

For: Marybeth Tompane



FRONT PORCH COMMUNITIES and SERVICES

990 PACKETS

The Board of Directors for Front Porch is pleased to share this 990 Packet for fiscal year ending March 31, 2013 [specifically, Front Porch Communities and Services].

Front Porch is a complex and diverse system of organizations [Family of Companies] designed to meet needs primarily through preservation and expansion of not-for-profit missions. To understand the 990 Report necessitates understanding of the whole of Front Porch, its history and its approaches to governance and compensation.

This packet contains three important documents that need to be considered in relation to each other:

- The Front Porch Overview
- The 2013 Governance and Management Report
- The FYE 2013 Form 990, which complies with the new IRS reporting requirements and format

A copy of the FYE 2013 Audit is available at www.frontporch.net

Denzil Suite, Chair
Board of Directors
Front Porch Communities and Services 2013-2014

January 2014



front porch

990 Compensation reporting does not equate to annual salary.

NOTE: Re: Compensation [Officers and Key-Employees]

General Notation: Front Porch utilizes an independent compensation consulting firm, engaged directly by the Executive Committee of Front Porch Communities and Services, to recommend executive/senior management compensation philosophy/policy/practices, which are approved by the full Board. Additionally, independent consulting periodically reviews director compensation to assure levels of appropriateness in the market. Bi-annually, independent compensation consulting provides competitive analysis of executive/senior management compensation to assure market/regulatory appropriateness.

Specific Notation: Compensation reported on page 7 of Form 990 [*Column D (+) Column F*], which equals Compensation reported on Schedule J (page 2) [*Column E*] may include multiple-year, performance-based payments of previously earned at-risk incentive compensation, which, depending on age, is deferred for a minimum of two years, or at employees choice, may be deferred up to different age limits [i.e. 63-70] depending on the category of deferral, at which age payout is required.

Additionally, reported compensation in any given year may include payout of previously earned base compensation that has been deferred by individual employee choice in accordance with IRS regulations.

Also, reported in any given year, may be retention payments for certain long-term employees, and/or deferred retirement benefits paid prior to actual retirement per IRS regulations.

In the case of current Front Porch employees whose tenures go back to predecessor organizations (i.e. prior to 1999) some compensation currently reported on Form 990 and supplemental Schedules may date to compensation earned as far back as 1982. Compensation in this category includes base compensation deferred by individual employee choice, at-risk compensation previously earned but deferred by employee choice, deferred retirement benefits paid prior to actual retirement, and other contractual retirement benefits provided by the predecessor organizations.

OVERVIEW

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Also access: www.frontporch.net

Front Porch: a not-for-profit way of
Righting the future by
Writing the future

Front Porch was initially incorporated in 1995 as a California, not-for-profit, community-benefit corporation as a result of actions by the Boards of Directors for California Lutheran Homes *and Community Services* and Pacific Homes. As a joint venture, [initially called The Internext Group] the intent was to build capacities together through collaboration that could not be built as well or as quickly separately. In 1996 FACT Retirement Services became part of the joint venture.

Because of the success of the joint venture in creating new capacities, in March of 1999 The Internext Group [now Front Porch] became a fully independent not-for-profit corporation and certain assets and operations of the three predecessor organizations (California Lutheran Homes *and Community Services*, FACT Retirement Services, and Pacific Homes) were consolidated into The Internext Group for the purpose of building significant organizational, balance sheet, and operational strength.

The consolidated entity received an investment grade rating from Standard & Poor's, which has been maintained throughout its history [*receiving an upgrade to BBB+ from BBB in the fall of 2013*], and issued tax exempt bonds for the purpose of refinancing the consolidated debt and to address capital needs for construction and new projects. As a result of the investment grade rating and re-financing, the combined debt service of the predecessor organizations was reduced significantly and additional capital acquisition capacity resulted and was subsequently used in part for the re-development of Walnut Manor into Walnut Village (Anaheim). The consolidation resulted in numerous cost savings and sizeable FTE reductions across the "corporate" offices of the predecessor organizations.

As of 2014, Front Porch has projected approximately \$190 million in annual revenues and 2,100 full and part-time employees. Front Porch business lines include retirement housing (independent living and closed military base re-use – active adult), assisted living, skilled nursing, and contract management/consulting services. Management services can range from a single activity (contractual arrangement for a specific time, product, or result) to full management of a specific community or company. In addition, through its affordable housing affiliate, *CARING Housing Ministries, Inc.*, Front Porch sponsors, "owns," and/or manages 25 affordable housing communities [1,664 units] with annual operating revenues of \$15 million. This work is fundamental to preserving the tax-exempt and charitable status of Front Porch and

its related organizations. The work in affordable housing serves older adults, low-income families, persons with developmental and/or physical challenges, and persons with chronic mental illness.

Front Porch exists to reverse the trend in the diminution of not-for-profit service delivery. Front Porch allows organizations to build and access capacities that would not be possible as “free-standing” communities. Front Porch achieves such capacity-building in ways that do not require affiliates or organizations under management contract to give-up their organizational identity and governance. The Front Porch mission is to meet needs with excellence in human services. Services are designed and provided always in response to meeting needs. Front Porch creates capacities (strength) that allow not-for-profit organizations to continue “to do good” but also “to do well” [mission **and** margin].

Unique to the concepts embodied through Front Porch is the preservation of the heritages, identities, and constituencies of any not-for-profit organization that chooses to build strength through alignment with the Front Porch structure. Some organizations (like the founders) do so through consolidation of certain assets and operations into the “obligated group.” Others, as mentioned above in the case of *CARING Housing Ministries, Inc.*, and more recently, *Sunny View Lutheran Home (The West)* in Cupertino, CA do so as affiliates, with Front Porch serving as the sole (or majority) corporate member for the affiliate. Still others relate through a management contract or purchase-of-service arrangements; as is currently the case with Bethany Tower, licensed as a Residential Care Facility for the Elderly, located in Hollywood, and under a full management contract with FPCS. The flexibility in organizational structures available through Front Porch can accommodate many organizational needs.

Affiliate status with Front Porch serving as sole (or majority) corporate member allows the affiliate to retain its own Board of Directors, its identity, and its relationship with historical constituencies, and to receive separate audited financial statements. The activities of the affiliate are consolidated into the financial statements of Front Porch, thus increasing the ways in which capital, improved employee benefit options, and expertise can be made available to the affiliate organization.

In those instances where Front Porch delivers services beyond its own constituent communities and business lines, a subsidiary organization is formed, as was the case with the Front Porch Pharmacy [Health Solutions], which provided institutional pharmaceutical services to communities within the Front Porch family and beyond. Such subsidiaries may be for-profit with their financial success available to the not-for-profit entities relating to the Front Porch family of companies.

Separate from, yet supporting the work accomplished through Front Porch, are the non-operating assets of the “predecessor” organizations: (a) California Lutheran Homes *and Community Services* and (b) Sunny View Lutheran *Communities and Services*, and as Foundations, (c) the Pacific Homes Foundation and (d) FACT Retirement Services Foundation. These “predecessor” organizations have, in aggregate, about \$40 million in assets that are separate and apart from (not controlled by) the consolidated entity. However, as these organizations see their missions carried out and strengthened through Front Porch, they direct their resources accordingly, thus strengthening the revenue flow to Front Porch.

In these times of great turbulence, change, and competition in the delivery of human services, organizations must have access to capital, exceptional management talent, state-of-the-art

capacities in: (i) information technology, (ii) human resources, (iii) financial management, (iv) public relations and (v) project development capacities that traditionally have not been affordable or available to many not-for-profit organizations. Front Porch is a way to access each and all of these without losing organizational identity, mission, or constituency base.

Front Porch is a creative approach that allows individual not-for-profit organizations a way to ***RIGHT their future by WRITING their future.*** It effectively meets the three fundamental obligations of all not-for-profit organizations: (a) quality service delivery, (b) fiscal responsibility, and (c) social accountability.

Adjusting for The Future

In the past few years, Front Porch has adjusted its organizational structure to be even more agile, adaptive, and prepared for a changing future. In addition to Front Porch *Communities and Services* (the original Front Porch incorporation), governance has put in place Front Porch Enterprises, a not-for-profit corporation serving as a supporting organization to Front Porch *Communities and Services* and the Front Porch Center for Innovation and Wellbeing, which serves to bring to market and to utilize within existing Front Porch endeavors emerging technologies to improve resident life. Additionally, Front Porch Development Company was created as a for-profit development arm for the Front Porch Family of companies. Front Porch Development Company works to re-develop/expand/upgrade existing Front Porch communities and to develop new communities and programs that meet changing consumer need. The Development Company utilizes its financial success to assist the general work of Front Porch *Communities and Services* and CARING Housing Ministries, as well as other organizations relating to the Family. Finally, Front Porch Active Adult Communities (a for profit venture) was put in place to manage Front Porch's work in active adult communities, the most recent of which opened several years ago as an equity community serving older adults near Puerto Vallarta, Mexico (*Luma*), geared largely to the retiring market of "Baby Boomers."

During 2013, three Front Porch communities [Casa De Manana, Claremont Manor, and Kingsley Manor] -- each formerly part of the "obligated group" -- were removed and placed in single asset corporations for the purpose of very favorable re-financing at exceptionally low rates for 30-year fixed mortgages insured through the U.S. Department of Housing and Urban Development (HUD). These communities were eligible by virtue of not being Continuing Care Retirement Communities (i.e. considered by HUD to be month-to-month "rental" communities, in spite of their high levels of service diversity and availability).

Continuing to be adaptive remains critical to long-term success at Front Porch. Towards this end, the Front Porch Board has implemented an innovation initiative under the theme "*Humanly Possible*" and has established a Board Designated Fund to pursue a culture of innovation throughout the Front Porch Family. Similarly, an Affordable Housing Preservation and Development Fund is also designated by the Board to make integral the place of affordable housing in the life of the family of companies and to institutionalize a long tradition of making decisions with an eye towards community benefit and preservation of charitable status.

