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THE FOREST AT DUKE

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The Forest at Duke sustains ‘BBB’ rating and stable outlook with Fitch Ratings

[DURHAM, NC, May 2, 2022] – Last month, Fitch Ratings announced that a ‘BBB’ rating has been awarded to The Forest at Duke in 2022 and includes a stable outlook. The rating affirmation reflects Fitch's view of The Forest at Duke's solid operating performance and manageable leverage, which remain in line with expectations. The Forest at Duke's leverage increased significantly following its series 2021 bond issuance, leading to the rating downgrade in 2021. While the additional debt constrained key balance sheet metrics and reduced financial flexibility, fiscal 2021 results met or exceeded The Forest at Duke's forecast, including cash to adjusted debt and days cash on hand, which ended the fiscal year at 65.5% and 853 days, respectively.

Operating results were also favorable, particularly considering the lost revenues from 14 independent living cottages that were demolished to accommodate construction of the stand-alone health center project funded by the series 2021 bonds. The Fitch Ratings announcement stated that the ‘BBB’ rating reflected The Forest at Duke's strong market position in a demographically favorable service area and long history of high occupancy levels and strong profitability. The community's relationship with Duke University and its high resident satisfaction have helped it consistently draw residents from outside its primary market and maintain a sizeable waiting list despite the presence of several competitors.

Robust demand should support a 71-unit independent living expansion project under consideration, which is expected to proceed once the health center project is completed later this year. While a decision to proceed, and incremental debt and cost estimates for this project are still being evaluated, Fitch believes that The Forest at Duke has some debt capacity at the current rating level. Fitch will factor the project into its rating once the details are available, and following all required approvals and a decision to proceed.

As of August 4, 2021, only 161 of the approximately 2,000 continuing care retirement communities in the United States have public ratings. First issued in 2007, The Forest at Duke continues to strive for financial excellence. This ‘BBB’ rating provides sustained confidence that The Forest at Duke has the financial strength to fulfill its commitments—to the residents we currently serve, future residents, and those investing in The Forest at Duke's bonds.

Fitch Ratings is a leading global rating agency committed to providing the world's credit markets with independent, timely and prospective credit opinions. With dual-headquarters in New York and

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London, Fitch Ratings operates offices and joint ventures in more than 49 locations and covers entities in more than 90 countries, including insurer financial strength ratings on over 2,000 insurance companies. Fitch Ratings was one of the three ratings agencies first recognized as a nationally recognized statistical rating organization (NRSRO) by the Securities and Exchange Commission in 1975.

Fitch's determination to grant a rating at the 'BBB' investment grade level came after a rigorous process of on-site interviews of management and extensive review of The Forest at Duke's financial and operating information.

Celebrating its 30th year, The Forest at Duke is a continuing care retirement community that redefines retirement, providing vibrant living and a continuum of care in the heart of Durham.

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