initial and Attrition Entrance Fee Receipts and Total Entrance Fee Refunds (Phase I)
(In Thousands)

	2028	2029	2030	2031
Number of Entrance Fees Received (Initial)	190.6	28.7	16.4	–
Entrance Fees Received (Initial)	$ 189,296	$ 28,530	$ 14,265	$ –
Number of Entrance Fees Received (Attrition)	2.1	6.7	10.5	10.3
Entrance Fees Received (Attrition)	$ 2,821	$ 9,473	$ 15,415	$ 15,669
Total Number of Entrance Fees Refunded	1.8	5.6	7.0	7.6
Total Entrance Fees Refunded	$ (1,296)	$ (3,746)	$ (5,554)	$ (6,526)
Entrance Fees Received, Net of Refunds	**$ 190,821**	**$ 34,257**	**$ 24,126**	**$ 9,143**

Source: Management and the Actuary

According to the Actuary, double occupancy of the initial Independent Living Units is assumed to be approximately 50 percent.

Assumed Health Care Center Utilization

Skilled Nursing Bed Daily Fees

Skilled nursing revenue is based upon charges for services provided to Residents transferring from the Independent Living Units or the Assisted Living Memory Support Units to Skilled Nursing Beds. Daily Fees for the per diem Residents and Life Care Residents in the Skilled Nursing beds are assumed increase 4.0 percent and Daily Fees for Medicare Residents in the Skilled Nursing Beds are assumed to increase 2.0 percent on January 1, 2029 and annually thereafter throughout the projection period.

Upon completion of the Project in January 2028, Management assumes approximately 36 months to complete inspections, licensing, and initial Medicare certification of the Skilled Nursing Beds. For purposes of the projection, the Phase I Skilled Nursing Beds are assumed to be available for occupancy 36 months after the opening of the Independent Living Units. The following table summarizes the assumed utilization of the Phase I Skilled Nursing Beds during the projection period.

Table 11
Utilization of the Skilled Nursing Beds (Phase I)

	Average Occupied Beds							
	Community Residents							
Year Ending December 31,	Refund Plans Type C – FFS	Type A Traditional	Medicare	Total Residents	Per Diem Residents (1)	Total Beds Occupied	Total Beds Available	Average Occupancy
2028	–	–	–	–	–	–	–	–
2029	–	–	–	–	–	–	–	–
2030	–	–	–	–	–	–	–	–
2031 (3)	4.4	0.5	2.1	7.1	1.9	8.9	16.0	55.8%

Source: Management and the Actuary

(1) Management assumes no more than 20 percent private pay residents to occupy the Skilled Nursing Beds. Should a person be admitted from outside the Community, the resident is to sign a Type C Contract, subject to Maryland law.

Assisted Living Memory Support Monthly Fees

Assisted Living Memory Support Unit fees are generated from services provided to Residents transferring from the Independent Living Units, as well as direct admissions from the local surrounding area. Residents permanently transferring from the Independent Living Units to the Assisted Living Memory Support Units are assumed to pay the then-current Fee-For-Service Transfer Rate or the Life Care Transfer Rate. Assisted Living Memory Support Unit Monthly Fees are assumed to increase 4.0 percent annually throughout the projection period.

Management assumes that the Memory Support Units would achieve a 93.5 percent occupancy level in July 2029. The following table summarizes the assumed utilization of the Phase I Memory Support Units during the projection period.

Table 12
Utilization of the Assisted Living Memory Support Units (Phase I)

	Average Occupied Units				
Year Ending December 31,	Total Community Residents	Per Diem Residents	Total Units Occupied	Total Units Available	Average Occupancy
2028	0.2	5.3	5.5	16.0	34.4%
2029 (1)	1.2	13.6	14.8	16.0	92.6%
2030	3.0	12.0	15.0	16.0	93.5%
2031	5.2	9.8	15.0	16.0	93.5%

Source: Management and the Actuary
(1) The Assisted Living Memory Support Units are assumed to be completed and ready for occupancy March 1, 2028 and would fill to a 93.5 percent occupancy level over a 12-month period at an average of 1.2 units per month.

Earned Entrance Fees

Earned entrance fees are based on the non-refundable portion of the Entrance Fees received each year amortized over the life expectancy of each resident in the Independent Living Units.

Investment Income

Management has assumed 2.0 percent average annual rate of return on the Corporation's unrestricted cash, 2.0 percent per annum on the Entrance Fee Escrow Fund, 2.0 percent per annum on the Debt Service Reserve Funds, 2.0 percent per annum on the Statutory Operating Reserve Fund, 2.0 percent per annum on the Working Capital Fund, and 1.0 percent on the Bond Fund upon operation of the Community. During construction, the Construction Fund (defined hereinafter) is assumed to average a 3.0 percent annual rate of return.

Other Revenue

Other revenue consists of revenues from additional Resident meals and snacks, guest meals, guest unit rentals, barber and beauty fees, and other miscellaneous sources. These revenues are projected by Management to increase 4.0 percent annually throughout the projection period.
Annual Inflation

The following table provides annual inflation assumptions for Phase I during the projection period:

Table 13
Annual Inflation Assumptions (Phase I)

Fiscal Year	Entrance Fees Plans [1][2]	Independent Living	Monthly Fees/Daily Fees			
			Life Care Transfer Rate	Assisted Living Memory Support	Skilled Nursing – Private Pay, Lifecare, Per Diem	Skilled Nursing – Medicare
2025 [3]	10-15%	4.0%	4.0%	4.0%	4.0%	2.0%
2026	4.0%	4.0%	4.0%	4.0%	4.0%	2.0%
2027	4.0%	4.0%	4.0%	4.0%	4.0%	2.0%
2028	4.0%	4.0%	4.0%	4.0%	4.0%	2.0%
2029	4.0%	4.0%	4.0%	4.0%	4.0%	2.0%
2030	4.0%	4.0%	4.0%	4.0%	4.0%	2.0%
2031	4.0%	4.0%	4.0%	4.0%	4.0%	2.0%

Source: Management
(1) Management anticipates various Entrance Fee price increases at different milestones during the marketing and construction of the Community. See Table 2 for assumed Entrance Fee pricing for these milestones.

Annual Weighted Average Fees

The following table provides weighted average fee assumptions for Phase I during the projection period.

Table 14
Assumed Weighted Average Fees (Phase I)

Fiscal Year	Entrance Fee [1][2]	Independent Living [1]	Monthly Fees/Per Diems			
			Life Care Transfer Rate		Market Rate Fees	
			Assisted Living Memory Support [1]	Skilled Nursing [1]	Assisted Living Memory Support [1]	Skilled Nursing [1][3]
2028	$ 1,373,258	$ 5,541	$ 5,799	$ 191	$ 13,048	$ 636
2029	1,428,189	5,763	6,031	198	13,570	661
2030	1,485,316	5,993	6,272	206	14,113	687
2031	1,544,729	6,233	6,523	214	14,678	715

Source: Management
(1) The 2028 Monthly Fees and per diem rates are assumed to be the available rates upon opening of the Community.
(2) Entrance Fees represent the Type C 75% Refund Plan.
(3) Medicare rates are assumed to be $740 per day beginning January 1, 2028 and are expected to inflate 2.0 percent annually.

Operating Expenses

Operating expenses are estimated by Management based on its experience with the development and operation of other similar retirement communities. Staff salaries and benefits are based on prevailing local salary and wage rates and are assumed to increase 4.0 percent annually throughout the projection period. The costs of employee fringe benefits (employer taxes, health insurance, paid time off, and workers compensation) are assumed to approximate 25 percent of salaries and wages. The following table summarizes the projected staffing levels (full time equivalents or "FTEs") and average salaries of Phase I for all departments:

Table 15
Projected Staffing Levels & Average Salaries and Benefits at Stabilization (Phase I)
(Fiscal Year 2031)

Department	Totals FTEs	Average Salaries Per FTE	Average Benefits Per FTE
Administrative	9.5	$ 114,500	$ 28,625
Food Service	34.4	52,256	13,064
Plant & ground maintenance	6.0	76,760	19,190
Healthcare Center	27.5	79,471	19,868
Housekeeping and laundry	12.0	49,099	12,275
Marketing	3.0	99,583	24,896
Resident activities	8.9	68,657	17,164
Security and Transportation	5.6	54,057	13,514
Total FTEs / Average	106.9	$ 68,598	$ 17,149

Source: Management

Other non-salary operating expenses are assumed to include ongoing marketing costs, raw food costs, utilities, supplies, maintenance, property taxes, security contracts, building and general liability insurance, legal and accounting fees, Management Fees, and other miscellaneous expenses. The cost of these non-salary operating expenses is assumed to increase 4.0 percent annually throughout the projection period.

Assets Limited as to Use

Permanent financing for the Project is assumed to be obtained from the issuance of the Series 2025 Bonds. The following funds and accounts for the Series 2025 are assumed to be maintained:

(1) Construction Fund, to be funded from Series 2025 Bonds proceeds in a drawn down fashion approximately every 60 to 90 days to be used to pay construction costs to complete the Project.
(2) Debt Service Reserve Funds, assumed to be based upon a percentage of the Maximum Annual Debt Service Requirement on the Series 2025A Bonds are assumed to be funded with Series 2025 Bonds proceeds in a drawn down basis.
(3) Entrance Fee Fund, to be funded with initial Entrance Fees from the Community and available to pay refunds of the Entrance Fees, fund working capital needs, fund the Statutory Operating Reserve Fund, and redeem the Series 2025C and Series 2025D Bonds.
(4) Working Capital Fund to fund a portion of working capital needs of the Community including $2,000,000 funded from Series 2025 Bond proceeds.
(5) Entrance Fee Fund assumed to be funded with initial Entrance Fees and to be released for the repayment of the Series 2025C Bonds and Series 2025D Bonds. Upon the repayment of the Series 2025C Bonds and Series 2025D Bonds, stabilized occupancy of the Independent Living Units, and assuming no events of default have occurred, any amounts remaining on deposit in the Entrance Fee Fund shall be released.
(6) Funded Interest Fund, assumed to contain interest costs for 30 months and be net funded from Series 2025 Bonds proceeds in a drawn down fashion. Due to the timing of assumed interest payments, there is assumed to be a zero balance at the end of each fiscal year during the projection period.
(7) Bond Fund, which would contain the bond principal and interest payments, to be used for payment of debt service on the Series 2025 Bonds.

The Corporation is assumed to maintain the following fund based on legal requirements:

(1) COMAR, 32.02.01.20 requires providers to maintain an operating reserve of 25 percent of net operating expenses for the most recent fiscal year. Per the Maryland Human Services Code § 10-420, the statutory operating reserve increased to 25 percent of net operating expenses effective January 1, 2024. A new provider has up to ten years from the date of its initial certificate of registration to meet this requirement by reserving a minimum of 10 percent per year, up to 100 percent by the tenth year. Management projects to satisfy these requirements by fiscal year ending 2037.

The following table summarizes the Statutory Operating Reserve amounts required by COMAR:

Table 16
Statutory Operating Reserve
(In Thousands)

Years Ending December 31,	2028	2029	2030	2031	2032 (2)	2033 (2)	2034 (2)	2035 (2)	2036 (2)	2037 (2)
Net Operating Expenses	$2,351	$16,109	$ 19,829	$21,148	$23,769	$ 24,569	$25,562	$26,660	$27,718	$ 29,854
Statutory Requirement %	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Full reserve required in 10 years	588	4,027	4,957	5,287	5,920	6,142	6,391	6,665	6,930	7,202
New Provider Minimum Required %	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%
Required Operating Reserve	59	805	1,487	2,115	2,960	3,685	4,473	5,332	6,237	7,202
Projected Operating Reserve	588	4,027	4,957	5,287	5,920	6,142	6,391	6,665	6,930	7,202
Excess reserved (1)	529	3,222	3,470	3,172	2,960	2,457	1,918	1,333	693	–
Compliance	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**

Source: Management
(1) Providers have ten full fiscal years after the first initial certificate of registration for the organization to fully fund the requirement.
(2) Fiscal years 2032 through 2037 are not part of the covered compilation period and are included here for COMAR reference.

Property and Equipment and Depreciation Expense

The Corporation is to incur routine capital additions during the projection period that are to be capitalized as property and equipment. The Project is in the planning stages, the depreciation expense for all capital assets is computed based on the straight-line method for buildings and equipment over estimated average useful lives of 30 years, respectively. Construction-related costs, as well as routine capital additions during the stabilized projection period, are summarized in the table below.

Table 17
Schedule of Property and Equipment
(In Thousands)

Years Ending December 31,	2025	2026	2027	2028	2029	2030	2031
Property and equipment, gross beginning balance	26,323	80,809	194,859	283,890	284,708	285,243	294,601
Project costs	51,296	103,345	68,059	466	–	–	–
Developer fees	675	595	4,595	50	–	8,589	–
Capitalized interest expense, net	2,515	10,110	16,377	–	–	–	–
Routine capital additions	–	–	–	302	535	769	915
Property and equipment, gross	80,809	194,859	283,890	284,708	285,243	294,601	295,516
Accumulated depreciation	(373)	(840)	(1,307)	(7,342)	(15,405)	(23,527)	(31,730)
Property and equipment, net ending balance	$80,436	$194,019	$282,583	$277,366	$269,838	$271,074	$263,786

Source: Management

Long-Term Debt and Interest Expense

Series 2021 Bonds

In September 2021, the Sponsor issued $9,500,000 of taxable fixed-rate bonds (the "Series 2021 Bonds"). The Series 2021 Bonds are a limited public offering with an average interest rate of 6.25 percent per annum. The proceeds of the Series 2021 Bonds were used to fund a portion of the development and planning costs associated with the Project. Interest on the Series 2021 Bonds is payable semi-annually January 1 and July 1 of each year. The Series 2021 Bonds are anticipated to be refunded concurrently with of the Series 2025 Bonds.

Series 2025 Bonds

The Corporation is assumed to obtain the Series 2025 Bonds to pay for the construction of the Project. The Series 2025 Bonds are assumed to consist of the following:

- $104,185,000 of non-rated fixed rate, long term tax-exempt Series 2025A Bonds, with an average interest rate of 6.90 percent per annum and
- $80,000,000 of non-rated floating rate, short term tax-exempt Series 2025C Bonds, with an average interest rate of 6.00 percent per annum.
- $105,000,000 of non-rated adjustable rate, long term tax-exempt Series 2025D Bonds, with an average interest rate of 6.75 percent per annum

Interest on the Series 2025A Bonds is to be payable semi-annually January 1 and July 1 beginning January 1, 2026. Principal on the Series 2025A Bonds is to be paid annually commencing July 1, 2029 with a final maturity on July 1, 2035.

Interest on the Series 2025C Bonds is to be payable quarterly on January 1, April 1, July 1, and October 1, beginning October 1, 2025. The Series 2025C Bonds are anticipated to be redeemed in full with proceeds from certain initial Entrance Fees. The Series 2025C Bonds are assumed to be callable at any time with an anticipated maturity of seven years. Management anticipates the Series 2025C Bonds to be redeemed in full by approximately 70 percent initial occupancy of the Independent Living Units (October 2028).

Interest on the Series 2025D Bonds is to be payable quarterly on January 1, April 1, July 1, and October 1, beginning April 1, 2025. The Series 2025D Bonds are anticipated to be redeemed in full with proceeds from certain initial Entrance Fees. The Series 2025D Bonds are assumed to be callable anytime with an anticipated maturity of 9 years. Management anticipates the Series 2025D Bonds to be redeemed in full by October 1, 2030 upon reaching stable occupancy.

The following table presents the assumed annual debt service during the projection period.

Table 18
Annual Debt Service
(In Thousands)

Year Ending	Series 2021 Bonds		Series 2025A Bonds		Series 2025C Bonds		Series 2025D Bonds		Total
December 31,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Debt Service[1]
2025	$ 9,500	$ 309	$ –	$ 555	$ –	$ 471	$ –	$ 712	$ 10,835
2026	–	–	–	3,962	–	2,397	–	3,621	9,980
2027	–	–	–	4,479	–	4,103	–	6,081	14,663
2028	–	–	–	7,189	80,000	3,000	12,746	4,991	107,926
2029	–	–	960	7,189	–	–	71,733	2,400	82,282
2030	–	–	1,035	7,123	–	–	20,521	556	29,235
2031	–	–	1,100	7,051	–	–	–	–	8,151
Thereafter	–	–	101,090	27,392	–	–	–	–	128,482
Total	$ 9,500	$ 309	$104,185	$64,940	$ 80,000	$ 9,971	$105,000	$ 17,649	$ 391,554

Source: Management
(1) The Maximum Annual Debt Service for the Series 2025A Bonds is assumed to be approximately $8,151,000.

Lease

The Corporation has entered into a non-cancelable lease arrangement for office space relating to a sales office in association with the Project under which the Corporation is the lessee. As of December 31, 2024 the remaining term of the lease is 36 months with an incremental borrowing rate of 3.25 percent.

Support Agreement

In addition to the Working Capital Fund funded by bond proceeds and the Entrance Fee Fund funded by initial entrance fees, the Sponsor is assumed to provide a support agreement (the "Support Agreement"), expected to be executed upon closing of the Series 2025 Bonds, to provide liquidity support to the Corporation for the period before stabilization and substantially full occupancy of the Project. The Support Agreement is assumed at $20,000,000 to fund debt service payments and to contribute cash to the Corporation to bring the Coverage Ratio and Liquidity Covenant up to the required covenant levels. The Support Agreement will be reduced upon the Corporation reaching certain metrics.

The specific terms of the Support Agreement will be finalized at or prior to the closing of the Series 2025 Bonds. The description of the Support Agreement presented above is subject to change and all terms and conditions are considered hypothetical until a signed amended agreement has been executed. For purposes of the projection, Management has not projected draws on the Support Agreement.

Current Assets and Current Liabilities

Operating expenses exclude amortization, depreciation, other non-cash expenses, and interest expense. Operating revenues include service fees. Working capital components have been estimated based on industry standards and Management's historical experience as follows:

Table 19
Working Capital – Days on Hand

Accounts receivable, net	27	days operating revenues
Prepaid expenses and inventories	7	days operating expenses
Accounts payable	21	days operating expenses
Accrued expenses	30	days operating expenses

Source: Management

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ACCOUNTANT'S REPORT ON SUPPLEMENTAL INFORMATION

Board of Trustees
The Village at Providence Point, Inc.
Annapolis, Maryland

A compilation is limited to presenting, in the form of a projection, information that is the representation of Management and does not include evaluation of the support for the assumptions underlying the projection. We have not examined the projection and, accordingly do not express an opinion, or any other form of assurance, on the projected financial statements or assumptions.

The information included in the accompanying supplementary analysis is presented for the purposes of additional analysis. Such information has been compiled from information that is the representation of Management, without audit or review, and accordingly, we express no opinion or any other form of assurance on it.

The following supplemental analysis is presented for the purpose of demonstrating the significance of certain assumptions and are not to be considered an all-inclusive list.

Forvis Mazars, LLP

Atlanta, Georgia
April 17, 2025

Supplemental Income Statements by Level of care

As required by statute, income statements were created for each level of care. The financial statements were directly apportioned by revenue and expense accounts for items which can be identified as belonging to a particular level of care. All other accounts were allocated based on a methodology detailed below:

Table 20
Supplemental Income Statement Allocation Method

Category	Methodology
Income	
Other income	% of revenue
Expenses	
Pre-opening	# of units
Administrative	% of revenue
Dining Services	% of revenue
Housekeeping	% of revenue
Maintenance	% of revenue
Marketing	% of revenue
Life enrichment	% of revenue
Security	# of units
Insurance	# of units
Property Tax	# of units
Utilities	# of units
Management fee	% of revenue
Interest expense – Series 2021 Bonds	% of revenue
Interest expense – Series 2025 Bonds	% of revenue

Source: Management

The following four pages represent supplemental income statements by level of care including:

1. Independent Living
2. Assisted living and memory support
3. Skilled nursing
4. Combined

For the purpose of the supplemental income statements, non-operating income, such as investment income, non-cash revenue, and expense items such as entrance fee amortization, depreciation, and amortization of financing and marketing costs were excluded from the following presentation.

1. Independent Living Supplemental Income Statement

Supplemental Income Statement
For the Years Ending December 31,
(in thousands of dollars)

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
Independent Living Revenues:													
Entrance fee amortization	-	-	-	6,688	7,136	7,815	8,137	8,483	8,940	9,930	10,573	11,295	12,096
Independent living	-	-	-	7,950	16,049	18,286	18,892	19,454	20,102	20,742	21,478	22,260	23,094
Other revenue	-	-	-	143	277	320	299	300	304	309	323	334	351
Total operating revenues	-	-	-	14,781	23,462	26,421	27,328	28,237	29,346	30,981	32,374	33,889	35,541
Independent Living Expenses:													
Pre-opening marketing and related costs	1,593	1,767	1,559	846	-	-	-	-	-	-	-	-	-
Administrative	-	-	589	1,775	1,921	2,037	1,917	1,935	1,975	2,019	2,111	2,196	2,304
Dining services	-	-	-	2,206	3,667	4,141	3,928	3,942	4,007	4,082	4,251	4,407	4,587
Housekeeping	-	-	-	603	618	653	615	621	634	649	679	707	742
Maintenance	-	-	-	1,349	1,443	1,521	1,432	1,448	1,456	1,490	1,560	1,623	1,707
Marketing	-	-	-	1,017	946	883	691	700	715	732	767	798	839
Life enrichment	-	-	-	847	1,121	1,228	1,157	1,160	1,179	1,200	1,250	1,295	1,347
Security	-	-	-	302	303	318	299	304	310	317	332	345	364
Insurance	-	-	-	445	504	525	512	533	554	576	599	623	648
Property Tax	-	-	-	2,723	3,089	3,213	3,138	3,263	3,394	3,529	3,671	3,817	3,970
Utilities	-	-	-	1,044	1,186	1,233	1,203	1,252	1,302	1,354	1,408	1,464	1,523
Management Fee	-	-	-	1,058	1,687	1,908	1,923	1,972	2,038	2,134	2,230	2,331	2,447
Lease expense	258	264	270	-	-	-	-	-	-	-	-	-	-
Interest Expenses	-	-	-	13,631	8,260	6,687	5,554	5,343	5,187	5,038	5,038	5,005	4,985
Total operating expenses	1,851	2,031	2,418	27,845	24,745	24,346	22,371	22,471	22,751	23,120	23,895	24,612	25,460
Net income (loss)	(1,851)	(2,031)	(2,418)	(13,064)	(1,282)	2,075	4,958	5,765	6,596	7,861	8,479	9,277	10,081

2. Assisted Living and Memory Support Supplemental Income Statement

Supplemental Income Statement
For the Years Ending December 31,
(in thousands of dollars)

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
Assisted living and memory support revenues:													
Assisted living and memory support	-	-	-	903	2,518	2,614	2,682	2,753	2,829	2,911	3,000	3,095	3,199
Other revenue	-	-	-	16	44	46	43	42	43	43	45	46	49
Total operating revenues	-	-	-	919	2,562	2,660	2,725	2,795	2,872	2,954	3,045	3,141	3,248
Assisted living and memory support expenses:													
Pre-opening marketing and related costs	104	115	101	55	-	-	-	-	-	-	-	-	-
Administrative	-	-	-	202	301	291	272	274	278	283	295	305	319
Dining services	-	-	-	251	575	592	558	558	564	573	594	613	635
Assisted living and memory support	-	-	-	488	1,216	1,372	1,671	1,513	1,476	1,456	1,567	1,628	1,767
Housekeeping	-	-	-	68	97	93	87	88	89	91	95	98	103
Maintenance	-	-	-	153	226	217	203	205	205	209	218	226	236
Marketing	-	-	-	115	149	126	98	99	101	103	107	111	116
Life enrichment	-	-	-	96	176	175	164	164	166	168	175	180	187
Security	-	-	-	34	47	46	43	43	44	45	46	48	50
Insurance	-	-	-	27	31	32	33	35	36	37	39	41	42
Property Tax	-	-	-	166	189	196	204	212	221	230	239	248	258
Utilities	-	-	-	64	72	75	78	81	85	88	92	95	99
Management Fee	-	-	-	120	265	273	273	279	287	299	311	324	339
Lease expense	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Expenses	-	-	-	1,548	1,296	956	789	756	730	707	704	696	690
Total operating expenses	104	115	101	3,388	4,640	4,445	4,473	4,307	4,280	4,290	4,481	4,613	4,843
Net income (loss)	(104)	(115)	(101)	(2,469)	(2,079)	(1,785)	(1,749)	(1,512)	(1,409)	(1,335)	(1,436)	(1,472)	(1,595)

3. Skilled Nursing Supplemental Income Statement

Supplemental Income Statement
For the Years Ending December 31,
(in thousands of dollars)