THE FRONT PORCH FAMILY of companies, services, and communities

Participating Organizations

Organizations

Historical Constituency

Founders (Obligated Group):*

- | | |
|---|-----------------------------------|
| • California Lutheran Homes <i>and Community Services</i> | Lutheran |
| • FACT Retirement Services | California Teacher's Associations |
| • Pacific Homes | Methodist |

Subsequent Addition to Obligated Group:*

- | | |
|-----------------------------------|----------|
| • Sunny View Retirement Community | Lutheran |
|-----------------------------------|----------|

As Affiliates:

- | | |
|---|--------------------------|
| • CARING Housing Ministries | Lutheran/America Baptist |
| • Sunny View Lutheran Homes [<i>The West</i>] | Lutheran |

As "Divestitures" or Governance Re-Design: [Affordable Housing]

- | | |
|---------------------------------|------------------|
| • National Housing Ministries | American Baptist |
| • Brookmore Housing Corporation | American Baptist |

As a Supporting Organization:

- Front Porch Enterprises [Limited Liability Incorporation]

Supported Organizations:

- Front Porch *Communities and Services**
- Center for Technology Innovation and Wellbeing

Current Full Management Services Contract:

- | | |
|--------------------------------|---|
| • Bethany Towers [Hollywood] – | Disciples Home Corp.
[now Alhambra Services Corporation] |
|--------------------------------|---|

NOTES:

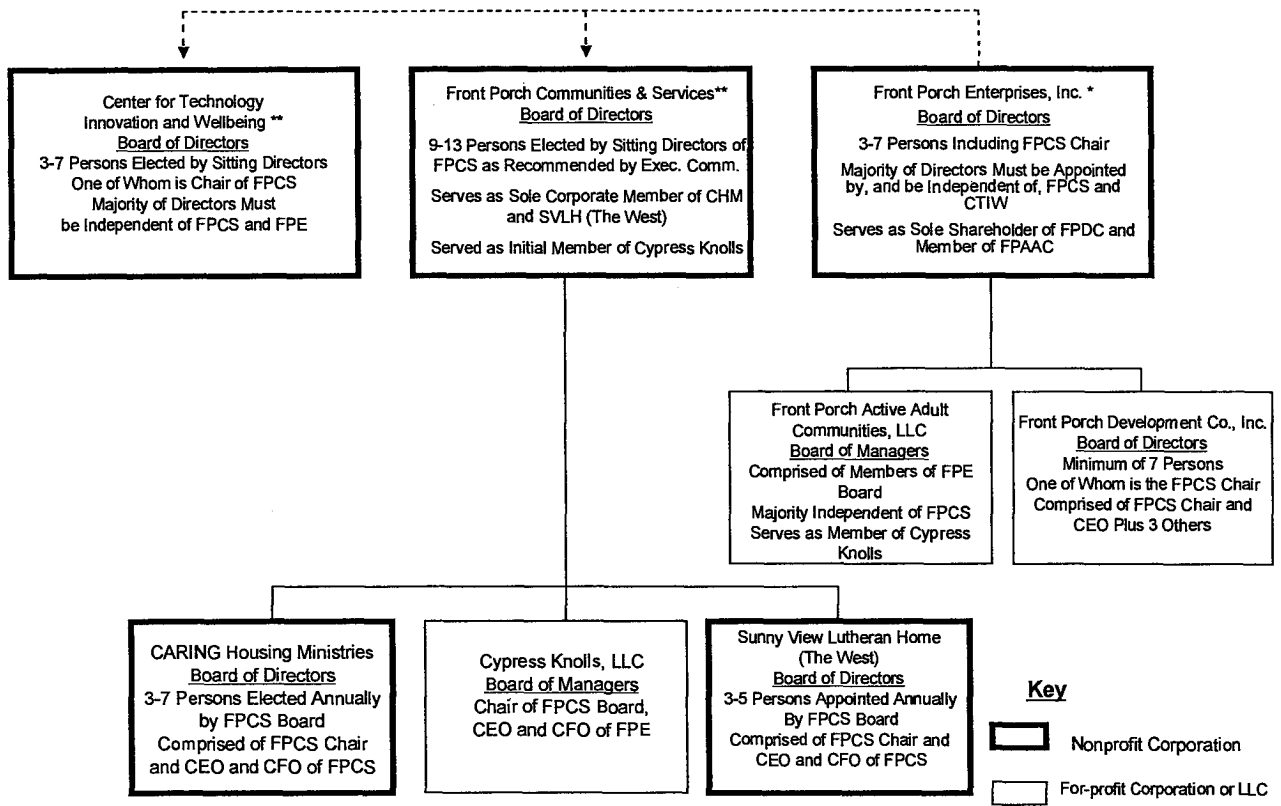
- 1 * Obligated Group: The organizations listed placed certain assets and operations into Front Porch *Communities and Services* to achieve an investment grade rating by Standard & Poor's. The remaining assets are retained in the original or "predecessor" organizations and managed by separate Boards of Directors (usually as Foundations). For the most part, the assets,

benefits and earnings of the “Foundations” accrue to Front Porch to fulfill the missions of the “predecessor” organizations and their constituencies. Front Porch provides the staffing expertise for philanthropy that builds the assets of the “predecessor” organizations. In 2013, as discussed above, three communities of the Obligated group were removed and placed into single asset corporations to achieve exceptionally favorable low-interest refinancing insured through HUD.

- 2 As noted above (*Adjusting for The Future*) in the Fall of 2006 Front Porch re-positioned its work for the future to better protect the Obligated Group and to create much needed resources for managing the aging assets within the Obligated Group, as well as meet changing consumer need. The organizational design is such that the financial results of the Obligated Group and the affiliates of Front Porch *Communities and Services* do not consolidate beyond Front Porch *Communities and Services*.

January 2014

The Front Porch Family of Companies



* FPE serves as supporting organization to FPCS and CTIW
 ** Supported organization of FPE

Key
 [Black Box] Nonprofit Corporation
 [White Box] For-profit Corporation or LLC

Rev.1 (04/07/09)

“Affiliated Organizations” *

- California Lutheran Homes and Community Services
- Foundation to Assist California Teachers
- Pacific Homes
- Sunny View Lutheran Communities and Services
- Brookmore Housing Corporation
- Disciples Home Corporation (Alhambra Services Corporation)

* Each organization utilizes the Front Porch Family of Companies to strengthen their historical mission. Each organization continues with its own Board of Directors independent of the Front Porch Family of Companies and “uncontrolled” by the Front Porch Family of Companies.

THE COMMUNITIES OF FRONT PORCH

January 2014

Front Porch Communities and Services

- Carlsbad By The Sea Carlsbad, CA
- Casa De Manana La Jolla, CA
- Cecil Pines Jacksonville, FL
- Claremont Manor Claremont, CA
- England Oaks Alexandria, LA
- Fredericka Manor Chula Vista, CA
- Kingsley Manor Los Angeles [Hollywood], CA
- Sunny View Cupertino, CA
- Villa Gardens Pasadena, CA
- Vista Del Monte Santa Barbara, CA
- Walnut Village Anaheim, CA
- Wesley Palms San Diego, CA

- Bethany Towers Los Angeles [Hollywood], CA

Front Porch Active Adult Communities

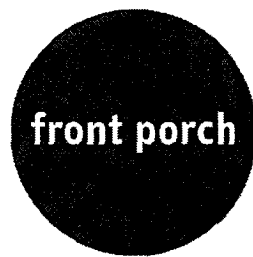
- Luma Nuevo Vallarta, MEXICO

CARING Housing Ministries

- Access Village Claremont, CA
- Ashtabula Homes Pasadena, CA
- Casa De Canoga Canoga Park, CA
- Emerson Village Pomona, CA
- Foster Avenue Apartments Baldwin Park, CA
- Garden Villas North Hollywood, CA
- Good Shepherd Manor Los Angeles, CA
- Harbor Gateway (A) Los Angeles, CA
- Harbor Gateway (B) Los Angeles, CA
- Harbor Gateway (C) Torrance, CA
- La Pintoresca Pasadena, CA
- Lutheran Towers Long Beach, CA
- Morehouse Apartments Los Angeles, CA
- Palms Court Culver City, CA
- Pilgrim Tower for the Deaf Los Angeles, CA
- Seaview Lutheran Plaza Corona Del Mar, CA
- Simpson Arbor Apartments North Hollywood, CA
- South Bay Retirement Residence Compton, CA
- St. John's Manor Glendale, CA
- Sunny View (West) Cupertino, CA
- Towne Square Apartments Los Angeles, CA
- Van Nuys Apartments Van Nuys, CA
- Vanowen Apartments Van Nuys, CA
- Villa La Esperanza Goleta, CA
- Vista Towers Los Angeles, CA



**GOVERNANCE AND MANAGEMENT
REPORT
FISCAL 2013**



OVERVIEW

Front Porch Communities and Services [FPCS] is one company among a family of Front Porch companies [see Appendix E]. FPCS is a California nonprofit public benefit corporation with a significant portion of its current business in the provision of housing and services to older adults and in the provision of affordable housing services (primarily management) through two wholly owned affiliates that serves a variety of populations as discussed later. The FPCS Mission of *Meeting Needs Through Excellence In Health and Human Services* is carried out through the family of companies and encompasses five business units serving the full-service retirement, active adult, and affordable housing markets on a national scope that, on a combined basis, have approximately 2,200 full and part-time employees and, in the case of Front Porch Communities and Services, revenues and expenses as reflected in the charts which follow this overview.

The Front Porch family of companies includes Front Porch Enterprises, also a California nonprofit public benefit corporation, Front Porch Development Company, a for-profit California corporation, and Front Porch Active Adult Communities, a Delaware limited liability corporation (LLC). Related to Front Porch Communities and Services are two companies whose financial statements consolidate into FPCS; the two companies are: (i) CARING Housing Ministries, a California nonprofit public benefit corporation, providing affordable housing and related management services, and (ii) Sunny View Lutheran Home – The West [SVLH-W], a California nonprofit public benefit corporation providing affordable housing in Cupertino, CA under the HUD 202/Section 8 housing program.

The current corporate structures are designed to provide flexibility and agile decision-making in meeting changing consumer needs and preferences, the development of new financial resources for meeting changing consumer needs and for addressing aging assets, primarily within Front Porch Communities and Services, as well as to create leadership depth and capacity to effectively meet a rapidly changing future.

In response to the growing complexities in the environments in which the Front Porch family of companies operates, Front Porch maintains an Office of In-House Corporate Counsel and a relationship with an external firm [Nielsen, Merksamer, Parrinello, Mueller & Naylor, LLP] to assist with governmental relations.

Center for Technology Innovation and Wellbeing

During FY 2007-2008, the Board of Directors created the *Center for Technology Innovation and Wellbeing* as a California not-for-profit public benefit corporation to explore and address innovative uses of technology to empower individuals to live well. The goal is to harness technology solutions that support and enhance the wellbeing of individuals, both within the FPCS/CHM/SVLH-W residential environments and outside. The Center works collaboratively with a variety of stakeholders and in partnership with funding sources, researchers, universities, and technology partners. Seed funding for the Center has been provided by multi-year grants from the Pacific Homes Foundation and California Lutheran Homes *and Community Services*.

The focus of the Center thus far has been on research, testing/utilization of emerging technologies within Front Porch/CHM communities and in private home settings, establishing a cooperative working relationship with

major technology companies, and adaptation of “off-the-shelf” technologies into the Front Porch family of residential settings.

