



GALLOWAY RIDGE

AT FEARRINGTON

**3000 Galloway Ridge
Pittsboro, NC 27312
(919) 545-2215 / (888) 763-9600
www.gallowayridge.com**

DISCLOSURE STATEMENT

Galloway Ridge, Inc. must deliver a Disclosure Statement to a prospective resident prior to the time a prospective resident executes a Residence and Care Agreement to provide continuing care, or prior to the time a prospective resident transfers any money or other property to Galloway Ridge, whichever occurs first.

Galloway Ridge like all other continuing care retirement communities in the State of North Carolina, is subject to the Continuing Care Retirement Communities Act. This Disclosure Statement has not been reviewed or approved by any government agency or representative to ensure accuracy or completeness of the information set out.

MAY 29, 2024

**Unless earlier revised, Galloway Ridge intends
for this Disclosure Statement to remain effective until May 30, 2025**



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INTRODUCTION

Galloway Ridge at Fearington is a Life Plan Community of dreamers and doers. Lovingly crafted with heart, soul, and Southern charm, Galloway Ridge is more than simply retirement living -- it's a secure, health-conscious, pleasure-packed lifestyle destination. Our 67 plus acre campus is just south of Chapel Hill adjacent to Fearington Village, an 1100 acre planned community, offering miles of trails and sidewalks. Jordan Lake and the Haw River are just a short distance for our outdoor enthusiasts.

Galloway Ridge services are conveniently offered under one roof. Our main building includes 248 independent living apartments, library and business center, living room, Chapin Auditorium, billiards room, Multipurpose Room, stadium seating movie theater, art studio, woodworking shop, nature and walking trails, Bark Park, conference room and multiple meeting spaces. Our newly renovated dining areas include "Honey & Hearth" for casual dining, "Harvest" for upscale dining, "Table 23" for fine and private dining and the centrally located "Belties Lounge". In addition to our independent living apartments, Galloway Ridge also offers 52 villa residences just a short distance from the main building. Our Medicare certified healthcare center, The Arbor, is connected to the main building and offers 96 private rooms for assisted living, memory care and skilled nursing. We are fortunate to have a Duke Primary Care office on campus and our own UNC Health Clinic within our community.

The Galloway Ridge WellPlex is an integral part of our wellness program that allows our residents to maintain their optimal level of health and well-being. The WellPlex includes the Duke Center for Living, our 20,000 sq. ft. state-of-the-art fitness center, Duke Primary Care and the Center for Physical Rehabilitation.

Galloway Ridge is owned by Galloway Ridge, Inc. ("Provider," "we," "our" or "us"), a North Carolina nonprofit corporation which is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and exempt from state income taxes in North Carolina under applicable state tax provisions. Galloway Ridge was formed to acquire real property and to develop market and operate the Community, which is located in Chatham County, North Carolina.

Galloway Ridge exists to inspire meaningful and engaged lives and to assure each resident a superior quality of life and care.

One of the purposes of this Disclosure Statement is to explain to prospective residents, their families, and their advisors who and what is involved in the operation of Galloway Ridge. This Disclosure Statement was prepared on the basis of information available at the time of its publication and assumptions, which were believed to be realistic as of that date. Such information and assumptions are, of course, subject to change and, in particular, are significantly affected by changes in inflation and interest rates.

Since non-technical language has been used in this Disclosure Statement, the text of this booklet and the language of the Residence and Care Agreement signed by a resident may not be the same. Although this Disclosure Statement details the provisions of the Residence and Care Agreement, the Residence and Care Agreement serves as the sole binding contract between the resident and us.

We are pledged to the letter and spirit of U.S. policy for the achievement of equal housing opportunity throughout the Nation. We encourage and support an affirmative advertising and marketing program in which there are no barriers to obtaining housing because of race, color, religion, sex, handicap, or national origin.

THE PROVIDER

Galloway Ridge, whose address is 3000 Galloway Ridge, Pittsboro, North Carolina 27312, is a North Carolina nonprofit corporation which is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and exempt from state income taxes in North Carolina under applicable state tax provisions. The Provider does not have subsidiaries, and it holds no ownership position in any other organization, except that it may own securities for investment purposes.

Galloway Ridge is a member of LeadingAge, LeadingAge North Carolina, the International Council on Active Aging, the American Health Care Association, the North Carolina Health Care Facilities Association and the Chatham County Chamber of Commerce.

Other than disclosed above, we are not affiliated with, nor owned by, any other religious, charitable or nonprofit organization.

BOARD OF DIRECTORS AND OFFICERS

Galloway Ridge's Board of Directors is comprised of 12 voting members, divided into three classes, each with four members. In most cases, each director serves for a three year term. Currently, three members of the Board are residents of the Community, with each class containing one resident director. The resident directors were nominated by the Community's Resident Council to the Board for election.

All of the members of the Board of Directors are experienced in their own particular fields, such as law, banking, medical, and entrepreneurship, not in the operation or management of facilities like Galloway Ridge. We feel the expertise of many in their chosen field provides the background for reliable, dependable, and solid decisions in regard to our residents and facilities. The names and business addresses of the current officers and members of the Board of Directors of Galloway Ridge, Inc. are listed below:

<i>Kelly Mackay, President/Director</i>	240 Leigh Farm Rd., Suite 100, Durham, NC 27707
<i>Lisa Chapman, Vice President/Director</i>	3190 Deep River Road, Sanford, NC 27330
<i>Edwina Woodbury, Treasurer/Director</i>	1056 Fearington Post, Pittsboro, NC 27312
<i>Robert Cox, Secretary/Director</i>	6 Speyside Circle, Pittsboro, NC 27312
<i>Rob Cannon, Director</i>	110 Barriedale Circle, Cary, NC 27519
<i>Carl Fox, Director</i>	609 Bennett Mountain Trace, Chapel Hill, NC 27516
<i>Bob Marshall, Director</i>	3000 Galloway Ridge, Apt. 303, Pittsboro, NC 27312
<i>David Perry, Director</i>	80 Freeman Drive, Pittsboro, NC 27312
<i>Marva Price, Director</i>	85 Fearington Post, Pittsboro, NC 27312
<i>Alan Rimer, Director</i>	3000 Galloway Ridge, Apt. A004, Pittsboro, NC 27312
<i>Denis de St. Aubin, Director</i>	P.O. Box 378, Siler City, NC 27344
<i>Christina Winter, Director</i>	341 Pine Lake Drive, Siler City, NC 27344

Kelly Mackay, President of the Board (term expires year-end, 2024)

Kelly Mackay earned her law degree from UNC-Chapel Hill in 1993. Currently, she is a Managing Member at the law office of Walker Lambe, PLLC, in Durham, NC. Her areas of practice focus on General Business, Corporate, Corporate Sustainability and Commercial Real Estate. Ms. Mackay is the past President of the 14th Judicial District of the North Carolina State Bar and is a member of the Durham County Bar and the North Carolina Bar Association. She has been an active contributor to the Wake Forest Chamber of Commerce and has served as its Chairman of the Board of Directors. Ms. Mackay has been active in her community with her work through Hoops for Wake Forest, Kiwanis Club, American Business Women's Association and the Anthony J. Trentini Scholarship Foundation. She has also been recognized by the NC Pro Bono Honor Society, an honor given to NC attorneys who have given substantial and valuable legal contributions to the state of North Carolina.

Lisa M. Chapman, Ed.D., Vice President of the Board (term expires year-end 2024)

Lisa Chapman has been in the North Carolina Community College System for thirty-six years. She currently serves as the President of Central Carolina Community College (CCCC), a position she has held since April, 2019. She began her career as a biologist at the National Institute of Environmental Health Sciences but moved into formal teaching and learning, spending several years at CCCC. Her tenure at the college included serving as a biology instructor, Math and Sciences Department Chair, Academic Dean and Executive Vice President for Instruction/Chief Academic Officer of the North Carolina Community College System, a position she held for five years before returning to Central Carolina as President. Dr. Chapman is an Aspen New Presidents Fellow (2020-2021 Cohort) and holds a Bachelor of Science in Zoology from UNC-Chapel Hill, Master of Sciences in Physiology from East Tennessee State University and Doctor of Education in Curriculum and Instruction from UNC-Chapel Hill.

Edwina Woodbury, Treasurer for the Board (term expires year-end, 2026)

Edwina Woodbury is a results-oriented public company director and a seasoned corporate executive. She is a member of the Board of Directors of Nu Skin Enterprises, Inc. (NYSE), where she chairs the Audit Committee and serves on the Nominating & Corporate Governance Committee. Her previous public company board service includes Audit Committee chairmanships at RadioShack Corp., R.H. Donnelley Corporation, now DexOne Corp., and Click Commerce, Inc. Ms. Woodbury is a financial expert as defined by the Securities and Exchange Commission. Prior to her move back to North Carolina in 1999, Ms. Woodbury spent more than twenty years with Avon Products, Inc., Hired in 1977 as a General Ledger Accountant, she held increasingly responsible positions at Avon, retiring from the New York-based company at the end of 1998 as Executive Vice President, Global Business Process Redesign. Ms. Woodbury earned her BSBA, majoring in Accounting, from the University of North Carolina at Chapel Hill in 1973. That same year, she joined KPMG (then Peat, Marwick, Mitchell & Co.) in Raleigh, North Carolina, where she worked until her move to New York in 1977. Ms. Woodbury is owner and CEO of The Chapel Hill Press, Inc. She is former chair of the governing board of the UNC Health Foundation, and the Board of Visitors of the UNC Lineberger Comprehensive Cancer Center. Edwina currently lives in Ferrington Village, NC, with her husband Dennis McGill.

Robert Cox, Secretary for the Board, Resident (term expires year-end, 2024)

Robbie Cox earned his BA degree from the University of Richmond and Ph.D. from the University of Pittsburg. He is Professor Emeritus in the Department of Communication and the Curriculum for Ecology and the Environment at the University of North Carolina at Chapel Hill where his principal research interests have been environmental and climate change communication, and strategic studies of environmental non-profit organizations. Dr. Cox recently edited the 4-volume reference work *Environmental Communication* (2016) and the *Routledge Handbook of Environment and Communication* (2015; 2nd ed. Forthcoming, 2023). His book *Environmental Communication* (2018, 5th edition) is the leading U.S. college textbook in the field. Dr. Cox served three times as President of the U.S. Sierra Club and on the board of directors for Earth Echo International. He advises environmental non-profit groups, recently helping to design the Sierra Club's "Ready for100" initiative, encouraging U.S. cities to transition to 100% renewable energy. In November 2022, Robbie attended as an official observer the UN's climate conference COP26 in Glasgow, UK. He has enjoyed hiking in the Himalayas, the southern Appalachian Mountains, and, in 2018, he completed a walk across northern England.

Rob Cannon (term expires year-end, 2025)

Rob Cannon is a Sr. Financial Advisor and a CERTIFIED FINANCIAL PLANNER™. As a 26-year banking veteran working with individuals, Rob has significant experience in investments, financial analysis, fiduciary law and compliance, estate planning, and document interpretation. He has worked for various companies during this time, including PNC Bank, Bank of America, and Truist Bank. Rob is a native of Charlotte and spent most of his childhood summers on the North Carolina coast. He is a graduate of UNC-Chapel Hill with a BA in History in 1994 and received his Master's degree in Trust and Investment Management from Campbell University in 2003. Rob currently lives in Cary with his wife, Kim, and two teenage children and enjoys travel, golf, sailing, and watching UNC football & basketball.

Carl R. Fox, Member of the Board (term expires year-end 2026)

Mr. Fox is a North Carolina Dispute Resolution Center Certified Superior Court Civil Mediator and a sole practitioner in The Law Office of Carl R. Fox, PLLC of Chapel Hill. He practices criminal and civil law. In October 2020, Mr. Fox retired as the Senior Resident Superior Court Judge for Chatham and Orange Counties (District 18). Prior to his appointment as a Superior Court judge, he served as District Attorney for Chatham and Orange Counties from 31 December 1984 until 23 March 2005. Mr. Fox received his undergraduate degree from the University of North Carolina at Chapel Hill in 1975. He received his Juris Doctorate Degree from the University of North Carolina School of Law in 1978. From September 1978 until December 1984, he served as an Assistant District Attorney to former District Attorney Wade Barber. Mr. Fox currently serves as a member of the Board of Directors of the UNC Law Alumni Association and the Board of Visitors of the UNC Lineberger Comprehensive Cancer Center. He has also served on the Board of Directors of the Save the Fox, UNC General Alumni Association, UNC Board of Visitors, the Augustine Project, and the ArtCenter. Mr. Fox has also served on the Governor's Crime Commission, Criminal Justice Partnership Program, North Carolina Courts Commission, North Carolina Task Force on Substance Abuse and the Courts, and the Chapel Hill-Carrboro Task Force on Violent Crime and Drugs. Mr. Fox is a member of the North Carolina State Bar, 18th District Bar, Chatham and Orange County Bar Associations. In 2015 and 2020, he received the Order of the Long Leaf Pine Award. Mr. Fox currently serves a commentator for WRAL-TV. He has also

served as a commentator for Court TV, WTVD-TV and WNCN-TV. He has also received Governor's Certificate of Appreciation, Martin Luther King, Jr. Citizenship Award and Service Award, Outstanding Trial Judge, Citizen of the Year Award, Best in Triangle—Public Servant Category, and Lawyer of the Year. Mr. Fox was the first Black District Attorney in North Carolina and the first Black Judge in Chatham and Orange Counties.

Bob Marshall, M.D., Resident (term expires year-end, 2025)

Bob Marshall is almost a native North Carolinian since his family moved from New Jersey to Winston-Salem when he was 5 years old. He graduated from Davidson College before completing medical school and a pediatric residency at Duke. After two years as a Major in the Army Medical Corps, he returned to UNC Chapel Hill for a subspecialty fellowship in pediatric endocrinology. He was on the faculty of the University of Texas Medical School, in Houston, for 16 years as head of the Pediatric Endocrine Division. He then moved to Chattanooga, TN, in 1990 to establish a pediatric endocrine program at the University of Tennessee Medical Branch, there for teaching pediatric students and residents. After retirement in 2008, he remained Chairman of the Board of the Tennessee Camp for Diabetic Children. Other retirement interests have included Master Gardner training and working as a hospice volunteer. He moved to Galloway Ridge in 2015, returning to North Carolina to be closer to his two sons in Raleigh, a daughter in Chapel Hill and all seven grandchildren.

David Perry, M.A. (term expires year-end, 2025)

David Perry received his undergraduate and M.A. degrees in Political Science from Indiana University-Bloomington. From 1968 to 1975 he served as a legislative analyst and budget examiner with the U.S. Office of Management and Budget, a component of the Executive Office of the President, and in 1972 received the Professional Achievement Award from OMB. In 1975 he commenced a 30-year career in academic medicine, serving as Associate Dean/Principal Business Officer at two American medical colleges: Saint Louis University (1975-1989); and UNC-Chapel Hill (1989-2006). In 2004 he was honored by UNC-CH with the C. Knox Massey Distinguished Service Award. During most of the decade of the 1980's he served the National Institutes of Health as a Special Reviewer on grant renewal site visits to all seven of the Federally-sponsored Regional Primate Research Centers, as well as to several federally-funded General Clinical Research Centers. He is an honorably discharged U.S. Army veteran of the Vietnam War (1966-1967), and was awarded the Bronze Star medal for Outstanding Service on the staff of the Military Assistance Command-Vietnam.

Marva Price, DrPH, RN, FNP, FAAN (term expires year-end, 2024)

Marva Price received her BS in Nursing from North Carolina A&T State University, Greensboro. She received the Masters and Doctorate in Public Health from University of North Carolina, Chapel Hill, including a post-master's certificate in Family Nurse Practitioner. In addition, she completed the post-masters in nursing at the University of Washington, Seattle. Currently, Marva is an Associate Professor Emeritus at the Duke University School of Nursing, which was followed by associate professor and program director at the UNC School of Nursing. Marva served terms appointed by Governor Beverly Perdue and Governor Pat McCrory to the North Carolina State Public Health Commission and the Mining and Energy Commission (currently Oil and Gas Commission). She served on a three-county mental health board (which included Chatham

county), and she served on the Carolina Meadows Continuing Care Retirement Community's executive board and health committee. In addition, she is a former health director for the Chatham County Health Department. Marva and her husband, Eddie Price, former Chatham County principal and central office consultant, live in Fearington Village. They have two adult daughters, LeShawndra, a research scientist at the National Institutes of Health in Maryland, and Lebbonee, who is a strategic partner manager for Google, San Francisco. Marva volunteers as a Covid-19 vaccinator in the surrounding area.

Alan Rimer, Ph.D., P.E., D.E.E., Vice President of the Board (term expires 2026)

Alan Rimer has had a varied career in environmental engineering. In the course of over 50 years of professional experience, he has been involved with the planning and design for a variety of water reuse, water resources, industrial and municipal wastewater treatment, hazardous waste, and solid waste management projects. This work has been conducted for local, state and federal governments, as well as a wide variety of industries. The work has been conducted in the United States, as well as Asia, Europe and South America. He has served as an elected public official (Chapel Hill Town Council) and has been appointed to a number of Boards and Commissions in North Carolina, by two governors and has served on a variety of appointed US Senate and White House Committees, under the administrations of both parties. He has served as co-chair of the task force that established the Chapel Senior Center and currently serves as Board Chair of Carolina Villages, a not-for-profit dedicated to helping seniors age in place. Alan Rimer earned his master's degree in Environmental Engineering from the University of North Carolina and his PhD in Environmental Engineering from Duke University/Kennedy Western University.

Denis R. de St. Aubin (term expires year-end, 2025)

Denis is the Chief Executive Officer and Chairman of the Board of Old North State Trust, which he founded in 1994. This independent trust company provides fiduciary and trust services to help families create and enrich their legacy for generations to come. Denis serves as Chairman of the Board of Directors for Heritage Concrete Service Corporation, which he cofounded in 1986. In addition, he is the Chairman of the Board of Directors for Service Building Supply, Managing Partner for Old North State Insurance and a Board Member for Wren Industries. Denis attended High Point College, East Carolina University and graduated from Greensboro College. He serves as Treasurer for the NC Arts Incubator, a nonprofit whose mission is to incubate artistic, cultural and intellectual growth in North Carolina.

Christina Surrency Winter (term expires year-end, 2026)

Christina Winter joined the Galloway Ridge Board in January 2024. She holds a Doctor of Education from NC State University, a Masters degree from East Carolina University and a Bachelor's from Queens College. Christina worked as an educator for 30 years in North Carolina, twenty years as an administrator. After obtaining her doctorate, joined IBM as a Global Services Senior Project Manager for public sector technology projects and later joined Pearson Ltd. Her business career in consulting for state departments and large-scale technology projects included the U.S. mainland as well as the Caribbean, Hawaiian Islands, Canada, the Middle East and the U.S. Territories of Puerto Rico and American Samoa. Christina is a long-term member of the NCSU College of Education Board. Her hobbies include gardening and traveling.

No Officer, Director or management staff of the Community (i) has been convicted of a felony or pleaded nolo contendere to a felony charge or been held liable or enjoined in a civil action by final judgment for a felony or civil action involving fraud, embezzlement, fraudulent conversion, or misappropriation of property; or (ii) is subject to a currently effective injunction or restrictive court order, or within the past five years, has had any State or Federal license or permit suspended or revoked as a result of an action brought by a governmental agency or department, where such order or action arose out of or related to the business activity of health care, including actions affecting a license to operate a foster care facility, nursing home, retirement home, home for aged, or facility subject to Section 58-64 of the North Carolina General Statutes, or similar law in another state. We are not aware of any actions (as defined) against any person (as defined) requiring disclosure.

EXECUTIVE AND MANAGEMENT TEAM

Robert Zimmer, Executive Director/Chief Executive Officer:

Mr. Zimmer joined Galloway Ridge in December 2011 as Chief Financial Officer and became Executive Director in December 2014. Mr. Zimmer is responsible for the day-to-day operations of the community including financial oversight, human resources as well as resident and healthcare services. Mr. Zimmer has over 25 years of experience in non-profit management. Previous roles include Fiscal Services Manager for the Catholic Diocese of Raleigh; Chief Financial Officer for the North Carolina Museum of Life and Science; and Chief Operating Officer for the Durham Chamber of Commerce. He holds Bachelor of Arts and Master of Business Administration degrees from the University of Dallas.

Missy Johnson, Senior Director of Resident Experience:

Ms. Johnson joined the marketing and sales team at Galloway Ridge in 2013 and was promoted to Director in 2016. She brings over 25 years of experience in gerontology and marketing to her current leadership position. While earning her Masters of Developmental Psychology and a Certificate of Gerontology from University of Georgia, Ms. Johnson focused on research and development for successful aging and cognitive aging. She has worked in a variety of healthcare settings, including behavioral health, assisted living, and Life Plan communities. Ms. Johnson is responsible for a positive experience for all residents from initial contact until their departure from the community.

Dana Boylan-Walker, Senior Director of Finance:

Ms. Boylan-Walker joined the leadership team of Galloway Ridge in March 2015. She brings 25 years of non-profit financial management experience to the company. Before Galloway Ridge, Ms. Boylan-Walker served as Chief Operating Officer for the Guilford County Partnership for Children. Ms. Boylan-Walker obtained her Bachelor of Science in Accounting from NC A&T State University and also holds a Master of Business Administration from Pfeiffer University. She is responsible for managing the financial risk, financial planning, financial reporting and the analysis of financial data for Galloway Ridge.

Adrian Jackson, Senior Director of Facilities and Technology:

Adrian joined the facility operations team at Galloway Ridge in April 2018. In March 2021, he joined the leadership team upon his promotion to Senior Director of Facility and Technology Operations. Adrian has an extensive background in business operations and administration with over 15 years of experience dedicated to corporate real estate and facility management. As Senior Director of Facility and Technology Operations, Adrian is responsible for overseeing the supporting business functions related to building maintenance, grounds keeping, environmental services, security and safety, construction project management, and information technology. He also serves as the Payment Card Industry and HIPPA Security Officer for the organization. Adrian earned his Bachelor of Business Administration degree and Masters of Business Administration from North Carolina Central University. He holds credentials as a

Facility Management Professional (FMP) and a Sustainability Facility Professional (SFP) from the International Facility Management Association.

Kim Hutter, Senior Director of HR and Administrative Services:

Ms. Hutter joined the leadership team at Galloway Ridge in June, 2020. She has an extensive background in both senior living and human resources. Ms. Hutter spent the first part of her professional life working for a large assisted living provider. She worked for several years in Human Resources for Case Western University before joining the staff at the UNC Eshelman School of Pharmacy. She served as the Director of Human Resources at the School of Pharmacy for the past ten years. Ms. Hutter holds a bachelor's degree from Ursuline College in Cleveland, Ohio, as well as several professional certifications in Human Resources. She recently earned her North Carolina Assisted Living Administrator License. As Senior Director of Human Resources, Ms. Hutter is responsible for all phases of the Employee Life Cycle which includes recruitment, on-boarding, employee relations, performance management, employee recognition, employment law compliance, benefits and compensation, as well as various resident services such as Concierge, Transportation and the Duke Center for Living.

Arvilla Johnson, Senior Director of Healthcare Services:

Arvilla joined Galloway Ridge in July of 2021 and then transitioned to the senior leadership team in February of 2022. Prior to Galloway Ridge, she served as a Director of Operations and Clinical Services at UNC Health Care in Chapel Hill, where she had oversight of multiple clinical services and locations. She spent several years as a Director of Clinical Operations for Duke Clinical Research Institute, providing clinical expertise and project management for over 64 clinical trials. Arvilla also served 10 years in the US Army Reserves as a nurse before being honorably discharged as a Captain in 2004. Arvilla has her Bachelors in Nursing from Ball State University; she has a Masters in Administration; was awarded a Doctorate of Management; and has her Nurse Executive Advanced Board Certification through American Association of Colleges of Nurses (AACN). With her extensive background in the field of healthcare, Arvilla provides leadership and oversight for all healthcare operations at Galloway Ridge.

Ryan Payne, Director of Culinary/Executive Chef:

Ryan is responsible for the overall coordination of our food preparation and kitchen operations in independent living. He comes to Galloway Ridge with over 20 years of experience in the industry and has won multiple culinary awards. He attended Johnson & Wales University in Norfolk, Virginia, earning an Associates' Degree in Culinary Arts. Upon Graduation, Ryan was extended an offer to work at Kingsmill Resort & Spa in Williamsburg, Virginia and soon earned the title of Banquet Chef. He was responsible for over 20,000 sq. ft. of dining space for the resort with 15 million of yearly revenue. Ryan has since served as Executive Chef at the Magnolia Inn and Weathervane at Southern Season. At Weathervane of Southern Season Ryan was promoted to VP of Food & Beverage and Corporate Chef for the company and opened two additional restaurants for the company. After 5 years at Southern Season, Ryan held a position as Corporate Chef of Southern Foods, a local specialty distribution company based out of

Greensboro, North Carolina where he consulted with restaurants, country clubs, retirement communities, and hospitals. He was also able to forge a great bond with local farmers and pass their story on to his customers.

OTHER MANAGEMENT AND CONSULTING SERVICE PROFESSIONALS

Duke University Health System and/or its affiliates ("Duke")

Duke provides management services for the Duke Center for Living and a standalone primary care clinic.

University of North Carolina at Chapel Hill ("UNC")

The University of North Carolina at Chapel Hill's Division of Geriatric Medicine in the Department of Medicine in its School of Medicine ("UNC") manages the Community's health care clinic via staffing by UNC medical professionals and employs the Medical Director for the Community.

Other Legal and Financial Consulting Professionals

Galloway Ridge's primary legal and financial consultants are as follows:

Womble Bond Dickinson (US) LLP

Legal Counsel
One West Fourth Street
Winston-Salem, North Carolina 27101
Attention: David P. Broughton, Esquire

Clifton Larson Allen, LLP

Auditors and Financial Consultants
227 West Trade Street, Suite 800
Charlotte, North Carolina 28202
Attention: Rachel C. Webster

Truist Securities

Financial Advisors
901 East Byrd Street, Suite 260
Richmond, Virginia 23219
Attention: Seth Wagner

Truist Bank

3318 West Friendly Ave., 2nd
Floor
Greensboro, North Carolina 27408
Attention: Dennis Hurst

Hamilton Point Investment Advisors, LLC

100 Europa Drive, Suite 425
Chapel Hill, North Carolina 27517
Attention: Rick Woods

RESIDENTS COUNCIL

The Community has formed a Residents Council with representation from various areas of the Community. The Residents Council acts in an advisory capacity to the management and staff of the Community and serves to facilitate the exchange of ideas between the Residents and the Community. Management of the Community holds periodic meetings with the Residents Council and the residents to discuss policies, programs, services, financial information and other issues and information. A copy of the most recently approved Disclosure Statement, including both audited and unaudited financial statements, is placed in the Community's library and is available to residents.

FACILITY INFORMATION

The Community is located on approximately 67 acres within the Fearington Village Planned Unit Development, a picturesque community located just south of Chapel Hill in Pittsboro, North Carolina. The University of North Carolina, Duke University, North Carolina Central University, North Carolina State University and the Research Triangle Park are just a short distance from Fearington Village.

Including the expansion completed in May 2012 and an addition in 2019, the Community currently has 300 independent living units (including 248 apartments and 52 villas), as well as a Health Center (the "Arbor") which consists of 51 assisted living beds (including 29 private or semi-private adult care home beds and 20 memory care beds), 14 multi-unit assisted housing with services (MUAHS) beds and 40 skilled nursing facility (SNF) beds. Occupancy in both the existing and expansion phases at Galloway Ridge reached 90% in December 2013. Occupancy remained above 90% throughout 2014. Galloway Ridge declared stabilized occupancy for the independent living units on April 29, 2015. Occupancy continues to remain above 90%. As of May 29, 2024 there were 469 residents at the Community.

Effective as of April 2, 2016, the Community is a tobacco-free community pursuant to a tobacco-free policy adopted by the Board of Directors of the Provider.

ADMISSION AND RESIDENCY REQUIREMENTS / POLICIES

A. Residency Policy

The resident must be capable of meeting the requirements of occupancy, including that the resident (i) has reached the age of 62; (ii) is in sufficiently good health to be capable of occupying a residence, with or without reasonable accommodation or reasonable modification; and (iii) has sufficient assets and income to pay the Entrance Fee. After payment of the Entrance Fee, the resident must have sufficient financial resources to permit payment of the Monthly Fee plus other personal expenses which may be reasonably expected, to pay for the costs of Health Center services, and to meet anticipated increases in the cost of living and increases in the Monthly Fee. A copy of the complete Residency Policy is available for review in the Community's Marketing Office.

B. Residence and Care Agreements

At the time the resident makes application for residency at the Community, the resident will sign a Residence and Care Agreement to reserve the residence selected. In order to reside at the Community for life, subject to the Residence and Care Agreement, the resident will pay an Entrance Fee and a monthly fee. A portion of the Entrance Fee (deposit) is paid at the time the resident signs the Residence and Care Agreement. The remaining balance of the Entrance Fee will be paid upon the earlier of (i) occupancy or (ii) 90 days after the Residence and Care Agreement is executed.

The current Entrance Fee amounts (and five-year historical Entrance Fees) are included in tables at the end of the main body of this Disclosure Statement.

The Community currently offers two forms of Residence and Care Agreements: a 75% Return-of-Capital™ Plan and a Traditional Plan (See Exhibits F and G of this Disclosure Statement). The differences between the 75% Return-of-Capital™ and the Traditional Plan are the amount of the Entrance Fee paid upon admission, and the amount of the repayment a resident (or resident's estate) is entitled to after a resident assumes occupancy at the Community as described in Section 7.2 of the Residence and Care Agreements.

C. Repayment of the Entrance Fee

1. **Non-acceptance.** If not accepted for residency, the portion of the Entrance Fee paid by a prospective resident will be repaid, without interest, within 30 days of notice of non-acceptance. All admission decisions of the Community are final and not subject to appeal.

2. **Right of Rescission Period.** In accordance with North Carolina laws and regulations, a resident has the right to rescind the Residence and Care Agreement within 30 days following the later of (i) his/her execution of the Residence and Care Agreement; or (ii) the receipt of a Disclosure Statement. If a resident rescinds the Agreement, the portion of the Entrance Fee paid by the resident will be repaid without interest within 30 days of our receipt of resident's written notice of cancellation, except that we will retain an amount equal to any charges specifically incurred by us at the resident's request, if any, and which are set forth in a separate addendum to the Agreement. The resident will not be required to move into the Community before expiration of the 30-day rescission period.

3. **Cancellation Prior to Occupancy Due to Death or Change in Condition.** If prior to occupancy a resident is precluded from occupying the Residence due to death, illness, injury, incapacity or a substantial change in physical, mental or financial condition, the Agreement will automatically cancel upon our receipt of written notice of such event. We will return to resident or resident's legal representative, without interest, the portion of the Entrance Fee paid within 60 days of our receipt of written notice of cancellation, except that we will retain an amount equal to any charges specifically incurred by us at resident's request, if any, and which are set forth in a separate addendum to the Agreement.

4. **Cancellation Prior to Occupancy for Other Reasons.** If prior to occupancy the resident wishes to cancel the Agreement for a reason other than those set forth in Sections 7.1.1, 7.1.2, or 7.1.3 of the Residence and Care Agreement, the resident must give us written notice of cancellation by registered or certified mail. Upon our receipt of your written notice, the Agreement will be cancelled, and we will attempt to obtain a new resident for the Residence. In such event, upon occupancy of the Residence by the new resident, and within 30 days of our receipt of the Entrance Fee paid by the new resident, we will remit to resident or resident's legal representative, without interest, the portion of the Entrance Fee paid to us, less a non-refundable fee consisting of: (i) 1% of the total Entrance Fee as specified in the Agreement and (ii) an amount equal to

any charges specifically incurred by us at resident's request, if any, and which are set forth in a separate addendum to the Agreement.

5. **Cancellation After Occupancy.** After occupying the Residence, should the resident (the survivor if there are two residents) die or cancel the Residence and Care Agreement, repayment of the Entrance Fee will be as follows:

(a) 75% Return-of-Capital™ Residence and Care Agreement (see Exhibit F to this Disclosure Statement): Under the 75% Return-of-Capital™ Residence and Care Agreement, during the first twelve (12) months of occupancy, we will remit to the resident or the resident's estate the Entrance Fee paid, without interest, less 1% of the Entrance Fee paid and less 2% of the Entrance Fee paid per month for each month or partial month of occupancy. After twelve (12) months of occupancy, we will remit to the resident or the resident's estate an amount equal to 75% of the Entrance Fee, without interest. Any repayment will be made upon occupancy of the Residence, subsequent to termination of the Agreement, by a new resident and within 30 days of our receipt of the Entrance Fee paid by the new resident.

(b) Traditional Residence and Care Agreement (see Exhibit G to this Disclosure Statement): Under the Traditional Residence and Care Agreement, during the first forty-eight (48) months of occupancy, we will remit to the resident or the resident's estate the Entrance Fee paid, without interest, less four percent (4%) of the Entrance Fee paid and less 2% of the Entrance Fee paid per month for each month or partial month of occupancy. After 48 months of occupancy, the entire Entrance Fee will be considered earned by us, and no portion of the Entrance Fee will be repayable to the resident or the resident's estate. Any repayment will be made upon occupancy of the Residence, subsequent to termination of the Agreement, by a new resident and within 30 days of our receipt of the Entrance Fee paid by the new resident.

6. **Cancellation by Us.** Upon 30 days written notice to the resident or resident's legal representative, we may cancel the Residence and Care Agreement at any time on the following grounds, which shall be determined by us in our sole discretion:

- a. Resident does not comply with the terms of the Residence and Care Agreement or the Community's procedures, covenants, rules, regulations, or policies; or
- b. Resident misrepresents himself or fails to disclose information during the admissions process; or
- c. Resident fails to make payment to us of any fees or charges due us within 60 days of the due date; or
- d. Resident's health status or behavior constitutes a substantial threat to the health or safety of resident, other residents, or others, including Resident's refusal to consent to relocation, or would result in physical damage to the property of others; or
- e. Resident's physical or mental condition cannot be cared for in the Community Health Center within the limits of the Community's license.

Cancellation by us occurs only as a last resort, after it becomes clear to us that cancellation is necessary, and after the resident or the resident's legal representative/ responsible party has an opportunity to be heard. Upon cancellation of the Agreement, any Monthly Fees paid in advance are pro-rated and an appropriate repayment is made. If cancellation occurs by us, any repayment of the Entrance Fee would be computed on the same basis as if the resident gave notice of cancellation after occupancy (see "Cancellation After Occupancy" above).