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
Skilled nursing revenues:													
Skilled nursing	-	-	-	-	-	-	2,279	3,043	3,620	4,185	4,150	4,290	4,114
Other revenue	-	-	-	-	-	-	36	47	55	62	62	64	63
Total operating revenues	-	-	-	-	-	-	2,315	3,090	3,675	4,247	4,212	4,354	4,177
Skilled nursing expenses:													
Pre-opening marketing and related costs	104	115	101	55	-	-	-	-	-	-	-	-	-
Administrative	-	-	-	-	-	-	231	303	356	407	408	423	410
Dining services	-	-	-	-	-	-	474	617	722	824	821	849	817
Skilled nursing	-	-	-	-	-	-	1,419	1,672	1,889	2,093	2,168	2,257	2,273
Housekeeping	-	-	-	-	-	-	74	97	114	131	131	136	132
Maintenance	-	-	-	-	-	-	173	226	262	301	301	313	304
Marketing	-	-	-	-	-	-	83	109	129	148	148	154	150
Life enrichment	-	-	-	-	-	-	140	181	212	242	242	250	240
Security	-	-	-	-	-	-	36	47	56	64	64	67	65
Insurance	-	-	-	-	-	-	33	35	36	37	39	41	42
Property Tax	-	-	-	-	-	-	204	212	221	230	239	248	258
Utilities	-	-	-	-	-	-	78	81	85	88	92	95	99
Management Fee	-	-	-	-	-	-	232	308	367	431	431	449	436
Lease expense	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Expenses	-	-	-	-	-	-	670	836	934	1,016	973	965	888
Total operating expenses	104	115	101	55	-	-	3,848	4,726	5,382	6,011	6,057	6,246	6,114
Net income (loss)	(104)	(115)	(101)	(55)	-	-	(1,533)	(1,636)	(1,707)	(1,764)	(1,845)	(1,892)	(1,938)

4. Supplemental Income Statements Combined

Supplemental Income Statement
For the Years Ending December 31,
(in thousands of dollars)

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
Revenues:													
Entrance fee amortization	-	-	-	6,688	7,136	7,815	8,137	8,483	8,940	9,930	10,573	11,295	12,096
Independent living	-	-	-	7,950	16,049	18,286	18,892	19,454	20,102	20,742	21,478	22,260	23,094
Assisted living and memory support	-	-	-	903	2,518	2,614	2,682	2,753	2,829	2,911	3,000	3,095	3,199
Skilled nursing	-	-	-	-	-	-	2,279	3,043	3,620	4,185	4,150	4,290	4,114
Other revenue	-	-	-	159	321	366	378	389	402	415	430	445	462
Total revenues	-	-	-	15,700	26,024	29,081	32,368	34,122	35,893	38,183	39,631	41,385	42,965
Expenses:													
Pre-opening marketing and related costs	1,800	1,997	1,762	956	-	-	-	-	-	-	-	-	-
Administrative	-	-	589	1,977	2,222	2,328	2,420	2,512	2,609	2,710	2,814	2,924	3,033
Dining services	-	-	-	2,457	4,242	4,733	4,960	5,116	5,292	5,478	5,666	5,869	6,039
Assisted living and memory support	-	-	-	488	1,216	1,372	1,671	1,513	1,476	1,456	1,567	1,628	1,767
Skilled nursing	-	-	-	-	-	-	1,419	1,672	1,889	2,093	2,168	2,257	2,273
Housekeeping	-	-	-	671	715	746	776	806	838	871	905	941	977
Maintenance	-	-	-	1,502	1,669	1,738	1,808	1,879	1,923	2,000	2,079	2,162	2,247
Marketing	-	-	-	1,132	1,095	1,009	873	908	945	982	1,022	1,063	1,105
Life enrichment	-	-	-	943	1,297	1,403	1,461	1,506	1,557	1,611	1,666	1,725	1,773
Security	-	-	-	336	350	364	378	394	409	426	443	460	479
Insurance	-	-	-	472	535	557	579	602	626	651	677	704	732
Property Tax	-	-	-	2,889	3,278	3,409	3,546	3,687	3,835	3,988	4,148	4,314	4,486
Utilities	-	-	-	1,108	1,258	1,308	1,360	1,415	1,471	1,530	1,591	1,655	1,721
Management Fee	-	-	-	1,178	1,952	2,181	2,428	2,559	2,692	2,864	2,972	3,104	3,222
Lease expense	258	264	270	-	-	-	-	-	-	-	-	-	-
Interest expense	-	-	-	15,179	9,556	7,643	7,013	6,935	6,851	6,761	6,715	6,666	6,563
Total expenses	2,058	2,261	2,621	31,288	29,385	28,791	30,692	31,504	32,413	33,421	34,433	35,472	36,417
Net income (loss)	(2,058)	(2,261)	(2,621)	(15,588)	(3,361)	290	1,676	2,618	3,480	4,762	5,198	5,913	6,548

Supplemental Financial Statements

As required by statute, financial statements are included for the ten years ending December 31, 2037. The supplemental financial statements include the projected balance sheets and related projected statements of operations and changes in net deficit, projected statements of cash flows, and projected schedule of financial ratios.

Supplemental Financial Statements

Projected Statement of Operations and Changes in Net Deficit
For the Years Ending December 31,
(in thousands of dollars)

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
Revenues:													
Entrance fee amortization	$ -	$ -	$ -	$ 6,688	$ 7,136	$ 7,815	$ 8,137	$ 8,483	$ 8,940	$ 9,930	$ 10,573	$ 11,295	$ 12,096
Independent living	-	-	-	7,950	16,049	18,286	18,892	19,454	20,102	20,742	21,478	22,260	23,094
Assisted living and memory support	-	-	-	903	2,518	2,614	2,682	2,753	2,829	2,911	3,000	3,095	3,199
Skilled nursing	-	-	-	-	-	-	2,279	3,043	3,620	4,185	4,150	4,290	4,114
Other revenue	-	-	-	159	321	366	378	389	402	415	430	445	462
Investment income	-	-	-	346	542	462	664	714	747	784	783	902	1,183
Total revenues	-	-	-	16,046	26,566	29,543	33,032	34,836	36,640	38,967	40,414	42,287	44,148
Expenses:													
Pre-opening marketing and related costs	1,800	1,997	1,762	956	-	-	-	-	-	-	-	-	-
Administrative	-	-	589	1,977	2,222	2,328	2,420	2,512	2,609	2,710	2,814	2,924	3,033
Dining services	-	-	-	2,457	4,242	4,733	4,960	5,116	5,292	5,478	5,666	5,869	6,039
Assisted living and memory support	-	-	-	488	1,216	1,372	1,671	1,513	1,476	1,456	1,567	1,628	1,767
Skilled nursing	-	-	-	-	-	-	1,419	1,672	1,889	2,093	2,168	2,257	2,273
Housekeeping	-	-	-	671	715	746	776	806	838	871	905	941	977
Maintenance	-	-	-	1,502	1,669	1,738	1,808	1,879	1,923	2,000	2,079	2,162	2,247
Marketing	-	-	-	1,132	1,095	1,009	873	908	945	982	1,022	1,063	1,105
Life enrichment	-	-	-	943	1,297	1,403	1,461	1,506	1,557	1,611	1,666	1,725	1,773
Security	-	-	-	336	350	364	378	394	409	426	443	460	479
Insurance	-	-	-	472	535	557	579	602	626	651	677	704	732
Property Tax	-	-	-	2,889	3,278	3,409	3,546	3,687	3,835	3,988	4,148	4,314	4,486
Utilities	-	-	-	1,108	1,258	1,308	1,360	1,415	1,471	1,530	1,591	1,655	1,721
Management Fee	-	-	-	1,178	1,952	2,181	2,428	2,559	2,692	2,864	2,972	3,104	3,222
Lease expense	258	264	270	-	-	-	-	-	-	-	-	-	-
Depreciation	196	467	467	6,035	8,063	8,122	8,203	8,304	8,444	8,627	8,870	9,168	9,253
Interest expense	-	-	-	15,179	9,556	7,643	7,013	6,935	6,851	6,761	6,715	6,666	6,563
Amortization-financing costs	-	-	-	253	253	253	253	253	253	253	253	253	253
Total expenses	2,254	2,728	3,088	37,576	37,701	37,166	39,148	40,061	41,110	42,301	43,556	44,893	45,923
Net loss	(2,254)	(2,728)	(3,088)	(21,530)	(11,135)	(7,623)	(6,116)	(5,225)	(4,470)	(3,334)	(3,142)	(2,606)	(1,775)
NLI contribution contributed at closing	15,000	-	-	-	-	-	-	-	-	-	-	-	-
Change in net deficit	12,746	(2,728)	(3,088)	(21,530)	(11,135)	(7,623)	(6,116)	(5,225)	(4,470)	(3,334)	(3,142)	(2,606)	(1,775)
Net deficit at beginning of year	(17,424)	(4,678)	(7,406)	(10,494)	(32,024)	(43,159)	(50,782)	(56,898)	(62,123)	(66,593)	(69,927)	(73,069)	(75,675)
Net deficit at end of year	$ (4,678)	$ (7,406)	$ (10,494)	$ (32,024)	$ (43,159)	$ (50,782)	$ (56,898)	$ (62,123)	$ (66,593)	$ (69,927)	$ (73,069)	$ (75,675)	$ (77,450)

Supplemental Financial Statements
Projected Statements of Cash Flows
For the Years Ending December 31,
(in thousands of dollars)

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
Cash flows from operating activities:													
Change in net deficit	$ 12,746	$ (2,728)	$ (3,088)	$ (21,530)	$ (11,135)	$ (7,623)	$ (6,116)	$ (5,225)	$ (4,470)	$ (3,334)	$ (3,142)	$ (2,606)	$ (1,775)
Adjustments to reconcile change in net deficit to net cash provided by (used in) operating activities:													
Depreciation	196	467	467	6,035	8,063	8,122	8,203	8,304	8,444	8,627	8,870	9,168	9,253
Amortization-financing costs	-	-	-	253	253	253	253	253	253	253	253	253	253
Entrance fee amortization	-	-	-	(6,688)	(7,136)	(7,815)	(8,137)	(8,483)	(8,940)	(9,930)	(10,573)	(11,295)	(12,096)
Change in accrued interest	(297)	-	-	5,186	(1,271)	(389)	(38)	(41)	(43)	3,311	(3,407)	(53)	(57)
Net change in current assets and liabilities	297	-	-	(3,384)	651	476	83	13	35	85	38	67	83
Proceeds from non-refundable entrance fees - attrition	-	-	-	705	2,368	3,854	3,917	5,365	6,055	6,831	7,724	8,664	9,605
Net cash provided by (used in) operating activities	12,942	(2,261)	(2,621)	(19,423)	(8,207)	(3,122)	(1,835)	186	1,334	5,843	(237)	4,198	5,266
Cash flows from investing activities:													
Project costs	(51,296)	(103,345)	(68,059)	(466)	-	-	-	-	-	-	-	-	-
Development fees - Other	(423)	(595)	(595)	(50)	-	-	-	-	-	-	-	-	-
Development fees - NLI	(252)	-	(4,000)	-	-	(8,589)	-	-	-	-	-	-	-
Routine capital additions	-	-	-	(302)	(535)	(769)	(915)	(1,303)	(1,685)	(2,264)	(2,918)	(3,175)	(3,419)
Capitalized interest expense - 2021 Bonds	(309)	-	-	-	-	-	-	-	-	-	-	-	-
Capitalized interest expense - 2025 Bonds	(2,450)	(10,665)	(16,862)	-	-	-	-	-	-	-	-	-	-
Capitalized interest earnings	244	555	485	-	-	-	-	-	-	-	-	-	-
Changes in assets limited as to use, restricted	570	-	(1,411)	1,411	-	-	-	-	-	-	-	-	-
Change in resident deposits	(3,600)	(4,800)	(2,217)	18,708	2,853	1,427	-	-	-	-	-	-	-
Net cash provided by (used in) investing activities	(57,516)	(118,850)	(92,659)	19,301	2,318	(7,931)	(915)	(1,303)	(1,685)	(2,264)	(2,918)	(3,175)	(3,419)
Cash flows from financing activities:													
Initial entrance fees received	-	-	-	189,296	28,530	14,265	-	-	-	-	-	-	-
Resident deposits received (converted)	3,600	4,800	2,217	(18,708)	(2,853)	(1,427)	-	-	-	-	-	-	-
Proceeds from refundable entrance fees - attrition	-	-	-	2,116	7,105	11,561	11,752	16,093	18,164	20,493	23,170	25,991	28,816
Entrance fee refunds	-	-	-	(1,296)	(3,746)	(5,554)	(6,526)	(7,380)	(8,335)	(9,477)	(10,852)	(12,355)	(13,912)
Change in deferred development fees - NLI	(4,000)	-	(1,025)	-	-	-	-	-	-	-	-	-	-
Use of NLI contribution at closing - Land Credit, paydown NLI Payable	(4,198)	-	-	-	-	-	-	-	-	-	-	-	-
Increase in NLI intercompany payable, pre-closing	2,123	-	-	-	-	-	-	(3,000)	(7,500)	(9,000)	(7,977)	-	-
Issuance of Series 2035 Bonds	-	-	-	-	-	-	-	-	-	-	97,320	-	-
Issuance of Series 2025A Bonds - for NLI def. dev' fee	4,034	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of Series 2025A Bonds	28,166	40,900	31,085	-	-	-	-	-	-	-	-	-	-
Issuance of Series 2025C Bonds	18,700	34,400	26,900	-	-	-	-	-	-	-	-	-	-
Issuance of Series 2025D Bonds	24,600	45,200	35,200	-	-	-	-	-	-	-	-	-	-
Deferred financing costs	(5,240)	(1,339)	(999)	-	-	-	-	-	-	-	-	-	-
Principal payments - Series 2021 Bonds	(9,500)	-	-	-	-	-	-	-	-	-	-	-	-
Principal payments - Series 2025A Bonds	-	-	-	-	(960)	(1,035)	(1,100)	(1,175)	(1,255)	(1,340)	(97,320)	-	-
Principal payments - Series 2025C Bonds	-	-	-	(80,000)	-	-	-	-	-	-	-	-	-
Principal payments - Series 2025D Bonds	-	-	-	(12,746)	(71,733)	(20,521)	-	-	-	-	-	-	-
Principal payments - Series 2035A Bonds	-	-	-	-	-	-	-	-	-	-	-	(1,436)	(1,535)
Net cash provided by (used in) financing activities	58,285	123,961	93,378	78,662	(43,657)	(2,711)	4,126	4,538	1,074	676	4,341	12,200	13,369
Change in cash, cash equivalents, and restricted cash	13,711	2,850	(1,902)	78,540	(49,546)	(13,764)	1,376	3,421	723	4,255	1,186	13,223	15,216
Cash, cash equivalents, and restricted cash, beginning of year	-	13,711	16,561	14,659	93,199	43,653	29,889	31,265	34,686	35,409	39,664	40,850	54,073
Cash, cash equivalents, and restricted cash, end of year	13,711	16,561	14,659	93,199	43,653	29,889	31,265	34,686	35,409	39,664	40,850	54,073	69,289
Cash, cash equivalents, and restricted cash reconciliation:													
Cash and cash equivalents	-	-	-	6,577	9,795	19,037	20,083	22,871	23,372	27,378	28,290	41,248	56,192
Construction and interest fund	11,711	14,561	8,764	8,589	8,589	-	-	-	-	-	-	-	-
Statutory Operating Reserve Fund	-	-	-	588	4,027	4,957	5,287	5,920	6,142	6,391	6,665	6,930	7,202
Entrance fee fund	-	-	-	71,550	15,347	-	-	-	-	-	-	-	-
Debt Service Reserve Fund - Series 2025A Bonds	2,000	2,000	5,895	5,895	5,895	5,895	5,895	5,895	5,895	5,895	-	-	-
Debt Service Reserve Fund - Series 2035A Bonds	-	-	-	-	-	-	-	-	-	-	5,895	5,895	5,895
Total cash, cash equivalents, and restricted cash	13,711	16,561	14,659	93,199	43,653	29,889	31,265	34,686	35,409	39,664	40,850	54,073	69,289

Supplemental Financial Statements

Projected Balance Sheets
As of December 31,
(in thousands of dollars)

Assets	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
Current assets:													
Cash and cash equivalents	$ -	$ -	$ -	$ 6,577	$ 9,795	$ 19,037	$ 20,083	$ 22,871	$ 23,372	$ 27,378	$ 28,290	$ 41,248	$ 56,192
Accounts receivable, net	-	-	-	67	186	193	367	429	477	525	529	546	541
Inventory	-	-	-	139	167	174	206	213	222	231	241	251	260
Prepaid expenses	24	24	24	162	195	203	240	249	259	270	281	293	304
Current portion of assets limited as to use	-	-	-	5,186	4,875	4,561	4,588	4,622	4,659	4,659	4,744	4,790	4,839
Total current assets	24	24	24	12,131	15,218	24,168	25,484	28,384	28,989	33,063	34,085	47,128	62,136
Assets limited as to use:													
Construction and interest fund	11,711	14,561	8,764	8,589	8,589	-	-	-	-	-	-	-	-
Debt Service Reserve Fund - Series 2025A Bonds	2,000	2,000	5,895	5,895	5,895	5,895	5,895	5,895	5,895	5,895	-	-	-
Debt Service Reserve Fund - Series 2035A Bonds	-	-	-	-	-	-	-	-	-	-	5,895	5,895	5,895
Entrance fee fund	-	-	-	71,550	15,347	-	-	-	-	-	-	-	-
Deposits held in escrow	15,971	20,771	22,988	4,280	1,427	-	-	-	-	-	-	-	-
Statutory Operating Reserve Fund	-	-	-	588	4,027	4,957	5,287	5,920	6,142	6,391	6,665	6,930	7,202
Working Capital Fund - funded by bonds	-	-	1,411	-	-	-	-	-	-	-	-	-	-
Bond Fund	-	-	-	5,186	4,875	4,561	4,588	4,622	4,659	4,659	4,744	4,790	4,839
Total assets limited as to use	29,682	37,332	39,058	96,088	40,160	15,413	15,770	16,437	16,696	16,945	17,304	17,615	17,936
Less: current portion	-	-	-	(5,186)	(4,875)	(4,561)	(4,588)	(4,622)	(4,659)	(4,659)	(4,744)	(4,790)	(4,839)
Total assets limited as to use, net	29,682	37,332	39,058	90,902	35,285	10,852	11,182	11,815	12,037	12,286	12,560	12,825	13,097
Property and equipment	80,809	194,859	283,890	284,708	285,243	294,601	295,516	296,819	298,504	300,768	303,686	306,861	310,280
Less: accumulated depreciation	(373)	(840)	(1,307)	(7,342)	(15,405)	(23,527)	(31,730)	(40,034)	(48,478)	(57,105)	(65,975)	(75,143)	(84,396)
Property and equipment, net	80,436	194,019	282,583	277,366	269,838	271,074	263,786	256,785	250,026	243,663	237,711	231,718	225,884
Right of Use Asset	474	247	-	-	-	-	-	-	-	-	-	-	-
Other assets	18	18	18	18	18	18	18	18	18	18	18	18	18
Total Assets	$ 110,634	$ 231,640	$ 321,683	$ 380,417	$ 320,359	$ 306,112	$ 300,470	$ 297,002	$ 291,070	$ 289,030	$ 284,374	$ 291,689	$ 301,135

Supplemental Financial Statements
Projected Balance Sheets
As of December 31,
(in thousands of dollars)

Liabilities and Net Deficit	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**	**2037**
Current liabilities:													
Accounts payable	$ -	$ -	$ -	$ 927	$ 1,141	$ 1,217	$ 1,362	$ 1,414	$ 1,471	$ 1,534	$ 1,595	$ 1,657	$ 1,718
Accrued expenses	105	105	105	1,324	1,630	1,738	1,946	2,019	2,101	2,191	2,278	2,368	2,454
Accrued interest	-	-	-	5,186	3,915	3,526	3,488	3,447	3,404	6,715	3,308	3,255	3,198
Current portion of long-term debt	-	-	92,746	72,693	21,556	1,100	1,175	1,255	1,340	97,320	1,436	1,535	1,641
Total current liabilities	105	105	92,851	80,130	28,242	7,581	7,971	8,135	8,316	107,760	8,617	8,815	9,011
Due to affiliates/partners													
Deferred development fees - NLI	1,025	1,025	-	-	-	-	-	-	-	-	-	-	-
NLI Intercompany payable	27,477	27,477	27,477	27,477	27,477	27,477	27,477	24,477	16,977	7,977	-	-	-
Due to affiliates/partners total	28,502	28,502	27,477	27,477	27,477	27,477	27,477	24,477	16,977	7,977	-	-	-
Long-term debt													
Series 2025A Bonds	32,200	73,100	104,185	103,225	102,190	101,090	99,915	98,660	97,320	-	-	-	-
Series 2025C Bonds	18,700	53,100	-	-	-	-	-	-	-	-	-	-	-
Series 2025D Bonds	24,600	69,800	92,254	20,521	-	-	-	-	-	-	-	-	-
Series 2035A Bonds	-	-	-	-	-	-	-	-	-	-	95,884	94,349	92,708
Deferred financing costs, net of accumulated amortization	(5,240)	(6,579)	(7,578)	(7,325)	(7,072)	(6,819)	(6,566)	(6,313)	(6,060)	(5,807)	(5,554)	(5,301)	(5,048)
Total long-term debt, net (includes affiliates/partners)	98,762	217,923	216,338	143,898	122,595	121,748	120,826	116,824	108,237	2,170	90,330	89,048	87,660
Resident deposits	15,971	20,771	22,988	4,280	1,427	-	-	-	-	-	-	-	-
Non-refundable entrance fees (deferred revenue, net)	-	-	-	67,472	73,775	75,350	71,130	68,012	65,127	62,028	59,179	56,548	54,057
Refundable entrance fees	-	-	-	116,661	137,479	152,215	157,441	166,154	175,983	186,999	199,317	212,953	227,857
Lease liability	474	247	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	115,312	239,046	332,177	412,441	363,518	356,894	357,368	359,125	357,663	358,957	357,443	367,364	378,585
Net deficit													
Without donor restrictions	(4,684)	(7,412)	(10,500)	(32,030)	(43,165)	(50,788)	(56,904)	(62,129)	(66,599)	(69,933)	(73,075)	(75,681)	(77,456)
With donor restrictions	6	6	6	6	6	6	6	6	6	6	6	6	6
Total liabilities and net deficit	$ 110,634	$ 231,640	$ 321,683	$ 380,417	$ 320,359	$ 306,112	$ 300,470	$ 297,002	$ 291,070	$ 289,030	$ 284,374	$ 291,689	$ 301,135

Supplemental Financial Statements
Projected Schedule of Financial Ratios
As of December 31,
(in thousands of dollars)

Debt Service Coverage Ratio	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**	**2037**
Change in net deficit	$ (6,116)	$ (5,225)	$ (4,470)	$ (3,334)	$ (3,142)	$ (2,606)	$ (1,775)
Deduct:							
Entrance fee amortization	(8,137)	(8,483)	(8,940)	(9,930)	(10,573)	(11,295)	(12,096)
Entrance fee refunds	(6,526)	(7,380)	(8,335)	(9,477)	(10,852)	(12,355)	(13,912)
Add:							
Amortization - financing costs	253	253	253	253	253	253	253
Interest expense	7,013	6,935	6,851	6,761	6,715	6,666	6,563
Depreciation	8,203	8,304	8,444	8,627	8,870	9,168	9,253
Proceeds from refundable entrance fees	11,752	16,093	18,164	20,493	23,170	25,991	28,816
Proceeds from non-refundable entrance fees	3,917	5,365	6,055	6,831	7,724	8,664	9,605
Funds Available for Debt Service	$ 10,359	$ 15,862	$ 18,022	$ 20,224	$ 22,165	$ 24,486	$ 26,707
Annual Debt Service - (a)	$ 8,113	$ 8,110	$ 8,106	$ 8,101	$ 104,035	$ 8,102	$ 8,098
Annual Debt Service Coverage Ratio	**1.28 x**	**1.96 x**	**2.22 x**	**2.50 x**	**0.21 x**	**3.02 x**	**3.30 x**
Maximum Annual Debt Service (b)	$ 8,151	$ 8,151	$ 8,151	$ 8,151	$ 8,151	$ 8,151	$ 8,151
Maximum Annual Debt Service Coverage Ratio	**1.27 x**	**1.95 x**	**2.21 x**	**2.48 x**	**2.72 x**	**3.00 x**	**3.28 x**

Days' Cash on Hand	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**	**2037**
Cash and cash equivalents	$ 20,083	$ 22,871	$ 23,372	$ 27,378	$ 28,290	$ 41,248	$ 56,192
Statutory Operating Reserve Fund	5,287	5,920	6,142	6,391	6,665	6,930	7,202
-	25,370	28,791	29,514	33,769	34,955	48,178	63,394
Total expenses	$ 39,148	$ 40,061	$ 41,110	$ 42,301	$ 43,556	$ 44,893	$ 45,923
Deduct:							
Depreciation	(8,203)	(8,304)	(8,444)	(8,627)	(8,870)	(9,168)	(9,253)
Amortization-financing costs	(253)	(253)	(253)	(253)	(253)	(253)	(253)
Total Expenses, net of depreciation and amortization	$ 30,692	$ 31,504	$ 32,413	$ 33,421	$ 34,433	$ 35,472	$ 36,417
Daily operating expenses (c)	$ 84	$ 86	$ 89	$ 92	$ 94	$ 97	$ 100
Days' Cash on Hand	**302**	**334**	**332**	**369**	**371**	**496**	**635**

(a) Estimated annual debt service requirements for the Series 2025A Bonds or the Series 2035A Bonds (once applicable). The Series 2025A Bonds are assumed to be refinanced in 2035 with the Series 2035A Bonds.
(b) Estimated maximum annual debt service requirements for the Series 2025A Bonds or Series 2035A Bonds (once applicable). The Series 2035A Bonds are assumed to have the same interest rate and MADS as the Series 2025A Bonds.
(c) Daily operating expenses are equal to annual operating expenses less depreciation and amortization divided by 365 days.

