



DISCLOSURE STATEMENT

May 31, 2019

In accordance with Chapter 58, Article 64, of the North Carolina General Statutes of the State of North Carolina:

- **This Disclosure Statement may be delivered until revised, but not after October 28, 2020.**
- **This Disclosure Statement is required by North Carolina Law to be delivered to the person with whom the residence and services agreement to provide continuing care is to be entered into at the time of, or prior to, the execution of a contract to provide continuing care, or at the time of, or prior to, the transfer of any money or other property to the Community by or on behalf of a prospective resident, whichever occurs first.**
- **The Pisgah Valley Retirement Community, like all other continuing care retirement communities in the State of North Carolina, is subject to the Continuing Care Retirement Communities Act. This Disclosure Statement has not been approved by any government agency or representative to ensure accuracy or completeness of the information set out.**

**Pisgah Valley Retirement Center Properties, LLC
Pisgah Valley Retirement Center, LLC
104 Holcombe Cove Road
Candler, NC 28715
Phone: (828) 418-2333
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Exhibits

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SECTION 1

PROVIDER INTRODUCTION AND INFORMATION

Corporate Organization:

Pisgah Valley Retirement Community (the “Community”) is owned by Pisgah Valley Retirement Center Properties, LLC (“Pisgah Valley Properties”) and operated by Pisgah Valley Retirement Center, LLC (“Pisgah Valley Center”) and is located at 104 Holcombe Cove Road, Candler, North Carolina 28715 (the “Site”).

Pisgah Valley Center, is a North Carolina for-profit limited liability company. Liberty Senior Living, LLC is the sole member of Pisgah Valley Center. Liberty Healthcare Group, LLC (“Liberty Healthcare Group”) is the sole member of Liberty Senior Living, LLC. The members of Liberty Healthcare Group are:

- I. John A. McNeill, Jr. – 26%;
- II. Ronald B. McNeill – 26%;
- III. John A. McNeill, Jr. 2012 Irrevocable Trust – 24%; and
- IV. Ronald B. and Cynthia J. McNeill 2013 Irrevocable Trust– 24%

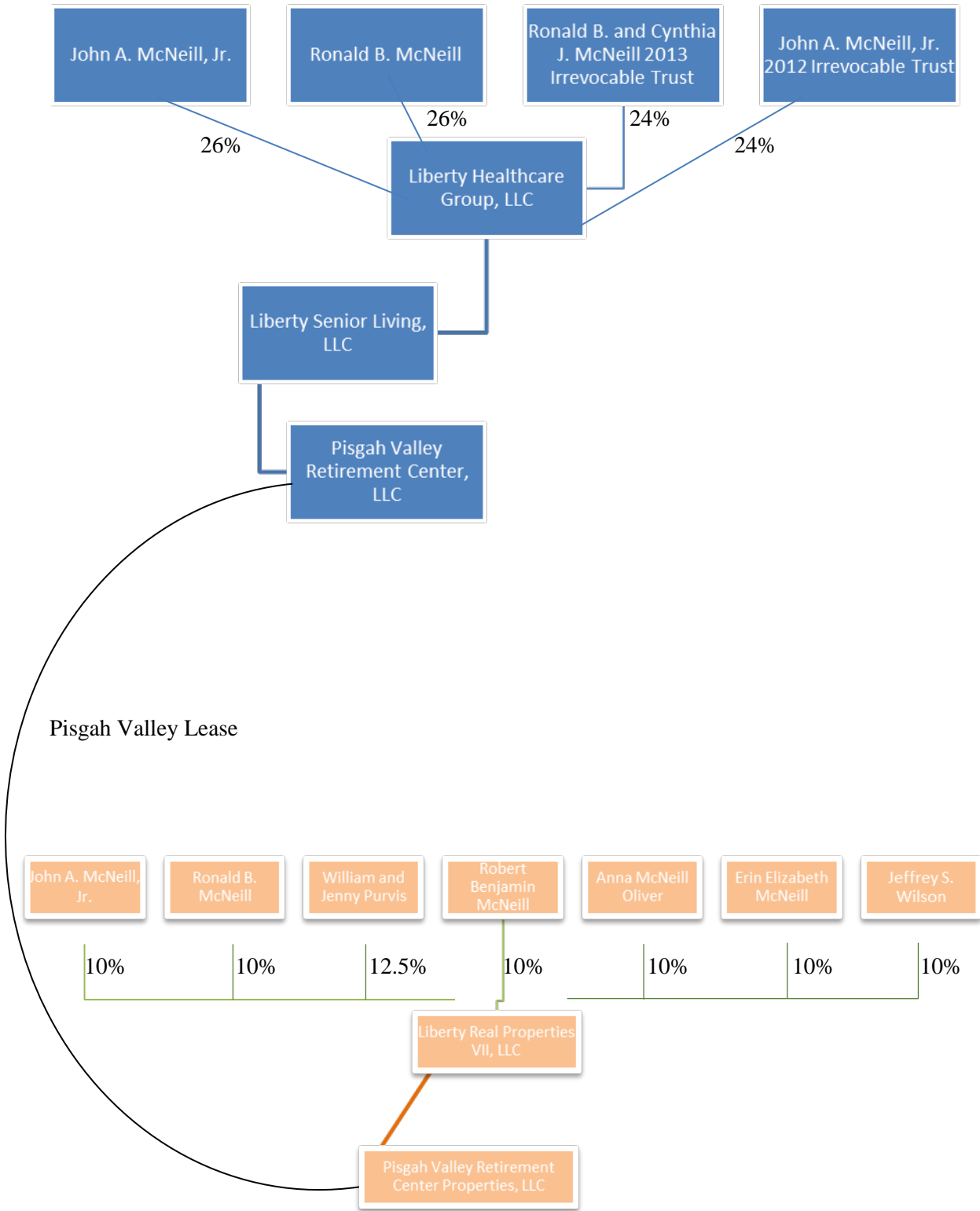
Pisgah Valley Properties, is a North Carolina for-profit limited liability company. Liberty Real Properties VII, LLC is the sole member of Pisgah Valley Properties. The members of Liberty Real Properties VII, LLC are:

- I. John A. McNeill, Jr. – 10%
- II. Ronald B. McNeill: – 10%
- III. William and Jenny Purvis: – 12.5%
- IV. Robert Benjamin McNeill: – 10%
- V. Anna McNeill Oliver: – 10%
- VI. Erin Elizabeth McNeill: – 10%
- VII. Jeffrey S. Wilson: – 10%
- VIII. The rest of the Liberty Real Properties VII, LLC members are less than 10% shareholders

Pursuant to an Asset Purchase Agreement (the “Purchase Agreement”), Pisgah Valley Properties purchased the Site, together with all of the improvements from Carolina Adventist Retirement Systems, Inc. (“CARS”). The closing of this purchase was on February 1, 2018.

Promptly after the closing of the purchase, Pisgah Valley Properties and Pisgah Valley Center executed a lease (the “Pisgah Valley Lease”) for Pisgah Valley Center’s use and operation of the Community. The Pisgah Valley Lease has a term of ten (10) years and Pisgah Valley Center has the option to renew the Lease for five (5) additional terms of five (5) years each. Rent is an amount sufficient to satisfy the debt service coverage ratio required by Pisgah Valley Properties lender.