Changes implemented during FY 2009-2010

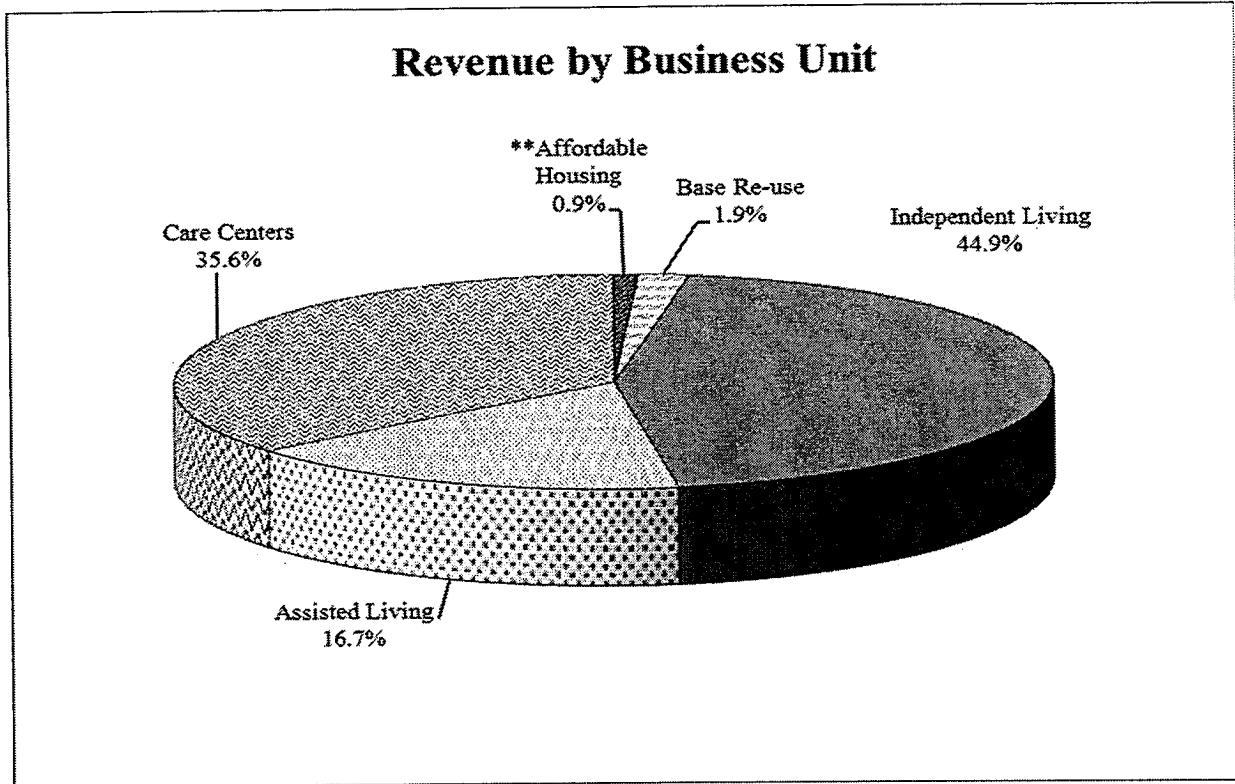
In April of 2009, the Board decided to move from a Co-CEO management structure to a singular CEO structure and established a position of Special Counsel to the Office of the CEO, to be occupied by one of the incumbent Co-CEO's on a reduced-time basis with the other Co-CEO serving on a go forward basis as the sole CEO. The Board took further action near the end of FY 2009 to create two unincorporated structures to complete a re-positioning begun in July of 2006. The first was to establish effective April 1, 2009 a Development Council with reporting/advising responsibilities to the Office of the CEO on the acquisition and utilization of capital within the family of companies. The second established a Center for Strategic Development *and Creative Business Solutions* and implemented the position of Chief Strategy Development Officer for the family of companies. This position is an added responsibility for the president of Front Porch Development Company, who also serves as the president of Front Porch Active Adult Communities.

Social Accountability in Action

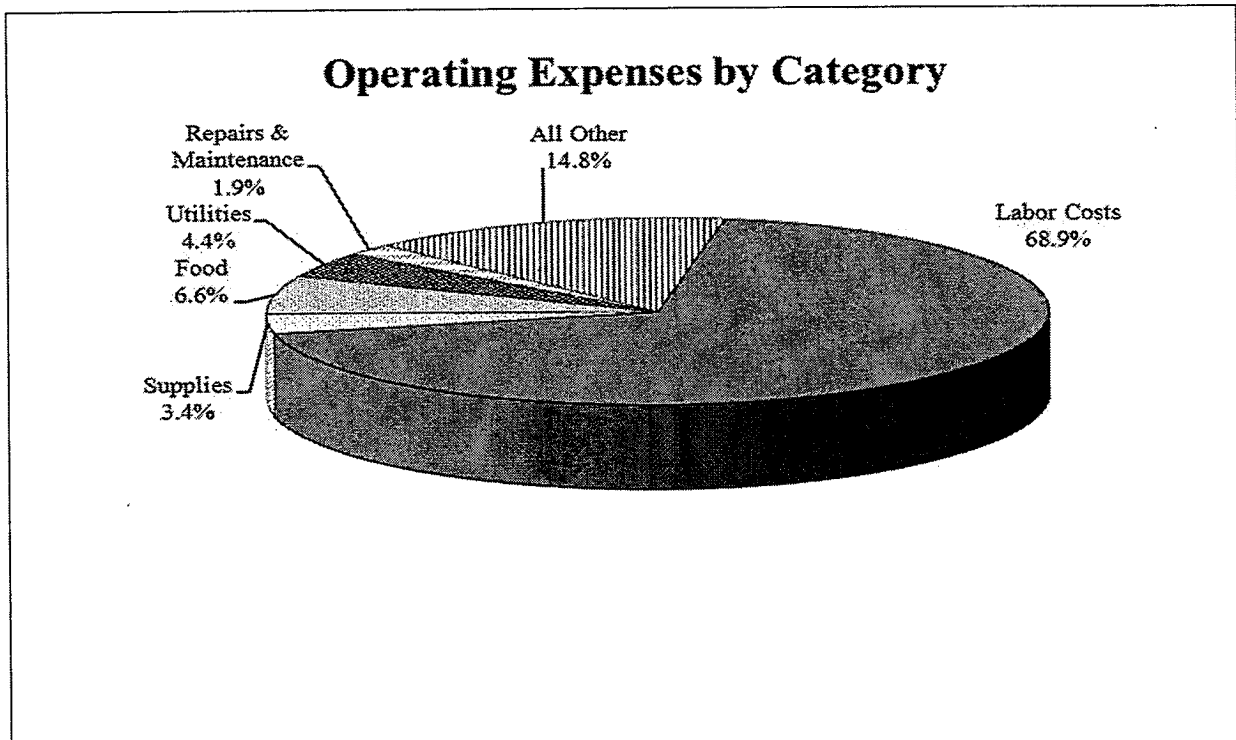
In FY 2011 the company began to budget formally social accountability funds to better fulfill its obligations as a tax-exempt/charitable organization. In FY 2012 the social accountability program, under the auspices of the company's Organizational Accountability department was structured as a formal program, *Social Accountability in Action*, which includes an advisory panel to receive, review, and make funding recommendations to the Office of the CEO relative to allocation of the budgeted funds for achieving social accountability across the family of companies.

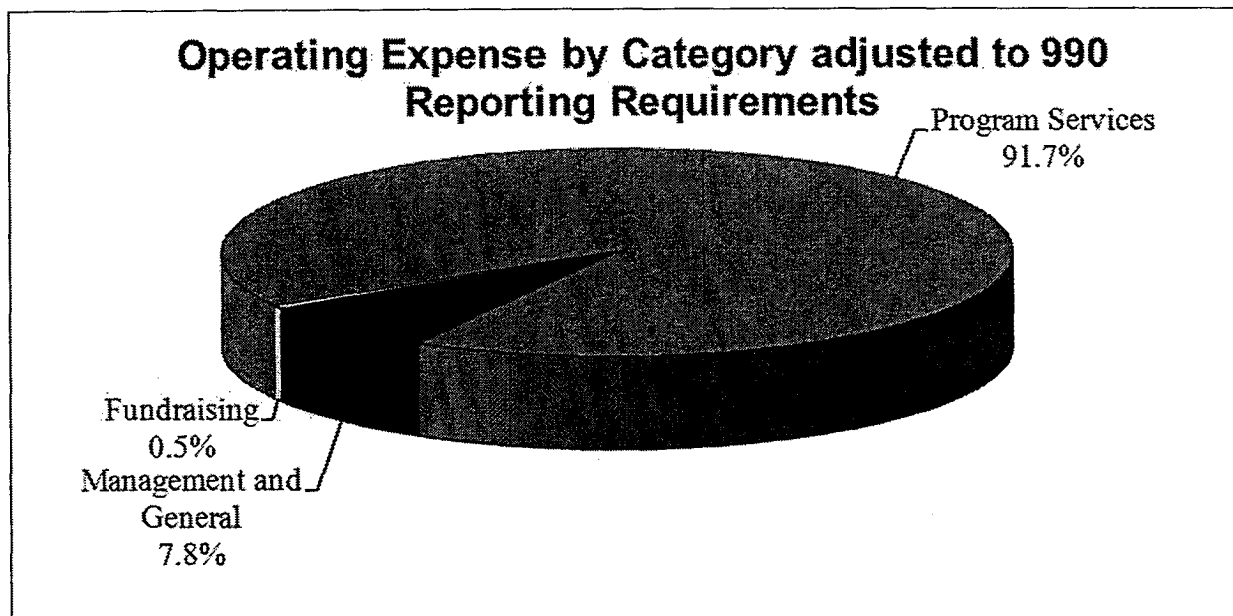
Revenues and Expenses

Revenues by Business Unit and Operating Expenses by Category for FYE 2013 were as indicated in the charts as follows.



**Includes Management Fees Only





FISCAL 2013 REPORT

What follows is an annual report on the corporation's [FPCS] governance and management structure, along with a summary of the compensation philosophy and policy designed to help ensure leadership excellence and continuity.

GOVERNANCE OF THE COMPANY

History

Front Porch Communities and Services was originally incorporated in 1995 (as The Internext Group) with its Articles of Incorporation amended in August of 1998 in preparation for the March 1999 consolidation of the operations and certain assets of California Lutheran Homes *and Community Services*, FACT Retirement Services and Pacific Homes, each also California nonprofit public benefit corporations. The Internext Group became *Front Porch Communities and Services* in 2002. FPCS is organized and operated exclusively for charitable purposes within the meaning of Section 501(c) (3) of the Internal Revenue Code. Subsequently, Sunny View Lutheran Home, a California nonprofit public benefit corporation, became part of the Front Porch family by transferring its property and operations known as Sunny View Retirement Community (formerly The Manor) into FPCS. Sunny View Lutheran Home retained its affordable housing community (The West) and became an affiliate corporation of FPCS. Sunny View Lutheran Communities and Services (SVLCS), also a California nonprofit public benefit corporation, retained certain programs and assets once a part of Sunny View Lutheran Home, and functions as a separate entity, uncontrolled by FPCS, and continues to support the historical work of Sunny View Retirement Community and Sunny View Lutheran Home (The West), now contained within FPCS. SVLCS thus joins California Lutheran Homes, the FACT Foundation and the Pacific Homes Foundation as entities uncontrolled by FPCS but supporting historical missions placed by each predecessor entity into the Front Porch family of companies. Certain assets of each organization, based on accounting rules related to designations and restrictions are recorded in the Audit of Front Porch Communities and Services annually.