MANAGEMENT SERVICES AGREEMENT SUPPORTING THE MISSION AND MINISTRY OF NATIONAL LUTHERAN INC., AND RELATED ORGANIZATIONS

This Management Services Agreement (the "Agreement") is made effective as of the 30th day of August 2021 (the "Effective Date"), by and between National Lutheran, Inc., d/b/a National Lutheran Communities & Services, a Maryland corporation ("NLCS"), and The Village at Providence Point, Inc., a Maryland corporation ("TVPP"). NLCS and TVPP shall be individually referred to as the "Party" or collectively referred to as the "Parties."

BACKGROUND

This document is intended to provide organizational clarity and responsibilities for NLCS and its related communities and services: TVPP; Community Services, LLC ("Community Services"); The Legacy at North Augusta, Inc., ("TLNA") ;The Village at Orchard Ridge, Inc., ("TVOR"); and The Village at Rockville, Inc., ("TVAR").

NLCS is the sole corporate member of each of the Communities and with that membership has certain reserved powers, per the Corporate By-Laws and is the electing body of each Community Board.

Accordingly, to clarify expectations for all organizational stakeholders, this document has been created to define both the Approach and Transactions that frame how NLCS and its related entities cooperatively embody its mission and ministry. There are three operating assumptions that further create the context for the Transactions described below. The operating assumptions include the following: 1) Scope (*Comprehensive Solution*) - Appendix A; 2) Function (*Clarifying Roles*)- Appendix B; and 3) Outcomes (*Defining Success*) - Appendix C.

MISSION AND VISION

The mission statement is:

NLCS honors, inspires and supports choice and opportunity in service to seniors.

Whereas its vision statement is:

We are:

1. led by our mission and principles
2. inspired by the opportunity of change and challenge
3. known for our talent and deliberate action

We serve:

1. not just the few but the many
2. not just those who have but those in need
3. not just our communities but also our partners

This is who we are: honoring, inspiring, supporting.

RECITALS

WHEREAS, TVPP operates a Continuing Care Retirement Community in Annapolis, Maryland (the "Community").

WHEREAS, NLCS provides qualified management services to CCRC's.

WHEREAS, The Community is in need of qualified management services of the type provided by NLCS and desires to engage the services of NLCS.

WHEREAS, This Agreement sets forth the understandings of the parties with respect to the provision of management services by NLCS to the Community.

NOW THEREFORE, in consideration of the premises, covenants, and conditions contained in this Agreement, the parties mutually agree as follows:

1. Appointment of NLCS. Subject to the terms and conditions of this Agreement, Community designates NLCS as, and NLCS assumes the obligation responsibilities of, a provider of qualified management services to the Community.

2. Support and Services to be provided. The following areas comprise the distributed services of NLCS to its operating entities. Each area below has a statement of purpose that it provides to the communities and a summary descriptor of its support and/or service. More exhaustive lists of support and services provided are found on the related appendix as noted. NLCS shall provide such management services as periodically may be appropriate for the Community, some of which services NLCS is not compensated for under this Agreement. The services to be provided include, but are not limited to the following:

a. Communication and Public Relations – Appendix D

Statement of Purpose: To effectively communicate the identity, brand, and desired messages of NLCS and its Operating Entities to their respective publics, and to manage the reputation of the organization(s) through print, transmitted, and new media.

i. Critical Communication Plan and Media Relations
ii. Internal Communication Strategies
iii. Public Relations Event Management
iv. Brand Development and Management

b. Education – Appendix E

Statement of Purpose: To ensure the development and dispersal of educational materials across NLCS and its Operating Entities in a consistent and excellent manner. To equip employees, volunteers, and Board members so that they can fulfill their service opportunities. And to establish and foster a culture of organizational learning that serves as a market differentiator.

i. Education Foundations (Regulatory Compliance, Orientation and Onboarding)
ii. Internships and Professional Development

iii. Competency Based Curriculum for Workforce
iv. Collaborative Learning Solution Development

c. Facility Planning and Development – Appendix F

Statement of Purpose: To operate, maintain, and develop the real property facilities and infrastructure of the organization while providing the highest quality facilities, grounds maintenance and service to the residents and stakeholders of the campus communities.

i. Real Property Infrastructure- External and Internal
ii. Assessment and Planning for Campus Grounds and Amenities
iii. Master Planning and Site Development
iv. Project Management

d. Finance – Appendix G

Statement of Purpose: To report the financial information to stakeholders, effectively manage risk, preserve assets while ensuring the organization uses a business approach to achieve the highest operational performance possible.

i. General Ledger Support and Financial Reporting
ii. Accounts Payable & Accounts Receivable
iii. Fiscal Planning
iv. Treasury and Investment Management
v. Payroll Services
vi. Risk Management – Insurance
vii. Cost Allocation

e. Talent and Culture – Appendix H

Statement of Purpose: The Talent and Culture function exists as a proactive business partner with leaders at all levels of the organization to: inspire a We Care culture, lead employee and culture developments, and to serve leaders and managers as they engage their talent management responsibilities. In these efforts, the Talent and Culture function at NLCS works alongside leadership to make sure what NLCS does aligns with its mission.

i. Workforce Planning
ii. Recruiting & Selecting
iii. Employee Development
iv. Employee Relations
v. Compensation & Benefits

f. Information Technologies – Appendix I

Statement of Purpose: To provide the organization with a reliable delivery of key applications and systems; to ensure the technology architecture is agile to adapt to future opportunities, and to maximize the technology investment.

i. Technology Platform and Interface
ii. System Software and Applications
iii. Technology Support and Help Desk
iv. Support for PCs, Communication, Wireless
v. Maintenance and repair; replacement of PCs, tablets, communication devices and related materials

g. Organizational Development & Effectiveness – Appendix J

Statement of Purpose: To learn from and co-create organizational structures that facilitates the mission and ministry of NLCS and its Operating Entities. To be a thought-partner and coaching function to help leaders maximize their effectiveness and the effectiveness of their areas of operation. To create means of advancing the organization's total performance and effectiveness through its design, deployment, and development of people and culture.

i. Strategic Planning
ii. Organizational and Process Design
iii. Culture Creation and Management
iv. Leadership Development and Coaching
v. Board and Committee Support

h. Operational Leadership – Appendix K

Statement of Purpose: To provide skilled leadership and guidance to the Operating Entities through executive capacity and decision-making. To ensure the mission and ministry of NLCS are fulfilled and lived out in the detail of operations.

i. Philanthropy – Appendix L

Statement of Purpose: To create contexts in which the mission and ministry of NLCS can be supported and advanced at its geographical locales. To assist individuals and organizations in their charitable contributions by facilitating paths for participating. To ensure that NLCS and its Operating Entities are embracing, and tracking their Community Impact.

j. Sales and Marketing – Appendix M

Statement of Purpose: To achieve performance results that maximize the impact of the organization's business objectives; strategically direct the overall marketing approach and identify methods to exploit new market opportunities.

i. Sales Strategies
ii. Customer Relationship Management
iii. Market Branding Concepts

k. Legal and Compliance – Appendix N

Statement of purpose: To provide legal, corporate compliance and contract administration services to mitigate risk and ensure compliance with federal, state and local regulations and the organizations' internal policies and procedures.

l. Additional Services Provided

i. Provide qualified and trained executive management personnel to manage and administer the operations and affairs of the Community, including but not limited to an on-site administrator who meets the requirements of Maryland laws and regulations. .

ii. Periodically review the insurance program of the Community and make recommendations with respect to programs, coverages and loss adjustments.

iii. Through the NLCS Executive Leaderhsip, manage the overall compensation program for NLCS and related communities. It is understood that compensation levels of executives are set by standards established by the NLCS Executive Committee and that all executive compensation is controlled by the NLCS Executive Committee.

The Community shall respect all reasonable business policies, actions, and decisions of NLCS relating to its management services.

3. Professional Personnel. As part of the management services rendered pursuant to this Agreement, NLCS shall furnish the Community with such professional managers as may be necessary for the proper operation of the Community. All such personnel shall be and remain employees of NLCS, although such employees shall be subject to the reasonable policies and personnel standards of the Community. NLCS will have final authority to engage, dismiss, reprimand, or otherwise deal with all such personnel except where the Community By-Laws specifically address the Executive Director of the Community. All compensation and benefits payable to such employees shall be paid by NLCS.

a. Compensation to NLCS. There will be two types of fees paid to NLCS and provided by the communities; Management Fees and Project Related Development Costs. The Management Fees will relate to the services detailed above and in the related Appendix and can be charged up to 7.50% of unrestricted revenues on an annual basis. Project Related Development Costs will be described below. The overall compensation rationale for the fee paid to NLCS will include the following elements:

i. Any costs assumed to be part of the Philanthropy Department as detailed in Appendix N will not be compensated by any of the communities under this Agreement. To assure that donor intent is indeed followed and that contributions to the communities are used in the manner intended, NLCS will fund the cost of the Philanthropy Department from annual investment income.

ii. Costs assumed to benefit the entire system will be allocated on a basis depending upon the department providing the services. For instance Talent and Culture costs will be allocated over the average number of Full Time Equivalents (FTE's) of each community. (APPENDIX G)

iii. Any costs related to a specific community but accounted for in NLCS for pricing, accounting or other purposes will be allocated specifically to the appropriate community during the budget process and will not be included in the Management Fee allocation. An example would include annual insurance expenses which are bundled over all communities to enhance pricing and availability. Specific property and liability related premiums will be incurred by the covered community.

iv. NLCS has the capabilities to provide development services to each community for new or expansion projects. As a part of this Agreement development services coordinated by NLCS to include, but not limited to construction management, accounting, financing/ debt, etc. will pay NLCS an amount equal to 4.5% of total project costs as a development fee. This fee will be paid on a monthly basis to cover the entire period of the project from concept through construction and occupancy.

v. A detailed summary of the various types of costs, including the allocation computation will be included for the review of each Community and Board during the budget process.

4. Payment of Operating Expenses. TVPP shall be solely responsible for payment of all capital expenses, operating expenses and other debt service payments of the Community. NLCS shall have no responsibility whatsoever to pay any expense of the Community, except as otherwise separately provided by the Support Agreement.

5. Access to Financial Records. NLCS agrees that for a period of seven years following the furnishing of services under this Agreement, it will maintain and make available, upon written request, to the Secretary of the United States Department of Health and Human Services or the Comptroller General of the United States, or to any of their duly authorized representatives, this Agreement and any books, documents, and records of NLCS which are necessary to verify the nature and extent of the cost of services provided under this Agreement. If either party is requested to disclose books, documents or records pursuant to this Agreement for purposes of an audit which may include costs of services provided under this Agreement, it shall notify the other party of the nature and scope of such request. These requirements are effective as of the date of this Agreement and pertain to all records which have or should have been maintained on or after that date.

6. Participation in Federal Healthcare Programs. The parties represent and warrant that neither they nor any the Program Participants participating hereunder: (i) are currently excluded, debarred, or otherwise ineligible to participate in the Federal Health Care Programs as defined in 42 U.S.C. Section 1320a-7b(f) ("Federal Health Care Programs"); (ii) are convicted of a criminal offense related to the provision of health care items or services but have not yet been excluded, debarred or otherwise declared ineligible to participate in the Federal Health Care Programs, and (iii) are under investigation or are otherwise aware of any circumstances which may result in exclusion from participation in the Federal Health Care Programs. This shall be an

ongoing representation and warranty during the term of this Agreement and the parties shall immediately notify each other of any change in status of the representation and warranty set forth in this section. Any breach of this Paragraph shall give the non-offending party the right to immediately terminate this Agreement for cause.

7. HIPAA Requirements. Both parties agree to comply with the Health Insurance Portability and Accountability Act of 1996, as codified at 42 U.S.C. § 1320d ("HIPAA") and any current and future regulations promulgated thereunder including without limitation the federal privacy regulations contained in 45 C.F.R. Parts 160 and 164 (the "Federal Privacy Regulations"), the federal security standards contained in 45 C.F.R. Part 142 (the "Federal Security Regulations"), and the federal standards for electronic transactions contained in 45 C.F.R. Parts 160 and 162, all collectively referred herein as "HIPAA Requirements". Both parties will make their internal practices, books, and records relating to the use and disclosure Protected Health Information available to the Secretary of Health and Human Services to the extent required for determining compliance the Federal Privacy Regulations.

8. Limitation of Obligations of NLCS. By entering into this Agreement, NLCS is obligated only to provide the management services set forth in paragraph 2. NLCS in no way guarantees, underwrites or otherwise assures the financial success of the Community or TVPP, except under the terms of any support Agreement executed by and between NLCS and TVPP.

9. Limitation of Liability of NLCS. All actions of NLCS's employees or representatives on behalf of the Community in the execution of this Agreement shall be the acts of TVPP and shall be the responsibility of TVPP. NLCS shall have no responsibility to third parties for such actions by NLCS's employees or representatives on behalf of the Community in execution of this Agreement.

10. Insurance. NLCS shall maintain in effect general liability and professional liability insurance, if applicable, for the Community at the Community's cost, with such coverage amounts as NLCS and TVPP may jointly determine, from time to time.

11. Relationship. NLCS shall, at all times, be an independent contractor with TVPP and not an employee, partner or joint venture.

12. Subordination of Compensation. NLCS hereby agrees to subordinate its right to receive any fees or other compensation to the obligations of the Community to repay any economic development revenue or other bonds or financing, now or hereafter outstanding. This provision shall be self-operative and no further instrument of subordination shall be required. Notwithstanding the foregoing, in confirmation of this subordination, NLCS shall execute promptly any certificate that a bond trustee or any interested party may request confirming this subordination. Any subordination of fees will be included as a Note Payable by the Community to NLCS. However, this note will not incur interest and will be re-paid as performance allows and this provision survives the termination of this Agreement.

13. Term. This Agreement shall commence on the Effective date stated above and shall continue for an initial term of twenty-four (24) months and will automatically renew for successive one year periods unless either party notifies the other within 60 days prior to the end of the current term or services are terminate pursuant to a clause in this Agreement.

14. Termination. In addition to other provisions of the Agreement relating to Termination rights, the following shall apply:

a. Termination for Cause**.** In the event that either party materially breaches any of the above provisions, or is found guilty of fraudulent practices, the non-breaching party may immediately terminate the Agreement with written notice to the other party after providing a thirty (30) day opportunity period to cure the breach.

b. Termination without Cause. Either party may terminate this agreement without cause upon providing ninety (90) days written notice to the other party.

15. Notices. All notices, designations and other communications contemplated under this Agreement shall be in writing and shall be either personally delivered, or transmitted by certified mail, facsimile transmission, wire, or other device reasonably calculated to effect delivery of documents within five (5) calendar days. Unless otherwise agreed to in writing by the Parties, such notices, designations and communications shall be sent to the parties at the addresses noted below:

If to NLCS:
Attn: General Counsel
National Lutheran Communities & Services
5275 Westview Drive, Suite 110
Frederick, MD 21703
Fax: 240.386.8623

If to Community:
Attn: Executive Director
The Village at Providence Point
1997 Annapolis Exchange Parkway, Suite 300
Annapolis, MD 21401

16. Severability. Any provision of this Agreement that is invalid, illegal or unenforceable shall be ineffective to the extent of such invalidity, illegality or unenforceability, without affecting in any way the remaining provisions hereof in such jurisdiction or rendering that or any other provision of this Agreement invalid, illegal or unenforceable.

17. Assignments. This Agreement shall not be assigned in whole or in part without the prior written consent of both parties.

18. Modifications. This writing contains the entire Agreement of the parties. No representations were made or relied upon by any party other than those expressly set forth herein. No agent, employee or representative of a party is empowered to alter or modify any of the terms in this Agreement unless such modification is done in writing and signed by the signatories below or other authorized representatives designated in writing by the signatories below.

19. Controlling Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Maryland.

20. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be considered as an original and which together shall constitute one and the same original.

21. Successors. This Agreement shall inure to the benefit of, and be binding upon, the parties to this Agreement and their respective successors and assigns.

22. Waiver. Failure of either party to exercise any right in the event of breach or default by the other party shall not constitute or operate as a waiver of any right of either party.

23. Entire Agreement. This Agreement contains the entire agreement and understanding between the parties with respect to its subject matter and all prior related agreements and understandings are merged into this Agreement.

24. Acknowledgement. By signing below, the parties represent that they fully understand and accept the terms of this Agreement.

IN WITNESS WHEREOF, National Lutheran, Inc., d/b/a National Lutheran Communities & Services and The Village at Providence Point, Inc. have caused this Agreement to be executed by their duly authorized personnel as of the Effective Date.

WITNESS/ATTEST:

DocuSigned by:
Hannah Albers
CB4A439F236F4EB...

NATIONAL LUTHERAN, INC. D/B/A NATIONAL LUTHERAN COMMUNITIES & SERVICES, a Maryland Corporation

DocuSigned by:
By: Cynthia A. Walters
60AEDC44B0704DE...
Name: Cynthia A. Walters
Title: CEO & President
Date: _____

WITNESS/ATTEST:

DocuSigned by:
Michelle Hollis
565444C60F5F4C5...

THE VILLAGE AT PROVIDENCE POINT, INC., a Maryland Corporation

DocuSigned by:
By: Richard M. Mazza
DACEE358EEC6494...
Name: Richard M. Mazza
Title: Chief Financial Officer
Date: _____

APPENDIX A

SCOPE – COMPREHENSIVE SOLUTIONS

Comprehensive Solution

Rooted in its Strategic Structures (Core Business, Innovation, and Infrastructure) and commitment to achieving its Mission and Ministry, NLCS has chosen a Comprehensive Solution package for its model of distributed services. This model looks to:

1. Maintain and where possible improve the overall opportunity and quality of care and service provided.
2. Provide a package of services and support that will meet the full complement of needs at the community level.
3. Ensure standardization across operating entities, and facilitates organizational efficiencies.
4. Model a service orientation that where possible tailors support to meet individual entity needs.
5. Adapt to meet the presses of the environment (e.g. When education requirements change by regulation, the education services will evolve to ensure compliance).

APPENDIX B

FUNCTION - CLARIFYING ROLES

Clarifying Roles

Partner-Leadership, the Guiding Principles, and the demands of leadership (Organizational Phases) are the first steps in role clarification. The Operating Agreement provides the organization and its members with the opportunity to further understand what Partner-Leadership, the Guiding Principles, and Organizational Phases mean at NLCS. Role clarity can be related to how roles are distributed and how these roles interact with one another.

Distribution

NLCS services and support roles are distributed to operating entities in a variety of fashions.

Roles housed exclusively at the NLCS office. These roles are distributed to the Operating Entities virtually, and can be physically present as needed. These include:

1. Communication
2. Information
3. Organizational Development and Effectiveness

Roles housed at both the NLCS office and Operating Entities. These roles are distributed to the operating entities both virtually and physically. These include:

1. Education
2. Facility Planning and Development
3. Finance
4. Talent and Culture
5. Philanthropy
6. Sales and Marketing

Roles housed exclusively at the Operating Entity. These roles are distributed to the Operating Entities physically and include Operational Leadership

Guidelines

Invariably, the composite nature of NLCS and its Operating Entities leads to some levels of role confusion. The following guidelines are an effort to clarify the interaction of roles that are distributed in different ways.

Managing Talent

1. The selecting, onboarding, retaining, managing, and exiting talent for roles housed at the NLCS office is the responsibility of that area leader.
2. The selecting, onboarding, retaining, managing, and exiting of talent for roles housed at the Operating Entity (but reporting to NLCS leadership) needs to be a joint-effort between the area leader and the entity's Executive Director.

Strategies for Making Decisions

1. Collaboration is always preferred when making a decision that will either directly or indirectly impact other area(s) of the organization.
2. Efforts to convene multiple perspectives and maintaining openness to new information are endorsed strategies for decision-making.
3. Leaders actively drive decision-making down to the lowest level of responsibility.

Responsibility, Accountability, and Authority

1. Responsibility and Accountability are coupled, so final decision-making responsibility lies with the individual(s) who will be held accountable for the budgetary liability and implementation responsibility.
2. If an individual is tasked with implementation of a project or initiative, they are able to define the necessary resources for a successful implementation to occur.
3. Efforts that promote systemization, effectiveness, and efficiency across NLCS and its Operating Entities are done in the most inclusive manner possible.
4. Executive Directors are ultimately held accountable for the performance and variance of their Operating Entity. As such, they hold the responsibility (and associated authority) to make choices they believe are in the best interest of their entity, so long as they do not contradict an Organizational Underpinning.

Conflict

1. Necessary Conflict occurs when equally held Organizational Underpinnings create a dynamic tension. At these times, it is the responsibility of the leadership to determine the priority in collaboration.
2. Unnecessary Conflict occurs when matters of preference, or the personalization of issues leads to opposing views or interpersonal strife. At these times, the related parties will either work through or disengage from the area of conflict.
3. In the unlikely case of an impasse, final decision-making authority rests in the office of the Chief Executive Officer whose decision will be binding.

APPENDIX C
OUTCOMES - DEFINING SUCCESS

Outcomes: Measured Success

Leveraging the strategies involved in the Organizational Accountability and Ambidexterity models, NLCS members are charged with the execution of the Operating Agreement. These members have articulated performance outcomes that align to the Strategic Plan, evidence of operational success, and provide a means for personal accountability to results. Outcomes are evaluated at two levels, the individual and the organizational.

Individual Success

Individual success by those fulfilling their roles as a distributed support or service is measured in three ways.

1. Guiding Principle Health Check: An annual 360^0 evaluation of Senior Leadership Team members at NLCS and its Operating Entities.
2. Goal Attainment: Each member of the NLCS and Operating Entities Senior Leadership Teams have performance goals that are aligned to the Strategic Structures and evidence accomplishment and competence in their area of responsibility.
3. Education: Each member of the NLCS and Operating Entities has educational compliance and completion expectations that are evaluated annually.

Organizational Success

The totality of NLCS Organizational success is measured in two distinct ways.

1. Strategic Structures: Each strategic structure has associated with it metrics adopted that suggest movement on the organization's strategic plan.
2. Community Impact: The organization has begun to report annually the quantitative and qualitative levels of Community Impact it provides within its services areas and geographical footprints.

APPENDIX D

SALES AND MARKETING

The following support and services are provided through the Sales and Marketing area of NLCS to its sponsored entities.

1. Sales Strategies
   a. Development of sales strategy by product line and service with performance metrics
   b. Strategic interface with onsite executive leadership and sales staff for tactics and goals update as needed
   c. Management of onsite sales offices and staff, including training and performance management
   d. Management of external vendor relationships with sales and marketing support services, including contract review and negotiation.
   e. Preparation and distribution of monthly, quarterly and fiscal yearend sales and related dashboards tailored for each community to measure anticipated versus actual performance results for the period

2. Customer Relationship Management
   a. Management of customer and lead database, with reporting of dashboards on a monthly or quarterly basis, as agreed to.
   b. Management of onsite marketing programs and events, including planning and coordination with campus leadership and staff.
   c. Oversight and coordination of email lists, mail and other communications with customers and leads as needed.

3. Market Branding Concepts
   a. Social Media Presence, including management of website marketing materials with third party vendor
   b. Digital marketing
   c. Research –backed findings and discussion of related materials with leadership

APPENDIX E

EDUCATION

The following support and services are provided through the Education area of NLCS to its sponsored entities.

Education Foundations

1. New Employee Orientation program
2. Department Orientation programs
3. Monthly mandatory education to address regulatory compliance
4. Cognitive Impairment and Mental Illness Education
    i. Sustainability programming for cognitive impairment education
5. We Care education
6. Skills and knowledge-enhancement programs for groups as needed by the entity

Internships and Professional Development

1. Coordinate student internships and experiences
2. Offer preceptor program for employees involved with student experiences and education
3. Offer programs and training to enhance workforce development

Competency Based Curriculum for Workforce

1. Competency based programs for workforce development and management

APPENDIX F

FACILITY PLANNING AND DEVELOPMENT

The following support and services are provided through the Facility Planning and Development area of NLCS to its sponsored entities.

1. Real Property Infrastructure- External and Internal
    a. Oversight, management and maintenance of exterior real property site, including roofing, windows and walls
    b. Management and maintenance of interior real property, including HVAC systems
    c. Review and management of third party vendor contracts for services

2. Campus Grounds
    a. Management of services related to landscape and related services
    b. Review and management of third party vendor contract for services

3. Campus Amenities
    a. Management of oversight of related campus structures on grounds, including buildings

APPENDIX G

FINANCE

The following support and services are provided through the Finance area of NLCS to its sponsored entities.

1. General Ledger Support and Financial Reporting
    a. Responsibility for month end and fiscal year end general ledger records
    b. Preparation of month end and fiscal year-end financial statements and related regulatory reports (federal and state returns for compliance purposes)
    c. Preparation and filing of credit reports for stakeholder purposes

2. Accounts Payable & Accounts Receivable
    a. Cash disbursements to vendors, review of third-party contracts as necessary and maintenance of disbursement records.
    b. Cash billings to third-parties for Medicare and other regulatory parties; oversight of cash collection policies; and maintenance of cash receipt records.

3. Fiscal Planning
    a. Support related to financial planning for operational and capital projects,
    b. Preparation of annual fiscal operational and capital budgets.

4. Treasury Management
    a. Maintenance of bank accounts and management of bank relations
    b. Capital planning and oversight of bond trustee held accounts
    c. Investment fund oversight and management

5. Payroll Services
    a. Management of payroll function and oversight of payroll records with outside service provider
    b. Reconciliation of payroll accounts, including taxes, and maintenance of payroll funding with Human Resources

6. Risk Management
    a. Review of insurance policies
    b. Review and compliance check of internal accounting policies related cash receipts and cash disbursements, billing, purchases and other items related to asset preservation.