D. Insurance Criteria

The Residence and Care Agreement requires that the resident maintain Medicare Part A, Medicare Part B and one supplemental health insurance policy or equivalent insurance coverage acceptable to us.

E. Payment of a Monthly Fee

The resident is required to pay a Monthly Fee to the Community by the 15th day of each month. If there are two residents, a second person Monthly Fee will also be paid. The Monthly Fees are paid to provide the services and amenities described in the Residence and Care Agreement and to meet the costs of the expenses associated with the operation of the Community. We may increase the Monthly Fee upon 60 days written notice to the residents if we deem it necessary in order to meet the financial needs of the Community and to provide the services to the residents. The current Monthly Fee amounts are included in the tables at the end of the main body of this Disclosure Statement.

F. Health Center Services

Each continuing care resident is entitled to receive care in the Health Center (to receive assisted living services, memory care, or skilled nursing care), pursuant to the terms of the Residence and Care Agreement, at no extra charge, except for the costs of additional meals, physician services and ancillary health services and supplies, as outlined in Section 4 of the Residence and Care Agreement. If it is determined that the resident requires permanent care in a Health Center, the resident may be required to surrender his or her residence for occupancy by someone else.

G. Relocation/Moves

We reserve the right to relocate a resident to a different residence or a higher level of care after consultation with the resident, resident's family and attending physician if, in our sole discretion, it is determined that such a move should be made for the benefit of the resident or for the proper operation of the Community or to meet the requirements of law.

H. Provisions for New Second Resident

No person other than the resident may occupy the residence without our written approval. If a second person, who is not a party to the Residence and Care Agreement, wishes to become a resident of the Community, that person's acceptance will be in accordance with the current admission policies. An Entrance Fee as determined by the Community will be paid upon admission. In addition, each month the then-current Monthly Fee for second persons will be paid. If the second person does not meet the requirements for residency, he or she will not be permitted to occupy the residence for more than 30 days, except with our written approval.

Should the resident marry a person who is also a resident of the Community and should they decide to occupy one residence, they must declare which residence will be occupied and which residence will be surrendered. The repayment due to the surrendered residence will be as described above. Each month, the then-current Monthly Fee for second persons shall be paid.

I. Financial Assistance

Financial assistance may be available to existing continuing care residents who live at the Community under a life care Residence and Care Agreement. To be eligible for such financial assistance, the resident cannot impair his/her ability to meet his/her financial obligations by transfer of assets other than to meet ordinary and customary living expenses or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance or other health insurance as outlined in the Residence and Care Agreement. Financial assistance funds are available as long as providing financial assistance does not impair our ability to operate the Community on a sound financial basis for the benefit of all residents.

We do not offer financial assistance to non-continuing care residents who are admitted under an MUAHS Agreement.

J. Tax Deductions/Medical Expense Deduction

The signing of the Residence and Care Agreement and payment of the Entrance Fee and Monthly Fee gives rise to certain unique tax considerations. The discussion below outlines the process which will be utilized to determine the percentage of the Entrance Fee and Monthly Fee that the resident may choose to deduct as a medical expense. Each resident is advised to consult with his/her personal tax advisor regarding the tax consequences associated with becoming a resident of the Community. We are not a tax advisor and disclaim any responsibility for any tax advice relating to your becoming a resident of the Community.

All deductions are of course subject to limitations imposed by the Internal Revenue Code of 1986, as amended. Each year, we will provide residents with a percentage of the prior year's Monthly Fee that has been determined to be attributable to operation of the Health Center. It is advisable that residents seek the advice of their tax counsel before taking this deduction.

SERVICES AND AMENITIES

A. Services and Amenities Available for the Monthly Fee

Pursuant to the terms of the Residence and Care Agreement, residents are eligible to receive the following standard services and amenities for payment of the Monthly Fee:

- Weekly standard housekeeping services to the residence.
- Weekly in-home linen service.
- Social, cultural, educational, recreational and spiritual activities designed to stimulate and support your overall physical, spiritual and emotional well-being. You are encouraged to join in such activities as you find appealing.
- A set number of meal points each month sufficient for one meal per day per resident. Meal points may be used in accordance with our meal points program.
- Meal delivery to your residence, when medically necessary.
- Unassigned surface parking for your use.
- Each residence and all common areas of the Community are equipped with an emergency call system which is monitored 24-hours per day to summon emergency aid.
- For your comfort and safety, we will provide security services for the Community at large, as well as basic grounds keeping and maintenance for common areas.
- Water, heat, electricity, sewer service, air conditioning in the residence, and trash removal from central locations. At our discretion, we may offer Community-wide wireless internet access.
- The residence is pre-wired for telephone installation. Arranging for telephone services and payment of any charges for such service is your responsibility.
- Dining rooms, bar/lounge, auditorium, social and activities rooms, and other Community facilities such as the Community's fitness center, with a lap pool, whirlpool, exercise track and equipment, aerobics facilities, and massage area; cinema; and art studio. Private dining rooms can be reserved by residents. All common areas are smoke-free environments.
- The residence is pre-wired for cable television service, and basic cable television service, so long as commercially available, is included in your Monthly Fee. Arranging for any additional television service beyond basic cable and payment of charges for such additional service is your responsibility.
- Wall-to-wall carpeting, clothes washer and dryer, kitchen appliances consisting of refrigerator/freezer with icemaker, oven/range, dishwasher, garbage disposal and microwave oven with built-in exhaust hood, and other permanent fixtures in the Residence. All other furnishings shall be provided by you and shall remain your personal property. Furnishings and appliances in the residences shall be subject to inspection and approval to ensure the safety of residents. Exterior furnishings shall be subject to Galloway Ridge's policies and procedures. No physical changes may be made to a residence without the prior written approval of Galloway Ridge.

- Building janitorial staff and maintenance of buildings, grounds, and residences, and all necessary (as determined by us) repairs, maintenance and replacement of property and equipment owned by us, including provided appliances.
- A centralized mail area for the delivery of your mail by the U.S. Postal Service.
- (Apartment residents only) A small storage area away from the Residence to store non-perishable and non-hazardous materials and other items not required for daily living. These storage areas may or may not be on the same floor as the Residence.

B. Services and Amenities Available for an Extra Charge

The following supplemental services and amenities are also available to residents for an extra charge:

- Additional meals over those provided in consideration for the Monthly Fee.
- Additional housekeeping beyond that provided for the Monthly Fee, including but not limited to unusually heavy housekeeping required due to your failure to maintain the Residence in a clean and orderly condition at all times.
- Covered parking spaces will be available and assigned on a limited basis, first come first served.
- At our sole discretion, satellite television may be available for an Extra Charge.
- Unscheduled personal transportation services.
- Other services as may be provided from time to time.

ESTIMATED OCCUPANCY FOR 2024

Independent Living:

Total Number of residents:	406
Number of residences occupied:	295
Total number of residences available:	313

Health Center:

Total number of residents:	67
Number of beds occupied:	67
Total number of beds available:	96

RESERVES, ESCROW AND FINANCIAL INFORMATION

Construction of the Community commenced in November 2003 following the closing of a \$95 million bank loan. In July, 2006, the original bank loan was refinanced with another bank loan in the principal amount of \$44 million. In October 2010, Galloway Ridge obtained bond financing to refinance its bank debt and to develop and construct Phase II projects. In September 2014, a portion of the 2010 bond debt was refinanced with the issuance of the 2014 Refunding Bonds. In October 2019, the balance of the 2010 bond debt was refinanced with the issuance of the 2019 Refunding Bonds. In November 2022, \$11.98 million in bond debt was issued to fund the renovation of the dining venues (2022A).

A. Financial Statements

The following financial statements for Galloway Ridge are included as exhibits to this Disclosure Statement:

- Fiscal Year 2023 Audited Financial Statements (see Exhibit A)
- Unaudited Financial Statements for the period ending March 31, 2024 (see Exhibit C)

Included with the financial statements are a summary and narrative explanation of the material differences between (i) the forecasted financial statements (Balance Sheet, Statement of Operations, and Statement of Cash Flow) filed pursuant to G.S. 58-64-20 as a part of the disclosure statement recorded most immediately subsequent to the start of Galloway Ridge's most recently completed fiscal year and (ii) the actual results of operations during that fiscal year.

B. Five-year Projection

A projection of Galloway Ridge’s financial statements over the next five years, including pertinent assumptions, is included as an exhibit to this Disclosure Statement (see Exhibit B).

C. Reserves and Trusts

1. **Reserves.** North Carolina law requires continuing care retirement communities (“CCRCs”) such as Galloway Ridge to maintain operating reserves equal to 50% of the total operating costs in a given year if the CCRC has occupancy as of a certain date of less than or equal to 90%, or 25% of such total operating costs if occupancy as of a certain date exceeds ninety percent (90%) of the community’s capacity. This law provides security to residents that the community will be able to meet its contractual obligations to provide continuing care. In accordance with North Carolina state law, Galloway Ridge maintains an operating reserve equal to 25% of Galloway Ridge’s total operating costs forecasted for the 12-month period following the period covered by the most recent disclosure statement filed with the North Carolina Department of Insurance. In accordance with North Carolina General Statute Section 58-64-33, the operating reserve may be funded by cash, invested cash, or investment grade securities, including bonds, stocks, US Treasury obligations, or obligations of U.S. government agencies. In accordance with state requirements, as of December 31, 2023, Galloway Ridge must maintain a minimum operating reserve of \$6,809,250.

2. **Investment of Reserves and Escrows.** Galloway Ridge’s funds, including the operating reserve, Charitable Fund, and other charitable contributions to Galloway Ridge noted above, are administered by the Senior Director of Finance of Galloway Ridge, with oversight by the Audit and Finance Committee of the Board of Directors as well as the Board itself, and all funds are subject to the policies and procedures established by the Board.

The operating reserve is managed by Hamilton Point Investment Advisors of Chapel Hill, NC and on deposit with Fidelity Investments and is reflected on the balance sheet under Assets as Limited to Use. Charitable Fund assets are partially on deposit with SunTrust with the remainder managed by Hamilton Point and invested with Fidelity Investments.

FEE TABLES

The following tables set out the current monthly fee, current per diem rates of charge for care in the Health Center, the average increase in monthly fee and per diem rates for the past five years, and the current and five year historical entrance fee amounts for Galloway Ridge. Monthly fees are adjusted annually, effective January 1.

Monthly Fee Tables (Effective as of January 1, 2024)

Type of Residence	2020 **Second Person Monthly Fee is an additional \$1,306/month	2021 **Second Person Monthly Fee is an additional \$1,355/month	2022 **Second Person Monthly Fee is an additional \$1,424/month	2023 **Second Person Monthly Fee is an additional \$1,506/month	2024 **Second Person Monthly Fee is an additional \$1,610/month
Apartments					
Barnsley 1 bedroom, 1 ½ bath	\$3,237	\$3,358	\$3,529	\$3,732	\$3,990
Barnsley Deluxe 1 bedroom, 1 ½ bath	\$3,370	\$3,496	\$3,674	\$3,885	\$4,153
Claremont 1 bedroom, 1 ½ bath, den	\$4,091	\$4,244	\$4,460	\$4,716	\$5,041
Chelsea 1 bedroom, 2 bath, den	\$4,091	\$4,244	\$4,460	\$4,716	\$5,041
Kent 1 bedroom, 1 ½ bath	\$3,554	\$3,687	\$3,875	\$4,098	\$4,381
Somerset 1 bedroom, 1 ½ bath, optional den	\$4,161	\$4,317	\$4,537	\$4,798	\$5,129

Monthly Fee Tables
(Effective as of January 1, 2024)

Type of Residence	2020 **Second Person Monthly Fee is an additional \$1,306/month	2021 **Second Person Monthly Fee is an additional \$1,355/month	2022 **Second Person Monthly Fee is an additional \$1,424/month	2023 **Second Person Monthly Fee is an additional \$1,506/month	2024 **Second Person Monthly Fee is an additional \$1,610/month
Apartments					
Marston 2 bedroom	\$4,539	\$4,709	\$4,949	\$5,234	\$5,595
Wycomb 2 bedroom	\$4,763	\$4,962	\$5,194	\$5,493	\$5,872
Sutton 2 bedroom den	\$5,146	\$5,339	\$5,611	\$5,934	\$6,343
Sutton II 2 bedroom, den	\$5,542	\$5,750	\$6,043	\$6,390	\$6,831
Abbey 2 bedroom, den	\$5,688	\$5,901	\$6,202	\$6,559	\$7,012
Abbey Deluxe 2 bedroom den	\$6,186	\$6,418	\$6,745	\$7,133	\$7,219
Windsor Standard 2 bedroom, den	\$4,773	\$4,952	\$5,205	\$5,504	\$5,884
Windsor Plus 2 bedroom	\$5,150	\$5,343	\$5,615	\$5,938	\$6,348
Windsor Deluxe 2 bedroom, den, study	\$5,684	\$5,897	\$6,198	\$6,554	\$6,510

Monthly Fee Tables
(Effective as of January 1, 2024)

Type of Residence	2020 **Second Person Monthly Fee is an additional \$1,306/month	2021 **Second Person Monthly Fee is an additional \$1,355/month	2022 **Second Person Monthly Fee is an additional \$1,424/month	2023 **Second Person Monthly Fee is an additional \$1,506/month	2024 **Second Person Monthly Fee is an additional \$1,610/month
Apartments					
Oxford 2 bedroom, 2 bath	\$5,522	\$5,729	\$6,021	\$6,367	\$6,806
Devon 2 bedroom	\$5,522	\$5,729	\$6,021	\$6,367	\$6,806
York 2 bedroom, optional den	\$5,841	\$6,060	\$6,369	\$6,735	\$7,200
Villas					
Chelsea 1 bedroom, den	\$4,091	\$4,244	\$4,460	\$4,716	\$5,116
Exbury 2 bedroom	\$5,242	\$5,439	\$5,716	\$6,045	\$6,537
Abbotsford 2 bedroom, bonus room	\$5,327	\$5,527	\$5,809	\$6,143	\$6,642
Abbotsford Deluxe 2 bedroom, 3 bath, bonus room	\$6,138	\$6,368	\$6,693	\$7,078	\$7,641
Durham 2 bedroom, den	\$5,546	\$5,754	\$6,047	\$6,395	\$6,911

Monthly Fee Tables
(Effective as of January 1, 2024)

Type of Residence	2020	2021	2022	2023	2024
	**Second Person Monthly Fee is an additional \$1,306/month	**Second Person Monthly Fee is an additional \$1,355/month	**Second Person Monthly Fee is an additional \$1,424/month	**Second Person Monthly Fee is an additional \$1,506/month	**Second Person Monthly Fee is an additional \$1,610/month
Villas					
Westbury 2 bedroom, den	\$6,050	\$6,277	\$6,597	\$6,976	\$7,532
Kensington 3 bedroom, bonus room, den	\$6,227	\$6,461	\$6,791	\$7,181	\$7,751
Chatham 2 bedroom, 2 ½ bath, den	\$5,677	\$5,890	\$6,190	\$6,546	\$7,073

Average Dollar Amount of Changes – Monthly Fee

	2020	2021	2022	2023	2024
Single Occupancy	\$243.00	\$184.00	\$259.00	\$308.00	\$391.00
Double Occupancy	\$166.00	\$308.00	\$268.00	\$390.00	\$495.00

75% Return-of-Capital Entrance Fees
(f/k/a "Plan C" or "75% Refundable")

Type of Residence	01/2020 – 12/2020	01/2021 – 12/2021	01/2022 – 12/2022	01/2023 – 12/2024	01/2024 –
	Second Person is an additional \$66,000	Second Person is an additional \$67,000	Second Person is an additional \$68,000	Second Person is an additional \$70,000	Second Person is an additional \$72,000
Apartments					
Barnsley 1 bedroom, 1 ½ bath	\$362,000	\$370,000	\$406,000	\$420,000	\$435,000
Barnsley Deluxe 1 bedroom, 1 ½ bath	\$400,000	\$408,000	\$447,000	\$463,000	\$478,000
Claremont 1 bedroom, den	\$461,000	\$470,000	\$516,000	\$535,000	\$554,000
Chelsea 1 bedroom	\$461,000	\$470,000	\$516,000	\$535,000	\$554,000
Kent 1 bedroom, 1 ½ bath	\$408,000	\$416,000	\$456,000	\$471,000	\$488,000
Somerset 1 bedroom, optional den	\$477,000	\$486,000	\$533,000	\$552,000	\$571,000
Marston 2 bedroom	\$493,000	\$502,000	\$550,000	\$569,000	\$590,000
Wycombe 2 bedroom	\$538,000	\$549,000	\$602,000	\$623,000	\$645,000
Sutton 2 bedroom, den	\$571,000	\$582,000	\$638,000	\$660,000	\$683,000
Sutton II 2 bedroom, den	\$626,000	\$638,000	\$700,000	\$724,000	\$750,000
Abbey 2 bedroom, den	\$650,000	\$662,000	\$726,000	\$752,000	\$777,000
Abbey Deluxe 2 bedroom, den	\$675,000	\$688,000	\$755,000	\$781,000	\$808,000

75% Return-of-Capital Entrance Fees
(f/k/a "Plan C" or "75% Refundable")

Type of Residence	01/2020 – 12/2020	01/2021 – 12/2021	01/2022 – 12/2022	01/2023 – 12/2023	01/2024 –
	Second Person is an additional \$66,000	Second Person is an additional \$67,000	Second Person is an additional \$68,000	Second Person is an additional \$70,000	Second Person is an additional \$72,000
Apartments					
Windsor Standard 2 bedroom, den	\$544,000	\$555,000	\$566,000	\$621,000	\$666,000
Windsor Plus 2 bedroom	\$586,000	\$597,000	\$608,000	\$667,000	\$716,000
Windsor Deluxe 2 bedroom, den, study	\$629,000	\$642,000	\$654,000	\$717,000	\$769,000
Oxford 2 bedroom, 2 bath	\$629,000	\$642,000	\$654,000	\$717,000	\$769,000
Devon 2 bedroom	\$629,000	\$642,000	\$654,000	\$717,000	\$769,000
York 2 bedroom, optional den	\$696,000	\$710,000	\$725,000	\$795,000	\$851,000
Villas					
Chelsea 1 bedroom, den	\$485,000	\$494,000	\$542,000	\$604,000	\$648,000
Exbury 2 bedroom	\$675,000	\$688,000	\$755,000	\$824,000	\$886,000
Abbotsford 2 bedroom, bonus room	\$746,000	\$760,000	\$834,000	\$906,000	\$975,000
Abbotsford Deluxe 2 bedroom, 3 bath bonus room	\$798,000	\$814,000	\$893,000	\$967,000	\$1,039,000

75% Return-of-Capital Entrance Fees
(f/k/a "Plan C" or "75% Refundable")

Type of Residence	01/2020 – 12/2020	01/2021 – 12/2021	01/2022 – 12/2022	01/2023 – 12/2023	01/2024 -
	Second Person is an additional \$66,000	Second Person is an additional \$67,000	Second Person is an additional \$68,000	Second Person is an additional \$70,000	Second Person is an additional \$72,000
Villas					
Durham 2 bedroom, den	\$736,000	\$750,000	\$822,000	\$894,000	\$961,000
Westbury 2 bedroom, den	\$888,000	\$906,000	\$992,000	\$1,070,000	\$1,151,000
Kensington 3 bedroom, 3 ½ bath bonus room and den	\$1,190,000	\$1,214,000	\$1,331,000	\$1,421,000	\$1,527,000
Chatham 2 bedroom, den, bonus room	\$906,000	\$923,000	\$1,013,000	\$1,092,000	\$1,175,000

90% Return-of-Capital Entrance Fees
(f/k/a "Plan B" or "90% Refundable")

Type of Residence	01/2020 – 12/2020 Second Person is an additional \$81,000	01/2021 Plan no longer offered			
Apartments					
Barnsley 1 bedroom, 1 ½ bath	\$434,000				
Barnsley Deluxe 1 bedroom, 1 ½ bath	\$480,000				
Claremont 1 bedroom, den	\$553,000				
Chelsea 1 bedroom	\$553,000				
Kent 1 bedroom, 1 ½ bath	\$490,000				
Somerset 1 bedroom, optional den	\$572,000				
Marston 2 bedroom	\$591,000				
Wycombe 2 bedroom	\$645,000				
Sutton 2 bedroom, den	\$685,000				
Sutton II 2 bedroom, den	\$751,000				
Abbey 2 bedroom, den	\$780,000				

90% Return-of-Capital Entrance Fees
(f/k/a "Plan B" or "90% Refundable")

Type of Residence	01/2020 – 12/2020 Second Person is an additional \$81,000	01/2021 Plan no longer offered			
Apartments					
Abbey Deluxe 2 bedroom, den	\$810,000				
Windsor Standard 2 bedroom, den	\$665,000				
Windsor Plus 3 bedroom	\$716,000				
Windsor Deluxe 3 bedroom, den, study	\$770,000				
Oxford 3 bedroom, opt. den	\$770,000				
Devon 3 bedroom	\$770,000				
York 3 bedroom, opt. den	\$852,000				
Villas					
Chelsea 1 bedroom, den	\$582,000				
Exbury 1 bedroom	\$810,000				
Abbotsford 1 bedroom, bonus room	\$895,000				

90% Return-of-Capital Entrance Fees
(f/k/a “Plan B” or “90% Refundable”)

Type of Residence	01/2020 – 12/2020 Second Person is an additional \$81,000	01/2021 Plan no longer offered			
Villas					
Abbotsford Deluxe 2 bedroom, den and bonus room	\$958,000				
Durham 2 bedroom, den	\$883,000				
Westbury 2 bedroom	\$1,066,000				
Kensington 3 bedroom, bonus room	\$1,428,000				
Chatham 2 bedroom, den bonus room	\$1,087,000				

Traditional Plan Entrance Fees
(f/k/a "Plan A" or "Fully Amortizing")

Type of Residence	01/2020 – 12/2020	01/2021 – 12/2021	01/2022 – 12/2022	01/2023 – 12/2023	01/2024 –
	Second Person is an additional \$44,000	Second Person is an additional \$45,000	Second Person is an additional \$46,000	Second Person is an additional \$48,000	Second Person is an additional \$50,000
Apartments					
Barnsley 1 bedroom, 1 ½ bath	\$222,000	\$226,000	\$231,000	\$236,000	\$253,000
Barnsley Deluxe 1 bedroom, 1 ½ bath	\$245,000	\$250,000	\$255,000	\$260,000	\$278,000
Claremont 1 bedroom, den	\$282,000	\$288,000	\$294,000	\$300,000	\$322,000
Chelsea 1 bedroom, den	\$282,000	\$288,000	\$294,000	\$300,000	\$322,000
Kent 1 bedroom, 1 ½ bath	\$250,000	\$255,000	\$260,000	\$265,000	\$284,000
Somerset 1 bedroom, optional den	\$292,000	\$298,000	\$304,000	\$310,000	\$332,000
Marston 2 bedroom	\$302,000	\$308,000	\$314,000	\$320,000	\$343,000
Wybombe 2 bedroom	\$329,000	\$336,000	\$343,000	\$350,000	\$375,000
Sutton 2 bedroom, den	\$350,000	\$357,000	\$364,000	\$371,000	\$397,000
Sutton II 2 bedroom, den	\$383,000	\$391,000	\$399,000	\$407,000	\$436,000
Abbey 2 bedroom, den	\$398,000	\$406,000	\$414,000	\$422,000	\$452,000
Abbey Deluxe 2 bedroom, den	\$414,000	\$422,000	\$430,000	\$439,000	\$470,000

Traditional Plan Entrance Fees
(f/k/a "Plan A" or "Fully Amortizing")

Type of Residence	01/2020 - 12/2020	01/2021 – 12/2021	01/2022 – 12/2022	01/2023 - 12/2023	01/2024
	Second Person is an additional \$44,000	Second Person is an additional \$45,000	Second Person is an additional \$46,000	Second Person is an additional \$48,000	Second Person is an additional \$50,000
Apartments					
Windsor Standard 2 bedroom, den	\$347,000	\$354,000	\$361,000	\$374,000	\$387,000
Windsor Plus 2 bedroom	\$373,000	\$380,000	\$388,000	\$402,000	\$416,000
Windsor Deluxe 2 bedroom, den	\$401,000	\$409,000	\$417,000	\$432,000	\$447,000
Oxford 2 bedroom, 2 bath	\$401,000	\$409,000	\$417,000	\$432,000	\$447,000
Devon 2 bedroom. 2 bath	\$401,000	\$409,000	\$417,000	\$432,000	\$447,000
York 2 bedroom, 2 bath optional den	\$444,000	\$453,000	\$462,000	\$478,000	\$495,000
Villas					
Chelsea 1 bedroom, den	\$303,000	\$309,000	\$315,000	\$351,000	\$377,000
Exbury 2 bedroom	\$422,000	\$430,000	\$439,000	\$479,000	\$515,000
Abbotsford 2 bedroom, bonus room	\$457,000	\$466,000	\$485,000	\$527,000	\$567,000
Abbotsford Deluxe 2 bedroom, 3 bath, bonus room	\$499,000	\$509,000	\$519,000	\$562,000	\$604,000

Traditional Plan Entrance Fees
(f/k/a "Plan A" or "Fully Amortizing")

Type of Residence	01/2020 – 12/2020	01/2021 – 12/2021	01/2022 – 12/2022	01/2023 - 12/2023	01/2024
	Second Person is an additional \$44,000	Second Person is an additional \$45,000	Second Person is an additional \$46,000	Second Person is an additional \$48,000	Second Person is an additional \$50,000
Villas					
Durham 2 bedroom, 2 bath, den	\$460,000	\$469,000	\$478,000	\$520,000	\$559,000
Westbury 2 bedroom, 2 ½ bath, den	\$555,000	\$566,000	\$577,000	\$622,000	\$669,000
Kensington 3 bedroom, 3 ½ bath, bonus room, den	\$744,000	\$759,000	\$774,000	\$826,000	\$888,000
Chatham 2 bedroom, 2 ½ bath den	\$566,000	\$577,000	\$589,000	\$635,000	\$683,000

The Arbor (Health Center) Fees
(effective as of January 1, 2024)

	<u>Life Care Rates</u>	<u>Supplemental Rates</u>
Skilled Nursing	Included in Monthly Fee*	\$436.00/day*
Memory Care	Included in Monthly Fee*	\$377.00/day*
Assisted Living	Included in Monthly Fee*	\$309.00/day*

*There is an additional charge for certain items as described in Section 4.5 of the Residence and Care Agreement. Life Care residents pay an additional \$685 per month for additional meals.

Multi-Unit Assisted Housing Services (MUAHS)
(effective as of January 1, 2024)

	<u>First Person</u>	<u>Second Person</u>
MUAHS Entrance Fee (1 Bedroom)	<i>No longer offered</i>	
MUAHS Entrance Fee (1 Bedroom/Den)	<i>No longer offered</i>	
MUAHS Monthly Fees		
- Basic Care	\$6,886/mo.	\$1,825/mo.
- Enhanced Care	\$1,148/mo.	\$1,035/mo.

Historic Changes in Major Fees

Galloway Ridge historically has made adjustments to Monthly Fees effective at the beginning of the fiscal year (i.e. January 1). The table below shows average changes in the single occupancy Monthly Fees over time.

<u>Year**</u>	<u>% Increase</u>	<u>Avg \$ Increase Single Occupancy</u>
2009	4.5%	\$162
2010	4.0%	\$129
2011	4.0%	\$134
2012	4.0%	\$144
2013	5.0%	\$188
2014	4.0%	\$159
2015	3.5%	\$144
2016	2.75%	\$114
2017	2.9%	\$127
2018	3.0%	\$131
2019	2.9%	\$131
2020	5.2%	\$243
2021	3.75%	\$184
2022	5.1%	\$259
2023	5.75%	\$308
2024	6.9%	\$391

**Note: Except as otherwise provided, Monthly Fee increases are calculated based on the change from December 31 to January 1 of each year.

EXHIBIT A

**CERTIFIED FINANCIAL STATEMENTS
(as of December 31, 2022)**

GALLOWAY RIDGE, INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022



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GALLOWAY RIDGE, INC.
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YEARS ENDED DECEMBER 31, 2023 AND 2022

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Galloway Ridge, Inc.
Pittsboro, North Carolina

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Galloway Ridge, Inc. (the Company), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations, changes in net deficit, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations, changes in net deficit, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

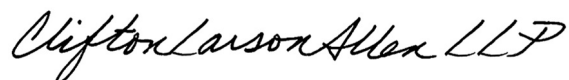
Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



CliftonLarsonAllen LLP

Charlotte, North Carolina
April 25, 2024

GALLOWAY RIDGE, INC.
BALANCE SHEETS
DECEMBER 31, 2023 AND 2022

ASSETS	2023	2022
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 378,731	\$ 1,083,446
Assets Limited As to Use, Current Portion	3,735,911	3,402,338
Accounts Receivable	1,208,404	1,078,063
Allowance for Credit Losses	(346,000)	(73,090)
Accounts Receivable, Net	862,404	1,004,973
Other Receivables	383,819	495,653
Other Current Assets	655,657	596,110
Total Current Assets	6,016,522	6,582,520
 ASSETS LIMITED AS TO USE, NET OF CURRENT PORTION		
Reserves Required by State Statute	6,949,037	6,404,789
Restricted by Donor	4,249,404	3,674,293
Board-Designated Funds	9,529,768	9,235,617
Restricted by Trustee	17,324,354	19,637,663
Total Assets Limited As to Use	38,052,563	38,952,362
Less: Assets Limited As to Use, Current Portion	(3,735,911)	(3,402,338)
Total Assets Limited As to Use, Net of Current Portion	34,316,652	35,550,024
 PROPERTY AND EQUIPMENT, NET		
	99,485,678	94,883,887
 RIGHT-OF-USE ASSETS - FINANCING, NET		
	155,950	211,896
Total Assets	\$ 139,974,802	\$ 137,228,327

See accompanying Notes to Financial Statements.

GALLOWAY RIDGE, INC.
BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2023 AND 2022

LIABILITIES AND NET DEFICIT	2023	2022
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	\$ 2,020,000	\$ 1,965,000
Current Maturities of Right-of-Use Lease Liabilities - Financing	55,715	61,173
Accounts Payable	2,063,503	704,437
Accrued Interest	1,715,911	1,437,338
Accrued Payroll and Related Liabilities	368,872	344,440
Refunds Payable	600,489	1,564,719
Other Accrued Expenses	207,498	257,602
Total Current Liabilities	7,031,988	6,334,709
LONG-TERM DEBT, NET OF CURRENT MATURITIES	66,764,274	68,942,447
LONG-TERM RIGHT-OF-USE LEASE LIABILITIES - FINANCING, NET OF CURRENT MATURITIES	77,861	125,946
REFUNDABLE DEPOSITS	918,200	689,300
COVERED PARKING DEPOSITS	590,000	604,000
REFUNDABLE ADVANCE FEES	34,386,484	36,198,649
DEFERRED REVENUE FROM ADVANCE FEES	57,258,868	54,187,297
Total Liabilities	167,027,675	167,082,348
NET ASSETS (DEFICIT)		
Without Donor Restrictions	(32,064,525)	(34,205,490)
With Donor Restrictions	5,011,652	4,351,469
Total Net Deficit	(27,052,873)	(29,854,021)
Total Liabilities and Net Deficit	\$ 139,974,802	\$ 137,228,327

See accompanying Notes to Financial Statements.

GALLOWAY RIDGE, INC.
STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
REVENUE, GAINS, AND OTHER SUPPORT		
Residential Service Fees, Including the Amortization of Advance Fees of Approximately \$7,027,000 in 2023 and \$7,676,000 in 2022	\$ 27,933,972	\$ 27,727,021
Health Care Services	4,861,003	4,271,489
Duke Center for Living	1,155,341	884,188
COVID-19 Relief Revenue	-	11,364
Investment Income (Loss)	1,722,009	(2,128,555)
Other	1,189,101	883,322
Net Assets Released from Restrictions	760,280	738,464
Total Revenue, Gains, and Other Support	37,621,706	32,387,293
EXPENSES		
Administration	1,639,781	1,464,465
Human Resources	962,232	948,204
Marketing	924,845	810,372
Health Care Services	8,351,977	6,640,424
Dining Services	5,229,438	4,545,087
Maintenance	2,503,420	3,354,329
Housekeeping	1,887,281	1,825,120
Facility Costs	4,580,457	3,158,759
Resident Services	1,702,715	1,476,113
Duke Center for Living	903,775	799,063
Depreciation and Amortization	4,417,426	4,517,047
Interest Expense	2,377,394	2,621,800
Total Expenses	35,480,741	32,160,783
EXCESS OF REVENUE, GAINS, AND OTHER SUPPORT OVER EXPENSES AND CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	\$ 2,140,965	\$ 226,510

See accompanying Notes to Financial Statements.

GALLOWAY RIDGE, INC.
STATEMENTS OF CHANGES IN NET DEFICIT
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Excess of Revenue, Gains, and Other Support Over Expenses	\$ 2,140,965	\$ 226,510
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	976,051	1,021,654
Investment Income (Loss)	444,412	(715,384)
Net Assets Released from Restrictions	(760,280)	(738,464)
Increase (Decrease) in Net Assets with Donor Restrictions	660,183	(432,194)
CHANGE IN NET DEFICIT	2,801,148	(205,684)
Net Deficit - Beginning of Year	(29,854,021)	(29,648,337)
NET DEFICIT - END OF YEAR	\$ (27,052,873)	\$ (29,854,021)

See accompanying Notes to Financial Statements.

GALLOWAY RIDGE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Deficit	\$ 2,801,148	\$ (205,684)
Adjustments to Reconcile Change in Net Deficit to		
Net Cash Provided by Operating Activities:		
Proceeds from Nonrefundable Advance Fees	10,124,250	7,918,000
Unrealized (Gains) Losses on Assets Limited as to Use	(1,343,959)	3,585,291
Realized Gains on Assets Limited as to Use	(250,713)	(235,721)
Depreciation and Amortization	4,417,426	4,517,047
Amortization of Deferred Financing Costs	70,048	64,923
Amortization of Bond Discount and Premium, Net	(228,221)	(234,961)
Amortization of Advance Fees	(7,026,890)	(7,675,886)
Provision for Credit Losses	272,910	8,755
Change in Assets and Liabilities:		
Accounts Receivable	(130,341)	(417,434)
Other Receivables	111,834	22,959
Other Current Assets	(59,547)	(111,464)
Accounts Payable	(163,124)	173,659
Accrued Interest	278,573	65,682
Accrued Payroll and Other Liabilities	24,432	14,701
Other Accrued Expenses	(50,104)	(113,583)
Covered Parking Deposits and Refundable Deposits	214,900	(40,900)
Net Cash Provided by Operating Activities	9,062,622	7,335,384
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(7,441,081)	(3,849,776)
Net Changes in Assets Limited as to Use	2,999,514	(8,710,364)
Net Cash Used by Investing Activities	(4,441,567)	(12,560,140)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Long-Term Debt	(1,965,000)	(1,905,000)
Early Redemption of Long-Term Debt	-	(1,195,000)
Payments on Lease Liabilities	(53,543)	(52,942)
Proceeds from Issuance of Long-Term Debt	-	11,980,000
Payments of Deferred Financing Costs	-	(509,775)
Proceeds from Refundable Advance Fees	373,961	2,256,000
Refunds of Entrance Fees	(3,176,145)	(4,323,774)
Net Cash Provided (Used) by Financing Activities	(4,820,727)	6,249,509
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(199,672)	1,024,753
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	9,686,905	8,662,152
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	\$ 9,487,233	\$ 9,686,905

See accompanying Notes to Financial Statements.