Organizational Chart*:



**Organizational chart only reflects members who hold 10% or more stakes in the company.*

Management:

The following are the individuals who manage Pisgah Valley Center and/or the Community on a day-to-day basis:

Cindy Stancil* – *Member and Chairman of the Pisgah Estates Unit Owners Association Board of Directors*
2334 South 41st Street
Wilmington, NC 28403

Michelle Grandy* – *Executive Director*
104 Holcombe Cove Road
Candler, North Carolina 28715

Deborah Hawkins* - *CCRC Financial Manager*
102 Holcombe Cove Road
Candler, North Carolina 28715

Martha King* – *Assisted Living Manager*
102 Holcombe Cove Road
Candler, North Carolina 28715

*See “*Senior Living Experience*” below

Individuals with Interest:

The Community is owned by Pisgah Valley Properties and operated by Pisgah Valley Center. No other person or entity referred to herein has assumed any financial responsibility for the fulfillment of Pisgah Valley Properties' or Pisgah Valley Center's agreements or obligations, except as otherwise stated. The sole member of Pisgah Valley Center is Liberty Senior Living, LLC. The sole member of Liberty Senior Living, LLC is Liberty Healthcare Group. The members of Liberty Healthcare Group are John A. McNeill, Jr., Ronald B. McNeill, John A McNeill, Jr. 2012 Irrevocable Trust, and Ronald B. and Cynthia J. McNeill 2013 Irrevocable Trust. The sole member of Pisgah Valley Properties is Liberty Real Properties VII, LLC. The members of Liberty Real Properties VII, LLC are: John A. McNeill, Jr. (10%), Ronald B. McNeill (10%), William and Jenny Purvis (12.5%), Robert Benjamin McNeill (10%), Anna McNeill Oliver (10%), Erin Elizabeth McNeill (10%), and Jeffrey S. Wilson (10%). The rest of Liberty Real Properties VII, LLC members are less than 10% shareholders. The address for members of Pisgah Valley Center and Pisgah Valley Properties is 2334 S. 41st St., Wilmington, NC 28403.

John A. McNeill, Jr. and Ronald B. McNeill. John A. McNeill Jr. and Ronald B. McNeill are the principals of Liberty Healthcare Group.

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 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.

Senior Living Experience:

Cindy Stancil, LNHA serves as the member and chairman of the Pisgah Estates Unit Owners Association Board of Directors. 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 18 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.

Michelle Grandy became Executive Director of Pisgah Valley Center in 2018. Ms. Grandy received a Bachelor's degree in Psychology from Southern Adventist University in 2009 and a Master's Degree in Management Leadership from Montreat College in 2015. She has been a licensed nursing home administrator in the State of North Carolina since October 2011. Previous to her current position, Michelle Grandy was Administrator of the Community's skilled nursing facility for four (4) years until 2016 and Administrator/Assistant Administrator of affiliated skilled nursing and independent living facilities in Elizabeth City, North Carolina for one (1) year and was Social Services Director of the Community's skilled nursing facility for two (2) years beginning in 2009. Throughout high school and college Ms. Grandy worked as a student aid, social services assistant, and activity assistant at the Community's skilled nursing facility. She currently serves on the Board of the North Carolina Health Care Facilities Association.

Deborah Hawkins, CPA, became CCRC Financial Manager of Pisgah Valley Center in 2018. Ms. Hawkins received a Bachelor's degree in accounting from Lenior-Rhyne College in 1985. She has been a certified public accountant licensed in the State of North Carolina since 1988. Previous to her current position, Ms. Hawkins was Treasurer/Chief Financial Officer for the previous owner from 2007-2018. Prior to that, Ms. Hawkins was an auditor and consultant with two national public accounting firms for twenty (20) years, specializing in healthcare and senior living, and worked as a Chief Financial Officer of a financial institution for three (3) years. She previously served on the Board of Directors of LeadingAge North Carolina and the North Carolina Department of Insurance CCRC Advisory Committee.

Martha King became the Manager of the Community's assisted living facility in May 2017. Mrs. King has worked for sixteen (16) years in the assisted living building. Mrs. King has her certified nursing assistant (CNA) certification as well as her Med-Tech certification.

Related Entities and Transactions:

Pisgah Estates Unit Owners Association; 6 Rhododendron Way, Candler, North Carolina 28715 - The Pisgah Estates Unit Owners Association (the “Unit Owners Association”) was created in accordance with the North Carolina Condominium Act to own and manage the commonly owned property of the Community’s independent living campus. The Unit Owners Association began operations in 1975 as an unincorporated non-profit association and became a not-for-profit corporation under the laws of the State of North Carolina in September 2008. Under the terms of a management agreement (“Management Agreement”) Pisgah Valley Center has majority voting rights in the Unit Owners Association and performs program, maintenance, and administrative services to the Unit Owners Association. Services are billed monthly and the Management Agreement is renewable each calendar year. The Unit Owners Association’s revenue is generated primarily through maintenance fees from Pisgah Estates unit owners. Cindy Stancil is a member and chairman of the Unit Owners Association Board of Directors. The Unit Owners Association is not responsible for the financial and contractual obligations of Pisgah Valley Center or Pisgah Valley Properties.

Pisgah Valley Center and Pisgah Valley Properties are managed and operated by various related parties pursuant to agreements between such parties as more fully described below:

1. Pisgah Valley Retirement Center Properties, LLC. Pisgah Valley Properties is a North Carolina for-profit limited liability company formed for the purpose of owning the real property and improvements comprising Pisgah Valley Center. Pisgah Valley Properties has the responsibilities as the landlord under the Pisgah Valley Lease. The sole member of Pisgah Valley Properties is Liberty Real properties VII, LLC. The managers of Pisgah Valley Properties are John A. McNeill, Jr. and Ronald B McNeill.

Pisgah Valley Properties has assumed a year-to-year lease arrangement with Carolina Conference of Seventh day Adventists, Inc. (the “Conference”) whereby Pisgah Valley Properties leases space in a maintenance building which the Conference owns adjacent to the Community.

2. Liberty Living Management, LLC. Liberty Living Management, LLC (“Liberty Living Management”) is a North Carolina for-profit limited liability company which shall provide certain management services to Pisgah Valley Center pursuant to a Management Support Agreement. Liberty Living Management provides and/or obtains services such as development, consulting, marketing, personnel administration, quality control, food, housekeeping, landscaping, and other management services. Liberty Living Management provides services such as back office support to Pisgah Valley Center through its affiliation with Liberty Healthcare Management, Inc. and provides healthcare related

services to Pisgah Valley Center through its affiliation with Long Term Care Management Services, LLC. The principals of Liberty Living Management are John A. McNeill, Jr., Ronald B McNeill, William B. Purvis, John A. McNeill, Jr. 2012 Irrevocable Trust, and Ronald B. and Cynthia J. McNeill 2013 Irrevocable Trust.

3. Liberty Healthcare Management, Inc. Liberty Healthcare Management, Inc. (“Liberty Healthcare Management”) is a North Carolina corporation which shall provide certain administrative support and treasury services to Pisgah Valley Properties pursuant to an Administrative Support and Treasury Services Agreement. Liberty Healthcare Management provides and/or obtains services such as accounting and financial records, financial management and consultation, collection of accounts, tax accounting, human resource support, insurance, purchasing and procurement, information services, risk management and legal support.

No professional service firm, association, trust, partnership, or corporation other than those stated above has a ten percent (10%) or more interest in any of the officers, directors, trustees, managing or general partners, or in any person having a ten percent (10%) or greater equity or beneficial interest in the provider, nor does any officer, director, trustee, managing or general partners or any person having a 10% or greater equity or beneficial interest in the provider has a 10% or greater interest in any professional service firm, association, trust, partnership or corporation that presently or in the future will provide \$500 or more of goods, leases or services within any year to the provider or to any resident of the facility.

Legal Action:

No Owners, Managers, Members, or Management of Pisgah Valley Properties or Pisgah Valley Center noted above:

- (i) has been convicted of a felony or pleaded nolo contendere to a felony charge, or been held liable or enjoined in a civil action by final judgment, if the felony or civil action involved fraud, embezzlement, fraudulent conversion, or misappropriation of property; or
- (ii) is 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 a governmental agency or department, if the order or action arose 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 aged, or facility subject to this Article or a similar law in another state.

SECTION 2

FACILITY INTRODUCTION AND INFORMATION

Pisgah Valley Properties owns the Community in western North Carolina. Pursuant to the Pisgah Valley Lease, Pisgah Valley Center operates the Community.

The Community:

The Community is located on approximately 40 acres near the Smoky Mountains of western North Carolina, approximately 10 miles west of Asheville. The Community campus consists of 72 independent living patio homes (“Patio Home(s)”) with a community center building (collectively, “Pisgah Estates”), a 24-unit multi-unit assisted housing with services building (“Pisgah Villa”) with a wellness center (the “Wellness Center”), and a 118-bed skilled nursing building (“Pisgah Manor”) in Candler, North Carolina. Pisgah Manor, Pisgah Villa, and the Wellness Center are situated across the road from the Pisgah Estates property. The Community has been in operation for over 40 years.