7. Cost Allocation Methodology
    a. Community Operating Revenue - Operating revenue for the purpose of this allocation will include the following elements:
        i. Resident Related revenue, both monthly and the lesser of entry fee amortization or net annual entry fees.
        ii. Ancillary Revenue
        iii. Community Operating Revenue will not include contributions or investment income.

b. Departments which utilize Community Operating Revenue as an allocation methodology will include the following:
    i. Communication and Public Relations
    ii. Organizational Development and Effectiveness
    iii. Organizational Leadership
    iv. Sales and Marketing
    v. Finance and Accounting

c. Community Full Time Equivalents - Full time equivalents included in the annual budget will be utilized for this allocation and will include all part-time and full time employees. Departments which will utilize Full Time Equivalents as an allocation methodology will include the following:
    i. Education and training costs
    ii. Human Resource Costs
    iii. Information Technology

d. Community Square Feet - Total square feet in the community includes all common space and resident living space. Departments which will utilize Community Square Feet as an allocation methodology will include the following:
    i. Facility Planning and Development

APPENDIX H

TALENT AND CULTURE

The following support and services are provided through the Talent and Culture area of NLCS to its sponsored entities.

1. Workforce Planning
    a. Partnering with leaders and managers for short and long-term staffing needs.
    b. Develop staffing projections for new programs, locations, or management contracts.
    c. Partnering with leaders to ensure shifts in workforce deployment are done in accordance with state and federal law.

2. Recruitment & Selection
    a. Partner with Community and Services leadership to put functions and resources in place to carry out recruiting efforts that meet their needs.
    b. Work with leaders and managers to develop consistent frameworks (e.g. job descriptions) and standards for the selection process.
    c. Work with hiring managers to bring selected candidates through final hiring process (e.g. offer letters, background checks, pre-employment medical, etc.).

3. Talent Development
    a. Partner with entity leaders and managers to develop structures that facilitate a culture of performance management (e.g. annual review process, competency testing, and curbside coaching).
    b. Champion the We Care committees and a culture of customer service.
    c. Facilitate and guide succession planning processes by creating career ladders for employees to explore and pursue, and identifying next generation leaders.

4. Employee Relations
    a. Annually facilitate the measurement of job satisfaction at each of the operating entities.
    b. Partner with managers and supervisors to develop employee engagement strategies.
    c. Work across the organization to equip leaders, managers, and line staff so that they are better able to resolve conflict.
    d. Serve as the intermediary to bring resolution to any employee/employer dispute (e.g. grievance process).
    e. Partner with leaders and managers to establish a culture that mitigates the risk of employee organization.

5. Compensation & Benefits
    a. Establish salary structures to maintain competitive position in the markets in which entities serve (annual market rate survey and compensation reviews).
    b. Annually negotiate employee healthcare and benefit rates.
    c. Facilitate annual benefit fairs and open-enrollment process, inclusive of educating employees at all operating entities of changes and updates to their benefit plans.

6. Labor Law Compliance
    a. Fulfill operating entities federal and state reporting requirements related to employees (e.g. OSHA,EEOC)
    b. Partner and advice leaders and managers on compliance related to employee issues (e.g. FMLA, MMLA, etc.)
    c. Partner with entity leaders by managing the Worker Compensation process (e.g. identify trends and solutions for workplace safety risk, guiding the return-to-work process, and engaging the insurance company).
    d. Provide counsel to entity managers and supervisors on issues such as Title vii, FLSA, etc.

APPENDIX I

INFORMATION TECHNOLOGIES

The following support and services are provided through the Information Technologies area of NLCS to its sponsored entities.

1. Technology Platform and Interface
    a. Maintenance and oversight of the Platform hardware
    b. Management of vendor service agreements

2. System Software and Applications
    a. Management of software and application agreements related to the function areas used by:
        i. Microsoft-Management of license agreements
        ii. Finance: Great Plains, Ultimate Software and PointClickCare
        iii. Sales and Marketing

3. Technology Support and Help Desk
    a. Support services for staff related to maintenance of hardware and devices, and application support

4. Support for hardware PCs, Communication, and Wireless Devices

5. Maintenance and repair; replacement of PCs, tablets, communication devices and related materials

APPENDIX J

ORGANIZATIONAL DEVELOPMENT AND EFFECTIVENESS

The following support and services are provided through the Organizational Development and Effectiveness area of NLCS to its sponsored entities.

1. Develops, implements and monitors various strategies and methods intended to change the beliefs, attitudes, values, culture and structure of sponsored entities so that they can better adapt to new technologies, markets, and challenges; and

2. Assists with implementation of methods to improve Organizational Effectiveness including documented missional measures in the areas of operations, finance and employee satisfaction and retention.

APPENDIX K

OPERATIONAL LEADERSHIP

The following support and services are provided through the Operational Leadership area of NLCS to its sponsored entities.

1. Day to day operations oversight and management of all service lines and functional departments ensuring delivery of efficient, quality service and care;

2. Ongoing analysis of key performance indicators for operations;

3. Oversight of marketing and sales activities including market research and data tracking mechanisms, advertising, strategic marketing plans that align occupancy development with operations and formation of branding strategies;

4. Ensures alignment of area provider, post-acute strategies with community service and care offerings;

5. Directs and monitors clinical quality, regulatory compliance, financial stewardship and quality assurance for all healthcare operations, while ensuring attentiveness to the health and wellness needs of seniors and their families;

6. Maintain awareness of relevant legislation and mandates to provide key employees with updates, reminders, templates and other assistance that assure operational compliance; and

7. Implements and monitors risk management policies and procedures on an ongoing basis.

APPENDIX L

PHILANTHROPY

The following support and services are provided through the Philanthropy area of NLCS to its sponsored entities.

1. Provides ongoing funding for residents in need (both charitable and unreimbursed care);

2. Provides funding for expanded services at sponsored entities and surrounding communities (home health and home care services);

3. Provides funding for tuition reimbursement, internships and training programs for current and future employees;

4. Conducts capital campaigns for long-term facility improvement and renovation projects;

5. Facilitates fundraising for larger community initiatives (hurricane relief, walks to end Alzheimer's and other similar initiatives);

6. Builds endowments through contributions and planned giving; and

7. Provides stewardship and oversight of donor restricted giving.

APPENDIX M
LEGAL & COMPLIANCE

The following support and services are provided through the Legal & Compliance area of NLCS to its sponsored entities.

1. Provide legal counsel throughout all operations, including performance of legal research, risk assessment and recommendations for course of action.

2. Review proposed contracts, formal agreements and other legal instruments to safeguard company's interests.

3. Provide advice on legal aspects and policy formulation regarding advertising representations, trademarks, copyrights, sales agreements, trade regulations/anti-trust laws, purchasing, insurance/property matters, and public relations.

4. Manage assigned litigation, respond to and resolve threatened litigation. Respond to subpoenas and regulatory inquiries and investigations.

5. Function as Compliance Officer and manage the Corporate Compliance Program. Develop, maintain, and revise policies and procedures for the general operation of the compliance program and its related activities to prevent illegal, unethical, or improper conduct.

6. Respond to alleged violations of rules, regulations, policies, procedures, and Standards of Conduct. Conduct investigations, reviews evidence and recommends a resolution.

7. Oversee billing and chart audits to ensure compliance with Medicare, Medicaid and other regulatory requirements.

8. Identify potential areas of compliance vulnerability and risk, develop and implements corrective action plans for resolution of problematic issues.

9. Ensure proper reporting of violations or potential violations to duty authorized enforcement agencies as appropriate or required.

10. Institute and maintain an effective compliance communication program and promote the following: (a) use of the compliance hotline; (b) heightened awareness of Standards of Conduct, and (c) understanding of new and existing compliance issues and related policies and procedures.

Circuit Court for Anne Arundel County
Case No. C-02-CV-23-001034

UNREPORTED*

IN THE APPELLATE COURT

OF MARYLAND

No. 2408

September Term, 2023

IN THE MATTER OF
CRAB CREEK CONSERVANCY, INC.,
ET AL.

Nazarian,
Tang,
Kehoe, S.,
JJ.

Opinion by Tang, J.

Filed: April 24, 2025

*This is an unreported opinion. This opinion may not be cited as precedent within the rule of stare decisis. It may be cited for its persuasive value only if the citation conforms to Rule 1-104(a)(2)(B).

This appeal involves the Forest Conservation Act under Chapter 21.71 of the Code of the City of Annapolis (the "City Code") and exemptions from its requirements.

Appellees Katherine Properties, Inc.; Katherine Properties, LLC; AIC Forest, LLC; AIC Forest II, LLC; Campus Drive, LLC; EAJ Forest Drive, LLC; 1623 Forest, LLC; and The Village at Providence Point, Inc. (collectively, the "Developer") filed with the City's Department of Planning and Zoning an application for approval of a preliminary forest conservation plan (FCP2017-006), a subdivision application (SUB2017-004), and a planned development application (PD2019-001) for the development of a mixed-use retirement community called The Village of Providence Point (the "Village") at the intersection of Forest Drive and Spa Road in the City of Annapolis. In connection with the development, the Developer proposes to clear about twenty-seven acres of contiguous forest on the development site and sixty-four significant trees scattered throughout this forest.

The Department of Planning and Zoning recommended conditional approval of the development plan in a staff report. After a series of hearings, the City's Planning Commission issued an opinion and order approving the development applications with conditions.

Crab Creek Conservancy, Inc. ("Crab Creek") and others petitioned for judicial review in the Circuit Court for Anne Arundel County (Case No. C-02-CV-22-000730). After a hearing, the court vacated and remanded the portion of the Planning Commission's opinion and order relating to forest conservation. Thereafter, the Planning Commission

issued a supplemental opinion and order. It reaffirmed its approval of the development applications but clarified its opinion concerning the proposed disturbance to the contiguous forest and the removal of sixty-four significant trees.

Appellants Crab Creek and most of the same individuals who petitioned earlier (collectively, the "Citizens") petitioned for judicial review, challenging the Planning Commission's supplemental opinion and order, which the court ultimately affirmed (Case No. C-02-CV-23-001034). They then appealed to this Court.[1] The Citizens present five issues that we have consolidated into two:[2]

[1] The individuals who petitioned for judicial review for the second time in Case No. C-02-CV-23-001034 were appellants Forrest Mays, Mary Reese, Valerie Casasanto, Christine Dunham, Hans-Michael Hurdle, and Cynthia Cootauco. After filing their principal brief in this Court, Mr. Hurdle and Ms. Cootauco voluntarily dismissed their individual appeal.

[2] The issues presented by the Citizens in their brief are:

1. Whether the Commission or [the Department] had the authority to approve the [Developer's] Priority Forest Variance.
2. Whether the Commission erred legally when it concluded that Priority Forest Variances do not require "approval pursuant to Code § 21.71.170" and instead, "the method of review for determining whether proposed disturbance to priority forest and priority areas 'qualified for a variance' is left to the discretion of the Department."
3. Assuming arguendo that [the Department] had the authority to approve the [Developer's] Priority Forest Variance, whether the [Department] in fact approved the Priority Forest Variance and adequately articulated the basis of its decision.
4. Whether the Commission erred legally when it concluded that Priority Forest and Significant Trees in and of themselves can make the Subject Property unique without any comparison to any other property.

1. Did the Planning Commission err in approving the Developer's proposed disturbance of the contiguous forest on the development site?
2. Did the Planning Commission err in approving the Developer's request to remove sixty-four significant trees from the development site?

For reasons explained below, we affirm the Planning Commission's decisions.

I.

OVERVIEW OF RELEVANT LAW

Before summarizing the factual and procedural history leading to this appeal, it will be helpful to provide an overview of the Maryland Forest Conservation Act and its implementation under Chapter 21.71 of the City Code.

A.

Maryland Forest Conservation Act

The Forest Conservation Act, which became effective on July 1, 1991, is codified in the Maryland Code (2023 Repl. Vol., 2024 Supp.), Natural Resources Article ("NR") § 5-1601, *et seq*. *See* 1991 Md. Laws, Ch. 255. The Act's primary objective "is to minimize the loss of forest land in connection with development activity and ensure that priority areas for forest retention and forest planning are identified and protected prior to development." *Chesapeake Bay Found., Inc. v. CREG Westport I, LLC*, 481 Md. 325, 329

5. Whether the Commission erred legally when it concluded that the [Developer] would experience an unwarranted hardship that is not self-created when the [Developer] could have located the proposed development on the unforested portions of the Subject Property.

(2022). The Act is administered by the Maryland Department of Natural Resources ("DNR") but is implemented primarily by local jurisdictions. *Id.*

i. Forest Stand Delineation and Forest Conservation Plan

To achieve its purpose, the Act "established standards for local jurisdictions with planning and zoning authority to enforce during development." *Id.* Under the Act, "a person making application for subdivision or grading or sediment control permits on areas greater than 40,000 square feet must submit a forest stand delineation" to be "used during the preliminary review process to determine the most suitable and practical areas for forest conservation." NR § 5-1604(a)–(b)(1).

A forest stand delineation is "the methodology for evaluating existing vegetation on a site proposed for development, taking into account the environmental elements that shape or influence the structure or makeup of a plant community." NR § 5-1601(p). "It is submitted at the initial stages of a subdivision or site plan approval, or before a sediment control application is submitted." *CREG*, 481 Md. at 329–30. "When a forest stand delineation is completed and approved, the information that it provides can then be used to prepare the forest conservation plan." *Id.* at 330; *see* NR § 5-1605(a).

"A forest conservation plan indicates the limits of disturbance for the proposed project and how the existing forested and sensitive areas will be protected during and after development." *CREG*, 481 Md. at 330. The Act authorizes DNR, through the adoption of regulations, or the local authority to impose "[a]ny other requirement" for the contents of the plan. NR § 5-1605(c)(10). Both the forest stand delineation and forest conservation

plan must be prepared by a Maryland licensed forester, a Maryland licensed landscape architect, or other qualified professional. NR §§ 5-1604(a), 5-1605(b).

ii. Retention of Resources

The Act prioritizes the retention and protection of certain trees, shrubs, plants, and specific areas that must be left in an undisturbed condition, unless the applicant has demonstrated, to the satisfaction of the State or the local authority, that reasonable efforts have been made to protect them and that the plan cannot be reasonably altered. NR § 5-1607(c)(1) provides:

> (c)(1) The following trees, shrubs, plants, and specific areas shall be considered priority for retention and protection, and they shall be left in an undisturbed condition unless the applicant has demonstrated, to the satisfaction of the State or local authority, that reasonable efforts have been made to protect them and the plan cannot reasonably be altered:
>
> (i) Trees, shrubs, and plants located in sensitive areas including 100-year floodplains, intermittent and perennial streams and their buffers, coastal bays and their buffers, steep slopes, and critical habitats; and
>
> (ii) *Contiguous forest* that connects the largest undeveloped or most vegetated tracts of land within and adjacent to the site.

NR § 5-1607(c)(1) (2012 Repl. Vol.) (emphasis added).[3] For convenience, we will refer to these types of trees, shrubs, plants, and specific areas as "C.1 Resources."

The Act also prioritizes the retention and protection of other types of trees, shrubs, plants, and specific areas that must be left in an undisturbed condition, unless the applicant

[3] We cite the version of NR § 5-1607(c)(1) in effect at the time the application was pending. Subsection (c)(1) was amended in 2024 to include other types of trees, shrubs, plants, and specific areas that are not at issue in this appeal.

has demonstrated, to the satisfaction of the State or the local authority, that the applicant qualifies for a variance under NR § 5-1611. NR § 5-1607(c)(2) provides:

> (c)(2) The following trees, shrubs, plants, and specific areas shall be considered priority for retention and protection, and they shall be left in an undisturbed condition unless the applicant has demonstrated, to the satisfaction of the State or local authority, that the applicant qualifies for a variance under § 5-1611 of this subtitle:
>
> (i) Trees, shrubs, or plants identified on the list of rare, threatened, and endangered species of the U.S. Fish and Wildlife Service or [DNR];
>
> (ii) Trees that are part of a historic site or associated with a historic structure or designated by [DNR] or local authority as a national, State, or local Champion Tree; and
>
> (iii) Trees having a diameter measured at 4.5 feet above the ground of:
>
> 1. 30 inches; or
>
> 2. 75% of the diameter, measured at 4.5 feet above the ground, of the current State Champion Tree of that species as designated by [DNR].

Again, for convenience, we will refer to these types of trees, shrubs, plants, and specific areas as "C.2 Resources."

iii. Variance Policy and Procedure

The Act "authorizes DNR and local authorities to create a variance process—which enables an applicant to avoid the strict application of a requirement in the Act—in certain circumstances where the applicant can demonstrate that the applicant can satisfy certain criteria." *CREG*, 481 Md. at 340. NR § 5-1611 provides:

> (a) In the preparation of the State or local forest conservation programs, the State and local authorities shall provide for the granting of variances to the requirements of this subtitle, where owing to special features of a site or other circumstances, implementation of this subtitle would result in unwarranted hardship to an applicant.
>
> (b) Variance procedures adopted under this section shall:

> (1) Be designed in a manner consistent with the spirit and intent of this subtitle; and
>
> (2) Assure that the granting of a variance will not adversely affect water quality.

NR § 5-1611.[4]

For a development site with significant forest cover, a forest conservation plan, as well as any variance or waiver granted by the approving agency from the strict application of the provisions of the Act or local forest conservation program, may ultimately dictate the scope, location, and placement of the proposed building footprint and structures on the site. *CREG*, 481 Md. at 330.

B.

COMAR and Model Ordinance

To facilitate the implementation of the Act by local governments, DNR adopted regulations under the Code of Maryland Regulations ("COMAR") 08.19.01–.06. *CREG*, 481 Md. at 339; *see* NR § 5-1609(a). Units of government with planning and zoning authority were directed to formally adopt a forest conservation program "consistent with the intent, requirements, and standards" of the Act. *CREG*, 481 Md. at 349 (quoting NR § 5-1603(a)(1)). Local forest conservation programs, which had to be approved by DNR, had to meet or be more stringent than the requirements and standards of the Act. *CREG*, 481 Md. at 340; NR § 5-1603(c)(1).

[4] The Act does not define "variance" or "unwarranted hardship."

DNR promulgated a model ordinance, the purpose of which is to "assist and guide in the development" of a local forest conservation program. COMAR 08.19.03.01 (2019); *see also* 18 Md. Reg. 2540 (Nov. 15, 1991). DNR contemplated that "[s]ome local authorities may be able to adopt this Ordinance with only minor changes appropriate to each jurisdiction." *Id.*

The model ordinance outlines the criteria for a forest stand delineation. *See* COMAR 08.19.03.01, Article V. It also sets forth the requirements of a forest conservation plan.[5] *See* COMAR 08.19.03.01, Article VI.

i. Requirements of a Forest Conservation Plan

The model ordinance requires an applicant to prepare a preliminary forest conservation plan and a final forest conservation plan. *See* COMAR 08.19.03.01, Article VI, §§ 6.2 and 6.3. The preliminary forest conservation plan is reviewed concurrently with the review of the preliminary site plan, *see id.* § 6.2(C), and the final forest conservation plan is reviewed concurrently with the review of the final subdivision or project plan, grading permit application, or sediment control application associated with the project, *see id.* § 6.3(D).

[5] The State Forest Conservation Technical Manual provides recommendations, references, and guidance on the preparation of forest stand delineations and forest conservation plans. COMAR 08.19.01.02.B.

In connection with preparing a forest conservation plan, COMAR provides that "[i]f existing forest on the site subject to a forest conservation plan cannot be retained, *the applicant shall demonstrate to the satisfaction of the [local] Department*:"[6]

> (1) How techniques for forest retention have been exhausted;
>
> (2) Why the priority forests and priority areas specified in [NR] § 5-1604*(c)(1)*[7] [C.1 Resources, above] cannot be left in an undisturbed condition:
>
> > (a) If priority forests and priority areas cannot be left undisturbed, how the sequence for afforestation or reforestation will be followed in compliance with [NR] § 5-1607[;]
> >
> > (b) Where on the site in priority areas afforestation or reforestation will occur in compliance with [NR] § 5-1607[;] and
>
> (3) How the disturbance to the priority forests and priority areas specified in § 5-1607*(c)(2)* [C.2 Resources, above] *qualifies for a variance*.

COMAR 08.19.03.01, Article VI, § 6.1(B) (emphasis added).

The preliminary forest conservation plan must include "an explanation of how" the above provisions, among others, "have been met." COMAR 08.19.03.01, Article VI, § 6.2(B)(5). COMAR further provides that the final forest conservation plan must include these "substantive elements," among others. COMAR 08.19.03.01, Article VI, § 6.3(B)(6).

ii. Retention of Resources

Consistent with the Act, the model ordinance prioritizes the retention and protection of certain trees, shrubs, plants, and specific areas to be left in an undisturbed condition,

[6] Under the model ordinance, "Department" means the Department charged with implementing the local forest conservation program. COMAR 08.19.03.01, Article II, § 2.14.

[7] This subsection refers to NR § 5-160**4**. Subsection (c)(1) does not exist under NR § 5-160**4**, but it does under NR § 5-160**7**. This appears to be a typographical error.

unless the applicant has demonstrated, to the satisfaction of the local authority, that reasonable efforts have been made to protect them and that the plan cannot be reasonably altered. COMAR 08.19.03.01, Article VII. The model ordinance provides:

> The following trees, shrubs, plants, and specific areas are considered priority for retention and protection and shall be left in an undisturbed condition *unless the applicant has demonstrated, to the satisfaction of the [local] Department, that reasonable efforts have been made to protect them and the plan cannot reasonably be altered*:
>
> A. Trees, shrubs, and plants located in sensitive areas including the 100-year floodplain, intermittent and perennial streams and their buffers, coastal bays and their buffers, steep slopes, nontidal wetlands, and critical habitats; and
>
> B. *Contiguous forest* that connects the largest undeveloped or most vegetated tracts of land within and adjacent to the site.

COMAR 08.19.03.01, Article VII, § 7.2 (emphasis added). These types of trees, shrubs, and specific areas generally correlate with C.1 Resources.

Consistent with the Act, the model ordinance prioritizes the retention and protection of other types of trees, shrubs, plants, and specific areas that must be left in an undisturbed condition, unless the applicant has demonstrated, to the satisfaction of the local authority, that the applicant qualifies for a variance. The model ordinance provides:

> The following trees, shrubs, plants, and specific areas are considered priority for retention and protection and shall be left in an undisturbed condition *unless the applicant has demonstrated, to the satisfaction of the [local] Department, that the applicant qualifies for a variance in accordance with Section 14.1 of this article*:
>
> A. Trees, shrubs, or plants determined to be rare, threatened, or endangered under:
>
> (1) The federal Endangered Species Act of 1973 in 16 U.S.C. §§ 1531–1544 and in 50 CFR Part 17;

(2) The Maryland Nongame and Endangered Species Conservation Act, [NR] §§ 10-2A-01–10-2A-09[;] and

(3) COMAR 08.03.08 [threatened and endangered species];

B. Trees that:

(1) Are part of a historic site;

(2) Are associated with a historic structure; or

(3) Have been designated by the State or the [local] Department as a national, State, or county champion tree; and

C. Any tree having a diameter measured at 4.5 feet above the ground of:

(1) 30 inches or more; or

(2) 75 percent or more of the diameter, measured at 4.5 feet above the ground, of the current State champion tree of that species as designated by [DNR].

COMAR 08.19.03.01, Article VII, § 7.2-1 (emphasis added). These types of trees, shrubs, plants, and specific areas generally correlate with C.2 Resources.

iii. Variance Procedure

Consistent with the Act, the model ordinance outlines the variance procedure. It defines "variance" as "relief from" NR §§ 5-1601–5-1612 or the ordinance. COMAR 08.19.03.01, Article II, § 2.63.A. "Variance" "does not mean a zoning variance." *Id.* § 2.63.B.

The model ordinance sets forth the following procedure for requesting and granting a variance:

A. A person may request a variance from this Ordinance or the requirements of [NR] §§ 5-1601–5-1612 . . . , if the person demonstrates that enforcement would result in unwarranted hardship to the person.[8]

B. An applicant for a variance shall:

[8] The model ordinance does not define "unwarranted hardship."

> (1) Describe the special conditions peculiar to the property which would cause the unwarranted hardship;
>
> (2) Describe how enforcement of these rules will deprive the applicant of rights commonly enjoyed by others in similar areas;
>
> (3) Verify that the granting of the variance will not confer on the applicant a special privilege that would be denied to other applicants;
>
> (4) Verify that the variance request is not based on conditions or circumstances which are the result of actions by the applicant;
>
> (5) Verify that the request does not arise from a condition relating to land or building use, either permitted or nonconforming, on a neighboring property; and
>
> (6) Verify that the granting of a variance will not adversely affect water quality.
>
> C. The [local] Department shall make findings that the applicant has met the requirements in Subsections A and B of this article before the [local] Department may grant a variance.
>
> D. Notice of a request for a variance shall be given to [DNR] within 15 days of receipt of a request for a variance.
>
> E. There is established by this Ordinance the right and authority of [DNR] to initiate or intervene in an administrative, judicial, or other original proceeding or appeal in the State concerning an approval of a variance under [NR] §§ 5-1601–5-1612 . . . or this Ordinance.

COMAR 08.19.03.01, Article XIV.

C.