GALLOWAY RIDGE, INC.
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2023 AND 2022

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION	<u>2023</u>	<u>2022</u>
Cash Payments for Interest	<u>\$ 2,552,017</u>	<u>\$ 2,842,951</u>
Purchases of Property and Equipment Financed through Right-of-Use Lease Obligations	<u>\$ 8,809</u>	<u>\$ 146,081</u>

See accompanying Notes to Financial Statements.

**GALLOWAY RIDGE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Galloway Ridge, Inc. (the Company) was formed on September 4, 2001, as a nonprofit corporation under the laws and regulations of the state of North Carolina. The Company was formed to acquire real property and to develop, market, and operate the property as a continuing care retirement community (CCRC) in Chatham County, North Carolina, known as Galloway Ridge at Farrington (the Project). The Company acquired its assets on October 31, 2001, from Galloway Ridge Associates, LLC (GRA). Details regarding this acquisition are included in Note 7. The Project was developed in two phases, and includes 52 independent living villas, 248 independent living apartments, 14 multiunit assisted housing units, 22 assisted living units, 20 memory support units, and 40 skilled nursing units.

In September 2020, the Company created a single member LLC, GRI Properties, LLC (LLC), for which the Company is the sole member. LLC was set up to receive a piece of donated land that an unrelated third party transferred to LLC in January 2021. This land has an assessed tax value of \$78,000. There was no activity for LLC in 2020. Starting in 2021, LLC leased this land back to the Company for \$10 a year.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash, Cash Equivalents, and Restricted Cash

The Company's operating cash is placed with high credit quality institutions. The funds on deposit are in excess of federally insured amounts. Restricted cash is included with cash and cash equivalents in the statements of cash flows.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the balance sheets that sum to the total amounts shown in the statements of cash flows.

	2023	2022
Cash and Cash Equivalents	\$ 378,731	\$ 1,083,446
Assets Limited as to Use:		
Reserves Required by State Statute	144,763	217,645
Internally Designated by the Board of Directors	219,160	188,179
Donor Restricted	627,587	539,319
Restricted Under Bond Indenture Agreement		
- Held by Trustee	8,116,992	7,658,316
Total Assets Limited as to Use	<u>9,108,502</u>	<u>8,603,459</u>
Total Cash, Cash Equivalents, and Restricted Cash	<u>\$ 9,487,233</u>	<u>\$ 9,686,905</u>

**GALLOWAY RIDGE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable and Allowance for Credit Losses

Accounts receivable is reported at estimated net realizable amounts from residents and responsible third-party payors. Amounts owed to the Company are reported net of allowances for credit losses. Specific balances are written off at the time they are determined to be uncollectible, which is based on an analysis of the payor source, aging of the receivable, future economic conditions, and market trends. The allowance for credit losses at December 31, 2023 and 2022 was approximately \$346,000 and \$73,000, respectively.

Changes in the allowance for credit losses for the years ended December 31 were as follows:

	2023	2022
Allowances for Credit Losses:		
Balance, Beginning of year	\$ 73,090	\$ 64,335
Provisions	272,910	8,755
Balance, End of Year	\$ 346,000	\$ 73,090

Assets Limited as to Use

Assets limited as to use include reserves required by state statute, contributions that have been restricted by donors, funds that have been designated by the board, and funds held by trustee.

Reserves required by state statute represent an amount set aside to meet the requirements of North Carolina General Statute Chapter 58, Article 64. Under this legislation, the Company is required to maintain an operating reserve at least equal to 25% (50% if occupancy is less than 90%) of the current year's projected operating costs as defined by the statute. The board of directors has designated approximately \$6,949,000 and \$6,405,000 at December 31, 2023 and 2022, respectively, as reserves required by state statute.

Additional funds designated by the board include funds that have been earmarked for capital improvements, benevolent care, and maintenance.

Amounts restricted by donors include contributions to establish a charitable fund to support the community at large and other various donor-restricted purposes.

Funds held by trustee include amounts maintained by a trustee for debt service, construction, and to make future principal and interest payments on outstanding long-term debt.

GALLOWAY RIDGE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Any contributed property would be recorded at the estimated fair value at the date of receipt. The Company capitalizes all assets over \$1,000 and depreciation is computed under the straight-line method and is based on estimated useful lives from 3 to 40 years. The cost of maintenance and repairs is expensed as incurred. Interest is capitalized on facilities during the construction period and amortized over the useful life of the facility.

Deposits

Deposits for living units to be occupied in the future are deferred when received and recorded as refundable deposits on the balance sheets. A portion of the deposit is refundable if the resident terminates the continuing care contract. Upon occupancy of the unit, the nonrefundable portion of the deposit is amortized into residential service fees using the straight-line method over the estimated remaining life expectancy of the resident, adjusted on an annual basis.

The Company also collects deposits from residents related to reserving covered parking on campus. In 2023 and 2022, the deposit amounts were \$9,500 per parking space of which \$1,500 is recognized as revenue when received. The remaining \$8,000 per deposit is refundable to the resident upon leaving the community or when the resident is no longer in need of covered parking. These deposits are recorded as covered parking deposits on the balance sheets.

Advance Fees

Fees paid by a resident upon entering into a continuing care contract, net of the portion thereof which is refundable to the resident, are recorded as deferred revenue from advance fees and amortized into residential service fees using the straight-line method over the estimated remaining life expectancy of the resident, adjusted on an annual basis. The refundable portion of fees paid by a resident is recorded as a long-term liability. When a contract is terminated, by death of last survivor or withdrawal, any unamortized deferred revenue is recognized as residential service fees.

Obligation to Provide Future Services

The Company enters into continuing care contracts with its residents. A continuing care contract is an agreement between a resident and the Company specifying the services and facilities to be provided over the resident's remaining life. Under the contracts, the Company has the ability to increase fees as deemed necessary. As of December 31, 2023 and 2022, the Company calculated the present value of the estimated net cost of future services to be provided, including the cost of facilities to current residents, and compares the amount with deferred revenue from advance fees. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from advance fees, an additional liability is shown in the balance sheets. No liability has been recorded as of December 31, 2023 and 2022, as the present value of the estimated net costs of future services and use of facilities is less than deferred revenues from advances fees. The present value of the net cost of future services and use of facilities was discounted at 5.0% in the years ended December 31, 2023 and 2022.

GALLOWAY RIDGE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The Company determines if an arrangement is a lease at inception. Financing leases are included as right-of-use (ROU) assets and lease liabilities in the balance sheets.

ROU assets present the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the commencement date of the lease based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise the option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Company has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or ROU assets on the balance sheets.

Net Assets (Deficit)

The Company reports its net assets (deficit) using the following two classes: net assets without donor restrictions and net assets with donor restrictions depending on the presence and type of donor-imposed restrictions limiting the Company's ability to use or dispose of specific contributed assets or the economic benefits embodied in those assets. Net assets (deficit) without donor restrictions include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation. Net assets with donor restrictions are those net assets whose use by the Company has been limited by donors (a) to later periods of time or after specified dates or (b) to specified purposes.

Contributions and Donor-Imposed Restrictions

All contributions are considered to be available without donor restrictions unless specifically restricted by the donor. The Company reports gifts of cash and other assets as restricted contributions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets (deficit) without donor restrictions and reported in the statements of operations as "Net Assets Released from Restrictions."

Excess of Revenues, Gains and Other Support Over Expenses

The statements of operations include excess of revenues, gains, and other support over expenses. Changes in net deficit without donor restrictions that are excluded from the excess of revenues, gains, and other support over expenses, consistent with industry practice would include permanent transfers of assets to and from affiliates for other than goods and services and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets).

GALLOWAY RIDGE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status

The Company has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3).

The Company is not aware of any activities that would jeopardize its tax-exempt status. The Company is not aware of any activities that are subject to tax on unrelated business income or excise or other taxes.

The Company follows guidance in the income tax standard regarding recognition and measurement of uncertain tax positions. The guidance has had no impact on the Company's financial statements.

Adoption of New Accounting Standards

The Company has adopted FASB ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses. The Company adopted this new guidance utilizing the modified retrospective transition method. The adoption of this standard did not have a material impact on the Company's financial statements but did change how the allowance for credit losses is determined.

Subsequent Events

In preparing these financial statements, the Company evaluated events and transactions for potential recognition or disclosure through April 25, 2024, the date the financial statements were available to be issued.

NOTE 2 RESIDENT REVENUE

Resident revenue is reported at the amount that reflects the consideration to which the Company expects to be entitled in exchange for providing resident care. The Company generates revenues, primarily by providing housing and health services to its residents. The streams of revenue are recognized as follows:

Monthly Service Fees

The life care contracts that residents select require an advanced fee and monthly fees based upon the type of space for which they apply. Resident fee revenue for recurring and routine monthly services is generally billed monthly in advance. Payment terms are usually due within 30 days. The services provided encompass social, recreational, dining along with assisted living and nursing care and these performance obligations are earned each month. Management has determined that the performance obligation for the standing obligation to provide the appropriate level of care is the predominant component and does not contain a lease component. Resident fee revenue for nonroutine or additional services are billed monthly in arrears and recognized when the service is provided.

GALLOWAY RIDGE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 2 RESIDENT REVENUE (CONTINUED)

Entrance Fees

The nonrefundable entrance fees are recognized as deferred revenue upon receipt of the payment and included in liabilities in the balance sheet until the performance obligations are satisfied. The refundable portion of an entrance fee is not considered part of the transaction price and as such is recorded as a liability in the balance sheet. Additionally, management has determined the contracts do not contain a significant financing component as the advanced payment assures residents the access to health care in the future. These deferred amounts are then amortized on a straight-line basis into revenue on a monthly basis over the life of the resident as the performance obligation is the material right associated with access to future services.

Health Care Services

In the facility, the Company provides assisted and nursing care to residents who are covered by government and commercial payors. Management has elected to utilize the portfolio approach in aggregating the revenues under these revenue streams.

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

Medicare

The Company's licensed nursing facility participates in the Medicare program. This federal program is administered by the Centers for Medicare and Medicaid Services (CMS). The nursing facility was paid under the Medicare Prospective Payment System (PPS) for residents who were Medicare Part A eligible and met the coverage guidelines for skilled nursing facility services. The PPS was a per diem price-based system. On October 1, 2019, CMS finalized the Patient Driven Payment Model (PDPM) to replace PPS. Under PDPM the underlying complexity and clinical needs of a patient are used as a basis for reimbursement. In addition, PDPM introduces variable adjustment factors that change reimbursement rates during the resident's length of stay. Annual cost reports are required to be submitted to the designated Medicare Administrative Contractor; however, they do not contain a cost settlement.

Nursing facilities licensed for participation in the Medicare program are subject to annual licensure renewal. If it is determined that a nursing facility is not in substantial compliance with the requirements of participation, CMS may impose sanctions and penalties during the period of noncompliance. Such a payment ban would have a negative impact on the revenues of the licensed nursing facility.

Other

Payment agreements with certain insurance carriers provide for payment using prospectively determined daily rates.

GALLOWAY RIDGE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 2 RESIDENT REVENUE (CONTINUED)

Laws and regulations concerning government programs, including Medicare, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Company's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Company. In addition, the contracts the Company has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Company's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in an implicit price concession impacting the transaction price, were not significant in 2023 or 2022.

Generally, residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Company estimates the transaction price for residents with deductibles and coinsurance based on historical experience and expected current and future market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to resident service revenue in the period of the change. Additional revenue recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments were not considered material for the years ended December 31, 2023 and 2022. Subsequent changes that are determined to be the result of an adverse change in a resident's ability to pay are recorded as credit losses.

GALLOWAY RIDGE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 2 RESIDENT REVENUE (CONTINUED)

The Company disaggregates its revenue from contracts with customers by payor source, as the Company believes it best depicts how the nature, timing, and uncertainty of its revenues and cash flows are affected by economic factors. See details on a reportable segment basis in the table below:

	December 31, 2023			
	Independent Living	Assisted Living and Memory Care	Skilled Nursing	Total
Private Pay	\$ 28,152,438	\$ 3,410,721	\$ 1,283,884	\$ 32,847,043
Government Reimbursement	632,247	78,295	269,424	979,966
Other Third-Party Payor Programs	123,307	-	-	123,307
Total	\$ 28,907,992	\$ 3,489,016	\$ 1,553,308	\$ 33,950,316
	December 31, 2022			
	Independent Living	Assisted Living and Memory Care	Skilled Nursing	Total
Private Pay	\$ 27,715,678	\$ 2,435,979	\$ 1,279,213	\$ 31,430,870
Government Reimbursement	736,797	142,574	521,330	1,400,701
Other Third-Party Payor Programs	51,127	-	-	51,127
Total	\$ 28,503,602	\$ 2,578,553	\$ 1,800,543	\$ 32,882,698

Financing Component

The Company has elected the practical expedient allowed under Financial Accounting Standards Board *Accounting Standards Codification* 606-10-32-18 and does not adjust the promised amount of consideration from residents for the effects of a significant financing component due to its expectation that the period between the time the service is provided to a resident and the time that the resident pays for that service will be one year or less. However, the Company does, in certain instances, enter into payment agreements with residents that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

The opening and closing contract balances were as follows:

	Accounts Receivable	Deferred Revenue from Entrance Fees
Balance as of January 1, 2022	\$ 596,294	\$ 54,003,584
Balance as of December 31, 2022	1,004,973	54,187,297
Balance as of December 31, 2023	862,404	57,258,868

GALLOWAY RIDGE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 3 FAIR VALUE MEASUREMENTS

Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under and existing accounting standard. The Company emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair values as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

When quoted prices are available in active markets for identical instruments, investment securities are classified within Level 1 of the fair value hierarchy. Level 1 investments include money market funds, mutual funds, common stock, exchange-traded funds and government securities which are valued based on prices readily available in the active markets in which those securities are traded, and money market funds which are based on their transacted value. Level 2 investments include corporate bonds which are valued on a recurring basis on inputs that are readily available in public markets or can be derived from information available in publicly quoted markets.

The Company does not have any financial assets or liabilities measured on a recurring basis categorized as Level 3, and there were no transfers in or out of Level 3 for years ended December 31, 2023 and 2022. There were no changes during 2023 or 2022 to the Company's valuation techniques used to measure asset fair values on a recurring basis.

GALLOWAY RIDGE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

The tables below present the balances of assets measured at fair value on a recurring basis.

	December 31, 2023			Total
	Level 1	Level 2	Level 3	
Fixed Income:				
Corporate Bonds	\$ -	\$ 6,804,281	\$ -	\$ 6,804,281
Government Securities	10,856,698	-	-	10,856,698
Total Fixed Income	10,856,698	6,804,281	-	17,660,979
Mutual Funds:				
Fixed Income	1,583,251	-	-	1,583,251
Equity	1,094,901	-	-	1,094,901
Total Mutual Funds	2,678,152	-	-	2,678,152
Common Stocks	8,201,104	-	-	8,201,104
Exchange-Traded Funds	346,609	-	-	346,609
Total	<u>\$ 22,082,563</u>	<u>\$ 6,804,281</u>	<u>\$ -</u>	<u>\$ 28,886,844</u>

The Company had \$57,217 of accrued interest and \$9,108,502 of money market funds included within assets limited as to use which was not included in the fair value hierarchy.

	December 31, 2022			Total
	Level 1	Level 2	Level 3	
Fixed Income:				
Corporate Bonds	\$ -	\$ 5,982,464	\$ -	\$ 5,982,464
Government Securities	13,516,013	-	-	13,516,013
Total Fixed Income	13,516,013	5,982,464	-	19,498,477
Mutual Funds:				
Fixed Income	1,511,240	-	-	1,511,240
Equity	1,078,036	-	-	1,078,036
Total Mutual Funds	2,589,276	-	-	2,589,276
Common Stocks	7,902,068	-	-	7,902,068
Exchange-Traded Funds	307,838	-	-	307,838
Total	<u>\$ 24,315,195</u>	<u>\$ 5,982,464</u>	<u>\$ -</u>	<u>\$ 30,297,659</u>

The Company had \$51,244 of accrued interest and \$8,603,459 of money market funds included within assets limited as to use which was not included in the fair value hierarchy.

GALLOWAY RIDGE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 4 ASSETS LIMITED AS TO USE

Assets limited as to use consist of the following at December 31:

	<u>2023</u>	<u>2022</u>
Common Stocks	\$ 8,201,104	\$ 7,902,068
Equity Mutual Funds	1,094,901	1,078,036
Fixed Income Mutual Funds	1,583,251	1,511,240
Corporate Bonds	6,804,281	5,982,464
Government Securities	10,856,698	13,516,013
Money Market Funds	9,108,502	8,603,459
Exchange-Traded Funds	346,609	307,838
Accrued Interest	57,217	51,244
Total	<u>\$ 38,052,563</u>	<u>\$ 38,952,362</u>

Investment return is comprised of the following:

	<u>2023</u>	<u>2022</u>
Interest and Dividend Income	\$ 571,749	\$ 505,631
Net Realized Gains	250,713	235,721
Net Unrealized Gains (Losses)	<u>1,343,959</u>	<u>(3,585,291)</u>
Total	<u>\$ 2,166,421</u>	<u>\$ (2,843,939)</u>

Interest and dividend income on unrestricted cash is reported in the statements of operations within "Total Revenue, Gains, and Other Support." Interest income, realized and unrealized gains on cash, cash equivalents and investments within the restricted funds are included in "Investment Income" for net assets with donor restrictions in the statements of changes in net deficit.

NOTE 5 LIFE CARE CONTRACTS

Plan A – The Amortizing Plan

Upon termination of the Plan A Residency Agreement, after residency has been established (if the resident occupies the independent living unit at the time of termination), the entrance fee will be refunded, less 4% of the entrance fee upon reoccupancy of a like living unit, and less 2% of the entrance fee for each month of residency of the initial 48 months of residency. If the Plan A Residency Agreement is terminated at any time following the initial 48 months, no refund of any entrance fee is due. The refund will be made no later than 30 days after the termination of the agreement and reoccupancy of a like living unit. Any resident withdrawing before the expiration of the first 90 days of residency is entitled to a full refund of their advance fee.

GALLOWAY RIDGE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 5 LIFE CARE CONTRACTS (CONTINUED)

Plan B – The 90 Percent Refundable Plan

Upon termination of the Plan B Residency Agreement, (if the resident occupies the independent living unit at the time of termination), the entrance fee will be refunded, less 2% of the entrance fee for each month of residency for the initial five months of residency. If the Plan B Residency Agreement is terminated at any time following the initial five months of residency, the refund amount will be equal to 90% of the entrance fee and is contingent upon reoccupancy of a like independent living unit. The refund will be made no later than thirty (30) days after the termination of the agreement and reoccupancy of a like living unit.

The amount refundable after occupancy is the full entrance fee less 2% per month for each subsequent month or partial month after occupancy. After five months of occupancy, the refundable amount is equal to 90% of the entrance fee. During the year ended December 31, 2021, the Company began no longer offering the Plan B Residency Agreement.

Plan C – The 75 Percent Refundable Plan

Upon termination of the Plan C Residency Agreement, (if the resident occupies the independent living unit at the time of termination), the entrance fee will be refunded, less 1% of the entrance fee upon settlement and 2% for each month of residency for the initial 12 months of residency. If the Plan C Residency Agreement is terminated at any time following the initial 12 months of residency, the refund amount will be equal to 75% of the entrance fee and is contingent upon reoccupancy of a like independent living unit. The refund will be made no later than 30 days after the termination of the agreement and reoccupancy of a like living unit. The amount refundable after occupancy is the full entrance fee paid less 1% upon occupancy and less 2% per month for each subsequent month or partial month after occupancy. After 12 months of occupancy, the refundable amount is equal to 75% of the entrance fee.

The total amount of contractual refund obligations under all existing contracts (that is, if all residents with a refundable balance were to have withdrawn) totaled approximately \$48,571,000 and \$48,737,000 at December 31, 2023 and 2022, respectively.

NOTE 6 PROPERTY AND EQUIPMENT AND RIGHT-OF-USE ASSETS

A summary of property and equipment and right-of-use assets at December 31 follows:

	<u>2023</u>	<u>2022</u>
Land and Land Improvements	\$ 6,589,328	\$ 6,662,355
Buildings	140,801,397	141,208,030
Furniture, Fixtures, and Equipment	11,205,062	12,472,226
Right-Of-Use (ROU) Assets	265,466	315,971
Construction in Progress	<u>9,767,537</u>	<u>3,490,354</u>
Property and Equipment and ROU Assets, Gross	168,628,790	164,148,936
Less: Accumulated Depreciation	<u>(68,987,162)</u>	<u>(69,053,153)</u>
Property and Equipment and ROU Assets, Net	<u>\$ 99,641,628</u>	<u>\$ 95,095,783</u>

GALLOWAY RIDGE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 6 PROPERTY AND EQUIPMENT AND RIGHT-OF-USE ASSETS (CONTINUED)

Construction in progress includes various projects including building improvements and common area refurbishments. The estimated cost to complete the projects are approximately \$10,708,000 and \$12,881,000 for the years ended December 31, 2023 and 2022, respectively. Depreciation expense was approximately \$3,819,000 and \$3,918,000 for years ended December 31, 2023 and 2022, respectively. Interest capitalized during the year ended December 31, 2023 was approximately \$824,000. There was no new interest capitalized during 2022. Amortization expense on existing capitalized interest was approximately \$599,000 in 2023 and 2022.

NOTE 7 LONG-TERM DEBT

Long-term debt consists of the following on December 31:

<u>Description</u>	<u>2023</u>	<u>2022</u>
First Mortgage Revenue Refunding Bonds, Series 2014A:		
Serial Bonds Due 2016 - 2024, Interest of 2.0% to 4.0%	\$ 10,000	\$ 20,000
Term Bonds:		
Due 2034, Interest Rate of 4.875%	105,000	105,000
Due 2041, Interest Rate of 5.25%	14,105,000	14,105,000
First Mortgage Revenue Refunding Bonds, Series 2019A:		
Serial Bonds Due 2021 - 2031, Interest of 3.0% to 5.0%	18,785,000	20,740,000
Term Bonds:		
Due 2035, Interest Rate of 3.50%	9,415,000	9,415,000
Due 2039, Interest Rate of 5.00%	12,100,000	12,100,000
First Mortgage Revenue Bonds, Series 2022A:		
Term Bonds:		
Due 2043, Interest Rate of 6.875%	<u>11,980,000</u>	<u>11,980,000</u>
Total	66,500,000	68,465,000
Less: Unamortized Debt Issuance Costs	(1,475,078)	(1,551,865)
Plus: Unamortized Premiums (Discounts), Net	3,759,352	3,994,312
Less: Current Maturities of Long-Term Debt	<u>(2,020,000)</u>	<u>(1,965,000)</u>
Total Long-Term Debt	<u>\$ 66,764,274</u>	<u>\$ 68,942,447</u>

GALLOWAY RIDGE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 7 LONG-TERM DEBT (CONTINUED)

In September 2014, the Company issued \$15,495,000 of tax-exempt, adjustable rate First Mortgage Revenue Refunding Bonds (2014A Bonds) through the North Carolina Medical Care Commission. Of this total amount, \$15,000,000 was used to refund the Series 2010B Bonds. The remaining amounts were used for costs of issuance and to fund a debt service reserve fund. During 2022, as part of the 2022 financing, the Company early redeemed approximately \$1,195,000 of the 2014A Bonds.

In October 2019, the Company issued \$45,990,000 of tax-exempt, adjustable rate First Mortgage Revenue Refunding Bonds (2019A Bonds) through the North Carolina Medical Care Commission. The Series 2019A Bonds were issued at a premium of \$4,738,876. The proceeds of the Series 2019A Bonds were to be used to advance refund and defease the Series 2010A Bonds.

In November 2022, the Company issued \$11,980,000 of tax-exempt, fixed rate First Mortgage Revenue Bonds (2022A Bonds) through the Public Finance Authority. The proceeds of the Series 2022A Bonds were used to finance a portion of the costs of campus improvements, pay interest accruing on the 2022A Bonds for approximately 20 months, to fund a debt service reserve fund, and to pay certain expenses incurred with the issuance of the 2022A Bonds.

Under the terms of the master trust indenture and loan agreements underlying the Series 2014A, 2019A, and 2022A Bonds, the Company is required to make annual principal and interest payments on unpaid debt and is also required to comply with certain restrictive covenants, including the maintenance of specified ratios, the limitation on incurrence of additional debt, the limitation on liens and the limitation on the transfer of assets. As of December 31, 2023, management is not aware of any non-compliance with these covenants.

Principal repayments on the Series 2014A, 2019A, and 2022A Bonds for the next five years and thereafter are summarized as follows:

<u>Year</u>	<u>2014A Bonds</u>	<u>2019A Bonds</u>	<u>2022A Bonds</u>	<u>Total</u>
2024	\$ 10,000	\$ 2,010,000	\$ -	\$ 2,020,000
2025	10,000	2,090,000	-	2,100,000
2026	5,000	2,180,000	90,000	2,275,000
2027	10,000	2,260,000	100,000	2,370,000
2028	10,000	2,380,000	100,000	2,490,000
Thereafter	14,175,000	29,380,000	11,690,000	55,245,000
Total	<u>\$ 14,220,000</u>	<u>\$ 40,300,000</u>	<u>\$ 11,980,000</u>	<u>\$ 66,500,000</u>

GALLOWAY RIDGE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 8 DEVELOPMENT AND MANAGEMENT AGREEMENTS

A management services agreement was entered into with Health Systems Medical Strategies, Inc. (HSMS), a North Carolina corporation, and the Company. A management agreement has been executed with HSMS for HSMS to manage the Duke Center for Living (DCFL) through November 2026. The DCFL is an on-site fitness center in which access is included in a resident's monthly fee and available to the general public. The Company incurred approximately \$173,000 and \$160,000 of expense under terms of this agreement for the years ended December 31, 2023 and 2022, respectively.

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at December 31:

	2023	2022
Benevolent Fund	\$ 3,140,351	\$ 2,695,769
Community/Charitable Fund	395,946	341,362
Special Events	434,773	372,818
Other	1,040,582	941,520
Total	<u>\$ 5,011,652</u>	<u>\$ 4,351,469</u>

Net assets with donor restrictions that were released for their designated purpose were approximately \$760,000 and \$738,000 for years ended December 31, 2023 and 2022, respectively.

NOTE 10 RETIREMENT PLAN

The Company maintains a 403(b) plan for all employees. The plan is funded by one or more investment arrangements selected by the Company. Employees can contribute the maximum allowed by federal law. The Company may match a percentage of employee contributions at the Company's discretion. Total contributions to the plan were approximately \$128,000 and \$127,000 in 2023 and 2022, respectively.

NOTE 11 COMMITMENTS AND CONTINGENCIES

Insurance

The Company was involved in litigation in the ordinary course of business related to professional liability claims. Management believes all claims will be settled within the limits of insurance coverage. However, the ultimate settlement of these cases and losses, if any, to the Company cannot be estimated at this time. Other claims may be asserted arising from past services provided through December 31, 2023. Management believes these claims, if asserted, would be settled within the limits of insurance coverage. General and professional liability coverage is on a claims-made basis for individual claims up to \$1,000,000 per occurrence, with a total annual aggregate of \$3,000,000.

GALLOWAY RIDGE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 11 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Regulatory

The health care industry is subject to numerous complex laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services and Medicare fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. The Company believes that they are in compliance with all applicable laws and regulations and are not aware of any pending or threatened investigations involving allegation of potential wrongdoing.

NOTE 12 LIQUIDITY AND AVAILABILITY

As part of its liquidity management, the Company has a policy to structure its financial assets to be available as its general expenses, liabilities, and other obligations come due. In addition, the Company invests cash in excess of daily operating funds in short-term investments such as stocks, bonds, money market funds, and mutual funds.

The following schedule reflects the Company's financial assets to meet cash needs for general expenses within one year. The financial assets were derived from the total assets on the balance sheets by excluding the assets that are unavailable for general expenses in the next 12 months. Board-designated amounts for projects have been included in the schedule below as the board could release these funds for liquidity purposes if needed.

The Company seeks to maintain sufficient liquid assets to cover three months' operating and capital expenses.

Financial assets available for general expenditure within one year of the balance sheet date, consist of the following:

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 378,731	\$ 1,083,446
Accounts Receivable	862,404	1,004,973
Other Receivables	383,819	495,653
Assets Limited as to Use, Board-Designated Funds	<u>9,529,768</u>	<u>9,235,617</u>
Total	<u>\$ 11,154,722</u>	<u>\$ 11,819,689</u>

GALLOWAY RIDGE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 13 CARES ACT FUNDING

Families First Coronavirus Response Act Tax Credits

In March 2020, the Families First Coronavirus Response Act (FFCRA) was signed which provides businesses with tax credits to cover certain costs of providing employees with paid sick leave and expanded family and medical leave for reasons related to COVID-19. After qualified leave wage payments have been made, eligible employers may receive payment in accordance with applicable IRS procedures. The Company recognized approximately \$11,400 as "COVID-19 Relief Revenue" in the statement of operations for the year ended December 31, 2022. No additional amounts were recognized for the year ended December 31, 2023. Management believes the amounts have been recognized appropriately as of December 31, 2023 and 2022.

GALLOWAY RIDGE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 14 FUNCTIONAL EXPENSES

Certain categories of expenses are attributable to more than one program or supporting function, therefore, these expenses require allocation on a reasonable basis that is consistently applied. Functional allocations have been made based on various statistical basis including square footage and census.

