

Friends House/Covia merger FAQ

January 2021

To ensure the long-term future of Friends House, the Friends Association of Services for the Elderly (FASE) voted in November to merge with and become part of Covia Communities. The merger of Friends House into Covia preserves an option for non-profit senior living and expands Covia's market reach by offering a more financially attainable community.

The Covia Communities and Covia Group Board will be voting soon, taking into account how a merger would help Covia fulfill its mission and how it would benefit Covia as an organization. Pending this vote, as well as the approval of the Attorney General and the Department of Social Services, the Covia Communities Board will become the governing body for Friends House and will assume all of FASE's assets and liabilities as of March 31, 2021.

The following FAQ provides the information and answers we have available at this time. Please direct any further questions to Michael Cataldo, Executive Director of Spring Lake Village, at mcataldo@covia.org. We will answer additional questions and provide further updates as more information becomes available.

General Questions:

What is Friends House?

Friends House is a senior living community located in Santa Rosa, less than 5 miles away from Spring Lake Village, a Covia Life Plan Community. Established on Quaker principles, Friends House is a community that currently has 67 Independent Living and 19 Assisted Living apartments, providing a more attainable, simpler lifestyle for seniors. It is overseen by the Friends Association of Services for the Elderly (FASE), its Board of Directors.

What is the current relationship between Friends House and Covia?

Since September 2018, Friends House has had a management agreement with Covia, with Covia providing support and oversight for many of the administrative functions for Friends House, including the Executive Director, finance, IT, sales, and more.

Why did FASE decide to merge with Covia?

Ever since FASE chose Covia as the management partner for Friends House, FASE believed that Covia would be a strong – even ideal – partner for Friends House in the future, given Covia's geographic region, operating expertise, shared values, and appreciation of Friends House unique culture. That early assessment has been strengthened by FASE's collaboration with Covia, as FASE observed Covia's management of Friends House.

Why a merger rather than an affiliation?

The FASE board believes it is essential for the financial stability of Friends House to be part of a larger organization. A merger provides financial stability. Once Covia worked with Friends House under the management agreement, Covia was clear that a merger was the only option because of the efficiencies that can be realized with Friends House operating in conjunction with Spring Lake Village.

What is the difference between an affiliation and a merger?

An affiliation would transfer the governance of Friends House to Covia, but the financial assets would remain segregated. A merger transfers the governance as well as the financial responsibilities, liabilities and assets to Covia, which is essential for future financial stability.

What is the expected timeline?

Pending the approval of the Attorney General and the Department of Social Services, Friends House will join Covia just prior to April 1, 2021. This will be the beginning of a new fiscal year, both for Friends House and Covia. Under Covia's management guidance, FASE will have completed and approved a budget for the fiscal year ending 2022.

How will Friends House continue to operate?

Friends House will continue to operate as a more financially attainable community for seniors in Sonoma County with a separate Residential Care Facility for the Elderly (RCFE) license and Certificate of Authority. The "Friends House" name will still be used. The Friends House logo may be updated in the future if appropriate for market considerations.

Will the FASE Board continue after the merger?

No. After the merger, the FASE Board will dissolve and the Covia Communities Board will become the governing body for Friends House. Friends House will have a non-voting resident representative on the Covia Communities Board (as do all Covia Communities).

Will the merger be affected by Covia's intended affiliation with Front Porch?

In June, Covia announced its intention to affiliate with Front Porch, another California-based non-profit senior living organization. Front Porch is fully aware and supportive of Covia's plans to merge with Friends House. The pending relationship between Covia and Front Porch does not change the plans for the merger between Covia and Friends House. More information about Front Porch and the affiliation is available at <https://covia.org/affiliation/>.

For Friends House Residents:

How will residents be involved in the merger process?

Although residents may provide their insights and will be part of the transition process, the decision to merge is the responsibility of the FASE Board. After the closing of the merger, a four-person transition committee will be designated by Covia. The transition committee will consist of two Friends House representatives and two Covia representatives who will facilitate communication between Friends House and Covia, with a particular focus on sustaining the cultural and value traditions of Friends House. This committee will dissolve three years after the closing of the merger (or sooner by unanimous agreement).

Who will be on the Transition Committee?

At this time, the members of the Transition Committee have not yet been determined.

How will the merger affect resident contracts at Friends House?

Covia will honor all current contracts with Friends House residents. Any changes to existing resident contracts would need to be agreed to by all parties.

How will the merger affect monthly fees at Friends House?

The current monthly fees at Friends House have already been set by the FASE Board and announced to residents and will not be affected by the merger. Although we cannot predict the exact effect the merger will have on monthly fees at Friends House in the future, Friends House residents will be involved in the process in the same manner as all other Covia communities. Friends House adopted the budget process used by all Covia Communities during the management agreement. Part of this process is determining the rate increase for monthly fees. This process will continue after the merger, as it does for all Covia Communities.

How will the merger affect Friends House's values and culture?