City's Forest Conservation Program

In 1992, the City adopted the Act, but not the model ordinance. The City adopted the state law by reference in Chapter 17.09 of the City Code (Trees in Development Areas), which had been approved by DNR. *See* Annapolis, Md., Ordinance O-22-16 (Sept. 26, 2016) ("WHEREAS the Forest Conservation Act was enacted by the State of Maryland in 1991 and the state law was adopted by reference in the city code (17.09.025B) in 1992").

However, operating under the Act proved problematic because the "application of the State Act lack[ed] specific reference to established City procedures and responsibilities." *Id.* Specifically, the "vagueness" of the Act "led to unpredictability, a waste of time and treasury as uncertain appeals have been filed, and minimum environmental standards enforced." Memo from Alderman Littmann to City Council (Sept. 21, 2016); *see* Letter from Planning Commission to City Council (June 15, 2016) (noting that review and approval of development activities under the Act lacked definition).[9]

As a result, the City Council formed a working group in 2012 to review the model ordinance and make recommendations for the implementation of the Act. *See* Letter from Department of Neighborhood and Environmental Programs to Planning Commission (Jan. 14, 2014). The process of developing the City's forest conservation act included tailoring the model ordinance provisions to fit the City's procedures and responsibilities. This involved reviewing different iterations of the proposed legislation, addressing recommended amendments from the Department of Planning and Zoning (the "Department") and the Planning Commission (the "Commission"), and holding various public hearings. *See* Letter from Planning Commission to City Council (June 15, 2016). Ultimately, in 2016, the City Council enacted legislation to comply with the requirements of the Act and codified its own forest conservation act under Chapter 21.71 of the City

[9] The City's legislative materials referenced in this section are available online at http://annapolismd.legistar.com/Legislation.aspx.

Code. The City Code incorporates the requirements of the Act and the model ordinance with certain amendments. *See* O-22-16.

Before discussing the relevant provisions of the City's forest conservation act under Chapter 21.71, it is important to explain how Chapter 21.71 relates to the application process for planned developments outlined in Chapter 21.24 of the City Code.

i. Chapter 21.24 - Planned Developments

All planned development applications must be submitted to the director of the Department and undergo a review process pursuant to Chapter 21.24 of the City Code. *See* City Code § 21.24.070(A)–(D) (2017). After the review process, the director prepares a staff report. City Code § 21.24.070(D)(2). In connection with the review of the final planned development application, the staff report is transmitted to the Commission prior to a required public hearing on the application. City Code § 21.24.070(D)(2)–(3). The Commission considers the staff report at the public hearing and, after the hearing, decides whether to approve the application, approve the application subject to specific conditions, or deny the application. City Code § 21.24.070(D)(4).

Compliance with the forest conservation act under Chapter 21.71 is one of several considerations given to a planned development application under Chapter 21.24.[10] *See* City

[10] This criterion was added in 2016 in connection with the enactment of the City's forest conservation act. *See* O-22-16 Amended at 3–4 (amending § 21.24.090 to add criteria and finding based on whether the "planned development complies with Chapter 21.71 of the Annapolis City Code."); *see also* Memo from Planning Commission to City Council (Apr. 15, 2015) (finding by the Commission that "the Forest Conservation Act review process should not control the wider planning process but, rather, should be a part and parcel of the planning process").

Code § 21.24.090(G). In deciding to approve a planned development application, the Commission must make written findings that "[t]he planned development complies with Chapter 21.71 of the Annapolis City Code" among other findings. City Code § 21.24.090(G).[11]

An appeal from a decision of the Commission approving the planned development plan must be made to the Circuit Court for Anne Arundel County. City Code § 21.24.130.

[11] Under City Code § 21.24.090, the Commission is also required to make findings that:

> A. The planned development is compatible with the character of the surrounding neighborhood and consistent with the Comprehensive Plan and the purposes of planned developments.
>
> B. The proposed locations of buildings, structures, open spaces, landscape elements, and pedestrian and vehicular circulation systems are adequate, safe, and efficient and designed to minimize any adverse impact upon the surrounding area.
>
> C. The planned development will promote high quality design and will not result in greater adverse impacts to the surrounding area compared to the development that may otherwise be permitted pursuant to the Zoning Code if a planned development were not approved.
>
> D. The planned development complies with the planned development use standards and bulk and density standards.
>
> E. The planned development complies with the Site Design Plan Review criteria provided in Section 21.22.080.
>
> F. The planned development plan includes adequate provision of public facilities and the proposed infrastructure, utilities and all other proposed facilities are adequate to serve the planned development and adequately interconnect with existing public facilities.

ii. Chapter 21.71 - Forest Conservation Act

Consistent with the model ordinance, Chapter 21.71 provides criteria for the preparation of the forest stand delineation and forest conservation plan by a qualified professional. *See* City Code §§ 21.71.060; 21.71.070(B)(1), (C)(1). The City implemented a Forest Conservation Technical Manual, modeled after the State's technical manual, that establishes the standards of performance required in preparing the forest stand delineation and forest conservation plans. *See* City Code § 21.71.020 (defining "Forest Conservation Technical Manual").[12]

Chapter 21.71 focuses on protecting and retaining "priority retention areas." In relevant part, priority retention areas include areas containing one or more "significant trees" and areas of "contiguous forest." City Code § 21.71.020 (defining "priority retention area"). A "significant tree" is:

> 1. A champion tree;
>
> 2. Or a tree which is at least seventy-five percent of the diameter of a State Champion Tree;
>
> 3. Or a tree which is of twenty-four inches DBH[13] or more and which has been determined by the Department Director to be of notable quality and/or high value because of its type, size, age, historical significance, canopy benefits, or which otherwise warrants special consideration for preservation.

[12] The City's Forest Conservation Technical Manual, which is incorporated by reference in the City Code, *see* City Code § 21.71.020 (defining "Forest Conservation Technical Manual"), is available online at https://www.annapolis.gov/DocumentCenter/View/12009/City-of-Annapolis-Forest-Conservation-Technical-Manual-First-Edition-March-2019 [https://perma.cc/JB6N-M3C8].

[13] "DBH" or "diameter breast height" means a "tree diameter measured at four and one-half feet above the ground." City Code § 21.71.020 (defining "DBH").

City Code § 21.71.020 (defining "significant tree").

A "contiguous forest" is "a forest of twenty acres or more that connects the largest undeveloped or vegetated tracts of land within, and adjacent to, a site." City Code § 21.71.020 (defining "contiguous forest").

a. Forest Conservation Plan Under § 21.71.070

In developing a forest conservation plan, the applicant must give priority to techniques for retaining existing forest on the development site. *See* City Code § 21.71.070(A)(4). If the existing forest on the site subject to the forest conservation plan cannot be retained, the applicant must demonstrate various criteria to the satisfaction of the Department, depending on whether the resources to be disturbed are C.1 or C.2 Resources. Consistent with the model ordinance, City Code § 21.71.070(A)(5) provides:

> 5. If existing forest on the site subject to a forest conservation plan cannot be retained, *the applicant shall demonstrate to the satisfaction of the Department*:
>
> i. How techniques for forest retention have been exhausted;
>
> ii. Why the priority forests and priority areas specified in [NR] § 5-1607*(c)(1)* [C.1 Resources] . . . , cannot be left in an undisturbed condition:
>
> a. If priority forests and priority areas cannot be left undisturbed, how the sequence for afforestation or reforestation will be followed in compliance with [NR] § 5-1607[;]
>
> b. Where on the site in priority areas afforestation or reforestation will occur in compliance with [NR] § 5-1607[;] and
>
> iii. How the disturbance to the priority forests and priority areas specified in [NR] § 5-1607*(c)(2)* [C.2 Resources] . . . , *qualifies for a variance*.

(emphases added).

As pertinent here, the preliminary forest conservation plan must include "an explanation of how the provisions of Subsection A of [§ 21.71.070] have been met." City Code § 21.71.070(B)(2)(v); *see also* City Code § 21.71.070(B)(3) (as in the model ordinance, the review of the preliminary forest conservation plan is concurrent with the review of the preliminary site plan). The Department is required to post the preliminary forest plan on its website and hold a public meeting about the plan. City Code § 21.71.070(B)(4)–(5). During different stages of the review process, the preliminary forest conservation plan may be modified, provided the Department approves of the changes, and significant modifications must be posted for public review and comment. City Code § 21.71.070(B)(6).

The final forest conservation plan must "incorporate justification for any proposed disturbance of priority retention areas, including reasons why such priority retention areas cannot be retained and how the applicant shall replace proposed disturbed priority retention areas through afforestation and reforestation, in compliance with the requirements of" Chapter 21.71. City Code § 21.71.070(C)(2)(iv); *see also* City Code § 21.71.70(C)(4) (as in the model ordinance, the Department reviews the final forest conservation plan concurrent with the review of the final subdivision or project plan, grading permit application, or sediment control application associated with the project).

b. Retention of Resources Under § 21.71.080

"Retention" means "the deliberate holding and protection of existing trees, shrubs, or plants on the site according to established standards as provided in the Forest

Conservation Technical Manual." City Code § 21.71.020 (definition of "retention"). The City Code imposes a "rebuttable presumption that priority retention areas shall be retained." City Code § 21.71.070(A)(4). "The presumption can only be rebutted under the criteria in Section 21.71.080.B." *Id.*

Consistent with the model ordinance, City Code § 21.71.080(B) allows the disturbance of certain resources under the following circumstances:

> B. Retention.
>
> 1. The following trees, shrubs, plants, and specific areas are considered priority for retention and protection and shall be left in an undisturbed condition *unless the applicant has demonstrated, to the satisfaction of the Department, that reasonable efforts have been made to protect them and the plan cannot reasonably be altered*:
>
> i. Trees, shrubs, and plants located in sensitive areas including the 100-year floodplain, intermittent and perennial streams and their buffers, coastal bays and their buffers, steep slopes and their buffers, nontidal wetlands, and critical habitats.
>
> ii. *Contiguous forest* that connects the largest undeveloped or most vegetated tracts of land within and adjacent to the site.
>
> 2. The following trees, shrubs, plants, and specific areas are considered priority for retention and protection and shall be left in an undisturbed condition *unless the applicant has demonstrated, to the satisfaction of the Department, that the applicant qualifies for a variance in accordance with Section 21.71.170 of this chapter*:
>
> i. Trees, shrubs, or plants determined to be rare, threatened, or endangered under:
>
> a. The Federal Endangered Species Act of 1973 in 16 U.S.C. §§ 1531–1544 and in 50 C.F.R. 17,
>
> b. The Maryland Nongame and Endangered Species Conservation Act, [NR] §§ 10-2a-01–10-2a-09[,] and
>
> c. COMAR 08.03.08 [threatened and endangered species];
>
> ii. Trees that:

a. Are part of a site designated as historic by the Maryland Historic Trust, the National Park Service, or the City of Annapolis,

b. Are associated with a structure designated as historic by the Maryland Historic Trust, the National Park Service, or the City of Annapolis, or

c. Have been designated by the State, County, or the Department as a National, State, County or Municipality champion tree; and

iii. *Any tree*:

a. Having a DBH of thirty inches or more, or

b. *Which has been designated as a significant tree pursuant to this chapter*.

(emphases added).

Generally, the resources listed under § 21.71.080(B)(1) correspond to C.1 Resources, and those listed under subsection (B)(2) correspond to C.2 Resources, with one exception: subsection (B)(2)(iii)(b) includes significant trees, defined as those of "twenty-four inches DBH or more and which ha[ve] been determined by the Department Director to be of notable quality and/or high value because of [their] type, size, age, historical significance, canopy benefits, or which otherwise warrants special consideration for preservation." City Code § 21.71.020 (defining "significant tree"); *see also* NR § 5-1603(c)(1) (allowing local forest conservation programs, approved by DNR, to be more stringent than the requirements and standards of the Act).

c. Variance Procedure Under § 21.71.170

The City Code defines "variance" to mean "an exemption granted to an applicant from one or more requirements" of Chapter 21.71. City Code § 21.71.020 (defining "variance"). A variance "does not mean a zoning variance." *Id.*

The procedure for requesting a variance from requirements of Chapter 21.71 is set forth under City Code § 21.71.170 as follows:

> A. An applicant may request a variance from this chapter or the requirements of [NR] §§ 5-1601–5-1612, . . . , *if the applicant demonstrates that enforcement would result in unwarranted hardship to the applicant.*
>
> B. An applicant for a variance shall:
>
> 1. *Describe the special conditions peculiar to the property which would cause the unwarranted hardship*;
>
> 2. Describe how enforcement of these rules will deprive the applicant of rights commonly enjoyed by others in similar areas;
>
> 3. Verify that the granting of the variance will not confer on the applicant a special privilege that would be denied to other applicants;
>
> 4. *Verify that the variance request is not based on conditions or circumstances which are the result of actions by the applicant or by any previous owner of the property*;
>
> 5. Verify that the request does not arise from a condition relating to land or building use, either permitted or nonconforming, on a neighboring property; and
>
> 6. Verify that the granting of a variance will not adversely affect water quality.
>
> C. The Department shall make written findings that the applicant has met the requirements in Subsections A. and B. of this section before the Department may grant a variance.
>
> D. Notice of a request for a variance shall be given to [DNR] within fifteen days of receipt of a request for a variance.
>
> E. There is established by this chapter the right and authority of [DNR] to initiate or intervene in an administrative, judicial, or other original proceeding or appeal in the State concerning an approval of a variance under [NR] §§ 5-1601–5-1612, . . . , or this chapter.
>
> F. *Any variance must be submitted to the Planning Commission or the Zoning Board of Appeals, whichever the case may be, with the project or*

> *development plan application for final determination*.[14] If the variance is sought in connection with a site design plan application not requiring Planning Commission or Zoning Board of Appeals approval, the Department shall issue a final determination on the variance application.
>
> G. Variance can only be appealed as part of the final administrative decision or approval of the application.

(emphasis added). "Unwarranted hardship" means "the applicant has demonstrated that without a variance, the applicant would be denied reasonable and significant use of the entire parcel or lot for which the variance is requested." City Code § 21.71.020 (defining "unwarranted hardship").

With this statutory overview in mind, we summarize the relevant factual and procedural background.

II.

FACTUAL AND PROCEDURAL BACKGROUND

A.

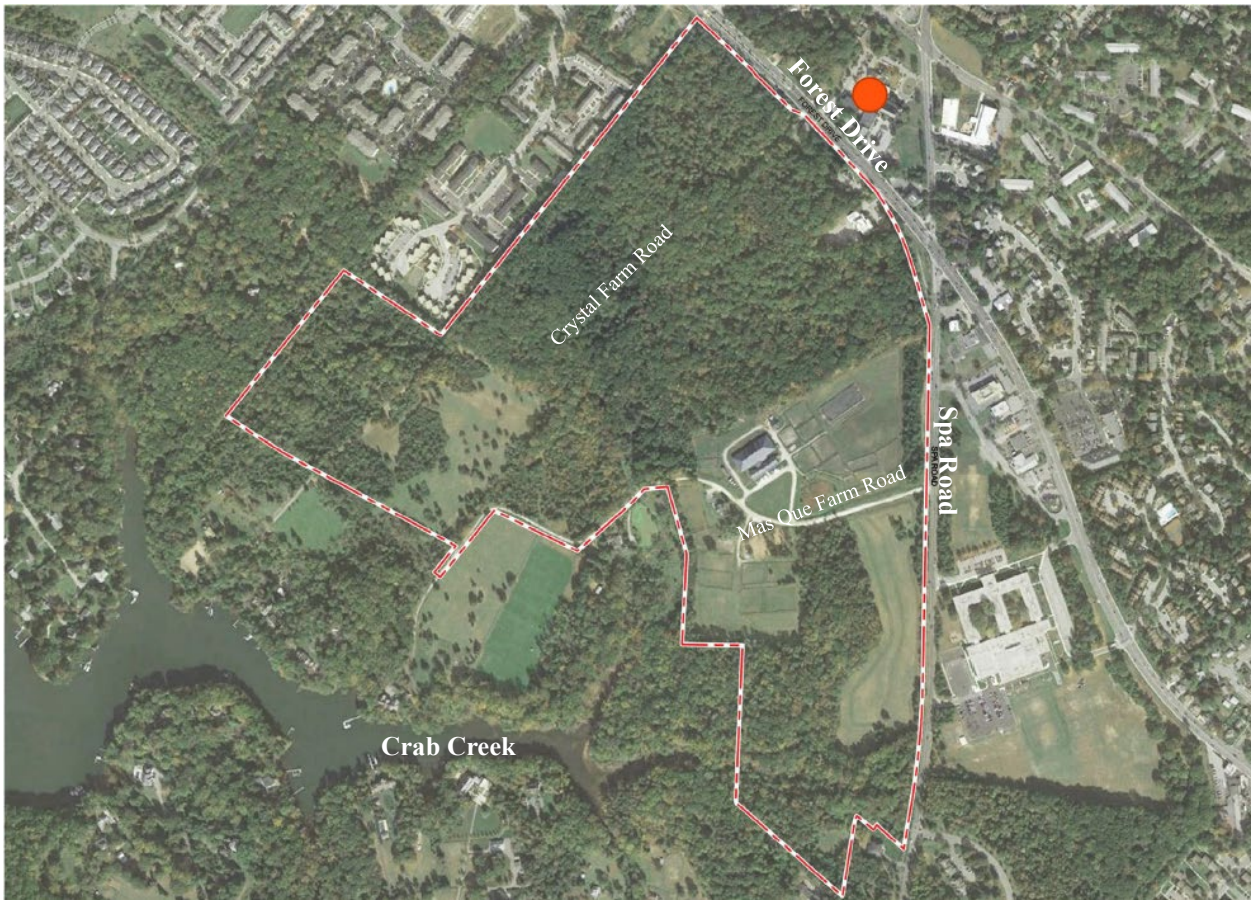
Developer's Applications

On July 25, 2017, the Developer filed, along with other applications, a Subdivision Application and Forest Conservation Approval Application with the Department. The applications were for the development of the Village, a mixed-use retirement community

[14] The Commission and Zoning Board of Appeals serve different functions. The Commission has the authority to "[h]ear and decide applications on planned developments" pursuant to Chapter 21.24. City Code § 21.08.030(E)(3). In contrast, the Zoning Board of Appeals has the authority to "[h]ear and decide applications" for special exceptions, variances from the terms of the zoning code, zoning district boundaries adjustments, physical alteration of a nonconforming use, among other matters. City Code § 21.08.040(E)(1)–(6). There is no dispute that the instant case involves the Commission's decision on the Developer's planned development application.

to be located on approximately thirty-four acres of a 175-acre parcel to the west/southwest of the intersection of Forest Drive and Spa Road in the vicinity of Crystal Spring Farm Road in the City of Annapolis.

The relevant part of the parcel in its current, undeveloped state is depicted below and annotated for clarity:



The parcel includes two farms, known as Crystal Spring Farm and Mas Que Farm; two commercial properties; and one residence adjacent to Forest Drive. Crystal Spring Farm is primarily forest and meadow land, while Mas Que Farm includes therapeutic horse-riding

facilities and the Wellness House of Annapolis.[15] Crystal Spring Farm Road, which serves a half a dozen homes on Crab Creek, bifurcates the site from Forest Drive. Mas Que Farm Road, from Spa Road, serves as access for the horse farm, Wellness House, and several homes also located on Crab Creek.

The proposed project area comprises forty-seven acres of forest designated by the City as Priority Forest.[16] Scattered throughout the existing forest are "significant trees." The Priority Forest also contains several pockets of nontidal wetlands and their associated twenty-five-foot buffers, approximately 1,000 linear feet of an intermittent stream and its

[15] The current farm owner, Janet Richardson-Pearson, purchased the two farms in 1995 and 1996. To preserve Mas Que Farm and its 1800s farmhouse from future development, Ms. Richardson-Pearson "realized she must develop part of the property [in] order to preserve the majority." In 2005, she decided to annex the property into the City of Annapolis "for the best use of the land." Ultimately, she decided on a program for continuing-care retirement living.

The Wellness House of Annapolis is described as a nonprofit organization that provides support, education, and services to help individuals and families who have been touched by cancer. The horse farm serves as a therapeutic riding facility that would be maintained in perpetuity. Mas Que Farm would be part of a seventy-five-acre conservation easement that Ms. Richardson-Pearson agreed to dedicate as part of the annexation. Two and a half acres of open field next to Spa Road would be dedicated for the future construction of a new facility for the Wellness House.

[16] Neither the City Code nor the City's Technical Manual defines "priority forest." However, the manual refers to "priority forests" in connection with forest retention areas: "Forest Retention Areas may be entire forest stands which are identified as *priority forests* in the Forest Stand Delineation or portions of stands." City of Annapolis Forest Conservation Technical Manual 31 (n.12 *supra*, emphasis added). In describing how to identify "Priority Areas for forest retention," the manual identifies forest stands in the priority areas as "sensitive areas," including contiguous forest and significant trees. *Id.*

fifty-foot stream buffer, and steep slopes.[17] The western portion of the project area also contains a nontidal wetland that has been designated as a vernal pool by the Maryland Department of the Environment. All these features represent some of the most environmentally sensitive areas on the site. A part of the 175-acre parcel is within the Chesapeake Bay Critical Area. However, lands within the Chesapeake Bay Critical Area are mostly located in the southern and western sections of the property that are not part of the project area.

On January 22, 2019, the Developer filed a Planned Development Application with the Department. After years of conceptual and preliminary design work through numerous iterations, the Developer proposes to configure the development west/southwest of the intersection of Forest Drive and Spa Road in the vicinity of Crystal Spring Farm Road as depicted in the image below:

[17] These are terms of art defined in City Code § 21.71.120. "Intermittent stream" means "a stream in which surface water is absent during a part of the year." "Stream buffer" means "all lands lying up to one hundred feet and no less than fifty feet, measured from the top of each normal bank of a perennial or intermittent stream." "Steep slope" means "a slope of fifteen percent or greater."

B.

Preliminary Forest Stand Delineation

Michael Klebasko, one of the Developer's qualified professional environmental consultants, prepared a preliminary forest stand delineation to evaluate and inventory existing vegetation on the property subject to the proposed development. Mr. Klebasko conducted a field study of about thirty-four acres located on the south side of Forest Drive and along the western edge of Spa Road. He noted that the property was located within the Crab Creek watershed, and an unnamed tributary of Crab Creek flowed southward along the southern portion of the study area.

Most of the study area consisted of mixed-hardwood forest, of which about twenty-eight acres qualified as "forest" under the City Code.[18] Mr. Klebasko categorized the forest on the site into forest stands and classified them in terms of priority for retention. He noted that no rare, threatened, or endangered species were observed during the study. The study revealed that jurisdictional waters of the U.S., including nontidal wetlands, existed within the study area, but a 100-year floodplain did not exist in the study area.

Mr. Klebasko noted the existence of 270 significant trees throughout the study area as depicted in the excerpt below. The footprint of the development site is outlined in red. Compared with the previous two images, this one correlates with the others except that it is rotated ninety degrees counterclockwise, which is the way it was presented in the record.

[18] "Forest" means "a biological community dominated by trees and other woody plants covering a land area of ten thousand square feet or greater." It includes areas that have at least one hundred live trees per acre with at least fifty percent of those trees having a two-inch or greater diameter at four and one-half feet above the ground and larger; and areas that have been cut but not cleared. City Code § 21.71.020 (defining "forest").

C.

Variance Request to Remove Sixty-Four Significant Trees

In a letter dated June 21, 2021, Mr. Klebasko, on behalf of the Developer, submitted to the Department a "Significant Tree Removal Variance Request," requesting to remove sixty-four significant trees in the development site pursuant to the variance procedure under City Code § 21.71.170. In the letter, he responded to each variance criterion under § 21.71.170(B). Regarding subsection (B)(1), Mr. Klebasko described the special conditions peculiar to the property which would cause the unwarranted hardship if the variance were not approved:

> Several conditions peculiar to this property cause an unwarranted hardship if the requested variances were not granted. First, this site contains over 250 significant trees, which are generally distributed throughout the property.

> Avoidance of all these trees would prevent any reasonable use of the property for which it is currently zoned, and preservation of the sixty-four (64) significant trees to be removed would also cause an unwarranted hardship through a significant loss of connected developable area. Furthermore, the design team, following advice from the team's arborist, the [Department], and other City staff, determined the best strategy for forest preservation on this site was the creation of large areas of contiguous forest, rather than the preservation of isolated forest stands localized around significant trees. In an effort to preserve much of the existing forest on the site, particularly those forested areas with sensitive habitats such as an intermittent stream and contiguous wetlands, development is concentrated at the front of the site near Forest Drive. Second, two (2) of the trees to be removed are in poor condition and one (1) is a 28-inch Virginia pine that would be prone to windthrow when surrounding trees are cleared. Given the overall poor health of these trees, preservation could be a safety hazard to people and any surrounding structures, further contributing to the unwarranted hardship that would result if the variance request is not approved.

Mr. Klebasko also described how enforcement of the requirements of the forest conservation law would deprive the Developer of rights commonly enjoyed by others in similar areas, *see* subsection (B)(2); that granting the variance will not confer on the Developer a special privilege that would be denied other applicants, *see* subsection (B)(3); that the variance request was not based on conditions or circumstances which are the result of actions by the Developer, *see* subsection (B)(4); that the requested variance does not arise from a condition relating to land or building use, either permitted or nonconforming, on a neighboring party, *see* subsection (B)(5); and that granting the variance will not adversely affect water quality, *see* subsection (B)(6).

D.