The following is a schedule of expenses by both natural classification and function for the years ended December 31:

	2023						
	Program Services				Administrative and General	Marketing	Total
	Independent Living	Assisted Living	Skilled Nursing	Total			
Salaries and Benefits	\$ 6,963,813	\$ 2,901,784	\$ 1,983,298	\$ 11,848,895	\$ 2,663,543	\$ 678,895	\$ 15,191,333
Medical and Personal Care	934,768	132,733	389,015	1,456,516	3,047	621	1,460,184
Food services	1,656,740	264,152	164,282	2,085,174	85,735	18,722	2,189,631
Facilities Services	1,294,856	178,105	84,868	1,557,829	548,077	85,830	2,191,736
Supplies	87,295	7,388	4,691	99,374	81,115	5,261	185,750
Utilities	756,892	104,708	49,894	911,494	247,723	50,459	1,209,676
Administration	3,921,267	392,673	230,899	4,544,839	1,257,054	156,750	5,958,643
Marketing	9,435	-	-	9,435	50,973	238,560	298,968
Depreciation and Amortization	2,763,073	382,912	182,002	3,327,987	905,445	183,994	4,417,426
Interest Expense	1,488,432	205,239	98,254	1,791,925	486,029	99,440	2,377,394
Total Expense	<u>\$ 19,876,571</u>	<u>\$ 4,569,694</u>	<u>\$ 3,187,203</u>	<u>\$ 27,633,468</u>	<u>\$ 6,328,741</u>	<u>\$ 1,518,532</u>	<u>\$ 35,480,741</u>

	2022						
	Program Services				Administrative and General	Marketing	Total
	Independent Living	Assisted Living	Skilled Nursing	Total			
Salaries and Benefits	\$ 6,344,802	\$ 2,474,473	\$ 1,782,440	\$ 10,601,715	\$ 2,586,238	\$ 602,816	\$ 13,790,769
Medical and Personal Care	658,479	121,574	340,084	1,120,137	1,291	263	1,121,691
Food services	1,489,913	248,605	150,438	1,888,956	85,468	-	1,974,424
Facilities Services	1,237,439	166,185	79,191	1,482,815	527,850	93,664	2,104,329
Supplies	59,278	7,657	4,505	71,440	70,110	3,440	144,990
Utilities	674,380	93,292	44,455	812,127	220,704	44,956	1,077,787
Administration	2,895,648	284,880	166,647	3,347,175	1,056,787	126,863	4,530,825
Marketing	37,234	2,735	1,654	41,623	10,313	225,185	277,121
Depreciation and Amortization	2,825,338	391,575	186,096	3,403,009	925,909	188,129	4,517,047
Interest Expense	1,576,224	217,335	104,052	1,897,611	618,880	105,309	2,621,800
Total Expense	<u>\$ 17,798,735</u>	<u>\$ 4,008,311</u>	<u>\$ 2,859,562</u>	<u>\$ 24,666,608</u>	<u>\$ 6,103,550</u>	<u>\$ 1,390,625</u>	<u>\$ 32,160,783</u>

EXHIBIT B

**CERTIFIED FIVE YEAR FINANCIAL PROJECTIONS
(2023-2027)**

GALLOWAY RIDGE, INC.
COMPILATION OF A FINANCIAL PROJECTION
FOR THE YEARS ENDING
DECEMBER 31, 2024 THROUGH DECEMBER 31, 2028



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INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Board of Directors
Galloway Ridge, Inc.
Pittsboro, North Carolina

Management is responsible for the accompanying projected financial statements of Galloway Ridge, Inc. (the "Company"), which comprise the projected balance sheets as of December 31, 2024, 2025, 2026, 2027 and 2028, and the related projected statements of operations and changes in net deficit, and cash flows for the years then ending, and the related summaries of significant projection assumptions and accounting policies in accordance with the guidelines for presentation of a financial projection established by the American Institute of Certified Public Accountants ("AICPA"). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the projected financial statements, nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these projected financial statements or the assumptions. Furthermore, even if the Company is able to achieve the hypothetical assumptions as noted in Management's Summary of Significant Projection Assumptions and Accounting Policies on page 5 (the "Hypothetical Assumptions"), the projected results may not be achieved as there will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The accompanying projection, and this report, are intended solely for the information and use of management, the Board of Directors, and the North Carolina Department of Insurance (pursuant to the requirements of North Carolina General Statutes, Chapter 58, Article 64 and included in the Company's disclosure statement filing) and is not intended to be and should not be used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Charlotte, North Carolina
May 23, 2024

GALLOWAY RIDGE, INC.
PROJECTED STATEMENTS OF OPERATIONS AND CHANGES IN NET DEFICIT ASSUMING
THE HYPOTHETICAL ASSUMPTIONS NOTED ON PAGE 5
FOR THE YEARS ENDING DECEMBER 31,
(000s Omitted)

	2024	2025	2026	2027	2028
REVENUES, GAINS, AND OTHER SUPPORT					
Residential Service Fees - Independent Living	\$ 22,603	\$ 23,641	\$ 24,583	\$ 25,568	\$ 26,592
Health Care Services	5,301	5,509	5,734	5,964	6,202
Duke Center for Living	1,151	1,163	1,174	1,186	1,198
Amortization of Advance Fees	6,921	7,198	7,486	7,785	8,096
Other Revenues	994	1,034	1,075	1,118	1,163
Investment Income	778	749	759	783	796
Total Revenue, Gains, and Other Support	37,748	39,294	40,811	42,404	44,047
EXPENSES					
Administration	1,540	1,625	1,698	1,766	1,837
Human Resources	1,138	1,201	1,255	1,305	1,357
Marketing	1,054	1,112	1,162	1,208	1,256
Health Care Services	7,583	8,000	8,360	8,694	9,042
Dining Services	5,631	5,941	6,208	6,456	6,714
Maintenance	2,728	2,878	3,008	3,128	3,253
Housekeeping	2,129	2,246	2,347	2,441	2,539
Facility Costs	2,547	2,687	2,808	2,920	3,037
Resident Services	1,898	2,002	2,092	2,176	2,263
Duke Center for Living	1,053	1,111	1,161	1,207	1,255
Property Tax	995	1,005	1,015	1,025	1,035
Depreciation	4,552	5,199	5,706	6,234	6,787
Interest Expense	2,434	3,169	3,062	2,939	2,809
Amortization of Issuance Costs	70	70	70	70	70
Amortization of Bond Premium	(235)	(235)	(235)	(235)	(235)
Amortization of Bond Discount	7	7	7	7	7
Total Operating Expenses	35,124	38,018	39,724	41,341	43,026
NET DEFICIT WITHOUT DONOR RESTRICTIONS					
Excess of Revenues, Gains and Other Support Over Expenses	2,624	1,276	1,087	1,063	1,021
NET ASSETS WITH DONOR RESTRICTIONS					
Change in Net Assets With Donor Restrictions	-	-	-	-	-
Change in Net Deficit	2,624	1,276	1,087	1,063	1,021
Net Deficit, Beginning of Year	(27,053)	(24,429)	(23,153)	(22,066)	(21,003)
NET DEFICIT, END OF YEAR	\$ (24,429)	\$ (23,153)	\$ (22,066)	\$ (21,003)	\$ (19,982)

See Accompanying Summary of Significant Projection Assumptions and Accounting Policies and Independent Accountants' Compilation Report

GALLOWAY RIDGE, INC.
PROJECTED STATEMENTS OF CASH FLOWS ASSUMING
THE HYPOTHETICAL ASSUMPTIONS NOTED ON PAGE 5
FOR THE YEARS ENDING DECEMBER 31,
(000s Omitted)

	2024	2025	2026	2027	2028
CASH FLOWS FROM OPERATING ACTIVITIES					
Change in Net Deficit	\$ 2,624	\$ 1,276	\$ 1,087	\$ 1,063	\$ 1,021
Adjustments to Reconcile Change in Net Deficit to Net Cash Flows Provided					
From Operating Activities:					
Amortization of Advance Fees	(6,921)	(7,198)	(7,486)	(7,785)	(8,096)
Proceeds from Nonrefundable Advance Fees	10,113	10,591	11,013	11,453	11,911
Depreciation	4,552	5,199	5,706	6,234	6,787
Amortization of Bond Issuance Costs	70	70	70	70	70
Amortization of Bond Premium	(235)	(235)	(235)	(235)	(235)
Amortization of Bond Discount	7	7	7	7	7
(Increase) Decrease in Current Assets:					
Accounts Receivable	(178)	(45)	(42)	(44)	(45)
Other Receivables	(152)	(23)	(22)	(22)	(24)
Other Current Assets	16	(34)	(29)	(28)	(28)
Increase (Decrease) in Current Liabilities:					
Accounts Payable	(1,296)	40	34	32	34
Accrued Payroll and Related Liabilities	55	23	20	19	20
Other Accrued Expenses	90	15	13	12	13
Accrued Interest	(42)	(47)	(60)	(63)	(66)
Net Cash Provided by Operating Activities	8,703	9,639	10,076	10,713	11,369
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of Property and Equipment - Routine	(3,227)	(5,408)	(5,624)	(5,849)	(6,083)
Purchases of Property and Equipment - Project	(8,988)	-	-	-	-
Net Change in Assets Limited as to Use	9,024	277	(960)	(361)	(375)
Net Cash Used in Investing Activities	(3,191)	(5,131)	(6,584)	(6,210)	(6,458)
CASH FLOWS FROM FINANCING ACTIVITIES					
Refundable Advance Fees Received	1,938	2,030	2,112	2,197	2,285
Refunds of Advance Fees	(3,912)	(4,069)	(4,232)	(4,401)	(4,577)
Principal Payments on Long-Term Debt	(2,020)	(2,095)	(2,280)	(2,370)	(2,490)
Principal Payments on Long-Term Lease	(56)	(40)	(20)	(17)	(1)
Net Cash Used in Financing Activities	(4,050)	(4,174)	(4,420)	(4,591)	(4,783)
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	1,462	334	(928)	(88)	128
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	9,487	10,949	11,283	10,355	10,267
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	\$ 10,949	\$ 11,283	\$ 10,355	\$ 10,267	\$ 10,395
Cash and Cash Equivalents	\$ 1,840	\$ 2,174	\$ 1,246	\$ 1,158	\$ 1,286
Restricted Cash Included in Assets Limited as to Use	9,109	9,109	9,109	9,109	9,109
Total Cash, Cash Equivalents, and Restricted Cash	\$ 10,949	\$ 11,283	\$ 10,355	\$ 10,267	\$ 10,395
Supplemental Disclosure of Cash Flow Information:					
Cash Paid for Interest	\$ 3,300	\$ 3,216	\$ 3,122	\$ 3,002	\$ 2,875

See Accompanying Summary of Significant Projection Assumptions and Accounting Policies and Independent Accountants' Compilation Report

GALLOWAY RIDGE, INC.
PROJECTED BALANCE SHEETS ASSUMING
THE HYPOTHETICAL ASSUMPTIONS NOTED ON PAGE 5
AT DECEMBER 31,
(000s Omitted)

	2024	2025	2026	2027	2028
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 1,840	\$ 2,174	\$ 1,246	\$ 1,158	\$ 1,286
Assets Limited as to Use, Current Portion	3,724	3,865	3,901	3,960	4,020
Accounts Receivable	1,040	1,085	1,127	1,171	1,216
Other Receivables	536	559	581	603	627
Other Current Assets	640	674	703	731	759
Total Current Assets	7,780	8,357	7,558	7,623	7,908
Assets Limited as to Use:					
Bond Fund	3,724	3,865	3,901	3,960	4,020
Debt Service Reserve Fund	5,667	5,667	5,667	5,667	5,667
Board Designated Funds	8,530	7,530	8,130	8,130	8,130
Restricted by Donor	4,249	4,249	4,249	4,249	4,249
Statutory Operating Reserve	6,858	7,440	7,764	8,066	8,381
Total Assets Limited as to Use	29,028	28,751	29,711	30,072	30,447
Less: Current Portion	(3,724)	(3,865)	(3,901)	(3,960)	(4,020)
Total Assets Limited as to Use, Less Current Portion	25,304	24,886	25,810	26,112	26,427
Property and Equipment					
Property and Equipment	179,312	184,720	190,344	196,193	202,276
Construction in Progress	1,532	1,532	1,532	1,532	1,532
Less: Accumulated Depreciation	(73,539)	(78,738)	(84,444)	(90,678)	(97,465)
Net Property and Equipment	107,305	107,514	107,432	107,047	106,343
Total Assets	\$ 140,389	\$ 140,757	\$ 140,800	\$ 140,782	\$ 140,678
Liabilities and Net Deficit					
Current Liabilities:					
Accounts Payable	\$ 768	\$ 808	\$ 842	\$ 874	\$ 908
Accrued Payroll and Related Liabilities	424	447	467	486	506
Other Accrued Expenses	294	309	322	334	347
Accrued Interest	1,674	1,627	1,567	1,504	1,438
Current Maturities of Long-Term Debt	2,095	2,280	2,370	2,490	2,615
Current Maturities of Lease Liabilities - Financing	40	20	17	1	-
Refunds Payable	601	601	601	601	601
Total Current Liabilities	5,896	6,092	6,186	6,290	6,415
Long-Term Debt, Net of Current Portion					
Long-Term Debt, Net of Current Maturities	62,385	60,105	57,735	55,245	52,630
Unamortized Bond Premium	3,525	3,290	3,055	2,820	2,585
Unamortized Bond Discount	(121)	(114)	(107)	(100)	(93)
Unamortized Bond Issuance Costs	(1,277)	(1,207)	(1,137)	(1,067)	(997)
Net Long-Term Debt	64,512	62,074	59,546	56,898	54,125
Long-Term Lease Liabilities - Financing, Net of Current Maturities					
Long-Term Lease Liabilities - Financing, Net of Current Maturities	38	18	1	-	-
Covered Parking Deposits	590	590	590	590	590
Refundable Deposits	918	918	918	918	918
Deferred Revenue from Advance Fees	60,451	63,844	67,371	71,039	74,854
Refundable Advance Fees	32,413	30,374	28,254	26,050	23,758
Total Liabilities	164,818	163,910	162,866	161,785	160,660
Net Assets (Deficit):					
Without Donor Restriction	(29,441)	(28,165)	(27,078)	(26,015)	(24,994)
With Donor Restriction	5,012	5,012	5,012	5,012	5,012
Total Net Deficit	(24,429)	(23,153)	(22,066)	(21,003)	(19,982)
Total Liabilities and Net Deficit	\$ 140,389	\$ 140,757	\$ 140,800	\$ 140,782	\$ 140,678

See Accompanying Summary of Significant Projection Assumptions and Accounting Policies and Independent Accountants' Compilation Report

Introduction and Background Information

Basis of Presentation

The accompanying financial projection presents, to the best of the knowledge and belief of management (“Management”) the expected financial position, results of operations and changes in net deficit and cash flows of Galloway Ridge, Inc. (the “Company” or “Galloway Ridge”) as of and for each of the five years ending December 31, 2028 (the “Projection Period”).

Galloway Ridge’s principal purpose is to provide housing and long-term healthcare to residents of Galloway Ridge at Ferrington, a continuing care retirement community, also referred to as a Life Plan Community.

Accordingly, the projection reflects Management’s judgment as of May 23, 2024, the date of this projection, of the expected conditions and its expected course of action. The assumptions disclosed herein are the assumptions which Management believes are significant to the financial projection. There will usually be differences between projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

Hypothetical Assumptions – A hypothetical assumption is an assumption used in a financial projection to present a condition or course of action that may not occur as expected, but is consistent with the purpose of presentation.

Management has prepared its financial projection with the following hypothetical assumption:

- Management is able to achieve the projected occupancies, operating revenue inflationary rate increases and operating expense inflationary increases, as described hereinafter.

This financial projection is intended solely for the information and use of Management, the Board of Directors, as hereinafter defined, and the North Carolina Department of Insurance (pursuant to the requirements of North Carolina General Statutes, Chapter 58, Article 64 and included in the Company’s disclosure statement filing), and is not intended to be and should not be used by anyone other than these specified parties.

Introduction and Background Information (Continued)

Background of the Company

The Company was formed on September 4, 2001 as a not-for-profit corporation under the laws and regulations of the State of North Carolina. The Company has received an exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and an exemption from state income taxes in North Carolina under its applicable tax provisions. The Company owns and operates a continuing care retirement community (“CCRC”) in Pittsboro, Chatham County, North Carolina, known as Galloway Ridge at Fearington (the “Community”).

The Company’s board of directors (the “Board of Directors”) currently consists of twelve voting members (the “Directors”) divided into three classes, each with four Directors. In most cases, each Director serves a term of three years. Three of the Directors are residents of the Community. In addition to voting Board members, the Board has appointed the Community’s Executive Director/Chief Executive Officer as a non-voting ex-officio member of the Board. Directors, with the exception of the Executive Director/Chief Executive Officer, do not receive compensation for their service to the Company and the Company has a policy that governs the evaluation and disclosure of potential conflicts of interest.

Background of the Community

The Community, which began operations in June 2005, is located in “Fearington Village”, a master planned community within residential neighborhoods surrounded by natural woods and farmland that includes dining and shopping at The Shops at Fearington Village. Fearington Village also includes the Fearington House Inn that includes 35 guest rooms and Fearington Swim and Croquet Club, which offers a croquet lawn, a shuffle board court, tennis courts and swimming pool.

The Community consists of 300 independent living units (the “Independent Living Units”), 22 assisted living units (the “Assisted Living Units”), 14 multi-unit assisted housing with services units (“Multi-Unit Assisted Living Housing with Services Units” or “MAHS Units”), 20 memory support units (the “Memory Support Units”), 40 skilled nursing beds (the “Skilled Nursing Beds”); a wellness center known as the “Duke Center for Living,” and related common areas. The Assisted Living Units, MAHS Units, Memory Support Units, and Skilled Nursing Beds are collectively referred to as the “Healthcare Center”.

The Community offers certain amenities, including the following: lobby, dining rooms, café/bistro with a lounge, library, billiards room, arts and crafts room, assembly and performing arts areas, walking/biking trails, and gardening spaces. The University of North Carolina at Chapel Hill’s Division of Geriatric Medicine in the Department of Medicine in its School of Medicine (“UNC”) manages the Community’s primary care clinic with UNC medical professionals and provides the Medical Director for the Community. In addition, residents of the Community have access to the existing amenities available in Fearington Village, including banking, travel, and The Fearington House Inn and Restaurant.

Health Systems Medical Strategies, Inc., an affiliate of the Duke University Health System, currently provides certain services to the Community, including the management of the wellness center, referred to as the Duke Center for Living, and a primary care clinic. The Duke Center for Living provides residents of the Community with wellness programs, including fitness classes, aquatics, personal training, aerobics, yoga, and massage therapy. The Duke Center for Living includes the following: pool for exercise and therapy use, hot tub, cushioned track, exercise equipment, aerobics classroom, and massage rooms. Approximately 1,458 of the 1,862 total memberships are non-residents of the Community.

Introduction and Background Information (Continued)

The following table summarizes the type and number of units in the Community.

Type of Unit	Total
Independent Living Units	
Apartments	248
Villas	52
Total Independent Living	300
Healthcare Center	
Assisted Living Units	22
MAHS Units	14
Memory Support Units	20
Skilled Nursing Beds	40
Total Healthcare Center	96
Total Community Units and Beds	396

Source: Management

The Project

The “Project” is the renovation and repositioning of the dining venues. The Project will renovate and reposition the Community’s dining options and its designed to allow the Community to offer the full continuum of dining options from a formal dining experience to fast casual options. When the Project is completed, the Community will offer a formal dining room, an upscale dining area with four-season room seating, a centralized bar area, a fast casual area for quick sit-down dining or to-go options, a bakery area and a marketplace with pre-packaged grab-and-go options. The Project also includes renovations to the kitchen areas and constructs related administrative office space. In November 2022, the Company issued the Series 2022A Bonds, as defined hereinafter, to finance the Project, which is began construction in July 2023, at a total construction cost of approximately \$12,750,000. Management has projected the completion of the Project construction in December 2024.

Introduction and Background Information (Continued)

The following table summarizes the type, number, approximate square footage, monthly service fees and entrance fees for the Independent Living Units, in fiscal year 2024 dollars.

**Table 2
Independent Living Unit Configuration**

Unit Name	Unit Type	Total Units	Square Footage	Monthly Service Fee	Entrance Fee	
					Amortizing Plan	75% Refundable Plan
Apartments:						
Barnsley	1 BR, 1 bath	12	815	\$ 3,990	\$ 253,000	\$ 435,000
Barnsley Deluxe	1 BR, 1.5 baths	2	919	\$ 4,153	\$ 278,000	\$ 478,000
Claremont	1 BR, 1.5 baths	7	1,081	\$ 5,041	\$ 322,000	\$ 554,000
Chelsea	1 BR, 2 baths	38	1,081	\$ 5,041	\$ 322,000	\$ 554,000
Kent	1 BR, 1 bath	6	939	\$ 4,381	\$ 284,000	\$ 488,000
Somerset	1 BR, 1.5 baths	15	1,095	\$ 5,129	\$ 332,000	\$ 571,000
Marston	2 BR, 2 baths	30	1,218	\$ 5,595	\$ 343,000	\$ 590,000
Wycombe	2 BR, 2 baths	28	1,296	\$ 5,872	\$ 375,000	\$ 645,000
Sutton	2 BR, 2 baths	18	1,432	\$ 6,343	\$ 397,000	\$ 683,000
Sutton II	2 BR, 2 baths	11	1,506	\$ 6,831	\$ 436,000	\$ 750,000
Abbey	2 BR, 2 baths	30	1,651	\$ 7,012	\$ 452,000	\$ 777,000
Abbey Deluxe	2 BR, 2 baths	6	1,701	\$ 7,219	\$ 470,000	\$ 808,000
Windsor	2 BR, 2 baths	16	1,266	\$ 5,884	\$ 387,000	\$ 666,000
Windsor Plus	2 BR, 2 baths	3	1,361	\$ 6,348	\$ 416,000	\$ 716,000
Windsor Deluxe	2 BR, 2 baths	2	1,500	\$ 6,510	\$ 447,000	\$ 769,000
Oxford	2 BR, 2 baths	12	1,500	\$ 6,806	\$ 447,000	\$ 769,000
Devon	2 BR, 2 baths	6	1,500	\$ 6,806	\$ 447,000	\$ 769,000
York	2 BR, 2 baths	6	1,700	\$ 7,200	\$ 495,000	\$ 851,000
Cottages/Homes/Villas:						
Chelsea	1 BR, 2 baths	1	1,081	\$ 5,116	\$ 377,000	\$ 648,000
Exbury	2 BR, 2 baths	15	1,566	\$ 6,537	\$ 515,000	\$ 886,000
Abbotsford	2 BR, 3 baths	8	1,946	\$ 6,642	\$ 567,000	\$ 975,000
Abbotsford Deluxe	2 BR, 3 baths	1	2,430	\$ 7,641	\$ 604,000	\$ 1,039,000
Durham	2 BR, 2 baths	11	1,802	\$ 6,911	\$ 559,000	\$ 961,000
Westbury	2 BR, 2.5 baths	13	2,150	\$ 7,532	\$ 669,000	\$ 1,151,000
Kensington	3 BR, 3.5 baths	2	2,922	\$ 7,751	\$ 888,000	\$ 1,527,000
Chatham	2 BR, 2 baths	1	1,802	\$ 7,073	\$ 683,000	\$ 1,175,000
Independent Living Units Total/Weighted Average		300	1,399	\$ 6,046	\$ 412,583	\$ 709,637
Second Person Fee				\$ 1,610	\$ 50,000	\$ 72,000

Source: Management

The Healthcare Center

Admission to the Healthcare Center is restricted to those residents who have signed a Residence and Care Agreement (as defined hereinafter) and lived in a non-nursing unit of the Community for a period of at least 30 days, or residents that have signed a MAHS residence and care agreement (the "MAHS Residence and Care Agreement").

Introduction and Background Information (Continued)

The following table summarizes the type, number, approximate square footage, monthly fees, and daily fees for the Healthcare Center.

**Table 3
Healthcare Center Configuration**

Unit Name	Total Units/Beds	Square Footage	Life Care Monthly Rates ⁽¹⁾	Market Rate ⁽²⁾
Assisted Living Units	22	460	\$6,046	\$309/day
MAHS ⁽³⁾	14	460	\$6,046	\$6,886/month
Memory Care Units	20	330	\$6,046	\$377/day
Skilled Nursing Beds	40	221 - 300	\$6,046	\$436/day

Source: Management

Notes:

- (1) Represents first person life care rates. Under terms of the Residence and Care Agreement, as described hereinafter, the second person life care rate may apply to a resident in the Healthcare Center.
- (2) The market rate applies only to those residents with a supplemental healthcare or MUAHS (catered living) contract.
- (3) The MAHS Residence and Care Agreement is no longer being offered at the facility. There is only one resident remaining that has an MAHS Residence and Care Agreement as of the date of this report. The MAHS units are also utilized for those life care residents who require catered independent living services.

Description of the Residence and Care Agreement

The residence and care agreement is a life care contract under which the Company is obligated, upon payment by the resident of an entrance fee and ongoing payments of the monthly fee to the Company, to provide certain services to the resident for life (the “Residence and Care Agreement”).

Admission Standards

To be accepted for admission to an Independent Living Unit, a prospective resident must be at least 62 years of age at the time of residency, have financial assets adequate to pay the entrance fee, and must have sufficient income to meet the anticipated monthly fee and other personal expenses not provided under the Residence and Care Agreement. In order to reserve an Independent Living Unit, a prospective resident must complete a confidential data application, submit a confidential health questionnaire, and be approved by the Company’s medical staff to be physically able to live independently at the Community.

Admission requires a signed Residence and Care Agreement and the payment of an initial entrance fee deposit equal to 10 percent of the applicable entrance fee for the selected Independent Living Unit pricing (the “Entrance Fee Deposit”), as well as a \$300 initial processing fee. Under the Residence and Care Agreement, the remaining 90 percent of the entrance fee is due no later than 90 days after the date that the Company sends written notice to the resident that the Independent Living Unit chosen is or will be ready for occupancy (the “Occupancy Date”), unless other arrangements have been agreed to and approved in writing previously by the Company.

Services and Amenities

Under the Residence and Care Agreement, residents of the Independent Living Units (“Residents”) receive the following services and amenities:

- One meal credit per person for each day of the month;
- Weekly housekeeping and laundry service of bed linens;

Introduction and Background Information (Continued)

- All utilities, including basic cable and Wi-Fi but excluding telephone service;
- Security and 24-hour emergency call systems;
- Maintenance of both the unit and the grounds and equipment;
- Scheduled local transportation;
- Planned social, educational, cultural and recreational activities;
- Use of the Community's common areas, private dining and meeting rooms, lounges, lobbies, library, social and recreational rooms, access to the Duke Center for Living and other common activity facilities; and,
- Priority access and services in the Healthcare Center.

In addition to the items included in the monthly fee, certain services are available to Residents for an additional charge. These services include, but are not limited to: guest meals, additional meal credits, beauty and barber services, additional transportation, additional housekeeping services, laundry services for personal items, usage of an available guest suite, and alterations to the residence subject to the Company's policies and approval.

The monthly fee may be revised based on the experience of the Company and estimates of its future costs, at its sole discretion. The Company would endeavor to make such adjustments not more than once a year and would provide 60 days' prior written notice of any such adjustments.

Health Care Benefit

Residents of the Independent Living Units who require assisted living or nursing care may transfer to the appropriate level of care in the Healthcare Center and pay the Life Care Monthly Fee. In the event of double occupancy, the Resident who is transferred to the Healthcare Center would pay the then current second person Monthly Fee, plus the cost of two extra meals (the "Second Person Life Care Monthly Fee"). For the purpose of the projection, the Life Care Monthly Fee and Second Person Life Care Monthly Fee are assumed to approximate the total weighted average for the Independent Living Units (first person and second person rates respectively). Residents are to be given priority admission to the Healthcare Center and must carry Medicare Part A and B and a satisfactory supplemental Medicare policy approved by the Company.

Entrance Fee Refundability

The Company currently offers two entrance fee plans under the Residence and Care Agreement. The entrance fee options and related amortization schedules are as follows:

- The "Amortizing Plan": Fully amortizes over 48 months – 4.0% upon initial occupancy and two percent for each month of occupancy.
- The "75% Refundable Plan": Amortizes 25.0% of its value over 12 months – 1.0% upon initial occupancy and 2.0% for each month of occupancy. Thereafter, 75.0% of the Entrance Fee is refundable upon termination and payable within 30 days following payment of an appropriate Entrance Fee and subsequent occupancy by another Resident of the specific Independent Living Unit resided in by the Resident.

Management assumes new Residents will select the following entrance fee plans during the Projection Period: (90%) Amortizing Plan and (10%) 75% Refundable Plan. Previously, a "90% Refundable Plan" was offered, with 44 Residents remaining with this contract. This plan amortizes 10.0% of its value over five months – 2.0% for each month of occupancy. Beginning in 2012, all new 90% Refundable Plan

Introduction and Background Information (Continued)

contracts were refundable within 30 days following payment of an appropriate entrance fee and subsequent occupancy by another Resident of the specific Independent Living Unit resided in by the Resident.

Termination by The Resident Prior to Occupancy Date

Under any type of entrance fee plan, a Resident may terminate the Residence and Care Agreement within a 30-day "Rescission Period" after execution and receive a full refund of his or her entrance fee deposit, less the \$300 non-refundable processing fee, payable within 30 business days of actual notice. After the Rescission Period, if the prospective Resident terminates the Residence and Care Agreement before residency is established, the Resident is to receive a refund equal to 100 percent of the entrance fee deposit less one percent of the entrance fee.

If, prior to establishing occupancy, the current financial statements of the potential Resident discloses that he or she does not meet the financial conditions for admission or if the potential Resident does not meet the medical requirements, the Company may, at its option, terminate the Residence and Care Agreement and refund the entrance fee deposit payable within thirty (30) days.

Termination by the Resident after Occupancy Date

If the Residence and Care Agreement is terminated after occupancy for any reason, or is terminated due to the death of the Resident(s), a portion of the entrance fee is refunded by the Company as determined by the entrance fee plan selected by the Resident. The refund is payable within thirty (30) days following the acceptance of a new Residence and Care Agreement with a new Resident who has accepted and paid the entrance fee for the unit formerly assigned the Resident.

If the Residence and Care Agreement has been signed by two Residents, in the event that one Resident dies or terminates the agreement, the Residence and Care Agreement would continue in effect as to the surviving or the remaining Resident. There would be no refund of any portion of the entrance fee, and the monthly fee would be adjusted to reflect the then applicable single occupancy monthly fee.

Change of Accommodations

To Another Independent Living Unit

The Resident has the option to move to another Independent Living Unit, subject to availability and subject to the Company's policies and procedures. The Resident would be required to notify the Company in writing at least 90 days prior to the desired move date. Either a new Residence and Care Agreement would be entered into or the existing Residence and Care Agreement would be amended to reflect the change in residence, and the Resident would be required to pay the adjustment of the entrance fee (if higher) for the Independent Living Unit selected, and any moving costs would be at the expense of the Resident.

To the Healthcare Center

No refund of the entrance fee is due at the time the sole occupant of an Independent Living Unit is permanently transferred to the Healthcare Center.

Summary of Significant Accounting Policies

Basis of Accounting

The Company maintains its accounting and financial records according to the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Use of Estimates

The preparation of projected financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported as assets and liabilities and disclosure of contingent assets and liabilities in the projected financial statements and accompanying notes. Estimates also affect the reported amount of revenues and expenses during the reporting period. Estimates made by the Company relate primarily to the collectability of accounts receivable, the obligation to provide future services, the life expectancy used to amortize deferred revenue from entrance fees and the portion of entrance fees to be refunded. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments, other than those included in assets limited as to use, with a maturity of three months or less when purchased, to be cash equivalents.

Accounts Receivable

Accounts receivable is reported at estimated net realizable amounts from residents and responsible third-party payors. Amounts owed to the Company are reported net of allowances for credit losses. Specific balances are written off at the time they are determined to be uncollectible, which is based on an analysis of the payor source, aging of the receivable, future economic conditions, and market trends.

Deferred Financing Costs

Costs associated with the issuance of the Series 2014A Bonds, the Series 2019A Bonds, and the Series 2022A Bonds (collectively the "Bonds") are capitalized and amortized over the expected life of the Bonds using the effective interest method. Debt issuance costs are presented with the related debt on the projected balance sheets.

Assets Limited as to Use

Assets limited as to use include reserves required by state statute, contributions that have been restricted by donors, funds that have been designated by the Board, and funds held by trustee. Reserves required by state statute represent an amount set aside to meet the requirements of North Carolina General Statute Chapter 58, Article 64. Under this legislation, the Company is required to maintain an operating reserve at least equal to 25% (50% if occupancy is less than 90%) of the current year's projected operating costs as defined by the statute.

Additional funds designated by the Board include funds that have been earmarked for capital improvements, benevolent care, and maintenance.

Summary of Significant Accounting Policies

Assets Limited as to Use (Continued)

Amounts restricted by donors include contributions to establish a charitable fund to support the community at large and other various donor-restricted purposes.

Funds held by trustee include amounts maintained by a trustee for debt service, construction, and to make future principal and interest payments on outstanding long-term debt.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Contributed property is recorded at the estimated fair value at the date of receipt. The Company capitalizes all assets over \$1,000 and depreciation is computed under the straight-line method and is based on estimated useful lives from 3 to 40 years. The cost of maintenance and repairs is expensed as incurred. Interest is capitalized on facilities during the construction period and amortized over the useful life of the facility.

Deposits

Deposits for living units to be occupied in the future are deferred when received and recorded as refundable deposits on the projected balance sheets. A portion of the deposit is refundable if the Resident terminates the continuing care contract. Upon occupancy of the unit, the nonrefundable portion of the deposit is amortized into residential service fees using the straight-line method over the estimated remaining life expectancy of the Resident, adjusted on an annual basis.

The Company also collects deposits from Residents related to reserving covered parking on campus. Deposit amounts are \$9,500 per parking space of which \$1,500 is recognized as revenue when received. The remaining \$8,000 per deposit is refundable to the Resident upon leaving the community or when the Resident is no longer in need of covered parking. These deposits are recorded as covered parking deposits on the projected balance sheets.

Refundable Entrance Fee Deposits

Deposits for Independent Living Units to be occupied in the future are deferred when received. A portion of the entrance fee deposit is refundable if the Resident terminates the Residence and Care Agreement. Upon occupancy of the Independent Living Unit, the entrance fee deposit is amortized into net resident services revenue using the straight-line method over the estimated remaining life expectancy of the Resident, adjusted on an annual basis.

Refunds Payable

Refunds payable include estimated entrance fee refunds due to Residents, within the 12 months following the projected balance sheet date, that have the 75 percent and 90 percent refundable contracts. The Company stipulates that the refund is payable upon termination and payable within 30 days following payment of an appropriate entrance fee and subsequent occupancy by another Resident of the specific Independent Living Unit resided in by the Resident.

Summary of Significant Accounting Policies (Continued)

Deferred Revenue from Entrance Fees

The non-refundable portion of entrance fees paid by a Resident upon entering into Residence and Care Agreement are recorded as deferred revenue and amortized into income using the straight-line method over the estimated remaining life expectancy of the Resident, adjusted on an annual basis. The estimated amount of the contractual refund obligations that are expected to be refunded in a subsequent year are classified as a current liability on the projected balance sheet. The refundable portion of entrance fees paid by a Resident is recorded as a long-term liability on the projected balance sheet.

Obligation to Provide Future Services

The Company enters into continuing care contracts with its Residents. A continuing care contract is an agreement between a Resident and the Company specifying the services and facilities to be provided over the Resident's remaining life. Under the contracts, the Company has the ability to increase fees as deemed necessary. As of December 31, 2023, the Company calculated the present value of the estimated net cost of future services to be provided, including the cost of facilities to current Residents, and compares the amount with deferred revenue from advance fees. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from advance fees, an additional liability is shown in the projected balance sheets. No liability was recorded as of December 31, 2023, as the present value of the estimated net costs of future services and use of facilities is less than deferred revenues from advances fees. The present value of the net cost of future services and use of facilities was discounted at 5.0% in 2023. Management has not projected any obligation to provide future services during the Projection Period.

Leases

The Company determines if an arrangement is a lease at inception. Operating leases are included in property, plant, and equipment as right-of-use ("ROU") assets and lease liabilities in the projected balance sheets. ROU assets present the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the commencement date of the lease based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise the option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Company has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or ROU assets on the projected balance sheets.

Contributions and Donor Imposed Restrictions

All contributions are considered to be available without donor restrictions unless specifically restricted by the donor. The Company reports gifts of cash and other assets as restricted contributions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets (deficit) without donor restriction and reported in the projected statements of operations as net assets released from restriction.

Summary of Significant Accounting Policies (Continued)

Net Assets (Deficit)

The Company reports its net assets (deficit) using the following two classes: net assets without donor restrictions and net assets with donor restrictions depending on the presence and type of donor-imposed restrictions limiting the Company's ability to use or dispose of specific contributed assets or the economic benefits embodied in those assets. Net assets (deficit) without donor restrictions include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation. Net assets with donor restrictions are those net assets whose use by the Company has been limited by donors (a) to later periods of time or after specified dates or (b) to specified purposes.

Resident Services Revenue

Resident revenue is reported at the amount that reflects the consideration to which the Company expects to be entitled in exchange for providing resident care. The Company generates revenues, primarily by providing housing and health services to its Residents. The streams of revenue are recognized as follows:

Monthly Service Fees

The life care contracts that Residents select require an advanced fee and monthly fees based upon the type of space for which they apply. Resident fee revenue for recurring and routine monthly services is generally billed monthly in advance. Payment terms are usually due within 30 days. The services provided encompass social, recreational, dining along with assisted living and nursing care and these performance obligations are earned each month. Management has determined that the performance obligation for the standing obligation to provide the appropriate level of care is the predominant component and does not contain a lease component. Resident fee revenue for nonroutine or additional services are billed monthly in arrears and recognized when the service is provided.

Entrance Fees

The nonrefundable entrance fees are recognized as deferred revenue upon receipt of the payment and included in liabilities in the projected balance sheet until the performance obligations are satisfied. The refundable portion of an entrance fee is not considered part of the transaction price and as such is recorded as a liability in the projected balance sheet. Additionally, Management has determined the contracts do not contain a significant financing component as the advanced payment assures Residents the access to health care in the future. These deferred amounts are then amortized on a straight-line basis into revenue on a monthly basis over the life of the Resident as the performance obligation is the material right associated with access to future services.

Health Care Services

In the facility, the Company provides assisted and nursing care to Residents who are covered by government and commercial payors. Management has elected to utilize the portfolio approach in aggregating the revenues under these revenue streams.

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

Summary of Significant Accounting Policies (Continued)

Medicare

The Company's licensed nursing facility participates in the Medicare program. This federal program is administered by the Centers for Medicare and Medicaid Services (CMS). CMS utilizes the Patient Driven Payment Model (PDP) for Medicare reimbursement. Under PDP, therapy minutes are removed as the primary basis for payment and instead use the underlying complexity and clinical needs of a patient as a basis for reimbursement. In addition, PDP introduces variable adjustment factors that change reimbursement rates during the Resident's length of stay. Annual cost reports are required to be submitted to the designated Medicare Administrative Contractor; however, they do not contain a cost settlement.