Each of the predecessor organizations receives staff support from the Organizational Advancement department of FPCS. Though uncontrolled by FPCS, each of the predecessor organizations has a history of continuing financial support for their respective historical missions now carried out in whole or in part within the Front Porch family of companies. Since the consolidation that led to Front Porch Communities and Services in 1999,

philanthropy to the predecessor organizations in behalf of FPCS and to FPCS itself has totaled in excess of \$51 million through FYE 2013.

BOARD OF DIRECTORS

Pursuant to the California Nonprofit Corporation Law, the Internal Revenue Service Code for organizations qualifying as tax-exempt and charitable under Section 501(c) (3), and the corporation's bylaws, Front Porch Communities and Services' business, property, and affairs are managed under the direction of the Board of Directors. Members of the Board are kept informed of the corporation's business through discussions with the CEO, the Special Counsel to the CEO, the President, and other officers of the corporation, certain monthly financial reports, quarterly financial statements shared with investors (holders of the company's tax exempt bonds), by regular and independent conversation with the annually engaged audit firm [for the current year and this report – BKD], and by reviewing other materials provided to them, as well as by participating in meetings of the Board and its committees and task forces. Additionally, the Vice President of Organizational Accountability, as Chief Compliance Officer and the person with oversight for the *Social Accountability in Action* program, reports directly and independently to the Audit Committee.

During fiscal 2013 the Board held six (6) meetings. The Executive Committee held five (5) meetings; the Audit Committee held two (2) meetings; the Business Development and Assessment Committee held seven (7) meetings.

The Board of Directors is comprised of a maximum of eleven (11) persons [and by governing documents, a minimum of nine (9) persons]; all of whom are outside directors. The CEO and Special Counsel to the Office of the CEO, the President, and the Chief Financial Officer attend meetings with voice but no vote. Other management staff and or officers of other Front Porch entities attend meetings of the Board on an as-needed basis. [Please see Appendix A for the current Board of Director/CEO/President Roster and relevant Biographies.]

Generally, no members of the Board may serve more than two, successive, three-year terms. Exceptions to this are addressed in the bylaws when a director begins service through an unexpired term.

The Board is organized into three (3) classes. Each class' three-year term expires on a successive basis at the end of a calendar year. Class A consists of up to three (3) directors; Class B consists of up to four (4) directors; Class C consists of up to four (4) directors. Under the FPCS's bylaws, election of directors on a go-forward basis is by the Board of Directors following recommendation by the Executive Committee. Frequently, as it relates to filling vacancies on the Board of Directors, the Executive Committee of the Board engages an outside and independent firm/person to interview prospective new Board candidates and to provide feedback on each candidate's qualifications and "fittedness" for Board service in accordance with criteria established by the Executive Committee in consultation with the full Board.

In fiscal 2013, one (1) member of the Board (Class B Director; Position #4, held by Susan Whittaker) was eligible for re-appointment effective 1-1-2013, and was unanimously re-elected effective 1-1-2013. The remaining Class B directors were not eligible for re-appointment (Daniel Sudit, Position #5; Curt Ketterer, Position #6; and Cindra Syverson, Position #7) and concluded their service on 12-31-2012. The Board unanimously elected as successors: Tom Porath (Position #5); Paula Woods, (Position #6); and Lynn North (Position #7) to full terms effective 1-1-2013 and concluding 12-31-15.

Duty of Care and Conflict of Interest

Each director must sign a *Duty of Care and Conflict of Interest Statement* that is on file at the office of the corporation. See Appendix B attached.

Director Compensation

Directors receive reasonable remuneration in the form of modest annual retainers and Board meeting attendance fees. In addition, all out-of-pocket expenses to attend Board and committee meetings and/or directly to conduct the business of the Board of Directors are reimbursed. There are no fees paid for service on committees or for any meetings conducted telephonically.

Responsibilities of the Board of Directors

In general, the responsibilities of the Board of Directors include:

- Governance in accordance with the laws of incorporation, State of California and in concert with the requirements for being/maintaining status as a 501-(c)-3 not-for-the-purpose-of profit/charitable organization under the auspices of the Internal Revenue Service.
- Governance as detailed in the corporation's articles and bylaws
- Corporate compliance
- Operating the corporation within the guidelines and regulations of the Securities and Exchange Commission
- Maintaining and operating within the prescribed system of "Duty of Care and Conflict of Interest"
- Fiduciary responsibilities, including serving *en-masse* as the company's Finance Committee, specifically in relation to budget review and approval (operating and capital), rate-determination, engagement of independent auditors (which may be delegated to the Audit Committee), engagement of investment manager(s), and determination of investment policy and strategy.

Since 2005, the Board has elected to voluntarily and fundamentally comply with the Sarbanes/Oxley law governing fiscal and audit matters of the corporation.

Committees of the Board

During Fiscal Year 2013, the Board of Directors continued to work through three standing committees: (a) Executive Committee, (b) Business Development and Assessment Committee, and (c) Audit Committee. The full Board serves as the Finance Committee with specific responsibility for Budget review and approval and rate determination. Meetings of the full Board always include executive sessions without management present, as do certain meetings of committees (e.g. Audit and Executive).

Executive Committee

The primary responsibilities of the Executive Committee include:

Recommending to the full Board of Directors board organization matters including:

- New Directors
- Officers
- Fee Structure
- Committees and Committee Membership
- Resident Representation Structure

The Executive Committee also is solely responsible, consistent with the current bylaws, for the oversight of the Office of the Chief Executive Officer, including reviews of compensation and the incumbent's performance, and engaging outside and independent consultation for comparative analyses and assisting in the determination of remuneration in accordance with the approved Compensation Philosophy, policies, and practices and applicable laws governing not-for-profit compensation.

The Executive Committee takes all actions deemed necessary and appropriate between regular or special meetings of the Board of Directors, except for those items expressly reserved for the full Board by California corporate law and the corporation's bylaws.

The Executive Committee authorizes release of quarterly financial statements as necessary.

Business Development and Assessment Committee

The primary responsibilities of the Business Development Committee include:

- Capital and asset utilization and planning
- New business development review and recommendations
- Risk management
- Investment oversight and management, including meetings with investment manager(s), reviewing and recommending investment strategies, policy and manager(s) for consideration/approval by the Board of Directors.

Audit Committee

The Audit Committee reviews and recommends approval of the annual audit to the Board of Directors and recommends to the Board of Directors the appointment of the independent auditing firm or, in instances where the same firm is to conduct the audit as in the previous year, selects the firm based upon an option in the Committee Charter. Once the independent auditing firm has been selected [by the Board of Directors or the Committee itself], the Audit Committee engages the approved auditing firm and reviews the audit scope of work and fee structure consistent with the approved Audit Committee Charter. In addition, the Audit Committee

issues an annual report to the full Board summarizing the work of the committee and highlighting any unusual issues brought to the committee. The Committee also receives directly and independent of management the report of the Compliance Officer who also has oversight of the "Whistle-Blower" function.

Relationship with External Auditors

Following conclusion of the audit for FYE 2009, the Audit Committee entered into the annual process of reviewing the audit engagement. Charged by the Board with the responsibility to engage the auditors for FYE 2013, and upon full review of the proposed plan for conducting the audit for FYE 2013, the Audit Committee engaged BKD as the independent public accounting firm to audit the financial statements for the Fiscal Year ending March 31, 2013. This engagement decision was reported to and received affirmation from the Board of Directors.

Relationships Among Directors and Executive Officers

There are no family relationships among any of the Directors or executive officers of the corporation.

Loans to Directors, Officers and Employees

There are no loans from the corporation to any of the Directors, executive officers or employees.

Management

As noted previously, three management changes occurred effective April 1, 2009. Mr. Gary Wheeler, who served with Mr. Swales (since the inception of Front Porch as a consolidating entity in 1999) as a Co-CEO until March 31, 2009 assumed the role of CEO in April of 2009 and has served continuously in that capacity since that date. Mort Swales, who served as a Co-CEO since the inception of Front Porch as a consolidating entity in 1999 and until March 31, 2009, continued his service throughout the year as Special Counsel to the Office of the CEO. In this capacity, Mr. Swales chaired the Front Porch Development Council as discussed earlier in this document. William Jennings, Jr., who serves as the President of the Front Porch Development Company and as the President of Front Porch Active Adult Communities, served also in the capacity of Chief Strategy Development Officer throughout FY 2012-2013, and provided executive leadership to the unincorporated Front Porch Center for Strategic Development *and Creative Business Solutions*.

Ms. Roberta Jacobsen continued to serve as President of Front Porch Communities and Services. Ms. Mary Miller served as the Chief Financial Officer for the Front Porch family of companies. Ms. Kari Olson, Chief Information Officer for the Front Porch family of companies, also served as the President of the Center for Technology Innovation and Wellbeing. Ms. Nancy Spring continued her service as President of CARING Housing Ministries, responsible for the work in affordable housing.

Office of In-House Counsel

As noted previously, the Board created the Office of In-House Corporate Counsel with Mr. Joseph Butler continuing to serve throughout the fiscal year in that capacity.

Resident Representation

During Fiscal Year 2012 – 2013, as is customary, the Resident Representation practices were reviewed by the Executive Committee and Board and continued without change.

In addition to the eleven Directors, a Resident representative [Resident Organization President] is elected annually by peer residents from each community owned by Front Porch to attend regular meetings of the Board of Directors in compliance with Section 1771.8 of the California Health and Safety Code; Continuing Care Contract Statutes; Chapter 10 of Division 2, excluding the base-re-use communities, the affordable housing communities managed by the FPCS affiliate, CARING Housing Ministries, and the Front Porch affiliate, Sunny View Lutheran Home.

The **Resident Representatives** are responsible for assessing, representing, and voicing the consumer perspective to each other, to the Directors, and to senior management. Resident representatives also are charged with the responsibility of conveying and representing actions of the Board of Directors in a fair manner to the residents of the community from which they have been elected. Additionally, resident representatives attend the Presidents Forums that occur before each Board meeting, chaired by the President of FPCS.

Each elected Resident representative must also sign a *Duty of Care and Conflict of Interest Statement*. See Appendix C attached.

Duty of Care Conflict and of Interest Statements are also filed each year by the senior management of FPCS.

