



CAROLINA BAY

AT AUTUMN HALL

Disclosure Statement

May 31, 2019

**630 Carolina Bay Drive
Wilmington, North Carolina 28403
(910) 455-0599**

Unless earlier revised, this Disclosure Statement will remain effective until October 28, 2020. Delivery of this Disclosure Statement to a contracting party prior to execution of a contract for the provision of continuing care is required by North Carolina law. This Disclosure Statement has not been reviewed or approved by any governmental agency or representative to ensure accuracy or completeness of the information set out.

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I. Introduction

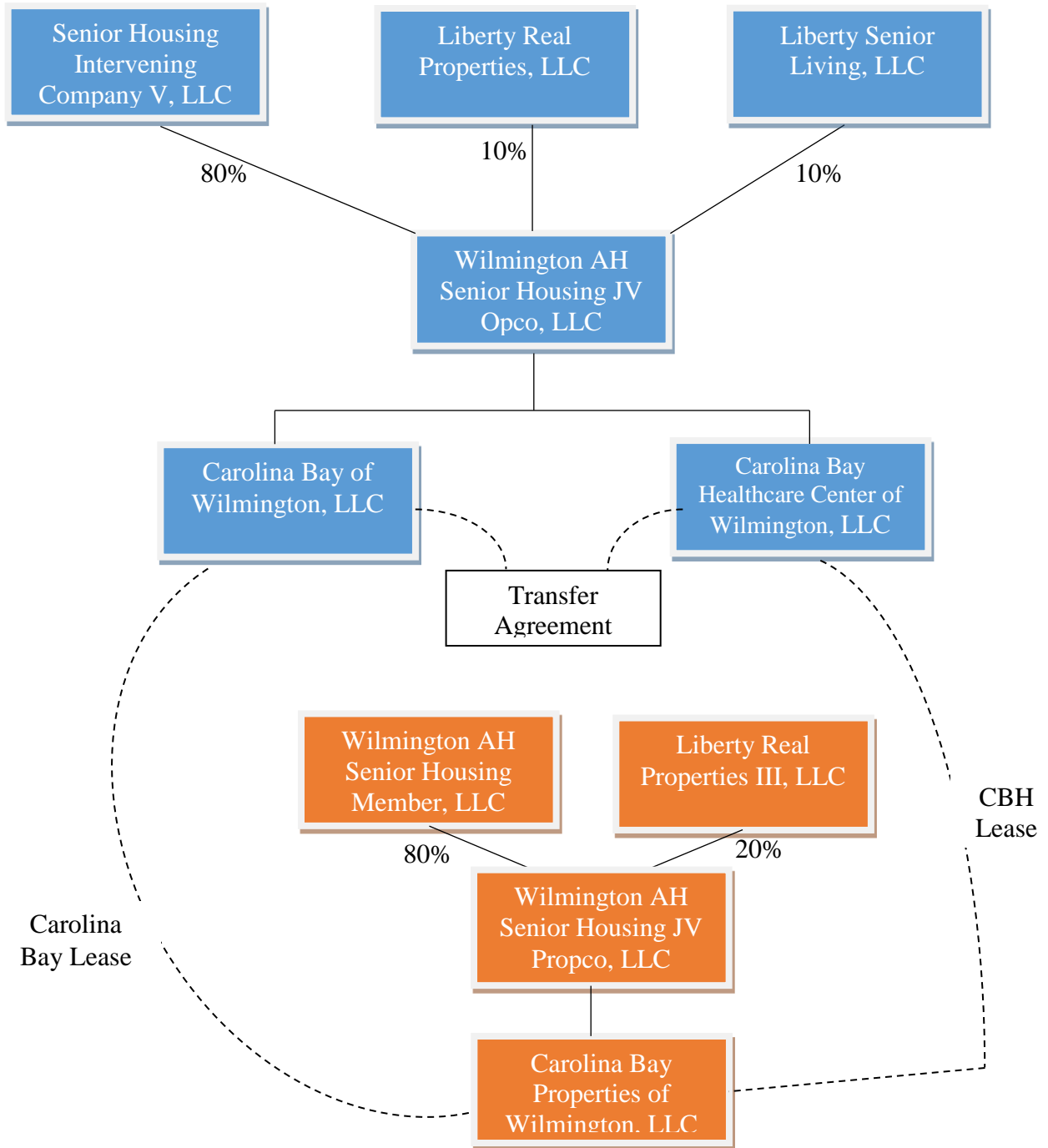
The continuing care retirement community known as Carolina Bay at Autumn Hall (the “CCRC”) offers its residents (“Residents”) one hundred twenty-three (123) independent living rental apartments (each an “Apartment”) located in an independent living facility (the “Independent Living Building”), twelve (12) independent living rental condominium units (each a “Garden Flat Unit”) arranged in a freestanding cluster (a “Garden Flat”), and the Clubhouse. In addition to these well-appointed luxury independent living residences, the CCRC encompasses these important components: a wide array of personal services, a clubhouse (the “Clubhouse”), and the security of access to an adjacent one hundred and eight (108) bed healthcare center (the “Healthcare Center”) operated by Carolina Bay Healthcare Center of Wilmington, LLC, a North Carolina for profit limited liability company (“CBH”). Carolina Bay provides healthcare to the Residents in the Healthcare Center pursuant to the Transfer Agreement (defined below) with CBH, but the Healthcare Center is not a part of the CCRC. The CCRC and the Healthcare Center share certain common areas and supporting services such as a central kitchen, housekeeping, maintenance staff and other administrative services. The CCRC is a part of Autumn Hall, a 236-acre mixed-use master planned community located near the Cape Fear Coast in Wilmington, North Carolina. The CCRC is built on an approximately 20.5-acre site within the Autumn Hall development. At the time of this filing with the NC Department of Insurance there were approximately 177 Independent Living residents under Residency and Care Agreements.

II. Organization, Ownership and Management

A. Organization of Carolina Bay.

Carolina Bay of Wilmington, LLC, (“Carolina Bay”) was organized in June 2011 to manage the CCRC and is a North Carolina for profit limited liability company. In August 2018, the members holding 100% of the membership interests in Carolina Bay contributed all of their membership interest in Carolina Bay to Wilmington AH Senior Housing JV OPKO, LLC (the “Opco”), a Delaware limited liability company. The Opco is the only entity having, directly or indirectly, a 10% or greater beneficial interest in Carolina Bay. Please see the organization chart below regarding ownership.

Organizational Chart



B. Facility Ownership.

The CCRC is located on an approximately 20.5-acre site within the Autumn Hall development (the “Site”), having an address of 630 Carolina Bay Dr., Wilmington, North Carolina. In May 2012 Carolina Bay purchased the Site and transferred ownership of the Site to Carolina Bay Properties of Wilmington, LLC, a North Carolina for profit limited liability company (“Carolina Bay Properties”), prior to the commencement of the CCRC’s construction. In August 2018 the members of Carolina Bay Properties holding 100% of the membership interests in Carolina Bay Properties contributed all of their membership interest in and real property held by Carolina Bay Properties to Wilmington AH Senior Housing JV PROPCO, LLC (the “Propco”) a Delaware limited liability company. In connection with this contribution, Kayne Anderson Capital Advisors, LP, a capital marketing company and Liberty Real Properties III, LLC, owned by the previous members of Carolina Bay Properties, made capital contributions in the Propco, resulting in membership percentage interest of 80% and 20% for Kayne Anderson Capital Advisors, LP and Liberty Real Properties III, LLC, respectively. The sole member of Carolina Bay Properties, LLC is the Propco.

Carolina Bay Properties and Carolina Bay executed a lease (the “Carolina Bay Lease”) for Carolina Bay’s use and operation of the Independent Living Building, the Clubhouse, and the associated common areas. Carolina Bay Properties and CBH executed a lease (the “CBH Lease”) for CBH’s use and operation of the Healthcare Center. The Carolina Bay Lease and the CBH Lease each have terms of 10 years and rent under each of the leases are in an amount sufficient to satisfy the debt service coverage ratio required by Carolina Bay Properties’ lender. Carolina Bay Properties was responsible for constructing, at Carolina Bay Properties sole cost and expense, all of the improvements leased pursuant to the Carolina Bay Lease and the CBH Lease.

Carolina Bay provides the Residents temporary or permanent assisted living services and skilled nursing services (“Healthcare Services”) through a healthcare services transfer agreement with CBH (the “Transfer Agreement”) in the Open Beds or Closed Beds located within the Healthcare Center. The “Closed Beds” are the twelve (12) skilled nursing beds and twenty-six (26) adult care home beds (10 private and 16 semi-private in 18 units) located within the Healthcare Center that are managed by CBH, but for which use thereof is reserved for the Residents of the CCRC. The “Open Beds” are the fifty-two (52) assisted living beds/units and eighteen (18) skilled nursing beds operated by CBH in the Healthcare Center that are available to the public. In the event that the Closed Beds are fully-occupied, the Resident will be given priority access to the available Open Beds.

C. **Management.**

Carolina Bay operates the CCRC. No other person or entity referred to herein has assumed any financial responsibility for the fulfillment of Carolina Bay's agreements or obligations, except as otherwise stated. The sole member of Carolina Bay is the Opco. The Opco is an affiliate of Kayne Anderson Capital Advisors L.P. The Manager of the Opco is Liberty Real Properties, LLC, whose principals are John A. McNeill, Jr. and Ronald B. McNeill. Bill Piper is the Executive Director of Carolina Bay. The address for principals and director is 2334 S. 41st St., Wilmington, NC 28403.

1. John A. McNeill, Jr. and Ronald B. McNeill. John A. McNeill Jr. and Ronald B. McNeill are the principals of Liberty Real Properties, LLC, Liberty Real Properties III, LLC (the Manager of the Opco), and Carolina Bay Management of Wilmington, LLC (defined below).

John A. McNeill, Jr. is a pharmacist by training and has had many years of business experience in the health care field. He has opened and operated four pharmacies and developed Medi-Care Supply Company from a relatively small operation with one location in 1975 to a multi-million dollar corporation with 16 locations when it was sold in 1986 to a Fortune 500 company.

Ronald B. McNeill is a Registered Professional Engineer with a Master's Degree in Business Administration. He brings technical, financial and health care insurance reimbursement expertise to the project. He previously served as Chief Financial Officer and Billing Manager of Medi-Care Supply Company. He contributes his substantial expertise in financial management and cost control to the efficient operation of the organization.

Together the McNeill's purchased their first nursing home in 1990, but the McNeill family's healthcare heritage dates all the way back to 1870 beginning with their great-grandfather. Over the last three decades the Liberty Healthcare Group has grown from a single nursing home to a fully integrated post-acute healthcare provider, which includes twenty-five nursing homes, three assisted living facilities, two independent living communities, five Continuing Care Retirement Communities, and a home health and hospice company with twenty-seven locations servicing various urban and rural counties in NC, SC, and VA. The McNeill family also operates a durable medical equipment company under the Liberty family as well as a retail and a long-term care pharmacy. The McNeill family comes from a tradition of service, dating back generations, and Sandy and Ronnie continue that tradition today as principals of one of the largest and most comprehensive healthcare companies in the state.

2. Kayne Anderson Capital Advisors, LP.

KAREA is the private equity real estate arm of Kayne Anderson Capital Advisors, LP, investing in niche sectors including student housing, medical office, and senior living. KAREA has raised four dedicated real estate private equity funds totaling more than \$2.6 billion in commitments. Fundraising for KAREA's fourth fund, which totals over \$1.0 billion of equity, was completed in April 2015. Over the course of the last two years, KAREA has invested in approximately 5,200 seniors housing units, making it the 27th largest owner in the seniors housing industry. Its strategy within the sector is to build-up a meaningful platform through targeted investments in healthcare – essentially pursue many deals with few partners.

The depth and diversity of KAREA's real estate development and operational expertise gives the Firm credibility in dealing with sellers, intermediaries, and operating partners. With over 40 professionals, KAREA has consistently demonstrated its ability to bring more to an opportunity than equity capital, enhancing a project's overall performance and quality by incorporating best practices and effective alternatives in the design, construction, documentation, financing, and operation of investments. This credibility and value-add, combined with a reputation for quick response, firm commitment, and timely execution, has solidified KAREA's favorable reputation and resulted in solid relationships with developers, owners, operators, financing sources and other intermediaries through which it has generated access to investment opportunities not made generally available.

3. William B. Purvis

Mr. Purvis is the President of Liberty Living Management, LLC. He manages business development as well as capital financing for the Liberty family of companies, which has a current portfolio of 25 skilled nursing facilities, five senior living communities, two continuing care retirement communities (CCRC), 27 homecare offices and 22 hospice offices as well as other healthcare and real estate related businesses.

Prior to moving to Wilmington, Mr. Purvis worked with Grandbridge Real Estate Capital, a subsidiary of BB&T. Mr. Purvis was responsible for commercial mortgage production for the Eastern, Northeast and Triangle regions of the bank's network.

Mr. Purvis received a B.S. in Business Management from North Carolina State University and a Masters of Business Administration from Wake Forest University. Mr. Purvis serves on the Senior Housing Product Council of Urban Land Institute. Mr. Purvis serves on the Board of Directors for Cape Fear Council Boy Scouts of America, New Hanover

Regional Medical Center Foundation, Wilmington Chamber of Commerce, and North Carolina Coastal Land Trust.

4. Cindy Stancil. Cindy Stancil, LNHA, is the President of Operations of Liberty Living Management, LLC. Cindy started her career in assisted living as the Administrator of Northridge Retirement Village in Raleigh, North Carolina in 1985. After four years of service, she moved to Wilmington, North Carolina, to open a new assisted living community, Liberty Commons Assisted Living. Over the past 26 years, Mrs. Stancil's responsibilities have grown from being the Administrator of an assisted living community to budgeting and training, policy and procedures development and implementation, research, design and development of Nursing Home, Independent, and Assisted Living projects. Cindy has served 16 years as a Board Member of the North Carolina Assisted Living Association as current Secretary and past President. She has worked in Task Force groups such as "The Star Rating program", the MUST pre-screening form, etc. with the Medical Care Commission, Division of Medical Assistance and Division of Health Services Regulation. Mrs. Stancil is a Licensed Assisted Living Administrator as well as a Licensed Nursing Home Administrator.
5. Bill Piper. Bill Piper serves as the Executive Director of Carolina Bay. Bill is a Dayton, Ohio native who attended Sinclair Community College. He has a sixteen year career with Liberty Health Care, serving as Marketing Director for freestanding Assisted Living then assuming the Marketing Director position at Carolina Bay and moving into the Executive Director role. Prior to joining Liberty Health Care, he was the Marketing Director for the Health Care portion of a CCRC in Ohio.

D. Related Parties. The CCRC is managed and operated by various related parties pursuant to agreements entered into between those parties and Carolina Bay as more fully described below:

1. Carolina Bay Properties of Wilmington, LLC. Carolina Bay Properties is a North Carolina for profit limited liability company formed for the purpose of developing and owning the CCRC's improvements. Carolina Bay Properties has the responsibilities as the landlord under the Carolina Bay Lease and the CBH Lease. The sole member of Carolina Bay Properties is the Propco.
2. Carolina Bay Healthcare of Wilmington, LLC. CBH is a North Carolina for profit limited liability company formed for the purpose of leasing and operating the Healthcare Center located on the Site adjacent to the CCRC. The sole member of CBH is the Opco.
3. Carolina Bay Management of Wilmington, LLC. Carolina Bay Management of Wilmington, LLC ("Carolina Bay Management") is a North

Carolina for profit limited liability company formed to serve as the master management group for the CCRC. Carolina Bay Management employs the personnel associated with the CCRC and provides services such as back office support to the CCRC through its affiliation with Liberty Healthcare Management, Inc. and provides healthcare related services to CBH through its affiliation with Liberty Long Term Care Management Services LLC. Other services Carolina Bay Management will either provide or obtain for the CCRC include food and dining services as well as property management services. The principals of Carolina Bay Management are John A. McNeill, Jr. and Ronald B McNeill.

4. Carolina Bay Healthcare Management of Wilmington, LLC. Carolina Bay Healthcare Management of Wilmington, LLC (“CBH Management”) is a North Carolina for profit limited liability company formed to serve as the master management group for CBH. CBH employs the personnel associated with CBH and provides services such as back office support to CBH through its affiliation with Liberty Healthcare Management, Inc. and provides healthcare related services to Carolina Bay through its affiliation with Liberty Long Term Care Management Services LLC. Other services CBH Management will either provide or obtain for CBH include food and dining services as well as property management services. The principals of CBH Management are John A. McNeill, Jr. and Ronald B McNeill.

E. Legal Disclaimer.

Neither the managers nor any principals of Carolina Bay, Carolina Bay Properties, CBH, Carolina Bay Management, and CBH Management: (i) have 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 involved fraud, embezzlement, fraudulent conversion, or misappropriation of property or (ii) are subject to a currently effective injunctive or restrictive court order, or within the past five years, had any state or federal license or permit suspended or revoked as a result of an action brought by any governmental agency or department, arising out of or related to business activity of health care, including actions affecting a license to operate a foster care facility, nursing home, retirement home, home for the aged, or facility subject to N.C.G.S. §58-64 or similar law in another state.

No professional service firm, association, trust, partnership, or corporation other than those stated above, in which this person has, or which has in this person, a ten percent (10%) or greater interest and which it is presently intended shall currently or in the future provide goods, leases, or services to the facility, or to residents of the facility, of an aggregate value of five hundred dollar (\$500.00) or more within any year.

F. Affiliations.

Carolina Bay is a private independent, for profit limited liability company, which is not affiliated with any religious, charitable or other affinity group.

III. Facility Description and Amenities

A. Location.

The CCRC is located within the Autumn Hall development (address already noted above). Autumn Hall is a mixed use development that includes a variety of residential choices, shops and restaurants.

B. Layout and Types of Accommodations.

Accommodations of the CCRC include (i) one hundred twenty-three (123) Apartments within the Independent Living Building with one and two bedroom floor plans that range from approximately 702 to 1,633 square feet and (ii) twelve (12) rental Garden Flat Units located within a stand-alone Garden Flat with two-bedroom floor plans that range from approximately 1,276 to 1,748 square feet each. Carolina Bay is able to accommodate up to two hundred forty-four (244) Residents, all of whom are provided services pursuant to their respective Residency and Care Agreements. Subject to the terms and conditions of the Residency and Care Agreement and the limits of CBH's license, a full continuum of healthcare services is provided in the Healthcare Center. In addition, in the event the Closed Beds are fully-occupied, Residents will be given priority access to the available Open Beds.

C. Amenities.

1. Clubhouse. The Clubhouse is a social center for residents to gather. The Clubhouse features opportunities for formal and informal dining, a corner market with all day service, wireless internet, a business center, billiards and card rooms, and a ballroom.
2. Wellness Center. The on-site wellness center provides an array of wellness programs for the Residents. Facilities and services include state-of-the-art fitness equipment, exercise classes, indoor heated pool and certain wellness education programs.
3. Access to New Hanover County Health System Facilities. Residents of Carolina Bay have access to New Hanover County Health System's facilities and services.
4. Convenience to the Autumn Hall Development. Residents at Carolina Bay have convenient access to all of the amenities of Autumn Hall, a mixed-use development of residential choices, shops and restaurants.

IV. Services

A. **Basic Services.** Subject to the terms and conditions of the Residency and Care Agreement, the following basic services (collectively “Basic Services”) are included in the Monthly Service Fee (defined below):

1. Appliances and Furnishings. The Apartments or Garden Flat Units shall include the following appliances and furnishings: blinds; flooring; appliances, including an electric range/self-cleaning oven, refrigerator/freezer with icemaker, garbage disposal, microwave, dishwasher, washer and dryer; smoke and fire detectors; an individual climate control system; an individual hot water heater; a 24-hour emergency call system and other permanent fixtures. All other appliances and furnishings are to be provided by the Resident.
2. Utilities. Included with residency in an Apartment or a Garden Flat Unit are heating, air conditioning, water, sewer, gas, electricity, basic cable television, trash removal and pest control.
3. Meals. All Residents shall be given a monthly declining balance meal plan credit (the “Declining Balance Meal Credit”) The Resident shall be entitled to dine in any of the CCRC’s dining options and charges for the food and beverages, except for alcoholic beverages, of the Resident or the food and beverages, except for alcoholic beverages, of any guest of the Resident, shall be deducted from such Declining Balance Meal Credit. Upon termination of the Residency and Care Agreement, any unused portion of the Declining Balance Meal Credit shall be forfeited. If the monthly charges of the Resident exceed the amount of the monthly Declining Balance Meal Credits, such additional charges shall be billed to the Resident on a monthly basis.
4. Maid Service. The Resident agrees to keep the Apartment or Garden Flat Unit in a clean and orderly condition. On a weekly basis, Carolina Bay will provide basic housekeeping services in the Apartment or Garden Flat Unit. Please refer to the basic cleaning schedule provided to Resident at time of move in.
5. Maintenance Services. Carolina Bay will be responsible for normal wear and tear, maintenance and replacement of the property, furnishings and equipment owned by or leased for use by Carolina Bay in the CCRC. The Resident will be responsible for any damage to such property, furnishings and equipment, including the cost of repair or replacement or the diminution in value thereof, caused by the Resident, the Resident’s guests or the Resident’s pets. The Resident will be responsible for the maintenance and repair of the Resident’s personal property.

6. Grounds Keeping. Carolina Bay will maintain and repair the CCRC's grounds, including lawns, trees and shrubbery. Personal plantings and customization of landscaped areas are subject to Carolina Bay's approval.
7. Use of CCRC Common Areas. The Residents have the non-exclusive right, along with other residents, to use the CCRC's common areas, including, but not limited to, the dining rooms, lounges, lobbies, library, social and recreational rooms and designated outdoor activity areas.
8. Use of the Wellness Center. Carolina Bay will provide health and wellness programs and services at the on-site wellness center (the "Wellness Center"), including use of fitness equipment, exercise classes, use of an indoor heated pool and certain wellness education programs. The Resident will be advised of any required fee for a wellness program before enrolling in such program.
9. Programs. Recreational, social, educational and cultural activities will be coordinated by the CCRC's staff. Some activities are subject to an additional charge.
10. Parking. Carolina Bay will provide parking areas for one personal vehicle per Resident and limited parking for the Residents' guests.
11. Transportation. Carolina Bay will provide scheduled transportation to locations routinely visited by Residents of the CCRC, such as shopping centers, medical offices and social events. Some transportation is subject to an additional charge.
12. Emergency Response System. Carolina Bay will provide, on a twenty-four (24) hour basis, an emergency call system. Response to a call shall be limited to an evaluation of the Resident's needs. If other medical response is determined necessary, the Resident is responsible for any costs associated with such other medical response, including emergency medical transportation.
13. Insurance. Carolina Bay will maintain general liability and hazard insurance on the property within the CCRC owned or leased by Carolina Bay, but will not be responsible for the Resident's personal property.

B. Optional Services. A schedule of fees for services provided at extra cost including, but not limited to, those optional services described below (collectively "Optional Services"), shall be established by Carolina Bay and shall be made available to the Resident. The Optional Services offered by Carolina Bay include the following:

1. Transportation Services. If a Resident requests transportation in addition to that provided as a Basic Service, Carolina Bay may provide such transportation provided that Carolina Bay has adequate transportation staff

available at such date and time and to destinations that Carolina Bay identifies as being within the geographic area of transportation services.

2. Food Services. If a Resident requests food services or catered services in addition to those provided as a Basic Service, Carolina Bay may provide such additional food services or catered services for an additional cost.
3. Tray Service. Residents may request that meals be delivered to the Apartment or Garden Flat Unit ("Tray Service") for a delivery charge; provided, however, that the Tray Service may not be requested for more than three (3) consecutive days except at a physician's or nurse's direction.
4. Activities. Due to their special nature, a special fee may be required for some wellness and life enrichment programs.
5. Additional Maid Service. If a Resident requests or requires housekeeping services in addition to those provided as a Basic Service, Carolina Bay may provide such services when and if staff is available to provide such services.
6. Spa Services. Spa and personal care services in the Wellness Center will be available in accordance with a published fee schedule.
7. Upgraded Television Channels. Upgraded television channels will be available to Residents living in the Apartments or Garden Flat Units in accordance with a published fee schedule.
8. Additional Parking. Additional parking, including structured under-building and other covered parking options, may be made available to the Residents at an additional monthly charge.
9. Personal Emergency Transmitter. The provision of a Personal Emergency Transmitter ("PET") which shall transmit to the CCRC Concierge Desk.

C. Healthcare.

Carolina Bay, through its arrangement with CBH set forth in the Transfer Agreement, will provide Healthcare Services to the Residents. Care in the Healthcare Center will only be provided within the limits of Carolina Bay's and CBH's license. If licensure for hospital-level care cannot be obtained, and hospital-level services are not provided within the Healthcare Center, such level of care must be obtained from a hospital. The costs related to any hospitalization are the responsibility of the Resident.

The Healthcare Center's medical director and executive director of the CCRC will determine the appropriate level of nursing care required by the Resident upon admission to the Healthcare Center. Residents who are unable to return to their Garden Flat Unit or Apartment will have the benefit of permanent care in the Healthcare Center. If the appropriate level of healthcare based upon the needs of

the Resident may not be obtained or are not provided within the Healthcare Center, such level of care must be provided by another provider of healthcare services, including, but not necessarily limited to, a hospital, and the costs of those services are the responsibility of the Resident. The Resident (i) acknowledges and agrees that Carolina Bay will not be responsible for any claims, damages or expenses resulting from injury or death suffered by the Resident which is caused by, attributable to or in any way connected with the negligence or intentional acts or omissions of the physicians, employees or agents of such any such other provider of healthcare services and (ii) releases Carolina Bay from liability for any such claims, damages or expenses.

V. Development Time Frame

Twelve (12) additional Garden Flat Units are currently under construction with a projected completion date of January 1, 2020.

Planned future phases of the CCRC include the construction of up to an additional one hundred (100) Apartments and up to an additional thirty-six (36) Garden Flat Units located within up to six (6) additional Garden Flats. The additional Garden Flats and Apartments will be constructed as dictated by demand for residency in the CCRC.

VI. The Continuing Care Concept

Carolina Bay's continuing care concept ensures a Resident, so long as the Resident is in compliance with the Residency and Care Agreement lifetime residence in an Apartment or Garden Flat Unit, a wide array of personal services and long-term nursing care in the Healthcare Center if the Resident can no longer live independently. Nothing contained in the Residency and Care Agreement shall be construed or is intended to require that Carolina Bay care for the Resident for life, nor shall the Residency and Care Agreement be construed as a life-care contract.

VII. The Residency and Care Agreement

To reside in an Apartment or Garden Flat Unit, the prospective Resident and Carolina Bay will enter into a Residency and Care Agreement. A copy of the Residency and Care Agreement applicable to the Apartments and Garden Flat Units is attached hereto as Exhibit E with use the CCRC's common facilities, the Basic Services described above and healthcare in the Healthcare Center when the Resident is no longer capable of independent living. To the extent the terms of the Residency and Care Agreement differ from the summary contained in this Disclosure Statement, the terms of the Residency and Care Agreement shall control. The basic terms and conditions contained in the Residency Agreement are summarized as follows:

- A. Term.** The initial term of the Residency and Care Agreement shall be for thirteen (13) months beginning on the Occupancy Date. After the initial term, the Residency and Care Agreement will automatically renew for additional thirteen (13) months periods, unless terminated as set forth in the Residency and Care Agreement applicable to the Apartments or Garden Flat Units.