Justification for Disturbing Twenty-Seven Acres of Contiguous Forest

In a document dated June 26, 2021, Mr. Klebasko provided the Department with a "Justification for Disturbing Priority Forests and Priority Areas" under City Code § 21.71.070(A)(5). He explained that the project area comprised forty-seven acres of forest designated by the City as Priority Forest, which it also designated as "contiguous forest" under § 21.71.020. As noted earlier, the forest contained significant trees scattered throughout, pockets of nontidal wetland and associated buffers, an intermittent stream with its stream buffer, and a nontidal wetland designated as a vernal pool in the western portion of the project area.

Mr. Klebasko explained that the project was designed with most of the development activity close to Forest Drive and located away from significant environmental features like the nontidal wetlands, vernal pool, Chesapeake Bay Critical Area land, steep slopes, intermittent stream, and buffer in the central and rear sections of the property. The plan, he stated, minimized the total amount of development to a limited area and, as a result, limited the proposed forest clearing to about twenty-seven acres of forest.

Apparently, the Developer was uncertain whether it had to justify the disturbance of twenty-seven acres of contiguous forest under the variance standards of § 21.71.170 based on the language of § 21.71.070(A)(5)(iii)—which requires the applicant to demonstrate to the satisfaction of the Department how the disturbance to the priority forests and priority areas specified in NR § 5-1607(c)(2) "qualifies for a variance"—or the language in

§ 21.71.080(B)(2)—which requires the applicant to demonstrate to the satisfaction of the Department that the applicant "qualifies for a variance" specifically "in accordance with [§] 21.71.170."[19] "[O]ut of an abundance of caution," the Developer "elected to prepare its variance request to encompass all disturbances" to the contiguous forest on the development site and sought to "illustrate[] compliance with all Code criteria for such disturbances."

Mr. Klebasko proceeded to explain how techniques for forest retention had been exhausted and why the twenty-seven acres of contiguous forest could not be left in an undisturbed condition. Regarding how the disturbance to the contiguous forest qualified for a variance, he explained:

> This master plan has undergone numerous iterations to blend the notion of what a community can be while being sensitive to the existing environment and its core essence. Some of the moves are significant while other[s] are more nuanced, but together they are a powerful undertaking that has reduced the size of the project and overall site impact and creates a sense of place that is intimately tied to the natural spirit of the site. Because all of the existing forest on-site has been designated as Priority Forest, complete avoidance is not possible and denial of the variance would be an unwarranted hardship to the applicant. The applicant is requesting the minimum relief necessary to construct a facility that provides needed services to local residents. Furthermore, the proposed Project not only meets all Forest Conservation

[19] In a footnote, Mr. Klebasko, on behalf of the Developer, posited that § 21.71.070(A)(5)(iii) did not invoke the variance standards of § 21.71.170:

> Contiguous forest is defined as a "priority retention area" at 21.71.020, and 21.71.070 A.5.iii. says an applicant shall demonstrate to the satisfaction of the Department how "the disturbance to the priority forests and priority areas specified in [NR] § 5-1607(c)(2) . . . qualifies for a variance." It should be noted, however, that a variance is not required for disturbance to "priority retention areas" or "priority forests" or "contiguous forests" by either 21.71.080 B.2. of the City Code or by § 5-1607(c)(2) of the State Code.

requirements on-site, but development has been limited to primarily the "Lower Priority" Priority Forests.

E.

Department's Staff Report

On December 9, 2021, the Department, through its then-acting director, issued a thirty-nine-page staff report summarizing, among other things, the Village project's compliance with Chapter 21.71. The Department concurred with the Developer's explanation for how the planned development complied with the forest conservation requirements under Chapter 21.71, which was one factor for the Commission to consider under § 21.24.90(G):

> ***G. The planned development complies with Chapter 21.71 of the Annapolis City Code.***
>
> The Project is in compliance with the City's forest conservation requirements at Code, Chapter 21.71. Please see the revised Preliminary Forest Conservation & Reforestation Plan and associated materials, (Justification for Disturbing Priority Forests and Priority Areas, Significant Tree Removal Variance Request, and Tree Removal Plan).
>
> The design has been through many iterations, and, careful consideration for priority tree stands has been foremost in the overall site design. The entire Project has been moved north of the intermittent stream and maintains, at a minimum, a 150' undisturbed buffer around the stream (and often a much wider buffer). In addition, a 200-300' buffer is maintained bordering Forest Drive to provide a natural screening of the site from Forest Drive.
>
> The entire 175-acre property will include 143 acres of permanently conserved land (81%), with, tree preservation and retention areas as required, essentially eliminating any further future development on the site beyond the limits of the proposed Project. The area to be cleared for the planned development is approximately 27.3 acres, with special attention being given to retain certain priority tree areas within the Project's footprint. Otherwise, except for a relocated Wellness House, the land will be conserved and not available for future development. This amount of land conservation

> demonstrates the [Developer's] careful consideration of the natural environment and its concurrent preservation of forest to a high extent.

In a separate section of the report, titled "Compliance with Forest Conservation Variance Standards," the Department reviewed the request for removal of the sixty-four significant trees "for conformance with the variance standards" under § 21.71.170(B). The Department concurred with the Developer's responses to the standards set forth in the request for variance to remove the significant trees prepared by Mr. Klebasko. The Department reproduced the Developer's responses in Mr. Klebasko's letter request above, addressing each variance criterion under § 21.70.170(B). At the end of the report, the Department recommended approval of the development plan subject to various conditions.

F.

Commission's Opinion and Order

Between December 16, 2021, and February 17, 2022, the Commission held public hearings on the Developer's planned development plan and application. Regarding the preliminary forest conservation plan, the Developer presented statements consistent with the information in the materials submitted with the application for planned development, summarized above. According to the Developer, the proposed disturbance to the forest would be reforested, yielding no net loss of trees.

Written and oral statements from members of the public were also considered. Certain members of the public expressed concern that the loss of trees would be detrimental to the environment. In pertinent part, appellant Valerie Casasanto stated that the proposed development would have "disastrous consequences" on the environment, including

destruction of forest and wildlife. Likewise, appellant Christine Dunham raised concerns about wildlife habitats, climate change, water quality, tree canopies, and traffic. She also claimed that there was inadequate justification for the cutting down of trees, that there were other locations within the City where this development could be built, and that development at the current location should be closer to Forest Drive. Appellant Mary Reese raised concerns about traffic, loss of tree canopy, native wildlife, and pollution in Spa Creek.

Appellant Crab Creek and its representatives variously raised concerns, including climate change, wildlife, pollution, flooding, traffic, environmental impact, environmental equity and justice, economic equity, and tax revenues. Remarks were made that the property could be turned into a park and that it is not appropriate to compare the variance request in this case with other variances granted in the City. Other comments were that the development could be one-tenth of the proposed size, which would protect the trees and still provide for a facility consistent in size with other assisted-living facilities.

On March 31, 2022, the Commission issued an Opinion and Order. In pertinent part, the Commission evaluated the Developer's compliance with Chapter 21.71, in which it reproduced the pertinent section of the Department's report above. In a separate section, titled "Compliance with Forest Conservation Law and Variance Standards," the Commission considered the proposed removal of sixty-four significant trees. The Commission addressed each criterion under § 21.70.170(B) and concurred with the Department's concurrence with the Developer's responses to the standards. In the end, the

Commission determined that the findings and recommendation contained in the Department's report satisfactorily addressed the criteria of the planned development standards, the preliminary forest conservation plan, and the variances granted with that plan. Accordingly, the Commission approved all development applications associated with the project, subject to conditions.

G.

Commission's Supplemental Opinion and Order

On August 25, 2022, Crab Creek and others filed a petition for judicial review of the Commission's decision in the Circuit Court for Anne Arundel County (Case No. C-02-CV-22-000730).

On January 13, 2023, after a hearing, the court entered an order vacating the Commission's Opinion and Order pertaining to the forest conservation assessment and remanded the case to the Commission to (1) clarify its interpretation of the statute governing contiguous forests (specifically, which City agency—the Department or the Commission—evaluates and approves the forest variance); (2) chronicle the evidence that substantiates the Developer's grounds for a variance under City Code § 21.71.170(B); and (3) articulate the facts found, the law applied, and the relationship between the two as it pertains to both variances to disturb the contiguous forest and remove the sixty-four significant trees.

On April 26, 2023, the Commission issued a sixteen-page Supplemental Opinion and Order in compliance with the court's order. The Supplemental Opinion comprised two

main parts, which we will explain in greater detail in the next sections. For now, we summarize the two main parts. In the first part, the Commission clarified its interpretation of the statutes governing "contiguous forests and forest variances." The Commission determined that proposed disturbances to contiguous forests are not subject to the variance criteria under § 21.71.170. Regarding the roles of the Department and the Commission, it explained that the Department is vested with the responsibility of "compliance review" for a proposed disturbance to contiguous forests, whereas the Commission makes findings on whether the planned development complies with the forest conservation act under Chapter 21.71. Based on this interpretation, the Commission found that the materials submitted by the Developer substantiated the proposed disturbance to the contiguous forest.

In the second part of the Supplemental Opinion and Order, the Commission articulated the evidence substantiating approval of the Developer's variance request to remove sixty-four significant trees under the variance criterion of City Code § 21.71.170(B) and concluded that the criteria were satisfied.

On May 23, 2023, the Citizens filed a petition for judicial review in the circuit court (Case No. C-02-CV-23-001034). After hearing arguments, the court affirmed the Commission's Opinion and Order as well as its Supplemental Opinion and Order.

As noted, the Citizens challenge on appeal (1) the Commission's decision to approve the request to disturb the contiguous forest[20] and (2) its decision to approve the request to

[20] In their brief, the Citizens refer to the twenty-seven acres of forest the Developer seeks to disturb as "priority forest." At oral argument, they clarified that what they were referring to was "contiguous forest" as defined under the City Code.

remove the significant trees. According to the Citizens, because the Commission erred in approving these variances, the Commission, by extension, erred in approving the preliminary forest conservation plan (FCP2017-006), the subdivision application (SUB2017-004), and the planned development application (PD2019-001).[21]

III.

STANDARDS OF REVIEW

"When an appellate court reviews a decision of an administrative agency, we look through the decision of the circuit court and evaluate the agency's decision." *Cosgrove v. Comptroller of Md.*, 263 Md. App. 147, 158 (2024) (cleaned up).

"When reviewing factual findings and inferences drawn from those findings, we utilize the substantial evidence standard, 'by which the court defers to the facts found and the inferences drawn by the agency when the record supports those findings and

[21] The Developer's brief includes a motion to dismiss the appeal based on the Citizens' alleged failure to preserve the issues for appeal. We deny the motion to dismiss. Maryland Rule 8-131(a) provides that "[o]rdinarily, an appellate court will not decide any other issue unless it plainly appears *by the record to have been* raised in *or decided by* the trial court[.]" This "preservation requirement is equally applicable to administrative appeals." *Zakwieia v. Balt. Cnty., Bd. of Educ.*, 231 Md. App. 644, 649–50 (2017).

In its Supplemental Opinion and Order, the Commission decided issues that are the subject of this appeal. Even if the Citizens did not expressly raise the issues at the Commission hearing, the issues were "decided by" the Commission. *See* Md. Rule 8-131(a). Therefore, the issues have been properly preserved for our review. *See Colburn v. Dep't of Pub. Safety & Corr. Servs.*, 403 Md. 115, 135 n.13 (2008) (rejecting appellee's argument that issue was not raised below by appellants and thus not preserved when the administrative law judge addressed the issue in a written opinion). This, however, does not mean that all contentions raised in the Citizens' brief in support of these issues are preserved. *See infra*, Section V.B.

inferences.'" *Ben Porto & Son, Ltd. v. Montgomery Cnty.*, 262 Md. App. 323, 353 (2024) (citation omitted). We "consider whether a reasoning mind reasonably could have reached the [agency's] factual conclusion." *Id.* (alteration in original) (citation omitted).

"We also review an agency's decision for 'errors of law,' which we review '*de novo* for correctness.'" *Id.* (citation omitted). Categories of potential legal errors include, as relevant here, whether the agency correctly interpreted an applicable statute or regulation. *See Comptroller of Md. v. FC-GEN Operations Invs. LLC*, 482 Md. 343, 360 (2022). With this category, we occasionally apply agency deference when reviewing errors of law. *Id.* More weight is given to the agency's interpretation when it "resulted from a process of reasoned elaboration by the agency, when the agency has applied that interpretation consistently over time, or when the interpretation is the product of contested adversarial proceedings or formal rule making." *Md. Dep't of the Env't v. Assateague Coastal Tr.*, 484 Md. 399, 451–52 (2023) (citation omitted).

When the "error of law" involves an administrative agency's interpretation of its own rule or regulation, even more deference is in order. *In re Md. Off. of People's Couns.*, 486 Md. 408, 441 (2024). "It is well-settled that an administrative agency is entitled to deference in the interpretation of its own propounded regulations unless the agency's interpretation is clearly erroneous or inconsistent with the regulation." *Para v. 1691 Ltd. P'ship*, 211 Md. App. 335, 389 (2013). "Because an agency is best able to discern its intent in promulgating a regulation, the agency's expertise is more pertinent to the interpretation of an agency's rule than to the interpretation of its governing statute." *Kor-Ko Ltd. v. Md.*

Dep't of the Env't, 451 Md. 401, 413 (2017) (citation omitted). "Put another way, the courts do not play the role of an über administrative agency in reviewing the actions of state or local administrative bodies, but, rather we exercise discipline in our review so as not to cross the separation of powers boundary." *Id.*

Mixed questions of law and fact "arise when an agency has correctly stated the law, its fact-finding is supported by the record, and the remaining question is whether the agency has correctly *applied* the law to the facts." *Crawford v. Cnty. Council of Prince George's Cnty.*, 482 Md. 680, 695 (2023). In other words, "mixed questions implicate '*how* an agency applied, as opposed to interpreted, a statute.'" *Id.* (citation omitted). A reviewing court applies "the deferential standard of review not only to [the agency's] fact-finding and its drawing of inferences, but also to its application of the law to the facts." *FC-GEN*, 482 Md. at 363 (alteration in original) (citation omitted). However, "if the [agency's] legal conclusions are wrong, a reviewing court may substitute the correct legal principles." *NCR Corp. v. Comptroller of the Treasury, Income Tax Div.*, 313 Md. 118, 134 (1988) (citations and internal quotation marks omitted).

IV.

CONTIGUOUS FOREST

In the first part of the Commission's Supplemental Opinion and Order, the Commission interpreted the relevant Code provisions as follows, the emphasized portion of which the Citizens challenge:

> The Commission has the power and duty to hear and decide applications on planned developments pursuant to the provisions set forth

under Chapter 21.24 of the Code. See Code § 21.08.030. In deciding on a planned development application, the Planning Commission must find that "[t]he planned development complies with Chapter 21.71 of the Annapolis City Code." Code § 21.24.090(G). Chapter 21.71 of the Code governs Forest Conservation.

Under Code § 21.71.020, "Contiguous forest" is defined to mean "a forest of twenty acres or more that connects the largest undeveloped or vegetated tracts of land within, and adjacent to, a site." Code § 21.71.080(B)(1)(ii), provides that "contiguous forest" areas "shall be left in an undisturbed condition unless the applicant has demonstrated, to the satisfaction of the Department, that reasonable efforts have been made to protect [the contiguous forest] and the plan cannot be reasonably altered." Notably, Code § 21.71.080(B)(1) does not require that proposed disturbances to "contiguous forest" obtain variance approval pursuant to Code § 21.71.170.

In comparison, Code § 21.71.080(B)(2) provides that three (3) categories of certain "trees, shrubs, plants, and specific areas . . . shall be left in an undisturbed condition unless the applicant has demonstrated, to the satisfaction of the Department, that the applicant qualifies for a variance in accordance with Section 21.71.170 of this Chapter." Notably, "Contiguous forest" is not contemplated under the three (3) categories of "trees, shrubs plants, and specific areas" governed under Code § 21.71.080(B)(2). Significant trees, however, are contemplated under Code § 21.71.080(B)(2), and therefore require variance approval in accordance with Code § 21.71.170.

The Commission interprets the Code to mean that disturbances to "Contiguous forest" does not require variance approval in accordance with Code § 21.71.170. The Planning Commission further interprets the Code to mean that proposed disturbance to "contiguous forest" is reviewed by the Department of Planning and Zoning, which evaluates and assesses the proposed disturbance to ensure "to the satisfaction of the Department" that "reasonable efforts" have been made to protect the contiguous forest and "the plan cannot be reasonably altered."

Code § 21.71.070(A)(5)(iii), however, provides that "if existing forest on the site subject to a forest conservation plan cannot be retained, the applicant shall demonstrate to the satisfaction of the Department . . . how the disturbance to the priority forests and priority areas specified in [NR] § 5-1607(c)(2) . . ., qualifies for a variance." Unlike Code § 21.71.080(B)(2), which specifically mandates a variance "in accordance with Section 21.71.170," Code § 21.71.070(A)(5)(iii) does not require that variance

approval be obtained pursuant to Code § 21.71.170. Notably, although [NR] § [5]-1607(c)(2) addresses certain "trees, shrubs, plants, and specific areas," neither "contiguous forest" nor "priority forests" are included among them. Further, neither "priority forests" nor "priority areas" are defined terms under Chapter 21.71.

The Commission interprets Code § 21.71.070(A)(5)(iii) to mean that it is within the province of the Department to evaluate and assess how proposed disturbances to priority forests and priority areas qualify for a variance. The variance referenced under (A)(5)(iii), however, does not mandate variance approval pursuant to Code § 21.71.170 – it merely requires that the applicant demonstrate, to the Department's satisfaction, how the proposed disturbance "qualifies for a variance." It is the Commission's opinion that the method of review for determining whether proposed disturbance to priority forest and priority areas "qualifies for a variance" *is left to the discretion of the Department and does not necessarily require consideration of the criteria provided under Code § 21.71.170.*

In accordance with its interpretations of the Code above, the Commission finds that compliance review as to whether proposed disturbance to contiguous forest or priority forest "qualifies for a variance" under Code §§ 21.71.080(B)(1) or 21.71.070(A)(5)(iii) *is vested with the Department.* However, under Code § 21.24.090(G) the Planning Commission must make findings on whether "[t]he planned development complies with Chapter 21.71" of the Code.

Accordingly, the Commission found that the planned development complies with Chapter 21.71 of the Code. Along with its Forest Conservation Application and its Preliminary Forest Conservation Plan, the [Developer] submitted a myriad of plans, reports, and memoranda to the Department in support of its proposed disturbance to the contiguous forest and priority forest, as well as its proposal to remove sixty-four (64) significant trees. Included among the [Developer's] submittal materials was a letter dated June 21, 2021, to the Director of the Department of Planning and Zoning addressing each of the variance criteria under Code § 21.71.170(B) in justification of the removal of the sixty-four (64) significant trees (the "Significant Tree Letter"), and a memorandum, dated June 21, 2021, titled Justification for Disturbing Priority Forests and Priority Areas (the "Justification"). Upon review of all forest conservation application materials, the Department has, in its discretion, issued a recommendation of approval for the project and all of its forest conservation elements, including the variance request to disturb contiguous forest and priority forest, as well as the variance to remove the sixty-four (64) significant trees.

> Importantly, the Commission found that the evidence chronicled in its original Opinion and Order, as well as the evidence chronicled in this supplement thereto, substantiates approval of the variance to remove sixty-four (64) significant trees, and substantiates qualification for the variance to disturb contiguous forest and priority forest. It is clear that the two variances requested, albeit separate, are inherently similar since the sixty-four (64) significant trees sought to be removed are scattered throughout the contiguous forest itself. The Significant Tree Letter and the Justification, in addition to the exhaustive additional application materials submitted by the [Developer], detail how the facts which substantiate the removal of the sixty-four (64) significant trees additionally substantiate the proposed disturbance to the contiguous forest where such trees reside. Based on these materials, . . . the Commission finds that the Department was correct when it determined that it was satisfied that the [Developer] had demonstrated that it qualified for a variance to remove contiguous and priority forest at the property.

(emphasis added).

A.

Citizens' Contentions

The Citizens contend that the Commission erred in approving the disturbance to the contiguous forest because approval was not decided in accordance with § 21.71.170 and because approval was not decided by the Commission alone. They rely on § 21.71.070(A)(5)(iii) as the starting point. According to the Citizens, if an applicant wishes to disturb contiguous forest, the applicant must comply with § 21.71.070(A)(5)(iii), which provides that "[i]f existing forest on the site subject to a forest conservation plan cannot be retained, the applicant shall demonstrate to the satisfaction of the Department . . . How the disturbance to the priority forests and priority areas specified in [NR] § 5-1607(c)(2) . . . , *qualifies for a variance*." (emphasis added).

The Citizens contend that a request to disturb any priority area, including a contiguous forest, must be evaluated in accordance with § 21.71.170. They claim that the definition of "variance" correlates with § 21.71.170(A) (titled "Variances"), which "reaffirms" its meaning to require an applicant who requests a variance from the City's and State's forest conservation law to "demonstrate[] that enforcement would result in unwarranted hardship to the applicant." The Citizens highlight language in § 21.71.170(F) providing that "[a]ny variance must be submitted to the Planning Commission . . . for final determination" in connection with a planned development. Reading these provisions together, the Citizens conclude that "any variance" requested from a requirement of the City's and State's forest conservation law, including disturbances of contiguous forests, must be evaluated in accordance with § 21.71.170 and decided by the Commission alone, not the Department, in connection with a planned development.

According to the Citizens, their interpretation of these provisions harmonizes the provisions of Chapter 21.71 by delineating a clear process where all variances associated with planned developments before the Commission are reviewed and approved by the Commission simultaneously with the development plans. They contend the Commission's interpretation arbitrarily creates a separate procedure for assessing proposed disturbances of contiguous forest versus proposed disturbances to significant trees, even though both are associated with the same planned development.

B.

Analysis

Because the Citizens' contentions involve an interpretation of the Code provisions, we apply the principles of statutory interpretation. *See Hranicka v. Chesapeake Surgical, Ltd.*, 443 Md. 289, 298 (2015) ("When we construe an agency's rule or regulation, 'the principles governing our interpretation of a statute apply.'" (citation omitted)).

i. Citizens' Reliance on § 21.71.070(A)(5)(iii) and Definition of "Variance"

The Citizens' reliance on § 21.71.070(A)(5)(iii) is inapt. The section does not apply to contiguous forests; it specifically pertains to priority forests and areas "specified" in NR § 5-1607(c)(2) (C.2 Resources), none of which include contiguous forests. *See* NR § 5-1607(c)(2)(i)–(iii).

In addition, we are not persuaded by the Citizens' argument that the word "variance," when read together with § 21.71.170, means that a proposed disturbance of *any* priority forest or area is subject to the variance standards under § 21.71.170(A) (unwarranted hardship) and (B) (other variance criteria). "Variance" is broadly defined in Chapter 21.71 as an "exemption granted to an applicant from one or more requirements of this chapter." The definition does not contain any reference to unwarranted hardship or the other criteria under § 21.71.170.[22]

[22] Interestingly, in an earlier iteration of the proposed legislation, "variance" was defined as "an exemption to one or more requirements in this chapter when the requirement or requirements *would result in unwarranted hardship*, as defined by applicable law, to the person. . . ." *See* O-32-14 (emphasis added). The "unwarranted hardship" language in the

ii. Different Standards for Different Resources

The Citizens' interpretation that a request to disturb *any* priority forest or area, including contiguous forests, is subject to § 21.71.170 is not supported by the plain language of the relevant Code provisions. Rather, these provisions establish different standards for evaluating proposed disturbances, which vary based on the type of priority forest or area being affected. Sections 21.71.070(A)(5) (forest conservation plan) and 21.71.080(B) (requirements for retention) illustrate these different standards. We explain.

a. Forest Conservation Plan Under § 21.71.070(A)(5)

In the context of preparing a forest conservation plan under § 21.71.070(A)(5), the applicant claiming that existing forest on the site subject to the forest conservation plan cannot be retained must demonstrate to the satisfaction of the Department how techniques for forest retention have been exhausted. City Code § 21.71.070(A)(5)(i). The applicant must also make other showings depending on whether the area sought to be disturbed is a C.1 or C.2 Resource.

Under subsection (A)(5)(ii), if the priority forest or area sought to be disturbed is a C.1 Resource—contiguous forest being one of them—then the applicant must demonstrate "[w]hy [it] cannot be left in an undisturbed condition," "how the sequence for afforestation

definition was later removed in an amended draft. *See* O-32-14 (Amended). *See Leppo v. State Highway Admin.*, 330 Md. 416, 424 (1993) (reasoning that "amendments occurring as a bill progresses through the General Assembly fairly bear on the fundamental issue of legislative purpose or goal" in holding that the removal during the legislative process of a particular category of claims from a list of exempted claims was "strong evidence that the Legislature intended" for those claims to be subject to the requirements (citing *Kaczorowski v. Mayor of Balt.*, 309 Md. 505, 514–15 (1987))).

or reforestation will be followed," and "[w]here on the site . . . afforestation or reforestation will occur in compliance with [NR] § 5-1607." City Code § 21.71.070(A)(5)(ii). In contrast, under subsection (A)(5)(iii), if the priority forest or area sought to be disturbed is a C.2 Resource—contiguous forest not being one of them—the applicant must demonstrate how the disturbance "qualifies for a variance." City Code § 21.71.070(A)(5)(iii).

b. Requirements for Retention Under § 21.71.080(B)

Section 21.71.080(B), which provides for requirements for retention, also sets forth different standards for evaluating disturbances depending on the resource sought to be disturbed. Subsection (B)(1) provides that certain "trees, shrubs, plants, and specific areas"—contiguous forest being one of them—"are considered priority for retention and protection and shall be left in an undisturbed condition unless the applicant has demonstrated, to the satisfaction of the Department, *that reasonable efforts have been made to protect them and the plan cannot reasonably be altered*." (emphasis added).