Organizational Accountability

The Organizational Accountability Group reports directly to the Office of the CEO, and in compliance with Sarbanes Oxley requirements also has direct-line reporting to the Audit Committee relative to claims of fraud. This Office also is responsible for monitoring the corporation's Service and Social Responsibilities, including assessment of the quality of all services provided, compliance with statutes and regulations, oversight of the Ethics Services, Values Integration and Mission Effectiveness, and assessment of customer and employee satisfaction. Each year an Annual Accountability Report is issued detailing the results of the corporation's fulfillment of its Social and Service responsibilities. The latest report is available on the company's website: www.frontporch.net.

During FY 2009 the Board of FPCS authorized management to implement an accountability assessment program, *Winner's Circle*, to replace the accreditation process known as CCAC/CARF in response to unfavorable evaluations of the CCAC/CARF program by residents and staff at the community and corporate levels of the organization. The replacement program was designed in consultation with a national task force of independent industry experts with diverse backgrounds and experience and endorsed by the Board of Directors for implementation. *Winner's Circle* continues to evolve with regular review and upgrading of the various standards designed to hold the organization and its operations to high standards that exceed those of the previous accreditation program. During FY 2012-2013, evaluation of the program continued to indicate very favorable response from the Winner's Circle external advisory board, residents and management. Subsequent to

conclusion of fiscal year 2011, a full-time director was engaged to provide primary oversight to the *Winner's Circle* Program. The first, and still current, director is Mr. Robert Chillison. During FY 2012 a comprehensive review and amendments to the *Winner's Circle Standards* was conducted and implemented during FY 2013; it will be maintained throughout FY 2014.

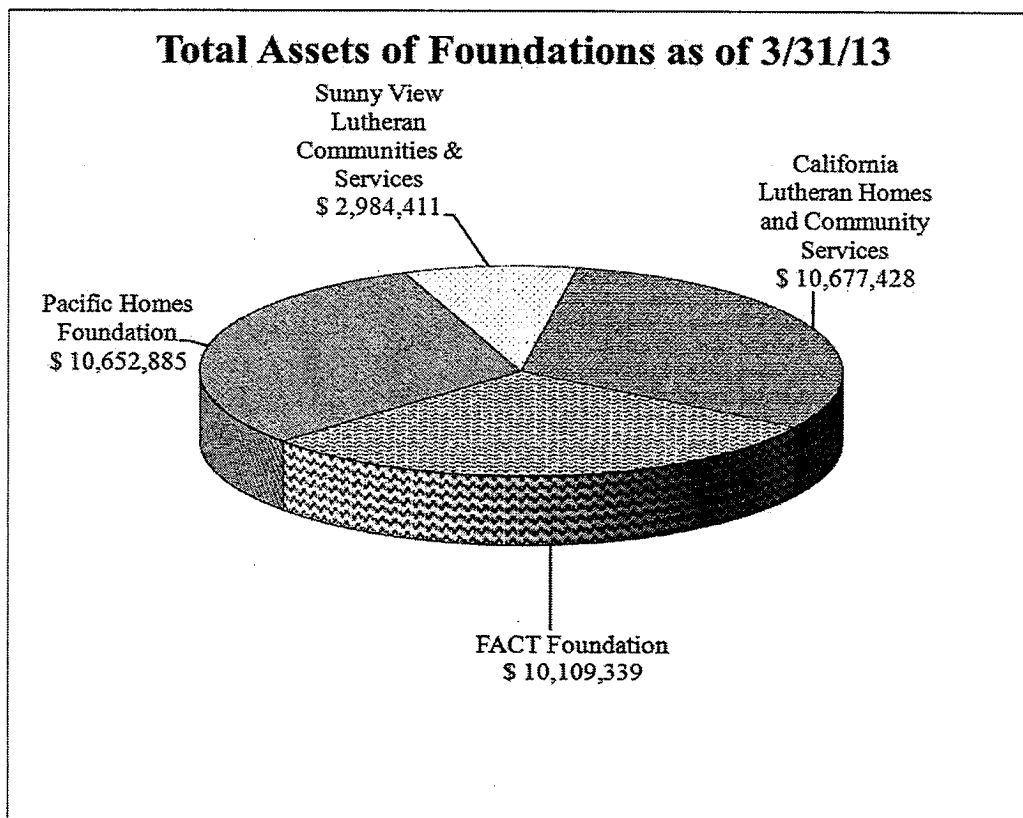
MANAGEMENT OF THE COMPANY

The Office of the CEO

The Office of the CEO fulfills the duties of the Chief Executive Officer with oversight of the whole of the Front Porch family of companies, as described above, including governance and board management, strategic facilitation, development, and implementation, new business development, regulatory compliance, management oversight of all affiliates/subsidiaries, and relationships with the Foundations/Predecessor Organizations. The Board considers leadership continuity, capacity, and depth a critical success factor in the life of all of Front Porch.

The Front Porch family of companies, including work in affordable housing, provided residential, development, and related services across more than 35 communities in four States during FY 2012-2013.

In addition to the executive oversight noted above, the corporation also provides management services to four foundations/predecessor organizations whose combined size is reflected in the chart below. The CEO and the Special Counsel to the CEO each serve on the board and are the respective President's/CEO's of two of the foundations/predecessor organizations.



MANAGEMENT STRUCTURE

Management services and capacities are detailed in Appendix D.

COMPENSATION

Not-for-profit management expertise remains significantly more critical and complex than in eras past. The consolidation originally achieved by Front Porch Communities and Services, and the subsequent re-positioning which occurred in July of 2006 and maintained/strengthened since, are deemed by the Board, various stakeholders, regulatory and rating agencies as innovative, strategically significant, and are in response to the intensified competitiveness of the industry. Over the last sixty years, this arena of human service delivery has seen a dramatic shift in market share from the not-for-profit sector to the for-profit sector. As a result, the entire "industry" is under scrutiny by consumers and a myriad of regulatory entities.

In such an environment, the Front Porch family of companies recognizes the critical importance of having a compensation approach that remains competitive, flexible, and innovative, while meeting appropriate legal guidelines to ensure the ability to motivate and retain the highest quality executives. To remain competitive, it is critical to achieve and maintain the ability through compensation practices to attract and *successfully* recruit and retain top management talent from both the not-for-profit and for-profit sectors; a goal not easily achieved given the inability to offer a "shareholder" position [stock-options, etc.] compared with the for-profit competition.

During FY 2008-2009 the Executive Committee of the Board worked with Watson Wyatt Worldwide [now Towers Watson] to review the Compensation Philosophy and make recommendation as to prudent changes to continue to achieve the goals cited above. Recommended changes (Executive Pay Strategy Overview) approved by the Executive Committee were taken to the Board for approval during FY 2009-2010 with implementation initiated in FY 2010-2011, as summarized below.

PHILOSOPHY

Front Porch Communities and Services is a not-for-profit organization dedicated to providing quality, accessible, and affordable human services to the communities in the markets it serves. FPCS is a unique company seeking to create an alternative for human service organizations (primarily, but not exclusively, not-for-profit) to work in a consolidated system providing the advantages of economies of scale while maintaining and utilizing the individual identities, constituencies, and heritages of the consolidating organizations.

The FPCS vision and a primary goal is to grow through acquisition, affiliation and/or consolidation with other appropriately positioned organizations, significantly in (but not limited exclusively to) the eldercare arena and to develop through the Front Porch family of companies unique communities, capacities and services that meet changing consumer needs. In addition, all of Front Porch seeks to operate with the financial discipline of a well managed company(ies) and with an emphasis on sustaining commitment to the quality and affordability of services characteristic of the histories of the founding organizations, as well as other participating organizations. This performance-commitment and operating-challenge is impacted by the fact that Front Porch Communities and Services has chosen to use tax-exempt bond financing for most of its capital requirements and growth to date. Consequently, it has the obligation to maintain its performance in accord with the parameters established by its bond covenants and other agreements with the investor community.

Additionally, FPCS has the critical obligation to preserve its tax-exempt/charitable status and, as a result, has certain expectations as to social accountability. Part of the company's social accountability is met by the organization's commitment to the provision of affordable and accessible housing and related services through its wholly owned affiliates, CARING Housing Ministries, Inc. and Sunny View Lutheran Home. Additionally, FPCS, beginning in FY 2009-2010, began funding annually through the budgeting process a financial commitment for pursuing social accountability [*Social Accountability in Action*]. Senior management is charged with effectively implementing this program as part of the assurance that exemption/charitability will be retained.

Guiding Principle

The goal of the compensation program for all of Front Porch is to help ensure the ability to attract, motivate and retain the highly talented individuals the Front Porch family needs to be an industry leader in a highly competitive environment. The program is developed and updated with independent compensation consultants to support the company's commitment to preserving and expanding not-for-profit human services and to effectively pursue the company's(ies') mission(s) and achieve business and growth strategies.

Aspects of the program include the following principles:

- Compensation related to performance
- Incentive compensation as a significant part of senior management total compensation to achieve the aggressive goals of the organization
- Where determined appropriate, and for the betterment of the organization as a whole, and to assure continuity and certain skill sets, retention compensation
- Compensation practices that balance short and long-term objectives, improve the "Mission Value™" of the organization and reward individual, team, and corporate performance.

Executive Pay, Benefits and Perquisites Strategy

OBJECTIVES

Provide a total pay, benefits and perquisites program that:

- Is simple to understand
- Compensates executives fairly based on their role and responsibilities and in consideration of the executive talent market
- Provides stable income through base salary (the key for attraction and retention)
- Encourages performance and retention through variable incentive pay that is aligned with Front Porch's values and priorities
- Provides adequate individual protection and supports business needs through appropriate benefits and perquisites.

Make decisions about executive pay, benefits and perquisites on an aggregated basis

- Focus on overall market position and cost with a view to both (a) all elements of pay, benefits and perquisites, and (b) all executives of a similar role or level ...
- However, recognize that individual levels should reflect factors such as experience and performance.

MARKET FOR TALENT

U.S. Based organizations from which Front Porch may recruit executives (or to which it may lose executives):

- Similar size and complexity to Front Porch
- In not only the not-for-profit sector but also the for-profit sector
- In similar industries, including health services, human services, and retirement and assisted living communities.

TARGET OVERALL MARKET POSITIONING

Maximum Total pay, benefits and perquisites: 75th percentile of the defined executive talent market

- **Base Salaries:** 50th percentile (but allow for individual differentiation as warranted)
- **Maximum Total Cash Compensation** (base salary plus maximum at-risk compensation when extraordinary performance is achieved): 75th percentile; may be lower when performance meets or falls below expectations
- **Benefits and perquisites:** 50th percentile.

Administration

In accordance with governing documents, the Compensation approach for senior management is under the sole jurisdiction of the Executive Committee of the Board of Directors. The outside directors serving on the Executive Committee set the overall compensation principles and policy of the company and review the entire compensation program regularly, with independent comparative review approximately every two years and, at the Committee's discretion, with major changes recommended to and approved by the full board. The Committee regularly engages outside, independent consultants in setting and determining whether the amounts and types of compensation the company pays its senior management is competitive, appropriate, and consistent with legal guidelines governing compensation of senior executives in not-for-profit corporations.