B. Eligibility Requirements. Eligibility for residency in the CCRC is conditioned upon, among other things more particularly described in the Residency and Care Agreement, the following:

1. Age Criteria. The requirements for admission into the CCRC are nondiscriminatory except as to age. Admission is restricted to persons sixty two (62) years of age or older with the exception of a younger second occupant. An underage second occupant may be approved for residency in the CCRC in Carolina Bay's sole discretion but must, at a minimum, be fifty (50) years of age and meet the other requirements for residency. Carolina Bay reserves the right to limit the number of Residents under the age of sixty two (62) that will live in the CCRC.
2. Health Criteria. Prospective Residents must be capable of living independently and must satisfy the then current independent living criteria, as published by Carolina Bay, which criteria may be amended from time to time in Carolina Bay's sole discretion. The Resident shall provide to Carolina Bay a preliminary health screen completed by the Resident's primary physician and certifying that the Resident meets the independent living criteria within fifteen (15) days after executing the Residency and Care Agreement.
3. Financial Condition. Carolina Bay must be satisfied that the Resident has the financial income and assets to pay the Monthly Service Fee , extra meal charges, charges for additional services, personal living expenses, and the future adjustments of these charges during the term of the Residency and Care Agreement. Immediately prior to occupying the Apartment or Garden Flat Unit (such date of occupancy being the "Occupancy Date") the Resident will affirm to Carolina Bay that Resident's personal financial situation does not differ materially and adversely from the financial situation presented in the application forms originally submitted to Carolina Bay. If the Resident's then personal financial situation differs materially and adversely from the Resident's prior financial situation, Carolina Bay may terminate the Residency and Care Agreement. After the Occupancy Date, Carolina Bay may require updated financial information. In the case of two Residents occupying an Apartment, and in the event of the death of one of the occupants, the surviving Resident will be required to submit an update of the original Application Forms within thirty (30) days after Carolina Bay's request for the same.

C. Non-Binding Preferred Future Resident Agreement. A prospective resident may execute a Priority Partner/Non-Binding Preferred Future Resident Agreement (the "Preferred Future Resident Agreement") with Carolina Bay to be placed on the waiting list for an Apartment or Garden Flat.

D. Apartment Selection Agreement. Once approved for residency by Carolina Bay the Resident will select an Apartment or Garden Flat Unit. At the time of selecting

an Apartment or Garden Flat Unit, the Resident shall execute an Apartment Selection Agreement (the “Apartment Selection Agreement”).

- E. Residency and Care Agreement.** Within seven (7) days of executing an Apartment Selection Agreement, the Resident shall execute a Residency and Care Agreement.
- F. Changes to Apartment.** Any structural or physical change or redecoration and remodeling of any kind within or outside the Apartment or Garden Flat Unit may only be made by the Resident only with the prior written consent of Carolina Bay, which shall be granted at Carolina Bay’s sole discretion, and at the sole expense of the Resident. All such improvements or changes shall be the property of Carolina Bay. Upon vacating the Apartment or Garden Flat Unit, the Resident, or the Resident’s estate, shall be responsible for the costs of returning the Apartment or Garden Flat Unit to the condition that existed prior to the Resident taking possession of the Apartment or Garden Flat Unit.
- G. Changes in Condition Prior to Occupancy.** If after the execution of a Residency and Care Agreement and prior to the Occupancy Date, the Resident’s health or mental condition is such that, in the sole discretion of Carolina Bay, such Resident no longer meets the qualifications to live independently in the CCRC, and the Residency and Care Agreement is not otherwise terminated, the Resident may be transferred directly to the Healthcare Center. All fees and other charges due must be paid prior to any direct transfer. In the event there is more than one Resident occupying an Apartment or Garden Flat Unit, and one Resident is transferred directly to the Healthcare Center, the other Resident shall continue to be obligated under the Residency and Care Agreement and pay the required Monthly Service Fee applicable to a single Resident.
- H. Fees.** Residents shall be required to pay the Monthly Service Fee and other fees as set forth in the Residency and Care Agreement. Fees payable by the Residents are described in more detail in Section IX below.
- I. Permitted Occupants.** The Resident(s) named in the Residency and Care Agreement and no other person shall reside in or occupy the Apartment or Garden Flat Unit, except with the express prior written approval of Carolina Bay. If a second occupant who is not a party to the Residency and Care Agreement is accepted for residency in the CCRC after the date of the Residency and Care Agreement, such acceptance shall be subject to the approval of Carolina Bay and adherence to policies then governing all other admissions and such second resident shall enter into a Residency and Care Agreement. If the second occupant does not meet the requirements for residency, or does not execute a Residency and Care Agreement, he or she shall not be permitted to occupy the Apartment.
- J. Transfers.** Should the Resident desire to transfer to another Apartment, the Resident must notify Carolina Bay in writing. Following receipt of this request, and subject to availability, Carolina Bay may grant the Resident an option to move to

the next available Apartment of the size requested. Upon transfer to a new residence, the Monthly Service Fee for the month in which the move takes place shall be prorated to reflect the percentage of the month that the Resident spends in each type of residence. With all transfers, there will be an up-fitting charge of up to \$3,500 for the vacated residence. The Resident will move all furnishings and belongings to the new residence within ten (10) days of the established occupancy date for the new residence. Any moving expense will be the responsibility of the Resident.

- K. Death or Transfer of One Resident.** If one of the Residents named in the Residency and Care Agreement dies, moves out or is permanently transferred to the Healthcare Center or any other nursing center, the remaining Resident will continue to be bound by the terms of the Residency and Care Agreement except that the Monthly Service Fee will be reduced to the single occupancy rate then in effect.
- L. Smoking Policy.** The CCRC is smoke-free. No smoking is permitted in the Apartments (to include balconies), Garden Flat Units or any other building or location in or on the CCRC's premises, except in designated smoking areas. The Resident agrees to abide by the CCRC's Rules and Regulations concerning smoking.
- M. Pets.** Subject to the prior written consent of Carolina Bay, which such consent shall be at the sole and absolute discretion of Carolina Bay, pets may be permitted in the Apartment. Pets must be on a leash at all times while not in a Resident's Apartment or Garden Flat Unit. Pets must be healthy, have current shots and rabies immunization, and be free of fleas and other parasites. A Resident is responsible for any costs expended by Carolina Bay for the failure of such Resident to adhere to the CCRC's pet policy, including, but not limited to, the cost of disinfection, cleaning and fumigation. Pets are prohibited in the interior portions of the CCRC's common areas. The Resident understands and agrees that the pet must be removed from the Apartment or Garden Flat Unit, upon fourteen (14) days' prior written notice from Carolina Bay, if the pet becomes a nuisance to other Residents of the CCRC, as determined by Carolina Bay in its sole and absolute discretion. The Resident agrees that if the Resident has been approved to have a pet living in the Apartment or Garden Flat Unit, and elects to do so, the Resident shall pay a non-refundable pet fee in the amount posted at the time the pet is registered. All Residents must execute the Carolina Bay Pet Policy.
- N. Health Insurance.** Prior to the Occupancy Date, the Resident shall provide evidence of health insurance coverage to Carolina Bay at a level reasonably satisfactory to Carolina Bay.
- O. Termination.**

 - 1. Termination by Resident. Upon the termination of the Residency and Care Agreement, the Resident shall have no further right to reside in the CCRC.

The Residency and Care Agreement may be terminated or cancelled by the Resident under the following terms and conditions:

- (a) Rescission During First Thirty (30) Days. The Resident may terminate the Residency and Care Agreement for any reason within thirty (30) days following the later of the execution of the Residency and Care Agreement or receipt by the Resident of the Carolina Bay at Autumn Hall Disclosure Statement (the “Rescission Period”), and the Resident is not required to move into the facility before expiration of the Rescission Period. The Resident’s termination of the Residency and Care Agreement during the Rescission Period is without penalty, and all payments made by the Resident before such termination, less a service charge of one-thousand (\$1,000.00) dollars and less any charges specifically incurred by us at the Resident’s request and set forth in the Residency and Care Agreement or in writing in a separate addendum to the Residency and Care Agreement signed by the Resident and Carolina Bay. Any refund shall be paid within sixty (60) days after Carolina Bay receives written notice of the Resident’s election to terminate the Residency and Care Agreement.
- (b) Termination After Rescission Period but Prior to the Occupancy Date. For Residents electing to reside in an Apartment or Garden Flat Unit, the Resident may terminate the Residency and Care Agreement for any reason after the Rescission Period but prior to occupying the Apartment or Garden Flat Unit upon thirty (30) days’ prior written notice to Carolina Bay. In the event of such termination, the Resident shall be entitled to a refund of all monies paid to Carolina Bay, except, as the case may be, the Community Fee, the Selection Fee, and any costs or other charges that the Resident and Carolina Bay agree in advance are non-refundable.
- (c) General Termination Right. The Resident may terminate the Residency and Care Agreement at any time for any reason by giving the Carolina Bay thirty (30) days’ written notice signed by the Resident (or both of them if there are two Residents). In the event of such termination by a Resident for reasons other than those permitted in the Residency and Care Agreement, the Resident shall pay Carolina Bay for all Optional Services rendered by Carolina Bay to the Resident through the date of termination and shall continue to be liable for the Monthly Service Fee until the date that all of the Resident’s personal belongings are removed from the Apartment or Garden Flat Unit. In addition, the Resident shall be responsible for payment of liquidated damage of one month’s rental charge, calculated at the existing market rate.

2. Termination by Death or Serious Illness Prior to the Occupancy Date. If prior to the Occupancy Date, the Resident dies or is precluded from living in the CCRC under the terms of the Residency and Care Agreement as a result of serious illness, injury, non-qualification or incapacity, the Residency and Care Agreement will automatically terminate. In the event the Residency and Care Agreement is terminated provided for in the Residency and Care Agreement, the Resident or the Resident's estate shall be entitled to a refund of any amounts paid to Carolina Bay, except, as the case may be, a service charge of one-thousand (\$1,000.00) dollars and for costs or other charges that the Resident and Carolina Bay agree in advance are non-refundable. Such refund shall be paid by Carolina Bay within sixty (60) days after the Residency and Care Agreement is terminated pursuant to the applicable subsection of the Residency and Care Agreement. The foregoing notwithstanding, if there is more than one Resident, the Residency and Care Agreement will continue to be binding on the surviving or eligible Resident unless and until the Residency and Care Agreement is terminated as to or by the surviving Resident as provided for herein.
3. Termination by Death or Serious Illness After the Occupancy Date. If the Resident dies after the Occupancy Date or the Resident is precluded from living in the CCRC under the terms of the Residency and Care Agreement as a result of serious illness, injury, or incapacity and the serious illness, injury or incapacity that is not otherwise addressed by the Residency and Care Agreement, the Residency and Care Agreement shall terminate. In such event, the Resident or the estate of the Resident shall pay for any Optional Services rendered to the Resident through the date of termination and shall continue to be liable for the Monthly Service Fee until the date that all of the Resident's personal belongings are removed from the Apartment or rented Garden Flat Unit and (i) the re-occupancy of the Apartment or Garden Flat Unit and the Apartment or Garden Flat Unit can be made ready for re-occupancy. The foregoing notwithstanding, if there is more than one Resident, the Residency and Care Agreement will continue to be binding on the surviving Resident until the Residency and Care Agreement is terminated as to or by the surviving Resident as provided for therein.
4. Termination by Carolina Bay Prior to the Occupancy Date. If, in Carolina Bay's sole discretion, the Resident does not satisfy the criteria for occupancy in the CCRC, the Residency and Care Agreement shall terminate upon Carolina Bay's notification to the Resident of non-approval. In such event, all amounts paid to Carolina Bay shall be refunded to the Resident within sixty (60) days after Carolina Bay provides the Resident notice of non-approval.
5. Termination by Carolina Bay after the Occupancy Date. Carolina Bay may terminate the Residency and Care Agreement upon thirty (30) days' written notice to the Resident in the event of the following:

- (a) The Resident fails to make payments to Carolina Bay of any amounts when due and such failure is not cured within fifteen (15) days after notice is given to the Resident;
 - (b) The Resident fails to comply with any term of the Residency and Care Agreement not involving the payment of money or any provisions of the Rules and Regulations and the Resident fails to cure such non-compliance within seven (7) days after written notice from Carolina Bay; or
 - (c) The Resident, or the Resident's authorized representative makes a material misrepresentation or omission in the information provided to Carolina Bay for its consideration of the Resident for residency in the CCRC.
6. Immediate Termination. If Carolina Bay determines in its sole and absolute discretion that a Resident's behavior interferes with or threatens to interfere with the safety of the Resident or of other Residents, visitors and/or staff of the CCRC, or if the Resident's behavior is a detriment to other residents, visitors, and/or staff of the CCRC, Carolina Bay may immediately terminate the Residency and Care Agreement and the Resident shall promptly vacate the Apartment. In such event, the Resident shall pay Carolina Bay for all Optional Services rendered by Carolina Bay through the date of termination and shall continue to be liable for the Monthly Service Fee until all of the Resident's personal belongings are removed from the Apartment.
7. Effect of Termination by Carolina Bay after the Occupancy Date. In the event Carolina Bay terminates the Residency and Care Agreement after the Occupancy Date pursuant to Subsection 5 or 6 above, the Resident shall promptly vacate the Apartment or Garden Flat Unit, but shall pay Carolina Bay for all Optional Services rendered by Carolina Bay through the date of termination and shall continue to be liable for the Monthly Service Fee until the date that all of the Resident's personal belongings are removed from the Apartment or Garden Flat Unit.

VIII. Fees.

The following are a list of the initial fees expected to be charged to the prospective residents and the Residents of the CCRC:

- A. Preferred Future Resident Fee.** At the time the Preferred Future Resident Agreement is executed, the prospective resident shall submit to Carolina Bay a payment of \$1,000 (the "Preferred Future Resident Deposit"). The Preferred Future Resident Deposit is fully refundable should the prospective resident choose not to proceed with the reservation process and not enter into a Residency and Care Agreement for any reason. The Preferred Future Resident Deposit will be fully

applied toward the Selection Fee should the prospective resident proceed with the reservation process and execute a Residency and Care Agreement.

- B. Selection Fee.** At the time the Apartment Selection Agreement is executed, the Resident shall submit to Carolina Bay a fee equal to the Monthly Service Fee (the “Selection Fee”). If the Resident entered into a Preferred Future Resident Agreement with Carolina Bay any amounts deposited with Carolina Bay pursuant to such agreement shall be credited against the Selection Fee. The Selection Fee will be fully applied toward the first month’s Monthly Service Fee.
- C. Community Fee.** At the time the Apartment Selection Agreement is executed, Carolina Bay shall charge a nonrefundable (except as outlined in the Residency and Care Agreement) Community Fee (the “Community Fee”) equal to onemonth’s Monthly Service Fee due when a Resident submits the Apartment Selection Agreement. The Community Fee is a one (1) time fee which entitles the Resident to priority access to all services and amenities of Carolina Bay. The Community Fee will not be charged to Residents upon any renewal of the Residency and Care Agreement.
- D. Security Deposit.** At the time the Residency and Care Agreement is executed, the Resident shall make a Security Deposit payment to Carolina Bay equal to the Monthly Service Fee payment, which will be held in escrow with a state-chartered or federally-insured chartered bank (the “Security Deposit Fee” or “Security Deposit”) until such time as the conditions of the release of Security Deposit Fees from the escrow account in accordance with North Carolina General Statutes Chapter 58-64-35 have been achieved (the “Escrow Release”). Once Escrow Release has been achieved, the Security Deposit Fees shall be deposited into a designated trust account. If the Resident has complied with all terms of the Residency and Care Agreement and returns the Apartment or Garden Flat Unit in the same or materially similar condition as when Resident moved into the Apartment or Garden Flat Unit, Carolina Bay will return the Security Deposit to Resident within sixty (60) days after the Resident’s move-out date. The Security Deposit shall be credited to the Resident as the last Monthly Service Fee payment in the event of the Resident’s death. In the event that the Resident breaches or otherwise violates the Agreement before the end of the last month of occupancy by the Resident, then the Security Deposit Fee shall be forfeited to Carolina Bay. The Resident is additionally responsible for any expense incurred by Carolina Bay resulting from damages to the Apartment no covered by the Security Deposit Fee.
- E. Refund of Fees.** If the Resident cancels during the Rescission Period, the Selection Fee, Community Fee, and Security Deposit (and any fees paid by Resident) in accordance with the Residency and Care Agreement will be refunded to the Resident, without interest, less a service charge of one-thousand (\$1,000.00) dollars and less any charges specifically incurred by Carolina Bay at Resident’s request and set forth in writing. Any refund shall be paid within sixty (60) days after Carolina Bay’s receipt of the Resident’s written notice of rescission. The Selection Fee and the Community Fee become non-refundable after the Rescission Period.

The Security Deposit Fee is refundable and will be returned to the Resident within sixty (60) days after the Resident's move-out date if the Resident has complied with all terms of the Residency and Care Agreement and returns the Apartment in the same or materially similar condition as when Resident moved into the Apartment. If the Resident breaches or otherwise violates the Residency and Care Agreement before the end of the last month of occupancy by the Resident, then the Security Deposit Fee shall be forfeited to Carolina Bay.

- F. Monthly Service Fee.** Throughout the term, Residents shall pay to Carolina Bay a monthly service fee (the "Monthly Service Fee") for the Basic Services set forth above. The Monthly Service Fee varies according to the size of the Apartment or Garden Flat Unit and the number of Residents residing therein. The Resident's Monthly Service Fee shall be documented and acknowledged in writing by the Resident upon execution of the Residency and Care Agreement.
- G. Adjustments to Monthly Service Fees.** Carolina Bay reserves the right to change the amount of the Monthly Service Fee upon sixty (60) days' written notice prior to any renewal of the Residency and Care Agreement. Adjustments to the Monthly Service Fee will be made as reasonably necessary according to the economic requirements and conditions of the CCRC and the level and quality of services provided to the Residents of the CCRC and consistent with operating on a sound financial basis.
- H. Fees for Optional Services.** The Resident shall receive a monthly statement from Carolina Bay showing the total amount of fees and other charges owed by the Resident, which shall be paid by the fifth (5th) day of each month. A list of fees for recurring Optional Services the Resident has elected to purchase shall be documented and acknowledged in writing by the Resident upon execution of the Residency and Care Agreement.
- I. Healthcare Center Fees and Charges.** The Healthcare Center will consist of accommodations, equipment and staffing necessary for assisted living, skilled nursing care and memory care services on a temporary or permanent basis. CBH shall establish and publish per diem rates for accommodations and services at the Healthcare Center. Each calendar year, the Resident shall receive a ten percent (10%) discount on fees the Resident accrues during its first thirty (30) days of residency in the Healthcare Center (each day being a "Discounted Fee Day"). The Resident may not carry any unused Discounted Fee Days over to the following calendar year. Fees for residency in the Healthcare Center shall otherwise be payable in accordance with the Residency and Care Agreement and in accordance with the then published Healthcare Center per diem charge.
- J. Late Charges.** Carolina Bay will charge a one percent (1%) late payment charge per month on any Monthly Fees and extra charges that have not been paid within five (5) days after their due date.

IX. Financial Information

- A. **Audited Financial Statements.** Audited combined financial statements of Carolina Bay, Carolina Bay Healthcare, and Carolina Bay Properties as of and for the year ended December 31, 2018 are included as Exhibit A.
- B. **Actual versus Projected Results.** A narrative of material differences between the previously projected financial statements and actual results of operations for the year ended December 31, 2018 for Carolina Bay are included in Exhibit B.
- C. **Interim Financial Statements.** Interim financial statements for the three-month period ended March 31, 2019 for Carolina Bay are included as Exhibit C.
- D. **Five-Year Prospective Financial Statements.** Financial projections for each of the five years ending December 31, 2023 for Carolina Bay as compiled by an independent public accountant are included as Exhibit D.
- E. **Financing.** Carolina Bay Properties' original construction was financed through an initial bank loan in the amount of Forty-Three Million Eight Hundred and Eight Thousand and No/100 Dollars (\$43,808,000.00). In August 2018 this debt was restructured by a note payable of Fifty-One Million Nine Hundred and Fifty Thousand and No/100 Dollars (\$51,950,000.00) with an interest rate cap agreement for the same notional amount.
- F. **Reserves, Escrow and Trusts.** North Carolina law requires continuing care retirement communities such as the CCRC to maintain operating reserves equal to fifty percent (50%) of the total operating costs in a given year, or twenty-five percent (25%) of such total operating costs if occupancy as of a certain date exceeds ninety percent (90%) of the CCRC's capacity (such reserve amount is referred to herein as the "Statutory Reserve"). This law provides security to the Residents that the CCRC will be able to meet its contractual obligations to provide continuing care. The CCRC's Statutory Reserve will be maintained through an irrevocable standby letter of credit issued by First Citizen's Bank or other financial institution approved by the North Carolina Department of Insurance (the "Letter of Credit"). The Letter of Credit will name Carolina Bay as the beneficiary and be in an amount sufficient to satisfy the Statutory Reserve requirement. Carolina Bay's Statutory Reserve requirement at December 31, 2018 was \$2,506,000 based on occupancy of greater than 90%. The Letter of Credit at December 31, 2018 was \$2,643,000 with an expiry date of November 2019.

X. Other Material Information

- A. None

EXHIBIT A
AUDITED FINANCIAL STATEMENTS
[ATTACHED]

Carolina Bay of Wilmington, LLC
Statements of Operations and Changes in Members' Equity
For the Year Ended December 31, 2018

NOTE: On August 30, 2018 the members of Carolina Bay of Wilmington, LLC entered into a joint venture with a capital marketing company. As a result, audits were performed from January 1 - August 29, 2018 (pre-joint venture) and August 30 - December 31, 2018 (post-joint venture). The financial statements below combine the activity of both these periods to present 12 months of activity in 2018.

	January 1, 2018	August 30, 2018	Reclassifications to Original Audited	
	<u>August 29, 2018</u>	<u>December 31, 2018</u>	<u>Balances</u>	<u>Total</u>
Revenue:				
Resident revenue	\$ 6,458,848	\$ 3,540,992		\$ 9,999,840
Rent revenue	10,334	-		10,334
Service fees	910	-		910
Total operating revenue	6,470,092	3,540,992	-	10,011,084
Expense:				
Nursing	579,715	279,674		859,389
Resident/patient services	201,518	113,590		315,108
Ancillary services	15,354	7,996		23,350
Dietary	152,017	633,934		785,951
Laundry	19,475	30,781		50,256
Housekeeping	39,971	97,568		137,539
Plant, operations, and maintenance	2,057,074	1,105,408		3,162,482
Medical supplies	111,692	75,200		186,892
General and administrative	2,611,199	478,815		3,090,014
Management fees	455,157	186,298		641,455
Depreciation and amortization	20,745	41		20,786
Repairs and maintenance	177,698	244,664		422,362
Other expense	-	85,777		85,777
Total operating expenses	6,441,615	3,339,746	-	9,781,361
Net income/(loss)	28,477	201,246	-	229,723
Members' equity/(deficit), beginning of year	(3,158,568)	733,553		(3,158,568)
Members' contributions	5,400,000	-		5,400,000
Members' distributions	(1,536,356)	(733,553)		(2,269,909)
Members' equity/(deficit), end of year	\$ 733,553	\$ 201,246	\$ -	\$ 201,246

Carolina Bay of Wilmington, LLC
Statements of Cash Flows
For the Year Ended December 31, 2018

NOTE: On August 30, 2018 the members of Carolina Bay of Wilmington, LLC entered into a joint venture with a capital marketing company. As a result, audits were performed from January 1 - August 29, 2018 (pre-joint venture) and August 30 - December 31, 2018 (post-joint venture). The financial statements below combine the activity of both these periods to present 12 months of activity in 2018.

	January 1, 2018	August 30, 2018	Reclassifications to Original Audited	
	<u>August 29, 2018</u>	<u>December 31, 2018</u>	<u>Balances</u>	<u>Total</u>
Cash flows from operating activities:				
Net income/(loss)	\$ 28,477	\$ 201,246		\$ 229,723
Adjustments to reconcile income/(loss) to net cash provided by operating activities:				
Depreciation	13,845	41		13,886
Change in current assets and liabilities, net				-
Investments	153	-		153
Resident accounts receivable, net	(24,814)	(244,506)		(269,320)
Prepaid expenses	(220,130)	(158,505)		(378,635)
Accounts receivable - related parties	270,400	(242,423)		27,977
Accounts receivable - Carolina Bay	6,266,178	(170,803)		6,095,375
Trade accounts payable	(22,214)	50,632		28,418
Unearned revenue	(19,954)	11,937		(8,017)
Accrued expenses and other payables	54,353	463,403		517,756
Accounts payable - related parties	(4,246,256)	402,238		(3,844,018)
Accounts payable - Carolina Bay	(6,321,375)	700,989		(5,620,386)
Combined change in current assets and liabilities			(90,681)	(90,681)
Net cash provided by (used in) operating activities	(4,221,337)	1,014,249	(90,681)	(3,297,769)
Cash flows from investing activities:				
Purchases of property and equipment	-	(814)		(814)
Net cash provided by (used in) investing activities	-	(814)	-	(814)
Cash flows from financing activities:				
Distributions to officers/members	(1,536,356)	-	(733,553)	(2,269,909)
Contributions from officers/members	5,400,000	-		5,400,000
Net cash provided by (used in) financing activities	3,863,644	-	(733,553)	3,130,091
Change in cash and cash equivalents	(357,693)	1,013,435	(824,234)	(168,492)
Cash and cash equivalents, beginning of year	1,938,390	756,463	824,234	1,938,390
Cash and cash equivalents, end of year	\$ 1,580,697	\$ 1,769,898	\$ -	\$ 1,769,898

Reconciliation of cash and restricted cash to the combining balance sheet:

Cash per combining balance sheet	\$ 86,536	\$ 992,358
Cash - restricted per combining balance sheet	1,494,161	777,540
	<u>\$ 1,580,697</u>	<u>\$ 1,769,898</u>

Carolina Bay of Wilmington, LLC
Balance Sheets
December 31, 2018

Assets	<u>Balance @</u>			
	<u>12/31/2017</u>	<u>August 29, 2018</u>	<u>December 31, 2018</u>	
Current assets:				
Cash	\$ 576,074	\$ 86,536	\$ 992,358	
Cash - restricted	1,362,316	1,494,161	777,540	
Investments	100,282	100,129	-	
Resident accounts receivable, net	26,468	51,282	244,506	
Accounts receivable - Carolina Bay	6,660,185	318,586	639,901	
Prepaid expenses	37,463	257,593	158,505	
Total Current Assets	<u>8,762,788</u>	<u>2,308,287</u>	<u>2,812,810</u>	
Property and equipment, net	<u>109,575</u>	<u>95,730</u>	<u>773</u>	
Non-current assets:				
Accounts receivable - related parties	195,299	320	242,423	
Total non-current assets	<u>195,299</u>	<u>320</u>	<u>242,423</u>	
Total assets	<u>\$ 9,067,662</u>	<u>\$ 2,404,337</u>	<u>\$ 3,056,006</u>	
Liabilities and Members' Assets/(Deficits)				
Current liabilities:				
Trade accounts payable	\$ 60,281	\$ 38,067	\$ 50,632	
Unearned revenue	27,098	7,144	11,937	
Accrued expenses and other payables	1,104,838	1,159,191	1,282,548	
Accounts payable - Carolina Bay	6,947,392	406,417	1,107,405	
Total current liabilities	<u>8,139,609</u>	<u>1,610,819</u>	<u>2,452,522</u>	
Non-current liabilities:				
Accounts payable - related parties	4,086,621	59,965	402,238	
Total non-current liabilities and deferred revenue	<u>4,086,621</u>	<u>59,965</u>	<u>402,238</u>	
Total liabilities	<u>12,226,230</u>	<u>1,670,784</u>	<u>2,854,760</u>	
Members' equity/(deficit)	<u>(3,158,568)</u>	<u>733,553</u>	<u>201,246</u>	
Total liabilities and members' equity/(deficit)	<u>\$ 9,067,662</u>	<u>\$ 2,404,337</u>	<u>\$ 3,056,006</u>	

- - -

CAROLINA BAY AT AUTUMN HALL

COMBINED FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES

As of and for the Period Ended August 29, 2018

And Report of Independent Auditor

CAROLINA BAY AT AUTUMN HALL

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Report of Independent Auditor

To the Members of Carolina Bay at Autumn Hall
Wilmington, North Carolina

We have audited the accompanying combined financial statements of Carolina Bay at Autumn Hall, a group of entities under common control (collectively "Carolina Bay"), which comprise the combined balance sheet as of August 29, 2018, and the related combined statements of operations and changes in members' equity and cash flows for the period January 1, 2018 through August 29, 2018, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Carolina Bay as of August 29, 2018 and the results of its operations and its cash flows for the period January 1, 2018 through August 29, 2018 in conformity with accounting principles generally accepted in the United States of America.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplemental schedules are presented for the purpose of additional analysis and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the combined financial statements taken as a whole.