Pisgah Estates:

Pisgah Estates is situated on land owned by the Unit Owners Association. Effective January 1, 2016, the Conference assigned its right of first refusal to purchase the remaining patio homes owned by unit owners to CARS. Pursuant to the Purchase Agreement, Pisgah Valley Properties acquired this right of first refusal from CARS. Each patio home owner holds title and deed to their individual patio home and, except for patio homes owned by Pisgah Valley Properties, is subject to a “Contract of Sale” or a “Contract of Sale with Right of First Refusal on Subsequent Transfer” (collectively “Equity Contracts”) with Pisgah Valley Properties. Under this contract, when the unit owner decides to sell the patio home, Pisgah Valley Properties has the right to purchase the patio home from the owner based upon the current appraised value. Upon repurchase, Pisgah Valley Properties pays the unit owner the appraised value in accordance with the Equity Contract.

The table below indicates the unit configuration for the Pisgah Estates Patio Homes as follows:

<u>Type of Unit</u>	<u>Number of Units</u>	<u>Square Footage⁽²⁾</u>
Two-bedroom	3	1,174
Two-bedroom with den	25	1,240
Two-bedroom with sunroom ⁽¹⁾	5	1,474
Two-bedroom with den and sunroom ⁽¹⁾	39	1,540
Total/weighted average	72	1,416

Source: Management

⁽¹⁾ Sunrooms are a variety of seasonal and year-around.

⁽²⁾ Represents heated square footage, which excludes approximately 336 of square footage for an attached 1-car garage.

At December 31, 2018, of the 72 independent living patio homes on the Pisgah Estates campus, 16 were owned by individuals under Equity Contracts (no longer offered) and 56 were owned by Pisgah Valley Properties. At December 31, 2018, there were 69 residents living at Pisgah Estates with services provided pursuant to residence and service agreements.

Pisgah Villa:

Pisgah Valley Properties owns the land and building associated with Pisgah Villa and Wellness Center. Pursuant of the Pisgah Valley Lease, Pisgah Valley Center operates Pisgah Villa.

The table below indicates the unit configuration for Pisgah Villa, which is registered with the State of North Carolina Division of Facility Services as multi-unit assisted housing with services, as follows:

<u>Type of Unit</u>	<u>Number of Units⁽¹⁾</u>	<u>Square Footage</u>
Small Studio	18	154
Expanded Studio	6	209
Total/weighted average	24	168

Source: Management

⁽¹⁾ Licensed for a maximum of 30 beds

At December 31, 2018 Pisgah Valley Center had 21 residents living at Pisgah Villa. All units at Pisgah Villa are available for direct entry from outside of the Community.

Pisgah Manor:

Pisgah Valley Properties owns the land and building associated with Pisgah Manor. Pursuant of the Pisgah Valley Lease, Pisgah Valley Center operates Pisgah Manor.

Table 3 indicates the unit configuration for Pisgah Manor, which is licensed with the State of North Carolina Division of Facility Services as a skilled nursing facility, as follows:

Table 3		
Unit Configuration – Pisgah Manor		
<u>Type of Unit</u>	<u>Number of Beds</u>	<u>Square Footage</u>
Semi-private	46	288
Private	72	288
<u>Total/weighted average</u>	<u>118</u>	<u>288</u>

Source: Management

At December 31, 2018, Pisgah Valley Center had 103 residents living at Pisgah Manor. All beds at Pisgah Manor are available for direct entry from outside of the Community.

SECTION 3

ONGOING OR PROPOSED EXPANSIONS OR DEVELOPMENTS

There are no ongoing or proposed expansion or developments.

SECTION 4

ADMISSION AND RESIDENCY REQUIREMENTS

According to the Community's admissions policy, the resident must be 62 years of age or older, must be capable of living independently, and have sufficient assets and income to pay the entrance fee (the "Entrance Fee"). After payment of the Entrance Fee, the resident must have sufficient financial resources to permit payment of the monthly fee (the "Monthly Fee"), plus other personal expenses which may be reasonably expected to pay for the costs of assisted living services and health center services, and to meet anticipated increases in the cost of living and increases in the Monthly Fee.

A prospective resident wishing to be placed on a priority list completes and signs a "*Priority Reservation Agreement*." See Exhibit E for an example of a "*Priority Reservation Agreement*."

A prospective resident wishing to reserve a specific unit (the "Home" or "Residence"), makes application to the Pisgah Valley Admissions Committee by completing and submitting the "*Application for Residency*", "*Personal Health Information*", and "*Personal Financial Information*" forms. Admission requirements for Patio Home residents ("Patio Home Resident(s)") are outlined in Section VI of the Residence and Services Agreement (the "Residence and Services Agreement") in Exhibit E.

Other residency requirements for Patio Home Residents are outlined in the Residence and Services Agreement or in Exhibit E.

SECTION 5

SERVICES

The Community is a retirement community providing services and programs to assist residents in living as independently as possible for as long as possible. The campus has three primary areas with a specific lifestyle in mind—independent living (Pisgah Estates), assisted living (Pisgah Villa), and skilled nursing (Pisgah Manor) covering a wide spectrum of living arrangements to accommodate a diversity of lifestyles on a single campus.

Pisgah Estates:

Under the Management Agreement with the Unit Owners Association, Pisgah Valley Center provides services to Pisgah Estates residents who own their units and are not subject to a Residence and Services Agreement (“Unit Owners”) as follows:

- Water and sewer;
- Routine pest control and guaranteed termite treatment;
- Trash removal;
- Landscaping/lawn care;
- Snow and ice removal;
- Use of Community Center;
- Use of Community gardens and other common areas (e.g., streets, street lights, etc.);
- Access to on-campus medical clinic;
- Activities programming;
- Weekly transportation to shopping;
- On-campus transportation; and
- Real property insurance

In addition to the services provided to the Unit Owners, the Patio Home Residents under the Residence and Services Agreement include services as outlined in detail in Section III of the Residence and Services Agreement (see Exhibit E) and summarized as follows:

- Electric;
- Propane;
- Cable-ready wiring;
- Bi-weekly housekeeping;
- Annual deep cleaning;
- Membership to the Community’s Wellness Center;
- 24-hour emergency response system;
- Priority access to the Community’s assisted living and skilled nursing facilities;
- Interior unit maintenance; and
- Ad valorem taxes

The following services are available to a Patio Home Resident who has signed a Residence and Services Agreement on an as needed/desired basis for additional fees based on current rates:

- Housekeeping services above the bi-weekly service and annual cleaning;
- Meals at Pisgah Villa;
- Certain activities; and
- Special, personal, or private group transportation;

Pisgah Villa:

In addition to the services offered at Pisgah Estates, residents in Pisgah Villa receive the following services:

- Assistance with activities of daily living (bathing, dressing, eating, toileting, mobility, transfers) as needed;
- Written plan of care by a licensed personal care services agency;
- Three meals per day with daily snacks;
- Basic cable television;
- Daily resident safety checks;
- Regular health and wellness assessments;
- Medication reminders;
- Weekly housekeeping services;
- Personal laundry; and
- Recreational activities

Special, personal, or private group transportation is available to a Pisgah Villa resident on an as needed/desired basis for an additional fee based on current rates.

Pisgah Manor:

In addition to the services offered at Pisgah Villa, residents in Pisgah Manor receive the following services:

- Licensed nursing services 24-hours per day;
- Skilled nursing services;
- Physical, speech, and occupational therapies;
- Post-hospital care;
- Recreational activities;
- Respite care;
- Hospice/palliative care; and
- Three meals per day with special diets accommodated

All units/beds at Pisgah Villa and Pisgah Manor are available for direct entry from outside of the Community.

SECTION 6

ENTRANCE AND PERIODIC FEES

All financial arrangements are outlined in **Section V** of the Residence and Services Agreement in Exhibit E.

Financial arrangements related specifically to Entrance Fees are as follows:

1. ***Entrance Fee.*** The detailed terms of Entrance Fees as outlined in **Section V.A.** of the Residence and Services Agreement in Exhibit E are as follows:

Entrance Fee. *You agree to pay us an Entrance Fee, as indicated on Schedule I of this Agreement. The Entrance Fee assures you a place at Pisgah Valley for a term of years or for life.*

The Entrance Fee is non-transferable, non-interest bearing and shall be the property of Pisgah Valley for use in accordance with the terms of this Agreement, and shall not be subject to the claims of your creditors. Any refundable portion of the Entrance Fee shall be governed by Section IX of this Agreement.