Although the board oversight of Friends House will change, the heritage and purpose of Friends House, as well as the Quaker values and cultural standards will be preserved, including simplicity, stewardship, integrity, equality, community, and peace.

Will the Friends House Residents Association continue?

Yes. The Friends House Residents Association will be preserved and will continue to have control over its own funds.

What is the role of the resident representative? How and when will a resident representative from Friends House be selected?

The resident representative is selected by the residents at each Covia Community. The resident representative attends Covia Communities board meetings, presents an update on the community to the Board, and reports back the activities of the Board to the community. The representative will be selected by Friends House residents after the merger is complete.

What will be the relationship between Friends House and Spring Lake Village?

Although Friends House will continue to operate as an independent community, there will be an overlap of department support, services, and amenities between Friends House and Spring Lake Village. We are currently deciding how this support and overlap should work and how it will affect both communities. As we move further through the process, we will be able to provide more details about what will be shared and what will remain separate.

Who will be the director of Friends House?

Covia has created the role of Associate Executive Director who will be directly responsible for Friends House and who will report to Michael Cataldo, the Executive Director of Spring Lake Village. Jaclyn Carenbauer, who previously held the role of Resident Service Manager at St. Paul's Towers, has accepted the role and will begin in the position on January 19th.

What will happen to Friends House employees?

Covia intends to offer continued employment to Friends House employees for all possible positions. Friends House employees will become eligible for the Covia benefit programs effective April 1, 2021 if they accept employment with Covia. These benefits may include medical and dental plans; retirement savings plan; tuition reimbursement; paid time off or paid sick leave; and more. Over time, opportunities to apply to jobs at other Covia campuses will become available, and likewise other Covia employees will be able to apply for jobs at Friends House.

How will the merger affect residents who need Skilled Nursing or Memory Care?

Any Friends House resident who needs Skilled Nursing or Memory Care services beyond what Friends House Assisted Living can accommodate will be able to receive those services at Spring Lake Village, a Covia Life Plan Community located nearby in Santa Rosa, based on availability. Spring Lake Village has a Memory Care Neighborhood, called Maggie's Place, as well as a Skilled Nursing center with 70 beds.

Will Friends House residents receive a discounted rate for Skilled Nursing at Spring Lake Village?

Charges for Skilled Nursing services at Spring Lake Village will be at the standard rate, and will be billed to Medicare or to private insurance.

How will Covia market Friends House?

Covia's approach to marketing Friends House will be consistent with its approach to all communities – the marketing plan will be based on the desired target audience and will feature content and information to educate and motivate prospective residents. For Friends House, the content will focus on the unique culture, opportunities for resident participation, manageable carbon footprint for living, and collaborative neighborhood approach to community living. This information will be shared through direct mail letters, eblast newsletters, digital advertising, virtual events for the time being, and in personal meetings with prospective residents.

What will happen to donations to FASE?

All charitable gifts that have been made to FASE will be used as the donors intended. The charitable gift funds for programs and services at Friends House will be available through the Covia Foundation for donor support. The Covia Foundation maintains funds for each of its communities, earmarking gifts as designated by donors to be used for specific programs or services that have been established at those communities. The Covia Foundation will work closely with Friends House residents and staff to honor and build on the generosity demonstrated by residents and friends of the community.

For Friends House employees:

What will happen to Friends House employees?

Covia intends to offer continued employment to Friends House employees for all possible positions. Friends House employees will become eligible for the Covia benefit programs effective April 1, 2021 if they accept employment with Covia. These benefits may include medical and dental plans; retirement savings plan; tuition reimbursement; paid time off or paid sick leave; and more. Over time, opportunities to apply to jobs at other Covia campuses will become available, and likewise other Covia employees will be able to apply for jobs at Friends House.

What will change on April 1, 2021?

Our hope is to have minimal disruption since Covia is already managing the daily operations of Friends House. Fundamentally, the change is that employees will become employees of Covia, rather than of Friends House. All aspects of employment will be guided by the Covia Handbook and Policies and Procedures.

Will employees need to re-apply for their jobs?

No, employees will not need to re-apply for their jobs. Job responsibilities, job scope and schedule may change to accommodate business operations. Employees' hire date with Friends House will be carried forward for purposes of accrued benefits.

How will employees get their paychecks?

Starting in April, employees will begin earning wages under Covia and paychecks will come from Covia. (There will be one paycheck from Friends House in April to cover work performed at the end of March.) The first paycheck from Covia will be a live check. After that, paychecks will be delivered either by U.S. mail or direct deposit. Covia encourages all employees to enroll in direct deposit so that there is no delay in receiving paychecks. The pandemic has caused all sorts of mail delays which can result in paychecks arriving late. With direct deposit, the money is in the employees' bank accounts the morning of pay day. Employees who do not enroll in direct deposit will still receive their paycheck by mail.

Will employees receive a W-2 from Friends House for 2021?

A W-2 from Friends House will be provided in January 2022 for any work performed at Friends House from January 1 through March 31, 2021. Covia will also provide a W-2 for work performed for Covia in 2021. This means employees will receive two (2) W-2's for the 2021 calendar year.