Cherry Bekaert LLP

Charlotte, North Carolina
June 12, 2019

CAROLINA BAY AT AUTUMN HALL
COMBINED BALANCE SHEET

AUGUST 29, 2018

ASSETS

Current Assets:

Cash	\$ 2,093,011
Cash - restricted	1,494,161
Investments	100,129
Resident accounts receivable, net	401,139
Accounts receivable - other	99,499
Inventories	8,589
Prepaid expenses	47,034
Total Current Assets	<u>4,243,562</u>

Property and equipment, net 57,133,814

Noncurrent Assets:

Intangible asset	84,397
Accounts receivable - related parties	67,948
Total Noncurrent Assets	<u>152,345</u>

Total Assets \$ 61,529,721

LIABILITIES AND MEMBERS' EQUITY

Current Liabilities:

Current portion of long-term debt	\$ 3,452,843
Trade accounts payable	38,457
Unearned revenue	28,078
Accrued expenses and other payables	1,772,835
Total Current Liabilities	<u>5,292,213</u>

Noncurrent Liabilities:

Accounts payable - related parties	213,994
Long-term debt, net of current portion	41,328,595
Total Noncurrent Liabilities	<u>41,542,589</u>
Total Liabilities	46,834,802

Members' Equity 14,694,919

Total Liabilities and Members' Equity \$ 61,529,721

CAROLINA BAY AT AUTUMN HALL

COMBINED STATEMENT OF OPERATIONS AND CHANGES IN MEMBERS' EQUITY

PERIOD ENDED AUGUST 29, 2018

Revenue:	
Resident revenue	\$ 10,353,796
Rent revenue	10,334
Service fees	910
Total Revenue	<u>10,365,040</u>
Expenses:	
Nursing	1,740,032
Resident/patient services	589,721
Ancillary services	45,419
Dietary	472,105
Laundry	54,146
Housekeeping	122,572
Plant, operations, and maintenance	17,343
Medical supplies	320,141
General and administrative	2,961,034
Management fees	727,185
Interest expense	1,210,812
Depreciation and amortization	1,257,821
Repairs and maintenance	324,441
Total Expenses	<u>9,842,772</u>
Net income	522,268
Members' equity, beginning of period	9,008,851
Distributions	(5,048,500)
Contributions	10,212,300
Members' equity, end of period	<u>\$ 14,694,919</u>

The accompanying notes to the combined financial statements are an integral part of this statement.

CAROLINA BAY AT AUTUMN HALL
COMBINED STATEMENT OF CASH FLOWS

PERIOD ENDED AUGUST 29, 2018

Cash flows from operating activities:

Net income	\$ 522,268
Adjustments to reconcile net income to net cash flows from operating activities:	
Depreciation and amortization	1,257,821
Intercompany transfer of property	44,395
Investments	153
Resident accounts receivable, net	(21,547)
Accounts receivable - other	(99,499)
Prepaid expenses	10,981
Accounts receivable - related parties	635,223
Other assets	(250)
Trade accounts payable	(73,241)
Unearned revenue	(30,687)
Accrued expenses and other payables	(40,717)
Accounts payable - related parties	(7,531,327)
Net cash flows from operating activities	<u>(5,326,427)</u>

Cash flows from investing activities:

Purchases of property and equipment	(77,036)
Proceeds from sale of property and equipment	1,655,404
Net cash flows from investing activities	<u>1,578,368</u>

Cash flows from financing activities:

Principal payments on long-term debt	(1,417,986)
Amortization of debt issuance costs	32,207
Distributions to officers/members	(5,048,500)
Contributions from officers/members	10,212,300
Net cash flows from financing activities	<u>3,778,021</u>

Net change in cash and restricted cash	29,962
Cash and restricted cash, beginning of period	3,557,210
Cash and restricted cash, end of period	<u>\$ 3,587,172</u>

Supplemental disclosure of cash flow information:

Cash paid during the period for interest	<u>\$ 1,171,488</u>
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Reconciliation of cash and restricted cash to the combined balance sheet:

Cash per combined balance sheet	\$ 2,093,011
Cash - restricted per combined balance sheet	1,494,161
	<u>\$ 3,587,172</u>

CAROLINA BAY AT AUTUMN HALL

NOTES TO THE COMBINED FINANCIAL STATEMENTS

AUGUST 29, 2018

Note 1—Nature of operations

Nature of Operations – Carolina Bay at Autumn Hall (the “Company”) is an economic entity comprised of three individual companies listed below. The Company provides senior living services in Wilmington, North Carolina. Services include providing and maintaining an independent living retirement community, assisted living services, skilled nursing care, and supporting services. The Company opened to residents in November 2015.

Carolina Bay of Wilmington, LLC (“Carolina Bay Wilmington”) is a North Carolina for-profit limited liability company formed for the purpose of leasing and operating independent living units. Carolina Bay Wilmington is a continuing care retirement community (the “CCRC”) licensed by the state of North Carolina.

Carolina Bay Properties of Wilmington, LLC (“Carolina Bay Properties”) is a North Carolina for-profit limited liability company formed for the purpose of developing and owning real property and the buildings of the Company.

Carolina Bay Healthcare Center of Wilmington, LLC (“Carolina Bay Healthcare”) is a North Carolina for-profit limited liability company formed for the purpose of leasing and operating the 100-bed assisted living and skilled nursing care facility.

Carolina Bay Properties and Carolina Bay Healthcare hold the certificate of need (“CON”) for 52 adult care home beds and 18 skilled nursing beds. Carolina Bay Properties, Carolina Bay Wilmington, and Carolina Bay Healthcare hold the CON for 30 skilled nursing beds. The collective value of the CON’s is recorded as an intangible asset on Carolina Bay Properties. Carolina Bay Healthcare leases all 100 adult care home and skilled nursing beds from Carolina Bay Properties. Included in these 100 beds are services for 18 adult care home beds and 12 skilled nursing beds reserved for independent living residents of Carolina Bay Wilmington the terms of which are governed through a healthcare services transfer agreement described in Note 8.

See Note 11 for discussion related to a change in control of the Company effective August 30, 2018. As such, these combined financial statements reflect the operations of the Company for the period of January 1, 2018 through August 29, 2018 (“the period ended August 29, 2018”).

Note 2—Summary of significant accounting policies

Principles of Combination – The combined financial statements include the accounts of the limited liability companies noted above (Carolina Bay Wilmington, Carolina Bay Properties, and Carolina Bay Healthcare), all of which are owned and controlled by the members of the limited liability companies. All significant inter-company accounts and transactions have been eliminated. The combined financial statements do not and are not intended to represent the activity of a legal entity.

Use of Estimates – The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of any contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

No assets or liabilities (real or contingent) of the individual members of any of the limited liability companies are included in the combined financial statements of the Company, except those pertaining to the Company, which are reflected in the combined balance sheet. Individual members are not liable for the Company’s debt.

Cash and Cash Equivalents – Cash and cash equivalents include deposit accounts and investments purchased with an original maturity of three months or less.

CAROLINA BAY AT AUTUMN HALL

NOTES TO THE COMBINED FINANCIAL STATEMENTS

AUGUST 29, 2018

Note 2—Summary of significant accounting policies (continued)

Restricted Cash – Restricted cash includes security deposits received from future residents. The CCRC requires prospective independent living residents to provide a fully refundable Priority Partner Deposit of \$1,000 and an additional refundable Security Deposit equal to the Monthly Service Fee. The Priority Partner Deposit can be applied towards the Security Deposit at the signing of a Residency Agreement or refunded upon written request. The liability associated with Priority Partner Deposit and Security Deposit as of August 29, 2018 totaled \$755,963.

Resident/Patient Accounts Receivable, Net – Receivables from residents, patients, insurance companies, and third-party contractual agencies are recorded at regular resident service rates, net of estimated contractual adjustments. Contractual adjustments are estimated based on the terms of third-party insured contracts and arrangements. Adequate allowances are provided for doubtful accounts and other uncertainties. Credit losses have historically been within management's expectations. Allowances for doubtful accounts are estimated based on review of accounts more than 90 days old. Doubtful accounts are written off against the allowance after adequate collection effort is exhausted and recorded as recoveries of bad debts if subsequently collected.

An allowance for uncollectible accounts is recorded to report the receivables at their net realizable value. Estimates for uncollectible accounts are based upon collection history and are reported in the period during which the services are provided even though the actual amounts collected may not become known until a later date. The Company determined an allowance for uncollectible accounts of \$19,596 was necessary at August 29, 2018.

Property and Equipment, Net – Property and equipment are stated at cost. Maintenance and repairs are charged to expense as incurred, and renewals and betterments are capitalized. Gains or losses on disposals are credited or charged to operations.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Depreciation expense amounted to \$1,257,821 for the period ended August 29, 2018.

The estimated useful lives used in computing depreciation are as follows:

Buildings and improvements	5 to 40 years
Land improvements	5 to 15 years
Furniture and fixtures	5 to 20 years
Vehicles	10 years
Software	3 years
Equipment	3 to 20 years

Interest Capitalization – Interest costs incurred on borrowed funds during the period of construction of property and equipment were capitalized as a component of the cost of acquiring those assets, and depreciated over their estimated useful lives by the straight-line method of depreciation.

Upcoming Pronouncement – Revenue – In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers*, as amended. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which a company expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. This standard will be effective for the calendar year ending December 31, 2019. The Company is currently in the process of evaluating the impact of adoption of this ASU on the combined financial statements.

CAROLINA BAY AT AUTUMN HALL

NOTES TO THE COMBINED FINANCIAL STATEMENTS

AUGUST 29, 2018

Note 2—Summary of significant accounting policies (continued)

Upcoming Pronouncement – Leases – In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of operations. This standard will be effective for the calendar year ending December 31, 2020. The Company is currently in the process of evaluating the impact of adoption of this ASU on the combined financial statements.

Income Taxes – The Company, with the consent of its members, has elected under the Internal Revenue Code to be taxed essentially as a partnership. In lieu of corporation federal income taxes, the members of a limited liability company are taxed on their proportionate share of the Company's taxable income. Management has evaluated the effect of the guidance provided by GAAP for Uncertainty in Income Taxes. Management has evaluated all other tax positions that could have a significant effect on the combined financial statements and determined the Company had no uncertain income tax positions at August 29, 2018.

Intangible Assets – In accordance with auditing standards generally accepted in the United States of America, goodwill and intangible assets that have indefinite useful lives are not amortized but rather are tested at least annually for impairment. For the Company, this asset includes a CON. Intangible assets with indefinite useful lives are reviewed for impairment in accordance with Accounting Standards Codification (“ASC”) No. 350, *Intangibles – Goodwill and Other*, which requires the Company to evaluate the recoverability of long-lived assets annually and whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The Company continually evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of its CON may warrant revision or that the remaining carrying value may not be recoverable. As permitted by ASC 350, the Company performed a qualitative assessment of impairment to determine whether the value of the CON was impaired. Based on the results of this qualitative assessment, the CON was not impaired as of August 29, 2018.

Impairment of Long-Lived Assets – The Company reviews the carrying value of its long-lived assets, whether held for use or disposal when events and circumstances indicate that the carrying amount of an asset may not be recoverable based on expected undiscounted cash flows attributable to that asset. The amount of any impairment is measured as the difference between the carrying value and the fair value of the impaired asset.

Investments – The Company has investments in marketable equity securities that consist of money market funds.

Fair Value Measurements – GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value.

The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date;

Level 2 – Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies; and

Level 3 – Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumption regarding risk.

CAROLINA BAY AT AUTUMN HALL

NOTES TO THE COMBINED FINANCIAL STATEMENTS

AUGUST 29, 2018

Note 2—Summary of significant accounting policies (continued)

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodology used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

Money Market Fund – This investment is generally a short-term money market fund valued using \$1 for the unit value. The custodian establishes the market and quotes the price, on a daily basis, that is available to market participants. This valuation method is a market approach. As such, money market funds are classified within Level 2 of the valuation hierarchy.

Operating Reserves – In order to meet North Carolina General Statute operating reserve requirement of \$2,506,000 based on occupancy of greater than 90% at August 29, 2018 and projected operating expenses for 2019, the Company has entered into an irrevocable standby letter of credit of up to \$2,643,000 at August 29, 2018 with an expiry date of November 2019.

Continuing care retirement communities located in North Carolina are licensed and monitored by the State Department of Insurance under Article 64 of Chapter 58 of the North Carolina General Statutes. The Commissioner of Insurance has the authority to revoke or restrict the license of or impose additional requirements on any continuing care facility under certain circumstances specified in North Carolina General Statute 58-64-10.

North Carolina General Statute 58-64-33 requires that continuing care retirement communities with occupancy levels in excess of 90% maintain an operating reserve equal to 25% of total operating costs projected for the 12-month period following the most recent annual statement filed with the Department of Insurance, upon approval of the Commissioner. Continuing care retirement communities with less than 90% occupancy are required to maintain an operating reserve equal to 50% of projected total operating costs. Total operating costs shall include budgeted operating expenses plus debt service less depreciation and amortization expense and revenue associated with non-contractual expenses.

The operating reserve can only be released upon the submittal of a detailed request from the CCRC and must be approved by the North Carolina Department of Insurance.

Rent Revenue – Rent revenues are recognized over the term of the rental contract.

Resident/Patient Revenue – Resident revenues are recognized when services are rendered. Net patient services revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for service rendered. Such amounts are subject to adjustment when the final remittance is received.

Credit Concentrations – The Company places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts. During the year, the Company from time to time may have had amounts on deposit in excess of the insured limits.

The Company grants credit without collateral to its patients and residents, most of whom are insured by third-party payors. The mix of receivables from patients and third-party payors at August 29, 2018 was as follows:

Medicare	85%
Commercial Insurance/Private Pay/Other	15%
	<hr/>
	100%
	<hr/> <hr/>

CAROLINA BAY AT AUTUMN HALL

NOTES TO THE COMBINED FINANCIAL STATEMENTS

AUGUST 29, 2018

Note 2—Summary of significant accounting policies (continued)

The Company's mix of revenue sources for the period ended August 29, 2018 was as follows:

Medicare	17%
Commercial Insurance/Private Pay/Other	83%
	<hr/>
	100%
	<hr/> <hr/>

Advertising Costs – Advertising costs are expensed in the period incurred and totaled \$151,602 for the period ended August 29, 2018.

Residence and Care Agreement

Services – The residency agreement (“Residency Agreement”) is a rental or purchase contract under which the CCRC is obligated, upon payment by the resident of an admission fee and ongoing payments of the monthly fee, or ownership of a Garden Flat, to the Company, to provide certain services to the resident. While the resident occupies an independent living unit, services provided include: one meal per day; all utilities, except telephone; for apartment residents, Garden Flat owners are required to pay all utility fees directly to the applicable provider, housekeeping services; maintenance of both the unit and the grounds and equipment; scheduled local transportation; use of the wellness center; planned social, recreational, and cultural activities; and use of the community area and other common activity facilities.

Admittance Standards – To be accepted for admission to the independent living units at the CCRC, each prospective resident must be at least 62 years of age at the time residency is established, with the exception of an underage spouse, who must be at least 50 years of age, have financial assets adequate to pay the admission fee, and have sufficient income to meet the anticipated monthly fee and other personal expenses not provided under the Residency Agreement.

A reservation requires a signed Apartment Selection Agreement and the payment of the Apartment Selection Fee. The fee is refundable prior to the execution of the Residency Agreement. Within 30 days of the execution of the Apartment Selection Agreement, the resident will complete an application for admission, a personal health history, and confidential financial statement. The resident must have an interview with a representative from Carolina Bay Wilmington prior to being approved for residency. Prior to occupancy, the resident shall provide evidence of health insurance coverage at a level satisfactory to Carolina Bay Wilmington and shall have in place a valid and enforceable will, North Carolina power of attorney and a living will or health care power of attorney.

Terms of Residency – For residents living in an apartment, the initial agreement shall be for a term of 13 months. After the initial term, the Residency and Care agreement will automatically renew for an additional 13- month period, unless terminated as set forth in the Resident and Care Agreement applicable to the apartments. For residents living in a Garden Flat Unit, the term of the Residency and Care Agreement shall begin on the closing date and continue until terminated pursuant to the terms of the Residency and Care Agreement applicable to the Garden Flat Units.

Termination by the Resident Prior to Occupancy – The resident may terminate the agreement prior to moving into the CCRC for any reason at any time before moving into the CCRC by giving written notice. The application fee will be refundable at termination, except for costs or other charges that the resident and Carolina Bay Wilmington agree in advance are non-refundable.

CAROLINA BAY AT AUTUMN HALL
NOTES TO THE COMBINED FINANCIAL STATEMENTS

AUGUST 29, 2018

Note 2—Summary of significant accounting policies (continued)

Termination by the Resident after Occupancy – The resident may terminate the agreement after moving into the CCRC by giving 30 days prior written notice of termination, which shall be effective and irrevocable upon delivery. If the resident terminates the agreement prior to the expiration of the initial term or renewal term, then the resident will be obligated to pay the monthly fee throughout the remainder of the term until the later of (i) removal of possessions from the apartment and key return to administration or (ii) re-occupancy of the apartment by a new resident.

The agreement will automatically terminate upon death of the resident (unless there is a surviving joint resident) and a personal representative will have 30 days from the day of death to remove personal property from the apartment. The resident’s estate will be obligated to pay the monthly fee until the removal of possessions from the apartment and key return to administration.

Termination by the Company – The CCRC may terminate the agreement for just cause. Just cause includes (i) breach of agreement; (ii) misrepresenting information in admission process; (iii) failure to pay any charges.

Healthcare Benefit – The CCRC, through its arrangement with Carolina Bay Healthcare set forth in a transfer agreement (see Note 8), provides the residents temporary or permanent skilled nursing services in Carolina Bay Healthcare, within the limits of Carolina Bay Healthcare’s licensure.

Note 3—Fair value of financial instruments

Below are the Company’s financial instruments carried at fair value by the GAAP fair value hierarchy levels described in Note 2. Also, see Note 2 for the discussion of the methodology and assumptions used to determine fair value of the Company’s investments.

	As of August 29, 2018			
	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Money market fund	\$ -	\$ 100,129	\$ -	\$ 100,129

CAROLINA BAY AT AUTUMN HALL
NOTES TO THE COMBINED FINANCIAL STATEMENTS

AUGUST 29, 2018

Note 4—Property and equipment, net

Property and equipment, net at August 29, 2018 consist of the following:

	Carolina Bay Wilmington	Carolina Bay Healthcare	Carolina Bay Properties	Total
Buildings and improvements	\$ 95,782	\$ 66,829	\$ 52,133,293	\$ 52,295,904
Land and land improvements	-	-	5,412,616	5,412,616
Furniture and fixtures	3,005	-	2,306,778	2,309,783
Vehicles	21,701	79,442	63,654	164,797
Software	22,400	-	10,784	33,184
Equipment	30,366	104,982	1,661,607	1,796,955
	<u>173,254</u>	<u>251,253</u>	<u>61,588,732</u>	<u>62,013,239</u>
Less accumulated depreciation	<u>(77,524)</u>	<u>(70,250)</u>	<u>(4,731,651)</u>	<u>(4,879,425)</u>
Property and equipment, net	<u>\$ 95,730</u>	<u>\$ 181,003</u>	<u>\$ 56,857,081</u>	<u>\$ 57,133,814</u>

Note 5—Intangible asset

Intangible asset (indefinite-lived) consisted of the following at August 29, 2018:

Certificate of need	<u>\$ 84,397</u>
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CAROLINA BAY AT AUTUMN HALL
NOTES TO THE COMBINED FINANCIAL STATEMENTS

AUGUST 29, 2018

Note 6—Long-term debt

Long-term debt for Carolina Bay Properties consists of the following at August 29, 2018:

Note payable bearing interest at a variable rate of 2.00% plus LIBOR (2.08% at August 29, 2018) due in monthly installments of interest only until maturing on June 30, 2018, at which time the principal and remaining interest was due. This note is collateralized by the real property and improvements and related real and personal property as well as any additional property and improvements located thereon.	\$ 1,276,001
Note payable bearing interest at a variable rate at 2.00% plus LIBOR (2.08% at August 29, 2018) due in monthly installments of interest only until November 1, 2017, when monthly payments of \$146,027 of principal and interest are due until the maturity date of October 1, 2019. This note is collateralized by the real property and improvements and related real and personal property as well as any additional property and improvements located thereon.	42,347,734
Note payable bearing interest at a variable rate of 2.30% plus LIBOR (2.08% at August 29, 2018) due in monthly installments of interest and monthly principal payments of \$35,377 beginning July 1, 2016 and maturing on July 1, 2021. This note is collateralized by the equipment that was purchased with the proceeds.	1,202,812
	<u>44,826,547</u>
Less deferred financing costs	(45,109)
Less current portion of long-term debt	<u>(3,452,843)</u>
Long-term debt	<u><u>\$ 41,328,595</u></u>

Maturities of long-term debt over the next years are as follows:

<u>Periods Ending August 29,</u>	
2019	\$ 3,452,843
2020	41,019,936
2021	353,768
	<u><u>\$ 44,826,547</u></u>

Interest expense amounted to \$1,210,812 for the period ended August 29, 2018, including \$32,207 related to deferred financing cost amortization. Future amortization of deferred financing costs is as follows:

<u>Period Ending August 29,</u>	
2019	<u><u>\$ 45,109</u></u>

CAROLINA BAY AT AUTUMN HALL
NOTES TO THE COMBINED FINANCIAL STATEMENTS

AUGUST 29, 2018

Note 7—Related party transactions

Other entities owned by Liberty Healthcare provide other benefits to the Company. These transactions are also considered related party transactions and are settled through related party cash accounts and payments to the other entities. As of August 29, 2018, total receivables and payables to related parties were \$67,948 and \$213,994, respectively.

Carolina Bay Wilmington and Carolina Bay Healthcare have entered into management agreements in which Carolina Bay Wilmington and Carolina Bay Healthcare pay a management fee of 7% of net revenues to Senior Living Management Services, LLC, a related party. These fees totaled \$686,934 for the period ended August 29, 2018.

Note 8—Intercompany agreements

Carolina Bay Properties entered into separate lease agreements with Carolina Bay Wilmington and Carolina Bay Healthcare, under which Carolina Bay Wilmington and Carolina Bay Healthcare will make lease payments to Carolina Bay Properties for use of the facilities. The lease agreements have a term of ten years with options to renew the lease for two additional terms of ten years each for Carolina Bay Wilmington and five years each for Carolina Bay Healthcare.

Future minimum lease payments are as follows for the periods ending August 29:

	Carolina Bay Wilmington	Carolina Bay Healthcare
2019	\$ 2,598,817	\$ 1,527,308
2020	2,598,817	1,527,308
2021	2,598,817	1,527,308
2022	2,598,817	1,527,308
2023	2,598,817	1,527,308
Thereafter	5,414,202	4,200,100
	<u>\$ 18,408,287</u>	<u>\$ 11,836,640</u>

Total rent expense incurred by the CCRC and Carolina Bay Healthcare was \$1,725,394 and \$1,028,559, respectively, for the period ended August 29, 2018. These amounts have been eliminated on the combined financial statements.

In 2016, Carolina Bay Wilmington and Carolina Bay Healthcare entered into a healthcare services transfer agreement, under which Carolina Bay Healthcare will provide care to residents of the Carolina Bay Wilmington through the operation of the Closed Beds. Under the terms of the transfer agreement, the Company will collect daily service fees from residents occupying the Closed Beds and will subsequently make healthcare fee payments to Carolina Bay Healthcare equivalent to the amount of daily service fees collected for any Closed Bed occupied by a resident of the Carolina Bay Wilmington.

CAROLINA BAY AT AUTUMN HALL

NOTES TO THE COMBINED FINANCIAL STATEMENTS

AUGUST 29, 2018

Note 9—Contingencies

The Company is subject to legal proceedings and claims which arise in the course of providing health care services. The Company maintains malpractice insurance coverage (\$1,000,000 per claim, \$3,000,000 aggregate) for claims made during the policy year. The coverage has a \$1,300,000 total deductible for the assisted living facilities. In management's opinion, adequate provision has been made for amounts expected to be paid under the policy's deductible limits for unasserted claims not covered by the policy and any other uninsured liability.

The health care industry is subject to numerous 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 and Medicaid 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.

Note 10—Pension plan

The Company offers a defined contribution plan (the "Plan") to eligible employees as defined by the Plan. The Company will match employee contributions at the discretion of management. The Company contributed \$7,260 to the Plan for the period ended August 29, 2018.

Note 11—Subsequent events

Effective August 30, 2018, the members holding 100% of the membership interests in the Company contributed all of their membership interest in and real property held by Carolina Bay Properties to Wilmington AH Senior Housing JV Propco, LLC ("Propco"), a Delaware limited liability company and Carolina Bay Wilmington and Carolina Bay Healthcare to Wilmington AH Senior Housing JV Opco, LLC ("Opco"), a Delaware limited liability company. In connection with this contribution, a capital marketing company made a capital contribution in both Propco and Opco, resulting in membership percentage interest of 80% and 20% for the capital market company and previous members, respectively.

As a result of the above change in membership interest, the Company paid off all debt and related interest outstanding as of August 29, 2018 and obtained a new note with an amount of \$51,950,000 with a maturity date of September 2028.