Nursing facilities licensed for participation in the Medicare program are subject to annual licensure renewal. If it is determined that a nursing facility is not in substantial compliance with the requirements of participation, CMS may impose sanctions and penalties during the period of noncompliance. Such a payment ban would have a negative impact on the revenues of the licensed nursing facility.

Other

Payment agreements with certain insurance carriers provide for payment using prospectively determined daily rates.

Laws and regulations concerning government programs, including Medicare, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Company's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Company. In addition, the contracts the Company has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Company's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations.

Generally, Residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Company estimates the transaction price for Residents with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent

Summary of Significant Accounting Policies (Continued)

changes to the estimate of the transaction price are generally recorded as adjustments to resident service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in a Resident's ability to pay are recorded as bad debt expense.

Financing Component

The Company has elected the practical expedient allowed under Financial Accounting Standards Board *Accounting Standards Codification* 606-10-32-18 and does not adjust the promised amount of consideration from residents for the effects of a significant financing component due to its expectation that the period between the time the service is provided to a resident and the time that the resident pays for that service will be one year or less. However, the Company does, in certain instances, enter into payment agreements with residents that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

Excess of Revenues, Gains, and Other Support Over Expenses

The projected statements of operations include excess of revenues, gains, and other support over expenses. Changes in net deficit without donor restrictions that are excluded from the excess of revenues, gains, and other support over expenses, consistent with industry practice would include permanent transfers of assets to and from affiliates for other than goods and services and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets).

Income Taxes

The Company has been recognized by the Internal Revenue Service as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). The Company is not aware of any activities that would jeopardize its tax-exempt status. The Company is not aware of any activities that are subject to tax on unrelated business income or excise or other taxes. The Company follows guidance in the income tax standard regarding recognition and measurement of uncertain tax positions. Management has not projected any liability due to an uncertain tax position during the Projection Period.

Summary of Revenue Assumptions

Revenues

Revenue for the Company is generated primarily from monthly service fees for the Independent Living Units, amortization of entrance fees, and monthly service fees and per diem charges from the Healthcare Center, and wellness center fees (Duke Center for Living).

Resident service revenue for Residents in the Independent Living Units is based on the assumed occupancy and the monthly fees of the respective units. The monthly fees for the Independent Living Units are assumed to increase 4.0 percent annually beginning January 1, 2025.

Healthcare Center monthly fees and daily fees are generated from Residents transferring internally and from the outside community. Residents transferring from the Independent Living Units to the Assisted Living Units, MAHS Units, Memory Support Units, or Skilled Nursing Beds receive such services at no additional charge over the Resident’s Independent Living Unit monthly fee then in effect, with the exception of a charge for two additional meals and other ancillary revenues such as in-home services and billable supplies. Healthcare Center fees, including Medicare rates, are assumed to increase 4.0 percent beginning January 1, 2025 and annually thereafter.

The following table summarizes the assumed utilization of the Community’s Independent Living Units and Healthcare Center.

For the Years Ending December 31,	2024	2025	2026	2027	2028
Average Available Units:					
Independent Living Units	300.0	300.0	300.0	300.0	300.0
Assisted Living Units and MAHS Units	36.0	36.0	36.0	36.0	36.0
Memory Support Units	20.0	20.0	20.0	20.0	20.0
Skilled Nursing Beds	40.0	40.0	40.0	40.0	40.0
Total Available Units	396.0	396.0	396.0	396.0	396.0
Average Occupied Units:					
Independent Living Units	287.0	289.0	289.0	289.0	289.0
Assisted Living Units and MAHS Units	27.0	27.0	27.0	27.0	27.0
Memory Support Units	11.0	11.0	11.0	11.0	11.0
Skilled Nursing Beds	27.0	27.0	27.0	27.0	27.0
Total Average Occupied Units	352.0	354.0	354.0	354.0	354.0
Average Occupancy Percentage:					
Independent Living Units	96%	96%	96%	96%	96%
Assisted Living Units and MAHS Units	75%	75%	75%	75%	75%
Memory Support Units	55%	55%	55%	55%	55%
Skilled Nursing Beds	68%	68%	68%	68%	68%
Total Occupancy Percentage	89%	89%	89%	89%	89%

Source: Management

Summary of Revenue Assumptions (Continued)

Assumed Independent Living Turnover

The assumed Resident turnover for the Independent Living Units due to death, withdrawal or transfer to the Healthcare Center, and double occupancy of the Independent Living Units has been based on the historical experience of Management. Refunds of entrance fees are generated upon termination of the Residence and Care Agreement and withdrawal from the Community, subject to the re-occupancy of the Independent Living Unit. Entrance Fees may be generated from Independent Living Units turning over without a corresponding refund because the Resident has not withdrawn from the Community but has permanently transferred to the Healthcare Center.

Entrance fees are assumed to increase 4.0 percent annually during the Projection Period. The following table summarizes entrance fees received and refunded during the Projection Period.

Table 5
Projected Entrance Fees Received and Refunded (in \$000s)
For the Years Ending December 31,

	2024	2025	2026	2027	2028
Independent Living Units:					
Entrance Fee Receipts from Unit Turnover	\$ 12,051	\$ 12,621	\$ 13,125	\$ 13,650	\$ 14,196
Entrance Fees Refunded from Unit Turnover	(3,912)	(4,069)	(4,232)	(4,401)	(4,577)
Net Independent Living Unit Entrance Fees	\$ 8,139	\$ 8,552	\$ 8,893	\$ 9,249	\$ 9,619

Source: Management

Duke Center for Living

Duke Center for Living revenues are generated by monthly membership fees received from nonresidents of the Community. Average membership dues are approximately \$75 per month for 2024. Management has projected the average monthly membership to increase by 1.0 percent in 2025 and in 2027. All Residents receive unlimited access to the Duke Center for Living at no additional cost. Management assumes approximately 43 percent of the Residents are assumed to utilize the facility during the Projection Period.

Investment Income

Investment income consists of interest earnings on cash, cash equivalents and assets limited as to use, as provided by Management. Management has assumed an investment return of 0.25 percent on cash and cash equivalents, 1.00 percent on all trustee held and donor restricted funds and 4.00 percent on board designed funds during the Projection Period. Management does not project unrealized gains or losses.

Other Revenues

Management assumes other revenues consist of revenues from additional meals and snacks, guest meals, guest apartment rentals, catering, and other miscellaneous sources. Management assumes these revenues to increase 4.0 percent beginning January 1, 2025 and annually thereafter.

Summary of Expense Assumptions

Operating Expenses

Operating expenses are provided by Management based on their experience operating the Community. Salaries, wages and employee benefits are assumed to increase 5.5 percent in 2025, 4.5 percent in 2026, and 4.0 percent in each year thereafter during the Projection Period. Management assumes employee benefits would approximate 26 percent of salaries during the Projection Period. Management projects 241 full-time equivalents each year of the Projection Period.

Other operating expenses include Duke Center for Living costs, supplies, accounting and legal, and facilities costs, which include property taxes, insurance, utilities, and other miscellaneous costs. Management's projected other operating expenses are based on the experience of the Community and are projected to increase due to changes in occupancies as well as at an average annual rate of 5.5 percent in 2025, 4.5 percent in 2026, and 4.0 percent in each year thereafter during the Projection Period.

Summary of Other Items

Other Items

Current Assets and Current Liabilities

Cash and Cash Equivalents

Cash and cash equivalents balances for the Projection Period are based on the results of the Projected Statements of Cash Flows.

Accounts Receivable

Accounts receivable are projected based on historical levels at 13 days of total resident revenue.

Other Receivables

Other receivables are projected based on historical levels at 7 days of total resident revenue.

Other Current Assets

Other current assets are projected based on historical levels at 8 days of operating expenses less interest expense, amortization, and depreciation.

Accounts Payable

Accounts payable are projected based on historical levels at 19 days of operating expenses less salaries and wages, interest expense, amortization, and depreciation.

Accrued Interest Payable

Accrued interest payable has been calculated based on interest expense requirements of outstanding debt.

Accrued Payroll and Related Liabilities

Accrued payroll and related liabilities are projected to approximate historical levels of 11 days of salaries and wages.

Other Accrued Expenses

Other accrued expenses are projected based on historical levels at 7 days of operating expenses less interest expense, amortization, and depreciation.

Assets Limited as to Use

A narrative description of the assets limited as to use follows.

- Debt Service Reserve Fund – A parity Debt Service Reserve Fund for the Series 2014A Bonds, Series 2019A Bonds, and Series 2022A Bonds.
- Board Designated Funds – Funds designated by the Board for capital projects, benevolent care, and maintenance.
- Assets Limited as to Use, Current Portion (“Bond Fund”), which is to contain installments of principal and interest on the Series 2014A Bonds, Series 2019A Bonds, and the Series 2022A Bonds paid by the Company until such principal and interest are due.

Summary of Other Items (Continued)

- Restricted by Donor –Amounts restricted by donors include contributions to assist Residents at time of financial hardship, to support the Community at large, and other various donor restricted purposes.
- Statutory Operating Reserve – North Carolina Statutory Operating Reserve – Section 58-64-33 of the General Statutes of North Carolina, as amended, requires that all continuing care facilities maintain operating reserves equal to 50 percent of the total operating costs (as defined in Section 58-64-33) (or 25 percent of the total operating costs if such facilities maintain an occupancy level in excess of 90 percent and the North Carolina Commissioner of Insurance so approves) for the 12-month period related to the calculation. Such operating reserves may only be released upon approval of the North Carolina Commissioner of Insurance. Management has projected, based on its projected occupancies, meeting the 25 percent operating reserve requirement for all years of the Projection Period.

The following reflects the statutory operating reserve requirements, as projected by Management:

Table 6
Projected Statutory Operating Reserve Calculation
Years Ending December 31,

	2024	2025	2026	2027	2028
Statutory Operating Reserve Calculation (Expenses in Thousands):					
Total Operating Expenses	\$ 35,124	\$ 38,018	\$ 39,724	\$ 41,341	\$ 43,026
Add: Principal Payment on Long-Term Debt	2,020	2,095	2,280	2,370	2,490
Add: Amortization of Bond Premium	235	235	235	235	235
Less: Depreciation	(4,552)	(5,199)	(5,706)	(6,234)	(6,787)
Less: Amortization on Bond Issuance Costs	(70)	(70)	(70)	(70)	(70)
Less: Amortization of Bond Discount	(7)	(7)	(7)	(7)	(7)
Less: Debt Service (Reserved for Separately in Debt Service Reserve Fund)	(5,320)	(5,311)	(5,402)	(5,372)	(5,365)
Total Operating Costs	\$ 27,430	\$ 29,761	\$ 31,054	\$ 32,263	\$ 33,522
Required Reserve ⁽¹⁾	25%	25%	25%	25%	25%
Required Operating Reserve	\$ 6,858	\$ 7,440	\$ 7,764	\$ 8,066	\$ 8,381
Average Available Units at December 31:					
Independent Living Units	300	300	300	300	300
Assisted Living Units	36	36	36	36	36
Memory Care Units	20	20	20	20	20
Total Available Units	356	356	356	356	356
Average Occupied Units at December 31:					
Independent Living Units	287	289	289	289	289
Assisted Living Units	27	27	27	27	27
Memory Care Units	11	11	11	11	11
Total Occupied Units	325	327	327	327	327
Average Occupancy at December 31	91.3%	91.9%	91.9%	91.9%	91.9%

Source: Management

Notes:

- (1) If combined independent living and assisted living occupancy is less than 90 percent, the operating reserve requirement is 50 percent; otherwise, it is 25 percent.

Summary of Other Items (Continued)

Property and Equipment

The Company is assumed to incur routine capital additions during the Projection Period that would be capitalized as property and equipment. Property and equipment donated are recorded as unrestricted contributions at fair market value at the date of receipt. Expenditures for maintenance, repairs and minor renovations are charged to expense as incurred. Routine capital additions during the Projection Period are summarized in the table below.

Table 7
Projected Routine Capital Additions (in \$000s)
Years Ending December 31,

	2024	2025	2026	2027	2028
Project Costs	\$ 8,164	\$ -	\$ -	\$ -	\$ -
Capitalized Interest, Net of Interest Earnings, During Project Construction	824	-	-	-	-
Routine Capital Additions	3,227	5,408	5,624	5,849	6,083
Total	\$ 12,215	\$ 5,408	\$ 5,624	\$ 5,849	\$ 6,083

Source: Management

Table 8
Projected Property and Equipment ⁽¹⁾ (in \$000s)
At December 31,

	2024	2025	2026	2027	2028
Land	\$ 6,589	\$ 6,589	\$ 6,589	\$ 6,589	\$ 6,589
Buildings	157,162	161,488	165,987	170,666	175,532
Equipment and Furnishings	15,296	16,378	17,503	18,673	19,890
Right-of-Use (ROU) Assets	265	265	265	265	265
Total Before Accumulated Depreciation	179,312	184,720	190,344	196,193	202,276
Less Accumulated Depreciation	(73,539)	(78,738)	(84,444)	(90,678)	(97,465)
Construction in Progress	1,532	1,532	1,532	1,532	1,532
Net Property and Equipment	\$ 107,305	\$ 107,514	\$ 107,432	\$ 107,047	\$ 106,343

Source: Management

Note:

(1) Management has projected the Project will be completed and placed into service in December 2024.

Interest and Long-Term Debt

Long-term debt, totaling \$66,500,000 at December 31, 2023, consisted of the following maturities and annual interest rates:

The Series 2014A Bonds

In September 2014, the Company issued \$15,495,000 of tax-exempt, adjustable rate First Mortgage Revenue Refunding Bonds with an average interest rate ranging from 2.0 percent to 4.0 percent for the serial bonds, a fixed 4.875 percent for the 2034 term bonds and a fixed 5.25 percent for the 2041 term bonds, collectively the "Series 2014A Bonds", through the North Carolina Medical Care Commission. As of December 31, 2023, the outstanding balance of the Series 2014A Bonds was approximately \$14,220,000. Interest on the Series 2014A Bonds is payable on January 1 and July 1 of each year. Principal on the Series 2014A Bonds is paid annually on January 1, with a final maturity on January 1, 2041.

Summary of Other Items (Continued)

The Series 2019A Bonds

In October 2019, the Company issued \$45,990,000 of tax-exempt, fixed rate Retirement Facilities First Mortgage Revenue Refunding Bonds with an average interest rate ranging from 3.00 to 6.00 percent per annum (the “Series 2019A Bonds”) through the North Carolina Medical Care Commission. Proceeds from the Series 2019A Bonds were used to refund the Series 2010A Bonds. As of December 31, 2023, the outstanding balance of the Series 2019A Bonds was approximately \$40,300,000. Interest on the Series 2019A Bonds is payable on January 1 and July 1 of each year. Principal on the Series 2019A Bonds is paid annually on January 1, with a final maturity on January 1, 2039.

The Series 2022A Bonds

In November 2022, the Company issued \$11,980,000 of tax-exempt, fixed rate First Mortgage Revenue Bonds (2022A Bonds) through the Public Finance Authority. The proceeds of the Series 2022A Bonds were used to finance a portion of the costs of campus improvements, pay interest accruing on the 2022A Bonds for approximately 20 months, to fund a debt service reserve fund, and to pay certain expenses incurred with the issuance of the 2022A Bonds. As of December 31, 2023, the outstanding balance of the Series 2022A Bonds was approximately \$11,980,000.

Projected principal payments on the Company’s total long-term debt is presented in the following table, which is presented on a December 31, fiscal year basis.

Table 9
Projected Principal Payments (in \$000s)

Year Ending December 31,	Series 2014A	Series 2019A	Series 2022A	Total
2024	\$ 10	\$ 2,010	\$ -	\$ 2,020
2025	5	2,090	-	2,095
2026	10	2,180	90	2,280
2027	10	2,260	100	2,370
2028	10	2,380	100	2,490
Thereafter	14,175	29,380	11,690	55,245
Total	\$ 14,220	\$ 40,300	\$ 11,980	\$ 66,500

Source: Management

Bond Premium

At December 31, 2023, the Company had approximately \$3,760,000 of unamortized bond premium associated with the Series 2019A Bonds. Management has projected the amortization of the bond premium over the life of the Series 2019A Bonds. Management has projected amortization of approximately \$235,000, annually, during the Projection Period.

Bond Discount

At December 31, 2023, the Company had approximately \$128,000 of unamortized bond discount associated with the Series 2022A Bonds. Management has projected the amortization of the bond discount over the life of the Series 2022A Bonds. Management has projected amortization of approximately \$7,000, annually, during the Projection Period.

Summary of Other Items (Continued)

Net Assets

Net Assets With Donor Restrictions

Management has projected net assets with donor restrictions based upon the results of the Projected Statement of Operations and Changes in Net Assets.

EXHIBIT C

INTERIM FINANCIAL STATEMENTS
(as of March 31, 2023)

Galloway Ridge
Quarterly Income Statement
For the THREE of TWELVE Months Ending March 31, 2024

Account Name	QTR			YTD		
	Actual	2024 Budget	Budget % Variance	Actual	2024 Budget	Budget % Variance
Operating Income						
Residential Service Fees	5,573,479	5,685,075	(1.96) %	5,573,479	5,685,075	(1.96) %
Infrastructure & Technology	82,578	47,145	75.15 %	82,578	47,145	75.15 %
Food Services	167,068	178,525	(6.41) %	167,068	178,525	(6.41) %
Resident Services	19,605	23,800	(17.62) %	19,605	23,800	(17.62) %
Healthcare Services	1,126,964	1,045,925	7.74 %	1,126,964	1,045,925	7.74 %
Home Care Services	58,870	58,800	0.11 %	58,870	58,800	0.11 %
Clinic	44,109	21,150	108.55 %	44,109	21,150	108.55 %
Rehab	166,101	206,519	(19.57) %	166,101	206,519	(19.57) %
Duke Center for Living	363,530	299,580	21.34 %	363,530	299,580	21.34 %
Total Operating Income	7,602,304	7,566,519	0.47 %	7,602,304	7,566,519	0.47 %
Operational Expenses						
Executive	220,604	349,525	(36.88) %	220,604	349,525	(36.88) %
Finance	181,638	171,875	5.68 %	181,638	171,875	5.68 %
Human Resources	286,059	287,219	(0.40) %	286,059	287,219	(0.40) %
Marketing	279,332	270,692	3.19 %	279,332	270,692	3.19 %
Facilities & Technology	2,137,335	2,253,336	(5.14) %	2,137,335	2,253,336	(5.14) %
Food Services	1,526,438	1,485,229	2.77 %	1,526,438	1,485,229	2.77 %
Resident Life	435,103	503,584	(13.59) %	435,103	503,584	(13.59) %
Healthcare Services	1,590,730	1,428,937	11.32 %	1,590,730	1,428,937	11.32 %
Home Care Services	122,838	149,050	(17.58) %	122,838	149,050	(17.58) %
Clinic	247,235	231,174	6.94 %	247,235	231,174	6.94 %
Rehab	125,501	187,525	(33.07) %	125,501	187,525	(33.07) %
Duke Center For Living	259,864	277,921	(6.49) %	259,864	277,921	(6.49) %
Total Operational Expenses	7,412,677	7,596,067	(2.41) %	7,412,677	7,596,067	(2.41) %
Operational Net Income/(Loss)	189,627	(29,548)	(741.76) %	189,627	(29,548)	(741.76) %
Non-Operating Income						
Temporarily Restricted Released	161,648	0	100.00 %	161,648	0	100.00 %
Investment Income	414,174	168,750	145.43 %	414,174	168,750	145.43 %
Unrealized Investment Income	164,609	0	100.00 %	164,609	0	100.00 %
Earned Entrance Fees	2,030,351	1,730,353	17.33 %	2,030,351	1,730,353	17.33 %
Total Non-Operating Income	2,770,782	1,899,103	45.89 %	2,770,782	1,899,103	45.89 %
Non-Operating Expenses						
Temporarily Restricted Expended	161,648	0	100.00 %	161,648	0	100.00 %
Depreciation Expense	912,812	980,600	(6.91) %	912,812	980,600	(6.91) %
Amortization Expense	167,166	165,900	0.76 %	167,166	165,900	0.76 %
Long Term Debt Interest Expense	716,939	596,100	20.27 %	716,939	596,100	20.27 %
Def Financing Interest Expense	2,015	0	100.00 %	2,015	0	100.00 %
Total Non-Operating Expenses	1,960,580	1,742,600	12.50 %	1,960,580	1,742,600	12.50 %
Non-Operating Surplus/(Deficit)	810,202.11	156,503.00	417.69 %	810,202.11	156,503.00	417.69 %
Net Surplus/(Deficit)	999,829	126,955	687.54 %	999,829	126,955	687.54 %

**Galloway Ridge
Balance Sheet
For the THREE Months as of March 31, 2024**

	Current Year 03/31/2024	Prior Year 03/31/2023
	<u>Actual</u>	<u>Actual</u>
Assets		
Current Assets		
Cash and Cash Equivalents	848,864	838,415
Accounts Receivable, Net		
Accounts Receivable	1,667,285	1,645,459
Allowance for Doubtful Accounts	346,000	73,090
Total Accounts Receivable, Net	<u>1,321,285</u>	<u>1,572,369</u>
Inventory	320,686	300,115
Prepaid Expenses	167,327	202,462
Total Current Assets	<u>2,658,162</u>	<u>2,913,361</u>
Assets Limited to Use		
Statutory Operating Reserve	7,174,503	6,569,946
Funds Restricted by Donor	4,462,845	3,818,443
Funds Held by Trustee	12,128,091	18,762,732
Board Designated Funds	9,324,964	9,306,738
Total Assets Limited to Use	<u>33,090,403</u>	<u>38,457,859</u>
Long Term Assets		
Buildings	125,012,370	126,242,629
Capital Projects in Progress	11,839,689	4,731,970
Land & Improvements	6,589,329	6,662,355
Furniture, Fixtures & Equipment	11,229,815	12,570,713
Capitalized Interest	15,789,026	14,965,401
Right of Use Assets	265,466	315,971
Accumulated Depreciation - Fixed Assets	(59,931,768)	(60,636,446)
Accumulated Amortization - Capitalized Interest	(10,008,344)	(9,409,729)
Accumulated Depreciation - Right of Use Assets	(109,517)	(104,075)
Total Long Term Assets	<u>100,676,066</u>	<u>95,338,789</u>
Total Total Assets	<u>136,424,631</u>	<u>136,710,009</u>
Total Liabilities & Net Assets		
Current Liabilities		
Accounts Payable - General	547,262	574,889
Entrance Fee Refunds Payable	2,819,654	1,415,875
Accrued Interest	737,805	1,887,857
Accrued Payroll & Related Expenses	1,024,695	953,378
Covered Parking Deposits	598,000	596,000
Future Resident Deposits	1,081,900	1,203,100
Total Current Liabilities	<u>6,809,316</u>	<u>6,631,099</u>
Long-Term Liabilities		
Long Term Debt	66,781,785	68,833,677
Refundable Entrance Fees	31,566,830	35,690,898
Deferred Entrance Fee Revenue, net	56,999,517	54,503,443
Deferred Revenue	66,631	59,558
Lease Liability	77,860	123,008
Total Long-Term Liabilities	<u>155,492,623</u>	<u>159,210,584</u>

**Galloway Ridge
Balance Sheet
For the THREE Months as of March 31, 2024**

	Current Year 03/31/2024	Prior Year 03/31/2023
	Actual	Actual
Fund Balance		
Temporarily Restricted	5,187,396	4,505,708
Unrestricted	(32,064,533)	(34,205,493)
Total Surplus/(Deficit)	999,829	568,111
Total Fund Balance	(25,877,308)	(29,131,674)
Total Total Liabilities & Net Assets	136,424,631	136,710,009

**Galloway Ridge
Statement of Cash Flows
For the THREE Months as of March 31, 2024**

	Quarter Ending 03/31/2024	Year To Date 03/31/2024
	Actual	Actual
Cash flows from operating activities		
Change In Net Assets	999,829	999,829
Change in Cash from Operating Activities		
Depreciation	912,813	912,813
Accounts Receivable	(75,062)	(75,062)
Prepaid Expenses	143,409	143,409
Inventory	24,232	24,232
Other Assets	(225,466)	(225,466)
Accounts Payable	(1,625,119)	(1,625,119)
Deferred Revenue	(257,349)	(257,349)
Other Liabilities	(221,125)	(221,125)
Net cash used by Operating Activities	(1,323,667)	(1,323,667)
Cash flows from investing activities		
Capital Expenditures	(2,096,906)	(2,096,906)
Purchase of long term investments and other assets	5,337,277	5,337,277
Temporarily Restricted Assets	184,043	184,043
Net cash used by investing activities	3,424,414	3,424,414
Cash flows from financing activities		
Debt Proceeds	(2,630,442)	(2,630,442)
Net cash used by financing activities	(2,630,442)	(2,630,442)
Increase (Decrease) in Cash	470,133	470,133
Cash, Beginning Period	378,731	378,731
Cash, End of Period	848,864	848,864

EXHIBIT D

**EXPLANATION OF MATERIAL DIFFERENCES BETWEEN PREVIOUS
FORECASTED FINANCIAL STATEMENTS AND ACTUAL RESULTS OF
OPERATIONS**

Comparison and Explanation of Differences between Forecasted and Audited Financials
for Period Ending December 31, 2023
(in Thousands)

	Forecasted Statements of Operations and Changes in Net Assets (Deficits)		Statement of Operations and Changes in Net		Explanation of Differences
	Years Ending December 31, 2027	Deficit Audited Financial Statements	\$ Change	% Change	
Revenue					
Residential Service Fees - Independent Living	21,099	20,907	-192	-1%	
Health Care Services	5,115	4,861	-254	-5%	
Duke Center for Living (Wellness Center)	1,033	1,156	123	12%	
Amortization of Entrance Fees	6,348	7,027	679	11%	Higher than expected termination income
Other Revenue	998	1,189	191	19%	Forecast does not include \$229K revenue received for residential upgrades
Contributions (Released from Restrictions)	0	760	760	100%	Contributions not anticipated in forecast
Investment Income	781	1,722	941	120%	Stock market performed higher than projected
Total Revenues, Gains, and Other Support	35,374	37,622	2,248	6%	
Expenses					
Administration	1,755	1,640	-115	-7%	
Human Resources	1,060	962	-98	-9%	
Marketing	903	925	22	2%	
Healthcare Service	7,720	8,352	632	8%	
Dining Services	5,319	5,230	-89	-2%	
Maintenance	3,469	2,504	-965	-28%	Forecast included approx. \$1.5M in expenses that were moved from Maintenance to Facility Cost
Housekeeping	1,940	1,887	-53	-3%	
Facility Costs	1,926	3,599	1,673	87%	Forecast excluded approx. \$1.5M in expenses that were moved from Maintenance to Facility Cost
Resident Services	1,668	1,702	34	2%	
Duke Center for Living	934	904	-30	-3%	
Property Tax	964	982	18	2%	
Loss on extinguishment of debt	0	0	0	0%	
Depreciation & Amortization	4,383	4,417	34	1%	
Interest Expense	2,517	2,377	-140	-6%	
Total Expenses	34,558	35,481	923	3%	
Operating Gain/(Loss)	816	2,141	1,325		
Increase in Temporarily Restricted Net Assets		660	660	100%	Forecast does not include restricted funds
Change in Unrestricted Net Deficits	816	2,801	1985		
Net Deficits, beginning of year as restated	(29,854)	(29,854)			
Net deficits, end of year	(29,038)	(27,053)			

Variances of less than +/-10% or under \$150,000 are considered immaterial

Comparison and Explanation of Differences between Forecasted and Audited Financials
for Period Ending December 31, 2023
(in Thousands)

	Forecasted Balance Sheets Compilation of the Five Years Ending December 31, 2027	Balance Sheet Audited Financial Statements	\$ Change	% Change	Explanation of Differences
Assets					
Current Assets					
Cash and Investments	2,064	379	-1,685	-82%	More cash spent on capital expenditures than projected
Accounts Receivable	498	862	364	73%	General A/R is up due to increase utilization of therapy services and timing of billing and payments from Medicare and Insurance Companies
Other Receivable	511	384	-127	-25%	
Prepaid Expenses	663	656	-7	-1%	
Assets Limited to use, current portion	3,691	3,736	45	1%	
Total Current Assets	7,427	6,017			
Assets Limited to Use					
Debt Service Reserve Fund	12,008	13,588	1,580	13%	Forecast does not include Debt Service Fund for 2022A Bonds issued in Nov. 2022
Restricted by Donor	3,674	4,250	576	16%	Stock market performed higher than projected for those restricted funds held in investment accounts
Board Designated Funds	9,736	9,530	-206	-2%	More funds withdrawn from board designated - capital expenditure funds than anticipated
Statutory Operating Reserve	6,699	6,949	250	4%	
Total Assets Limited to Use, net	32,117	34,317			
Property and Equipment, net	97,388	99,641	2,253	2%	
Total Assets	136,932	139,975			
Liabilities and Net Deficit					
Current Liabilities					
Accounts Payable	787	2,064	1,277	162%	Forecast did not include payments related to dining room construction
Accrued payroll and related expenses	409	369	-40	-10%	
Other current liabilities	336	208	-128	-38%	Fewer deferred DCFL memberships and services than anticipated
Accrued Interest	1,332	1,716	384	29%	Forecast does not include accrued interest for 2022 A Bonds issued in Nov. 2022
Current Portion - Bonds & Lease Liabilities	2,079	2,075	-4	0%	
Refundable Entrance Fees	1,565	600	-965	-62%	Fewer Entrance Fee Refund Payables than anticipated
Total Current Liabilities	6,508	7,032			
Long Term Liabilities					
Bonds & Lease Liabilities, less current portion	66,831	66,842	11	0%	
Resident Deposits	1293	1508	215	17%	Higher than anticipated resident deposits due to higher than anticipated attrition
Deferred revenue form entrance fees	58,102	57,259	-843	-1%	
Refundable Entrance Fees	33,236	34,387	1,151	3%	
Total Liabilities	165,970	167,028			
Temporarily Restricted Net Assets	4,351	5,012	661	15%	Forecast does not include restricted funds
Net Deficits	(33,389)	(32,065)	1,324	-4%	
Total Liabilities and Net Deficits	136,932	139,975			

Variances of less than + 10% or under \$150,000 are considered immaterial

Comparison and Explanation of Differences between Forecasted and Audited Financials
for Period Ending December 31, 2023
(in Thousands)

	Forecasted Statements of Cash Flows for the Five Years Ending December 31, 2027	Statement of Cash Flows Audited Financial Statements	\$ Change	% Change	Explanation of Differences
Cash Flows from Operating Activities					
Change in Net Deficits	816	2,801	1,985	243%	Forecast does not include investment gains incurred due to upturn in investment market
Depreciation and Amortization of Deferred Costs	4,383	4,259	(124)	-3%	
Amortization of Entrance Fees	(6,348)	(7,027)	(679)	11%	Higher than expected termination income
Unrealized (gains) on investments	-	(1,344)	(1,344)	-100%	Forecast does not include unrealized gains on investments
Realized (gains) on investments	-	(251)	(251)	-100%	Forecast does not include realized gains on investments
Entrance Fees Received (non-refundable)	10,263	10,124	(139)	-1%	
Change in Current Assets	425	195	(230)	-54%	Variations in timing
Change in Current Liabilities	225	356	131	58%	
Change in Accrued Interest	(105)	(50)	55	-52%	
Net Cash Provided by Operating Activities	9,659	9,063			
Cash flows from investing activities					
Capital Expenditures	(6,834)	(7,442)	(608)	9%	
Net changes in assets limited in use	3,145	3,000	(145)	-5%	
Net Cash used in Investing Activities	(3,689)	(4,442)			
Cash flows from financing activities					
Entrance Fees Received (refundable)	1,962	374	(1,588)	-81%	Fewer refundable plans selected by new residents than anticipated
Entrance Fee Refunds	(4,925)	(3,176)	1,749	-36%	Fewer entrance fees paid out than anticipated
Principal payments Bonds & Leases	(2,026)	(2,019)	7	0%	
Net Cash used in Investing Activities	(4,989)	(4,821)			
Change in Cash and Investments	981	(200)			
Cash and Investments, beginning of year	9,686	9,687			
Cash and Investments, end of year	10,667	9,487			

Variances of less than + 10% or under \$150,000 are considered immaterial

EXHIBIT E

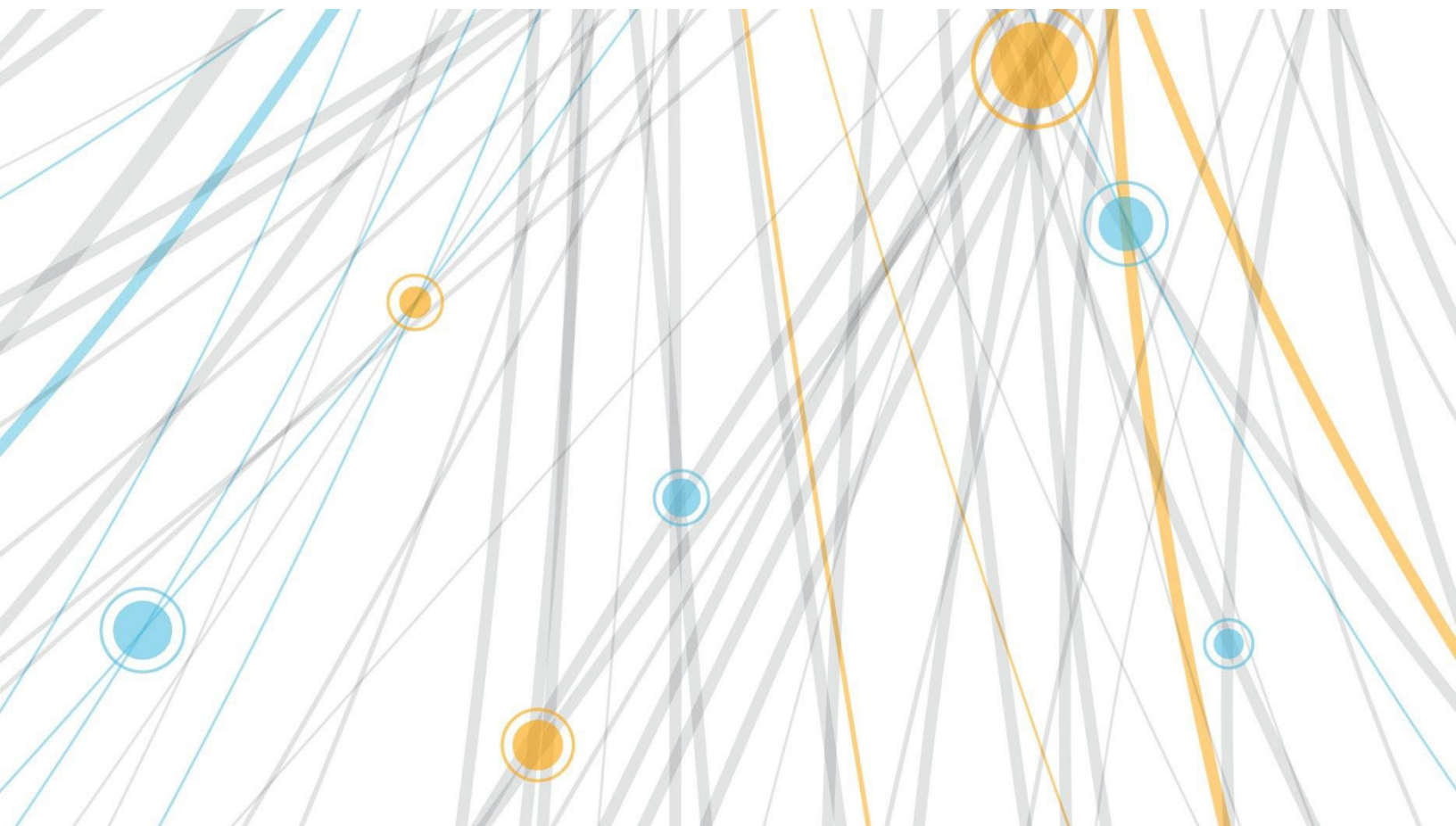
Summary of Actuarial Study

MILLIMAN REPORT

Actuarial Study for Galloway Ridge at Fearington

As of December 31, 2018

Gregory T. Zebolsky, FSA, MAAA
Justin Songster, FSA, MAAA



B. SUMMARY OF FINDINGS

Relating to Study Objectives:

- The actuarial balance sheet for current residents develops a deficit of \$11,899,113, or approximately 3.6% of assets, demonstrating that Galloway Ridge does not have enough resources available for current residents (including the actuarial present value of periodic fees expected to be paid in the future by present residents) to cover existing liabilities and the actuarial present value of the expected costs associated with the obligations to such residents under their agreements. See Section 5 for further information and analysis.
- The cash flow projection shows positive cash balances in each of the ten years. Cash flows are positive in 2019, negative in 2020-2021, and positive and increasing thereafter. This is a good and necessary result for an actuarially priced CCRC. See Section 4 for further information and details.
- The actuarial pricing analyses in this study indicate pricing surplus ranging from 13% to 15% of assets for new residents entering Galloway Ridge under the residency agreements offered. This means, for a typical cohort of new entrants, that the sum of the advance fee paid at occupancy plus the actuarial present value at occupancy of the new residents' expected future periodic fees is sufficient to cover the actuarial present value at occupancy of the costs of performing all obligations assumed by the Community for this cohort. This result holds for each version of the Residency Agreement:
 - Traditional (Plan A) - declining refund – pricing surplus of 15% of assets.
 - 90% Return of Capital (ROC) (Plan B) – pricing surplus of 13% of assets.
 - 75% ROC (Plan C) – pricing surplus of 13% of assets.