Will employees be able to keep accrued vacation and sick time?

Yes. However, Covia does not have separate vacation and sick time buckets. Instead, there is one bucket called Paid Time Off (PTO). Employees working 20 hours or more per week accrue PTO each pay period based years of service the accrual rates outline in the employee handbook. The accrual rate going forward will be aligned to the Covia accrual schedule. PTO can be used for vacation or for illness. Employees' vacation balance will be "grandfathered" and carried forward into the Covia PTO balance.

Employees working 20 hours or more per week are eligible for PTO and will not accrue additional sick time. The balance of any unused sick time accrued by employees will be "grandfathered" and remain in employees' accrual bucket until it is depleted. Employees who work 19 hours or less per week will accrue Sick Time in accordance with the Covia sick leave policy. Sick time is not payable to employees in the event they should leave Covia's employment.

What will happen to insurance and other benefits?

Friends House employees will be eligible to enroll in the Covia benefit plans, which will be effective as of April 1, 2021. Covia will hold a benefits enrollment meeting in mid-February/early March. Employees will be able to enroll to sign up for benefits via the MyADP portal.

Friends House will receive a benefits brochure outlining the plans soon to allow them to begin learning about the plans and prepare for enrollment.

What is the MyADP portal?

Covia uses an online platform called ADP to help employees manage a variety of tasks such as payroll management, time off requests, scheduling, benefits enrollment, and more. Every Covia employee can access the system at my.adp.com. There is also a mobile app. Friends House employees will be given a personal login name and an introduction to ADP. They will be expected to keep personal information updated via the MyADP portal as well as approve their timecard bi-weekly.

What is Covia's retirement plan, and how will it work with my current plan?

Friends House employees' current retirement funds may be left in their current accounts or transferred to the Covia 403(b). None of those contributions will be lost as a result of this merger. Starting April 3, 2021, all employees will receive a separate account in the Covia 403(b) plan. Future pre-tax contributions for your paycheck as well as Covia's contributions into your retirement plan will be made into that new 403(b) account. Covia's 403(b) contribution is currently changing to increase Covia's contribution into

each employee's plan. Details of the new contribution amounts will be announced in the coming weeks.

Will Friends House employees be considered part of the Spring Lake Village team?

All Covia employees are considered employees of Covia Communities, serving particular communities. This will be true of employees at Friends House as well. There may be some Friends House (or Spring Lake Village) employees who spend time at both campuses, but in either location, they will be considered an employee of Covia Communities. If employees are working at both campuses, Covia will make arrangements for them to clock in and out at either location.

For Spring Lake Village Residents:

What is the benefit of this merger for Covia and Spring Lake Village?

The merger of Friends House into Covia preserves an option for non-profit senior living and expands Covia's market reach by offering a more financially attainable community. Rather than compete, Spring Lake Village and Friends House can collaborate on projects that demonstrate their shared values. Resident volunteers can share initiatives and spread responsibilities. Leadership staff will be able to expand opportunities for team members to take on supervisory roles. Marketing staff will be able to offer a larger variety of homes to prospective residents and match them with the appropriate style of community.

How will the merger affect Spring Lake Village monthly fees?

There will be no impact to monthly fees for the current or upcoming fiscal year, as resident rates and rate increases have already been established. As always, it is Covia's goal to keep the increase to resident rates as low as possible and for each community to pay its own share of costs. Friends House will pay its own management fee to Support Services, and an allocation of Spring Lake Village management time spread between the two communities. Although we cannot predict future rate increases, with the shared costs and efficiencies of shared services and overall management fees spread over more apartments, the merger should have a net positive effect on Spring Lake Village's expenses. If that comes to pass, it would have a positive (from residents' perspective) effect on future monthly fees at both communities.

Will the Spring Lake Village Executive Director be responsible for Friends House?

Although Michael Cataldo, the Spring Lake Village Executive Director, will provide high-level oversight for Friends House, the direct responsibility for onsite management of Friends House will be held by a full-time Associate Executive Director who will report to Spring Lake Village's ED for management and support. The Associate ED will also assist with Spring Lake Village, providing additional staff support. Jaclyn Carenbauer, who previously held the role of Resident Service Manager at St. Paul's Towers, has accepted the position of Associate ED and will begin in the role on January 19, 2021.

What other responsibilities will Spring Lake Village have related to Friends House?

Although Friends House will continue to operate as an independent community, there will be an overlap of department support, services, and amenities between Friends House and Spring Lake Village. We are currently deciding how this support and overlap will affect both communities logistically and financially. As we move further through the process, we will be able to provide more details about what will be shared and what will remain separate.

How will the merger affect Spring Lake Village resident services?

We do not anticipate the Friends House merger will affect resident services at Spring Lake Village.

Who will be able to provide answers to additional questions?

Please direct any further questions to Michael Cataldo, Executive Director of Spring Lake Village, at mcataldo@covia.org. We will answer additional questions and provide further updates to the FAQ as more information becomes available.