SUPPLEMENTAL SCHEDULES

CAROLINA BAY AT AUTUMN HALL
COMBINING BALANCE SHEET

AUGUST 29, 2018

	Carolina Bay of Wilmington, LLC	Carolina Bay Healthcare Center of Wilmington, LLC	Carolina Bay Properties of Wilmington, LLC	Eliminations	Total
ASSETS					
Current Assets:					
Cash	\$ 86,536	\$ 702,883	\$ 1,303,592	\$ -	\$ 2,093,011
Cash - restricted	1,494,161	-	-	-	1,494,161
Investments	100,129	-	-	-	100,129
Resident accounts receivable, net	51,282	349,857	-	-	401,139
Accounts receivable - Carolina Bay	318,586	406,417	-	(725,003)	-
Accounts receivable - other	-	99,499	-	-	99,499
Inventories	-	8,589	-	-	8,589
Prepaid expenses	257,593	132,254	1,031	(343,844)	47,034
Total Current Assets	<u>2,308,287</u>	<u>1,699,499</u>	<u>1,304,623</u>	<u>(1,068,847)</u>	<u>4,243,562</u>
Property and equipment, net	<u>95,730</u>	<u>181,003</u>	<u>56,857,081</u>	<u>-</u>	<u>57,133,814</u>
Noncurrent Assets:					
Intangible asset	-	-	84,397	-	84,397
Accounts receivable - related parties	320	67,628	-	-	67,948
Total Noncurrent Assets	<u>320</u>	<u>67,628</u>	<u>84,397</u>	<u>-</u>	<u>152,345</u>
Total Assets	<u><u>\$ 2,404,337</u></u>	<u><u>\$ 1,948,130</u></u>	<u><u>\$ 58,246,101</u></u>	<u><u>\$ (1,068,847)</u></u>	<u><u>\$ 61,529,721</u></u>

CAROLINA BAY AT AUTUMN HALL
COMBINING BALANCE SHEET (CONTINUED)

AUGUST 29, 2018

	Carolina Bay of Wilmington, LLC	Carolina Bay Healthcare Center of Wilmington, LLC	Carolina Bay Properties of Wilmington, LLC	Eliminations	Total
LIABILITIES AND MEMBERS' EQUITY					
Current Liabilities:					
Current portion of long-term debt	\$ -	\$ -	\$ 3,452,843	\$ -	\$ 3,452,843
Trade accounts payable	38,067	390	-	-	38,457
Unearned revenue	7,144	20,934	-	-	28,078
Accrued expenses and other payables	1,159,191	458,655	154,989	-	1,772,835
Accounts payable - Carolina Bay	406,417	318,586	343,844	(1,068,847)	-
Total Current Liabilities	<u>1,610,819</u>	<u>798,565</u>	<u>3,951,676</u>	<u>(1,068,847)</u>	<u>5,292,213</u>
Noncurrent Liabilities:					
Accounts payable - related parties	59,965	154,029	-	-	213,994
Long-term debt, net of current portion	-	-	41,328,595	-	41,328,595
Total Noncurrent Liabilities	<u>59,965</u>	<u>154,029</u>	<u>41,328,595</u>	<u>-</u>	<u>41,542,589</u>
Total Liabilities	1,670,784	952,594	45,280,271	(1,068,847)	46,834,802
Members' Equity	<u>733,553</u>	<u>995,536</u>	<u>12,965,830</u>	<u>-</u>	<u>14,694,919</u>
Total Liabilities and Members' Equity	<u><u>\$ 2,404,337</u></u>	<u><u>\$ 1,948,130</u></u>	<u><u>\$ 58,246,101</u></u>	<u><u>\$ (1,068,847)</u></u>	<u><u>\$ 61,529,721</u></u>

CAROLINA BAY AT AUTUMN HALL
COMBINING STATEMENT OF OPERATIONS

PERIOD ENDED AUGUST 29, 2018

	Carolina Bay of Wilmington, LLC	Carolina Bay Healthcare Center of Wilmington, LLC	Carolina Bay Properties of Wilmington, LLC	Eliminations	Total
Revenue:					
Resident revenue	\$ 6,458,848	\$ 3,894,948	\$ -	\$ -	\$ 10,353,796
Rent revenue	10,334	-	2,736,610	(2,736,610)	10,334
Service fees	910	-	-	-	910
Total Revenue	<u>6,470,092</u>	<u>3,894,948</u>	<u>2,736,610</u>	<u>(2,736,610)</u>	<u>10,365,040</u>
Expenses:					
Nursing	579,715	1,160,317	-	-	1,740,032
Resident/patient services	201,518	388,203	-	-	589,721
Ancillary services	15,354	30,065	-	-	45,419
Dietary	152,017	320,088	-	-	472,105
Laundry	19,475	34,671	-	-	54,146
Housekeeping	39,971	82,601	-	-	122,572
Plant, operations, and maintenance	2,057,074	696,879	-	(2,736,610)	17,343
Medical supplies	111,692	208,449	-	-	320,141
General and administrative	2,611,199	339,114	10,721	-	2,961,034
Management fees	455,157	271,231	797	-	727,185
Interest expense	-	-	1,210,812	-	1,210,812
Depreciation and amortization	20,745	14,605	1,222,471	-	1,257,821
Repairs and maintenance	177,698	146,743	-	-	324,441
Total Expenses	<u>6,441,615</u>	<u>3,692,966</u>	<u>2,444,801</u>	<u>(2,736,610)</u>	<u>9,842,772</u>
Net Income	<u>\$ 28,477</u>	<u>\$ 201,982</u>	<u>\$ 291,809</u>	<u>\$ -</u>	<u>\$ 522,268</u>

CAROLINA BAY AT AUTUMN HALL
COMBINING STATEMENT OF CASH FLOWS

PERIOD ENDED AUGUST 29, 2018

	Carolina Bay of Wilmington, LLC	Carolina Bay Healthcare Center of Wilmington, LLC	Carolina Bay Properties of Wilmington, LLC	Eliminations	Total
Cash flows from operating activities:					
Net income	\$ 28,477	\$ 201,982	\$ 291,809	\$ -	\$ 522,268
Adjustments to reconcile net income to net cash flows from operating activities:					
Depreciation and amortization	13,845	21,505	1,222,471	-	1,257,821
Intercompany transfer of property	-	44,395	-	-	44,395
Changes in operating assets and liabilities:					
Investments	153	-	-	-	153
Resident accounts receivable, net	(24,814)	3,267	-	-	(21,547)
Accounts receivable - other	-	(99,499)	-	-	(99,499)
Prepaid expenses	(220,130)	(111,702)	(1,031)	343,844	10,981
Accounts receivable - related parties	270,400	191,381	173,442	-	635,223
Accounts receivable - Carolina Bay	6,266,178	1,194,156	7,038,110	(14,498,444)	-
Other assets	-	-	(250)	-	(250)
Trade accounts payable	(22,214)	(23,687)	(27,340)	-	(73,241)
Unearned revenue	(19,954)	(10,733)	-	-	(30,687)
Accrued expenses and other payables	54,353	34,773	(129,843)	-	(40,717)
Accounts payable - related parties	(4,246,256)	(420,764)	(2,864,307)	-	(7,531,327)
Accounts payable - Carolina Bay	(6,321,375)	(3,218,416)	(4,614,809)	14,154,600	-
Net cash flows from operating activities	<u>(4,221,337)</u>	<u>(2,193,342)</u>	<u>1,088,252</u>	<u>-</u>	<u>(5,326,427)</u>

CAROLINA BAY AT AUTUMN HALL
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)

PERIOD ENDED AUGUST 29, 2018

	Carolina Bay of Wilmington, LLC	Carolina Bay Healthcare Center of Wilmington, LLC	Carolina Bay Properties of Wilmington, LLC	Eliminations	Total
Cash flows from investing activities:					
Purchases of property and equipment	\$ -	\$ (32,911)	\$ (44,125)	\$ -	\$ (77,036)
Transfer of land and construction in progress	-	-	1,655,404	-	1,655,404
Net cash flows from investing activities	<u>-</u>	<u>(32,911)</u>	<u>1,611,279</u>	<u>-</u>	<u>1,578,368</u>
Cash flows from financing activities:					
Principal payments on long-term debt	-	-	(1,417,986)	-	(1,417,986)
Amortization of debt issuance costs	-	-	32,207	-	32,207
Distributions to officers/members	(1,536,356)	(286,960)	(3,225,184)	-	(5,048,500)
Contributions from officers/members	5,400,000	2,150,000	2,662,300	-	10,212,300
Net cash flows from financing activities	<u>3,863,644</u>	<u>1,863,040</u>	<u>(1,948,663)</u>	<u>-</u>	<u>3,778,021</u>
Net change in cash and restricted cash	(357,693)	(363,213)	750,868	-	29,962
Cash and restricted cash, beginning of period	<u>1,938,390</u>	<u>1,066,096</u>	<u>552,724</u>	<u>-</u>	<u>3,557,210</u>
Cash and restricted cash, end of period	<u>\$ 1,580,697</u>	<u>\$ 702,883</u>	<u>\$ 1,303,592</u>	<u>\$ -</u>	<u>\$ 3,587,172</u>
Supplemental disclosure of cash flow information:					
Cash paid during the period for interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,171,488</u>	<u>\$ -</u>	<u>\$ 1,171,488</u>
Reconciliation of cash and restricted cash to the combining balance sheet:					
Cash per combining balance sheet	\$ 86,536	\$ 702,883	\$ 1,303,592	\$ -	\$ 2,093,011
Cash - restricted per combining balance sheet	<u>1,494,161</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,494,161</u>
	<u>\$ 1,580,697</u>	<u>\$ 702,883</u>	<u>\$ 1,303,592</u>	<u>\$ -</u>	<u>\$ 3,587,172</u>

CAROLINA BAY AT AUTUMN HALL

COMBINED FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES

***As of December 31, 2018 and for the Period August 30, 2018
to December 31, 2018***

And Report of Independent Auditor

CAROLINA BAY AT AUTUMN HALL

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Report of Independent Auditor

To the Members of Carolina Bay at Autumn Hall
Wilmington, North Carolina

We have audited the accompanying combined financial statements of Carolina Bay at Autumn Hall, a group of entities under common control (collectively "Carolina Bay"), which comprise the combined balance sheet as of December 31, 2018, and the related combined statements of operations and changes in members' equity and cash flows for the period August 30, 2018 through December 31, 2018, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Carolina Bay as of December 31, 2018 and the results of its operations and its cash flows for the period August 30, 2018 through December 31, 2018 in conformity with accounting principles generally accepted in the United States of America.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplemental schedules are presented for the purpose of additional analysis and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the combined financial statements taken as a whole.

Cherry Bekaert LLP

Charlotte, North Carolina
June 12, 2019

CAROLINA BAY AT AUTUMN HALL
COMBINED BALANCE SHEET

DECEMBER 31, 2018

ASSETS

Current Assets:

Cash	\$ 2,733,657
Cash - restricted	1,228,026
Resident accounts receivable, net	627,443
Inventories	12,108
Prepaid expenses	78,068
Total Current Assets	<u>4,679,302</u>

Property and equipment, net	<u>73,748,245</u>
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Noncurrent Assets:

Goodwill, net	11,039,070
Intangible asset	1,584,997
Accounts receivable - related parties	573,366
Other assets	68,411
Total Noncurrent Assets	<u>13,265,844</u>

Total Assets	<u><u>\$ 91,693,391</u></u>
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LIABILITIES AND MEMBERS' EQUITY

Current Liabilities:

Trade accounts payable	\$ 74,931
Unearned revenue	44,542
Accrued expenses and other payables	1,736,005
Total Current Liabilities	<u>1,855,478</u>

Noncurrent Liabilities:

Accounts payable - related parties	1,334,929
Long-term debt, net of current portion	51,599,647
Total Noncurrent Liabilities	<u>52,934,576</u>
Total Liabilities	54,790,054

Members' Equity	35,988,337
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Contributed capital	915,000
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Total Members' Equity	<u>36,903,337</u>
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Total Liabilities and Members' Equity	<u><u>\$ 91,693,391</u></u>
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CAROLINA BAY AT AUTUMN HALL

COMBINED STATEMENT OF OPERATIONS AND CHANGES IN MEMBERS' EQUITY

PERIOD ENDED DECEMBER 31, 2018

Revenue:	
Resident revenue	<u>\$ 5,659,446</u>
Expenses:	
Nursing	862,223
Resident/patient services	295,369
Ancillary services	21,952
Dietary	764,201
Laundry	51,056
Housekeeping	152,084
Plant, operations, and maintenance	13,959
Medical supplies	190,166
General and administrative	697,774
Management fees	313,895
Interest expense	773,083
Depreciation and amortization	652,089
Repairs and maintenance	318,548
Other expense	199,482
Total Expenses	<u>5,305,881</u>
Net income	353,565
Members' equity, beginning of period	35,634,772
Contributions	915,000
Members' equity, end of period	<u>\$ 36,903,337</u>

The accompanying notes to the combined financial statements are an integral part of this statement.

CAROLINA BAY AT AUTUMN HALL
COMBINED STATEMENT OF CASH FLOWS

PERIOD ENDED DECEMBER 31, 2018

Cash flows from operating activities:	
Net income	\$ 353,565
Adjustments to reconcile net income to net cash flows from operating activities:	
Depreciation	652,089
Amortization of debt issuance costs	12,081
Change in fair value of interest derivatives	45,589
Changes in operating assets and liabilities:	
Resident accounts receivable, net	(627,443)
Accounts receivable - other	16,022
Inventories	(3,519)
Prepaid expenses	65,567
Accounts receivable - related parties	(573,366)
Other assets	(600)
Trade accounts payable	74,931
Unearned revenue	23,608
Accrued expenses and other payables	575,994
Accounts payable - related parties	1,334,929
Net cash flows from operating activities	<u>1,949,447</u>
Cash flows from investing activities:	
Purchases of property and equipment	<u>(814)</u>
Cash flows from financing activities:	
Payments for debt issuance costs	(3,102)
Contributions from officers/members	915,000
Net cash flows from financing activities	<u>911,898</u>
Net change in cash and restricted cash	2,860,531
Cash and restricted cash, beginning of period	1,101,152
Cash and restricted cash, end of period	<u>\$ 3,961,683</u>
Supplemental disclosure of cash flow information:	
Recognized fair value of assets acquired and liabilities	<u>\$ 87,584,772</u>
Cash paid during the period for interest	<u>\$ 568,780</u>
Reconciliation of cash and restricted cash to the combined balance sheet:	
Cash per combined balance sheet	\$ 2,733,657
Cash - restricted per combined balance sheet	1,228,026
	<u>\$ 3,961,683</u>

The accompanying notes to the combined financial statements are an integral part of this statement.

CAROLINA BAY AT AUTUMN HALL

NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 1—Nature of operations

Nature of Operations – Carolina Bay at Autumn Hall (the “Company”) is an economic entity comprised of three individual companies listed below. The Company provides senior living services in Wilmington, North Carolina. Services include providing and maintaining an independent living retirement community, assisted living services, skilled nursing care, and supporting services. The Company opened to residents in November 2015.

Carolina Bay Properties of Wilmington, LLC (“Carolina Bay Properties”) is a North Carolina for-profit limited liability company formed for the purpose of developing and owning real property and the buildings of the Company. Carolina Bay Properties is owned by Wilmington AH Senior Housing JV Propco, LLC, a Delaware limited liability company.

Carolina Bay of Wilmington, LLC (“Carolina Bay Wilmington”) is a North Carolina for-profit limited liability company formed for the purpose of leasing and operating independent living units. Carolina Bay Wilmington is a continuing care retirement community (the “CCRC”) licensed by the state of North Carolina. Carolina Bay Wilmington is owned by Wilmington AH Senior Housing JV Opco, LLC, a Delaware limited liability company.

Carolina Bay Healthcare Center of Wilmington, LLC (“Carolina Bay Healthcare”) is a North Carolina for-profit limited liability company formed for the purpose of leasing and operating the 100-bed assisted living and skilled nursing facilities. Carolina Bay Healthcare is owned by Wilmington AH Senior Housing JV Opco, LLC (“Opco”), a Delaware limited liability company.

Carolina Bay Properties and Carolina Bay Healthcare hold the certificate of need (“CON”) for 52 adult care home beds and 18 skilled nursing beds. Carolina Bay Properties, Carolina Bay Wilmington, and Carolina Bay Healthcare hold the CON for 30 skilled nursing beds. The collective value of the CON’s is recorded as an intangible asset on Carolina Bay Properties. Carolina Bay Healthcare leases all 100 adult care home and skilled nursing beds from Carolina Bay Properties. Included in these 100 beds are services for 18 adult care home beds and 12 skilled nursing beds reserved for independent living residents of Carolina Bay Wilmington the terms of which are governed through a healthcare services transfer agreement described in Note 9.

Restructuring – Effective August 30, 2018, the members holding 100% of the membership interests in the Company contributed all of their membership interest in and real property held by Carolina Bay Properties to Wilmington AH Senior Housing JV Propco, LLC (“Propco”), a Delaware limited liability company and Carolina Bay Wilmington and Carolina Bay Healthcare to Opco, a Delaware limited liability company. In connection with this contribution, a capital marketing company made a capital contribution in both Propco and Opco, resulting in membership percentage interest of 80% and 20% for the capital marketing company and previous members, respectively.

CAROLINA BAY AT AUTUMN HALL
NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 1—Nature of operations (continued)

As a result of the change in control, the assets acquired and liabilities assumed were recorded at their respective estimated fair values as follows:

Estimated fair value of acquired assets and liabilities:

Building and improvements	\$ 69,486,626
Land	2,784,636
Furniture and fixtures	2,128,258
Cash	1,500
Restricted cash	1,182,652
Certificate of need	1,584,397
Goodwill	10,956,070
Loan costs	359,332
Inventory	8,589
Other receivables	16,021
Prepaid expenses	143,635
Investment - Interest Derivative	114,000
Accounts payable and accrued expenses	(1,160,010)
Unearned revenue	(20,934)
	<u>\$ 87,584,772</u>

Consideration:

Cash from loan proceeds	\$ 51,950,000
Capital marketing company equity	28,779,618
Previous member equity	7,189,905
Non-capitalized acquisition costs	(334,751)
	<u>\$ 87,584,772</u>

The total consideration of the acquisition was allocated to the assets acquired based on their respective estimated fair values.

Note 2—Summary of significant accounting policies

Principles of Combination – The combined financial statements include the accounts of the limited liability companies noted above (Carolina Bay Wilmington, Carolina Bay Properties, and Carolina Bay Healthcare), all of which are owned and controlled by the members of the limited liability companies. All significant inter-company accounts and transactions have been eliminated. The combined financial statements do not and are not intended to represent the activity of a legal entity.

Use of Estimates – The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of any contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

CAROLINA BAY AT AUTUMN HALL

NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 2—Summary of significant accounting policies (continued)

No assets or liabilities (real or contingent) of the individual members of any of the limited liability companies are included in the combined financial statements of the Company, except those pertaining to the Company, which are reflected in the combined balance sheet. Individual members are not liable for the Company's debt.

Cash and Cash Equivalents – Cash and cash equivalents include deposit accounts and investments purchased with an original maturity of three months or less.

Restricted Cash – Restricted cash includes security deposits received from future residents. The CCRC requires prospective independent living residents to provide a fully refundable Priority Partner Deposit of \$1,000 and an additional refundable Security Deposit equal to the Monthly Service Fee. The Priority Partner Deposit can be applied towards the Security Deposit at the signing of a Residency Agreement or refunded upon written request. The liability associated with Priority Partner Deposit and Security Deposit as of December 31, 2018 totaled \$860,540.

Resident/Patient Accounts Receivable, Net – Receivables from residents, patients, insurance companies, and third-party contractual agencies are recorded at regular resident service rates, net of estimated contractual adjustments. Contractual adjustments are estimated based on the terms of third-party insured contracts and arrangements. Adequate allowances are provided for doubtful accounts and other uncertainties. Credit losses have historically been within management's expectations. Allowances for doubtful accounts are estimated based on review of accounts more than 90 days old. Doubtful accounts are written off against the allowance after adequate collection effort is exhausted and recorded as recoveries of bad debts if subsequently collected.

An allowance for uncollectible accounts is recorded to report the receivables at their net realizable value. Estimates for uncollectible accounts are based upon collection history and are reported in the period during which the services are provided even though the actual amounts collected may not become known until a later date. The Company determined an allowance for uncollectible accounts of \$27,445 was necessary at December 31, 2018.

Property and Equipment, Net – Property and equipment acquired as part of the restructuring was stated at acquisition date fair value, as determined by the Company. Post-restructuring additions are stated at actual cost. Maintenance and repairs are charged to expense as incurred, and renewals and betterments are capitalized. Gains or losses on disposals are credited or charged to operations.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Depreciation expense amounted to \$652,089 for the period ended December 31, 2018.

The estimated useful lives used in computing depreciation are as follows:

Buildings and improvements	5 to 40 years
Land improvements	5 to 15 years
Furniture and fixtures	5 to 20 years
Vehicles	10 years
Software	3 years
Equipment	3 to 20 years

Interest Capitalization – Interest costs incurred on borrowed funds during the period of construction of property and equipment were capitalized as a component of the cost of acquiring those assets, and depreciated over their estimated useful lives by the straight-line method of depreciation.

CAROLINA BAY AT AUTUMN HALL

NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 2—Summary of significant accounting policies (continued)

Debt Issuance Costs, Net – As part of the restructuring and during the period ended December 31, 2018, the Company capitalized \$359,332 and \$3,102, respectively, of loan charges in conjunction with the debt agreement discussed in Note 7. These charges are amortized over a straight-line basis over ten years. Amortization of debt issuance costs on the straight-line basis approximates the effective interest method. Amortization expense of these charges amounted to \$12,081 for the period ended December 31, 2018. A net amount of \$350,353 is included as a reduction of the note payable in the combined balance sheet as of December 31, 2018.

Upcoming Pronouncement – Revenue – In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers*, as amended. The standard’s core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which a company expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity’s contracts with customers. This standard will be effective for the calendar year ending December 31, 2019. The Company is currently in the process of evaluating the impact of adoption of this ASU on the combined financial statements.

Upcoming Pronouncement – Leases – In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of operations. This standard will be effective for the calendar year ending December 31, 2020. The Company is currently in the process of evaluating the impact of adoption of this ASU on the combined financial statements.

Income Taxes – The Company, with the consent of its members, has elected under the Internal Revenue Code to be taxed essentially as a partnership. In lieu of corporation federal income taxes, the members of a limited liability company are taxed on their proportionate share of the Company’s taxable income. Management has evaluated the effect of the guidance provided by GAAP for Uncertainty in Income Taxes. Management has evaluated all other tax positions that could have a significant effect on the combined financial statements and determined the Company had no uncertain income tax positions at December 31, 2018.

Intangible Assets – In accordance with auditing standards generally accepted in the United States of America, goodwill and intangible assets that have indefinite useful lives are not amortized but rather are tested at least annually for impairment. For the Company, this asset includes a CON. Intangible assets with indefinite useful lives are reviewed for impairment in accordance with Accounting Standards Codification (“ASC”) No. 350, *Intangibles – Goodwill and Other*, which requires the Company to evaluate the recoverability of long-lived assets annually and whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The Company continually evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of its CON may warrant revision or that the remaining carrying value may not be recoverable. As permitted by ASC 350, the Company performed a qualitative assessment of impairment to determine whether the value of the CON was impaired. Based on the results of this qualitative assessment, the CON was not impaired as of December 31, 2018.

Goodwill – The goodwill represents the excess of the purchase price as a result of the restructuring discussed in Note 1. The Company adopted the provisions of FASB ASC 350 *Intangibles – Goodwill and Other*. Accordingly, the Company’s goodwill is not subject to amortization but is tested for impairment annually.

Impairment of Long-Lived Assets – The Company reviews the carrying value of its long-lived assets, whether held for use or disposal when events and circumstances indicate that the carrying amount of an asset may not be recoverable based on expected undiscounted cash flows attributable to that asset. The amount of any impairment is measured as the difference between the carrying value and the fair value of the impaired asset.

CAROLINA BAY AT AUTUMN HALL

NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 2—Summary of significant accounting policies (continued)

Interest Rate Derivative – The Company's long-term debt bears interest at variable rates. In order to manage interest rate risks, the Company has entered into an interest rate cap agreement under which the Company will be reimbursed for any required interest payments in excess of the interest rate per the debt agreement. The fair value of the rate cap as of December 31, 2018 is included within other assets on the combined balance sheet. Refer to Notes 3 and 4 for additional discussion.

Fair Value Measurements – GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value.

The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date;

Level 2 – Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies; and

Level 3 – Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumption regarding risk.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The excess of the purchase price for the Company's restructuring over the fair value of the acquired net assets was allocated to goodwill and other intangible assets.

Operating Reserves – In order to meet North Carolina General Statute operating reserve requirement of \$2,506,000 based on occupancy of greater than 90% at December 31, 2018 and projected operating expenses for 2019, the Company has entered into an irrevocable standby letter of credit of up to \$2,643,000 at December 31, 2018 with an expiry date of November 2019.

Continuing care retirement communities located in North Carolina are licensed and monitored by the State Department of Insurance under Article 64 of Chapter 58 of the North Carolina General Statutes. The Commissioner of Insurance has the authority to revoke or restrict the license of or impose additional requirements on any continuing care facility under certain circumstances specified in North Carolina General Statute 58-64-10.

North Carolina General Statute 58-64-33 requires that continuing care retirement communities with occupancy levels in excess of 90% maintain an operating reserve equal to 25% of total operating costs projected for the 12-month period following the most recent annual statement filed with the Department of Insurance, upon approval of the Commissioner. Continuing care retirement communities with less than 90% occupancy are required to maintain an operating reserve equal to 50% of projected total operating costs. Total operating costs shall include budgeted operating expenses plus debt service less depreciation and amortization expense and revenue associated with non-contractual expenses.

The operating reserve can only be released upon the submittal of a detailed request from the CCRC and must be approved by the North Carolina Department of Insurance.

CAROLINA BAY AT AUTUMN HALL

NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 2—Summary of significant accounting policies (continued)

Rent Revenue – Rent revenues are recognized over the term of the rental contract.

Resident/Patient Revenue – Resident revenues are recognized when services are rendered. Net patient services revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for service rendered. Such amounts are subject to adjustment when the final remittance is received.

Credit Concentrations – The Company places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts. During the year, the Company from time to time may have had amounts on deposit in excess of the insured limits.

The CCRC grants credit without collateral to its patients and residents, most of who are insured by third-party payors. The mix of receivables from patients and third-party payors at December 31, 2018 was as follows:

Medicare	81%
Commercial Insurance/Private Pay/Other	19%
	<u>100%</u>

The Company's mix of revenue sources for the period ended December 31, 2018 was as follows:

Medicare	18%
Commercial Insurance/Private Pay/Other	82%
	<u>100%</u>

Advertising Costs – Advertising costs are expensed in the period incurred and totaled \$60,417 for the period ended December 31, 2018.