2. ***Entrance Fee Refund Options.*** The detailed terms of Entrance Fee Refund Options as outlined in **Section V.B.** of the Residence and Services Agreement in Exhibit E are as follows:

Entrance Fee Refund Options. *You will choose from two Entrance Fee refund options--a 0% or a 90% Entrance Fee refund. Refunds will be computed on a declining balance basis as outlined in Section IX.D. The Entrance Fee refund is subject to the provisions set forth in Sections V and IX of this Agreement. Once this Agreement is executed, the Entrance Fee refund option selected cannot be changed. Pisgah Valley may, for any lawful reason, limit availability of any of these Entrance Fee refund options.*

3. ***Priority Reservation Deposit.*** The detailed terms of the Priority Reservation Deposit portion of the Entrance Fees as outlined in the Priority Reservation Agreements for Patio Homes and in **Section V.C.1.** of the Residence and Services Agreement in Exhibit E are as follows:

Initial \$1,000 Priority Reservation Deposit. *Upon entering into a Priority Reservation Agreement (the "Priority Reservation Agreement") and prior to entering into this Agreement, you agree to pay \$1,000 as an priority reservation deposit (the "Priority Reservation Deposit"). Such Priority Reservation Deposit is fully refundable should you choose not to proceed with the reservation process and not enter into this Agreement for any reason. The Priority Reservation Deposit fully applies toward the Entrance Fee should you proceed with the reservation process and enter into this Agreement.*

4. **Ten Percent (10%) Reservation Fee.** The detailed terms of the 10% Reservation Fee portion of the Entrance Fees as outlined in **Section V.C.2.** of the Residence and Services Agreement in Exhibit E are as follows:

***Initial Ten Percent (10%) Reservation Fee.** To reserve your Residence, you will make application to the Pisgah Valley Admissions Committee. You will receive notice of your approval or denial by the Pisgah Valley Admissions Committee within fourteen (14) days of submitting your application. An amount equal to ten percent (10%) of the Entrance Fee, less any Priority Reservation Deposit previously paid of one thousand dollars (\$1,000) (the “Reservation Fee”), is paid upon entering into this Agreement.*

5. **Options and Custom Features.** The detailed terms of amounts related to options and custom features as outlined in **Section V.C.3.** of the Residence and Services Agreement in Exhibit E are as follows:

***Amounts for Options and Custom Features.** Pisgah Valley will present you with a written quote specific to your options and custom feature request detailing the prices. The cost of options and custom features selected will be invoiced by Pisgah Valley for the selected options or custom features and is due by you upon receipt of such invoice. The amounts for options and custom features will not be considered part of the Entrance Fee when calculating the refund.*

6. **Balance of the Entrance Fee.** The detailed terms of the payment for the balance of Entrance Fees as outlined in **Section V.C.4** of the Residence and Services Agreement in Exhibit E are as follows:

***Balance of the Entrance Fee.** The balance of the total Entrance Fee for the Residence will be due and payable prior to the Date of Occupancy, unless otherwise agreed to in writing by Management.*

Financial arrangements related specifically to periodic fees associated with Monthly Fees are as follows:

1. **Monthly Fee.** The detailed terms of the Monthly Fee as outlined in **Section V.D.** of the Residence and Services Agreement in Exhibit E are as follows:

***Monthly Fee.** In addition to the Entrance Fee, you agree to pay us a Monthly Fee, as indicated on Schedule I of this Agreement, upon Occupancy for the term of this Agreement, which includes a fee for one resident and, if applicable, an additional fee for the second resident. The Monthly Fee will be payable in advance by the fifth (5th) business day of each month. You agree to pay the first Monthly Fee with the balance of the Entrance Fee (prorated, as applicable, for*

*the number of days remaining in the calendar month that such payment is due).
Your initial Monthly Fee will be as indicated on Schedule I of this Agreement.*

The following table outlines the current fees for the Community:

<u>Type of Unit</u>		Table 4		<u>Service Fees⁽¹⁾⁽²⁾</u>	
		Current Fees			
		<u>Entrance Fees⁽¹⁾</u>			
		90% Refund	0% Refund		
Pisgah Homes:	Estates	Patio		Monthly Fees	
	Two-bedroom		\$253,425	\$163,800	\$1,516/mo
	Two-bedroom with den		\$265,725	\$172,025	\$1,516/mo
	Two-bedroom with sunroom		\$284,250	\$183,325	\$1,516mo
	Two-bedroom with den and sunroom		\$296,625	\$191,625	\$1,516/mo
	Weighted average ⁽³⁾		\$283,236	\$183,084	\$1,516/mo.
Pisgah Villa:					Monthly Fees
	Small Studio		n/a	n/a	\$4,591 /mo
	Expanded Studio		n/a	n/a	\$5,052/mo
	Weighted average				\$4,706/mo
Pisgah Manor:					Daily Fees
	Semi-private		n/a	n/a	\$241/day
	Private		n/a	n/a	\$291/day
	Weighted average				\$272/day

Source: Management

⁽¹⁾ Fees indicated effective February 1, 2019. For contract holders prior to February 1, 2019 the monthly service fees remained at \$1,346.

⁽²⁾ Second person monthly service fee for Pisgah Estates and Pisgah Villa is \$399 and \$1,145, respectively

⁽³⁾ Assumes the total number of units ultimately owned by Pisgah Valley Properties and operated by Pisgah Valley Center will be purchased over time from unit owners. As of December 31, 2018 Pisgah Valley Properties owned 56 Patio Homes .

The Monthly Fees related to Pisgah Estates independent living residents, along with the Monthly Fees related to Pisgah Villa assisted living residents, and the per diem rates related to Pisgah Manor skilled nursing residents, are outlined in the table below.

Table 5						
Fees*						
	Effective 10/1/2014	Effective 10/1/2015	Effective 10/1/2016	Effective 10/1/2017	Effective 10/1/2018	Effective 2/1/2019
Pisgah Estates						
Patio Homes:						
Two-bedroom	\$1,175	\$1,210	\$1,240	\$1,280	\$1,346	\$1,516
Two-bedroom with den	\$1,175	\$1,210	\$1,240	\$1,280	\$1,346	\$1,516
Two-bedroom with sunroom	\$1,175	\$1,210	\$1,240	\$1,280	\$1,346	\$1,516
Two-bedroom with den and sunroom	\$1,175	\$1,210	\$1,240	\$1,280	\$1,346	\$1,516
Second person	\$350	\$360	\$371	\$380	\$397	\$399
Pisgah Villa:						
Small Studio	\$4,000	\$4,120	\$4,244	\$4,370	\$4,591	\$4,591
Expanded Studio:						
One person	\$4,400	\$4,532	\$4,668	\$4,810	\$5,052	\$5,052
Second person	\$1,000	\$1,030	\$1,061	\$1,090	\$1,145	\$1,145
Pisgah Manor:						
Semi-private	\$260/day	\$268/day	\$276/day	\$284/day	\$241/day	\$241/day
Private	\$260/day	\$268/day	\$276/day	\$284/day	\$291/day	\$291/day

*Monthly Fees unless indicated otherwise.

The table below indicates the average annual dollar change in fees for the Community's independent living (Pisgah Estates), assisted living (Pisgah Villa), and skilled nursing (Pisgah Manor). The fee structure is subject to change at least once a year with a thirty (30) day notice.

Table 6						
Average Annual Change in Fees*						
	Effective 10/1/2014	Effective 10/1/2015	Effective 10/1/2016	Effective 10/1/2017	Effective 10/1/2018	Effective 2/1/2019**
Pisgah Estates						
Patio Homes:						
Two-bedroom	\$33	\$35	\$30	\$40	\$66	\$170
Two-bedroom with den	\$33	\$35	\$30	\$40	\$66	\$170
Two-bedroom with sunroom	\$33	\$35	\$30	\$40	\$66	\$170
Two-bedroom with den and sunroom	\$33	\$35	\$30	\$40	\$66	\$170
Second person	\$8	\$10	\$11	\$9	\$17	\$2
Pisgah Villa:						
Small Studio	\$100	\$120	\$124	\$126	\$221	\$0
Expanded Studio:						
One person	\$100	\$132	\$136	\$142	\$242	\$0
Second person	\$0	\$30	\$31	\$29	\$55	\$0
Pisgah Manor:						
Semi-private	\$10/day	\$8/day	\$8/day	\$8/day	(\$43)/day	\$0/day
Private	\$10/day	\$8/day	\$8/day	\$8/day	\$7/day	\$0/day

*Monthly Fees unless indicated otherwise.