See Section 6 for further information and analysis.

- Because of the deficit on the actuarial balance sheet, we must find that the financial condition of Galloway Ridge is not in satisfactory actuarial balance as of December 31, 2018.
- The actuarial balance sheet deficit deserves further comment. The deficit declined from 4.9% of assets at December 31, 2015 (restated) to 3.6% of assets at December 31, 2018. ILU occupancy remains high and has actually increased slightly since our last study. The actuarial value of long-term debt declined in the last three years, due to principal payments made on the 2010A and 2014A bonds. As indicated above, future new entrants at Galloway Ridge will contribute to surplus in the future as they replace existing residents who vacate their units due to death, transfer, or withdrawal.
- Based on our knowledge and experience with other CCRCs, we do not believe the actuarial balance sheet deficit is a cause for concern, so long as occupancy levels at Galloway Ridge remain high. The combination of continued high occupancy, actuarial pricing surplus, and future expected reductions in long-term debt should result in continued improvement in the balance sheet position. The consequence of the actuarial balance sheet deficit is that, for Galloway Ridge to remain viable, future new entrants must subsidize current residents, at least for a period of time. We recommend that Galloway Ridge work to continue to reduce the actuarial balance sheet deficit and to establish a level of surplus of at least 5% of assets.

SUMMARY OF FINDINGS *(continued)*

Relating to Community Operations:

- As of December 31, 2018, the valuation date of this study, 283 of the 300 independent living units at Galloway Ridge were occupied. Since our last study (as of December 31, 2015), actual occupancy has increased from 281 units (94% of available) to 283 units (94% of available). For purposes of the population and financial projections in this study, we have assumed that occupancy will increase to 285 units (95% of available units) by December 31, 2019 and remain at that level thereafter. This assumption is critical to the outcome of the cash flow projection, the actuarial balance sheet, and the actuarial pricing analysis.
- In the last three years, Galloway Ridge has experienced the following:
 - ILU mortality rates that are lower than industry standards (as observed by Milliman).
 - Rates of transfer to ALU (including memory care) that are higher than industry standards.
 - Rates of transfer to SNF that are lower than industry standards.
 - Rates of transfer from ALU to SNF that are lower than industry standards.
 - ALU mortality rates that are higher than industry standards.
 - SNF mortality rates that are similar to industry standards.
 - Rates of withdrawal that are similar to industry standards.
 - Utilization of home health care that is lower than industry standards. Residents in ILU may receive home health or companion care from the Galloway Ridge in-house program or from outside caregivers or home health agencies. Approximately 9% of ILU residents receive assistance with activities of daily living or other care. This is a low level when compared with other CCRCs that Milliman consults with.
 - Ages of residents at entry that are lower than industry standards for both single new entrants and couples. Recent new entrant average ages are approximately 79.5 for singles and 77.4 for couples.
- As a result of the above experience, and after discussions with management and representatives of Galloway Ridge, we made several adjustments to our assumed rates of mortality and morbidity (permanent transfer to ALU and SNF). While we did not give full credibility to the above experience, we did reflect it in making these adjustments.

We have based our assumed rates of mortality, permanent transfer, and withdrawal, used in the resident population projections, in part on the actual experience at Galloway Ridge; however, the historical resident experience at any one community is not 100% statistically credible. Actuaries working with CCRCs usually consider other industry experience, including specific experience at other communities the actuary works with, when setting actuarial assumptions for population projections at a particular community. As a result, the Galloway Ridge population projections may show projected deaths, transfers and withdrawals that do not duplicate historical experience.

SUMMARY OF FINDINGS (continued)

It is important for the reader of this study to understand that actual future experience at any one CCRC will almost certainly vary from that expected, and our projections provide only the baseline, or expected, results. We will continue to monitor actual experience at Galloway Ridge in future years and modify assumptions as appropriate in future actuarial studies.

- At December 31, 2018, there were 42 permanent contractual residents in the ALU. Throughout this report, “ALU” will refer to the assisted living, memory care, and catered living (MUAHS) units at the Arbor Health Center. Our baseline population projections indicate that the number of permanent contractual residents in the ALU will increase to 47 within five years and 48 within ten years. While in the past there have been outside private pay residents in the ALU, management has decided not to allow future new private pay residents. For purposes of the financial projections in this study, we are assuming that Galloway Ridge will not fill assisted living units with outside private pay residents.
- At December 31, 2018, there were 27 permanent residents in the SNF. As shown on the summary population projection page for SNF utilization, we expect the number of permanently assigned residents to increase to approximately 30 within five years and 32 within ten years. An additional 5 beds are projected to be occupied by temporary transfers to the SNF. It is possible that future SNF utilization could exceed the 40-bed capacity. We have also assumed that there will be two contractual Medicare residents over all years of our projections. In addition, Galloway Ridge may need to provide higher levels of care in the ALU for short periods of time or arrange for additional temporary care at outside nursing facilities when needed. Galloway Ridge does not intend to utilize SNF beds by outside private pay or medicare residents. There have been such residents in the SNF in the past, but we are assuming no private pay residents in future years.
- Since our last actuarial study, operating expenses have increased less than expected (approximately 2.6% annually since 2015) and contractual resident’s monthly service fees have also increased less than expected (approximately 2.9% per year since 2015). Based on discussions with representatives of Galloway Ridge, we have assumed that both operating expenses and monthly fees will increase 3.5% annually in future years.

EXHIBIT F

75% RETURN-OF-CAPITAL™ RESIDENCE AND CARE AGREEMENT



GALLOWAY RIDGE

AT FEARRINGTON

**RESIDENCE AND CARE AGREEMENT
(75% Return-of-Capital™)**

05/22/2024

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Exhibit A – Options and Custom Features Added at Resident's Request

GLOSSARY

The following terms are described as used in the accompanying Residence and Care Agreement. Reference to the Residence and Care Agreement and the context in which the terms are used is recommended to provide a fuller understanding of each of the terms:

"Agreement" means the Residence and Care Agreement between the Resident and Galloway Ridge, Inc. which delineates the contractual obligations of both parties.

"Entrance Fee" means the sum of (i) the Entrance Fee Deposit and (ii) the balance of the Entrance Fee paid to us pursuant to Section 5 of the Agreement.

"Extra Charges" means the additional charges to be paid for the additional services and amenities requested by Resident, as set forth in Section 2 of the Agreement.

"Galloway Ridge at Ferrington" or "Community" means the senior living community located at 3000 Galloway Ridge, Pittsboro, North Carolina 27312, including the residences, the health center, and all site amenities.

"Galloway Ridge, Inc.," "Galloway Ridge," "we," "our," or "us" means the owner of the Community, a non-profit corporation organized to do business in the State of North Carolina.

"Health Center" or "The Arbor" means the licensed area of the Community where assisted living services and nursing care services are provided.

"Monthly Charges" means the charges payable each month by the Resident pursuant to the terms of the Agreement, including the Monthly Fee, the Extra Charges, and all other fees and charges payable monthly pursuant to the terms of the Agreement.

"Monthly Fee" means the fee payable each month in consideration for the amenities and services provided to all residents, as set forth in Section 1 of the Agreement. The Monthly Fee includes a second person Monthly Fee if there are two Residents.

"Occupancy" means the earlier of the date Resident moves into the Community or the date Resident pays the balance of the Entrance Fee and Monthly Fee pursuant to Section 5.2 of the Agreement.

"Personal Service Provider" means a private employee, an independent contractor, or a licensed home care or home health care agency that may be contracted by the Resident to provide personal services requested or required by the Resident that are not covered by the Agreement.

"Residence" means the apartment home or villa identified in the introduction page of the Agreement, in which the Resident has the right to live, subject to the terms and conditions of the Agreement, in exchange for paying the Entrance Fee, the Monthly Fee and other fees and charges.

"Resident," "you" or "your" means the individual(s) who execute(s) the Agreement as Resident. Sometimes a second Resident (if there are two Residents) is referred to in the Agreement as the "second person." Unless otherwise indicated, "you" refers to both of you if there are two Residents.



GALLOWAY RIDGE
AT FEARRINGTON

**RESIDENCE AND CARE AGREEMENT
(75% Return-of-Capital™)**

INTRODUCTION

This 75% Return-of-Capital™ Residence and Care Agreement (the "Agreement") is entered into this _____ day of _____ 20____, between Galloway Ridge, Inc., a North Carolina nonprofit corporation (hereinafter "Galloway Ridge," "we," "us," or "our"), and the undersigned _____ (individually or collectively, "you," "your," or "Resident").

Galloway Ridge was formed to develop, own and operate the senior living community known as Galloway Ridge at Ferrington (the "Community") located at Ferrington Village in Pittsboro, North Carolina. The Community is designed to provide senior living in an atmosphere of peace and harmony to eligible persons, regardless of race, religion, creed, color, sex, handicap, ancestry, sexual orientation, veteran's status or national origin. Galloway Ridge is not affiliated with any religious, charitable or other nonprofit organization, and no other organization is responsible for the financial and contractual obligations of Galloway Ridge.

Subject to the terms and conditions contained in the Agreement, as a Resident of the Community, you are offered lifetime use of your Residence and lifetime access to The Arbor by paying the Entrance Fee, Monthly Fee, and other fees or charges. Subject to the terms and conditions contained in the Agreement, we agree to make available to you the residence (hereafter "Residence") described as follows:

Residence Number: _____
Residence Style: _____

In addition to the provisions set forth in this Agreement, all residents are subject to Galloway Ridge's policies, procedures, rules and regulations, which may be modified or amended by Galloway Ridge from time to time at Galloway Ridge's sole discretion. Without limiting the foregoing, Resident specifically acknowledges that the Community is a tobacco-free community pursuant to a tobacco-free policy adopted by the Board of Directors of Galloway Ridge on April 27, 2016.

1. SERVICES AND AMENITIES PROVIDED TO ALL RESIDENTS. We will provide at the Community, so long as you reside in a Residence therein, the following services and amenities, which are included in the Monthly Fee:

1.1 Housekeeping. Weekly standard housekeeping services to your Residence.

1.2 Laundry. Weekly in-home linen service.

1.3 Activities and Social Services. Social, cultural, educational, recreational and spiritual activities designed to stimulate and support your overall physical, spiritual and emotional well-being. You are encouraged to join in such activities as you find appealing.

1.4 Dining Services. A set number of meal points each month sufficient for one meal per day per resident. Meal points may be used in accordance with our meal program.

1.5 Meal Delivery Service. Meal delivery to your Residence when medically necessary.

1.6 Parking. Unassigned surface parking for your use.

1.7 Emergency Response. Each residence and all common areas of the Community are equipped with an emergency call system which is monitored 24-hours per day to summon emergency aid.

1.8 Security and Grounds. For your comfort and safety, we will provide security services for the Community at large, as well as basic grounds keeping and maintenance for common areas.

1.9 Utilities and Services. Water, heat, electricity, sewer service, air conditioning in the Residence, and trash removal from central locations. At our discretion, we may also offer Community-wide wireless internet access.

1.10 Telephone. The Residence is pre-wired for telephone installation. Arranging for telephone services and payment of any charges for such service is your responsibility.

1.11 Transportation. Limited, regularly scheduled local transportation.

1.12 Common Facilities. Dining rooms, cafe, auditorium, social and activities rooms, and other Community facilities. Such other facilities include the Community's fitness center, which includes a lap pool, whirlpool, exercise track and equipment, aerobics facilities, and massage area. Private dining rooms can be reserved by Residents.

1.13 Cable TV. The Residence is pre-wired for cable television service, and basic cable television service, so long as commercially available, is included in your Monthly Fee. Arranging for any additional television service beyond basic cable and payment of charges for such additional service is your responsibility.

1.14 Furnishings. Wall-to-wall carpeting, clothes washer and dryer, kitchen appliances consisting of refrigerator/freezer with icemaker, oven/range, dishwasher, garbage disposal and microwave oven with built-in exhaust hood, and other permanent fixtures in the Residence. All other furnishings shall be provided by you and shall remain your personal property. Furnishings and appliances in the residences shall be subject to inspection and approval to ensure the safety of residents. Exterior furnishings shall be subject to Galloway Ridge's policies and procedures. No physical changes may be made to a Residence without the prior written approval of Galloway Ridge.

1.15 Maintenance. Building janitorial staff and maintenance of buildings, grounds, and residences, and all necessary (as determined by us) repairs, maintenance and replacement of property and equipment owned by us, including provided appliances.

1.16 Mail. A centralized mail area for the delivery of your mail by the U.S. Postal Service.

1.17 Resident Storage. (Apartment residents only) A small storage area away from your Residence to store non-perishable and non-hazardous materials and other items not required for daily living. These storage areas may or may not be on the same floor as the Residence.

2. ADDITIONAL SERVICES PROVIDED FOR AN EXTRA CHARGE. We may also make available additional services at the Community, at your request, for as long as you occupy a Residence at the Community, at the then prevailing rates of Extra Charge. A schedule of services currently available and the current charges for each service is available from the Community's Accounting Department. The extra services available and the prices for these services may be changed periodically. These may include, but are not limited to, the following:

2.1 Additional Meals. Additional meals over those provided in consideration for the Monthly Fee.

2.2 Additional Housekeeping. Additional housekeeping beyond that provided for in the Monthly Fee, including but not limited to unusually heavy housekeeping required due to your failure to maintain the Residence in a clean and orderly condition at all times.

2.3 Additional Parking. Covered parking spaces will be available and assigned on a limited basis, first come first served.

2.4 Satellite TV. At our sole discretion, satellite television may be available for an Extra Charge.

2.5 Additional Transportation. Unscheduled personal transportation services.

2.6 Other Services. Other services as may be provided from time to time.

3. DURATION OF YOUR RIGHT TO OCCUPY THE RESIDENCE. Subject to the terms and conditions of this Agreement, you may occupy the Residence for as long as you (or either of you) live unless you (both of you if there are two of you) are unable to continue occupying a Residence as set forth in our Aging in Community Policy, or this Agreement is canceled by you or by us. If, in the opinion of your attending physician or the Medical Director, your physical or mental health requires that assisted living services or nursing care services be given, we retain the right to require you to relocate to The Arbor where we are licensed to provide such care. If there are two of you under this Agreement and one of you dies or relocates to The Arbor, or for some other reason is unable to occupy the Residence, the remaining person may continue to occupy the Residence under the terms of this Agreement.

It is understood that this Agreement is not a lease and does not transfer or grant any interest in the real or personal property owned by Galloway Ridge other than the rights and privileges as described in this Agreement. Galloway Ridge reserves the right to relocate you to another accommodation when deemed necessary in order for Galloway Ridge to fulfill its strategic, financial or other obligations. Galloway Ridge will use reasonable efforts to relocate you to an accommodation of the same or similar type as your accommodation. Any such decision to relocate you will be discussed thoroughly with you in order to enlist your understanding of the need for and cooperation with the relocation. Galloway Ridge will pay all required packing and moving costs, and all reasonable refurbishing costs necessary to achieve substantial comparability between your accommodation and any new accommodation to which you may be relocated.

4. ASSISTED LIVING SERVICES AND NURSING CARE SERVICES. To the extent we are licensed by the State of North Carolina, we will provide assisted living services and nursing care services in the Community's health center, The Arbor ("Arbor").

4.1 Relocation to The Arbor. If, in the opinion of your attending physician or the Medical Director (after consultation with you to the extent possible and your responsible party, if any), you require assisted living services or nursing care services, you will relocate to the appropriate area of The Arbor, where we are licensed to provide such services. Any relocation will be in accordance with Section 4.2.1 or 4.2.2 if there is one of you and Section 4.2.3 if there are two of you. Charges for your accommodations and services at The Arbor may depend upon whether you release your Residence for occupancy by someone else.

4.2 Terms of Assignment. Usually you will be considered temporarily assigned to The Arbor for 90 or fewer consecutive days of care. However, you may be considered permanently assigned during the 90 consecutive days of care if, in the opinion of your attending physician or the Medical Director (after consultation with you to the extent possible and your responsible party, if any), it is determined that long-term assisted living or nursing care services are needed. If you require more than 90 consecutive days of assisted living or nursing care services, you will be considered permanently assigned to The Arbor, unless we determine there is still potential for you to return to your Residence.

4.2.1 Temporarily Assigned When There is One of You. When temporarily assigned to The Arbor, your Residence will remain assigned to you. You will continue to pay

the Monthly Fee for your Residence, along with the charge for two additional meals per day and charges for any additional services provided to you.

4.2.2 Permanently Assigned When There is One of You. When permanently assigned to The Arbor, we may assign your Residence for occupancy by someone else. You will continue to pay the Monthly Fee for your Residence, along with the charge for two additional meals per day and charges for any additional services provided to you.

4.2.3 Temporarily or Permanently Assigned When There are Two of You. When there are two of you, and one of you requires assisted living or nursing care services, one of you may continue to occupy the Residence under the terms of this Agreement, while the other is assigned to The Arbor. When temporarily or permanently assigned to The Arbor, you will continue to pay your Monthly Fee along with the charge for two additional meals per day and charges for any additional services provided to you. In the event the first Resident dies while the other Resident is assigned to The Arbor, the Resident in The Arbor will cease paying the second person Monthly Fee and will pay the first person Monthly Fee.

4.3 Alternate Accommodations. In the event you need assisted living or nursing care services and The Arbor is fully occupied, we will make arrangements for your care, which may require your temporary relocation to another health care facility that is licensed to provide you with the assisted living or nursing care you require. Upon your relocation, you shall continue to be responsible for the charges set forth in Section 4 herein. To the extent we would be liable for your care and accommodations in The Arbor under this Agreement we will be responsible for the charges associated with alternate accommodations. You agree to relocate to The Arbor when a space becomes available. However, should you need care which we are not licensed to provide or which The Arbor does not have the appropriately trained staff to provide, or does not routinely provide, you agree to relocate to a facility that can provide you with the appropriate level of care. Except as expressly stated in this Agreement, we will not be responsible for the charges for this higher level of care or private duty care.

4.4 Return to Residence. If you released your Residence because you have moved to The Arbor, and if later you are able, in the opinion of the Medical Director or your attending physician with the concurrence of the Medical Director, to return to a residence, we will provide you a residence of similar type as your previous Residence as soon as one becomes available. Upon reoccupying a residence, your Monthly Fee will be based on the then-current Monthly Fee for the new residence.

4.5 Medical Director and Ancillary Services. A licensed physician will be designated to act as Medical Director for the Community. You will be at liberty to engage the services of the Medical Director or the services of a physician of your choice at your own expense. We will not be responsible for the charges for medical treatment by the Medical Director, or any other physician, nor will we be responsible for the charges for medicine, drugs, prescribed therapy, and other similar services and supplies. In the event we incur or advance charges for your medical treatment or for medicine, drugs, prescribed therapy, pharmaceutical supplies, personal laundry, rental of equipment, and other similar services and supplies, you will reimburse us for such charges.

4.6 Non-Resident Use of The Arbor. We may offer accommodations and services in The Arbor to qualified non-residents for a fee, to the extent space is available and as allowed by North Carolina law. However, residents of the Community will be given priority access to The Arbor.

4.7 Long-Term Care Insurance. We will use reasonable efforts to assist you in working with your long-term care insurance provider to obtain the benefits to which you may be entitled.

4.8 Health Care Outside the Community. In the event you receive care, or choose to receive care at another health care facility not designated by us, we will not be responsible for the charges incurred there by you. However, if an accident or illness occurs while you are traveling or visiting away from the Community, you shall make every reasonable effort to notify us as soon as possible, and if nursing or assisted living care is required, you shall arrange to return to the Community as soon as reasonably possible. We will be responsible for costs of nursing and assisted living services covered under this Agreement that are incurred by you, net of any insurance proceeds, in another nursing or assisted living facility as a result of such accident or illness. Our responsibility for such nursing or assisted living facility charges will be limited to our per diem charge for the same level of care at the Community. You will be responsible for other costs such as hospitalization, physicians' fees and transportation, as noted herein, which shall be paid by you or your personal insurance. In the event an outside healthcare provider seeks payment from you for nursing or assisted living services rendered, we shall assume responsibility for payment if such services are services which we agree to furnish to you in this Agreement up to our per diem charge for the same level of care at the Community.

4.9 Assisted Living Residency Agreement or Skilled Nursing Admission. If you require assisted living or nursing care services, you agree to provide all necessary documentation to allow for admission to The Arbor.

4.10 Supplemental Insurance. You are required to maintain Medicare Part A, Medicare Part B, and one supplemental health insurance policy or equivalent insurance coverage acceptable to us to assure your ability to fully cover a Medicare-qualified stay in The Arbor. Such supplemental insurance should cover Medicare co-insurance and deductibles. You shall furnish to us such evidence of coverage as we may from time to time request. Should your supplemental health insurance or equivalent coverage not fully cover a Medicare-qualified stay in The Arbor, or should you fail to purchase supplemental health insurance or equivalent coverage to fully cover a Medicare-qualified stay in The Arbor, you shall be financially responsible for paying to us deductibles, co-insurance amounts, and any other charges for each Medicare-qualified stay in The Arbor. If failure to maintain Medicare Part A, Medicare Part B, or supplemental health insurance causes depletion of your resources and impairs your ability to meet your financial obligations, we need not defer your financial obligations as provided in Section 9.2, and we retain the right to revoke your entitlement to reside at the Community and we retain the right to cancel this Agreement as provided in Section 9.

4.11 Managed Care. If you have chosen to participate in a managed care program as an alternative to Medicare Part A, Medicare Part B, and supplemental insurance coverage, the terms governing The Arbor care will be as follows:

4.11.1 Participating Provider. If we are a participating provider with your managed care program and your stay is a Medicare-qualified stay, we will agree to accept, as full payment, reimbursement at the rate we negotiate with your managed care program.

4.11.2 Not a Participating Provider. If we are not a participating provider with your managed care program and you choose to receive health care services at a managed care participating provider during a Medicare-qualified stay, then you understand and agree that you must relocate for as long as necessary for those services, and be responsible for all charges for those health care services. In addition, while receiving health care services at the managed care participating provider, you understand and agree that unless this Agreement is canceled, you will continue to pay the Monthly Fee for your Residence.

4.11.3 Negotiated Managed Care Rate. If we are not a participating provider in your managed care program and you would still like to receive health care services in The Arbor during a Medicare-qualified stay, we will attempt to negotiate an acceptable reimbursement rate with your managed care program. If we are able to negotiate an acceptable rate, we will agree to accept as full payment the rate provided by your managed care program.

4.11.4 No Negotiated Managed Care Rate. If we are not a participating provider in your managed care program and a negotiated rate is not agreed upon between us and your managed care program and you would still desire to receive health care services in The Arbor during a Medicare-qualified stay, you agree that you will continue to pay the Monthly Fee for your Residence adjusted for the two additional meals per day at the then-current charges for meals and any additional services as described in Section 4.5.

4.11.5 Post Medicare-Qualified Stay. At the conclusion of each such Medicare-qualified stay, you will be entitled to health care services in The Arbor in accordance with the terms of this Agreement other than as set forth in this Section 4.12.

4.12 Effect of Permanent Assignment to The Arbor. If you (both of you, if there are two of you) are permanently assigned to The Arbor, this Agreement shall not be canceled and shall remain in full force and effect, and you will be responsible for paying the Monthly Fee and any other fees or charges for your care in The Arbor. Further, if within 12 months prior to your permanent assignment to The Arbor you moved from the Residence identified in the Introduction to this Agreement to a residence with a lower Monthly Fee, your Monthly Fee for The Arbor will be equal to the Monthly Fee of the Residence identified in this Agreement. You will also pay an additional Monthly Fee if you choose not to release your Residence while you (both of you, if there are two of you) are permanently assigned to The Arbor.

5. ENTRANCE FEE. Your Entrance Fee is \$ _____, and an additional Second Person Entrance Fee of \$ _____ if there are two of you under this Agreement. Your total Entrance Fee is \$ _____. This Entrance Fee applies only to the Residence specified in this Agreement, and will not increase as to that Residence after this Agreement is signed by you and Galloway Ridge. Your Entrance Fee will be paid by check or wire transfer.

5.1 Entrance Fee Deposit. To reserve your Residence at the Community, at the time of executing this Agreement, you will pay to us a deposit in the amount of \$_____ (an amount no less than typically equal to 10% of your total Entrance Fee).

5.2 Balance of Entrance Fee. The remaining balance of your total Entrance Fee is \$_____ and will be paid to us on the earlier of (i) occupancy; or (ii) within 90 days of the date you execute this Agreement.

5.3 Adjustments for Change in Residence. If after occupancy of the Residence you desire to move to a different residence for which the then-current Entrance Fee is higher or lower than the Entrance Fee for the Residence identified in this Agreement, you will be required to execute a Residence Transfer Amendment for the new residence. Any adjustment to the Entrance Fee will be determined at the time of the requested change in residences, and will be addressed in the Residence Transfer Amendment.

6. MONTHLY FEE AND OTHER CHARGES

6.1 Application Fee. Prior to or at the time you execute this Agreement, you will pay to us a non-refundable Application Fee of \$_____. The Application Fee will be used by us to process your application for residency.

6.2 Monthly Fee. You will pay a Monthly Fee for the services and amenities provided under Section 1. The current Monthly Fee is \$_____ per month for one person and an additional \$_____ per month if there are two of you.

6.3 Monthly Fee Changes. We may adjust your Monthly Fee upon 60 days' advance written notice, if in our sole discretion, we deem it necessary to meet the financial needs of operating the Community or to provide services and amenities to residents (or without notice if such change in the Monthly Fee is required by local, state, or federal laws or regulations).

6.4 Payment. You will pay a pro rata portion of the Monthly Fee commencing on the earlier of (i) occupancy or (ii) within 90 days of the date you execute this Agreement. Thereafter, your Monthly Fee will be payable each month in advance. Billing statements showing amounts due, including the Monthly Fee and any Extra Charges for the additional services obtained during the preceding month, will be distributed on or before the third business day of the month, and payments will be due upon receipt of a billing statement, but no later than the fifteenth day of each month.

6.5 Late Payment. A late payment charge will be assessed at the rate of 1% per month on the total delinquent amounts due. Late payment charges will not be compounded and will not be included in the total delinquent amounts computed for determining any late payment charge assessed in any succeeding month. The 1% late payment charge is waived if payment is delayed due to slow processing by your supplemental insurance carrier. However, we do not waive our right to cancel this Agreement for nonpayment of fees subject to Section 9 of this Agreement.

6.6 Cease Payment of Monthly Fee for Residence. The Monthly Fee for your Residence will cease in accordance with Section 8 or 9 if you (both of you if there are two of you) die, or if you or we cancel this Agreement. In the event there are two of you who occupy the Residence and only one of you cancels this Agreement or dies, the second person Monthly Fee will cease and the remaining person will continue to pay the first person Monthly Fee.

7. REPAYMENT OF ENTRANCE FEE.

7.1 Repayment of Entrance Fee Prior to Occupancy.

7.1.1 Non-acceptance. If we do not accept you for residency, the portion of the Entrance Fee you have paid will be repaid to you, without interest, within 30 days of our notice to you of non-acceptance.

7.1.2 Right of Rescission Period. If you rescind this Agreement pursuant to Section 8.1.1, the portion of the Entrance Fee you have paid will be repaid to you without interest within 30 days of our receipt of your written notice of cancellation, except that we will retain an amount equal to any charges specifically incurred by us at your request, if any, and which are set forth in a separate addendum to this Agreement. You shall not be required to move into the Community before expiration of the 30-day rescission period.

7.1.3 Change in Condition. If prior to occupancy this Agreement is cancelled pursuant to Section 8.1.2, we will return to you or your legal representative, without interest, the portion of the Entrance Fee which you have paid to us within 60 days of our receipt of your written notice of cancellation, except that we will retain an amount equal to any charges specifically incurred by us at your request, if any, and which are set forth in a separate addendum to this Agreement.

7.1.4 Cancellation for Reasons Other Than Set Forth in 7.1.1, 7.1.2, and 7.1.3. If prior to occupancy you wish to cancel this Agreement for a reason other than those set forth in Sections 7.1.1, 7.1.2, or 7.1.3, you must give us written notice of cancellation by registered or certified mail. Upon our receipt of your written notice, this Agreement will be cancelled, and we will attempt to obtain a new resident for the Residence. In such event, upon occupancy of the Residence by the new resident, and within 30 days of our receipt of the Entrance Fee paid by the new resident, we will remit to you or your legal representative, without interest, the portion of the Entrance Fee which you have paid to us, less a non-refundable fee consisting of: (i) 1% of your total Entrance Fee as specified in Section 5, and (ii) an amount equal to any charges specifically incurred by us at your request and which are set forth in a separate addendum to this Agreement.

7.2 Repayment of Entrance Fee after Occupancy. Within the first 12 months of occupancy, should you or we cancel this Agreement pursuant to Sections 8 or 9, or in the event of your death (the death of the survivor if there are two of you), we will remit the Entrance Fee paid, without interest and less 1% upon assuming occupancy and less 2% per month for each subsequent month or partial month of occupancy. After 12 months of occupancy, should you or we cancel this Agreement pursuant to Sections 8 or 9, or in the event of your death (the death of

the survivor if there are two of you), we will remit to you (or your estate) an amount equal to 75% of the Entrance Fee, without interest. Such repayment will be made upon occupancy of the Residence by a new resident, subsequent to the cancellation of this agreement and within 30 days of our receipt of the proceeds paid by the new resident.

7.3 Right of Offset. We have the right to offset against any Entrance Fee repayment any unpaid Monthly Charges owed by you, any unreimbursed charges for care at The Arbor we have advanced on your behalf, any amounts deferred by us under Section 9.2, and any other sums owed by you to us. Any amounts owed by you to us will be payable with interest subject to the then-current prime interest rate as charged by our primary financial institution.

7.4 Beneficiary Designation. You may designate a beneficiary for receipt of any repayable portion of the Entrance Fee if the designation is in writing, the designation is witnessed by two competent witnesses, the designation is non-contingent, the designation is specified in percentages and accounts for 100%, and the designation has received our approval. An Assignment of Rights to Repayment may be obtained from the Community's business office.

8. YOUR CANCELLATION RIGHTS.

8.1 Prior to Occupancy.

8.1.1 Right of Rescission. Within 30 days following the later of the execution of this Agreement by you or the receipt of a Disclosure Statement from us, you may rescind this Agreement by giving us written notice. You shall not be required to move into the Residence prior to the expiration of the 30-day rescission period. However, if you occupy the Residence during the rescission period and then rescind this Agreement, you will only be charged a Monthly Fee for the period of time that you actually occupied the Residence. Repayment of the Entrance Fee shall be as outlined in Section 7.1.2.

8.1.2 Due to Change in Condition. If, on account of illness, injury, incapacity or death, you are precluded from occupying the Residence under the terms of this Agreement, this Agreement will automatically cancel upon our receipt of written notice of your illness, injury, incapacity or death. Repayment of the Entrance Fee shall be as outlined in Section 7.1.3.

8.1.3 Other Reasons. If you wish to cancel this Agreement prior to occupancy for any reason other than those addressed in Section 8.1.1 or 8.1.2, you may do so by giving us written notice of cancellation signed by you (both of you if there are two of you) and sent by registered or certified mail. Repayment of the Entrance Fee shall be as outlined in Section 7.1.4.

8.2 After Occupancy.

8.2.1 Cancellation. After occupancy, you may cancel this Agreement at any time by giving us 30 days' advance written notice executed by you (both of you if there are two of you) and sent by registered or certified mail. This Agreement will cancel on

the later of: (i) 30 days following the date we receive your written notice of cancellation; or (ii) the date you vacate your Residence and/or The Arbor, and remove all your furniture and other property from the Community.