Residence and Care Agreement

Services – The residency agreement (“Residency Agreement”) is a rental or purchase contract under which the CCRC is obligated, upon payment by the resident of an admission fee and ongoing payments of the monthly fee, or ownership of a Garden Flat, to the Company, to provide certain services to the resident. While the resident occupies an independent living unit, services provided include: one meal per day; all utilities, except telephone; for apartment residents, Garden Flat owners are required to pay all utility fees directly to the applicable provider, housekeeping services; maintenance of both the unit and the grounds and equipment; scheduled local transportation; use of the wellness center; planned social, recreational, and cultural activities; and use of the community area and other common activity facilities.

Admittance Standards – To be accepted for admission to the independent living units at the CCRC, each prospective resident must be at least 62 years of age at the time residency is established, with the exception of an underage spouse, who must be at least 50 years of age, have financial assets adequate to pay the admission fee, and have sufficient income to meet the anticipated monthly fee and other personal expenses not provided under the Residency Agreement.

CAROLINA BAY AT AUTUMN HALL

NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 2—Summary of significant accounting policies (continued)

A reservation requires a signed Apartment Selection Agreement and the payment of the Apartment Selection Fee. The fee is refundable prior to the execution of the Residency Agreement. Within 30 days of the execution of the Apartment Selection Agreement, the resident will complete an application for admission, a personal health history, and confidential financial statement. The resident must have an interview with a representative from Carolina Bay Wilmington prior to being approved for residency. Prior to occupancy, the resident shall provide evidence of health insurance coverage at a level satisfactory to Carolina Bay Wilmington and shall have in place a valid and enforceable will, North Carolina power of attorney and a living will or health care power of attorney.

Terms of Residency – For residents living in an apartment, the initial agreement shall be for a term of 13 months. After the initial term, the Residency and Care agreement will automatically renew for an additional 13-month period, unless terminated as set forth in the Resident and Care Agreement applicable to the apartments. For residents living in a Garden Flat Unit, the term of the Residency and Care Agreement shall begin on the closing date and continue until terminated pursuant to the terms of the Residency and Care Agreement applicable to the Garden Flat Units.

Termination by the Resident Prior to Occupancy – The resident may terminate the agreement prior to moving into the CCRC for any reason at any time before moving into the CCRC by giving written notice. The application fee will be refundable at termination, except for costs or other charges that the resident and Carolina Bay Wilmington agree in advance are non-refundable.

Termination by the Resident after Occupancy – The resident may terminate the agreement after moving into the CCRC by giving 30 days prior written notice of termination, which shall be effective and irrevocable upon delivery. If the resident terminates the agreement prior to the expiration of the initial term or renewal term, then the resident will be obligated to pay the monthly fee throughout the remainder of the term until the later of (i) removal of possessions from the apartment and key return to administration or (ii) re-occupancy of the apartment by a new resident.

The agreement will automatically terminate upon death of the resident (unless there is a surviving joint resident) and a personal representative will have 30 days from the day of death to remove personal property from the apartment. The resident's estate will be obligated to pay the monthly fee until the removal of possessions from the apartment and key return to administration.

Termination by the Company – The CCRC may terminate the agreement for just cause. Just cause includes (i) breach of agreement; (ii) misrepresenting information in admission process; (iii) failure to pay any charges.

Healthcare Benefit – The CCRC, through its arrangement with Carolina Bay Healthcare set forth in a transfer agreement (see Note 8), provides the residents temporary or permanent skilled nursing services in Carolina Bay Healthcare, within the limits of Carolina Bay Healthcare's licensure.

Note 3—Derivative instruments

The Company has entered into an interest rate cap agreement which effectively limits the interest rate on the Company's outstanding notes payable. The interest rate cap has a notional amount of \$51,950,000. The fair value of this financial instrument is adjusted through other expense each period. As of December 31, 2018, the fair value of the interest rate cap agreement was an asset of \$68,411. The agreement provides that the Company's floating interest rate will be capped at 4% when variable rates exceed 4%. The agreement expires in September 2021.

CAROLINA BAY AT AUTUMN HALL
NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 4—Fair value of financial instruments

Below are the Company's financial instruments carried at fair value by the GAAP fair value hierarchy levels described in Note 2. Also, see Note 2 for the discussion of the methodology and assumptions used to determine fair value of the Company's financial instruments.

	Significant Unobservable Inputs (Level 2)	Total Fair Value
Interest rate derivative	\$ 68,411	\$ 68,411

Note 5—Property and equipment, net

Property and equipment, net at December 31, 2018 consist of the following:

	Carolina Bay Wilmington	Carolina Bay Healthcare	Carolina Bay Properties	Total
Buildings and improvements	\$ -	\$ -	\$ 69,486,626	\$ 69,486,626
Land and land improvements	-	-	2,784,636	2,784,636
Furniture and fixtures	-	-	2,003,039	2,003,039
Vehicles	-	-	125,219	125,219
Equipment	814	-	-	814
	814	-	74,399,520	74,400,334
Less accumulated depreciation	(41)	-	(652,048)	(652,089)
Property and equipment, net	\$ 773	\$ -	\$ 73,747,472	\$ 73,748,245

Note 6—Goodwill and intangible asset

Goodwill and intangible asset (indefinite-lived) consisted of the following at December 31, 2018:

Goodwill	\$ 11,039,070
Certificate of need	1,584,997
	<u>\$ 12,624,067</u>

CAROLINA BAY AT AUTUMN HALL
NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 7—Long-term debt

Long-term debt for the Company consists of the following at December 31, 2018:

Note payable bearing interest at a variable rate of 2.00% plus LIBOR (2.52% at December 31, 2018) with interest only payments due monthly from the note effective date through August 31, 2024, principal and interest payment of \$1,082,292 due monthly for the period of September 1, 2024 through August 30, 2028 and a final payment of \$6,414,758 due upon the maturity date of September 1, 2028. This note is collateralized by the real property and improvements and related real and personal property as well as any additional property and improvements located thereon.	\$ 51,950,000
Less deferred financing costs	<u>(350,353)</u>
Long-term debt	<u><u>\$ 51,599,647</u></u>

Future maturities of long-term debt are as follows:

<u>Years Ending December 31,</u>	
2019	\$ -
2020	-
2021	-
2022	-
2023	-
Thereafter	<u>51,950,000</u>
	<u><u>\$ 51,950,000</u></u>

Interest expense amounted to \$773,083 for the period ended December 31, 2018, including \$12,081 related to deferred financing cost amortization. Future amortization of deferred financing costs at December 31, 2018 is as follows:

<u>Years Ending December 31,</u>	
2019	\$ 36,243
2020	36,243
2021	36,243
2022	36,243
2023	36,243
Thereafter	<u>169,138</u>
	<u><u>\$ 350,353</u></u>

CAROLINA BAY AT AUTUMN HALL
NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 8—Related party transactions

Other entities owned by Liberty Healthcare provide other benefits to the Company. These transactions are also considered related party transactions and are settled through related party cash accounts and payments to the other entities. As of December 31, 2018, total receivables and payables to related parties were \$573,366 and \$1,334,929, respectively.

Carolina Bay Wilmington and Carolina Bay Healthcare have entered into management agreements with a fee of 5% of total revenues derived from independent living units and 6% of total revenues derived from assisted living units, memory care units, and skilled nursing units are paid to Carolina Bay Healthcare Center Management, LLC, a related party. These fees totaled \$313,895 for the period ended December 31, 2018.

Note 9—Intercompany agreements

Carolina Bay Properties entered into separate lease agreements with Carolina Bay Wilmington and Carolina Bay Healthcare, under which Carolina Bay Wilmington and Carolina Bay Healthcare will make lease payments to Carolina Bay Properties for use of the facilities. The lease agreements have a term of fifteen years.

Future minimum lease payments are as follows for the years ending December 31:

	Carolina Bay Wilmington	Carolina Bay Healthcare
2019	\$ 1,376,672	\$ 1,333,336
2020	1,466,668	1,416,672
2021	1,566,672	1,516,672
2022	1,666,672	1,616,668
2023	1,700,004	1,650,000
Thereafter	15,866,704	15,400,000
	<u>\$ 23,643,392</u>	<u>\$ 22,933,348</u>

Total rent expense incurred by the CCRC and Carolina Bay Healthcare was \$1,568,862 for the period ended December 31, 2018. These amounts have been eliminated on the combined financial statements.

In 2016, Carolina Bay Wilmington and Carolina Bay Healthcare entered into a healthcare services transfer agreement, under which Carolina Bay Healthcare will provide care to residents of the Carolina Bay Wilmington through the operation of the Closed Beds. Under the terms of the transfer agreement, the Company will collect daily service fees from residents occupying the Closed Beds and will subsequently make healthcare fee payments to Carolina Bay Healthcare equivalent to the amount of daily service fees collected for any Closed Bed occupied by a resident of the Carolina Bay Wilmington.

CAROLINA BAY AT AUTUMN HALL

NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 10—Contingencies

The Company is subject to legal proceedings and claims which arise in the course of providing health care services. The Company maintains malpractice insurance coverage (\$1,000,000 per claim, \$3,000,000 aggregate) for claims made during the policy year. The coverage has a \$1,300,000 total deductible for the assisted living facilities. In management's opinion, adequate provision has been made for amounts expected to be paid under the policy's deductible limits for unasserted claims not covered by the policy and any other uninsured liability.

The health care industry is subject to numerous 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 and Medicaid 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.

Note 11—Pension plan

The Company offers a defined contribution plan (the "Plan") to eligible employees as defined by the Plan. The Company will match employee contributions at the discretion of management. The Company contributed \$4,439 to the Plan for the period ended December 31, 2018.

Note 12—Subsequent events

The Company has evaluated subsequent events through June 12, 2019, in connection with the preparation of these combined financial statements, which is the date the combined financial statements were available to be issued.

SUPPLEMENTAL SCHEDULES

**CAROLINA BAY AT AUTUMN HALL
COMBINING BALANCE SHEET**

DECEMBER 31, 2018

	<u>Carolina Bay of Wilmington, LLC</u>	<u>Carolina Bay Healthcare Center of Wilmington, LLC</u>	<u>Carolina Bay Properties of Wilmington, LLC</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS					
Current Assets:					
Cash	\$ 992,358	\$ 266,913	\$ 1,474,386	\$ -	\$ 2,733,657
Cash - restricted	777,540	1,613	448,873	-	1,228,026
Resident accounts receivable, net	244,506	382,937	-	-	627,443
Accounts receivable - Carolina Bay	639,901	930,524	558,854	(2,129,279)	-
Accounts receivable - other	-	-	-	-	-
Inventories	-	12,108	-	-	12,108
Prepaid expenses	158,505	138,731	-	(219,168)	78,068
Total Current Assets	<u>2,812,810</u>	<u>1,732,826</u>	<u>2,482,113</u>	<u>(2,348,447)</u>	<u>4,679,302</u>
Property and equipment, net	<u>773</u>	<u>-</u>	<u>73,747,472</u>	<u>-</u>	<u>73,748,245</u>
Noncurrent Assets:					
Goodwill, net	-	-	11,039,070	-	11,039,070
Intangible asset	-	-	1,584,997	-	1,584,997
Accounts receivable - related parties	242,423	316,105	14,838	-	573,366
Other assets	-	-	68,411	-	68,411
Total Noncurrent Assets	<u>242,423</u>	<u>316,105</u>	<u>12,707,316</u>	<u>-</u>	<u>13,265,844</u>
Total Assets	<u><u>\$ 3,056,006</u></u>	<u><u>\$ 2,048,931</u></u>	<u><u>\$ 88,936,901</u></u>	<u><u>\$ (2,348,447)</u></u>	<u><u>\$ 91,693,391</u></u>

CAROLINA BAY AT AUTUMN HALL
COMBINING BALANCE SHEET (CONTINUED)

DECEMBER 31, 2018

	Carolina Bay of Wilmington, LLC	Carolina Bay Healthcare Center of Wilmington, LLC	Carolina Bay Properties of Wilmington, LLC	Eliminations	Total
LIABILITIES AND MEMBERS' EQUITY					
Current Liabilities:					
Trade accounts payable	\$ 50,632	\$ 24,299	\$ -	\$ -	\$ 74,931
Unearned revenue	11,937	32,605	-	-	44,542
Accrued expenses and other payables	1,282,548	237,262	560,039	(343,844)	1,736,005
Accounts payable - Carolina Bay	1,107,405	746,685	150,513	(2,004,603)	-
Total Current Liabilities	<u>2,452,522</u>	<u>1,040,851</u>	<u>710,552</u>	<u>(2,348,447)</u>	<u>1,855,478</u>
Noncurrent Liabilities:					
Accounts payable - related parties	402,238	923,167	9,524	-	1,334,929
Long-term debt, net of current portion	-	-	51,599,647	-	51,599,647
Total Noncurrent Liabilities	<u>402,238</u>	<u>923,167</u>	<u>51,609,171</u>	<u>-</u>	<u>52,934,576</u>
Total Liabilities	2,854,760	1,964,018	52,319,723	(2,348,447)	54,790,054
Members' Equity	201,246	84,913	35,702,178	-	35,988,337
Contributed capital	-	-	915,000	-	915,000
Total Members' Equity	<u>201,246</u>	<u>84,913</u>	<u>36,617,178</u>	<u>-</u>	<u>36,903,337</u>
Total Liabilities and Members' Equity	<u><u>\$ 3,056,006</u></u>	<u><u>\$ 2,048,931</u></u>	<u><u>\$ 88,936,901</u></u>	<u><u>\$ (2,348,447)</u></u>	<u><u>\$ 91,693,391</u></u>

CAROLINA BAY AT AUTUMN HALL
COMBINING STATEMENT OF OPERATIONS

PERIOD ENDED DECEMBER 31, 2018

	Carolina Bay of Wilmington, LLC	Carolina Bay Healthcare Center of Wilmington, LLC	Carolina Bay Properties of Wilmington, LLC	Eliminations	Total
Revenue:					
Resident revenue	\$ 3,540,992	\$ 2,118,454	\$ -	\$ -	\$ 5,659,446
Rent revenue	-	-	1,568,862	(1,568,862)	-
Total Revenue	<u>3,540,992</u>	<u>2,118,454</u>	<u>1,568,862</u>	<u>(1,568,862)</u>	<u>5,659,446</u>
Expenses:					
Nursing	279,674	582,549	-	-	862,223
Resident/patient services	113,590	181,779	-	-	295,369
Ancillary services	7,996	13,956	-	-	21,952
Dietary	633,934	130,267	-	-	764,201
Laundry	30,781	20,275	-	-	51,056
Housekeeping	97,568	54,516	-	-	152,084
Plant, operations, and maintenance	1,105,408	477,413	-	(1,568,862)	13,959
Medical supplies	75,200	114,966	-	-	190,166
General and administrative	478,815	190,040	28,919	-	697,774
Management fees	186,298	127,591	6	-	313,895
Interest	-	-	773,083	-	773,083
Depreciation and amortization	41	-	652,048	-	652,089
Repairs and maintenance	244,664	72,073	1,811	-	318,548
Other expense	85,777	68,116	45,589	-	199,482
Total Expenses	<u>3,339,746</u>	<u>2,033,541</u>	<u>1,501,456</u>	<u>(1,568,862)</u>	<u>5,305,881</u>
Net Income	<u>\$ 201,246</u>	<u>\$ 84,913</u>	<u>\$ 67,406</u>	<u>\$ -</u>	<u>\$ 353,565</u>

CAROLINA BAY AT AUTUMN HALL
COMBINING STATEMENT OF CASH FLOWS

PERIOD ENDED DECEMBER 31, 2018

	Carolina Bay of Wilmington, LLC	Carolina Bay Healthcare Center of Wilmington, LLC	Carolina Bay Properties of Wilmington, LLC	Eliminations	Total
Cash flows from operating activities:					
Net income	\$ 201,246	\$ 84,913	\$ 67,406	\$ -	\$ 353,565
Adjustments to reconcile net income to net cash flows from operating activities:					
Depreciation	41	-	652,048	-	652,089
Amortization of debt issuance costs	-	-	12,081	-	12,081
Change in fair value of interest derivatives	-	-	45,589	-	45,589
Changes in operating assets and liabilities:					
Resident accounts receivable, net	(244,506)	(382,937)	-	-	(627,443)
Accounts receivable - other	-	16,022	-	-	16,022
Inventories	-	(3,519)	-	-	(3,519)
Prepaid expenses	(158,505)	(138,731)	143,635	219,168	65,567
Accounts receivable - related parties	(242,423)	(316,105)	(14,838)	-	(573,366)
Accounts receivable - Carolina Bay	(170,803)	(651,917)	(345,858)	1,168,578	-
Other assets	-	-	(600)	-	(600)
Trade accounts payable	50,632	24,299	-	-	74,931
Unearned revenue	11,937	11,671	-	-	23,608
Accrued expenses and other payables	463,403	271,117	185,318	(343,844)	575,994
Accounts payable - related parties	402,238	923,167	9,524	-	1,334,929
Accounts payable - Carolina Bay	700,989	428,099	(85,186)	(1,043,902)	-
Net cash flows from operating activities	<u>1,014,249</u>	<u>266,079</u>	<u>669,119</u>	<u>-</u>	<u>1,949,447</u>

CAROLINA BAY AT AUTUMN HALL
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)

PERIOD ENDED DECEMBER 31, 2018

	Carolina Bay of Wilmington, LLC	Carolina Bay Healthcare Center of Wilmington, LLC	Carolina Bay Properties of Wilmington, LLC	Eliminations	Total
Cash flows from investing activities:					
Purchases of property and equipment	(814)	-	-	-	(814)
Cash flows from financing activities:					
Payments for debt issuance costs	-	-	(3,102)	-	(3,102)
Contributions from officers/members	-	-	915,000	-	915,000
Net cash flows from financing activities	-	-	911,898	-	911,898
Net change in cash and restricted cash	1,013,435	266,079	1,581,017	-	2,860,531
Cash and restricted cash, beginning of period	756,463	2,447	342,242	-	1,101,152
Cash and restricted cash, end of period	<u>\$ 1,769,898</u>	<u>\$ 268,526</u>	<u>\$ 1,923,259</u>	<u>\$ -</u>	<u>\$ 3,961,683</u>
Supplemental disclosure of cash flow information:					
Recognized fair value of assets acquired and liabilities assumed in connection with the restructuring	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,584,772</u>	<u>\$ -</u>	<u>\$ 87,584,772</u>
Cash paid during the period for interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 568,780</u>	<u>\$ -</u>	<u>\$ 568,780</u>
Reconciliation of cash and restricted cash to the combining balance sheet:					
Cash per combining balance sheet	\$ 992,358	\$ 266,913	\$ 1,474,386	\$ -	\$ 2,733,657
Cash - restricted per combining balance sheet	777,540	1,613	448,873	-	1,228,026
	<u>\$ 1,769,898</u>	<u>\$ 268,526</u>	<u>\$ 1,923,259</u>	<u>\$ -</u>	<u>\$ 3,961,683</u>

EXHIBIT B

ACTUAL VERSUS PROJECTED RESULTS

[ATTACHED]

Carolina Bay of Wilmington, LLC
Material Difference Narrative
For the Year Ended December 31, 2018

For purposes of comparison, Carolina Bay of Wilmington, LLC ("CBW") used the following financial reports as of and for the year ended (actual)/ending (projected) December 31, 2018:

Audited - Obtained from the Supplemental Schedules of the combined audited financial statements of Carolina Bay at Autumn Hall as of and for the period ended August 29, 2018 and the period August 30 - December 31, 2018.

Forecasted - Obtained from the forecasted financial statements with the Independent Accountants' Compilation Report dated May 30, 2018, which was included in the CBW Disclosure Statement dated May 31, 2018.

The following explanations are furnished pursuant to Section 58-64-30 of the General Statutes of North Carolina. The explanations pertain to material differences between the CBW's audited and forecasted financial statements, as described above, as of and for the year ending December 31, 2018. See the summary Balance Sheets, Statements of Operations and Statements of Cash Flows behind this narrative for amounts and percentages.

For purposes of this narrative, "material" differences are considered to be variances of \$500,000 and 10% on line item amounts.

Balance Sheets:

1. Cash - Restricted and Deposits - Restricted cash and deposits represent security deposits collected from independent living residents upon selection of an independent living unit. During fill up these monies were required to be held in escrow on behalf of the resident. During 2018 a portion of these funds were permitted to be removed from escrow based on meeting certain occupancy thresholds. The audited financial statements report these as current restricted assets. The financial projection reported these as assets limited as to use. Restricted deposits were less than projected by approximately \$584,000 (43%). This was due to the permitted release of a portion of these escrowed funds.
2. Accounts Receivable - Carolina Bay Companies - There are numerous transactions throughout the year between other companies related under the Carolina Bay at Autumn Hall economic entity. The audited financial statements report these as current assets; whereas, the financial projection categorized these as non-current assets. Below is a summary of the net balances due to and from these companies at December 31, 2018:

	Projected			Actual		
	<u>Due To*</u>	<u>Due From*</u>	<u>Net Rec/(Pay)</u>	<u>Due To</u>	<u>Due From</u>	<u>Net Rec/(Pay)</u>
Carolina Bay Properties of Wilmington, LLC				\$ -	\$ 390	\$ (390)
Carolina Bay Healthcare Center of Wilmington, LLC				640	717	(77)
Total receivable/(payable)	\$ 6,660	\$ 7,150	\$ (490)	\$ 640	\$ 1,107	\$ (467)

*Not specifically identified in the projected financial statements

The net amount due from the two companies related under the Carolina Bay at Autumn Hall economic entity is less than projected. This is due to the cash provided from these companies and the recapitalization of CBW to reduce this net balance.

3. Lease Asset/Liability - The lease asset and related liability were less than projected by approximately \$37,000,000 (100%). These are related to a new accounting standard regarding leases which CBW will not be required to and does not intend to implement until 2020. For purposes of the projection, the current lease was determined to be a financing lease under the new standard and included in the 2018 projected balance sheets. Related lease interest expense and lease amortization were included in the projected statement of operations in lieu of rent expense.

4. Accounts Payable - Accounts payable represents a combination of routine accounts payable and the liability related to the escrowed deposits (see #1 above). Accounts payable were more than projected by approximately \$662,000 (143%). This was caused by (1) the projection excluding an estimate for the liability related to the escrowed deposits (approximately \$860,000 on the audited financial statements at December 31, 2018) offset by (2) the projected financial statements assuming 25 days of accounts payable at year end versus the actual, which was 15 days.
5. Accrued Expenses - Accrued expenses represent estimates for payroll and payroll-related taxes and benefits due. Accrued expenses were less than projected by approximately \$554,000 (100%). Simultaneous to the recapitalization, all employees of CBW were transferred to a related management company. This management company performs all administrative services related to payroll and charges payroll related expenses back to CBW on a monthly basis. Therefore, CBW is no longer liable directly for accrued wages and benefits and did not accrue for this expense at December 31, 2018.
6. Accounts Payable - Related Parties - There are transactions throughout the year between CBW and other companies owned and operating within the Liberty network. Below is a summary of the net balances due to and from these companies (shown in a comprehensive total) at December 31, 2018:

	Forecasted			Actual		
	<u>Due To</u>	<u>Due From</u>	<u>Net Rec/(Pay)</u>	<u>Due To</u>	<u>Due From</u>	<u>Net Rec/(Pay)</u>
Total receivable/(payable)	\$ 195	\$ 4,087	\$ (3,892)	\$ 242	\$ 402	\$ (160)

The net amount due to these other Liberty companies is less than projected. This is due to the use of cash by CBW to the Liberty companies to reduce the net accounts payable to the other Liberty companies and the recapitalization. The recapitalization was not included in the projection.

7. Members' Equity/(Deficit) - Effective August 30, 2018, the members holding 100% of the membership interests in CBW contributed all their membership interest in and real property held by Carolina Bay Properties to Wilmington AH Senior Housing JV Propco, LLC ("Propco"), a Delaware limited liability company and Carolina Bay Wilmington to Wilmington AH Senior Housing JV Opco, LLC ("Opco") Opco, a Delaware limited liability company. In connection with this contribution, a capital marketing company made a capital contribution in both Propco and Opco, resulting in membership percentage interest of 80% and 20% for the capital marketing company and the previous members, respectively. Effective with this restructuring all balances on CBW were eliminated on August 30, 2018 and activity related to the new ownership was recorded from August 30, 2018 forward. The projection did not include any estimates for this restructuring.

Statements of Operations:

8. Physical Plant - Physical plant expenses include rent expense and property insurance. The actual expense was more than projected by approximately \$2,649,000 (1387%). This was due to the inclusion of rent expense in the actual expenses of \$2,588,000. Because of the inclusion of estimates for the new lease accounting standard (see #3 above), the projection did not estimate rent expense but instead recorded expenses related to lease interest and amortization.

Statements of Cash Flows:

9. Net Income (Loss) from Operations - See explanations in the Statements of Operations sections above.
10. Net Change in Current Assets and Liabilities - The decrease in cash related to the net change in current assets and liabilities was more than projected by approximately \$3,363,000 (515%). This was primarily due to intercompany transactions between related Carolina Bay companies described in Note 2 and the recapitalization described in Note 7.