**Mid-year adjustment

2. **Additional Charges.** The detailed terms for additional charges as outlined in **Section V.E.** of the Residence and Services Agreement in Exhibit E are as follows:

Additional Charges. *In addition to the Entrance Fee and Monthly Fee, you agree to pay us for additional charges for (1) housekeeping not included in your Monthly Fee, (2) meals not included in your Monthly Fee, (3) certain activities, and (4) special/personal/private group transportation. We will include these charges on the monthly statement described in the “Payment of Monthly Fees” below.*

3. **Payment of Monthly Fees.** The detailed terms for the payment of the Monthly Fee as outlined in **Section V.F.** of the Residence and Services Agreement in Exhibit E are as follows:

Payment of Monthly Fees. *We will provide you with a monthly statement specifying the Monthly Fee you owe for the month in advance, along with any additional charges from the previous month, payable by the fifth (5th) business day of the current month. We reserve the right to charge interest at a rate of one and one-half percent (1½%) per month on any unpaid balance owed by you thirty (30) days after the monthly statement is dated. If you fail to pay your Monthly Fees, you agree that we may deduct the unpaid Monthly Fees (plus any accrued interest and our reasonable attorneys’ fees) from any refund of your Entrance Fee due when this Agreement terminates. You agree to pay your Monthly Fees even if you are voluntarily absent (e.g., on vacation, temporary stays in a Health Care Residence) from your Residence.*

4. **Adjustments in the Monthly Fee.** The detailed terms for adjustments in the Monthly Fee as outlined in **Section V.G.** of the Residence and Services Agreement in Exhibit E are as follows:

Adjustments in the Monthly Fee. *The Monthly Fee is paid to provide the facilities, programs, and services described in this Agreement and are intended to cover costs of the expenses associated with the operation and management of Pisgah Valley. Pisgah Valley reserves the right to increase the Monthly Fee from time to time during the term of this Agreement. Monthly Fees will be adjusted as required, consistent with operating on a sound financial basis and maintaining quality service. We will notify you of any increase in the Monthly Fee at least thirty (30) days before the increase takes effect. You should expect that we will increase the Monthly Fee at least once a year, regardless of your Date of Occupancy, generally in October.*

Financial arrangements related specifically to periodic fees specifically associated with Health Care charges are as follows:

1. **Health Care Fee for Services.** The detailed terms for charges related to Health Care (i.e., assisted living services or nursing care) Fees for services, including temporary and

permanent transfers, as outlined in **Section V.H.1.** of the Residence and Services Agreement in Exhibit E are as follows:

***Fee for Services.** In exchange for payment of your applicable Monthly Fee, Pisgah Valley will provide assisted living services or nursing care to the extent that it is not covered by your insurance, Medicare, or any other governmental programs or entitlements which you are required to maintain under this Agreement, subject to the following:*

- a. *Temporary Transfers. A transfer is considered temporary when the condition that requires your transfer has the potential to be resolved in a manner which may allow you to return to your Pisgah Estates Residence. Your Residence will be held for your return.*
 - i. *Single Occupancy. Should you have a temporary need for services provided in a Health Care Residence while you are still occupying your Pisgah Estates Residence, you will pay both the then-current Monthly Fee for your Pisgah Estates Residence and the then-current rate applicable to the Health Care Residence.*
 - ii. *Double Occupancy. Should one or both residents have a temporary need for services provided in a Health Care Residence while still occupying the Pisgah Estates Residence, the resident remaining in the Residence or the last resident to occupy the Residence (in the case of both residents simultaneously requiring temporary care provided in a Health Care Residence) will continue to pay the then-current Monthly Fee less the then-current second person Monthly Fee for the Pisgah Estates Residence. Additionally, each resident requiring temporary care provided in a Health Care Residence will be required to pay the applicable then-current rate applicable to the Health Care Residence.*
 - iii. *Temporary Utilization. Temporary utilization of a Health Care Residence services does not constitute a change of accommodations subject to the provisions of Paragraph VII.H.*
- b. *Permanent Transfers. A transfer is considered permanent when the condition that requires your transfer will not allow you to return to your Pisgah Estates Residence and the Residence has been vacated.*
 - i. *Single Occupancy. Should you have a permanent need for services provided in a Health Care Residence, you will be required to release your Pisgah Valley Estates Residence as outlined in Paragraph VIII.A. Your Monthly Fee will be adjusted to the then-current Monthly Fee for the Health Care Residence.*

ii. *Double Occupancy.* Should one Resident have a permanent need for services provided in a Health Care Residence, the Monthly Fee will be equal to the then-current Monthly Fee for your Pisgah Estates Residence for one person plus the then-current rate applicable to the Health Care Residence. Should both residents have a permanent need for services provided in a Health Care Residence, residents will be required to release the Residence as provided under Section VIII.A. Your Monthly Fee will be adjusted to the then-current Monthly Fee for the Health Care Residence for each resident.

2. **Additional Charges for Respite Care.** The detailed terms for additional charges related to respite care as outlined in **Section V.H.2.** of the Residence and Services Agreement in Exhibit E are as follows:

Additional Charges for Respite Care. You will be responsible for prompt payment of additional charges for respite care as outlined in Pisgah Valley's current literature.

3. **Additional Charges for Ancillary Health Care Services.** The detailed terms for additional charges related to ancillary Health Care services as outlined in **Section V.H.3.** of the Residence and Services Agreement in Exhibit E are as follows:

Additional Charges for Ancillary Health Care Services. You will be responsible for prompt payment of all additional charges for ancillary health care services provided at Pisgah Valley. Ancillary services will include all services not provided by the staff of Pisgah Valley and not included in the per diem or monthly fee. Examples of additional charges include, but are not limited to, the cost of prescription and non-prescription medications, physical examinations, laboratory tests, physical therapy, home health care, occupational therapy, rehabilitative treatments, wheelchairs and other medical equipment and supplies. In the event of a temporary or permanent transfer, you will be responsible for all costs of relocation.

4. **Use of Refundable Portion of the Entrance Fee.** The detailed terms for the use of the refundable portion of Entrance Fees to pay for Health Care costs at Pisgah Valley as outlined in **Section V.H.4.** of the Residence and Services Agreement in Exhibit E are as follows:

Use of Refundable Portion of the Entrance Fee. See Paragraph IX.H. for use of the refundable portion of the Entrance Fee to pay for health care costs at Pisgah Valley.

5. **Care in Another Facility.** The detailed terms for expenses related to care in another facility as outlined in **Section V.H.5.** of the Residence and Services Agreement in Exhibit E are as follows:

Care in Another Facility. *Should you need a level of care or health services beyond that provided at Pisgah Valley, as determined by Pisgah Valley, and require transfer to another facility, you will be responsible for all expenses of such transfer and services.*

SECTION 7

VARIOUS POLICIES RELATED TO RESIDENTS

1. ***Resident Marriages/Non-Spouse Added Residents.***

Marriage During the Term of The Residence and Services Agreement. The detailed terms related to residents who marry a current resident or a non-resident during the term of the Residence and Services Agreement as outlined in **Section VII.L.** of the Residence and Services Agreement in Exhibit E are as follows:

Marriage During the Term of This Agreement. *If you marry a person who is also a resident of Pisgah Estates pursuant to a similar agreement with us, you may occupy either Pisgah Estates Residence and shall surrender the Pisgah Estates Residence that you will not occupy. If you surrender the Residence described in this Agreement, refund of the Entrance Fee will be paid pursuant to the terms in Paragraph IX.E. of this Agreement. If you and your spouse occupy the Residence described in this Agreement, you will pay the current Entrance Fee and Monthly Fee for double occupancy of this Residence at the time your spouse moves into this Residence.*

If you marry a person who is not a resident of a Pisgah Estates Residence pursuant to a similar agreement with us, your spouse may become a resident of the Residence described in this Agreement if your spouse (i) meets all the current requirements for admission to a Pisgah Estates Residence, (ii) signs this Agreement and any amendments necessary to reflect double occupancy, and (iii) you and your spouse pay the current Entrance Fee and Monthly Fee for double occupancy of this Residence at the time your spouse moves into this Residence. If your spouse does not meet our requirements for admission, you may terminate this Agreement.