8.2.2 Monthly Fee. You will continue to pay your Monthly Fee until the later of: (i) the expiration of such 30-day written notice of cancellation period; or (ii) the date you vacate your Residence and/or The Arbor, and remove all of your furniture and other property from the Community.

8.2.3 Removal of Property. If removal of your furniture and other property is not accomplished within 30 days of your written notice of cancellation, we may remove and store your furniture and other property at the expense and risk of you or your estate.

8.2.4 Entrance Fee. Your Entrance Fee refund, if any, shall be calculated as set forth in Section 7.2.

8.3 Death.

8.3.1 Cancellation. In the event of your death (the death of the survivor if there are two of you) after occupancy, this Agreement will cancel on the later of: (i) your death (if there are two of you, the death of the survivor); or (ii) the date your estate vacates your Residence and/or The Arbor, and removes all your furniture and other property from the Community.

8.3.2 Monthly Fee. Your Monthly Fee will continue until the later of: (i) your death (the death of the survivor if there are two of you); or (ii) the date your estate vacates your Residence and/or The Arbor, if applicable, and removes all of your furniture and other property from the Community.

8.3.3 Removal of Property. If removal of your furniture and other property is not accomplished within 30 days of your death (the survivor's death, if there are two of you), we may remove and store your furniture and other property at the expense and risk of you or your estate.

8.3.4 Entrance Fee. Your Entrance Fee refund, if any, shall be calculated as set forth in Section 7.2.

9. OUR CANCELLATION RIGHTS.

9.1 Just Cause. After we have accepted you for residency, we will not cancel this Agreement except for just cause. Just cause is defined as:

9.1.1 Noncompliance. You do not comply with the terms of this Agreement or the published operating procedures, covenants, rules, regulations, and policies now existing or later amended by us.

9.1.2 Misrepresentation. You misrepresent yourself or fail to disclose information during the residency application process.

9.1.3 Nonpayment. Except as set forth below, nonpayment of fees or charges.

9.1.4 Threat to Health or Safety. Any condition or behavior of yours as determined in the sole discretion of Galloway Ridge that creates a danger to your life, health, safety or peace; or that creates a danger to the life, health, safety or peace of other residents or staff; or interferes with the functioning of staff.

9.1.5 Change in Condition. There is a major change in your physical or mental condition and your condition cannot be cared for in The Arbor within the limits of our license.

9.1.6 Listed on a Sex Offender Registry. Resident hereby acknowledges that it is the policy of Galloway Ridge to conduct sex offender screening for every prospective resident, regardless of independent status or level of care, at the time of application for admission to Galloway Ridge and again prior to entering into a Residence and Care Agreement. If the screening shows that the prospective resident is identified as a sex offender, Galloway Ridge will deny admission of Resident on that basis and not execute a Residence and Care Agreement. In addition, Resident hereby acknowledges and agrees that if, after Galloway Ridge and Resident have entered into a Residence and Care Agreement, Galloway Ridge becomes aware that Resident is listed on any sex offender registry, Galloway Ridge may terminate this Agreement with Resident and remove Resident from Galloway Ridge. If there is more than one resident who is a party to this Agreement, the termination of this Agreement in such instance shall only apply to the resident listed on the sex offender registry.

9.2 Financial Difficulty. If, after you have paid the Entrance Fee, you encounter financial difficulties making it impossible for you to pay the full Monthly Charges, then:

9.2.1 Benefits. You may remain until any applicable Title XVIII Medicare benefits and/or third party insurance benefits received by us on your behalf have been earned; and

9.2.2 Terms of Stay. Because it is and shall continue to be our declared policy to not cancel your residency solely by reason of your financial inability to pay the full Monthly Charges, you will be permitted to remain at the Community at reduced Monthly Charges based on your ability to pay for so long as you establish facts to justify deferral of such charges, and the deferral of such charges can, in our sole discretion, be granted without impairing our ability to operate on a sound financial basis. This provision will not apply if you have impaired your ability to meet your financial obligations hereunder by transfer of assets, after assuming residency, other than to meet ordinary and customary living expenses, or by not maintaining Medicare Part A, Medicare Part B, and/or supplemental insurance coverage. To evidence these agreements based on the circumstances at the time, you agree to enter into a Financial Assistance Amendment to

Residency Agreement with us at the time of any such deferrals to reflect the reduced charges currently payable. Any payments otherwise due to you from us, including any repayment of your Entrance Fee, will be offset against any such deferred charges; and

9.2.3 Guarantor. Sections 9.2.1 and 9.2.2 are not applicable if, to initially qualify for residency at the Community, a third party(ies) with adequate resources agreed in writing, prior to your acceptance for residency, to guarantee payment of your obligations and is fulfilling their obligations pursuant to a Guaranty of Fees and Other Payments under the Residency Agreement.

9.3 Notice of Cancellation. Prior to any cancellation of this Agreement by us, we will give you notice in writing of the reasons, and you will have 30 days thereafter to correct the problem. If we determine that the problem is corrected within such time, this Agreement shall remain in effect. If we determine that the problem is not corrected within such time, you must leave the Community within 30 days after we notify you of our determination. You will continue to pay your Monthly Fee until removal of your furniture and personal belongings has occurred. If removal of your furniture and personal belongings is not accomplished, we may remove and store your furniture and personal belongings at the expense and risk of you or your estate. This Agreement will cancel upon the removal of your furniture and personal belongings. Your Entrance Fee will amortize as set forth in Section 7.2 and will stop amortizing on the date you vacate the Residence and/or The Arbor and remove all your furniture and personal belongings from the Community. Any Entrance Fee repayment will be paid in accordance with Section 7.

9.4 Emergency Notice. Should your continued residency pose an imminent threat of serious harm to you or other residents, and the Medical Director determines that either the giving of notice or the waiting period described above might be detrimental to you or other residents, then such notice and/or waiting period shall not be required before relocation to a hospital or other appropriate facility. If there is one of you under this Agreement, we are expressly authorized to transfer you to such hospital or other facility, and we will promptly notify your responsible party and your attending physician. After transferring you to such hospital or other facility, we will provide you with a notice of cancellation if you will be unable to return to The Arbor or your Residence at the Community. You will continue to pay the Monthly Fee until removal of your furniture and personal belongings from the Community. If removal of your furniture and personal belongings is not accomplished, we may remove and store your furniture and personal belongings at the expense and risk of you or your estate. This Agreement will cancel upon the removal of your furniture and personal belongings. Your Entrance Fee will amortize as set forth in Section 7.2 and will stop amortizing on the date you vacate the Residence and/or The Arbor and remove all your furniture and personal belongings from the Community. Any Entrance Fee repayment will be paid in accordance with Section 7. If there are two of you under this Agreement and one of you is transferred to a hospital or other appropriate facility under the circumstances described in this Section, the other person may continue to occupy the Residence or The Arbor under the terms of this Agreement as the first person. We are not responsible for any charges related to such transfer or relocation to a hospital or other appropriate facility.

10. MISCELLANEOUS PROVISIONS WITH RESPECT TO YOUR RESIDENCE.

10.1 Use of Residence. The Residence is for living only and shall not be used for carrying on any business or profession, nor in any manner in violation of zoning restrictions or other applicable laws and regulations. This Agreement is not a lease, and entitles you only to the lifetime use of the Residence and other amenities of the Community and to available services, subject to the terms and conditions of this Agreement.

10.2 Occupants of Residence. Except as hereinafter provided, no person other than you (or both of you if there are two of you) may occupy the Residence except with our express written approval. In the event that a second person who is not a party to this Agreement wishes to be accepted for residency under this Agreement, after the date we execute this Agreement, said second person's acceptance will be based upon our then-current Residency Policy. If accepted, payment of the then-current Second Person Entrance Fee as determined by us, and payment of the then-current additional Monthly Charges for second persons shall be due. If such second person does not meet the requirements for residency, such second person will not be permitted to occupy the Residence for more than 30 days (except with our express written approval).

10.3 Emergency Entry and Relocation. We may enter your Residence should it be necessary in an emergency to protect your health or safety or the health or safety of other residents. Should it be necessary to modify facilities to meet the requirements of any applicable law or regulation which necessitate temporarily vacating your Residence, we will provide alternate facilities for you without Extra Charge within or outside the Community. Further, if relocation is recommended by the Medical Director or your attending physician, we will request that you relocate to another Residence in the Community or The Arbor for the protection of your health or safety or for the health or safety of the others.

10.4 Furnishings. Furnishings within the Residence will be provided by you except as listed in Section 1. Furnishings provided by you shall not interfere with the health or safety of you or other residents or others.

10.5 Alterations by You. You may undertake alterations to your Residence with our prior written approval as set forth in a separate Residence Modification Agreement.

10.6 Refurbishment. Customary and normal refurbishment costs of your Residence will be borne by all residents of the Community as part of the Monthly Fee. Any necessary refurbishment costs beyond those which are customary and normal are your responsibility and may be offset against any Entrance Fee repayment. Further, should you relocate to another residence in the Community, you may be subject to a transfer fee as set forth in our current Internal Move Policy.

10.7 Guest Privileges. Guests may stay with you in the Residence for up to eight consecutive days. The maximum number of guests allowed will be at our sole discretion. A nominal daily charge will be billed to you for each guest remaining beyond eight days. Further, you will be responsible for paying all applicable guest charges, including charges for guest

meals. Guest stays beyond 8 consecutive days or more than 30 days in total in any 12-month period require approval of the Executive Director.

11. AMENDMENTS.

11.1 This Agreement. This Agreement may be amended by agreement of the parties to this Agreement (subject to any necessary regulatory approval). No amendment of this Agreement will be valid unless in writing and executed by you and us.

11.2 Law Changes/Other. Notwithstanding anything to the contrary in this Agreement, Galloway Ridge reserves the right, upon thirty (30) days prior written notice to all residents, to modify or amend the Residence and Care Agreement whenever doing so is necessary to correct errors, omissions, or inconsistencies, to provide clarification of intent, or to conform the documents to the requirements of local, state, or federal laws and regulations applicable to Galloway Ridge, in particular, or to residential life care communities, in general, or whenever doing so is deemed by the Board of Directors of Galloway Ridge to be in the best interest of Galloway Ridge and the residents in light of changes in health insurance laws and coverages and/or local, state or federal tax laws or regulations.

12. MISCELLANEOUS.

12.1 Periodic Financial Information. You agree to provide Galloway Ridge, if requested, periodic financial statements and current financial information for the purpose of demonstrating capacity to meet financial obligations to Galloway Ridge. In addition, should you experience financial difficulty that might result in your immediate or eventual inability to meet the financial obligations under this Agreement, including but not limited to any spend down of assets, you will inform Galloway Ridge immediately, and submit a current financial statement.

12.2 Residents Council. We have a Residents Council with representation from various residential areas of the Community. The Residents Council acts in an advisory capacity to our management and staff and serves to facilitate the exchange of ideas between us and the residents. Community management staff holds periodic meetings with the Residents Council and the residents in order to discuss policies, programs, services, financial information and other issues and information.

12.3 Private Employee of Resident. If you need additional services, you can obtain these needed services from a private employee, an independent contractor, or through an agency ("Personal Service Provider"). In such instances, we strongly advise you to obtain these needed services from a licensed and/or certified home care or home health agency. In any event, you must comply with our policy regarding Personal Service Providers and ensure that he/she/they complies with our policies and rules of conduct as set forth in our Personal Service Provider Policy. If you fail to follow or enforce the rules set forth in the Personal Service Provider Policy, then we may elect at our sole option to cancel this Agreement.

12.4 Resident Representations. By executing this Agreement, you represent and warrant that you will be at least 62 years of age or older at the time of residency or you will share your Residence with another person who will be 62 years of age or older at the time of residency; that you are capable of living in your Residence in accordance with our Residency Policy; that you have assets and income which are sufficient under foreseeable circumstances and after provision for payment of your obligations under this Agreement to meet your ordinary and customary living expenses after assuming occupancy; and that all written representations made to us with respect to such matters by you or on your behalf during the residency process are true.

12.5 Our Representations. We represent and warrant to you that we are a non-profit corporation, and we are not affiliated with any other religious or charitable organization. It is and shall be our declared policy to operate as a charitable organization. We will comply with applicable statutes, rules and regulations regarding Resident's privacy and the use and disclosure of Resident's medical information.

12.6 Adjustments for Absences. You will receive a credit toward your Monthly Fee for unused meals if you are absent from the Community for more than 14 consecutive days. The amount of the credit shall be determined by us in our sole discretion based on our then-current policy regarding absences from the Community.

12.7 Governing Law. This Agreement will be governed, interpreted and construed according to the laws of the State of North Carolina without regard to conflict of laws principles and will become effective upon acceptance and execution by us.

12.8 Glossary. The Glossary which sets forth the definitions of certain terms used in this Agreement is by this reference incorporated herein and made a part of this Agreement.

12.9 Separability. The invalidity of any restriction, condition, or other provision of this Agreement, or any part of the same, shall not impair or affect in any way the validity or enforceability of the rest of this Agreement.

12.10 Capacity. We are organized under the general non-profit corporation law of North Carolina. This Agreement has been executed on our behalf by our duly authorized agent, and no officer, director, agent, or employee of ours shall have any personal liability to you hereunder under any circumstances. This Agreement will become effective upon acceptance and execution by us.

12.11 Residents. When more than one person executes this Agreement as Resident, the rights and obligations of each are joint and several, except as the context of this Agreement otherwise requires.

12.12 Nature of Rights. You understand and agree that (i) this Agreement or your rights (including the use of the Residence) under it may not be assigned, and no rights or benefits under this Agreement shall inure to the benefit of your heirs, legatees, assignees, or representatives, except as to receipt of the amounts described in Section 7; (ii) this Agreement and your contractual right to reside at the Community will exist and continue to exist during your lifetime unless cancelled as provided herein; (iii) this Agreement grants you the right to occupy

and use space in the Community but does not give you exclusive possession of the Residence against us, and you will not be entitled to any rights of specific performance but will be limited to such remedies as set forth herein and as provided by continuing care law; (iv) this Agreement is not a lease or easement and does not transfer or grant you any interest in real property owned by us; and (v) this Agreement grants to us complete decision-making authority regarding the management and operation of the Community.

12.13 Loss of Property. We are not responsible for the loss of or damage to any property belong to you due to theft, mysterious disappearance, fire, employee accident, or any other cause. It is understood that you have the responsibility of providing any desired insurance protection covering any such loss.

12.14 Indemnity. To the extent allowed by law, we will not be liable for, and you agree to indemnify, defend, and hold us harmless from claims, damages, and expenses, including attorneys' fees and court costs, resulting from any injury or death to persons and any damages to property to the extent caused by, resulting from, attributable to, or in any way connected with your negligent or intentional act or omission or that of your guests or invitees. It is understood that you have the responsibility of providing insurance protection covering any such loss, as directed in Galloway Ridge's policies, procedures, rules and regulations.

12.15 Subordination. You agree that all your rights under this Agreement will always be subordinate and junior to the lien of all mortgages or other documents creating liens encumbering the Community, which have been or will be executed by us. Upon request, you agree to execute, acknowledge and deliver to such lender(s) such further written evidence of such subordination as such lender(s) may reasonably require. Except to the extent of your obligation to pay the Monthly Fee and Second Person Monthly Fee, you shall not be liable for any such indebtedness.

12.16 Tax Considerations. Each person considering executing this Agreement should consult with his or her tax advisor regarding the tax considerations associated with this Agreement, as more fully explained in our Disclosure Statement.

12.17 Sale or Transfer of Interest. We may sell or transfer our interest in the Community. Upon the assumption of this Agreement by a buyer of the Community and its agreement to perform this Agreement and all other Residency Agreements, we will have no further obligation hereunder. In addition, we may sell or otherwise transfer the land or other portions of the Community. Your signature hereto constitutes your consent and approval to any such future transfer.

12.18 Responsible Party. You agree to execute and deliver to us within 30 days after assuming occupancy in your Residence, a Durable Power of Attorney, trust documents, or other documentation naming a responsible party for business and financial decision-making. These documents should be drafted to remain effective notwithstanding your incompetence or disability and will be in a form acceptable to us. You agree to keep such documents in effect as long as this Agreement is in effect. The person(s) named as your responsible party shall not be a person(s) employed by us or any other entity engaged in the management of the Community.

12.19 Funeral and Burial Services. Funeral or burial services or expenses are not provided by us pursuant to this Agreement.

12.20 Pets. Pets are permitted at the Community in accordance with our current Pet Policy.

12.21 Notices. Any notice required to be given to us under this Agreement shall be in writing and sent registered or certified mail or hand-delivered to the Executive Director of the Community at 3000 Galloway Ridge, Pittsboro, North Carolina 27312. Such notices shall be dated and signed. Any notice required to be given to you shall be delivered to you at the Residence or at such other place as you shall designate to us in writing. All notices mailed in accordance with this Section shall be deemed to be given when mailed whether or not they are actually received.

12.22 Survival of Representations and Obligations. Your representations and obligations under this Agreement, including but not limited to, your obligation to pay all sums owed by you to us, and your agreement to indemnify us as set forth in Section 12.14, and our representations and obligations under this Agreement, will survive any cancellation of your residency in the Community, regardless of the reason for such cancellation and regardless of whether it is initiated by you or by us.

12.23 Uncontrollable Interruption of Services. In the event of war, national emergency, strikes or other forms of labor disturbances, government regulations and/or embargoes, shortages of labor or materials, fire, floods, earthquakes, inclement weather, acts of the Residents, pandemic, epidemic, outbreak of infectious diseases or other public health crisis, including quarantine or other employee restrictions, acts of authority or change in law or other causes beyond our control, our performance under this Agreement will be excused or may be modified to the extent such acts interfere with such performance.

12.24 Entire Agreement. This Agreement and any addenda, amendment, or exhibits hereto contain our entire understanding with respect to your residency.

12.25 Nonwaiver. If we fail to insist in any instance upon performance of any of the terms, promises, or conditions of this Agreement, it shall not be construed as a waiver or relinquishment of the future performance of any such terms, promises, or conditions, but your obligation with respect to such future performances shall continue in full force and effect.

12.26 Acknowledgment of Receipt of Documents. You hereby certify that you received a copy of this Agreement, a copy of our most current Disclosure Statement, and have been permitted to inspect any additional relevant materials requested to be reviewed by you or your representatives prior to executing this Agreement.

13. MEDIATION AND ARBITRATION.

13.1 Mediation. In the event a dispute, claim or controversy of any kind arises between the parties – except for those disputes, claims or controversies arising under Section 13.3 below – that cannot be resolved by mutual agreement, the parties agree to submit such

dispute, claim or controversy to a neutral mediator for possible resolution. The parties will jointly agree on a neutral mediator. Each party shall submit all evidence or information in writing to the mediator in support of its contentions or allegations and any defense either party may have with respect to the dispute, claim or controversy. Each party shall have the right to a hearing before the mediator and to personally present information pertinent to such dispute, claim or controversy. The mediator shall assist each party, in an unbiased manner, in reaching an amicable agreement regarding the dispute, claim or controversy. If an amicable agreement is not reached, or if either party fails or refuses to negotiate or mediate in good faith to resolve the matter, or if a neutral mediator cannot be agreed upon between the parties, then the parties agree to submit such dispute, claim or controversy to an arbitration process as outlined below.

13.2 Arbitration. In the event a dispute, claim or controversy of any kind arising out of or relating to this Agreement – except for those disputes, claims or controversies arising under Section 13.3 below – that cannot be resolved through mediation as described in Section 13.1 above, the parties agree that said dispute, claim, or controversy will be submitted to and determined by arbitration in Chatham County, North Carolina in accordance with Article 45C of Chapter 1 of the North Carolina General Statutes. Any direct arbitration costs incurred by you will be borne by you. If the issue affects more than one resident, we may elect to join all affected residents into a single arbitration proceeding, and you hereby consent to such joinder.

You may withdraw your agreement to arbitrate within 30 days after signing this Agreement by giving written notice of your withdrawal to us. This arbitration clause binds all parties to this Agreement and their spouses, heirs, representatives, executors, administrators, successors, and assigns, as applicable. After cancellation of this Agreement, this arbitration clause shall remain in effect for the resolution of all claims and disputes that are unresolved as of that date.

13.3 Voluntary Arbitration of Negligent Health Care Claims. For all claims for damages, such as personal injury or wrongful death actions, based on alleged negligence in the provision of health care, the parties may voluntarily elect to submit to arbitration pursuant to the procedures set forth in Article 1H of Chapter 90 of the North Carolina General Statutes. N.C.G.S. §90-21.60(b) prohibits any contract from requiring prior agreement of the parties to arbitrate negligent health care claims. Thus, Sections 13.1 and 13.2 do not apply to personal injury or wrongful death actions based on alleged negligence in the provision of health care. If the parties agree to arbitrate such actions, said arbitration will be governed in accordance with N.C.G.S. §90-21.60, *et seq.*

IN WITNESS WHEREOF, the parties hereto have entered into this Residency and Care Agreement as of the day and year noted herein.

Executed this _____ day of _____,
20_____.

Approved this _____ day of _____, 20_____.

**GALLOWAY RIDGE, INC.
d/b/a Galloway Ridge at Ferrington**

RESIDENT

Printed Name of Authorized Representative

ADDRESS

Witness

Signature of Authorized Representative

RESIDENT

ADDRESS

Witness



5/22/2024

GR 75% Residence and Care Agreement 2024 -
FINAL.doc



GALLOWAY RIDGE

AT FEARRINGTON

Exhibit A

<u>Options and Custom Features Added at Resident's Request:</u>	<u>Cost</u>
	\$
	\$
	\$
	\$
	\$
	\$
<u>Total</u>	\$

Resident

Resident

Community

EXHIBIT G

TRADITIONAL RESIDENCE AND CARE AGREEMENT



GALLOWAY RIDGE

AT FEARRINGTON

**RESIDENCE AND CARE AGREEMENT
(Traditional)**

05/22/2024

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GLOSSARY

The following terms are described as used in the accompanying Residence and Care Agreement. Reference to the Residence and Care Agreement and the context in which the terms are used is recommended to provide a fuller understanding of each of the terms:

"Agreement" means the Residence and Care Agreement between the Resident and Galloway Ridge, Inc. which delineates the contractual obligations of both parties.

"Entrance Fee" means the sum of (i) the Entrance Fee Deposit and (ii) the balance of the Entrance Fee paid to us pursuant to Section 5 of the Agreement.

"Extra Charges" means the additional charges to be paid for the additional services and amenities requested by Resident, as set forth in Section 2 of the Agreement.

"Galloway Ridge at Ferrington" or "Community" means the senior living community located at 3000 Galloway Ridge, Pittsboro, North Carolina 27312, including the residences, the health center, and all site amenities.

"Galloway Ridge, Inc.," "Galloway Ridge," "we," "our," or "us" means the owner of the Community, a non-profit corporation organized to do business in the State of North Carolina.

"Health Center" or "The Arbor" means the licensed area of the Community where assisted living services and nursing care services are provided.

"Monthly Charges" means the charges payable each month by the Resident pursuant to the terms of the Agreement, including the Monthly Fee, the Extra Charges, and all other fees and charges payable monthly pursuant to the terms of the Agreement.

"Monthly Fee" means the fee payable each month in consideration for the amenities and services provided to all residents, as set forth in Section 1 of the Agreement. The Monthly Fee includes a second person Monthly Fee if there are two Residents.

"Occupancy" means the earlier of the date Resident moves into the Community or the date Resident pays the balance of the Entrance Fee and Monthly Fee pursuant to Section 5.2 of the Agreement.

"Personal Service Provider" means a private employee, an independent contractor, or a licensed home care or home health care agency that may be contracted by the Resident to provide personal services requested or required by the Resident that are not covered by the Agreement.

"Residence" means the apartment home or villa identified in the introduction page of the Agreement, in which the Resident has the right to live, subject to the terms and conditions of the Agreement, in exchange for paying the Entrance Fee, the Monthly Fee and other fees and charges.

"Resident," "you" or "your" means the individual(s) who execute(s) the Agreement as Resident. Sometimes a second Resident (if there are two Residents) is referred to in the Agreement as the "second person." Unless otherwise indicated, "you" refers to both of you if there are two Residents.



GALLOWAY RIDGE
AT FEARRINGTON

**TRADITIONAL
RESIDENCE AND CARE AGREEMENT**

INTRODUCTION

This Traditional Residence and Care Agreement (the "Agreement") is entered into this _____ day of _____ 20____, between Galloway Ridge, Inc., a North Carolina nonprofit corporation (hereinafter "Galloway Ridge," "we," "us," or "our"), and the undersigned _____ (individually or collectively, "you," "your," or "Resident").

Galloway Ridge was formed to develop, own and operate the senior living community known as Galloway Ridge at Ferrington (the "Community") located at Ferrington Village in Pittsboro, North Carolina. The Community is designed to provide senior living in an atmosphere of peace and harmony to eligible persons, regardless of race, religion, creed, color, sex, handicap, ancestry, sexual orientation, veteran's status or national origin. Galloway Ridge is not affiliated with any religious, charitable or other nonprofit organization, and no other organization is responsible for the financial and contractual obligations of Galloway Ridge.

Subject to the terms and conditions contained in the Agreement, as a Resident of the Community, you are offered lifetime use of your Residence and lifetime access to The Arbor by paying the Entrance Fee, Monthly Fee, and other fees or charges. Subject to the terms and conditions contained in the Agreement, we agree to make available to you the residence (hereafter "Residence") described as follows:

Residence Number: _____
Residence Style: _____

In addition to the provisions set forth in this Agreement, all residents are subject to Galloway Ridge's policies, procedures, rules and regulations, which may be modified or amended by Galloway Ridge from time to time at Galloway Ridge's sole discretion. Without limiting the foregoing, Resident specifically acknowledges that the Community is a tobacco-free community pursuant to a tobacco-free policy adopted by the Board of Directors of Galloway Ridge on April 27, 2016.

1. SERVICES AND AMENITIES PROVIDED TO ALL RESIDENTS. We will provide at the Community, so long as you reside in a Residence therein, the following services and amenities, which are included in the Monthly Fee:

1.1 Housekeeping. Weekly standard housekeeping services to your Residence.

1.2 Laundry. Weekly in-home linen service.

1.3 Activities and Social Services. Social, cultural, educational, recreational and spiritual activities designed to stimulate and support your overall physical, spiritual and emotional well-being. You are encouraged to join in such activities as you find appealing.

1.4 Dining Services. A set number of meal points each month sufficient for one meal per day per resident. Meal points may be used in accordance with our meal program.

1.5 Meal Delivery Service. Meal delivery to your Residence when medically necessary.

1.6 Parking. Unassigned surface parking for your use.

1.7 Emergency Response. Each residence and all common areas of the Community are equipped with an emergency call system which is monitored 24-hours per day to summon emergency aid.

1.8 Security and Grounds. For your comfort and safety, we will provide security services for the Community at large, as well as basic grounds keeping and maintenance for common areas.

1.9 Utilities and Services. Water, heat, electricity, sewer service, air conditioning in the Residence, and trash removal from central locations. At our discretion, we may also offer Community-wide wireless internet access.

1.10 Telephone. The Residence is pre-wired for telephone installation. Arranging for telephone services and payment of any charges for such service is your responsibility.

1.11 Transportation. Limited, regularly scheduled local transportation.

1.12 Common Facilities. Dining rooms, cafe, auditorium, social and activities rooms, and other Community facilities. Such other facilities include the Community's fitness center, which includes a lap pool, whirlpool, exercise track and equipment, aerobics facilities, and massage area. Private dining rooms can be reserved by Residents.

1.13 Cable TV. The Residence is pre-wired for cable television service, and basic cable television service, so long as commercially available, is included in your Monthly Fee. Arranging for any additional television service beyond basic cable and payment of charges for such additional service is your responsibility.

1.14 Furnishings. Wall-to-wall carpeting, clothes washer and dryer, kitchen appliances consisting of refrigerator/freezer with icemaker, oven/range, dishwasher, garbage disposal and microwave oven with built-in exhaust hood, and other permanent fixtures in the Residence. All other furnishings shall be provided by you and shall remain your personal property. Furnishings and appliances in the residences shall be subject to inspection and approval to ensure the safety of residents. Exterior furnishings shall be subject to Galloway Ridge's policies and procedures. No physical changes may be made to a Residence without the prior written approval of Galloway Ridge.

1.15 Maintenance. Building janitorial staff and maintenance of buildings, grounds, and residences, and all necessary (as determined by us) repairs, maintenance and replacement of property and equipment owned by us, including provided appliances.

1.16 Mail. A centralized mail area for the delivery of your mail by the U.S. Postal Service.

1.17 Resident Storage. (Apartment residents only) A small storage area away from your Residence to store non-perishable and non-hazardous materials and other items not required for daily living. These storage areas may or may not be on the same floor as the Residence.

2. ADDITIONAL SERVICES PROVIDED FOR AN EXTRA CHARGE. We may also make available additional services at the Community, at your request, for as long as you occupy a Residence at the Community, at the then prevailing rates of Extra Charge. A schedule of services currently available and the current charges for each service is available from the Community's Accounting Department. The extra services available and the prices for these services may be changed periodically. These may include, but are not limited to, the following:

2.1 Additional Meals. Additional meals over those provided in consideration for the Monthly Fee.

2.2 Additional Housekeeping. Additional housekeeping beyond that provided for in the Monthly Fee, including but not limited to unusually heavy housekeeping required due to your failure to maintain the Residence in a clean and orderly condition at all times.

2.3 Additional Parking. Covered parking spaces will be available and assigned on a limited basis, first come first served.

2.4 Satellite TV. At our sole discretion, satellite television may be available for an Extra Charge.

2.5 Additional Transportation. Unscheduled personal transportation services.

2.6 Other Services. Other services as may be provided from time to time.

3. DURATION OF YOUR RIGHT TO OCCUPY THE RESIDENCE. Subject to the terms and conditions of this Agreement, you may occupy the Residence for as long as you (or

either of you) live unless you (both of you if there are two of you) are unable to continue occupying a Residence as set forth in our Aging in Community Policy, or this Agreement is canceled by you or by us. If, in the opinion of your attending physician or the Medical Director, your physical or mental health requires that assisted living services or nursing care services be given, we retain the right to require you to relocate to The Arbor where we are licensed to provide such care. If there are two of you under this Agreement and one of you dies or relocates to The Arbor, or for some other reason is unable to occupy the Residence, the remaining person may continue to occupy the Residence under the terms of this Agreement.

It is understood that this Agreement is not a lease and does not transfer or grant any interest in the real or personal property owned by Galloway Ridge other than the rights and privileges as described in this Agreement. Galloway Ridge reserves the right to relocate you to another accommodation when deemed necessary in order for Galloway Ridge to fulfill its strategic, financial or other obligations. Galloway Ridge will use reasonable efforts to relocate you to an accommodation of the same or similar type as your accommodation. Any such decision to relocate you will be discussed thoroughly with you to attempt to enlist your understanding of the need for and cooperation with the relocation. Galloway Ridge will pay all required packing and moving costs, and all reasonable refurbishing costs necessary to achieve substantial comparability between your accommodation and any new accommodation to which you may be relocated.

4. ASSISTED LIVING SERVICES AND NURSING CARE SERVICES. To the extent we are licensed by the State of North Carolina, we will provide assisted living services and nursing care services in the Community's health center, The Arbor ("Arbor").

4.1 Relocation to The Arbor. If, in the opinion of your attending physician or the Medical Director (after consultation with you to the extent possible and your responsible party, if any), you require assisted living services or nursing care services, you will relocate to the appropriate area of The Arbor, where we are licensed to provide such services. Any relocation will be in accordance with Section 4.2.1 or 4.2.2 if there is one of you and Section 4.2.3 if there are two of you. Charges for your accommodations and services at The Arbor may depend upon whether you release your Residence for occupancy by someone else.

4.2 Terms of Assignment. Usually you will be considered temporarily assigned to The Arbor for 90 or fewer consecutive days of care. However, you may be considered permanently assigned during the 90 consecutive days of care if, in the opinion of your attending physician or the Medical Director (after consultation with you to the extent possible and your responsible party, if any), it is determined that long-term assisted living or nursing care services are needed. If you require more than 90 consecutive days of assisted living or nursing care services, you will be considered permanently assigned to The Arbor, unless we determine there is still potential for you to return to your Residence.

4.2.1 Temporarily Assigned When There is One of You. When temporarily assigned to The Arbor, your Residence will remain assigned to you. You will continue to pay the Monthly Fee for your Residence, along with the charge for two additional meals per day and charges for any additional services provided to you.

4.2.2 Permanently Assigned When There is One of You. When permanently assigned to The Arbor, we may assign your Residence for occupancy by someone else. You will continue to pay the Monthly Fee for your Residence, along with the charge for two additional meals per day and charges for any additional services provided to you.

4.2.3 Temporarily or Permanently Assigned When There are Two of You. When there are two of you, and one of you requires assisted living or nursing care services, one of you may continue to occupy the Residence under the terms of this Agreement, while the other is assigned to The Arbor. When temporarily or permanently assigned to The Arbor, you will continue to pay your Monthly Fee along with the charge for two additional meals per day and charges for any additional services provided to you. In the event the first Resident dies while the other Resident is assigned to The Arbor, the Resident in The Arbor will cease paying the second person Monthly Fee and will pay the first person Monthly Fee.

4.3 Alternate Accommodations. In the event you need assisted living or nursing care services and The Arbor is fully occupied, we will make arrangements for your care, which may require your temporary relocation to another health care facility that is licensed to provide you with the assisted living or nursing care you require. Upon your relocation, you shall continue to be responsible for the charges set forth in Section 4 herein. To the extent we would be liable for your care and accommodations in The Arbor under this Agreement we will be responsible for the charges associated with alternate accommodations. You agree to relocate to The Arbor when a space becomes available. However, should you need care which we are not licensed to provide or which The Arbor does not have the appropriately trained staff to provide, or does not routinely provide, you agree to relocate to a facility that can provide you with the appropriate level of care. Except as expressly stated in this Agreement, we will not be responsible for the charges for this higher level of care or private duty care.

4.4 Return to Residence. If you released your Residence because you have moved to The Arbor, and if later you are able, in the opinion of the Medical Director or your attending physician with the concurrence of the Medical Director, to return to a residence, we will provide you a residence of similar type as your previous Residence as soon as one becomes available. Upon reoccupying a residence, your Monthly Fee will be based on the then-current Monthly Fee for the new residence.