Carolina Bay of Wilmington, LLC
At December 31, 2018

2018 Actual

Balance Sheet (in '000s)	2018 Projection	@ December 31, 2018	2018 Report Reclassifications	2018 Actual-Adjusted	Variance	See Material Difference Narrative
Assets:						
Current assets:						
Cash and cash equivalents/Cash	\$ 554	\$ 992	\$ 992	\$ 992	\$ 438	79%
Cash - restricted		\$ 778	\$(778)	-	-	100% (1)
Accounts receivable - residents	274	244	(217)	27	(247)	-90%
Accounts receivable - Carolina Bay Companies		640	(640)	-	-	100% (2)
Accounts receivable - other				-	-	100%
Inventory	18			-	(18)	-100%
Prepaid expenses	277	159		159	(118)	-43%
Total current assets	1,123	2,813	(1,635)	1,178	55	
Investments	286			-	(286)	-100%
Accounts receivable - Carolina Bay Companies	6,660	\$ 640	640	640	(6,020)	-90% (2)
Accounts Receivable - related parties	195	242		242	47	24% (6)
Assets limited as to use:						
Deposits	1,362	-	778	778	(584)	-43% (1)
Property and equipment, gross	173	1		1	(172)	-99%
Accumulated depreciation	(94)			-	94	-100%
Property and equipment, net	79	1	-	1	(78)	
Lease Asset	36,577			-	(36,577)	-100% (3)
Total assets	\$ 46,282	\$ 3,056	\$(217)	\$ 2,839	\$ (43,443)	
Liabilities and Members' Equity/(Deficit):						
Accounts payable	\$ 462	51	1,073	1,124	662	143% (4)
Accrued expenses	554	1,283	(1,283)	-	(554)	-100% (5)
Lease liability, current portion	703	-		-	(703)	-100% (3)
Accounts payable - Carolina Bay Companies		1,107	(1,107)	-	-	100% (2)
Total current liabilities	1,719	2,441	(1,317)	1,124	(595)	
Long-term liabilities:						
Accounts payable - Carolina Bay Companies	7,150		1,107	1,107	(6,043)	-85% (2)
Accounts payable - related parties	4,087	402		402	(3,685)	-90% (6)
Lease liability, long term	37,582	-		-	(37,582)	-100% (3)
Unearned revenue	27	12	(7)	5	(22)	-81%
Total long-term liabilities	41,696	414	(7)	407	(41,289)	
Total liabilities	50,565	2,855	(217)	2,638	(47,927)	
Member's deficit	(4,283)	201		201	4,484	-105% (7)
Total liabilities and member's equity	\$ 46,282	\$ 3,056	\$(217)	\$ 2,839	\$ (43,443)	

Carolina Bay of Wilmington, LLC
For the Year Ended December 31, 2018

Statement of Operations (in 000s)	2018 Actual						2018 Actual-Adjusted	Variance
	2018 Projection	January 1 - August 29, 2018	August 30 - December 31, 2018	2018 Report Reclassifications				
Revenue:								
Independent living apartment service fees	\$ 6,392	\$ 6,459	\$ 3,541	\$ (3,681)	\$ 6,319	\$ (73)	-1%	
Garden Flat independent living service fees	864			864	864	-	0%	
Assisted living service fees	1,274			1,237	1,237	(37)	-3%	
Skilled nursing service fees	1,297			1,377	1,377	80	6%	
Rent revenue		10		(10)	-	-	100%	
Other revenue	162	1		213	214	52	32%	
Total revenue	9,989	6,470	3,541	-	10,011	22		
Expenses:								
Nursing		580	280	(860)	-	-	0%	
Resident services	1,468	202	113	1,087	1,402	(66)	-4%	
Ancillary services		15	8	(23)	-	-	0%	
Dietary	1,628	152	634	1,003	1,789	161	10%	
Housekeeping	296	40	98	147	285	(11)	-4%	
Laundry & Linen	80	19	31	32	82	2	3%	
Medical supplies		112	75	(187)	-	-	0%	
Administrative & General	839	2,611	479	(1,854)	1,236	397	47%	
Plant & Operations	1,326	2,057	1,105	(1,936)	1,226	(100)	-8%	
Physical Plant/Repairs and maintenance	191			2,840	2,840	2,649	1387% (8)	
Garden Flat expense	228			228	228	-	0%	
Management Fees	688	455	186		641	(47)	-7%	
Lease interest expense	1,930				-	(1,930)	-100% (3)	
Lease amortization	2,377				-	(2,377)	-100% (3)	
Depreciation	30	21	-		21	(9)	-30%	
Repairs and maintenance		178	245	(423)	-	-	100%	
Other expense		-	86	(86)	-	-	100%	
Total expenses	11,081	6,442	3,340	(32)	9,750	(1,331)		
Income before other operating income (expenses)	(1,092)	28	201	32	261	1,353		
Other operating income (expenses):								
Letter of credit fees	(32)	-	-	(32)	(32)	-	0%	
Total other operating income (expenses)	(32)	-	-	(32)	(32)	-		
Net income from operations	(1,124)	28	201	-	229	1,353	-120%	
Members' deficit, beginning of year	(3,159)	(3,159)	733		(3,159)	-	0%	
Members' contributions		5,400			5,400	5,400	100% (7)	
Members' distributions		(1,536)	(733)		(2,269)	(2,269)	100% (7)	
Member's deficit, end of year	\$ (4,283)	\$ 733	\$ 201	\$ -	\$ 201	\$ 4,484		

Carolina Bay of Wilmington, LLC
For the Year Ended December 31, 2018

Statement of Cash Flows (in 000s)	2018 Actual					2018 Actual-Adjusted	Variance
	2018 Projection	January 1 - August 29, 2018	August 30 - December 31, 2018	2018 Report Reclassifications			
Cash flows from operating activities:							
Net income (loss) from operations	\$ (1,124)	\$ 28	\$ 201	\$ -	\$ 229	\$ 1,353	-120% (9)
Adjustments to reconcile net income (loss) from operations to net cash provided by (used in) operating activities:							
Lease amortization	2,377				-	(2,377)	-100% (3)
Depreciation	30	14			14	(16)	-53%
Changes in operating assets and liabilities:							
Accounts receivable - residents		(25)	(245)	270	-	-	0%
Prepaid expenses		(220)	(159)	379	-	-	0%
Receivables - related parties		270	(242)	(28)	-	-	0%
Receivables - Carolina Bay		6,266	(171)	(6,095)	-	-	0%
Trade accounts payable		(22)	51	(29)	-	-	0%
Unearned revenue		(20)	12	8	-	-	0%
Accrued expenses and other payables		55	464	(519)	-	-	0%
Accounts payable - related parties		(4,246)	402	3,844	-	-	0%
Accounts payable - Carolina Bay		(6,321)	701	5,620	-	-	0%
Net change in current assets and liabilities	(653)			(4,016)	(4,016)	(3,363)	515% (10)
Change in accounts payable - Carolina Bay	203			475	475	272	134%
Net cash provided by (used in) operating activities	833	(4,221)	1,014	(91)	(3,298)	(4,131)	
Cash flows from investing activities:							
Routine capital additions/purchases of property & equipment	-	-	(1)		(1)	(1)	100%
(Increase) decrease in investments	(186)	-			-	186	-100%
Net cash provided by (used in) investing activities	(186)	-	(1)	-	(1)	185	
Cash flows from financing activities:							
Distributions to officers/members		(1,536)	-	(733)	(2,269)	(2,269)	100% (7)
Contributions from officers/members		5,400	-	-	5,400	5,400	100% (7)
Lease principal payment	(669)	-			-	669	-100% (3)
Net cash provided by (used in) financing activities	(669)	3,864	-	(733)	3,131	3,800	
Change in cash and cash equivalents	(22)	(357)	1,013	(824)	(168)	(146)	
Cash and cash equivalents, beginning of year	576	1,938	757	824	1,938	1,362	
Cash and cash equivalents, end of year	\$ 554	\$ 1,581	\$ 1,770	\$ -	\$ 1,770	\$ 1,216	

EXHIBIT C
INTERIM FINANCIAL STATEMENTS

[ATTACHED]

Carolina Bay of Wilmington, LLC
Statements of Operations and Changes in Members' Equity
For Three Months Ended March 31, 2019

	<u>Total</u>
Revenue:	
Independent living revenue	\$ 1,893,664
Assisted living revenue	337,210
Skilled nursing revenue	413,253
Provision for bad debt	(6,337)
Other revenue	51,480
<hr/>	
Total operating revenue	2,689,270
<hr/>	
Expense:	
Independent living resident services	71,761
Assisted living resident services	184,014
Skilled nursing resident services	313,628
Dietary	489,237
Housekeeping	82,964
Laundry and linen	26,136
General and administrative	358,705
Plant operations	227,218
Physical plant	24,908
Management fee to Liberty Living Management, LLC	142,285
Rent/lease expense	651,568
Depreciation	1,144
<hr/>	
Total operating expenses	2,573,568
<hr/>	
Net income/(loss) before other changes in income/(loss)	115,702
Other changes to income/(loss):	
Extraordinary expense	(4,025)
<hr/>	
Net income/(loss)	111,677
Members' equity, beginning of year	201,246
<hr/>	
Members' equity, end of year	\$ 312,923
<hr/>	

Carolina Bay of Wilmington, LLC
Statements of Cash Flows
For Three Months Ended March 31, 2019

	<u>Total</u>
Cash flows from operating activities:	
Net income/(loss)	\$ 111,677
Adjustments to reconcile income/(loss) to net cash provided by operating activities:	
Depreciation	1,144
Change in current assets and liabilities, net	24,292
Net cash provided by (used in) operating activities	137,113
Cash flows from investing activities:	
Capital additions	(21,744)
Net cash provided by (used in) investing activities	(21,744)
Cash flows from financing activities:	
Advances and contributions (to)/from related party	(156,943)
Net cash provided by (used in) financing activities	(156,943)
Change in cash and cash equivalents	(41,574)
Cash and cash equivalents, beginning of year	1,769,898
Cash and cash equivalents, end of year	1,728,324

Carolina Bay of Wilmington, LLC

Balance Sheets

March 31, 2019

Assets

Current assets:

Cash and cash equivalents	\$	1,728,324
Accounts receivable:		
Resident accounts receivable, net		231,659
Prepaid expenses		126,320
Due from related party		913,223
Total current assets		2,999,526

Non-current assets:

Property and equipment		21,789
Less: accumulated depreciation		(416)
Property and equipment, net		21,373

Intangible assets

		-
Due from related parties		307,310
Total non-current assets		328,683
Total assets	\$	3,328,209

Liabilities and Members' Equity

Current liabilities:

Deferred revenue, current portion	\$	5,575
Accounts payable and accrued expenses		1,318,802
Due to related party		1,016,681
Total current liabilities		2,341,058

Non-current liabilities and deferred revenue:

Due to related parties		674,228
Total non-current liabilities and deferred revenue		674,228
Total liabilities and deferred revenue		3,015,286
Members' equity		312,923
Total liabilities and members' equity	\$	3,328,209

EXHIBIT D

5-YEAR PROSPECTIVE FINANCIAL STATEMENTS

[ATTACHED]

Carolina Bay of Wilmington, LLC

Compilation of a Financial Projection

For Each of the Five Years Ending
December 31, 2023

(with Independent Accountants'
Compilation Report thereon)

Carolina Bay of Wilmington, LLC

Compilation of a Financial Projection

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Independent Accountants' Compilation Report

Carolina Bay of Wilmington, LLC
Wilmington, North Carolina

Management of Carolina Bay of Wilmington, LLC (the "Company") and the day-to-day operating manager, Carolina Bay Management of Wilmington, LLC (collectively "Management") are responsible for the accompanying financial projection of the Company, which comprises the projected balance sheets as of and for each of the five years ending December 31, 2023, the related projected statements of operations, changes in members' equity (deficit), and cash flows for each of the years then ending, and the related summaries of significant assumptions and accounting policies in accordance with guidelines for the presentation of a financial projection established by the American Institute of Certified Public Accountants ("AICPA").

The accompanying projection and this report were prepared for inclusion with the disclosure statement filing requirements of North Carolina General Statutes, Chapter 58, Article 64. Accordingly, this report should not be used for any other purpose.

We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services Committee of the AICPA. We did not examine or review the financial projection 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, or provide any form of assurance on this financial projection. The projected results may not be achieved as there will usually be differences between the prospective and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

Furthermore, even if the hypothetical assumption occurs during the projection period that the Garden Flats Project (hereafter defined) is successfully marketed and achieves and maintains projected occupancy levels, 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.

Dixon Hughes Goodman LLP

Atlanta, Georgia
June 27, 2019

Carolina Bay of Wilmington, LLC

Projected Statements of Operations and Changes in Members' Equity (Deficit) For Each of the Five Years Ending December 31, (In Thousands)

	2019	2020	2021	2022	2023
Revenue:					
Entrance fee amortization	\$ -	\$ -	\$ -	\$ -	\$ -
Independent living revenue	7,782	8,514	9,134	9,681	9,966
Assisted living revenue	1,343	1,373	1,428	1,485	1,545
Skilled nursing revenue	1,592	1,642	1,691	1,746	1,803
Other revenue	181	186	190	195	200
Total operating revenue	10,898	11,715	12,443	13,107	13,514
Expense:					
Independent living resident services	260	265	272	279	286
Assisted living resident services	663	680	697	714	732
Skilled nursing resident services	1,246	1,277	1,309	1,342	1,375
Dietary	2,132	2,195	2,261	2,326	2,384
Housekeeping	358	369	380	390	400
Laundry and linen	101	104	106	109	111
General and administrative	1,468	1,506	1,544	1,584	1,623
Plant operations	862	891	920	949	972
Physical plant	60	62	64	66	68
Management fee	575	616	654	688	710
Lease interest expense	2,691	1,929	1,890	1,849	1,806
Lease amortization	-	2,467	2,467	2,467	2,467
Total operating expenses	10,416	12,361	12,564	12,763	12,934
 Net income (loss)	 482	 (646)	 (121)	 344	 580
 Members' equity (deficit), beginning of year	 201	 683	 (3,484)	 (3,605)	 (3,261)
Cumulative effect of new accounting standard for leases	-	(3,521)	-	-	-
Members' equity (deficit), end of year	\$ 683	\$ (3,484)	\$ (3,605)	\$ (3,261)	\$ (2,681)

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

Carolina Bay of Wilmington, LLC

Projected Statements of Cash Flows For Each of the Five Years Ending December 31, (In Thousands)

	2019	2020	2021	2022	2023
Cash flows from operating activities:					
Net income (loss)	\$ 482	\$ (646)	\$ (121)	\$ 344	\$ 580
Adjustments to reconcile income (loss) to net cash provided by operating activities:					
Provision for bad debts	7	7	7	7	7
Lease amortization	-	2,467	2,467	2,467	2,467
Change in current assets and liabilities, net	(583)	(4)	(4)	(197)	(3)
Net cash provided by (used in) operating activities	(94)	1,824	2,349	2,621	3,051
Cash flows from investing activities:					
Capital additions	(1)	(1)	(1)	(1)	(1)
Change in investments	583	-	-	195	-
Net cash provided by (used in) investing activities	582	(1)	(1)	194	(1)
Cash flows from financing activities:					
Principal payments on lease obligations	-	(761)	(801)	(841)	(885)
Advances and contributions to related party	(480)	(1,061)	(1,547)	(1,974)	(2,165)
Net cash used in financing activities	(480)	(1,822)	(2,348)	(2,815)	(3,050)
Change in cash and cash equivalents	8	1	-	-	-
Cash and cash equivalents, beginning of year	992	1,000	1,001	1,001	1,001
Cash and cash equivalents, end of year	\$ 1,000	\$ 1,001	\$ 1,001	\$ 1,001	\$ 1,001

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

Carolina Bay of Wilmington, LLC

Projected Balance Sheets For Each of the Five Years Ending December 31, (In Thousands)

Assets	2019	2020	2021	2022	2023
Current assets:					
Cash and cash equivalents	\$ 1,000	\$ 1,001	\$ 1,001	\$ 1,001	\$ 1,001
Resident accounts receivable, net	29	32	34	35	36
Prepaid expenses	176	181	186	191	196
Total current assets	1,205	1,214	1,221	1,227	1,233
Non-current assets:					
Restricted assets	195	195	195	-	-
Statutory operating reserve	-	-	-	-	-
Lease asset	-	32,935	30,468	28,000	25,533
Property and equipment, net	2	3	4	5	6
Due from related parties	336	1,397	2,944	4,918	7,083
Total non-current assets	533	34,530	33,611	32,923	32,622
Total assets	\$ 1,738	\$ 35,744	\$ 34,832	\$ 34,150	\$ 33,855
Liabilities and Members' Equity (Deficit)					
Current liabilities:					
Current portion-lease liability	\$ -	\$ 801	\$ 842	\$ 885	\$ 930
Resident refunds payable, current portion	195	195	195	-	-
Deferred revenue, current portion	5	5	5	5	5
Accounts payable and accrued expenses	372	383	393	404	414
Due to related parties	483	483	483	483	483
Total current liabilities	1,055	1,867	1,918	1,777	1,832
Non-current liabilities:					
Lease obligations, less current portion	-	37,361	36,519	35,634	34,704
Resident refunds payable, less current portion	-	-	-	-	-
Deferred revenue, net	-	-	-	-	-
Total non-current liabilities	-	37,361	36,519	35,634	34,704
Total liabilities	1,055	39,228	38,437	37,411	36,536
Members' equity (deficit)	683	(3,484)	(3,605)	(3,261)	(2,681)
Total liabilities and members' equity (deficit)	\$ 1,738	\$ 35,744	\$ 34,832	\$ 34,150	\$ 33,855

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

Carolina Bay of Wilmington, LLC

Summary of Significant Projection Assumptions and Accounting Policies

For Each of the Five Years Ending December 31, 2023

General

The accompanying financial projection presents, to the best of the knowledge and belief of management of Carolina Bay of Wilmington, LLC (the “Company”) and the day-to-day operating manager, Carolina Bay Management of Wilmington, LLC (“Carolina Bay Management”) (collectively, “Management”), the expected financial position, results of operations and changes in members’ equity (deficit), and cash flows of the Company as of and for the each of the five years ending December 31, 2023. Accordingly, the accompanying financial projection reflects Management’s judgment as of June 27, 2019, the date of this projection, of the expected conditions and its expected course of action during the projection period assuming that the hypothetical assumptions stated below occur. However, even if the hypothetical assumptions stated below were to occur, 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.

Management’s purpose in releasing this financial projection is for inclusion in the Company’s annual disclosure statement in accordance with Chapter 58, Article 64, of the North Carolina General Statutes. Accordingly, this report should not be used for any other purpose. The assumptions disclosed herein are those that Management believes are significant to the prospective financial statements.

Basis of Presentation – The prospective financial statements included in the projection have been prepared in accordance with the accounting principles generally accepted in the United States of America. Significant accounting policies are described in the appropriate assumptions and notes to the prospective financial statements. The assumptions described are not all-inclusive.

Hypothetical Assumptions – A hypothetical assumption is an assumption used in a financial projection to present a condition or course of action that is not necessarily expected to occur, but is consistent with the purpose of the presentation. Hypothetical assumptions are not derived from sources, which are based upon supporting documentation such as contracts, agreements, or other empirical data. Management has prepared its financial projection assuming the hypothetical assumption that the Garden Flats Project (hereafter defined) is successfully marketed and achieves and maintains projected occupancy levels.

Background

The Company is a North Carolina for-profit limited liability company formed for the purpose of leasing and operating independent living units. The Company is owned by Wilmington AH Senior Housing JV Opco, LLC, a Delaware limited liability company. The Company operates a continuing care retirement community licensed by the State of North Carolina.

See Independent Accountants’ Compilation Report

The Company is part of the Carolina Bay at Autumn Hall (the “Community”) economic entity comprised of the Company, Carolina Bay Properties of Wilmington, LLC (“Carolina Bay Properties”), and Carolina Bay Healthcare Center of Wilmington, LLC (“Carolina Bay Healthcare”). The Community currently consists of 135 independent living units (“Independent Living Units”), 70 assisted living units (“Assisted Living Units”), 30 skilled nursing beds (“Skilled Nursing Beds”) and support services providing senior living services in Wilmington, North Carolina. The Community began operations in November 2015.

The Company and Carolina Bay Management operate the Independent Living Units, 18 Assisted Living Units, licensed for 26 assisted living beds, and 12 Skilled Nursing Beds, reserved for independent living residents (collectively, the “Closed Beds”) through a lease agreement with Carolina Bay Properties and a transfer agreement with Carolina Bay Healthcare. The Independent Living Units and the Closed Beds are collectively defined as the “CCRC”.

Carolina Bay Properties and Carolina Bay Healthcare hold the certificate of need (“CON”) for 52 adult care home beds and 18 Skilled Nursing Beds. Carolina Bay Properties, the Company, and Carolina Bay Healthcare hold the CON for 30 Skilled Nursing Beds. The collective value of the CONs is recorded as an intangible asset by Carolina Bay Properties. Carolina Bay Healthcare leases the 100 assisted living and skilled nursing beds from Carolina Bay Properties. Included in these 100 beds are services for the Closed Beds under a healthcare services transfer agreement between the Company and Carolina Bay Healthcare.

Related Parties

Carolina Bay Properties is a North Carolina for-profit limited liability company formed for the purpose of developing and owning real property and the buildings of the Community. Carolina Bay Properties is owned by Wilmington AH Senior Housing JV Propco, LLC, a Delaware limited liability company.

Carolina Bay Healthcare is a North Carolina for-profit limited liability company formed for the purpose of leasing and operating the 100-bed assisted living and skilled nursing facility. Carolina Bay Healthcare is owned by Wilmington AH Senior Housing JV Opco, LLC (“Opco”), a Delaware limited liability company.

Residents with a contract for the Independent Living Units (“CCRC Residents”) are provided with temporary or permanent skilled nursing services through a healthcare services transfer agreement between the Company and Carolina Bay Healthcare (the “Transfer Agreement”). The Closed Beds are reserved for CCRC Residents. If the Closed Beds are fully occupied, CCRC Residents are given priority access to the available open assisted living and skilled nursing beds. The Company directs which CCRC Residents are admitted to assisted living and skilled nursing beds. Under the terms of the Transfer Agreement, the Company and Carolina Bay Healthcare may negotiate preferred rates for services provided to CCRC Residents from time to time; however, in no event are the rates charged to the CCRC Residents to exceed the per diem market rates charged for the same services provided to non-CCRC Residents. At year-end the Company records revenue associated with Closed Beds revenue charged by Carolina Bay Healthcare, along with an equal amount of expense.

See Independent Accountants’ Compilation Report

Carolina Bay Management is a North Carolina limited liability company that employs the personnel of the Company and provides all day-to-day management activity to support the Company through a management agreement.

The Community

The Community is located within Autumn Hall, a 236-acre mixed-use master planned community located near the Cape Fear Coast in Wilmington, North Carolina on a 20.5-acre site owned by Carolina Bay Properties and consists of Independent Living Units, Closed Beds, and open Assisted Living Units and Skilled Nursing Beds, and related common spaces. The following table summarizes the unit and bed configuration of the Community:

Unit Type	CCRC	Carolina Bay Healthcare⁽¹⁾	Carolina Bay Properties
Independent Living Units	135	-	135
Assisted Living Units	18 ⁽²⁾	52	70
Skilled Nursing Beds	12 ⁽²⁾	18	30
Total Units/Beds	165	70	235

Source: Management

(1) Open beds shown for informational purposes and not considered as a part of Management's projection.

(2) The Closed Beds available to CCRC Residents are operated by Carolina Bay Healthcare.

The Company began construction of 12 new garden flats in spring 2019 (the "Garden Flats Project"). The Garden Flats Project is anticipated to be available for occupancy in January 2020 and fill to approximately 92 percent occupancy level over a 24-month period at an average of approximately 0.5 move-in per month.

See Independent Accountants' Compilation Report

Unit Configuration and Fees

The following table summarizes the types of units, approximate square footage, current monthly fee (“Monthly Fee”) or daily fees (“Daily Fee”) of the CCRC:

Unit Type	Number of Units	Square Footage	Monthly Fee ⁽¹⁾⁽²⁾⁽³⁾
<i>Independent Living Units:</i>			
<i>Apartments:</i>			
One bedroom	57	797	\$ 4,179
One bedroom/den	19	944	4,748
Two bedroom	19	1,144	4,983
Two bedroom/den	28	1,469	6,036
<i>Garden Flats</i>	12	1,573	6,543
Total / Weighted Average	135	1,075	\$ 4,968
<i>Closed Beds-Assisted Living:</i>			
Standard	12	541	\$ 6,191
Memory Care	6	360	6,659
Total / Weighted Average	18	481	\$ 6,347
<i>Closed Beds-Skilled Nursing:</i>			
			Daily Service Fee
Private	5	350	\$ 283
Medicare – Traditional	5	350	492
Medicate – Managed Care	2	350	370
Total / Weighted Average	12	350	385
Total Units / Beds	165		

Source: Management

- (1) Residents of the Independent Living Units are required to pay a one-time nonrefundable fee equal to one month’s Monthly Fee (the “Community Fee”).
- (2) The second person Monthly Fee is \$695 for the Independent Living Unit Apartments and \$450 for the Independent Living Units Garden Flats.
- (3) The Garden Flats Project units are currently under construction. The weighted average Monthly Fee and second person Monthly Fee for the Garden Flats Project units is assumed to be \$7,243 and \$450, respectively, upon opening of the Garden Flats Project in January 2020.

See Independent Accountants’ Compilation Report

Residency Agreements and Transfer Agreement

Services - The residency agreement (“Residency Agreement”) is a rental contract under which the Company is obligated, upon payment by the CCRC Resident of a community fee and ongoing payment of the Monthly Fee, to provide certain services to the CCRC Resident. While the CCRC Resident occupies an Independent Living Unit, services provided include:

- Utilities, except telephone and internet service;
- Declining balance meal plan;
- Weekly housekeeping services;
- Interior unit and appliance maintenance;
- Maintenance of common areas and grounds;
- Use of common areas and wellness center;
- Uncovered parking;
- Scheduled transportation; and
- 24-hour emergency response system

Optional services, including covered parking, personal laundry, additional transportation, additional dining, and additional housekeeping services, are available for an extra charge.

Healthcare Benefit - The Company, through its arrangement with Carolina Bay Healthcare set forth in the Transfer Agreement, is to provide CCRC Residents temporary or permanent assisted living and skilled nursing services in the health center, within the limits of Carolina Bay Healthcare’s licensure. CCRC Residents receive an annual, non-cumulative discount of 10 percent from the then current direct admission rate, during the first 30 days of residency in the Closed Beds.

Admittance Standards – Prior to taking occupancy of a selected Independent Living Unit, the CCRC Resident will execute a Residency Agreement. The terms of the Residency Agreement require the Company to accept persons at least 62 years of age at the time of occupancy, who demonstrate the ability to live independently, and meet the financial obligations as a CCRC Resident. A reservation requires a signed Residency Agreement and the payment of a one-time, nonrefundable fee equal to one month’s Monthly Fee (the “Community Fee”). Upon occupancy, CCRC Residents are expected to pay an ongoing Monthly Fee.

Terms of Residency – The initial agreement shall be for a term of thirteen months. After the initial term, the CCRC Resident has the option, each year, of executing another agreement for thirteen months. If another thirteen month agreement is not executed, the agreement will expire at the end of the term.

Termination by the Resident Prior to Occupancy – The CCRC Resident may terminate the Residency Agreement prior to moving into the Independent Living Units for any reason at any time by giving written notice.

See Independent Accountants’ Compilation Report

Termination by the Resident After Occupancy – The CCRC Resident may terminate the Residency Agreement after moving into an Independent Living Unit by giving 30 days' prior written notice of termination, which shall be effective and irrevocable upon delivery. If the CCRC Resident terminates the Residency Agreement prior to the expiration of the initial term or renewal term, then the CCRC Resident will be obligated to pay the Monthly Fee throughout the remainder of the term until the later of (i) removal of possessions from the apartment and key return to administration or (ii) re-occupancy of the Independent Living Unit by a new CCRC Resident.

The Residency Agreement will automatically terminate upon death of the CCRC Resident (unless there is a surviving joint CCRC Resident) and a personal representative will have 30 days from date of death to remove personal property from the Independent Living Unit. The CCRC Resident's estate is obligated to pay the Monthly Fee until the removal of possessions from the Independent Living Unit and key return to administration.

Termination by the Company – The Company may terminate the Residency Agreement for just cause to include: (i) breach of agreement; (ii) misrepresenting information in the admission process; (iii) failure to pay any charges; (iv) Resident becomes infected with dangerous or contagious disease; or (v) violation of any reasonable procedures at the CCRC.

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Summary of Significant Accounting Policies

Basis of Accounting and Presentation – The Company is assumed to maintain its accounting and financial records according to the accrual basis of accounting.

Cash and Cash Equivalents – Cash and cash equivalents include cash on hand and cash on deposit held by one financial institution.

Related-Party Transactions – The principal members of the Company and other entities which they own or with which they are associated are considered related parties. Management monitors cash flow at each related party entity and transfers cash on an as-needed basis. The cash flows between non-Company related parties are classified as non-current receivables/payables.

