



## FAQS REGARDING LEGAL COMPLAINT AGAINST REUTLINGER AFFILIATION

Dec. 6, 2019

### **Q. Are Jewish values, heritage and identity at risk for Reutlinger?**

The agreement between Reutlinger and Eskaton was drafted and developed with an emphasis on community culture and heritage. In particular, the agreement explicitly protects Reutlinger's name and identity as a facility with a commitment to Jewish values, policies and practices. Further stipulations in the agreement preserve policies for the Residents' Assistance Fund and Holocaust Survivors; the on-site synagogue and full-time Rabbi; Kosher and non-Kosher meals and all Torahs, prayer books, Chumashim and Mezzuzot on doorposts. Current leaders of Reutlinger have been vested with extensive rights to enforce any breach by Eskaton of the fundamental commitments made to Reutlinger in the agreement and maintain community identity. Eskaton has agreed to cover all legal fees in the event of any alleged breach to the agreement.

### **Q. Will Reutlinger relocate its facility and residents?**

No relocation is planned and none is expected. The agreement between Reutlinger and Eskaton does not reflect any plan or a timeline for relocation of the community and, as an added protection to Reutlinger residents, prohibits any relocation in the first five years after affiliation. The language in the agreement referencing relocation after the first five years was included to protect community residents from potential catastrophes and unlikely circumstances. In this regard, in the unlikely event a relocation is ever needed, all residents would be guaranteed comparable accommodations located in the East Bay at comparable costs, including at a facility with same Jewish values, scope of services, quality of care and commitments as Reutlinger.

### **Q. How does the affiliation help Reutlinger continue its mission?**

Reutlinger and Eskaton share mission values that focus on providing high quality health care and social support services in a life-enhancing and stimulating environment. The affiliation will allow both organizations the ability to expand their respective missions, while protecting Reutlinger religious and cultural Jewish values unequivocally moving forward.

From a financial perspective, the proposed affiliation will provide financial support to Reutlinger to better enable it to carry out its mission. The affiliation agreement requires Eskaton to access its own capital for the benefit of Reutlinger. For example, Reutlinger will receive up to \$5 million from Eskaton in order to honor all of the community's obligations and to carry out planned physical upgrades at the facility, to the extent that Reutlinger's own capital is insufficient to do so. Additionally, Eskaton has agreed to support Reutlinger by reducing the management fee as necessary to cover any net operating margin deficit, excluding donations from management fee calculations and agreeing to return all management fees received by Reutlinger to the extent of any cumulative net operating margin deficit, or to carry out the fundamental commitments to the community's mission and Jewish values.

### **Q. What will happen to the assets owned by the community?**

All community assets, subject to existing community liabilities, will remain under Reutlinger possession for the benefit of community residents for the foreseeable future. The affiliation does not involve any sale, transfer, surrender, merger or disposition of any asset owned by Reutlinger. Eskaton will manage use of all assets for Reutlinger, but Reutlinger's assets remain impressed with a charitable trust and must be used for the specific charitable purposes outlined in Reutlinger's governance documents.

**Q. What efforts did Reutlinger take to inform the public of the affiliation agreement with Eskaton?**

Reutlinger has scheduled town hall meetings with members of the Jewish community several times since signing the Notice of Intent to Affiliate with Eskaton in November of 2018. Meetings were both scheduled in advance and coordinated in response to requests from the community for additional information. Messaging has been drafted since the start of discussions with Eskaton to communicate, with transparency to a variety of different audiences, the nature of the affiliation, efforts by Reutlinger to preserve its mission and cultural values and the need for additional resources.

**Q. Was Reutlinger facing an urgent need to affiliate with an outside organization?**

Reutlinger has been searching for a long-term, sustainable solution for much of the past half-decade to preserve the community as a Jewish-based institution for the retirement community in the East Bay. Reutlinger began the search ahead of any financial crisis after realizing struggles from similarly sized single-site organizations facing decreased net margins, fewer resources, greater facility obstacles and tougher competition in recent years. In doing so, Reutlinger entered discussions while a strong and desirable asset to leverage the best deal possible for the community and its residents.

**Q. Did Reutlinger consider alternatives to the agreement with Eskaton?**

Yes. Reutlinger entered discussions to affiliate with Eskaton after determining the organization was the right fit from both a financial and cultural perspective. Eskaton, in the affiliation, pledged substantial economic benefits and agreed to provide Reutlinger with strong protective rights to ensure its Jewish community values moving forward. Reutlinger came to this agreement after evaluating a variety of options with a number of different organizations in recent years ranging from facility mortgage refinancing to management agreements with Eskaton. In the end, Reutlinger determined no other alternative could provide the community resources needed to improve health care services and quality of care, while also maintaining Jewish values.

**Q. Has Reutlinger followed all steps of the affiliation process completely and correctly?**

Yes. The process followed by Reutlinger with respect to the affiliation, including submitting the affiliation for approval by the California Attorney General, is the process prescribed by law and consistent with the process customarily followed in similar transactions.

**Q. What type of information did Reutlinger obtain from Eskaton to plan for long-term sustainability during due diligence?**

Reutlinger leadership conducted extensive diligence on Eskaton this past year prior to the affiliation agreement. Financially, Reutlinger used external accounting and auditing professionals to review Eskaton financial statements. Subsequently, Reutlinger vetted Five-Star survey results for Eskaton from the U.S. Centers for Medicare and Medicaid Services, interviewed members of Eskaton management and Board of Directors, toured a number of Eskaton sites and also reviewed Eskaton's litigation history prior to the agreement.