

11/30/2021

Silverado Home Office
6400 Oak Canyon Drive #200
Irvine, CA 92618

Dear ,

It is an honor to serve you and your loved one as members of our Silverado family. Our reputation continues to grow throughout the state and nation as the premiere community serving individuals with Alzheimer's Dementia and other Memory Impairments.

We hope you are very satisfied with the care and services provided by Silverado Belmont Hills. We continue our focus on excellence and the provision of quality care for our residents.

In reference to the letter from our CEO, due to market factors out of our control, it is necessary for us to make this extra increase in our rates separate from the annual rate increase, including any rate increase notifications you have received that have not become effective as of the date of this letter. As mentioned, this rate increase is due to the increased investments in our staff and the care standards for your loved one resulting from the post-pandemic financial pressures and the significant increases in national inflation rates. Therefore, your new room rate has been changed from \$426 per day to \$444 per day. This new rate will become effective on 02/01/2022.

Thank you for placing your trust in Silverado Belmont Hills. Please do not hesitate to contact us at any time if you have questions or recommendations on how we might improve our service. We continue to commit to providing excellent care to our residents, families, and loved ones.

Sincerely,

Joan Newman

Administrator | Belmont Hills

cc: Jennifer Anderson



SILVERADO UPDATE

November 30, 2021

Dear Silverado Families,

Twenty-five years ago, Silverado began with the vision to improve the quality of life for our residents, their families, and our associates. Together we have innovated this unique memory care model built on the company's clinical expertise and our 25-year specialization in dementia. I am humbled to look back on all the special moments our teams have helped make possible with you and your loved ones.

In February, driven by our mission, we implemented new mandatory vaccine protocols to take on the challenge of enhancing safety for our residents and our staff during this pandemic. This action helped mitigate the high risk of our memory-impaired resident population across the country. The Washington Post ran a front-page feature story saying that we were the first company in the country to make such a mandate. I am delighted to report that since then, on the rare occasion when someone has a breakthrough COVID-19 infection, we have not seen a person who has been infected spread the virus throughout our communities!

We were proud to place in the top five nationally in the Fortune Magazine's Great Places to Work rankings, reflecting our unique culture and associates' solid trust in our leaders, with 91% of our associates saying, "This is not just a job."

Our culture, innovative spirit, and shared passion for serving our residents, enabled Silverado to pivot quickly and support our treasured caregivers, nurses, and associates in all other departments through these challenging economic times. However, due to post-pandemic financial pressures and significant increases in national inflation rates, not unique to Silverado, our investments in staff and care have outpaced our daily rates significantly in the third quarter alone. The main drivers of these increases include:

- Unprecedented nationwide staffing shortages in the senior living industry resulted in Silverado's investment in:
 - The utilization of contract labor to maintain care standards at a wage premium of approximately 30%
 - Market adjustments in salaries of 11%-13% for caregivers, nurses, and all other front-line employees with some communities up to 23%
 - Enhanced benefit offerings for all of our front-line associates



- o Doubling of our recruiting staff and employee incentives to cover open shifts and fill open positions
- Unprecedented increases of over 300% in liability and workers' compensation insurance costs that exclude Covid coverage
- Historic price increases have exceeded 15% on average in the costs of food, medical supplies, energy, etc.
- Investments to comply with mandated COVID testing and PPE protocols

We thank our Silverado Leaders, who are tied to our mission. They have worked long hours to cover open shifts and are essential to ensure care is not compromised. Our care staff is truly in the top 1% of the industry, and we will continue to make the necessary investments to retain them. In addition, we will continue to attract and train new talent with our priceless standards, which help create those special moments in care with your loved ones.

We have implemented a rate increase detailed in the supplemental announcement to continue our investments in these mandates. We commit to you that we will maintain our new standards of safety and care and not compromise our vision to bring a quality of life to our residents with memory impairing diseases. However, these necessary investments in our staff are not just in dollars. Together with you, we all need to raise the bar of encouragement of our staff members, which helps them renew their calling day after day to serve their residents.

If you have any questions, please do not hesitate to contact us. Thank you for trusting us to care for your loved ones through this challenging journey.

Sincerely,

Loren B. Shook
President, Chief Executive Officer & Chairman