Statutory Operating Reserve - North Carolina General Statute section 58-64-33, requires licensed continuing care retirement communities to maintain an operating reserve equal to fifty percent (50%) of the total projected operating costs (adjusted for non-cash items) in a given year. If a continuing care retirement community maintains a combined independent and assisted living occupancy in excess of 90 percent, the operating reserve amount required equals 25 percent (25%) of projected operating expenses (adjusted for non-cash items). The reserve may be funded by cash, invested cash, or investment grade securities. Management assumes that the statutory operating reserve will be funded by an irrevocable standby letter of credit from a financial institution.

Financing Lease – The Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-02, Leases (Topic 842), which increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Under the terms of the Company’s lease agreement with Carolina Bay Properties, the Company has the exclusive right to use of the property, along with the associated common areas (the “Lease Agreement”). Under the guidelines of ASU No. 2016.02, Leases (Topic 842), the Lease Agreement has been determined to be a financing lease, which requires the lease asset and liability to be components of the Company’s balance sheet for fiscal years beginning after December 15, 2019 for private companies. The lease asset and liability are to be recorded as the net present value of the Lease Payments. For purposes of the projection, Management has assumed that the new lease standard will be implemented beginning January 1, 2020.

Property and Equipment – Property and equipment are recorded at cost. Depreciation is calculated on the straight-line method over the estimated useful lives of depreciable assets or the term of the depreciable assets. The cost of maintenance and repairs is charged to operations as incurred, whereas significant renewals and betterments are capitalized.

Income Taxes – The Company has elected to be treated as a partnership for income tax purposes. The Company’s taxable income, its losses, and other pass-through items will be reported on the members’ tax returns. Accordingly, no provision for income taxes has been included in the projections.

Cumulative Effect for Leases – The loss on the cumulative effect of implementing the new accounting standard for leases is reflected as an adjustment to members’ equity in the Projected Statements of Operations and Changes in Members’ Equity (Deficit) during fiscal year ending December 31, 2020. The loss on the cumulative effect of implementing the new accounting standard for leases is calculated as the difference between the lease assets and lease liability, assuming the new accounting standard was implemented during fiscal year ending December 31, 2019.

See Independent Accountants’ Compilation Report

Summary of Operating Revenue Assumptions

The following table summarizes the assumed utilization of the Independent Living Units and Closed Beds:

Table 3						
Unit Configuration and Fees						
Year Ending December 31,	Beginning of Year	Units Added⁽¹⁾	End of Year	Units Occupied⁽²⁾	Occupied Percentage	
<i>Independent Living Units:</i>						
2019	135	-	135	126	93%	
2020	135	12	147	132	90%	
2021	147	-	147	136	93%	
2022	147	-	147	139	95%	
2023	147	-	147	139	95%	
<i>Closed Beds (2019 – 2023):</i>						
Assisted Living Units	18	-	18	17	94%	
Skilled Nursing Beds	12	-	12	11	92%	

Source: Management

(1) The Garden Flats Project is currently under construction. The Garden Flats Project is anticipated to open in January 2020.

(2) The payor mix for the Closed Beds is assumed to be as follows: private pay: 39 percent; Medicare-traditional: 45 percent; and Medicare-managed care: 16 percent.

Independent Living Revenue

Resident service revenue for residents living in the Independent Living Units is based upon assumed monthly fees for services provided to residents and the assumed occupancy of the Independent Living Units. Monthly Fees for the Independent Living Units are assumed to increase 3.0 percent annually throughout the projection period.

Assisted Living Revenue

Resident service revenue for residents living in the Assisted Living Units is based upon assumed monthly fees for services provided to residents and the assumed occupancy of the Assisted Living Units. Monthly Fees for the Assisted Living Units are assumed to increase 3.0 percent annually throughout the projection period.

Skilled Nursing Revenue

Resident service revenue for residents living in the Closed Beds is based upon assumed daily fees for services provided to residents and the assumed occupancy of Closed Beds. Daily fees for private pay are assumed to increase 4.0 percent annually. Daily fees for Medicare Skilled Nursing Beds are assumed to increase 3.0 percent annually.

Other Revenue

Revenue from other revenue is assumed to be generated from guest meals and other miscellaneous sources and is assumed to increase 2.5 percent annually during the projection period.

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Summary of Operating Expense Assumptions*Salaries, Wages and Employee Benefits*

Salaries, wages and employee benefits are assumed to increase 2.5 percent annually.

Non-Salary Expenses

Non-salary expenses are assumed to increase approximately 2.5 percent annually.

Management Fee Expense

The Company is assumed to pay Carolina Bay Management a management fee (the “Management Fee”) for the day-to-day management of the Independent Living Units and the Closed Beds. The Management Fee is assumed to be based on 5.0 percent of Independent Living Units service revenue and 6.0 percent of Assisted Living Units and Skilled Nursing Beds service revenue.

Statutory Operating Reserve

The following table summarizes the projected Statutory Operating Reserve, which is calculated as a percentage of the Company subsequent year’s budgeted cash operating expenses.

	2019	2020	2021	2022	2023
Projected operating expense	\$ 12,361	\$12,564	\$12,763	\$ 12,934	\$ 13,110
Add: Annual debt service on long-term debt	-	-	-	-	-
Subtract: depreciation	-	-	-	-	-
Subtract: lease amortization	(2,467)	(2,467)	(2,467)	(2,467)	(2,467)
Projected operating expenses-adjusted	9,894	10,097	10,296	10,467	10,643
Operating reserve % required ⁽¹⁾	25%	25%	25%	25%	25%
Operating reserve	\$ 2,474	\$ 2,524	\$ 2,574	\$ 2,617	\$ 2,661
Standby letter of credit ⁽²⁾	\$ 2,969				
Independent Living Units:					
Available	153	165	165	165	165
Occupied	143	149	153	156	156
Occupancy percentage	94%	90%	93%	95%	95%

Source: Management

- (1) North Carolina state statute requires an operating reserve 50% or 25% of projected operating expenses-adjusted for occupancy of independent and assisted living below 90% or 90% or above, respectively.
- (2) Management satisfies the statutory operating reserve requirement through an irrevocable standby letter of credit with a financial institution. The stand by letter of credit as of this report date expires on November 1, 2019. Management intends to renew this letter to maintain compliance with the requirement throughout the projected period.

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Current Assets and Current Liabilities

Operating revenue as used below includes monthly and daily service fee revenue for Independent Living Units and Closed Beds, as well as other revenue. Operating expenses as used below exclude amortization, depreciation and interest expense. Management has assumed working capital components based on the Company historical trends and are outlined in the following table:

Accounts receivables	1 day of operating revenues
Prepaid expenses	9 days of operating expenses
Accrued payroll and related withholdings	19 days of operating expenses

Source: Management

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EXHIBIT E

CONTRACT FOR INDEPENDENT LIVING CONTINUING CARE

[ATTACHED]



CAROLINA
BAY

AT AUTUMN HALL

Residency and Care Agreement

**630 Carolina Bay Drive
Wilmington, North Carolina 28403
(910) 455-0599**

06/29/2019

Term of Agreement Begins: _____

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CAROLINA BAY AT AUTUMN HALL

RESIDENCY AND CARE AGREEMENT

THIS RESIDENCY AND CARE AGREEMENT (this “Agreement”) is made this ___ day of _____, _____, between CAROLINA BAY OF WILMINGTON, LLC, a North Carolina for profit limited liability (“Carolina Bay”) and _____ and _____ (herein individually or collectively called “Resident”). If two persons desiring to share an Apartment enter into this Agreement, the term Resident shall apply to them jointly and severally and to the survivor of them.

WITNESSETH:

WHEREAS, Carolina Bay leases and operates the continuing care retirement community known as Carolina Bay at Autumn Hall (the “CCRC”), located at 630 Carolina Bay Dr., Wilmington, North Carolina; and

WHEREAS, the Resident desires to use and occupy an apartment or a Garden Flat Unit (each referred to herein as an “Apartment”) located in the CCRC’s rental independent living building (the “Independent Living Building”) or the Garden Flat building (the “Garden Flat Building”); and

WHEREAS, Carolina Bay desires to make the selected Apartment available to the Resident.

NOW, THEREFORE, FOR VALUABLE CONSIDERATION, the receipt and sufficiency of which the parties hereto acknowledge, and the full and faithful performance of all terms, covenants and conditions herein contained, the Resident and Carolina Bay hereby agree as follows:

1. Eligibility Requirements and Procedures. The Resident will be qualified for admission as an occupant of the CCRC on the following terms and conditions:
 - a. Age Criteria. The requirements for admission into the CCRC are nondiscriminatory except as to age. Admission is restricted to persons sixty two (62) years of age or older with the exception of a younger second occupant. An underage second occupant may be approved for residency in the Apartment in Carolina Bay’s sole discretion but must, at a minimum, be at least fifty (50) years of age and meet the other requirements for residency in the CCRC. Carolina Bay reserves the right to limit the number of residents under the age of sixty two (62) that will live in the CCRC.
 - b. Preliminary Health Screen. The Resident must be capable of living independently and must satisfy the then current independent living criteria as published by Carolina Bay, which criteria may be amended from time to time in Carolina Bay’s

sole discretion. The Resident shall provide to Carolina Bay an internal preliminary health screen (the “Preliminary Health Screen”), substantially in the form attached hereto as Exhibit A, completed by the Resident’s primary physician and certifying that the Resident meets the independent living criteria within fifteen (15) days after executing this Agreement.

- c. Apartment Selection Agreement and Selection Fee. At the time of selecting an Apartment, the Resident will complete an Apartment Selection Agreement (“Apartment Selection Agreement”) and submit it to Carolina Bay with a fee equal to the Monthly Service Fee payable for the selected Apartment for the first month of residency (the “Selection Fee”) as identified in Exhibit E attached hereto. The Resident may terminate the Apartment Selection Agreement prior to entering into this Agreement for any reason by giving written notice to Carolina Bay. In the event of any conflict between the provisions of the Apartment Selection Agreement and this Agreement, the provisions of this Agreement shall control. The Selection Fee shall be applied as the first month’s Monthly Service Fee and becomes non-refundable after the Rescission Period. In the event that the Resident has entered into a Priority Partner/Non-Binding Future Resident Reservation Agreement and paid a refundable deposit to Carolina Bay (the “Reservation Deposit”), the Reservation Deposit shall be applied to the amount due as the Selection Fee.
- d. Community Fee. Upon the Resident’s execution of the Apartment Selection Agreement, Carolina Bay shall charge a nonrefundable (except under the conditions identified in Section 1.f. hereunder) Community Fee (“Community Fee”) equal to one month’s Monthly Service Fee due when a Resident submits the Apartment Selection Agreement. The Community Fee is a one (1) time fee which entitles residents priority access to all services and amenities of Carolina Bay. A Community Fee will not be charged to Residents upon any renewal of this Residency and Care Agreement.
- e. Security Deposit Fee. When a Resident submits this Agreement to Carolina Bay, the Resident shall make a Security Deposit payment to Carolina Bay equal to one Monthly Service Fee payment, which will be held in escrow with a state-chartered or federally-chartered bank (the “Security Deposit Fee” or “Security Deposit”) until such time as the conditions of the release of Security Deposit Fees from the escrow account in accordance with North Carolina General Statutes Chapter 58-64-35 have been achieved (the “Escrow Release”). Once Escrow Release has been achieved, the Security Deposit Fees shall be deposited into a designated trust account. If the Resident has complied with all terms of the Agreement and returns the Apartment in the same or materially similar condition as when Resident moved into the Apartment, Carolina Bay will return the Security Deposit to Resident within sixty (60) days after the Resident’s move-out date. The Security Deposit shall be credited to the Resident as the last Monthly Service Fee payment in the event of the Resident’s death. In the event that the Resident breaches or otherwise violates the Agreement before the end of the last month of occupancy by the Resident, then the Security Deposit shall be forfeited to Carolina Bay. The Resident is additionally

responsible for any expense incurred by Carolina Bay resulting from damages to the Apartment not covered by the Security Deposit Fee.

- f. Refund of Fees. If the Resident cancels during the Rescission Period (as defined in Section 7.a.i. of this Agreement), the Selection Fee, Community Fee, and Security Deposit (and any fees paid by Resident) in accordance with this Residency and Care Agreement and Section VII of the Disclosure Statement will be refunded to the Resident, without interest, less a service charge of one-thousand (\$1,000.00) dollars and less any charges specifically incurred by Carolina Bay at Resident's request and set forth in Exhibit E of this Agreement or in writing in a separate addendum to the Agreement, signed by the Resident and Carolina Bay. Any refund shall be paid within sixty (60) days after Carolina Bay's receipt of the Resident's written notice of rescission. The Selection Fee and the Community Fee become non-refundable after the Rescission Period. The Security Deposit Fee is refundable and will be returned to the Resident within sixty (60) days after the Resident's move-out date if the Resident has complied with all terms of the Agreement and returns the Apartment in the same or materially similar condition as when Resident moved into the Apartment. If the Resident breaches or otherwise violates the Agreement before the end of the last month of occupancy by the Resident, then the Security Deposit Fee shall be forfeited to Carolina Bay.
- g. Disclosure Statement. Upon execution of this Agreement, Carolina Bay will provide the Resident a copy of the CCRC's Disclosure Statement (the "Disclosure Statement") which fully describes the organization, facilities, policies, services, fees, financial condition, projections, and the vital information related to the CCRC. Included in the Disclosure Statement is a copy of this Agreement.
- h. Application. Within thirty (30) days of execution of the Apartment Selection Agreement, the Resident will complete an application for admission, a Preliminary Health Screen and a confidential financial statement, all on the forms provided by Carolina Bay, and deliver the same (all such documents collectively referred to herein as, the "Application Forms") to Carolina Bay.
- i. Interview. The Resident must have an interview with a representative from Carolina Bay prior to being approved for residency in the CCRC. This interview may include a non-medical assessment of the Resident(s) as an initial step in determining whether the requirements for residency may be met.
- j. Financial Condition. Carolina Bay must be satisfied that the Resident has the financial income and assets to pay the Monthly Service Fee, extra meal charges, charges for additional services, personal living expenses, and the future adjustments of these charges during the term of this Agreement. Immediately prior to the Occupancy Date (as defined in Section 1.q. hereunder), the Resident will affirm to Carolina Bay that the Resident's financial situation does not differ materially or adversely from the financial situation as presented in the Application Forms (substantially in the form attached hereto as Exhibit B). If the Resident's then personal financial situation differs materially and adversely from the Resident's

prior financial situation, Carolina Bay may terminate this Agreement. After the Occupancy Date, Carolina Bay may require updated financial information. In the case of two Residents occupying an Apartment, and in the event of the death of one of the occupants, the surviving Resident will be required to submit an update of the original Application Forms within thirty (30) days after Carolina Bay's request for the same.

- k. Health Insurance. Prior to the Occupancy Date, the Resident shall provide evidence of health insurance coverage to Carolina Bay at a level reasonably satisfactory to Carolina Bay.
- l. Review of Application. Carolina Bay will review the completed Application Forms as a basis for initial approval for residency in the CCRC. Carolina Bay will accept or deny an application based on the criteria and policies it has established, as the same may be amended from time to time. Carolina Bay will notify the Resident in writing of its decision on the application.
- m. Physician's Report. Forty-five (45) days prior to the Notice of Availability Date (as defined in Section 1.q. of this Agreement), the Resident is required to submit to Carolina Bay an updated Preliminary Health Screen. Carolina Bay will respect the privacy of the Resident's personal health information and is committed to maintaining the Resident's confidentiality.
- n. Representations and Warranties. The Resident affirms that the representations made in the Application Forms or other statements of financial capability are accurate and reflect the Resident's current status. The Resident acknowledges that such representations are the basis for which Carolina Bay agrees to enter into this Agreement.
- o. Authorization to Release Medical Information. As a part of the application process, the Resident agrees to execute any such authorization forms as required by Carolina Bay to obtain the information concerning the Resident's medical history and condition necessary to enable Carolina Bay to adequately evaluate whether the Resident is appropriate for residency in the CCRC.
- p. Will, Durable Power-of-Attorney and Healthcare Directives. Thirty (30) days prior to the Occupancy Date, the Resident shall have in place a valid and enforceable will, identifying an Executor of the Resident's estate, that provides for the distribution of his or her assets and personal effects. Such will or other document of instruction shall include adequate provisions regarding burial or cremation directions and other funeral arrangements. Furthermore, prior to the Occupancy Date, the Resident shall deliver, and during the term of this Agreement shall maintain, a valid and effective North Carolina Durable Power of Attorney (the "Power-of-Attorney") and a living will or health care Power-of-Attorney (the "Health Directive") enforceable in accordance with the laws of the State of North Carolina. The Power-of-Attorney shall designate as the Resident's attorney in-fact any responsible person, including but not limited to, a lawyer, banker, or relative,

to act on behalf of the Resident in the managing of the Resident's affairs and filing of the Resident's insurance or other benefits as fully and completely as if the Resident were acting personally. The Power-of Attorney shall be in such form that survives the Resident's incapacity or disability and otherwise be satisfactory to Carolina Bay. The Health Directive shall name a responsible person capable of making health care decisions in the case of incapacity or emergency.

- q. Notification of Availability. If the Resident is approved for residency in the CCRC, Carolina Bay will notify the Resident of the projected date of availability for occupancy (the "Notice of Availability Date") and the Resident will have sixty (60) days from date of the Notice of Availability Date to occupy the Apartment (the date of occupancy hereinafter referred to as the "Occupancy Date") and begin paying the Monthly Service Fee. If the Resident is not approved for residency in the CCRC, this Agreement shall be terminated and all payments made by the Resident before such termination, less those costs or other charges that are non-refundable pursuant to the terms of this Agreement, shall be refunded by Carolina Bay within sixty (60) days.

2. Basic Services and Programs. Subject to the terms and conditions of this Agreement, the following basic services (collectively "Basic Services") are included in the Monthly Service Fee (defined below):

- a. Description of Apartment. The Resident shall be entitled to the exclusive use of Apartment _____ located in the CCRC's Independent Living Building [or Garden Flat Unit _____].
- b. Appliances and Furnishings. The Apartment shall include the following appliances and furnishings: blinds; flooring; appliances, including an electric range/self-cleaning oven, refrigerator/freezer with icemaker, garbage disposal, microwave, dishwasher, washer and dryer; smoke and fire detectors; an individual climate control system; an individual hot water heater; a 24-hour emergency call system and other permanent fixtures. All other appliances and furnishings are to be provided by Resident.
- c. Utilities. Included with residency in the Apartment are heating, air conditioning, water, sewer, gas, electricity, basic cable television, pest control and trash removal.
- d. Meals. As part of the Monthly Service Fee, the Resident shall be given a monthly declining balance meal plan credit (the "Declining Balance Meal Credit"). The Resident shall be entitled to dine in any of the CCRC's dining options and charges for the food and beverages, except for alcoholic beverages, of the Resident and any guest of the Resident shall be deducted from such Declining Balance Meal Credit. Upon termination of this Agreement, any unused portion of the Declining Balance Meal Credit shall be forfeited. If the monthly charges of the Resident exceed the amount of the monthly Declining Balance Meal Credit, such additional charges shall be billed to the Resident on a monthly basis.

- e. Maid Service. The Resident agrees to keep the Apartment in a clean and orderly condition. On a weekly basis, Carolina Bay will provide basic housekeeping services in the Apartment. Please refer to the basic cleaning schedule provided to Resident at time of move in.
- f. Maintenance Services. Carolina Bay will be responsible for normal wear and tear, maintenance and replacement of the property, furnishings and equipment owned by or leased by Carolina Bay for use in the CCRC. The Resident will be responsible for any damage to such property, furnishings and equipment, including the cost of repair or replacement or the diminution in value thereof, caused by the Resident, the Resident's guests or the Resident's pets. The Resident will be responsible for the maintenance and repair of the Resident's personal property.
- g. Changes to Apartment. Any structural or physical change or redecoration and remodeling of any kind within or outside the Apartment may only be made by the Resident only with the prior written consent of Carolina Bay, which shall be granted at Carolina Bay's sole discretion, and at the sole expense of the Resident. All such improvements or changes shall be the property of Carolina Bay. Upon vacating the Apartment, the Resident, or the Resident's estate, shall be responsible for the costs of returning the Apartment to the condition that existed prior to the Resident taking possession of the Apartment.
- h. Grounds Keeping. Carolina Bay will maintain and repair the CCRC's grounds, including lawns, trees and shrubbery. Personal plantings and customization of landscaped areas are subject to Carolina Bay's approval.
- i. Use of CCRC Common Areas. The Resident has the non-exclusive right, along with other residents, to use the CCRC's common areas, including, but not limited to, the dining rooms, lounges, lobbies, library, social and recreational rooms and designated outdoor activity areas.
- j. Use of the Wellness Center. Carolina Bay will provide health and wellness programs and services at its on-site wellness center (the "Wellness Center"), including use of fitness equipment, exercise classes, use of an indoor heated pool and certain wellness education programs. The Resident will be advised of any required fee for a wellness program before enrolling in such program.
- k. Programs. Recreational, social, educational and cultural programs will be coordinated by the CCRC's staff. Some activities are subject to an additional charge.
- l. Parking. Carolina Bay will provide parking areas for one personal vehicle and limited parking for the Resident's guests.
- m. Transportation. Carolina Bay will provide scheduled transportation to locations routinely visited by residents of the CCRC such as shopping centers, medical offices and social events. Some transportation is subject to an additional charge.

- n. Emergency Response System. Carolina Bay will provide, on a twenty-four (24) hour basis, an emergency call system. Response to a call shall be limited to an evaluation of the Resident's needs. If other medical response is determined to be necessary, the Resident is responsible for any costs associated with such other medical response, including emergency medical transportation.
- o. Insurance. Carolina Bay will maintain general liability and hazard insurance on the property within the CCRC owned or leased by Carolina Bay, but will not be responsible for the Resident's personal property.
- p. Optional Services. A schedule of fees for services provided at extra cost including, but not limited to those optional services described below (collectively "Optional Services"), shall be established by Carolina Bay and shall be made available to the Resident. The Optional Services currently expected to be offered by Carolina Bay include the following:
 - i. Transportation Services. If the Resident requests transportation in addition to that provided as a Basic Service, Carolina Bay may provide such transportation service provided that Carolina Bay has adequate transportation staff available at such date and time and to destinations that Carolina Bay identifies as being within the geographic area of transportation services.
 - ii. Food Services. If the Resident requests food services or catered services in addition to those provided as a Basic Service, Carolina Bay may provide such additional food services or catered services for an additional cost.
 - i. Tray Service. The Resident may request that meals be delivered to the Apartment ("Tray Service") for a delivery charge; provided however, that Tray Service may not be requested for more than three (3) consecutive days except at a physician's or nurse's direction.
 - ii. Activities. Due to their special nature, a special fee may be required for some wellness and life enrichment programs.
 - iii. Additional Maid Service. If the Resident requests or requires housekeeping services in addition to those provided as a Basic Service, Carolina Bay may provide such services if staff is available to provide such services.
 - iv. Spa Services. Spa and personal care services in the Wellness Center will be available in accordance with a published fee schedule.
 - v. Upgraded Television Channels. Upgraded television channels will be available to the Resident in accordance with a published fee schedule.
 - vi. Additional Parking. Additional parking, including structured under-building and other covered parking options, may be made available to the Resident at an additional monthly charge.

- vii. Personal Emergency Transmitter. The provision of a Personal Emergency Transmitter (“PET”) which shall transmit to the CCRC Concierge Desk.

3. Terms of Residence.

- a. Term of Agreement. The initial term of this Agreement shall be for thirteen (13) months beginning on the Occupancy Date (the “Term”). After the initial Term, this Agreement will automatically renew for additional thirteen (13) months periods, unless terminated in accordance with Section 7 below. Prior to the expiration of the initial Term or any renewal Term, Carolina Bay reserves the right to present the Resident with a new version of the Carolina Bay at Autumn Hall Residency and Care Agreement for signature by the Carolina Bay and the Resident.
- b. Nature and Extent of Rights. The Resident’s right to occupy the Apartment shall exist and continue unless terminated as provided in this Agreement. Nothing contained herein shall be construed or is intended to require that Carolina Bay care for the Resident for life, nor shall this Agreement be construed as a life-care contract.
- c. Terms of Occupancy. Signing of this Agreement does not deliver title to real or personal property, and this Agreement may not be assigned, transferred, inherited or devised. Any rights, privileges, benefits, or interests created by or under this Agreement shall be subordinated to any mortgage, deed of trust, or other security interest created on any of the premises or interests in the real estate comprising the CCRC and to all amendments, modifications, replacements or refunding thereof. The Resident agrees to execute and deliver any document required by Carolina Bay or by the holder of any mortgage, deed of trust or other interest to evidence or effect such subordination.
- d. Alteration or Modification. Notwithstanding any other provisions in this Agreement, Carolina Bay may alter or modify the Apartment to meet requirements of any statute, law or regulation of the federal, state or local Government. The Resident may not, without prior written consent of Carolina Bay, make any alterations or modifications to the Apartment.
- e. Use. The Apartment shall be used for residential purposes only and shall not be used for business or professional purposes, or in any manner in violation of any zoning or health ordinances.
- f. Permitted Occupants. The Resident(s) named herein and no other person shall reside in or occupy the Apartment during the term of this Agreement, except with the express prior written approval of Carolina Bay. If a second occupant who is not a party to this Agreement is accepted for residency in the CCRC after the date of this Agreement, such acceptance shall be subject to the approval of Carolina Bay and adherence to policies then governing all other admissions and such second resident shall enter into a Residence and Care Agreement. If the second occupant

does not meet the requirements for residency, or does not execute a Residency and Care Agreement, he or she shall not be permitted to occupy the Apartment.

- g. Transfers. Should the Resident desire to transfer to another Apartment, the Resident must notify Carolina Bay in writing. Following receipt of this request, and subject to availability, Carolina Bay may grant the Resident an option to move to the next available Apartment of the size requested. Upon transfer to a new residence, the Monthly Service Fee for the month in which the move takes place shall be prorated to reflect the percentage of the month that the Resident spends in each type of residence. With all transfers, there will be an up-fitting charge of up to \$3,500 for the vacated residence. The Resident will move all furnishings and belongings to the new residence within ten (10) days of the established occupancy date for the new residence. Any moving expense will be the responsibility of the Resident.
- h. Death or Transfer of One Resident. If one of the Residents named herein dies, moves out or is permanently transferred to the Healthcare Center or any other nursing center, the remaining Resident will continue to be bound by the terms of this Agreement except that the Monthly Service Fee will be reduced to the single occupancy rate then in effect.
- i. Rules and Regulations. The Resident and its guests and invitees shall comply in all respects with the CCRC's operating rules and regulations (the "Rules and Regulations") established by Carolina Bay from time to time. Carolina Bay may revise or amend such Rules and Regulations at any time in its sole discretion. A copy of the Rules and Regulations will be made available to the Resident.
- j. Pets. Subject to the prior written consent of Carolina Bay, which such consent shall be at the sole and absolute discretion of Carolina Bay, pets may be permitted in the Apartments. All pets must be on a leash at all times while not in a Resident's Apartment. Pets must be healthy, have current shots and rabies immunization, and be free of fleas and other parasites. The Resident is responsible for any costs expended by Carolina Bay for the failure of the Resident to adhere to the CCRC's pet policy, including, but not limited to, the cost of disinfection, cleaning and fumigation. Pets are prohibited in dining spaces, the Wellness Center, the multipurpose room, the chapel, the art space and activity rooms. The Resident understands and agrees that the pet must be removed from the Apartment, upon fourteen (14) days' prior written notice from Carolina Bay, if the pet becomes a nuisance to other residents of the CCRC, as determined by Carolina Bay in its sole and absolute discretion. The Resident agrees that if the Resident has been approved to have a pet living in the Apartment, and elects to do so, the Resident shall pay a non-refundable pet fee in the amount posted at the time the pet is registered. All Residents must execute the Carolina Bay Pet Policy attached hereto as Exhibit C.
- k. Smoking Policy. The CCRC is smoke-free. No smoking is permitted in the Apartment (to include any balconies) or in any other building or location in or on the CCRC's premises, except in designated smoking areas on the premises. The

Resident agrees to abide by the CCRC's Rules and Regulations concerning smoking.