The Executive Committee of the Board of Directors establishes the compensation plan, including salary ranges, for members of the senior management team reporting to the Office of the CEO.

The latest independent salary survey related to senior management positions and resulting recommendations was undertaken in the Fall of 2012.

The Directors of FRONT PORCH Communities and Services [as of January 2013]

TERM ROSTER

Howard Hudson	<i>Class A – 12/31/14 Position #1 Appointed 01-19-12</i>	Lynn North	<i>Class B – 12/31/15 Position #7 Appointed 01-22-13</i>
Jennifer Perry	<i>Class A – 12/31/14 Position #2 Appointed 01-19-12</i>	Elyse Weise	<i>Class C – 12/31/13 Position #8 Appointed 01-17-08</i>
William Witte	<i>Class A – 12/31/14 Position #3 Appointed 10-18-10</i>	Denzil Suite	<i>Class C – 12/31/13 Position #9 Appointed 10-18-10 [effective 1-1-2011]</i>
Susan Whittaker	<i>Class B - 12/31/15 Position #4 Appointed 01-21-10</i>	Margol Kennison	<i>Class C – 12/31/13 Position #10 Appointed 07-28-11</i>
Thomas Porath	<i>Class B – 12/31/15 Position #5 Appointed 01-22-13</i>	Scott Larson	<i>Class C 12/31/13 Position #11 Appointed 10-18-10 [effective 1-1-2011]</i>
Paula Woods	<i>Class B – 12/31/15 Position #6 Appointed 01-22-13</i>	Gary Wheeler	<i>Class D No Term Limit</i> <ul style="list-style-type: none"> • CEO serves as non-Director with voice and no vote
		Roberta Jacobsen	<i>Class D No Term Limit</i> <ul style="list-style-type: none"> • President serves as non-Director with voice and no vote

**The Directors of FRONT PORCH Communities and Services
As of January 1, 2012**

Biographies

Class A Directors (Terms Expiring on December 31, 2014)

Howard Hudson

[Initial Appointment: January 19, 2012]

Mr. Hudson is a Certified Public Accountant and owner/proprietor of Howard Hudson & Company in Santa Barbara, California. Howard Hudson & Company is a Certified Public Accounting firm with a focus on business development planning, income and payroll tax planning and preparation. Mr. Hudson also provides litigation support and expert witness services, as well as services in present value computation, computer consultation, and operational auditing. Clients served are diverse, including manufacturing operations, wholesale and retail outlets, restaurants, professional service organizations, homeowners associations and tax exempt organizations (including endowment and charitable trust funds). Mr. Hudson holds a Bachelor of Arts degree in Business Administration from the University of Redlands. He has and continues to participate in and provide leadership to numerous community and civic organizations and previously served on the Board of Directors for Pacific Homes prior to the consolidation into Front Porch. Mr. Hudson served on the Board of Directors of Front Porch Communities & Services from 2005 to 2010. Most recently, Mr. Hudson has served the Front Porch network as a Director for Brookmore Housing Corporation which contracts with CARING Housing Ministries for management services to affordable housing communities, primarily through tax credit programs.

Jennifer Perry

[Initial appointment: January 19, 2012]

Ms. Perry is an independent consultant providing a range of strategic planning, leadership development, governance and communication services to individual executives and businesses, including non-profit and for-profit organizations. Ms. Perry brings more than 20 years of executive and strategic planning experience to her clients. Prior to starting her own consulting firm, she worked for more than 10 years as an executive at St. Joseph Health System, a \$4 billion multi-state organization of hospitals, medical groups and community health services. As Senior Vice President of Strategic Planning and Marketing at the corporate level, she was responsible for the development of the corporate strategic direction and annual objectives, provision of strategic planning, market research, surveys and business development support to more than 10 subsidiaries, as well as providing oversight of corporate communications. Her role involved facilitating effective implementation of system strategies and providing leadership to the governance functions for the Board of Trustees. During her tenure, Ms. Perry also managed the Advocacy/Public Policy and Research & Development functions. Her previous experience includes management consulting with Deloitte Consulting and investment banking with Dean Witter Reynolds. Ms. Perry obtained her Master of Business Administration (MBA) degree in Management and Strategic Planning at the Wharton School of Business, University of Pennsylvania. She received her undergraduate degree from Pomona College of the Claremont Colleges in Southern California, obtaining a Bachelor of Arts degree, *cum laude*, in Economics. Ms. Perry has had a tradition of volunteering in the community and has served on the Boards of numerous community groups and non-profit organizations.

William B. Witte

[Initial appointment: October 18, 2010]

Mr. Witte has been with Caruso Affiliated, one of the nation's preeminent retail and mixed-use real estate developers, owners, and operators, for nearly 15 years. Initially as EVP Finance, then as Chief Investment Officer, Mr. Witte has been responsible for overseeing all of the investment matters of Caruso Affiliated. Mr. Witte has over 25 years of experience in the real estate, financial, and capital markets. Before joining Caruso, Mr. Witte worked in investment banking, merchant banking, corporate finance, private banking, brokerage, and investment management for UBS, Bankers Trust Company, and Shearson Lehman Brothers. Mr. Witte is active in several local and regional charities, and he has been the Chairman of events for such institutions as the Salvation Army. He has been a long-standing member of the Board of Trustees for the House Research Institute, where he has served as Chairman of the Development, Audit, Finance, and Investment committees. Mr. Witte has been a guest speaker and panelist at numerous conferences, including those sponsored by California State University, Northridge, and University of California, Los Angeles. Mr. Witte graduated with top honors ("With Distinction") from Stanford University with a Bachelor of Science Degree in Petroleum Engineering.

Class B Directors (Terms Expiring on December 31, 2012)

Susan Whittaker

[Initial Appointment: January 21, 2010]

Susan Whittaker currently serves as Governance Counsel of St. Joseph Health System, its affiliated ministries and its sponsor, St. Joseph Health Ministry. Susan joined SJHS in 1986 as corporate counsel, after having served the ministry as outside counsel for two years. During the time she served as vice president of legal services, Susan formalized the first SJHS compliance program and served as its first chief compliance officer. Susan served as general counsel for twelve years, during which time the legal and compliance departments grew from a staff of four to a staff of twenty. Also, while serving as general counsel, Susan supported SJHS during significant growth; managing mergers and acquisitions, including the merger that created Covenant Health System as well as the transition to new sponsorship through creation of St. Joseph Health Ministry, the new public juridical person or PJP that assumed sponsorship of SJHS in 2008.

Susan has degrees in nursing, health care administration and law; and is currently enrolled in a masters program for Theology at the Aquinas Institute. Prior to joining the St. Joseph ministries, she was a neonatal intensive care nurse and started the first perinatal clinical research center in the United States. She also worked in private practice with the healthcare law firm of Carpenter, Higgins & Simonds in San Francisco, California. She is a frequent speaker on health law matters and has had over twenty articles published since 1980.

Thomas Porath

[Initial appointment: January 22, 2013]

Mr. Porath is an independent consultant, recently retired from Towers Watson where he held the position of US West Division Manager and assumed strategic role in providing expertise in human capital issues to many large clients, including emerging growth organizations, public institutions and non-profit corporations. Mr. Porath advised on issues, domestically and internationally, in the areas of human resource management, strategic

planning, group benefit plans, executive compensation, mergers and acquisitions, and human resources technology. Prior to his tenure with Towers Watson, Mr. Porath was Vice President of Management Compensation Group/Health Care at MCG, Vice President of Corporate Services at St. Joseph Health System in Orange, California, and served as CEO for a consulting firm with engagements in the US, Canada, Europe and South Pacific. Mr. Porath is a frequent speaker at national associations and served on several health care system and hospital boards as well as editorial boards for a number of health care industry publications. Mr. Porath earned Master's degrees in history, theology and organizational psychology with post-graduate work in business and human behavior.

Paula Woods

[Initial appointment: January 22, 2013]

Ms. Woods is co-founder and principal of Woods/Liddell Group, a Los Angeles-based consultancy whose mission is to enable a healthier, more just and vibrant society by providing strategic, management and governance advisory services to non-profit leaders. With over 25 years of consulting, nonprofit and board experience, she brings a wealth of knowledge to boards and management teams representing a wide range of organizations including health systems, foundations, federally qualified health centers, community development corporations, homeless/homeless healthcare agencies, supportive housing developers, and collaborative groups.

Ms. Woods has served on several boards of directors, where she chaired or was a member of executive, executive compensation, finance, governance, investment, quality, strategic planning, and work life committees. She previously served on the boards of St. Joseph Health System (Orange, CA), Catholic Healthcare Partners (Cincinnati, OH), Watts Health Systems (Los Angeles, CA) and the California Council for the Humanities (San Francisco, CA).

Prior to establishing Woods/Liddell Group, she held executive positions at a Fortune 500 diversified healthcare company and was a senior manager and associate director of Ernst & Whinney's Western Region Health Care Strategy Practice. Ms. Woods earned her bachelor's degree from the University of Southern California and her Masters in Public Health from UCLA with an emphasis in Hospital Administration.

Lynn North

[Initial appointment: January 22, 2013]

Ms. North has been in the top 10% as a realtor for the past 8 years with the prestigious Alain Pinel Realtors in the Bay Area. She has served as coordinator and director of programs and is currently in various leadership positions at Immanuel Lutheran Church in Los Altos, California. Previously, she was director of telecommunications business development at Network Appliance. Her background in sales, product strategy, channel marketing and organizational development included multiple senior level positions through a long tenure at SBC Pacific Bell. She holds a Bachelor of Science degree in organizational behavior from the University of San Francisco and accounting and financial management certificates from the Wharton School of Business. Ms. North has served on numerous boards of directors and has received various recognitions for her community service, including the Rotary International Paul Harris Award in 2000.

Class C Directors (Terms Expiring December 31, 2013)

Elyse Weise

[Initial appointment: January 17, 2008]

Ms. Weise is the Chief Operating Officer of The Senex Group, an integrated financial services firm headquartered in Woodland Hills, California. Ms. Weise has been with The Senex Group since 2003. The firm specializes in the design, implementation and administration of qualified retirement plans for clients nationwide. For over 20 years Ms. Weise has been in the benefits industry. She began her career working in the Institutional Trust Department of First Interstate Bank of California/Wells Fargo Bank, first as an administrator, then Compliance Officer and eventually became a Vice President and business manager. Ms. Weise was a regional manager for a number of years before leaving the trustee and investment manager side of the business and moving to the Third Party Administrator side. Ms. Weise has also served for a number of years on the Board of Directors and Executive Committee of her synagogue. Ms. Weise is an ERISA attorney. She graduated from Pitzer College, Claremont, California and Southwestern University School of Law, Los Angeles, California.