In contrast, subsection (B)(2) provides that certain "trees, shrubs, plants, and specific areas"—significant trees being one of them, but not contiguous forest—"are considered priority for retention and protection and shall be left in an undisturbed condition unless the applicant has demonstrated, to the satisfaction of the Department, that the applicant *qualifies for a variance in accordance with Section 21.71.170 of this chapter*." (emphasis added).

Contrary to the Citizens' assertion, the plain language of § 21.71.080(B)(1) and (B)(2) unambiguously sets forth different standards for assessing proposed disturbances

depending on the type of trees, shrubs, plants, or specific areas sought to be disturbed. A review of the legislative history of the Act confirms this interpretation. *See State v. Roshchin*, 446 Md. 128, 140 (2016) (explaining that even "when the language is unambiguous, it is useful to review legislative history of the statute to confirm that interpretation and to eliminate another version of legislative intent alleged to be latent in the language").

As noted, the resources listed under § 21.71.080(B)(1) and (B)(2) generally correlate with those under NR § 5-1607(c)(1) and (c)(2) (C.1 and C.2 Resources, respectively), except for the more stringent requirement of significant trees noted earlier. Because the local forest conservation law must be consistent with the intent, requirements, and standards of the Act, *see* NR § 5-1603(a)(1), looking to the legislative history of NR § 5-1607(c)(1) and (c)(2) can be informative in discerning the intent behind the City Code provisions modeled after them. *See, e.g.*, *Balt. City Det. Ctr. v. Foy*, 461 Md. 627, 632–33 (2018) (where the legislature modeled the State Correctional Officers' Bill of Rights ("COBR") after the Law Enforcement Officers' Bill of Rights ("LEOBR"), looking to the LEOBR can be an "informative source" for interpreting the COBR's provisions).

When the Act was initially enacted in 1991, the original version of NR § 5-1607(c) applied the same standard for evaluating disturbances to C.1 and C.2 Resources. *See* 1991 Md. Laws, Ch. 255, at 2051–52. In the section's original iteration, C.1 and C.2 Resources were to be left undisturbed unless the applicant had demonstrated "to the satisfaction of the

State or local authority that reasonable efforts had been made to protect them and the plan could not be altered." *Id.* at 2051. Former NR § 5-1607(c) stated:

> (c) The following trees, shrubs, plants, and specific areas shall be considered priority for retention and protection, and they shall be left in an undisturbed condition unless the applicant has demonstrated, *to the satisfaction of the State or local authority that reasonable efforts have been made to protect them and the plan cannot reasonably be altered*:
>
> (1) Trees, shrubs, and plants located in sensitive areas including 100-year floodplains, intermittent and perennial streams and their buffers, coastal bays and their buffers, steep slopes, and critical habitats;
>
> (2) Contiguous forest that connects the largest undeveloped or most vegetated tracts of land within and adjacent to the site;
>
> (3) Trees, shrubs, or plants identified on the list of rare, threatened, and endangered species of the U.S. Fish and Wildlife Service or [DNR];
>
> (4) Trees that are part of a historic site or associated with a historic structure or designated by [DNR] or local authority as a national, State, or local Champion Tree; and
>
> (5) Trees having a diameter measured at 4.5 feet above the ground of:
>
> (i) 30 inches; or
>
> (ii) 75% of the diameter, measured at 4.5 feet above the ground, of the current State Champion Tree of that species as designated by [DNR].

NR § 5-1607(c) (2005 Repl. Vol.) (emphasis added).

In 2009, the General Assembly amended NR § 5-1607(c) to require a variance for the disturbance of certain vegetation and areas of land. *See* S.B. 666, 2009 Leg., 426th Sess. (Md. 2009). The purpose of the amendment was to "alter[] the standard that a person is required to meet to determine whether certain vegetation and areas of land may be disturbed." S.B. 666; *see also* DNR Bill Report (Feb. 24, 2009), S.B. 666, 2009 Leg., 426th

Sess., Bill File at 59 (Md. 2009) (explaining that Senate Bill 666 proposed modifications to the existing Act including "requiring a variance for disturbance of sensitive areas").[23]

In accordance with that purpose, the resources itemized under former subsections (c)(3) through (5) were placed under what is now subsection (c)(2). *See* 2009 Md. Laws, Ch. 298, at 1503. Subsection (c)(2) was amended to read:

> (c)(2) The following trees, shrubs, plants, and specific areas shall be considered priority for retention and protection, and they shall be left in an undisturbed condition unless the applicant has demonstrated, to the satisfaction of the State or local authority, that the applicant *qualifies for a variance under § 5-1611 of this subtitle*:
>
> (i) Trees, shrubs, or plants identified on the list of rare, threatened, and endangered species of the U.S. Fish and Wildlife Service or [DNR];
>
> (ii) Trees that are part of a historic site or associated with a historic structure or designated by [DNR] or local authority as a national, State, or local Champion Tree; and
>
> (iii) Trees having a diameter measured at 4.5 feet above the ground of:
>
> 1. 30 inches; or
>
> 2. 75% of the diameter, measured at 4.5 feet above the ground, of the current State Champion Tree of that species as designated by [DNR].

NR § 5-1607(c)(2) (2012 Repl. Vol.) (emphasis added). Under subsection (c)(1), proposed disturbances to contiguous forests remain subject to the standard of whether "reasonable efforts have been made to protect them and the plan cannot reasonably be altered." NR § 5-1607(c)(1)(ii).

[23] The amendment drew concerns from certain industry stakeholders, one of which expressed that the change "moves decisions about clearing priority forest from an administrative setting in the reviewing agency to an expensive and problematical quasi judicial variance test." *See* Letter from NAIOP to Chair of Senate Education, Health and Environmental Affairs Committee (Feb. 24, 2009), S.B. 666, 2009 Leg., 426th Sess., Bill File at 79–80 (Md. 2009).

Thereafter, and consistent with the amendments to the Act, DNR adopted amendments to COMAR and the model ordinance to require "a variance for any disturbance to specific priority areas for retention." 36 Md. Reg. 18 at 1385–86. DNR proposed amendments to Article VII (Afforestation and Retention) of the model ordinance, which were ultimately adopted. The italicized text below indicated new language, while the brackets indicated deleted text:

> 7.2 Retention. The following trees, shrubs, plants, and specific areas are considered priority for retention and protection and shall be left in an undisturbed condition unless the applicant has demonstrated, to the satisfaction of the Department, that reasonable efforts have been made to protect them and the plan cannot reasonably be altered:
>
> A. Trees, shrubs, and plants located in sensitive areas including the 100-year floodplain, intermittent and perennial streams and their buffers, coastal bays and their buffers, steep slopes, nontidal wetlands, and critical habitats; *and*
>
> B. Contiguous forest that connects the largest undeveloped or most vegetated tracts of land within and adjacent to the site**[**;**]**.
>
> *7.2-1 Retention. The following trees, shrubs, plants, and specific areas are considered priority for retention and protection and shall be left in an undisturbed condition unless the applicant has demonstrated, to the satisfaction of the Department, that the applicant qualifies for a variance in accordance with Section 14.1 of this article:*
>
> **[**C.**]** *A.* — **[**E.**]** *C.* (text unchanged)

36 Md. Reg. 18 at 1387 (Aug. 28, 2009); *see* 36 Md. Reg. 22 at 1723 (Oct. 23, 2009) (adopting amendments effective Nov. 2, 2009). The resources listed under "**[**C.**]** *A.* — **[**E.**]** *C.* (text unchanged)" refers to:

> C. Trees, shrubs, or plants determined to be rare, threatened, or endangered under:
>
> (1) The federal Endangered Species Act of 1973 in 16 U.S.C. §§ 1531–1544 and in 50 CFR Part 17;

(2) The Maryland Nongame and Endangered Species Conservation Act, [NR] §§ 10-2A-01–10-2A-09[;] and

(3) COMAR 08.03.08 [threatened and endangered species];

D. Trees that:

(1) Are part of a historic site;

(2) Are associated with a historic structure; or

(3) Have been designated by the State or the Department as a national, State, or county champion tree; and

E. Any tree having a diameter measured at 4.5 feet above the ground of:

(1) 30 inches or more; or

(2) 75 percent or more of the diameter, measured at 4.5 feet above the ground, of the current State champion tree of that species as designated by [DNR].

18 Md. Reg. 23 at 2545–46 (Nov. 15, 1991). Thus, the legislative history of NR § 5-1607(c)(1) and (c)(2), which served as the basis for the model ordinance later adopted by the City Council in § 21.71.080(B)(1) and (B)(2), confirms that different standards apply to disturbances in priority forests and areas, depending on the type of resource impacted. We conclude, based on the plain language and legislative history, that the disturbance of the contiguous forest is not subject to the variance standards in accordance with § 21.71.170, whereas the disturbance of significant trees is.

The Citizens argue that even if the proposed disturbance to the contiguous forest does not need to satisfy the variance criteria under § 21.71.170, the disturbance must still meet the "minimum requirements" outlined in the variance policy and procedures of NR § 5-1611. We disagree. As explained, the Act established different standards for evaluating proposed disturbances based on the resource being affected. NR § 5-1607(c)(2), which

requires an assessment of whether the proposed disturbance "qualifies for a variance under § 5-1611," does not categorize contiguous forests as a C.2 Resource for which this standard applies.

iii. Roles of the Department and Commission

The Department has distinct yet overlapping roles under Chapters 21.24 and 21.71. Under Chapter 21.24, the Department, through its director, must review the planned development application and prepare a staff report to be transmitted to the Commission for consideration. *See* City Code § 21.24.070(D). Given that compliance with Chapter 21.71 is a factor that the Commission must consider in deciding on a planned development application, *see* § 21.24.090(G), it is understandable that the Department reviews compliance with Chapter 21.71 as part of its staff report and its assessment of whether to recommend to the Commission approval of the planned development application.

Under Chapter 21.71, the Department reviews and assesses proposed disturbances pursuant to §§ 21.71.070(A)(5) and 21.71.080(B). These provisions require the applicant to demonstrate "to the satisfaction of the Department" specific criteria, depending on the areas affected. The phrase "to the satisfaction of" is inherently discretionary. *See Rahman v. Bondi*, 131 F.4th 399, 407 (6th Cir. 2025) (explaining that the majority view among circuits is that the phrase "to the satisfaction of" is "inherently discretionary") (citations omitted); *see also Poh v. Nielsen*, No. PWG-17-3825, 2019 WL 1002596, at *4 (D. Md. Mar. 1, 2019) (examining the dictionary definitions of "to the satisfaction of" and concluding that the "ordinary meanings suggest that 'to the satisfaction of' is a subjective,

or discretionary, concept"). Given the Department's interconnected roles under Chapters 21.24 and 21.71, it is expected that the staff report will include a review and assessment of the applicant's compliance with Chapter 21.71, as well as an evaluation of proposed disturbances under §§ 21.71.070(A)(5) and 21.71.080(B).

Ultimately, however, the Commission is responsible for making the final decision on whether to approve the planned development. In reaching this decision, the Commission must provide written findings that evaluate, among other factors, the compliance of the planned development with Chapter 21.71. *See* § 21.24.090(G). Implicitly, this evaluation includes determining if the applicant has demonstrated various criteria to the Department's satisfaction, depending on the area the applicant seeks to disturb. Additionally, the Commission must make a final determination as to whether the applicant qualifies for a variance under § 21.71.170, provided that the requested variance falls within the scope of § 21.71.170. *See* City Code § 21.71.170(F) ("Any variance must be submitted to the Planning Commission . . . with the project or development plan for final determination.").

Contrary to the Citizens' assertion, the provisions under Chapter 21.71 do not establish separate procedures for evaluating proposed disturbances to contiguous forests and significant trees. While such assessments involve different standards, as previously discussed, they are conducted under one unified procedure in the context of a planned development. In the first part, the Department fulfills its responsibilities under Chapters 21.24 and 21.71. This includes reviewing and assessing proposed disturbances under §§ 21.71.070(A)(5) and 21.71.080(B), as well as § 21.71.170 when these variance criteria

are invoked. In the second part, the Commission reviews the planned development application to ensure compliance with Chapter 21.71, which implicitly includes the Department's assessment of proposed disturbances under §§ 21.71.070(A)(5) and 21.71.080(B). The Commission then makes a final determination regarding the planned development application, including any variance request subject to § 21.71.170. *See* City Code § 21.71.170(F).

For the reasons stated, we conclude that the Commission did not err in interpreting the relevant provisions of Chapter 21.71 in the Supplemental Opinion and Order, above.[24]

V.

SIGNIFICANT TREES

As stated, a request to remove significant trees is subject to variance procedures under § 21.71.170. Under subsection (A), an applicant may request a variance from Chapter

[24] Assuming *arguendo* that the Department had authority to "approve" or make a final determination regarding the proposed disturbance to the contiguous forest, the Citizens argue that the Commission did not demonstrate that the Department actually approved the disturbance. According to the Citizens, the Department failed to approve the disturbance, as the recommendation for approval in the staff report did not constitute formal approval. Furthermore, even if the staff report's recommendation was considered formal approval, the Citizens contend that the Department should have, but did not, make written findings to show that the variance criteria were met in accordance with § 21.71.170(C) ("The Department shall make written findings that the applicant has met the requirements of Subsections A. and B. of this section before the Department may grant a variance.").

These alternative arguments assume that § 21.71.170 applies to proposed disturbances to contiguous forest and that the Department made a final determination on this proposed disturbance. However, as explained, § 21.71.170 does not apply to such disturbances, and it is the Commission that makes a final determination on the planned development application, including variance requests that are subject to § 21.71.170.

21.71 or the Act if the applicant demonstrates that enforcement would result in "unwarranted hardship" to the applicant. City Code § 21.71.170(A). In addition, under subsection (B), an applicant for a variance must address six requirements: (1) describe the special conditions peculiar to the property that would cause the unwarranted hardship; (2) describe how enforcement of these rules will deprive the applicant of rights commonly enjoyed by others in similar areas; (3) verify that the granting of the variance will not confer on the applicant a special privilege that would be denied to other applicants; (4) verify that the variance request is not based on conditions or circumstances which are the result of actions by the applicant or by any previous owner of the property; (5) verify that the request does not arise from a condition relating to land or building use, either permitted or nonconforming, on a neighboring property; and (6) verify that the granting of a variance will not adversely affect water quality. City Code § 21.71.170(B).

The Citizens challenge the Commission's application of the criterion in subsection (B)(1), which relates to the "special conditions peculiar to the property" that would cause unwarranted hardship to the applicant. They also challenge the Commission's finding of unwarranted hardship alongside applying the criterion in subsection (B)(4), which assesses whether the variance request is based on conditions or circumstances resulting from the applicant's actions. We address them in turn.

A.

Special Conditions Peculiar to the Property

Under subsection (B)(1), the Commission found "special conditions peculiar to the property which, without the requested variance, would deny the [Developer] of a reasonable and significant use of the property." It explained as follows:

> The Commission finds that the property is unique in size – evidence before the Commission demonstrated that this 180-acre parcel is one of the largest undeveloped, yet developable, tracts of land in the City. The Commission additionally accepted that the entire property is predominately covered by priority forest, including more than 250 significant trees scattered throughout. The Commission is persuaded by Mr. Klebasko's testimony and finds that the property cannot be developed for a reasonable use while avoiding all significant trees. The [Developer's] forest stand delineation materials, including the Supplemental Forest Stand Delineation Report, make this quite clear. The Natural Resources Inventory details where the high priority forest exists on the property, and the [Developer's] request for the variance to remove sixty-four (64) significant trees appears to be a direct result of its attempt to retain the 'highest' of the high-priority forest and to not disturb long-standing environmental features on other parts of the property. As a result, the [Developer] must cluster the development where the 'lowest' of the high-priority forest is located, and it has[.]
>
> * * *
>
> Along with the [Developer's] Forest Conservation Plan materials, these reports, as well as testimony from the [Developer's] professionals, additionally evidence the existence of and location of certain natural features, including vernal pools, wetlands and intermittent streams which are unique to the property and demonstrate that a variance to the significant trees is necessary in order to avoid unwarranted hardship.
>
> Further, the Commission acknowledges that the Comprehensive Plan identifies the property as part of the Forest Drive Opportunity Area,[25] and

[25] Opportunity Areas in the City are selected based on where the character of the area is expected or desired to change. There are four Opportunity Areas in the City of Annapolis. The project site is a major piece of the Forest Drive Opportunity Area. One of the goals for the Forest Drive Opportunity Area is that the intense development of the site should be clustered and closer to Forest drive to preserve the majority of the existing site.

goes so far as to expressly recognize that the property possesses two unique features: substantial acreage and unified ownership. The Commission gives great weight to the Comprehensive Plan in favor of these criteria, and finds that these unique characteristics to the Property, in combination with how the local legislature has determined the property should be used, adequately demonstrates conditions peculiar to this property which cause an unwarranted hardship without the requested variance to remove significant trees.

The Commission also considered the [Developer's] commitment to the design and construction of Skipper's Lane through the site. Skipper's Lane is [a] small street parallel to Forest Drive, which the City has, for many years, desired to continue through the [Developer's] site. The [Developer] has committed to donate land, fund the purchase of off-site land, and to fund the design and construction of the extension of Skipper's Lane through the project to Spa Road. The Commission finds that this opportunity, and commitment by the [Developer], constitutes a unique characteristic of the Property that will mitigate negative traffic impacts on Forest Drive and will create a safe, low stress avenue for people who cannot or choose not to drive to access nearby amenities, including the Safeway, the Annapolis Middle School, and the City recreation centers. Absent the requested variance to remove sixty-four (64) significant trees, the [Developer] would suffer an unwarranted hardship which frustrates the needs of the City.

The Commission additionally finds that a substantial portion of the property proposed for development lies close to Forest Drive and is covered by contiguous forest, including the sixty-four (64) significant trees. Accordingly, to deny the requested variance would force the development into the less forested areas of the property, nearer to Crab Creek and its tributaries, and into the Chesapeake Bay Critical Area where development is critically limited. Accordingly, it is the Commission's opinion that if the [Developer] were denied the variance to remove sixty-four (64) significant trees, it would be denied a reasonable and significant use of its property to develop the proposed Institution for the Care of Aged. The Commission finds that to deny the requested variance would cause the development to be so discontiguous as to be impractical for the proposed use.

In sum, each of the above-described conditions are unique to this property and evidence the existence of special conditions peculiar to the property, each of which, alone, would create an unwarranted hardship for the [Developer]. And to be sure, the Commission finds that taken together, the above-described evidence demonstrates a special set of conditions unique to the subject property which satisfies this same variance criteria.

i. "Variance" "Does Not Mean Zoning Variance"

The Citizens argue that the Commission erred when it concluded that the property was unique based on factors that do not relate to the land itself, such as unified ownership of the property, zoning for commercial/retail and higher-density residential development on the property, designation of the property in an opportunity area, proximity of the property to Forest Drive, and the proposal to construct an extension to Skippers Lane.

The Citizens rely on *Cromwell v. Ward*, 102 Md. App. 691 (1995), and its progeny cases of *King v. Helfrich*, 263 Md. App. 174 (2024), *Dan's Mountain Wind Force, LLC v. Allegany County Board of Zoning Appeals*, 236 Md. App. 483 (2018), and *Trinity Assembly of God of Baltimore City, Inc. v. People's Counsel for Baltimore County*, 407 Md. 53 (2008), for the proposition that the determination of uniqueness must be based on inherent characteristics not shared by other properties in the area, including exceptional narrowness, shallowness, or unusual shape of a specific property or exceptional topographic conditions or another extraordinary situation or special condition of the property.

The Citizens' reliance on these cases is misguided because the cases assess uniqueness in the context of zoning variances, not variances under forest conservation law. *See Bhargava v. Prince George's Cnty. Plan. Bd.*, --- Md. App. ---, No. 659, Sept. Term, 2023, slip op. at 20 (filed Apr. 1, 2025) ("Consideration of a forest conservation plan (and by extension a variance from the forest conservation requirements) is a separate regulatory process from zoning considerations.").

Chapter 21.71 expressly states that "variance" under the City's forest conservation law "does not mean a zoning variance." City Code § 21.71.020 (defining "variance"). To be sure, the City Code utilizes a different procedure for permitted zoning variances, which the Board of Appeals decides. *See* City Code § 21.28.010 (stating that the Board of Appeals is authorized to determine and vary the regulations of the zoning code); § 21.28.040 (providing for variances from the regulations of the zoning code for setbacks and building heights, among others). Section 21.28.050 sets forth the required considerations in granting a zoning variance. Among them are:

> A. Because of the particular physical surroundings, shape or topographical conditions of the specific property involved, a particular hardship to the owner would result as distinguished from a mere inconvenience if the strict letter of the regulations were to be carried out.
>
> B. The conditions upon which a petition for a variation is based are unique to the property for which the variance is sought, and are not applicable, generally, to other property within the same zoning classification.

City Code § 21.28.050. The plain language of the zoning code requires consideration of unique physical features related to the land not mentioned in § 21.71.170(B)(1). *See, e.g.*, *Bhargava*, slip op. at 21 (highlighting the "statutory separation between variances" under the municipality's zoning ordinance and forest conservation law).

In § 21.71.170(B)(1), the phrase "special conditions peculiar to the property" is not defined within the Code, nor are the individual words defined. "When statutory terms are undefined, we often look to dictionary definitions as a starting point, to identify the 'ordinary and popular meaning' of the terms . . . ." *Westminster Mgmt., LLC v. Smith*, 486 Md. 616, 644 (2024). The definition of "special" includes "distinguished by some unusual

quality," "readily distinguishable from others of the same category," "being other than the usual," or "designed for a particular purpose or occasion." *Special*, Merriam-Webster, https://www.merriam-webster.com/dictionary/special. Webster's Dictionary indicates that "unique" is synonymous with "special." *Id.*

The word "conditions" (plural) refers to "attendant circumstances." *Conditions*, Merriam-Webster, https://www.merriam-webster.com/dictionary/conditions. The word "peculiar" means "characteristic of only one person, group, or thing," or "different from the usual or normal." *Peculiar*, Merriam-Webster, https://www.merriam-webster.com/dictionary/peculiar. Taken together, an evaluation of "special conditions peculiar to the property" is not limited to unique physical features of the land; it may also encompass other circumstances. This interpretation aligns with the variance policy outlined in NR § 5-1611(a), which provides that local authorities shall provide for the granting of variances to the requirements of the Act, "where owing to *special features of a site or other circumstances,* implementation of the Act would result in unwarranted hardship to the applicant." (emphases added).

Furthermore, the zoning code and forest conservation law serve distinct purposes. The City's zoning code aims to establish adequate standards of light, air, and open space; prevent the overcrowding of land and buildings; maintain and protect residential, business, commercial, and manufacturing areas alike from harmful encroachments; ensure that land designated for specific uses is not repurposed for inappropriate activities; set reasonable

standards to which buildings and structures shall conform; and manage the location of unavoidable nuisance-producing uses. *See* City Code § 21.02.030(A)–(V).

In contrast, the primary goal of the Act, and by extension Chapter 21.71, is to "minimize the loss of forest land in connection with development activity and ensure that priority areas for forest retention and forest planning are identified and protected prior to development." *CREG*, 481 Md. at 329. Thus, the zoning code centers on the relationship between property owners and the public, while forest conservation law focuses on the relationship between the proposed development and the environment.

ii. Consideration of Environmental Features Entitled to Protection

The Citizens argue that the Commission erred in concluding that the property was unique because the contiguous forest and significant trees limited the developable area on the property. The Citizens contend that uniqueness cannot be established based on the "existence" of environmental features that the Act is designed to protect. The Citizens maintain that taking into account the "existence" of protected areas would contradict the legislative intent of the Act, which aims to "minimize the loss of forest land in connection with development activity and ensure that priority areas" are protected prior to development. *Id.* They further argue that if an applicant can prove uniqueness based on the "existence" of the environmental features protected by the Act, then every applicant seeking a variance would satisfy the uniqueness criterion, making it meaningless. We disagree.

First, the Commission did not conclude that the mere "existence" of the contiguous forest and significant trees constituted special conditions peculiar to the property. Instead, it specifically described the spatial distribution of these areas and their location in relation to other environmental features that contributed to the property's uniqueness.

Second, as explained earlier, considering "special conditions peculiar to the property" is broad. The plain language of subsection (B)(1) does not exclude consideration of the priority forests and areas entitled to protection. If the City Council had intended to prohibit consideration of these areas, it could have easily included provisions in Chapter 21.71. *See Bowen v. City of Annapolis*, 402 Md. 587, 613 (2007) ("In construing the plain language, '[a] court may neither add nor delete language so as to reflect an intent not evidenced in the plain and unambiguous language of the statute; nor may it construe the statute with forced or subtle interpretations that limit or extend its application.'" (alteration in original) (citation omitted)).

Finally, the legislative purpose of "minimizing" forest loss does not mean eliminating it. The provisions of the Act permit the disturbance of priority forests and areas so long as specific requirements are met. *See, e.g.*, NR § 1605(c) (preparation of a forest conservation plan to address how designated areas for afforestation or reforestation will be maintained); NR § 5-1606 (establishing formulas for afforestation and reforestation); NR § 5-1607 (providing for a preferred sequence for afforestation and reforestation); NR § 5-1610 (establishing fee that may be paid in lieu of planting requirement, which is paid into

the State or local forest conservation fund). In other words, the Act balances natural resource preservation and economic development.