4. Nursing and Healthcare Services. The CCRC will provide the Resident temporary or permanent assisted living services and skilled nursing services (the "Healthcare Services") in the Open Beds or Closed Beds located within the healthcare center adjacent to the CCRC (the "Healthcare Center"). The "Closed Beds" are the twelve (12) skilled nursing beds and twenty-six (26) assisted living beds located within the Healthcare Center, but for which use thereof is reserved for the residents of the CCRC. The "Open Beds" are the fifty-two (52) assisted living beds and eighteen (18) skilled nursing beds owned and operated by Carolina Bay Healthcare Center of Wilmington, LLC, a North Carolina limited liability company ("CBH") in the Healthcare Center which are also available to the public. In the event that the Closed Beds are fully-occupied, the Resident will be given priority access to the available Open Beds. Service in the Healthcare Center shall be provided within the limits of Carolina Bay's and CBH's license. If the appropriate level of healthcare based upon the needs of the Resident may not be obtained or are not provided within the Healthcare Center, such level of care must be obtained from another provider of healthcare services, including, but not necessarily limited to, a hospital, and the costs of those services shall be the sole responsibility of the Resident. The Resident (i) acknowledges and agrees that Carolina Bay will not be responsible for any claims, damages or expenses resulting from injury or death suffered by the Resident that is caused by, attributable to or in any way connected with the negligence or intentional acts or omissions of the physicians, employees or agents of such any such other provider of healthcare services and (ii) releases Carolina Bay from liability for any such claims, damages or expenses.

5. Transfers of Resident

a. Direct Transfer to the Healthcare Center. If after the execution of this Agreement and prior to the Occupancy Date, the Resident's health or mental condition is such that, in the sole discretion of Carolina Bay, the Resident no longer meets the qualifications to live independently in the CCRC, and this Agreement is not otherwise terminated, the Resident may be transferred directly to the Healthcare Center. All fees and other charges due must be paid prior to any direct transfer. In the event there is more than one resident occupying the Apartment, and one resident is transferred directly to the Healthcare Center, the other resident shall continue to be obligated under this Agreement and pay the required Monthly Service Fee applicable to a single resident.

b. Transfers to the Healthcare Center. The Resident agrees that Carolina Bay shall have the right to determine whether the Resident should be temporarily or permanently transferred from the Apartment to the Healthcare Center or from one level of care at the Healthcare Center to another level of care at the Healthcare Center. Such determination shall be in Carolina Bay's sole discretion and based on the professional opinion of the medical director of the Healthcare Center and the executive director of the CCRC that the Resident is no longer able to live independently or that living in the Apartment will endanger the Resident or the health and safety of others. Should the Resident fail to cooperate with a transfer of

the Resident requested by Carolina Bay, Carolina Bay shall have the right to terminate this Agreement and the Resident shall no longer be permitted to live in the CCRC.

- c. Transfer Outside the CCRC. If, in the opinion of Carolina Bay, the physical or mental condition of the Resident requires services beyond that which can be provided by the facilities or personnel in the CCRC and the Healthcare Center or is beyond the scope of the services provided for in this Agreement, Carolina Bay may require that the Resident be temporarily or permanently transferred to a hospital, center, institution or other care environment equipped to give such care; provided however, the cost of the care at any such outside facility will be the responsibility of the Resident.
- d. Relinquishment of Apartment upon Permanent Transfer to the Healthcare Center or Outside Facility. If, in the sole discretion of Carolina Bay, the Resident's transfer to the Healthcare Center or to an outside facility is considered permanent, the Resident shall relinquish the Apartment and this Agreement shall terminate, unless there is a second Resident currently occupying the Apartment or unless otherwise approved by Carolina Bay.

6. Other Fees and Other Charges

In addition to the Selection Fee, Community Fee and Security Deposit, the Resident shall be responsible for the following fees and charges:

- a. Monthly Service Fees. Throughout the Term, the Resident shall pay to Carolina Bay a monthly service fee (the "Monthly Service Fee") in the amount of \$_____, as described on Exhibit E attached hereto, for a single Resident. If the Apartment will be occupied by two Residents pursuant to this Agreement, an additional monthly amount of \$_____ for apartment units in the Independent Living Building and \$_____ for Garden Flat Units shall be paid by the second Resident. The Monthly Service Fee shall be paid by the Resident on or before the fifth (5th) day of each month for Basic Services to be rendered that month with the first payment due on or before the Occupancy Date. The Monthly Service Fee shall be due regardless of whether or not the Apartment is actually occupied by the Resident on the scheduled Occupancy Date and such Monthly Service Fee will not be adjusted if the Resident is voluntarily absent from the CCRC at any time after such date. If the Resident obtains possession of the Apartment prior to the first of a month, the Resident shall pay Carolina Bay the first Monthly Service Fee on a pro-rata basis based on the actual number of days contained in the month. If this Agreement does not terminate at the expiration of the initial Term or a renewal Term, the Monthly Service Fee may continue to be payable beyond the date of termination as set forth in Section 7 below.
- b. Adjustments to Monthly Service Fees. Carolina Bay reserves the right to change the amount of the Monthly Service Fee upon sixty (60) days' written notice prior to any renewal of this Agreement. Adjustments to the Monthly Service Fee will be

made as may be reasonably necessary according to the economic requirements and conditions of the CCRC, the level and quality of services provided to the residents of the CCRC and consistent with operating on a sound financial basis.

- c. Fees for Optional Services. The Resident shall receive a monthly statement from Carolina Bay showing the total amount of fees and other charges owed by you, which shall be paid by the fifth (5th) day of each month. A list of fees for recurring Optional Services the Resident has elected to purchase as of the date of this Agreement is attached hereto as Exhibit E.
- d. Healthcare Center Fees and Charges. The Healthcare Center will consist of accommodations, equipment and staffing necessary for assisted living, assisted housing with services, skilled nursing care and memory care services on a temporary or permanent basis. Carolina Bay shall establish and publish per diem rates for accommodations and services at the Healthcare Center. Each calendar year, the Resident shall receive a ten percent (10%) discount on fees the Resident accrues during its first thirty (30) days of residency in the Healthcare Center (each day being a "Discounted Fee Day"). The Resident may not carry any unused Discounted Fee Days over to the following calendar year. Fees for residency in the Healthcare Center shall otherwise be payable in accordance with the Residency and Care Agreement and in accordance with the then published Healthcare Center per diem charge.
- e. Fees for Occupancy in the Healthcare Center. In the event the Resident is transferred to the Healthcare Center, as determined in the sole discretion of Carolina Bay, the Resident shall pay the then published Healthcare Center per diem charge plus charges for other services not included in the Healthcare Center per diem charge, subject to available Discounted Fee Days. In addition, the Resident shall continue to be responsible for the Monthly Service Fee and other charges payable under this Agreement.
- f. Late Charges. Carolina Bay will charge a one percent (1%) late payment charge per month on any Monthly Fees and extra charges that have not been paid within five (5) days after their due date.

7. Termination.

- a. Termination by Resident. Upon the termination of this Agreement, the Resident shall have no further right to reside in the CCRC. The Agreement may be terminated or cancelled by the Resident under the following terms and conditions:
 - i. Rescission During First Thirty (30) Days. The Resident may terminate this Agreement for any reason within thirty (30) days following the later of the execution of this Agreement or receipt by the Resident of the Disclosure Statement (the "Rescission Period"), and the resident is not required to move into the facility before expiration of the Rescission Period. The Resident's termination of this Agreement during the Rescission Period is

without penalty, and all payments made by the Resident before such termination, less a service charge of one-thousand (\$1,000.00) dollars and less any charges specifically incurred by Carolina Bay at Resident's request and set forth in Exhibit E of this Agreement or in writing in a separate addendum to the Agreement signed by the Resident and Carolina Bay. Any refund shall be paid within sixty (60) days after Carolina Bay receives written notice of the Resident's election to terminate this Agreement.

- ii. Termination After Rescission Period but Prior to the Occupancy Date. For Residents electing to reside in an Apartment, the Resident may terminate the Residency and Care Agreement for any reason after the Rescission Period but prior to the Occupancy Date upon thirty (30) days prior written notice to Carolina Bay. In the event of such termination, the Resident shall be entitled to a refund of all monies paid to Carolina Bay, except, as the case may be, the Community Fee, the Selection Fee, and any costs or other charges that the Resident and Carolina Bay agree in advance are non-refundable.
 - iii. General Termination Right. The Resident may terminate this Agreement at any time for any reason by giving the Carolina Bay thirty (30) days' written notice signed by the Resident (or both of them if there are two Residents). In the event of termination by the Resident for reasons other than those permitted in this Agreement, the Resident shall pay Carolina Bay for all Optional Services rendered by Carolina Bay to the Resident through the date of termination and shall continue to be liable for the Monthly Service Fee until the date that all of the Resident's personal belongings are removed from the Apartment. In addition, the Resident shall be responsible for payment of liquidated damage of one month's rental charge, calculated at the existing market rate.
- b. Termination by Death or Serious Illness Prior to the Occupancy Date. If, prior to the Occupancy Date, the Resident dies or is precluded from living in the CCRC under the terms of this Agreement as a result of serious illness, injury, non-qualification or incapacity, this Agreement will automatically terminate. In the event this Agreement is terminated as provided for in this subsection, the Resident or the Resident's estate shall be entitled to a refund of any amounts paid to Carolina Bay, except, as the case may be, a service charge of one-thousand (\$1,000.00) dollars and for costs or other charges that the Resident and Carolina Bay agree in advance are non-refundable. Such refund shall be paid by Carolina Bay within sixty (60) days after this Agreement is terminated pursuant to this subsection. The foregoing notwithstanding, if there is more than one Resident, this Agreement will continue to be binding on the surviving or eligible Resident until this Agreement is terminated as to or by the surviving Resident as provided for herein.
 - c. Termination by Death or Serious Illness After the Occupancy Date. If the Resident dies after the Occupancy Date or the Resident is precluded from living in the CCRC under the terms of this Agreement as a result of serious illness, injury, or incapacity

and the serious illness, injury or incapacity is not otherwise addressed by the provisions of Section 5, then this Agreement shall terminate. In such event, the Resident or the estate of the Resident shall pay for any Optional Services rendered to the Resident through the date of termination and shall continue to be liable for the Monthly Service Fee until the date that all of the Resident's personal belongings are removed from the Apartment and the Apartment can be made ready for re-occupancy. The foregoing notwithstanding, if there is more than one Resident, this Agreement will continue to be binding on the surviving or eligible Resident until this Agreement is terminated as to or by the surviving Resident as provided for herein.

- d. Termination by Carolina Bay Prior to the Occupancy Date. If, in Carolina Bay's sole discretion, the Resident does not satisfy the criteria for occupancy in the CCRC, this Agreement shall terminate upon Carolina Bay's notification to the Resident of non-approval. In such event, all amounts paid to Carolina Bay shall be refunded to the Resident within sixty (60) days after Carolina Bay provides the Resident notice of non-approval.
- e. Termination by Carolina Bay after the Occupancy Date. Carolina Bay may terminate this Agreement upon thirty (30) days written notice to the Resident in the event of the following:
 - i. The Resident fails to make payments to Carolina Bay of any amounts when due and such failure is not cured within fifteen (15) days after notice is given to the Resident;
 - ii. The Resident consistently fails to comply with any term of this Agreement not involving the payment of money or any provisions of the Rules and Regulations and the Resident fails to cure such non-compliance within seven (7) days after written notice from Carolina Bay; or
 - iii. The Resident or the Resident's authorized representative makes a material misrepresentation or omission in the information provided to Carolina Bay for its consideration of the Resident for residency in the CCRC.
- f. Immediate Termination. If Carolina Bay determines in its sole and absolute discretion that the Resident's behavior interferes with or threatens to interfere with the safety of the Resident or the quiet enjoyment or safety of other residents, visitors and/or staff of the CCRC, or if the Resident's behavior is a detriment to other residents, visitors, and/or staff of the CCRC, Carolina Bay may immediately terminate this Agreement and the Resident shall promptly vacate the Apartment. In such event, the Resident shall pay Carolina Bay for all Optional Services rendered by Carolina Bay through the date of termination and shall continue to be liable for the Monthly Service Fee until all of the Resident's personal belongings are removed from the Apartment.

g. Effect of Termination by Carolina Bay after the Occupancy Date. In the event Carolina Bay terminates this Agreement after the Occupancy Date pursuant to subsection e. or f. above, the Resident shall promptly vacate the Apartment, but shall pay Carolina Bay for all Optional Services rendered by Carolina Bay through the date of termination and shall continue to be liable for the Monthly Service Fee until the date that all of the Resident's personal belongings are removed from the Apartment.

8. Miscellaneous

a. Entire Agreement. This Agreement contains the entire agreement between the Resident and Carolina Bay. All prior discussions, agreements and negotiations are superseded by this Agreement.

b. Successors and Assigns. The rights and privileges of the Resident under this Agreement, including but not limited to the right to and use the facilities of the CCRC under the terms of this Agreement, may not be transferred or assigned under any circumstances. Carolina Bay may transfer or assign this Agreement without the consent of the Resident. Except as provided for herein, this Agreement shall bind and inure to the benefit of the successors and assigns of Carolina Bay and to the heirs, executors, personal representatives, any attorney-in-fact and administrators of the Resident.

c. Severability. If any provisions of this Agreement are held to be invalid or unenforceable, such invalidity or unenforceability will not affect any other provision of this Agreement and this Agreement shall be construed and enforced as if such provision had not been included.

d. Indemnity. The Resident shall indemnify, defend and hold Carolina Bay harmless from any and all claims, damages or expenses, including attorney's fees and court costs, resulting from any injury or death to persons or damage to property caused by, resulting from, attributable to or in any way connected to the Resident's negligence or intentional act or omission.

e. Joint and Several Liability. If there is more than one Resident, the rights and obligations of each of the Residents are joint and several, unless otherwise provided in this Agreement.

f. Notice Provisions. Any notices, consents or other communications to Carolina Bay shall be in writing and addressed to all of the following parties:

Executive Director
Carolina Bay of Wilmington, LLC
630 Carolina Bay Drive
Wilmington, North Carolina 28403

The Resident's address for the purpose of receiving notice under this Agreement prior to the Occupancy Date will be the address following the Resident's signature

below. The address of the Resident for purposes of receiving notice under this Agreement after the Occupancy Date shall be the address of the Apartment.

- g. Religious or Charitable Affiliations. Carolina Bay is not affiliated with any religions or charitable organization
- h. Acknowledgement of Receipt of Disclosure Statement. The Resident acknowledges that the he or she has received a copy of the current Disclosure Statement of the CCRC.

Initials Resident _____
 Resident _____

- i. Reading and Signing of Agreement. By signing this Agreement below, the Resident represents that he or she has read and agrees to all of the terms of this Agreement.

[Signatures begin on following page]

Carolina Bay and the Resident have signed this Agreement to be effective as of the date set forth on the first page.

RESIDENT:

Print Name: _____

Signature: _____

Date: _____

Address: _____

RESIDENT:

Print Name: _____

Signature: _____

Date: _____

Address: _____

CAROLINA BAY OF WILMINGTON, LLC:

By: _____
_____, Authorized Representative

Date: _____

EXHIBIT A

**CAROLINA BAY AT AUTUMN HALL
PRELIMINARY HEALTH SCREEN**

This medical information form must be completed by applicant's physician and returned directly by the physician to the community.

I hereby give permission to release medical information to _____

Resident's Signature

1. Applicant's Name: _____ Date of Birth: _____

Address: _____

2. History: (a) List chronic conditions _____

(b) List past operations _____

3. Does applicant have any history of mental or emotional disorders or substance abuse?

___ Yes ___ No

4. Current Medications (Prescriptions, Vitamins & Over the Counter): _____

Allergic to: _____

5. When prescribed, is applicant capable of self-administering medication?

___ Yes ___ No

6. Is applicant capable of living independently without supervision?

___ Yes ___ No

7. Does the applicant require 24 hour nursing (skilled) supervision?

___ Yes ___ No

8. Does the applicant need assistance with:

Bathing ___ Yes ___ No

Dressing ___ Yes ___ No

Eating ___ Yes ___ No

Walking ___ Yes ___ No

Continence ___ Yes ___ No

Admin. of Medications ___ Yes ___ No

9. Mental Status:

Alert ___ Yes ___ No

Confused ___ Yes ___ No

Forgetful ___ Yes ___ No

Withdrawn ___ Yes ___ No

Depressed ___ Yes ___ No

Cooperative ___ Yes ___ No

10. Does applicant require any special dietary considerations? If yes, explain: _____

11. Based on the evaluation, the applicant would best be admitted to:

_____Independent Living

_____Assisted Living

_____Skilled Care

_____Alzheimer's unit

Signature of Physician

Date

Please print or stamp Name of Physician

Street City State Zip

Telephone Number

**EXHIBIT B
FORM OF CONFIDENTIAL FINANCIAL INFORMATION**

Confidential Financial Application

Name: _____ Date of Birth: _____

Name: _____ Date of Birth: _____

Address: _____ Phone: _____

Personal Data	Yes*		No		Annual Income	A	B
	A	B	A	B			
Do you have a will?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Wages		
Do you have a trust?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Bonus		
Do you have a Long Term Care Policy?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Interest Income		
What are the daily rates for AL? SN?					Dividend Income		
Are you involved in any suits or legal actions?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Other Investment Income		
Are all personal income taxes current?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Rental Income		
Are there any assets pledged or encumbered?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Gen/Ltd Partnership		
Do you have any contingent liabilities?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Pension/Annuity Income		
					Social Security		
					Other Income		
					Total	\$	\$

* Yes answers may require detailed responses

Assets		Liabilities	
Cash in Bank or Financial Institution (Sch. 1)	\$	Notes Payable/Other Loans/Pmts Due (Sch. 9)	\$
Cash surrender value of life insurance (Sch. 2)	\$	Loans on Life Insurance (Sch. 2)	\$
Notes and Accounts Receivable (Sch. 3)	\$	Loans on Personal Property (Sch. 6)	\$
Marketable Stocks and Bonds (Sch. 4)	\$	Real Estate Mortgages (Sch. 7)	\$
Partnership/ S Corp Interests (Sch. 5)	\$	Taxes Due	\$
Deferred Income (Years Deferred:)	\$	Credit Card Debt	\$
Real Estate (Sch. 7)	\$	Proprietorship Liabilities	\$
Vested Interest in Retirement / 401K (Sch. 8)	\$	Partnership Liabilities (Sch. 5)	\$
Personal Property (Sch. 6)	\$	Other Liabilities	\$
Other Assets	\$		\$
	\$		\$
	\$	TOTAL LIABILITIES	\$
	\$	NET WORTH	\$
TOTAL ASSETS	\$	TOTAL LIABILITIES & NET WORTH	\$

Please complete financial schedules on next page
Attach additional sheets, if necessary

Schedule 1: Cash in Bank or Financial Institution			
Name of Bank or Financial Institution	Checking	Savings or CD's	Are these accounts pledged?
Total	\$	\$	

Schedule 2: Life Insurance					
Name of Insured	Beneficiary	Face Amount	Cash Value	Policy Loans	Assigned to:
Total	\$	\$	\$		

Schedule 3: Notes and Accounts Receivable		
Name	Amount	Due Date
Total	\$	

Schedule 4: Marketable Securities				
Security Name	# Shares	Registered To	Cost	Market Value
Total			\$	\$

Schedule 5: Partnership / S Corp Interests			
Name	Ownership %	Partnership Equity	Debt
Total			\$

Schedule 6: Personal Property				
Description	Value	Balance	Payment	Lender
Total	\$	\$	\$	

Schedule 7: Real Estate				
Description	Value	Balance	Payment	Lender
Total	\$	\$	\$	

Schedule 8: Vested Interest in Retirement and 401 (k) Plans	
Plan Description / Trustee	Value
Total	\$

Schedule 9: Notes Payable / Other Loans / Payment Due			
Lender	Account Number	Balance	Payment
Total		\$	\$

Representations and Warranties

I / We have carefully read and submitted the foregoing information provided on the pages of this application. The information presented is a true and accurate statement of my/our financial condition on the date indicated. I/We agree that if any material change(s) occur(s) in my/our financial condition that I/we will immediately notify the Community of said changes. Unless the Community is so notified it may continue to rely upon the financial application and the representations made herein as a true and accurate statement of my/our condition.

Signature: _____

Date: _____

Signature: _____

Date: _____

EXHIBIT C
CAROLINA BAY PET POLICY

This Carolina Bay Pet Policy (the "Policy") is made as of this _____ day of _____, 20____ (the "Effective Date") by and between Carolina Bay of Wilmington, LLC ("Carolina Bay"), and _____ (the "Resident"). This Policy hereby states the rules and regulations concerning pets in Apartments.

1. All pets must be approved by the Executive Director of Carolina Bay and shall be approved or not on a case by case basis at the sole and absolute discretion of Carolina Bay.
2. Pets must not be disruptive or create a nuisance for residents, guests, employees at Carolina Bay. This includes, but may not be limited to, undue barking or growling.
3. The resident is solely responsible for keeping the pet(s) clean, free of fleas, ticks and odor. The resident is responsible for cleaning up after the pet inside the Apartment as well as outside the Apartment.
4. Pets are prohibited in all common areas of the community except for the lobby. Examples include, but are not necessarily limited to: library, dining room and multipurpose room, card room billiard room or courtyard. Pets cannot enter the Apartment of other residents without that resident's permission. All pets (including cats) must be leashed or in pet carriers at all times when outside of the Resident's Apartment. Use the exit doors off the hallways on the first floor.
5. Pets must be healthy and be free of fleas, ticks and other parasites. The Resident will provide a copy of current and complete pet records, including current shots, vaccinations and rabies immunizations, to the Business Office Manager before move-in of the pet is allowed. Anytime a pet record is updated, the resident is responsible to provide an updated pet record to the Business Office Manager.

Therefore, the Resident/responsible party agrees to:

1. Pay to Carolina Bay a Five Hundred Dollar (\$500.00) non-refundable fee (the "Pet Fee"), to have a pet(s) in their Apartment. The Pet Fee is payable on or before the date of the pet's occupancy and will serve to provide cleaning and deodorizing of the Apartment when the Resident vacates the premises.
2. If repairs, maintenance and/or cleaning performed in the Apartment as a result of pet-related damage exceed the amount of the Pet Fee, the Resident shall pay any such excess amount as an add-on to the Resident's final bill.
3. Resident must comply with this Policy. In the event this Policy is violated, Carolina Bay can issue a written notice to the Resident advising them the effective removal date of the pet from Carolina Bay.

The Resident understands the above rules and agrees to comply with the above stated rules in order to keep a pet at Carolina Bay.

Resident: _____ Date: _____

Resident: _____ Date: _____

Carolina Bay: _____

Date: _____

**EXHIBIT D
UNIT TYPES**

Unit Type	Style	Square Footage
<i>IL Apartments:</i>		
Cedar I	1 bed/1 bath	702-718
Cedar II	1 bed/1 bath	715
Cedar III	1 bed/1 bath	727-817
Cape Fear	1 bed/1 bath	985-1,021
Holden I	1 bed/1.5 bath	767-796
Holden II	1 bed/ 1.5 bath	765
Holden III	1 bed/ 1.5 bath	894-909
Holden IV	1 bed/ 1.5 bath	850-859
Holden V	1 bed/ 1.5 bath	928-938
Holden VI	1 bed/ 1.5 bath	941
Holden VII	1 bed/ 1.5 bath	978-979
Masonboro I	1 bed/ 1.5 bath/ Den	868
Masonboro II	1 bed/ 1.5 bath/ Den	785-811
Masonboro III	1 bed/ 1.5 bath/ Den	945-1,007
Masonboro IV	1 bed/ 1.5 bath/ Den	1,075-1,083
Masonboro V	1 bed/ 1.5 bath/Den	1,183-1,191
Brunswick I	2 bed/ 2 bath	1,106-1,107
Brunswick II	2 bed/ 2 bath	1,025-1,113
Brunswick III	2 bed/ 2 bath	1,072-1,113
Brunswick IV	2 bed/ 2 bath	1,216-1,247
Brunswick V	2 bed/ 2 bath	1,253-1,286
Lumina I	2 bed/ 2 bath/ Den	1,248-1,264
Lumina II	2 bed/ 2 bath/ Den	1,270-1,286
Calloway I	2 bed/ 2 bath/ Den	1,543-1,559
Calloway II	2 bed/ 2 bath/ Den	1,562-1,570
Calloway III	2 bed/2.5 bath/Den	1,593-1,633

Unit Type	Style	Square Footage
<i>Garden Flat Units:</i>		
GF Unit #111	Unit D	1,276
GF Unit #112	Unit C	1,744
GF Unit #121	Unit B	1,567
GF Unit #122	Unit A	1,513
GF Unit #131	Unit B	1,567
GF Unit #132	Unit A	1,513
GF Unit #101	Unit B	1,533
GF Unit #102	Unit B	1,533
GF Unit #201	Unit A+	1,748
GF Unit #202	Unit B	1,564
GF Unit #301	Unit A+	1,748
GF Unit #302	Unit B	1,564

A list of all monthly fees payable by the Resident as of the date of this Agreement is attached hereto as Exhibit E

**EXHIBIT E
FEES PAYABLE BY THE RESIDENT**

ITEM	AMOUNT
Mark which of the following fees are applicable	
Selection Fee	
Community Fee	
TOTAL AMOUNT DUE AT APARTMENT SELECTION AGREEMENT EXECUTION	\$

ITEM	AMOUNT
Mark which of the following fees are applicable	
Security Deposit Fee	
TOTAL AMOUNT DUE AT RESIDENCY AND CARE AGREEMENT EXECUTION	\$

ITEM	AMOUNT
Monthly Service Fee	
Mark which of the following fees are applicable	
Second Person Fee	
Premium Cable Service	
Structured Parking (per month)	
Covered Parking (per month)	
TOTAL MONTHLY AMOUNT	\$

Note that the above-listed fees do not include fees for occupancy in the Healthcare Center that are described in Section 6 of the Agreement. In addition, fees for non-recurring Optional Services selected by the Resident shall be in the amount set forth in the schedule of fees provided by Carolina Bay.

The Resident acknowledges that the he or she has reviewed and hereby approves the above table of monthly fees payable pursuant to this Agreement.

Initials	Resident	_____
	Resident	_____