Denzil Suite

[Initial appointment: October 18, 2010 effective 1-1-2011]

Dr. Denzil Suite, Ph.D. is the Vice President of Student Life at the University of Washington. In that capacity, he provides leadership and direction for strategic planning, assessment, and staff development for a comprehensive division of programs and services. He leads a large team of individuals in creating and maintaining a healthy campus environment through services, programs, and innovative learning experiences beyond the classroom, and through a highly collaborative relationship with other senior UW leaders. Previously, Dr. Suite served as Associate Vice President for Student Affairs and Associate Professor for Clinical Education at the University of Southern California. He has taught courses on Student Development Theory, the History of Higher Education in America, and on Intervention Strategies. Dr. Suite has been invited to speak about educational issues at several national conferences and at universities around the country. He has conducted workshops for the Santa Monica Rape Treatment Center, the California Campus Police Officers Association, Association of Higher Education Attorneys, and several other groups. He currently serves on the advisory board for the Legal Issues in Higher Education Conference.

Margol Kennison

[Initial appointment: July 28, 2011]

Mrs. Margol L. Kennison holds a Certificate of Financial Management from the John F. Kennedy University School of Finance, is a Licensed Enrolled Agent and the owner of Lee's Tax and Bookkeeping Services. She has held numerous positions in the Sacramento Lions Club, including Chairperson of the Multiple District Women's Development Team and has participated in the International Association of Lions Club events. Mrs. Margol L. Kennison is an active member of St. Andrews African Methodist Episcopal Church, the National Association of Enrolled Agents, National Society of Accountants and the American Institute of Professional Bookkeepers.

Scott Larson

[Initial appointment: October 18, 2010 – effective 1-1-2011]

Mr. Larson is the Executive Director of HomeAid Orange County, the founding chapter of a national non-profit organization with the mission to build and maintain dignified housing where homeless families and individuals can rebuild their lives. Recently, Larson added to his roles Managing Director of HomeAid Inland Empire. He is also a member of the board of directors of HomeAid America and chairman of the HomeAid America chapter advisory council. Established in 1989 by the Orange County Chapter of the Building Industry Association of Southern California (BIA/OC), HomeAid acts as the housing developer and liaison between service providers, community volunteers, builders and specialty contractors. Mr. Larson has more than 26 years of professional experience in the non-profit and building industries. He holds a Masters in Business Administration from the University of Phoenix, a Bachelor of Arts degree in education from Biola University and certificate in fundraising from the University of California, Irvine. Mr. Larson is a strong advocate of homeless initiatives in Orange County and serves as a member of the County of Orange Ending Homelessness 2020 Board and has previously been a Commissioner for the Housing and Community Development Department of Orange County. He also actively serves as a leadership coach in the Fieldstone Foundation Executive Coaching Network.

Office of the Chief Executive Officer

Chief Executive Officer

Gary Wheeler

[Initial appointment: January 12, 1999]

Mr. Wheeler serves as Chief Executive Officer for Front Porch and as President/CEO for California Lutheran Homes and Community Services. Previously, Mr. Wheeler was President/CEO of Lutheran Social Services of Southern California. Mr. Wheeler also served as President/Chief Executive Officer of The Paragon Foundation, Alhambra, CA. Prior to service in California, Mr. Wheeler held various positions in Michigan, including President/CEO of Community Opportunity Center and Director of the Office of Governmental Affairs and Director of the Division for Services to persons with Developmental Disabilities, Lutheran Social Services of Michigan. Mr. Wheeler holds a Bachelors Degree in Psychology from Wayne State University, Detroit, MI and a Masters Degree from Wittenberg University, Springfield, OH. He completed post-graduate work towards a Ph.D. in organizational development at Wayne State University. Mr. Wheeler was the recipient of various scholastic and civic awards, is a member of various public associations and has served on the Board of Directors for numerous nonprofit organizations, including currently the John Douglas French Alzheimer's Research Foundation.

President

Roberta Jacobsen

[Initial appointment: July 2006]

Mrs. Jacobsen has over thirty years of experience in the long term health care and retirement housing industry. She joined Pacific Homes in 1978 as a consultant and has subsequently worked in administration and management at the facility and corporate level. Mrs. Jacobsen holds Masters degrees from California State University at Los Angeles and an M.B.A. from Pepperdine University. She is actively involved in Aging Services of California where she is Past Chair of the Board of Directors and represented California on the House of Delegates of the American Association of Homes and Services for the Aging.

April, 2013

FRONT PORCH

DUTY OF CARE

AND

CONFLICT OF INTEREST

DIRECTORS

I hereby certify that I have carefully read and hereby acknowledge receipt of a copy of the Duty of Care and Conflict of Interest Statement attached hereto (the "Statement"). In signing this instrument, I have considered not only the literal expression of the policies encompassed in the Statement, but also what I believe to be the spirit of such policies as well. I hereby certify that except as hereinafter stated, to the best of my knowledge, after having made reasonable inquiry, neither I nor any of my relatives by blood or marriage have any direct or indirect interest that conflicts with the interests of Front Porch.

The exceptions are as follows: (If none state "none".)

If any situation should arise in the future, which, as discussed in the Statement, may involve me or my relatives by blood or marriage in a conflict of interest, I will promptly disclose the circumstances to the Chair of the Board or CEO of Front Porch.

Dated: _____

Name: _____

Signature: _____

DUTY OF CARE

AND

CONFLICT OF INTEREST STATEMENT

FOR THE BOARD OF DIRECTORS

OF

FRONT PORCH

(1) Duty of Care

A director shall perform the duties of a director, including duties as a member of any committee of the Board upon which the director may serve, in good faith, in a manner such director believes to be in the best interests of the corporation and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.

In performing the duties of a director, a director shall be entitled to rely on information, opinions, reports or statements, including financial statements and other financial data, in each case prepared or presented by:

- (a) One or more officers or employees of the corporation whom the director believes to be reliable and competent in the matters presented;
- (b) Counsel, independent accountants or other persons as to matters which the director believes to be within such person's professional or expert competence; or
- (c) A committee of the Board upon which the director does not serve, as to matters within its designated authority, which committee the director believes to merit confidence, so long as, in any such case, the director acts in good faith, after reasonable inquiry when the need therefore is indicated by the circumstances and without knowledge that would cause such reliance to be unwarranted.

(2) Actions to Benefit Corporation

All actions of a director affecting the corporation shall be for its best interests and not for his or her personal advantage. A director should conduct all such activities in such a way that no conflict will arise between other interests and the interests of the corporation. Even the appearance of such conflicts should be avoided.

(3) Gifts, Gratuities, etc.

No director shall accept any fee, commission, gift, loan, remuneration or favor of any material kind either with respect to any transaction to which the corporation is a party or which might influence his or her actions affecting the corporation.

(4) Loans

The corporation shall not make any loan of money or property to or guarantee the obligation of, any director or officer; provided, however, that this corporation may advance money to a director or officer of the corporation or any subsidiary for expenses reasonably anticipated to be incurred in performance of the duties of such director or officer so long as such individual in performance of the duties of such director or officer would be entitled to be reimbursed for such expenses absent that advance.

(5) Outside Interests

Directors shall scrupulously avoid any employment, investment, or other activity, which might conflict with the interests of the corporation.

(6) Self-Dealing Transactions

The corporation shall not engage in any self-dealing transactions. A self-dealing transaction is a transaction to which this corporation is a party and in which one or more of its directors and/or officers has a financial interest or is an employee or holds an equity or debt interest in a corporation, partnership or association that has an interest in the transaction. A self-dealing transaction shall also include transactions as described above that involve the blood relatives or spouse of a board member or officer.

(7) Confidential Information

Directors should maintain in confidence information learned during the course of their activities on behalf of the corporation when such information is not generally available to the public. This principle does not preclude public disclosure of information which is properly in the public domain or which should be released in fulfilling the corporation's accountability to the public.

(8) Interpretation

The potential conflicts of interest referred to in this Statement are by way of example only and are not intended to be an exhaustive list of all transactions by which the corporation may be affected or injured. It is assumed that directors will recognize other analogous situations in which conflicting interests may arise, and that directors will comply with their duty to bring such situations to the attention of the Chair of the Board or CEO of the corporation. The fact that directors may have one of the interests described in this Statement does not necessarily mean that a conflict exists, or that the conflict, if it exists, is of such a material nature to be of practical importance.

However, it is the policy of the Board that the existence of ANY interest described herein shall be disclosed before any transaction is consummated. Directors have a continuing responsibility to scrutinize any transaction in which they are directly or indirectly involved for potential conflicts of interest and to make a full disclosure to the Chair of the Board or CEO of the corporation who shall bring the matter to the attention of the Executive Committee. The Executive Committee shall then determine whether a conflict of interest exists and shall take appropriate action. All decisions regarding conflicts of interest rest in the sole discretion of the Executive Committee in the exercise of its ultimate judgment of the best interests of the corporation.

RESPONSIBILITIES, DUTY OF CARE AND CONFIDENTIALITY
AND
CONFLICT OF INTEREST STATEMENT
FOR
RESIDENT REPRESENTATIVES

I hereby certify that I have carefully read and hereby acknowledge receipt of a copy of the Responsibilities, Duty of Care and Confidentiality and Conflict of Interest Statement attached hereto (the "Statement"). In signing this instrument, I have considered not only the literal expression of the policies encompassed in the Statement, but also what I believe to be the spirit of such policies as well. I hereby certify that except as hereinafter stated, to the best of my knowledge, after having made reasonable inquiry, neither I nor any of my relatives by blood or marriage has any direct or indirect interest that conflicts with the interests of Front Porch.

The exceptions are as follows: (If none state "none".)

If any situation should arise in the future, which, as discussed in the Statement, may involve me or my relatives by blood or marriage in a conflict of interest; I will promptly disclose the circumstances to the Chair of the Board or the CEO of Front Porch.

Dated: _____

Name

Resident Representative

Position

RESPONSIBILITIES, DUTY OF CARE AND CONFIDENTIALITY
AND
CONFLICT OF INTEREST STATEMENT
FOR THE RESIDENT REPRESENTATIVES
OF
FRONT PORCH

(1) Responsibilities of Resident Representatives

The responsibilities of Resident Representatives are described in some detail in the document attached hereto as Exhibit "A", entitled "Responsibilities of Resident Representatives to the Board of Directors of Front Porch." The text of Exhibit "A" is not restated in this document but shall be considered incorporated in this document as if set forth at length herein.

(2) Confidentiality and Duty of Care with respect thereto

- (a) Confidentiality Resident Representatives should be mindful of the importance of keeping confidential all information which is indeed confidential. Resident Representatives may share information from board meetings with other residents, unless the information is confidential or doing so would violate fiduciary duties to the corporation.
- (b) Duty of Care In the context of the maintenance of confidentiality, Resident Representatives shall perform their duties in good faith and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.

(3) Gifts, Gratuities, etc.

No Resident Representative shall accept any fee, commission, gift, loan, remuneration or favor of any material kind either with respect to any transaction to which the corporation is a party or which might influence his or her actions affecting the corporation.