The Commission identified several factors unique to this property, which pertain to features of the site and other circumstances that constitute "special conditions peculiar to the property." We conclude that there was substantial evidence to support the Commission's conclusion that the conditions described in its findings were "special conditions peculiar to the property which, without the requested variance, would deny the [Developer] of a reasonable and significant use of the property."

B.

Unwarranted Hardship and Self-Created Hardship

To establish whether denying a variance under the forest conservation law would cause "unwarranted hardship," the applicant has the burden of demonstrating that, "without a variance, the applicant would be denied a use of the property that is both significant and reasonable. In addition, the applicant has the burden of showing that such a use cannot be accomplished elsewhere on the property without a variance." *W. Montgomery Cnty. Citizens Ass'n v. Montgomery Cnty. Plan. Bd. of the Md.-Nat'l Cap. Park & Plan. Comm'n*, 248 Md. App. 314, 347 (2020) (quoting *Assateague Coastal Tr., Inc. v. Schwalbach*, 448 Md. 112, 139 (2016)).

The Citizens contend that the Commission erroneously concluded that the Developer would experience unwarranted hardship if the request to remove the significant trees were denied and that this alleged hardship was not self-created. They specifically

contend that the Developer would not experience undue hardship since it could position the proposed development in the currently unforested area occupied by the equestrian facility and the Wellness House, making removal of the significant trees unnecessary. Therefore, the Citizens assert that denying the variance would not hinder reasonable use of the property, as the Developer is already utilizing it. The Citizens also argue that the property itself did not create the alleged hardship, as the Commission found. Instead, the Developer's "need for the variance, and thus the alleged hardship, derives from [its] desire to expand the existing uses on the Subject Property to include more profitable enterprises."

We conclude that the Citizens have not preserved these arguments for appellate review. A reviewing court "may not pass upon issues presented to it for the first time on judicial review and that are not encompassed in the final decision of the administrative agency." *Dep't of Health & Mental Hygiene v. Campbell*, 364 Md. 108, 123 (2001). "The 'primary purpose' of this rule 'is to give the administrative agency the opportunity to decide the issue' because, 'when an appellate court is the first to decide an issue, it deprives the agency of that opportunity.'" *Concerned Citizens of Cloverly v. Montgomery Cnty. Plan. Bd.*, 254 Md. App. 575, 600 (2022) (citation omitted). "[A] passing reference to an issue, without making clear the substance of the claim, is insufficient to preserve an issue for appeal, particularly in a case with a voluminous record." *Id.* at 603.

After scouring the voluminous record,[26] we could not find any arguments from the Citizens suggesting that the development site could be placed in the unforested area occupied by the equestrian facility and Wellness House. Nor did the Commission address any suggestion that the development site could be placed there. Instead, the Commission seemed to understand the opposition to the project to mean that the development could be located on the meadow in an unforested area to the southeast of the proposed site, rather than in the location the Citizens are now advocating on appeal.

In that regard, the Commission was not persuaded by the suggestion to place the development on the meadow to the southeast of the proposed site. It explained that this meadow was closer to the headwaters of Crab Creek, and developing in this area would leave very little buffer for stormwater before it flowed directly into the creek. The Commission accepted statements indicating that reforesting the meadow would significantly enhance the "contiguity" of the forest and canopy on the property. Additionally, the large contiguous forest and large meadow running alongside Spa Road past the equestrian center and the wetlands with enhanced buffers would provide diverse habitat features for wildlife.

We also could not find any argument that the Developer's need for the variance derived from its desire to expand the existing uses on the property to include more profitable enterprises. Nor did the Commission address this specific argument.

[26] The record included the Developer's and the City's exhibits offered at the hearings before the Commission, written comments from members of the public, and transcripts of multi-day hearings before the Commission, all of which spanned over 2,000 pages.

Accordingly, we decline to address these arguments for the first time on appeal. *See Ben Porto & Son, Ltd.*, 262 Md. App. at 370–72 (declining to address an argument for the first time on appeal that was not presented before the Tax Court).

As stated, the Commission determined that without the requested variance to remove sixty-four significant trees, the Developer would suffer an unwarranted hardship under subsection (B)(1). Additionally, under subsection (B)(4), the Commission found that the variance request was not based on conditions or circumstances resulting from the Developer's action. The Commission explained:

> In its Staff Report, the Department determined that this variance is not the result of actions by the [Developer]. The significant environmental features throughout the site (i.e. significant trees, contiguous forest, non-tidal wetlands, 25-foot wetland pools, intermittent stream, and an MDE-designated vernal pool and its 100-foot buffer) limit where development can occur.
>
> Jon Arason [the Developer's land use consultant] testified during the February 3, 2022 public hearing. Mr. Arason testified that the fact that a property owner wants to do something does not mean that they have taken an action that has resulted in their need for a variance. This request is based upon the condition of the property; heavily wooded with sensitive features and not any actions that have been taken by the property owner past or present. Mr. Arason further testified that the current property owners have owned the property for approximately 30 years and haven't been able to develop it, and that a lot of the trees that need variances now wouldn't have needed that 20 or 30 years ago.
>
> The unique conditions existing on this site are outlined in the [Developer's] Supplemental Forest Stand Delineation Report and the Waters of the U.S. (Including Wetlands) Delineation Report; both of which were prepared by the [Developer's] environmental consultant, Mr. Klebasko. As shown in these reports, the unique features of the property (i.e., the soils, slopes, forest stands, wetland, and streams) have existed for and remained in a substantially undisturbed state for decades. The Commission finds that neither this [Developer], nor any prior property owner, have caused these conditions. The Commission agrees that the fact that a property owner

> intends to do something on their property does not in and of itself mean that the owner has taken any action causing a need for a variance, and finds that to be the case here. Further, there was no evidence before the Commission which, in the Commission's opinion, outweighed these findings and favored a conclusion that the [Developer] caused any condition or circumstance upon which the [Developer's] variance to remove sixty-four (64) significant trees is now based.

We conclude there was substantial evidence to support the Commission's conclusion that the Developer would experience unwarranted hardship without a variance and that the variance request was not based on conditions or circumstances resulting from the Developer's actions.

JUDGMENT OF THE CIRCUIT COURT FOR ANNE ARUNDEL COUNTY AFFIRMED. COSTS TO BE PAID BY APPELLANTS.

The Village at Providence Point, Inc.

Financial Statements

December 31, 2024 and 2023

The Village at Providence Point, Inc.

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December 31, 2024 and 2023

Independent Auditors' Report

To the Board of Trustees of
The Village at Providence Point, Inc.

Opinions

We have audited the financial statements of The Village at Providence Point, Inc. (TVPP), which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of operations and changes in net deficit and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of TVPP as of December 31, 2024 and 2023, and the changes in its net deficit and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 Auditors' Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of TVPP 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 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 TVPP's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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 TVPP's 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 TVPP's 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 audits, significant audit findings and certain internal control-related matters that we identified during the audits.

New Castle, Pennsylvania
April 30, 2025

The Village at Providence Point, Inc.

Balance Sheets
December 31, 2024 and 2023

	2024	2023
Assets		
Current Assets		
Prepaid expenses and other current assets	$ 42,288	$ 18,585
Current portion of assets whose use is limited	296,875	249,375
Total current assets	339,163	267,960
Assets Whose Use is Limited	12,941,444	11,225,058
Property and Equipment, Net	26,145,783	23,927,781
Right-of-Use Asset	702,876	348,247
Total assets	$ 40,129,266	$ 35,769,046
Liabilities and Net Assets (Deficit)		
Current Liabilities		
Accrued expenses	$ 104,592	$ 110,387
Accrued interest	296,875	249,375
Current portion of operating lease liability	304,713	229,293
Total current liabilities	706,180	589,055
Due to Affiliates	34,576,865	30,944,649
Resident Deposits	12,370,933	10,668,481
Long-Term Debt, Net	9,500,000	9,402,946
Lease Liability, Net	398,163	118,954
Total liabilities	57,552,141	51,724,085
Net Assets (Deficit)		
Without donor restrictions	(17,429,675)	(15,961,539)
With donor restrictions	6,800	6,500
Total net deficit	(17,422,875)	(15,955,039)
Total liabilities and net deficit	$ 40,129,266	$ 35,769,046

See notes to financial statements

The Village at Providence Point, Inc.

Statements of Operations and Changes in Net Deficit
Years Ended December 31, 2024 and 2023

	2024	2023
Changes in Net Deficit Without Donor Restrictions		
Revenue:		
Application fees	$ 9,300	$ 10,800
Operating expenses:		
Salaries and wages	417,091	405,437
Employee benefits and payroll taxes	86,977	83,726
Professional fees	110,751	334,915
Supplies	5,821	10,504
Food services	4,490	26,918
Depreciation	177,462	466,877
Insurance	6,683	1,392
Repairs and maintenance	660	-
Utilities	21,428	14,009
Advertising and marketing	460,541	644,492
Licenses, dues and subscriptions	23,433	37,718
Other operating expenses	251,715	245,982
Total operating expenses	1,567,052	2,271,970
Deficiency of operating revenue over expenses	(1,557,752)	(2,261,170)
Nonoperating revenue:		
Interest and dividends	89,616	40,403
Total nonoperating revenue	89,616	40,403
Deficiency of operating and nonoperating revenue over expenses	(1,468,136)	(2,220,767)
Changes in Net Assets With Donor Restrictions		
Contributions	300	400
Change in net deficit	(1,467,836)	(2,220,367)
Net Deficit, Beginning	(15,955,039)	(13,734,672)
Net Deficit, Ending	$ (17,422,875)	$ (15,955,039)

See notes to financial statements

The Village at Providence Point, Inc.

Statements of Cash Flows
Years Ended December 31, 2024 and 2023

	2024	2023
Cash Flows From Operating Activities		
Change in net deficit	$ (1,467,836)	$ (2,220,367)
Adjustments to reconcile change in net deficit to net cash and restricted cash used in operating activities:		
Depreciation	177,462	466,877
Changes in assets and liabilities:		
Prepaid expenses and other current assets	(23,703)	-
Accrued expenses	41,705	27,864
Net cash used in operating activities	(1,272,372)	(1,725,626)
Cash Flows From Investing Activities		
Purchases of property and equipment	(1,697,708)	(2,162,600)
Cash Flows From Financing Activities		
Net change in resident deposits	1,702,452	2,514,677
Change in due to affiliates	3,031,514	3,919,863
Net cash provided by financing activities	4,733,966	6,434,540
Net increase in restricted cash	1,763,886	2,546,314
Restricted Cash, Beginning	11,474,433	8,928,119
Restricted Cash, Ending	$ 13,238,319	$ 11,474,433
Restricted Cash Includes		
Assets whose use is limited	$ 12,370,933	$ 10,668,481
Trustee held funds	867,386	805,952
	$ 13,238,319	$ 11,474,433
Supplemental Schedule of Noncash Financing Activities		
Capitalized interest expense	$ 600,702	$ 498,750
Capitalized deferred financing costs	$ 97,054	$ 110,582

See notes to financial statements

1. Organization and Summary of Significant Accounting Policies

Nature of Organization

The Village at Providence Point, Inc. (TVPP) is a Maryland not-for-profit corporation, which was formed to acquire, develop and operate property located in Annapolis, Maryland, as a continuing care retirement community. TVPP will offer independent living apartments, cottages and health care suites. TVPP has entered into a land purchase option and developer agreements related to the project. The project is in its planning and development stages and TVPP began incurring costs related to this project in 2019, while in previous years, costs were funded by National Lutheran, Inc. (NLI). During July 2020, TVPP received approvals from the Maryland Department of Aging and began marketing the project. In March 2022, TVPP received unanimous approval from the City of Annapolis' planning and zoning commission. TVPP continues to challenge certain other appeals related to various aspects of the approvals.

NLI is a not-for-profit Maryland corporation affiliated with the Evangelical Lutheran Church in America (ELCA). The Members of NLI are the Delaware-Maryland Synod, Metropolitan Washington, DC Synod and the Virginia Synod of the ELCA.

NLI is the parent corporation and sole member of TVPP, which is a member of a system doing business as National Lutheran Communities and Services (NLCS). As a member of NLCS, TVPP shares in the control, support and services of NLCS.

Basis of Accounting

The financial statements of TVPP have been prepared on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recorded when incurred.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America 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 financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment

Property and equipment are reported at cost, or if donated, at fair value. Depreciation is computed using the straight-line method at rates calculated to amortize the cost of the assets over their estimated useful lives (3-40 years). TVPP's capitalization policy is to capitalize amounts in excess of $5,000. The general range of estimated useful lives is five to twenty years for furniture and equipment and fifteen to forty years for buildings and building and land improvements. Expenditures that extend the useful lives of the assets or significantly increase their capacity are capitalized.

Property and equipment are evaluated for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. If the expected cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of the assets.

Deferred Financing Costs

Financing costs were incurred in connection with the issuance of long-term debt. These costs are reported on the accompanying balance sheets as a reduction of long-term debt and are being amortized over the life of the debt using the straight-line method, which approximates the effective interest method. The capitalized amortization of deferred financing costs totaled $97,054 and $110,582 for the years ended December 31, 2024 and 2023. Capitalized accumulated amortization was $424,613 and $327,559 as of December 31, 2024 and 2023, respectively.

Net Assets (Deficit)

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

Net (Deficit) Without Donor Restrictions - Net (deficit) available for use in general operations and not subject to donor restrictions. All revenue not restricted by donors and donor restricted contributions whose restrictions are met in the same period in which they are received are accounted for in net (deficit) without donor restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. 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. All revenue restricted by donors as to either timing or purpose of the related expenditures or required to be maintained in perpetuity as a source of investment income are accounted for in net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Deficiency of Operating and Nonoperating Revenue Over Expenses

The statements of operations and changes in net deficit include the determination of deficiency of operating and nonoperating revenue over expenses as the performance indicator.

Income Tax Status

TVPP is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and has been recognized as tax exempt under Section 501(a) of the IRC. Accordingly, no provision for income taxes has been provided.

Accounting principles generally accepted in the United States of America require an organization to evaluate tax positions taken by TVPP and recognize a tax liability or asset if TVPP has taken an uncertain position that more likely than not would be sustained upon examination by the Internal Revenue Services (IRS). TVPP has concluded that as of December 31, 2024, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or asset or disclosure in the financial statements.

Generally, tax returns for years ended December 31, 2021, and thereafter remain subject to examination by federal and state tax authorities.

Advertising

TVPP follows the policy of charging advertising costs to expense as incurred. Total advertising expense amounted to $460,541 and $644,492 for the years ended December 31, 2024 and 2023, respectively.

Leases

Accounting Standards Update (ASU) No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the balance sheet. At lease inception, leases are classified as either finance leases or operating leases with the associated right-of-use asset and lease liability measured at the net present value of future lease payments. Operating lease right-of-use assets would be expensed on a straight-line basis as lease expense over the noncancelable lease term. Lease expense for TVPP's finance leases would be comprised of the amortization of the right-of-use assets and interest expense recognized based on the effective interest method.

The standard provides for several accounting policy elections, as follows:

- TVPP has elected the policy not to separate lease and nolease components for all asset classes

- When the rate implicit in the lease is not determinable, rather than use TVPP's incremental borrowing rate, TVPP elected to use a risk-free discount rate for the initial and subsequent measurement of lease liabilities for all asset classes.

- TVPP elected not to apply the recognition requirements to leases with an original term of 12 months or less, for which TVPP is not likely to exercise a renewal option or purchase the asset at the end of the lease; rather, short-term leases will continue to be recorded on a straight-line basis over the lease term.

Additional required disclosures for Topic 842 are contained in Note 8.

Maryland Operating Reserve

In accordance with Maryland law governing continuing care retirement communities, TVPP would be required to set aside operating reserves totaling 25% of the facility's net operating expenses (as defined) for the most recent audited fiscal year. Due to TVPP's circumstance of being in the planning and development phase, no operating reserve was required as of December 31, 2024 or 2023.

Reclassifications

Certain reclassifications have been made to the 2023 financial statements to confirm to the presentation used in 2024.

Subsequent Events

TVPP has evaluated subsequent events for recognition and disclosure through April 30, 2025, which is the date the financial statements were issued (Note 12).

2. Liquidity and Availability of Resources

For the years ended December 31, 2024 and 2023, there were no or minimal liquid and available resources for The Village at Providence Point, Inc. However, TVPP has been able to obtain funding from the parent company, NLI, and through financing. When revenue is collected in the future, as part of TVPP's liquidity management, there is a policy to structure the financial assets to be available as general expenditures, liabilities and other obligations come due.

3. Assets Whose Use is Limited

The assets whose use is limited are presented on the balance sheets as follows as of December 31:

	2024	2023
Escrow fund	$ 12,370,933	$ 10,668,481
Trustee held funds	867,386	805,952
	13,238,319	11,474,433
Less current portion	(296,875)	(249,375)
Assets whose use is limited, net	$ 12,941,444	$ 11,225,058

4. Fair Value Measurements

Authoritative guidance regarding *Fair Value Measurements* establishes a framework for measuring fair value. This guidance defines fair value, establishes a framework and hierarchy for measuring fair value and outlines the related disclosure requirements. The guidance indicates that a fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability based upon an exit price model. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The levels of the fair value hierarchy are as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The tables below present the balances of assets measured at fair value on a recurring basis as of December 31:

	2024		
	Carrying Value	**Fair Value**	**Level 1**
Reported at fair value:			
Assets:			
Assets whose use is limited:			
Cash equivalents	$ 13,238,319	$ 13,238,319	$ 13,238,319

	2023		
	Carrying Value	**Fair Value**	**Level 1**
Reported at fair value:			
Assets:			
Assets whose use is limited:			
Cash equivalents	$ 11,474,433	$ 11,474,433	$ 11,474,433

Cash and Cash Equivalents - Fair values, which are the amounts reported on the balance sheets, are based on multiplying number of units held by $1 per unit.

5. Property and Equipment

A summary of property and equipment is as follows as of December 31:

	2024	2023
Buildings and building improvements	$ 549,392	$ 1,243,741
Furniture and equipment	116,089	258,660
Construction in progress	25,657,764	23,262,300
	26,323,245	24,764,701
Less accumulated depreciation	(177,462)	(836,920)
	$ 26,145,783	$ 23,927,781

Construction in progress as of December 31, 2024, consists of project development costs for the future expansion/repositioning project. TVPP has various development and purchase agreements in place subject to future project approvals.

Interest cost incurred amounted to $600,702 and $498,750 for the years ended December 31, 2024 and 2023, respectively, which was capitalized as part of the cost of project development.

6. Related-Party Transactions

NLI is the sole member of TVPP and provides support in the form of management and support services in exchange for management fees and provides additional capital support when needed.

Various entities that are part of the NLCS system make working capital advances to each other as needed. Related party transactions bear no interest and have no stated repayment terms.

The following represents net amounts due to affiliated organizations as of December 31:

	2024	2023
NLI	$ 34,576,865	$ 30,944,649

7. Long-Term Debt

Long-term debt consists of the following as of December 31:

	2024	2023
Series 2021 Fixed Rate Taxable Bonds, at 6.25%, payable in semiannual installments of interest only beginning January 2022 to satisfy annual debt service requirements with a final payment of principal due September 2024. Reissued in March 2024 with extended maturity through September 2026.	$ 9,500,000	$ 9,500,000
Less deferred financing costs	-	(97,054)
Total long-term debt	$ 9,500,000	$ 9,402,946

The financing obtained during 2021 was used to reimburse NLI, for past development costs and pay for current development costs.

On December 9, 2023, TVPP signed a term sheet in connection with the reissuance of the Series 2021 Fixed Rate Taxable Bonds (2021 Bonds). In March 2024, the 2021 Bonds were reissued, which resulted in an extension of the maturity date from September 1, 2024 to September 1, 2026 and an interest rate increase from 5.25% to 6.25%.

8. Leases

TVPP has entered into a noncancelable lease arrangement for office space under which TVPP is the lessee.

The amounts recognized as the right-of-use (ROU) asset related to the operating lease is listed in the asset section of the accompanying balance sheets net of accumulated amortization. The related lease liability for the operating lease is listed in the liabilities section of the accompanying balance sheets. TVPP does not have variable lease payments, options required to be recognized as part of a lease ROU asset or residual value guarantees. TVPP's lease does not contain nonlease components.

A schedule of future minimum lease payments due under operating leases as of December 31, 2024, follows:

Years ending December 31:	
2025	$ 304,713
2026	250,788
2027	192,400
Total lease payments	747,901
Less effects of discounting	(45,025)
Total lease obligation	702,876
Less current portion	(304,713)
Long term lease liability	$ 398,163

As of December 31, 2024, the average remaining lease term for the operating leases was 2.75 years. TVPP utilizes the incremental borrowing rate as the discount rate, which was 6.03% as of December 31, 2024.

9. Expenses by Nature and Function

TVPP's expenses for general and administrative purposes are as follows for the years ended December 31:

	2024		
	Resident Services	General and Administrative	Total
Salaries and wages	$ -	$ 417,091	$ 417,091
Employee benefits and payroll taxes	-	86,977	86,977
Professional fees	-	110,751	110,751
Supplies	-	5,821	5,821
Food services	-	4,490	4,490
Depreciation	-	177,462	177,462
Insurance	-	6,683	6,683
Repairs and maintenance	-	660	660
Utilities	-	21,428	21,428
Advertising and marketing	-	460,541	460,541
Licenses, dues and subscriptions	-	23,433	23,433
Other operating expenses	-	251,715	251,715
Total	$ -	$ 1,567,052	$ 1,567,052

	2023		
	Resident Services	General and Administrative	Total
Salaries and wages	$ -	$ 405,437	$ 405,437
Employee benefits and payroll taxes	-	83,726	83,726
Professional fees	-	334,915	334,915
Supplies	-	10,504	10,504
Food services	-	26,918	26,918
Depreciation	-	466,877	466,877
Insurance	-	1,392	1,392
Utilities	-	14,009	14,009
Advertising and marketing	-	644,492	644,492
Licenses, dues and subscriptions	-	37,718	37,718
Other operating expenses	-	245,982	245,982
Total	$ -	$ 2,271,970	$ 2,271,970

The financial statements report certain expense categories that are attributable to more than one health care or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function are allocated to the functions based on square footage basis. Due to TVPP not yet being operational in 2024 and 2023, all expenses are classified as general and administrative.

10. Insurance Claims Coverage

TVPP participates in a reciprocal risk retention group (RRG) through NLI. The coverage is provided on a claims-made basis. General liability coverages were provided for TVPP in the amount of $1,000,000 per event and $3,000,000 per annual aggregate. Each claim has a $75,000 self-insured retention, prior to the primary insurance coverage. TVPP also has an excess umbrella policy for general liability coverage. The excess umbrella limit is $15,000,000 in the aggregate. TVPP funds any potential accrued claims incurred but not reported liability through the premiums paid to the RRG. As of December 31, 2024, no such adjustments to premiums are deemed necessary.

11. Commitments and Contingencies

The health care industry is subject to numerous laws, regulations and administrative directives of federal, state and local government agencies. Compliance with these laws, regulations and administrative directives is subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Government activity continues to increase with respect to investigations and allegations concerning possible violations by health care providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayment for patient services previously billed. TVPP is not aware of any material incidents of noncompliance; however, the possible future financial effects of this matter on TVPP, if any, are not presently determinable.

TVPP entered into a Purchase and Sale agreement with the seller of the land on December 27, 2016. The Purchase and Sale agreement has been amended three times since that date, for various reasons, including a reduction in the land being acquired, and adjustments to the payment terms. TVPP is making earnest payments, otherwise known as deposits to the seller of the land where the project is planned to be located. Such payments will be applied against the final purchase price of the land, after final municipal approvals are received and the land transaction is closed.

On June 5, 2020, TVPP executed a third amendment to the Purchase and Sale agreement, which extended the prior agreed upon closing date to no later than June 30, 2022. On March 18, 2022, TVPP executed a fourth amendment to the Purchase and Sale agreement, which extended the prior agreed upon closing date to no later than December 31, 2023. On October 20, 2023, TVPP executed a fifth amendment to the Purchase and Sale agreement, which extended the prior agreed upon closing date to no later than June 30, 2025. TVPP also has a Maryland Department of Aging preliminary certificate of registration for the project. Management believes this certificate can be extended as long as the project remains feasible.

The project is contingent upon several factors including zoning approvals, and pre-sale deposits. Management is continuing to address and obtain final zoning approvals (Note 12). Pre-sale deposits are required to be at 160 to close on financing for the project. In January 2024, TVPP met the 160 pre-sale deposit requirement.

Construction drawings are complete, and permits are pending approval for the project. Although the project is ready to be formally bid, there are no material formal construction commitments as of December 31, 2024.

In January 2023, the Anne Arundel County Circuit Court vacated the City of Annapolis Planning and Zoning approval of the project forest conservation variance on the basis that the Planning and Zoning commission failed to conduct sufficient independent analysis of variances granted. As of April 26, 2023, a supplemental opinion and order was issued supporting the original approval of the project in March 2022. The April 2023 decision was appealed to the Anne Arundel County Circuit Court and ruled in favor of TVPP on January 26, 2024. This ruling was subsequently appealed on February 16, 2024 to the Appellate Court of Maryland.

12. Subsequent Events

On February 7, 2025, a three-judge panel of the Appellate Court of Maryland heard oral arguments from both parties and subsequently ruled in favor of TVPP.