Added Resident. The detailed terms related to residents who desire to invite an individual to join them in sharing a Pisgah Estates Residence as outlined in **Section VII.M.** of the Residence and Services Agreement in Exhibit E are as follows:

Added Resident. *Should you desire to invite an individual to join you in sharing a Pisgah Estates Residence for which you paid the entire Entrance Fee and in which you are living alone, such person may become a resident of the Residence described in this Agreement if the individual (i) meets all the current requirements for admission to a Pisgah Estates Residence, (ii) signs this Agreement and any amendments necessary to reflect double occupancy, and (iii) you and the co-resident pay the current Monthly Fee for double occupancy of this Residence at the time the co-resident moves into this Residence..*

2. ***Residents with Financial Hardships.*** The detailed terms related to residents with financial hardships as outlined in **Section X.** of the Residence and Services Agreement in Exhibit E are as follows:

FINANCIAL ASSISTANCE

The policies relating to financial assistance are determined by Management. The amount of assistance is determined on an individual basis and there is no guarantee of assistance to any individual resident.

3. Cancellations, Terminations, and Refunds.

Cancellation/Termination Prior to Occupancy:

Right of Rescission. The detailed terms related to the right of rescission prior to occupancy as outlined in **Section IX.A.1.** of the Residence and Services Agreement in Exhibit E are as follows:

***Right of Rescission.** You have the right required under Section 58-64-25(a)(1) of the North Carolina General Statutes to rescind this Agreement within thirty (30) days following the later of the execution of the Agreement or the receipt of a Disclosure Statement that meets the requirements of North Carolina General Statutes Section 58; Article 64. Under the terms of this Agreement, you are not required to move into your Residence during this thirty-day rescission period (that is, you are permitted to select a move-in date that is 31 days or more after the date of this Agreement). To exercise this statutory right to rescind this Agreement, you must notify us in writing within thirty (30) days after the later of the execution of this Agreement or the receipt of a Disclosure Statement that meets the requirements of North Carolina General Statute Section 58; Article 64. If you exercise this statutory right to rescind this Agreement, we will refund all amounts you have paid to us pursuant to this Agreement less any non-standard costs specifically incurred by Pisgah Valley at your request and described in this Agreement or an amendment to this Agreement signed by you. Any such refund shall be paid by Pisgah Valley within thirty (30) days following receipt of written notification of such termination by the resident. Written notice should be sent to:*

***Director of Marketing/Programming
Pisgah Valley Retirement Community
6 Rhododendron Way Candler, NC 28715***

Due to Death, Illness, Injury, or Incapacity. The detailed terms related to cancellation due to death, illness, injury, or incapacity prior to occupancy as outlined in **Section IX.A.2.** of the Residence and Services Agreement in Exhibit E are as follows:

***Due to Death, Illness, Injury, or Incapacity.** If you die or are rendered incapable of independent living on account of illness, injury, or incapacity before occupying the Residence, this Agreement will automatically be cancelled to comply with NCGS 58-64-25(a)(2). Any monies paid by the resident shall be refunded in full*

less any non-standard costs specifically incurred by us at your request and described in the Agreement or an amendment to this Agreement signed by you, within thirty (30) days after our receipt of the written notice from you (or your heirs, as applicable) that any such event has occurred. Written notice should be sent to the address noted in Paragraph IX.A.1.

For Other Reasons. The detailed terms related to termination prior to occupancy for other reasons as outlined in **Section IX.A.3.** of the Residence and Services Agreement in Exhibit E are as follows:

***Other Reasons.** You have the right to terminate this Agreement for any reason before occupying the Residence by giving us written notice signed by you to the address in Paragraph IX.A.1. In the event of such termination, we will refund your entire ten percent (10%) Reservation Fee to you, without interest, less a nonrefundable fee of One Thousand Dollars (\$1,000) and any non-standard costs specifically incurred by us at your request and described in the Agreement or an amendment to this Agreement signed by you, within thirty (30) days after our receipt of the written notice of termination. Written notice should be sent to the address noted in Paragraph IX.A.1.*

Termination After Occupancy:

Right of Rescission. The detailed terms related to the right of rescission after occupancy as outlined in **Section IX.B.1.** of the Residence and Services Agreement in Exhibit E are as follows:

***Right of Rescission.** You have the right required under Section 58-64-25(a)(1) of the North Carolina General Statutes to rescind this Agreement within thirty (30) days following the later of the execution of the Agreement or the receipt of a Disclosure Statement that meets the requirements of North Carolina General Statutes Section 58; Article 64. Under the terms of this Agreement, you are not required to move into your Residence during this thirty-day rescission period (that is, you are permitted to select a move-in date that is 31 days or more after the date of this Agreement). However, if you choose to rescind this Agreement as described in Paragraph IX.A.1. and have elected to move into the Residence during this 30-day rescission period, you agree to remove all of your personal property from the Residence and vacate the Residence, leaving the Residence in the same condition as when you first occupied it, except for normal wear and tear and any damage by fire or other casualty. To exercise this statutory right to rescind this Agreement, you must notify us in writing within thirty (30) days after the later of the execution of this Agreement or the receipt of a Disclosure Statement that meets the requirements of North Carolina General Statute Section 58; Article 64. If you exercise this statutory right to rescind this Agreement, we will refund all amounts you have paid to us pursuant to this Agreement less (i)*

periodic charges specified in this Agreement and applicable only to the period the Residence was actually occupied by the resident; (ii) those non-standard costs specifically incurred by Pisgah Valley at request of you and described in the Agreement or any amendment to this Agreement signed by you; and (iii) a nonrefundable fee of One Thousand Dollars (\$1,000). Any such refund shall be paid by Pisgah Valley within thirty (30) days following receipt of written notification of such termination by the resident. Written notice should be sent to the address noted in Paragraph IX.A.1.

By Resident Upon Thirty Days' Notice. The detailed terms related to termination by the resident upon thirty days' notice after occupancy as outlined in **Section IX.B.2.** of the Residence and Services Agreement in Exhibit E are as follows:

Termination By You Upon Thirty Days' Notice. *After you have paid the entire Entrance Fee as described in Paragraph V.C., you have the right to terminate this Agreement for any reason by giving us written notice signed by you to the address in Paragraph IX.A.1., which will be effective and irrevocable upon delivery. Termination will occur thirty (30) days after written notice is delivered and you must vacate your Residence within the thirty (30) days. You or your legal representative shall receive a refund less (i) periodic charges specified in the Agreement and applicable only to the period the Residence was actually occupied by you; (ii) those non-standard costs specifically incurred by Pisgah Valley at your request and described in the Agreement or any amendment to this Agreement signed by you; and (iii) nonrefundable fees as set out in Paragraph IX.E. of this Agreement. Written notice should be sent to the address noted in Paragraph IX.A.1. Refund of the Entrance Fee will be as outlined in Paragraph IX.E.*

Upon Resident's Death or Abandonment of Residence. The detailed terms related to termination due to death or abandonment of the residence after occupancy as outlined in **Section IX.B.3.** of the Residence and Services Agreement in Exhibit E are as follows:

Automatic Termination Upon Your Death or Abandonment of Your Home. *After you have paid the entire Entrance Fee as described in Paragraph V.C., this Agreement will automatically terminate thirty (30) days after your death (or the death of the surviving resident in the case of joint residents) or thirty (30) days after you abandon your Residence. After such automatic termination, your personal representative will have thirty (30) days from the date of your death to remove your personal property from your Residence. Refund of the Entrance Fee will be as outlined in Paragraph IX.E.*

Residents' Obligations Upon Termination of this Agreement. The detailed terms related to the residents' obligations upon termination of the Residence and Services Agreement as outlined in **Section IX.C.** of the Residence and Services Agreement in Exhibit E are as follows:

Your Obligations Upon Termination of this Agreement. *If this Agreement terminates for any of the reasons described in Paragraphs (A) or (B) above, you agree to remove all of your personal property from the Residence and vacate the Residence, leaving the Residence in the same condition as when you first occupied it, except for normal wear and tear and any damage by fire or other casualty. We may remove and either store or dispose of any personal property left in your Residence that appear to us to have been abandoned by you. You agree that we may deduct from any refund of your Entrance Fee any costs paid by us to restore your Residence to its original condition (normal wear and tear and any fire or other casualty loss excepted), and to remove, store or dispose of personal property left in your Residence.*

Termination By Pisgah Valley Retirement Community:

Prior to Occupancy. The detailed terms related to Pisgah Valley's termination of the Residence and Services Agreement prior to occupancy of the Residence and Services Agreement as outlined in **Section IX.A.4.** of the Residence and Services Agreement in Exhibit E are as follows:

Our Right to Terminate this Agreement and Refund Your Deposit. *If we do not accept you for residency, the full amount of the ten percent (10%) deposit you have paid will be promptly refunded to you, without interest. We may terminate this Agreement and refund your entire ten percent (10%) deposit without interest and any non-standard costs specifically incurred by us at your request at any time prior to the time you move into your Residence for the following reasons: (i) a material misrepresentation or omission made by you in your application for admission or (ii) you fail to pay the balance of the Entrance Fee and the first monthly fee when due. We will pay the refund to you within thirty (30) days after we deliver written notice to you that we are terminating this Agreement for one of the reasons specified in this paragraph.*

After Full Payment. The detailed terms related to Pisgah Valley's termination of the Residence and Services Agreement after full payment from the resident as outlined in **Section IX.B.4.** of the Residence and Services Agreement in Exhibit E are as follows:

Termination By Us. *We may terminate this Agreement after you have paid the entire Entrance Fee at any time for the following reasons: (i) a material misrepresentation or omission made by you in your application for admission; (ii) restoring your Residence or the building in which it is located or providing substitute accommodations after casualty or condemnation of your Residence or the building in which it is located is uneconomical for us; or (iii) we determine, using standard evaluation procedures conducted by a physician of our choosing (and you agree to submit to such evaluation procedures upon our request and at our expense), that your mental or physical health is detrimental to your own health and safety, the health and safety of other residents of Pisgah Valley or the general*

and economic welfare of the residents of Pisgah Valley. We also may terminate this Agreement upon thirty (30) days prior written notice to you if you fail to comply with the terms of this Agreement, including but not limited to the failure to pay your monthly fee, unless you cure such violations within the thirty-day period specified in our notice to you.

4. **Entrance Fee Refund.** The detailed terms of the Entrance Fee Refund as outlined in **Section IX.D.** and **Section IX.E.** of the Residence and Services Agreement in Exhibit E) are as follows:

Declining Balance of the Entrance Fee. Your Entrance Fee may be partially refundable as outlined in Paragraph V.B.. The portion of the Entrance Fee that is refundable to you will decline over time, based on the amount of time that has elapsed since the Date of Occupancy, as follows:

<u>Month of Occupancy*</u>	<u>% Refundable</u>	
	<u>0%</u>	<u>90%</u>
1 st	90%	90%
2 nd	90%	90%
3 rd	90%	90%
4 th	90%	90%
5 th	90%	90%
6 th	85%	90%
7 th	80%	90%
8 th	75%	90%
9 th	70%	90%
10 th	65%	90%
11 th	60%	90%
12 th	55%	90%
13 th	50%	90%
14 th	45%	90%
15 th	40%	90%
16 th	35%	90%
17 th	30%	90%
18 th	25%	90%
19 th	20%	90%
20 th	15%	90%
21 st	10%	90%
22 nd	5%	90%
23 rd and beyond	0%	90%

*The percentages in the table do not apply during the rescission period as described in Paragraph IX.B.1.

Refund Upon Termination and Withdrawal from Pisgah Valley Campus. The refund due shall be the Entrance Fee paid multiplied by the percentage based on the declining balance table in Paragraph IX.D (i.e., the refundable amount) less:

(i) any amount due to Pisgah Valley for monthly care or other unpaid services when this Agreement terminates, (ii) any costs we pay to restore the Residence to its original condition (normal wear and tear and any fire or other casualty loss excepted), and (iii) any costs we pay to remove, store or dispose of personal property left in the Residence. Any refundable amount shall be paid to the resident who withdraws from Pisgah Valley campus (see Paragraph IX.H. for the use of a refundable Entrance Fee in the case of on-campus transfers) only when the Residence is reserved by a new resident and thirty (30) days after we collect full Entrance Fee from the new resident or 24 months after termination of this Agreement (whichever occurs first).

Any refund due shall be paid to the estate of the deceased Resident or to a beneficiary identified in advance by the Resident

5. **Use of a Refundable Entrance Fee Option for Health Care Expenses at Pisgah Valley.** The detailed terms of the use of a refundable Entrance Fee option for Health Care costs at Pisgah Valley as outlined in **Section IX.H.** of the Residence and Services Agreement in Exhibit E are as follows:

Use of a Refundable Entrance Fee Option for Health Care Expenses at Pisgah Valley.

1. **Single Occupancy.** Should you permanently vacate your Pisgah Estates Residence by transferring to a Health Care Residence, you may then draw against the refundable portion of the Entrance Fee to supplement payment of your health care costs at Pisgah Valley but if, and only if, your other assets from all available sources are insufficient to cover your health care costs at Pisgah Valley. Pisgah Valley will require you to demonstrate the unavailability of other resources to cover health care costs at Pisgah Valley. The refundable portion of the Entrance Fee can be accessed exclusively for healthcare services at Pisgah Valley as a supplement to any income you receive from all available sources. You may access the refund for health care purposes only when the vacated Residence is reserved by a new resident and the new resident has paid their Entrance Fee.
2. **Double Occupancy.** The following conditions apply when the residents to this contract are two married individuals in a Pisgah Estates Residence:
 - a. **Single Transfer to Health Care Residence.** The Entrance Fee relates to the resident identified in this Agreement, not to either individual resident alone. As such, as long as one of the residents remains at Pisgah Valley, no refund of the Entrance Fee is due to either resident, even if one resident vacates Pisgah Valley for any reason.
 - b. **Dual Transfer to Health Care Residence.** Should both residents vacate their Pisgah Estates Residence by transferring to a Health Care

Residence, either or both resident(s) may then draw against the refundable portion of the Entrance Fee to supplement payment of their health care costs at Pisgah Valley but if, and only if, the residents' other assets from all available sources are insufficient to cover the residents' health care costs at Pisgah Valley. Pisgah Valley will require the residents to demonstrate the unavailability of other resources to cover health care costs at Pisgah Valley. The remaining refundable portion of the Entrance Fee can be accessed exclusively for healthcare services at Pisgah Valley as a supplement to any income the residents receive from all available sources. The residents may access the refund for health care purposes only when the vacated Residence is reserved by a new resident and the new resident has paid their Entrance Fee.

- c. *Single Transfer to Health Care Residences and Change in Residence.* *Should one resident vacate their Residence by transferring to a Health Care Residence, and the other resident vacates the Residence by transferring to an Pisgah Estates Residence that carries a lesser Entrance Fee, the resident who has transferred to the Health Care Residence may then draw against the remaining refundable portion of the Entrance Fee to supplement payment of their health care costs at Pisgah Valley, up to the difference between the original Entrance Fee, and the then current Entrance Fee ("Revised Entrance Fee") for the new Pisgah Estates Residence, but if, and only if, the resident's other assets from all available sources are insufficient to cover the resident's health care costs at Pisgah Valley. Pisgah Valley will require the resident to demonstrate the unavailability of other resources to cover health care costs at Pisgah Valley.*

Should the resident residing in a Pisgah Estates Residence vacate said accommodation by transferring to a Health Care Residence at Pisgah Valley, that resident may then draw upon the remaining refundable portion of the Revised Entrance Fee to supplement payment of their health care costs at Pisgah Valley, but if, and only if, the resident's other assets from all available sources are insufficient to cover the resident's health care costs at Pisgah Valley. Pisgah Valley will require the resident to demonstrate the unavailability of other resources to cover health care costs at Pisgah Valley. The remaining refundable portion of the Entrance Fee can be accessed exclusively for health care services at Pisgah Valley as a supplement to any income the resident receives from all available sources. The Resident may access the refund for health care purposes only when the vacated Residence is reserved by a new resident and the new resident has paid their Entrance Fee.