4.5 Medical Director and Ancillary Services. A licensed physician will be designated to act as Medical Director for the Community. You will be at liberty to engage the services of the Medical Director or the services of a physician of your choice at your own expense. We will not be responsible for the charges for medical treatment by the Medical Director, or any other physician, nor will we be responsible for the charges for medicine, drugs, prescribed therapy, and other similar services and supplies. In the event we incur or advance charges for your medical treatment or for medicine, drugs, prescribed therapy, pharmaceutical supplies, personal laundry, rental of equipment, and other similar services and supplies, you will reimburse us for such charges.

4.6 Non-Resident Use of The Arbor. We may offer accommodations and services in The Arbor to qualified non-residents for a fee, to the extent space is available and as allowed

by North Carolina law. However, residents of the Community will be given priority access to The Arbor.

4.7 Long-Term Care Insurance. We will use reasonable efforts to assist you in working with your long-term care insurance provider to obtain the benefits to which you may be entitled.

4.8 Health Care Outside the Community. In the event you receive care, or choose to receive care at another health care facility not designated by us, we will not be responsible for the charges incurred there by you. However, if an accident or illness occurs while you are traveling or visiting away from the Community, you shall make every reasonable effort to notify us as soon as possible, and if nursing or assisted living care is required, you shall arrange to return to the Community as soon as reasonably possible. We will be responsible for costs of nursing and assisted living services covered under this Agreement that are incurred by you, net of any insurance proceeds, in another nursing or assisted living facility as a result of such accident or illness. Our responsibility for such nursing or assisted living facility charges will be limited to our per diem charge for the same level of care at the Community. You will be responsible for other costs such as hospitalization, physicians' fees and transportation, as noted herein, which shall be paid by you or your personal insurance. In the event an outside healthcare provider seeks payment from you for nursing or assisted living services rendered, we shall assume responsibility for payment if such services are services which we agree to furnish to you in this Agreement up to our per diem charge for the same level of care at the Community.

4.9 Assisted Living Residency Agreement or Skilled Nursing Admission. If you require assisted living or nursing care services, you agree to provide all necessary documentation to allow for admission to The Arbor.

4.10 Supplemental Insurance. You are required to maintain Medicare Part A, Medicare Part B, and one supplemental health insurance policy or equivalent insurance coverage acceptable to us to assure your ability to fully cover a Medicare-qualified stay in The Arbor. Such supplemental insurance should cover Medicare co-insurance and deductibles. You shall furnish to us such evidence of coverage as we may from time to time request. Should your supplemental health insurance or equivalent coverage not fully cover a Medicare-qualified stay in The Arbor, or should you fail to purchase supplemental health insurance or equivalent coverage to fully cover a Medicare-qualified stay in The Arbor, you shall be financially responsible for paying to us deductibles, co-insurance amounts, and any other charges for each Medicare-qualified stay in The Arbor. If failure to maintain Medicare Part A, Medicare Part B, or supplemental health insurance causes depletion of your resources and impairs your ability to meet your financial obligations, we need not defer your financial obligations as provided in Section 9.2, and we retain the right to revoke your entitlement to reside at the Community and we retain the right to cancel this Agreement as provided in Section 9.

4.11 Managed Care. If you have chosen to participate in a managed care program as an alternative to Medicare Part A, Medicare Part B, and supplemental insurance coverage, the terms governing The Arbor care will be as follows:

4.11.1 Participating Provider. If we are a participating provider with your managed care program and your stay is a Medicare-qualified stay, we will agree to accept, as full payment, reimbursement at the rate we negotiate with your managed care program.

4.11.2 Not a Participating Provider. If we are not a participating provider with your managed care program and you choose to receive health care services at a managed care participating provider during a Medicare-qualified stay, then you understand and agree that you must relocate for as long as necessary for those services, and be responsible for all charges for those health care services. In addition, while receiving health care services at the managed care participating provider, you understand and agree that unless this Agreement is canceled, you will continue to pay the Monthly Fee for your Residence.

4.11.3 Negotiated Managed Care Rate. If we are not a participating provider in your managed care program and you would still like to receive health care services in The Arbor during a Medicare-qualified stay, we will attempt to negotiate an acceptable reimbursement rate with your managed care program. If we are able to negotiate an acceptable rate, we will agree to accept as full payment the rate provided by your managed care program.

4.11.4 No Negotiated Managed Care Rate. If we are not a participating provider in your managed care program and a negotiated rate is not agreed upon between us and your managed care program and you would still desire to receive health care services in The Arbor during a Medicare-qualified stay, you agree that you will continue to pay the Monthly Fee for your Residence adjusted for the two additional meals per day at the then-current charges for meals and any additional services as described in Section 4.5.

4.11.5 Post Medicare-Qualified Stay. At the conclusion of each such Medicare-qualified stay, you will be entitled to health care services in The Arbor in accordance with the terms of this Agreement other than as set forth in this Section 4.12.

4.12 Effect of Permanent Assignment to The Arbor. If you (both of you, if there are two of you) are permanently assigned to The Arbor, this Agreement shall not be canceled and shall remain in full force and effect, and you will be responsible for paying the Monthly Fee and any other fees or charges for your care in The Arbor. Further, if within 12 months prior to your permanent assignment to The Arbor you moved from the Residence identified in the Introduction to this Agreement to a residence with a lower Monthly Fee, your Monthly Fee for The Arbor will be equal to the Monthly Fee of the Residence identified in this Agreement. You will also pay an additional Monthly Fee if you choose not to release your Residence while you (both of you, if there are two of you) are permanently assigned to The Arbor.

5. ENTRANCE FEE. Your Entrance Fee is \$ _____, and an additional Second Person Entrance Fee of \$ _____ if there are two of you under this Agreement. Your total Entrance Fee is \$ _____. This Entrance Fee applies only to the Residence specified in this Agreement, and will not increase as to that Residence after this Agreement is signed by you and Galloway Ridge. Your Entrance Fee will be paid by check or wire transfer.

5.1 Entrance Fee Deposit. To reserve your Residence at the Community, at the time of executing this Agreement, you will pay to us a deposit in the amount of \$_____ (an amount no less than typically equal to 10% of your total Entrance Fee).

5.2 Balance of Entrance Fee. The remaining balance of your total Entrance Fee is \$_____ and will be paid to us on the earlier of (i) occupancy; or (ii) within 90 days of the date you execute this Agreement.

5.3 Adjustments for Change in Residence. If after occupancy of the Residence you desire to move to a different residence for which the then-current Entrance Fee is higher or lower than the Entrance Fee for the Residence identified in this Agreement, you will be required to execute a Residence Transfer Amendment for the new residence. Any adjustment to the Entrance Fee will be determined at the time of the requested change in residences, and will be addressed in the Residence Transfer Amendment.

6. MONTHLY FEE AND OTHER CHARGES

6.1 Application Fee. Prior to or at the time you execute this Agreement, you will pay to us a non-refundable Application Fee of \$_____. The Application Fee will be used by us to process your application for residency.

6.2 Monthly Fee. You will pay a Monthly Fee for the services and amenities provided under Section 1. The current Monthly Fee is \$_____ per month for one person and an additional \$_____ per month if there are two of you.

6.3 Monthly Fee Changes. We may adjust your Monthly Fee upon 60 days' advance written notice, if in our sole discretion, we deem it necessary to meet the financial needs of operating the Community or to provide services and amenities to residents (or without notice if such change in the Monthly Fee is required by local, state, or federal laws or regulations).

6.4 Payment. You will pay a pro rata portion of the Monthly Fee commencing on the earlier of (i) occupancy or (ii) within 90 days of the date you execute this Agreement. Thereafter, your Monthly Fee will be payable each month in advance. Billing statements showing amounts due, including the Monthly Fee and any Extra Charges for the additional services obtained during the preceding month, will be distributed on or before the third business day of the month, and payments will be due upon receipt of a billing statement, but no later than the fifteenth day of each month.

6.5 Late Payment. A late payment charge will be assessed at the rate of 1% per month on the total delinquent amounts due. Late payment charges will not be compounded and will not be included in the total delinquent amounts computed for determining any late payment charge assessed in any succeeding month. The 1% late payment charge is waived if payment is delayed due to slow processing by your supplemental insurance carrier. However, we do not waive our right to cancel this Agreement for nonpayment of fees subject to Section 9 of this Agreement.

6.6 Cease Payment of Monthly Fee for Residence. The Monthly Fee for your Residence will cease in accordance with Section 8 or 9 if you (both of you if there are two of you) die, or if you or we cancel this Agreement. In the event there are two of you who occupy the Residence and only one of you cancels this Agreement or dies, the second person Monthly Fee will cease and the remaining person will continue to pay the first person Monthly Fee.

7. REPAYMENT OF ENTRANCE FEE.

7.1 Repayment of Entrance Fee Prior to Occupancy.

7.1.1 Non-acceptance. If we do not accept you for residency, the portion of the Entrance Fee you have paid will be repaid to you, without interest, within 30 days of our notice to you of non-acceptance.

7.1.2 Right of Rescission Period. If you rescind this Agreement pursuant to Section 8.1.1, the portion of the Entrance Fee you have paid will be repaid to you without interest within 30 days of our receipt of your written notice of cancellation, except that we will retain an amount equal to any charges specifically incurred by us at your request, if any, and which are set forth in a separate addendum to this Agreement. You shall not be required to move into the Community before expiration of the 30-day rescission period.

7.1.3 Change in Condition. If prior to occupancy this Agreement is cancelled pursuant to Section 8.1.2, we will return to you or your legal representative, without interest, the portion of the Entrance Fee which you have paid to us within 60 days of our receipt of your written notice of cancellation, except that we will retain an amount equal to any charges specifically incurred by us at your request, if any, and which are set forth in a separate addendum to this Agreement.

7.1.4 Cancellation for Reasons Other Than Set Forth in 7.1.1, 7.1.2, and 7.1.3. If prior to occupancy you wish to cancel this Agreement for a reason other than those set forth in Sections 7.1.1, 7.1.2, or 7.1.3, you must give us written notice of cancellation by registered or certified mail. Upon our receipt of your written notice, this Agreement will be cancelled, and we will attempt to obtain a new resident for the Residence. In such event, upon occupancy of the Residence by the new resident, and within 30 days of our receipt of the Entrance Fee paid by the new resident, we will remit to you or your legal representative, without interest, the portion of the Entrance Fee which you have paid to us, less a non-refundable fee consisting of: (i) 1% of your total Entrance Fee as specified in Section 5, and (ii) an amount equal to any charges specifically incurred by us at your request and which are set forth in a separate addendum to this Agreement.

7.2 Repayment of Entrance Fee After Occupancy. After occupancy, should you or we cancel this Agreement pursuant to Sections 8 or 9, or in the event of your death (the death of the survivor if there are two of you), we will remit the Entrance Fee paid, without interest less a nonrefundable fee equal to four percent (4%) of the Entrance Fee, and less 2% per month for each month or partial month of occupancy. After 48 months of occupancy, the entire Entrance Fee will be considered earned by us, and no portion of the Entrance Fee will be repayable to you.

Any repayment owed will be made upon occupancy of the Residence by a new resident, subsequent to the cancellation of this agreement, and within 30 days of our receipt of the proceeds paid by the new resident.

7.3 Right of Offset. We have the right to offset against any Entrance Fee repayment any unpaid Monthly Charges owed by you, any unreimbursed charges for care at The Arbor we have advanced on your behalf, any amounts deferred by us under Section 9.2, and any other sums owed by you to us. Any amounts owed by you to us will be payable with interest subject to the then-current prime interest rate as charged by our primary financial institution.

7.4 Beneficiary Designation. You may designate a beneficiary for receipt of any repayable portion of the Entrance Fee if the designation is in writing, the designation is witnessed by two competent witnesses, the designation is non-contingent, the designation is specified in percentages and accounts for 100%, and the designation has received our approval. An Assignment of Rights to Repayment may be obtained from the Community's business office.

8. YOUR CANCELLATION RIGHTS.

8.1 Prior to Occupancy.

8.1.1 Right of Rescission. Within 30 days following the later of the execution of this Agreement by you or the receipt of a Disclosure Statement from us, you may rescind this Agreement by giving us written notice. You shall not be required to move into the Residence prior to the expiration of the 30-day rescission period. However, if you occupy the Residence during the rescission period and then rescind this Agreement, you will only be charged a Monthly Fee for the period of time that you actually occupied the Residence. Repayment of the Entrance Fee shall be as outlined in Section 7.1.2.

8.1.2 Due to Change in Condition. If, on account of illness, injury, incapacity or death, you are precluded from occupying the Residence under the terms of this Agreement, this Agreement will automatically cancel upon our receipt of written notice of your illness, injury, incapacity or death. Repayment of the Entrance Fee shall be as outlined in Section 7.1.3.

8.1.3 Other Reasons. If you wish to cancel this Agreement prior to occupancy for any reason other than those addressed in Section 8.1.1 or 8.1.2, you may do so by giving us written notice of cancellation signed by you (both of you if there are two of you) and sent by registered or certified mail. Repayment of the Entrance Fee shall be as outlined in Section 7.1.4.

8.2 After Occupancy.

8.2.1 Cancellation. After occupancy, you may cancel this Agreement at any time by giving us 30 days' advance written notice executed by you (both of you if there are two of you) and sent by registered or certified mail. This Agreement will cancel on the later of: (i) 30 days following the date we receive your written notice of cancellation;

or (ii) the date you vacate your Residence and/or The Arbor, and remove all your furniture and other property from the Community.

8.2.2 Monthly Fee. You will continue to pay your Monthly Fee until the later of: (i) the expiration of such 30-day written notice of cancellation period; or (ii) the date you vacate your Residence and/or The Arbor, and remove all of your furniture and other property from the Community.

8.2.3 Removal of Property. If removal of your furniture and other property is not accomplished within 30 days of your written notice of cancellation, we may remove and store your furniture and other property at the expense and risk of you or your estate.

8.2.4 Entrance Fee. Your Entrance Fee refund, if any, shall be calculated as set forth in Section 7.2.

8.3 Death.

8.3.1 Cancellation. In the event of your death (the death of the survivor if there are two of you) after occupancy, this Agreement will cancel on the later of: (i) your death (if there are two of you, the death of the survivor); or (ii) the date your estate vacates your Residence and/or The Arbor, and removes all your furniture and other property from the Community.

8.3.2 Monthly Fee. Your Monthly Fee will continue until the later of: (i) your death (the death of the survivor if there are two of you); or (ii) the date your estate vacates your Residence and/or The Arbor, if applicable, and removes all of your furniture and other property from the Community.

8.3.3 Removal of Property. If removal of your furniture and other property is not accomplished within 30 days of your death (the survivor's death, if there are two of you), we may remove and store your furniture and other property at the expense and risk of you or your estate.

8.3.4 Entrance Fee. Your Entrance Fee refund, if any, shall be calculated as set forth in Section 7.2.

9. OUR CANCELLATION RIGHTS.

9.1 Just Cause. After we have accepted you for residency, we will not cancel this Agreement except for just cause. Just cause is defined as:

9.1.1 Noncompliance. You do not comply with the terms of this Agreement or the published operating procedures, covenants, rules, regulations, and policies now existing or later amended by us.

9.1.2 Misrepresentation. You misrepresent yourself or fail to disclose information during the residency application process.

9.1.3 Nonpayment. Except as set forth below, nonpayment of fees or charges.

9.1.4 Threat to Health or Safety. Any condition or behavior of yours as determined in the sole discretion of Galloway Ridge that creates a danger to your life, health, safety or peace; or that creates a danger to the life, health, safety or peace of other residents or staff; or interferes with the functioning of staff.

9.1.5 Change in Condition. There is a major change in your physical or mental condition and your condition cannot be cared for in The Arbor within the limits of our license.

9.1.6 Listed on a Sex Offender Registry. Resident hereby acknowledges that it is the policy of Galloway Ridge to conduct sex offender screening for every prospective resident, regardless of independent status or level of care, at the time of application for admission to Galloway Ridge and again prior to entering into a Residence and Care Agreement. If the screening shows that the prospective resident is identified as a sex offender, Galloway Ridge will deny admission of Resident on that basis and not execute a Residence and Care Agreement. In addition, Resident hereby acknowledges and agrees that if, after Galloway Ridge and Resident have entered into a Residence and Care Agreement, Galloway Ridge becomes aware that Resident is listed on any sex offender registry, Galloway Ridge may terminate this Agreement with Resident and remove Resident from Galloway Ridge. If there is more than one resident who is a party to this Agreement, the termination of this Agreement in such instance shall only apply to the resident listed on the sex offender registry.

9.2 Financial Difficulty. If, after you have paid the Entrance Fee, you encounter financial difficulties making it impossible for you to pay the full Monthly Charges, then:

9.2.1 Benefits. You may remain until any applicable Title XVIII Medicare benefits and/or third party insurance benefits received by us on your behalf have been earned; and

9.2.2 Terms of Stay. Because it is and shall continue to be our declared policy to not cancel your residency solely by reason of your financial inability to pay the full Monthly Charges, you will be permitted to remain at the Community at reduced Monthly Charges based on your ability to pay for so long as you establish facts to justify deferral of such charges, and the deferral of such charges can, in our sole discretion, be granted without impairing our ability to operate on a sound financial basis. This provision will not apply if you have impaired your ability to meet your financial obligations hereunder by transfer of assets, after assuming residency, other than to meet ordinary and customary living expenses, or by not maintaining Medicare Part A, Medicare Part B, and/or supplemental insurance coverage. To evidence these agreements based on the circumstances at the time, you agree to enter into a Financial Assistance Amendment to Residency Agreement with us at the time of any such deferrals to reflect the reduced

charges currently payable. Any payments otherwise due to you from us, including any repayment of your Entrance Fee, will be offset against any such deferred charges; and

9.2.3 Guarantor. Sections 9.2.1 and 9.2.2 are not applicable if, to initially qualify for residency at the Community, a third party(ies) with adequate resources agreed in writing, prior to your acceptance for residency, to guarantee payment of your obligations and is fulfilling their obligations pursuant to a Guaranty of Fees and Other Payments under the Residency Agreement.

9.3 Notice of Cancellation. Prior to any cancellation of this Agreement by us, we will give you notice in writing of the reasons, and you will have 30 days thereafter to correct the problem. If we determine that the problem is corrected within such time, this Agreement shall remain in effect. If we determine that the problem is not corrected within such time, you must leave the Community within 30 days after we notify you of our determination. You will continue to pay your Monthly Fee until removal of your furniture and personal belongings has occurred. If removal of your furniture and personal belongings is not accomplished, we may remove and store your furniture and personal belongings at the expense and risk of you or your estate. This Agreement will cancel upon the removal of your furniture and personal belongings. Your Entrance Fee will amortize as set forth in Section 7.2 and will stop amortizing on the date you vacate the Residence and/or The Arbor and remove all your furniture and personal belongings from the Community. Any Entrance Fee repayment will be paid in accordance with Section 7.

9.4 Emergency Notice. Should your continued residency pose an imminent threat of serious harm to you or other residents, and the Medical Director determines that either the giving of notice or the waiting period described above might be detrimental to you or other residents, then such notice and/or waiting period shall not be required before relocation to a hospital or other appropriate facility. If there is one of you under this Agreement, we are expressly authorized to transfer you to such hospital or other facility, and we will promptly notify your responsible party and your attending physician. After transferring you to such hospital or other facility, we will provide you with a notice of cancellation if you will be unable to return to The Arbor or your Residence at the Community. You will continue to pay the Monthly Fee until removal of your furniture and personal belongings from the Community. If removal of your furniture and personal belongings is not accomplished, we may remove and store your furniture and personal belongings at the expense and risk of you or your estate. This Agreement will cancel upon the removal of your furniture and personal belongings. Your Entrance Fee will amortize as set forth in Section 7.2 and will stop amortizing on the date you vacate the Residence and/or The Arbor and remove all your furniture and personal belongings from the Community. Any Entrance Fee repayment will be paid in accordance with Section 7. If there are two of you under this Agreement and one of you is transferred to a hospital or other appropriate facility under the circumstances described in this Section, the other person may continue to occupy the Residence or The Arbor under the terms of this Agreement as the first person. We are not responsible for any charges related to such transfer or relocation to a hospital or other appropriate facility.

10. MISCELLANEOUS PROVISIONS WITH RESPECT TO YOUR RESIDENCE.

10.1 Use of Residence. The Residence is for living only and shall not be used for carrying on any business or profession, nor in any manner in violation of zoning restrictions or other applicable laws and regulations. This Agreement is not a lease, and entitles you only to the lifetime use of the Residence and other amenities of the Community and to available services, subject to the terms and conditions of this Agreement.

10.2 Occupants of Residence. Except as hereinafter provided, no person other than you (or both of you if there are two of you) may occupy the Residence except with our express written approval. In the event that a second person who is not a party to this Agreement wishes to be accepted for residency under this Agreement, after the date we execute this Agreement, said second person's acceptance will be based upon our then-current Residency Policy. If accepted, payment of the then-current Second Person Entrance Fee as determined by us, and payment of the then-current additional Monthly Charges for second persons shall be due. If such second person does not meet the requirements for residency, such second person will not be permitted to occupy the Residence for more than 30 days (except with our express written approval).

10.3 Emergency Entry and Relocation. We may enter your Residence should it be necessary in an emergency to protect your health or safety or the health or safety of other residents. Should it be necessary to modify facilities to meet the requirements of any applicable law or regulation which necessitate temporarily vacating your Residence, we will provide alternate facilities for you without Extra Charge within or outside the Community. Further, if relocation is recommended by the Medical Director or your attending physician, we will request that you relocate to another Residence in the Community or The Arbor for the protection of your health or safety or for the health or safety of the others.

10.4 Furnishings. Furnishings within the Residence will be provided by you except as listed in Section 1. Furnishings provided by you shall not interfere with the health or safety of you or other residents or others.

10.5 Alterations by You. You may undertake alterations to your Residence with our prior written approval as set forth in a separate Residence Modification Agreement.

10.6 Refurbishment. Customary and normal refurbishment costs of your Residence will be borne by all residents of the Community as part of the Monthly Fee. Any necessary refurbishment costs beyond those which are customary and normal are your responsibility and may be offset against any Entrance Fee repayment. Further, should you relocate to another residence in the Community, you may be subject to a transfer fee as set forth in our current Internal Move Policy.

10.7 Guest Privileges. Guests may stay with you in the Residence for up to eight consecutive days. The maximum number of guests allowed will be at our sole discretion. A nominal daily charge will be billed to you for each guest remaining beyond eight days. Further, you will be responsible for paying all applicable guest charges, including charges for guest meals. Guest stays beyond 8 consecutive days or more than 30 days in total in any 12-month period require approval of the Executive Director.

11. AMENDMENTS.

11.1 This Agreement. This Agreement may be amended by agreement of the parties to this Agreement (subject to any necessary regulatory approval). No amendment of this Agreement will be valid unless in writing and executed by you and us.

11.2 Law Changes/Other. Notwithstanding anything to the contrary in this Agreement, Galloway Ridge reserves the right, upon thirty (30) days prior written notice to all residents, to modify or amend the Residence and Care Agreement whenever doing so is necessary to correct errors, omissions, or inconsistencies, to provide clarification of intent, or to conform the documents to the requirements of local, state, or federal laws and regulations applicable to Galloway Ridge, in particular, or to residential life care communities, in general, or whenever doing so is deemed by the Board of Directors of Galloway Ridge to be in the best interest of Galloway Ridge and the residents in light of changes in health insurance laws and coverages and/or local, state or federal tax laws or regulations.

12. MISCELLANEOUS.

12.1 Periodic Financial Information. You agree to provide Galloway Ridge, if requested, periodic financial statements and current financial information for the purpose of demonstrating capacity to meet financial obligations to Galloway Ridge. In addition, should you experience financial difficulty that might result in your immediate or eventual inability to meet the financial obligations under this Agreement, including but not limited to any spend down of assets, you will inform Galloway Ridge immediately, and submit a current financial statement.

12.2 Residents Council. We have a Residents Council with representation from various residential areas of the Community. The Residents Council acts in an advisory capacity to our management and staff and serves to facilitate the exchange of ideas between us and the residents. Community management staff holds periodic meetings with the Residents Council and the residents in order to discuss policies, programs, services, financial information and other issues and information.

12.3 Private Employee of Resident. If you need additional services, you can obtain these needed services from a private employee, an independent contractor, or through an agency ("Personal Service Provider"). In such instances, we strongly advise you to obtain these needed services from a licensed and/or certified home care or home health agency. In any event, you must comply with our policy regarding Personal Service Providers and ensure that he/she/they complies with our policies and rules of conduct as set forth in our Personal Service Provider Policy. If you fail to follow or enforce the rules set forth in the Personal Service Provider Policy, then we may elect at our sole option to cancel this Agreement.

12.4 Resident Representations. By executing this Agreement, you represent and warrant that you will be at least 62 years of age or older at the time of residency or you will share your Residence with another person who will be 62 years of age or older at the time of residency;

that you are capable of living in your Residence in accordance with our Residency Policy; that you have assets and income which are sufficient under foreseeable circumstances and after provision for payment of your obligations under this Agreement to meet your ordinary and customary living expenses after assuming occupancy; and that all written representations made to us with respect to such matters by you or on your behalf during the residency process are true.

12.5 Our Representations. We represent and warrant to you that we are a non-profit corporation, and we are not affiliated with any other religious or charitable organization. It is and shall be our declared policy to operate as a charitable organization. We will comply with applicable statutes, rules and regulations regarding Resident's privacy and the use and disclosure of Resident's medical information.

12.6 Adjustments for Absences. You will receive a credit toward your Monthly Fee for unused meals if you are absent from the Community for more than 14 consecutive days. The amount of the credit shall be determined by us in our sole discretion based on our then-current policy regarding absences from the Community.

12.7 Governing Law. This Agreement will be governed, interpreted and construed according to the laws of the State of North Carolina without regard to conflict of laws principles and will become effective upon acceptance and execution by us.

12.8 Glossary. The Glossary which sets forth the definitions of certain terms used in this Agreement is by this reference incorporated herein and made a part of this Agreement.

12.9 Separability. The invalidity of any restriction, condition, or other provision of this Agreement, or any part of the same, shall not impair or affect in any way the validity or enforceability of the rest of this Agreement.

12.10 Capacity. We are organized under the general non-profit corporation law of North Carolina. This Agreement has been executed on our behalf by our duly authorized agent, and no officer, director, agent, or employee of ours shall have any personal liability to you hereunder under any circumstances. This Agreement will become effective upon acceptance and execution by us.

12.11 Residents. When more than one person executes this Agreement as Resident, the rights and obligations of each are joint and several, except as the context of this Agreement otherwise requires.

12.12 Nature of Rights. You understand and agree that (i) this Agreement or your rights (including the use of the Residence) under it may not be assigned, and no rights or benefits under this Agreement shall inure to the benefit of your heirs, legatees, assignees, or representatives, except as to receipt of the amounts described in Section 7; (ii) this Agreement and your contractual right to reside at the Community will exist and continue to exist during your lifetime unless cancelled as provided herein; (iii) this Agreement grants you the right to occupy and use space in the Community but does not give you exclusive possession of the Residence against us, and you will not be entitled to any rights of specific performance but will be limited to such remedies as set forth herein and as provided by continuing care law; (iv) this Agreement

is not a lease or easement and does not transfer or grant you any interest in real property owned by us; and (v) this Agreement grants to us complete decision-making authority regarding the management and operation of the Community.

12.13 Loss of Property. We are not responsible for the loss of or damage to any property belong to you due to theft, mysterious disappearance, fire, employee accident, or any other cause. It is understood that you have the responsibility of providing any desired insurance protection covering any such loss.

12.14 Indemnity. To the extent allowed by law, we will not be liable for, and you agree to indemnify, defend, and hold us harmless from claims, damages, and expenses, including attorneys' fees and court costs, resulting from any injury or death to persons and any damages to property to the extent caused by, resulting from, attributable to, or in any way connected with your negligent or intentional act or omission or that of your guests or invitees. It is understood that you have the responsibility of providing insurance protection covering any such loss, as directed in Galloway Ridge's polices, procedures, rules and regulations.

12.15 Subordination. You agree that all your rights under this Agreement will always be subordinate and junior to the lien of all mortgages or other documents creating liens encumbering the Community, which have been or will be executed by us. Upon request, you agree to execute, acknowledge and deliver to such lender(s) such further written evidence of such subordination as such lender(s) may reasonably require. Except to the extent of your obligation to pay the Monthly Fee and Second Person Monthly Fee, you shall not be liable for any such indebtedness.

12.16 Tax Considerations. Each person considering executing this Agreement should consult with his or her tax advisor regarding the tax considerations associated with this Agreement, as more fully explained in our Disclosure Statement.

12.17 Sale or Transfer of Interest. We may sell or transfer our interest in the Community. Upon the assumption of this Agreement by a buyer of the Community and its agreement to perform this Agreement and all other Residency Agreements, we will have no further obligation hereunder. In addition, we may sell or otherwise transfer the land or other portions of the Community. Your signature hereto constitutes your consent and approval to any such future transfer.

12.18 Responsible Party. You agree to execute and deliver to us within 30 days after assuming occupancy in your Residence, a Durable Power of Attorney, trust documents, or other documentation naming a responsible party for business and financial decision-making. These documents should be drafted to remain effective notwithstanding your incompetence or disability and will be in a form acceptable to us. You agree to keep such documents in effect as long as this Agreement is in effect. The person(s) named as your responsible party shall not be a person(s) employed by us or any other entity engaged in the management of the Community.

12.19 Funeral and Burial Services. Funeral or burial services or expenses are not provided by us pursuant to this Agreement.

12.20 Pets. Pets are permitted at the Community in accordance with our current Pet Policy.

12.21 Notices. Any notice required to be given to us under this Agreement shall be in writing and sent registered or certified mail or hand-delivered to the Executive Director of the Community at 3000 Galloway Ridge, Pittsboro, North Carolina 27312. Such notices shall be dated and signed. Any notice required to be given to you shall be delivered to you at the Residence or at such other place as you shall designate to us in writing. All notices mailed in accordance with this Section shall be deemed to be given when mailed whether or not they are actually received.

12.22 Survival of Representations and Obligations. Your representations and obligations under this Agreement, including but not limited to, your obligation to pay all sums owed by you to us, and your agreement to indemnify us as set forth in Section 12.14, and our representations and obligations under this Agreement, will survive any cancellation of your residency in the Community, regardless of the reason for such cancellation and regardless of whether it is initiated by you or by us.

12.23 Uncontrollable Interruption of Services. In the event of war, national emergency, strikes or other forms of labor disturbances, government regulations and/or embargoes, shortages of labor or materials, fire, floods, earthquakes, inclement weather, acts of the Residents, pandemic, epidemic, outbreak of infectious diseases or other public health crisis, including quarantine or other employee restrictions, acts of authority or change in law or other causes beyond our control, our performance under this Agreement will be excused or may be modified to the extent such acts interfere with such performance.

12.24 Entire Agreement. This Agreement and any addenda, amendment, or exhibits hereto contain our entire understanding with respect to your residency.

12.25 Nonwaiver. If we fail to insist in any instance upon performance of any of the terms, promises, or conditions of this Agreement, it shall not be construed as a waiver or relinquishment of the future performance of any such terms, promises, or conditions, but your obligation with respect to such future performances shall continue in full force and effect.

12.26 Acknowledgment of Receipt of Documents. You hereby certify that you received a copy of this Agreement, a copy of our most current Disclosure Statement, and have been permitted to inspect any additional relevant materials requested to be reviewed by you or your representatives prior to executing this Agreement.

13. MEDIATION AND ARBITRATION.

13.1 Mediation. In the event a dispute, claim or controversy of any kind arises between the parties – except for those disputes, claims or controversies arising under Section 13.3 below – that cannot be resolved by mutual agreement, the parties agree to submit such dispute, claim or controversy to a neutral mediator for possible resolution. The parties will jointly agree on a neutral mediator. Each party shall submit all evidence or information in

writing to the mediator in support of its contentions or allegations and any defense either party may have with respect to the dispute, claim or controversy. Each party shall have the right to a hearing before the mediator and to personally present information pertinent to such dispute, claim or controversy. The mediator shall assist each party, in an unbiased manner, in reaching an amicable agreement regarding the dispute, claim or controversy. If an amicable agreement is not reached, or if either party fails or refuses to negotiate or mediate in good faith to resolve the matter, or if a neutral mediator cannot be agreed upon between the parties, then the parties agree to submit such dispute, claim or controversy to an arbitration process as outlined below.

13.2 Arbitration. In the event a dispute, claim or controversy of any kind arising out of or relating to this Agreement – except for those disputes, claims or controversies arising under Section 13.3 below – that cannot be resolved through mediation as described in Section 13.1 above, the parties agree that said dispute, claim, or controversy will be submitted to and determined by arbitration in Chatham County, North Carolina in accordance with Article 45C of Chapter 1 of the North Carolina General Statutes. Any direct arbitration costs incurred by you will be borne by you. If the issue affects more than one resident, we may elect to join all affected residents into a single arbitration proceeding, and you hereby consent to such joinder.

You may withdraw your agreement to arbitrate within 30 days after signing this Agreement by giving written notice of your withdrawal to us. This arbitration clause binds all parties to this Agreement and their spouses, heirs, representatives, executors, administrators, successors, and assigns, as applicable. After cancellation of this Agreement, this arbitration clause shall remain in effect for the resolution of all claims and disputes that are unresolved as of that date.

13.3 Voluntary Arbitration of Negligent Health Care Claims. For all claims for damages, such as personal injury or wrongful death actions, based on alleged negligence in the provision of health care, the parties may voluntarily elect to submit to arbitration pursuant to the procedures set forth in Article 1H of Chapter 90 of the North Carolina General Statutes. N.C.G.S. §90-21.60(b) prohibits any contract from requiring prior agreement of the parties to arbitrate negligent health care claims. Thus, Sections 13.1 and 13.2 do not apply to personal injury or wrongful death actions based on alleged negligence in the provision of health care. If the parties agree to arbitrate such actions, said arbitration will be governed in accordance with N.C.G.S. §90-21.60, *et seq.*

IN WITNESS WHEREOF, the parties hereto have entered into this Residency and Care Agreement as of the day and year noted herein.

Executed this _____ day of _____,
20_____.

Approved this _____ day of
_____, 20_____.

**GALLOWAY RIDGE, INC.
d/b/a Galloway Ridge at Ferrington**

RESIDENT

Printed Name of Authorized Representative

ADDRESS

Witness

Signature of Authorized Representative

RESIDENT

ADDRESS

Witness



5/22/2024
GR Traditional Residence and Care Agreement 2024
FINAL.doc



GALLOWAY RIDGE

AT FEARRINGTON

Exhibit A

<u>Options and Custom Features Added at Resident's Request:</u>	<u>Cost</u>
	\$
	\$
	\$
	\$
	\$
	\$
<u>Total</u>	\$

Resident

Resident

Community