(4) Loans

The corporation shall not make any loan of money or property to or guarantee the obligation of, any Resident Representative; provided, however, that the corporation may advance money to a Resident Representative of the corporation for expenses reasonably anticipated to be incurred in performance of the duties of such Resident Representative so long as such individual in performance of the duties of such Resident Representative would be entitled to be reimbursed for such expenses absent that advance.

(5) Outside Interests

Resident Representatives shall scrupulously avoid any employment, investment, or other activity, which might conflict with the interests of the corporation.

(6) Self-Dealing Transactions

The corporation shall not engage in any self-dealing transactions. A self-dealing transaction is a transaction to which this corporation is a party and in which one or more of its directors and/or officers and/or Resident Representatives has a financial interest or is an employee or holds an equity or debt interest in a corporation, partnership or association that has an interest in the transaction. A self-dealing transaction shall also include transactions as described above that involve the blood relatives or spouse of one of the above individuals.

(7) Interpretation

The potential conflicts of interest referred to in this Statement are by way of example only and are not intended to be an exhaustive list of all transactions by which the corporation may be affected or injured. It is assumed that Resident Representatives will recognize other analogous situations in which conflicting interests may arise, and that Resident Representatives will comply with their duty to bring such situations to the attention of the Chair of the Board or the CEO of the corporation. The fact that Resident Representatives may have one of the interests described in this Statement does not necessarily mean that a conflict exists, or that the conflict, if it exists, is of such a material nature to be of practical importance.

However, it is the policy of the Board that the existence of ANY interest described herein shall be disclosed before any transaction is consummated. Resident Representatives have a continuing responsibility to scrutinize any transaction in which they are directly or indirectly involved for potential conflicts of interest and to make a full disclosure to the Chair of the Board or the CEO of the corporation who shall bring the matter to the attention of the Executive Committee. The Executive Committee shall then determine whether a conflict of interest exists and shall take appropriate action. All decisions regarding conflicts of interest rest in the sole discretion of the Executive Committee in the exercise of its ultimate judgment of the best interests of the corporation.

#50668

6-29-04



RESPONSIBILITIES OF RESIDENT REPRESENTATIVES

TO THE BOARD OF DIRECTORS OF

Front Porch*

Three groups of persons are specifically afforded the opportunity to regularly attend the meetings of the Board of Directors for Front Porch.

- The **Elected Directors** are legally responsible for the governance of the organization. They set policy, provide oversight and determine strategic directions.
- The members of **Senior Management** are responsible for executing Board policy, pursuing the strategic directions and providing management and oversight to operations.
- The **Resident Representatives** are responsible for assessing, representing, and voicing the consumer perspective to each other, to the Board members and to Senior Management. They also assist the Board and Senior Management in the interpretation of policy and strategic directions to the Residents at each **community**.

Common Responsibilities:

While each group comes to the table of the Board of Directors with distinct and specific areas of responsibility, there are certain responsibilities common to all. To a great extent, it is the mutual pursuit of the common responsibilities that will cause Front Porch to excel. Similarly, it is the mutual pursuit of the common responsibilities that will allow management of disagreement in behalf of the common good. These common responsibilities include:

- Assuring implementation of the vision and mission of Front Porch, in particular:
 - a) Preserving the not-for-profit heritage of doing good ... and ... doing it well (*Vision*),
 - and**
 - b) Creating a human service delivery system that makes a difference in the quality of life of those served (*Mission*).
- Adhering to and valuing the standards of partnership that characterize Front Porch as articulated in the document "Partnerships: A Way of Life."
- Representing **all** residents and other service consumers served by Front Porch.

- Participating in such a way that the Core Values of Front Porch are assured.
- Honoring and maintaining the highest standards of confidentiality.
- Assisting in assuring the social responsibility of Front Porch.
- Being cognizant of, openly stating when necessary, and avoiding as best as possible matters involving conflict of interest, up to and including absenting oneself from direct conflicts of interest.
- Participating in discussions and decisions in ways that assist in assuring favorable financial performance for Front Porch as a whole.
- Reviewing written materials in advance of Board meetings.

Exhibit A

Responsibilities Unique to Resident Representatives:

It is incumbent on the Resident Representatives who are elected to attend the meetings of the Board of Directors of Front Porch that they:

- Understand, respect and maintain the distinction between the role of elected Board members with all the attendant responsibilities and liabilities for governance *versus* the role of the Resident Representatives to assess and voice the consumer perspective and provide feedback to the Board and Senior Management.
- Assist the elected members of the Board of Directors and the Offices of the CEO and President in presenting Front Porch and the actions of its Board of Directors positively before the Presidents and All-Residents Forums and other gatherings of Residents.

The effectiveness of Front Porch is possible to the extent that each group (Board Members, Resident Representatives and Senior Management) understands its specific role and responsibilities, effectively pursues the same, and mutually fulfills the responsibilities common to all.

(*An excerpt from the document, "Resident Representation of the Board of Directors for Front Porch.")

Revised:

4-29-99	6-4-99	8-22-02
5-11-99	1-7-02	7-1-04
3-31-09		

FRONT PORCH Family of Companies
Management Services

Service

- Financial Management
- Information Services and Systems
- Business Development
- Operations
 - Communities and Services [The Obligated Group]
 - Active Adult Communities
 - Affordable Housing and Services
 - Technology Innovation Wellbeing
 - Strategy Development and Business Solutions
- Organizational Accountability:
 [Quality Assurance; Corporate Compliance;
 Ethics; Social Accountability; Winner’s Circle]
- Human Resources
- Organizational Advancement:
 [Constituent Relations; Foundation Services;
 Branding; Public Relations]
- Legal Counsel
- Sales and Marketing
- Office of the CEO

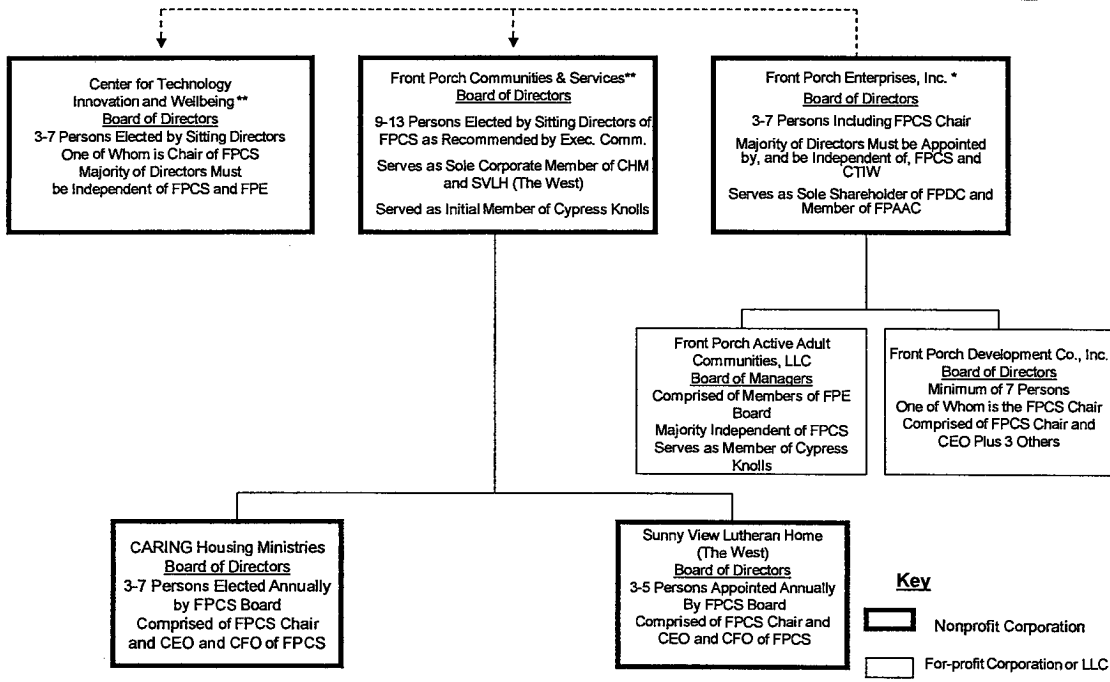
Staff

- Mary Miller, Chief Financial Officer
- Kari Olson, Chief Information Officer
- Bill Jennings, President, FPDC
- Roberta Jacobsen, President, FPCS
- Bill Jennings, Manager, FPAAC
- Nancy Spring, President, CHM
- Kari Olson, President CTIW
- Bill Jennings, Director CSDBS
- Terry Bluemer, Senior Vice President
- Desiree Burton, Senior Vice President
- Lee Ratta, Senior Vice President
- Joseph Butler, In-House Corporate Counsel
- Joan Woodworth, Senior Vice President
- Gary Wheeler, CEO
- Mort Swales, Special Counsel

Front Porch Family of Companies [See organizational chart; Appendix E]:

FPCS	Front Porch Communities & Services
FPE	Front Porch Enterprises
FPAAC	Front Porch Active Adult Communities
FPDC	Front Porch Development Company
CHM	CARING Housing Ministries
SVLH	Sunny View Lutheran Home [The West]
CTIW	Center for Technology Innovation Wellbeing
CSDBS	Center for Strategic Development <i>and Business Solutions</i>

The Front Porch Family of Companies



* FPE serves as supporting organization to FPCS and CTIW
 ** Supported organization of FPE

Rev.2 (03/20/13)



front porch

990 Compensation reporting does not equate to annual salary.

NOTE: Re: Compensation [Officers and Key-Employees]

General Notation: Front Porch utilizes an independent compensation consulting firm, engaged directly by the Executive Committee of Front Porch Communities and Services, to recommend executive/senior management compensation philosophy/policy/practices, which are approved by the full Board. Additionally, independent consulting periodically reviews director compensation to assure levels of appropriateness in the market. Bi-annually, independent compensation consulting provides competitive analysis of executive/senior management compensation to assure market/regulatory appropriateness.

Specific Notation: Compensation reported on page 7 of Form 990 [*Column D (+) Column F*], which equals Compensation reported on Schedule J (page 2) [*Column E*] may include multiple-year, performance-based payments of previously earned at-risk incentive compensation, which, depending on age, is deferred for a minimum of two years, or at employees choice, may be deferred up to different age limits [i.e. 63-70] depending on the category of deferral, at which age payout is required.

Additionally, reported compensation in any given year may include payout of previously earned base compensation that has been deferred by individual employee choice in accordance with IRS regulations.

Also, reported in any given year, may be retention payments for certain long-term employees, and/or deferred retirement benefits paid prior to actual retirement per IRS regulations.

In the case of current Front Porch employees whose tenures go back to predecessor organizations (i.e. prior to 1999) some compensation currently reported on Form 990 and supplemental Schedules may date to compensation earned as far back as 1982. Compensation in this category includes base compensation deferred by individual employee choice, at-risk compensation previously earned but deferred by employee choice, deferred retirement benefits paid prior to actual retirement, and other contractual retirement benefits provided by the predecessor organizations.