- d. *Utilization of the remaining refundable portion of the Entrance Fee may be made to supplement payment of health care costs at Pisgah Valley only. Contingent upon a financial review of the resident's income and assets,*

Pisgah Valley reserves the right to determine the amount of the refundable portion of the Entrance Fee that may be used to supplement the resident's health care fees at Pisgah Valley.

6. ***Change in Residence/Resident Transfers:***

Change in Residence:

Request by Resident for Change in Residence. The detailed terms of a request by the resident for a change in residence are outlined in **Section VII.H.1.** of the Residence and Services Agreement in Exhibit E.

Move to Another Residence. The detailed terms of a resident's move to another residence are outlined in **Section VII.H.2.** of the Residence and Services Agreement in Exhibit E.

At the Option of Pisgah Valley. The detailed terms of a resident's move at the option of Pisgah Valley are outlined in **Section VII.H.3.** of the Residence and Services Agreement in Exhibit E.

Transfers:

Transfer to a Pisgah Valley Health Care Residence. The detailed terms of a resident's transfer to a Pisgah Valley Health Care residence are outlined in **Section VIII.A.** of the Residence and Services Agreement in Exhibit E.

Transfer to Hospital or Other Facility. The detailed terms of a resident's transfer to the hospital or other facility are outlined in **Section VIII.B.** of the Residence and Services Agreement in Exhibit E.

Surrender of Residence. The detailed terms of a resident's surrender of a residence are outlined in **Section VIII.C.** of the Residence and Services Agreement in Exhibit E.

SECTION 8

FINANCIAL AND OTHER INFORMATION

Audited Financial Statements:

See Exhibit A for the audited combined balance sheet and related combined statements of operations and changes in members' equity and cash flows as of and for the year ended December 31, 2018 of Pisgah Valley Center, Pisgah Valley Properties and the affiliated Unit Owners Association.

Actual versus Forecasted Results:

See Exhibit B for a comparison of actual (audited) versus forecasted results for the fiscal year ended December 31, 2018 for Pisgah Valley.

Interim Financial Statements

See Exhibit C for the interim financial statements for Pisgah Valley for the three-month period ended March 31, 2019.

5-Year Prospective Financial Statements:

See Exhibit D for the forecasted financial statements of Pisgah Valley Properties and Pisgah Valley Center for each of the five years ending December 31, 2023, as compiled by an independent public accountant.

Actuarial Report:

Management of Pisgah Valley Properties and Pisgah Valley Center ("Management") did not deem an actuarial report necessary. Based on financial forecasts, Management believes that Pisgah Valley Properties and Pisgah Valley Center will have adequate cash flow to meet its contractual obligations to the Residents.

Operating Reserves:

In accordance with Section 58-64-33 of the North Carolina General Statutes, we are required to maintain an operating reserve for Pisgah Valley Center equal to 25 percent of the total operating costs projected for the 12-month period following the period covered by the most recent annual statement filed with the Department of Insurance. Based on the operating reserve calculation submitted to the Department of Insurance, we meet the operating reserve requirement for Pisgah Valley Center. Pisgah Valley Center's Statutory Reserve will be maintained through a letter of credit issued by First Citizens Bank or other financial institution approved by the North Carolina Department of Insurance (the "Letter of Credit"). The Letter of Credit will name Pisgah Valley Retirement Center, LLC and Pisgah Valley Retirement Center Properties, LLC as the

beneficiaries and be in an amount sufficient to satisfy the Statutory Reserve requirement. Pisgah Valley Center's Statutory Reserve requirement at December 31, 2018 was \$3,200,000 based on occupancy of greater than 90%. The Letter of Credit at December 31, 2018 was \$3,390,000 with an expiry date of November 2019.

Escrow Funds:

Pisgah Estates' Patio Homes were constructed in the years 1978 – 1996 (i.e., not a start-up facility); therefore, the escrow requirements provisions under N.C.G.S. § 58-64-35 do not apply to the Community's Patio Homes.

Utilization:

The table below indicates the historical and forecasted utilization by resident as follows at December 31:

Table 7 Utilization			
	<u>Units/Beds Available</u>	<u>Units/Beds Occupied</u>	<u>Percent Occupancy</u>
Pisgah Estates⁽¹⁾:			
Historical:			
2014	35	34	97%
2015	44	40	91%
2016	47	46	98%
2017	50	49	98%
2018	56	53	95%
Projected/Forecasted:			
2019	61	59	97%
2020	65	63	97%
2021	69	67	97%
2022	72	70	97%
2023	72	70	97%
Pisgah Villa:			
Historical:			
2014	24	24	100%
2015	24	23	96%
2016	24	23	96%
2017	24	24	100%
2018	24	22	92%
Projected/Forecasted:			
2019 - 2023	24	23	96%
Pisgah Manor:			
Historical:			
2014	118	97	82%
2015	118	98	83%
2016	118	107	91%
2017	118	103	87%
2018	118	103	87%
Projected/Forecasted:			
2018 - 2023	118	110	93%

Source: Management

⁽¹⁾ While there are 72 units in total, Pisgah Valley Properties only acquires ownership upon purchase from the Unit Owner. Two Patio Homes utilized as office space and one Patio Home used as a model unit for marketing purposes are assumed to become available for occupancy during fiscal year 2018.

Other Material Information:

None

EXHIBIT A
AUDITED FINANCIAL STATEMENTS
[ATTACHED]

Pisgah Valley

Combined Financial Statements and Supplemental Schedules

As of and For the Year Ended December 31, 2018

Pisgah Valley
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Independent Auditors' Report

To the Members of
Pisgah Valley
Wilmington, North Carolina

We have audited the accompanying combined financial statements of Pisgah Valley, a group of entities under common control (collectively, the "Company"), which comprise the combined balance sheet as of December 31, 2018, and the related combined statement of operations and changes in members' equity and cash flows for the year then ended, 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.

Auditors' 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 auditors' 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 Company'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 Company'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 that 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 the Company as of December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The supplemental schedules referred to in the table of contents are presented for purposes 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 to the underlying accounts and other records used to prepare the combined financial statements. The supplemental 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 supplemental information is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

Dixon Hughes Goodman LLP

Greenville, South Carolina
May 23, 2019

Pisgah Valley
Combined Balance Sheet
December 31, 2018

ASSETS

Current assets:	
Cash and cash equivalents	\$ 3,618,759
Assets limited as to use	17,787
Accounts receivable:	
Resident accounts receivable, net of allowance for uncollectibles of \$64,500	1,154,597
Other	47,011
Notes receivable	4,411,338
Inventories	73,500
Prepaid expenses	112,191
Total current assets	<u>9,435,183</u>
Non-current assets:	
Property and equipment, net	17,646,525
Intangible asset	2,900,000
Due from related parties	1,502,523
Other non-current assets	38,774
Total non-current assets	<u>22,087,822</u>
 Total assets	 <u><u>\$ 31,523,005</u></u>

LIABILITIES AND MEMBERS' EQUITY

Current liabilities:	
Long-term debt, current portion	\$ 382,360
Funds held on behalf of others	17,787
Resident refunds, current portion	600,000
Unearned revenue	8,274
Accounts payable and accrued expenses	220,221
Accrued payroll and related withholdings	513,040
Accrued interest payable	24,023
Total current liabilities	<u>1,765,705</u>
Long-term liabilities:	
Long-term debt, net	14,226,917
Due to related parties	1,797,752
Resident refunds, less current portion	10,165,210
Deferred revenue from entrance fees	1,140,354
Total long-term liabilities	<u>27,330,233</u>
 Total liabilities	 <u>29,095,938</u>
 Members' equity	 <u>2,427,067</u>
 Total liabilities and members' equity	 <u><u>\$ 31,523,005</u></u>

See accompanying notes.

Pisgah Valley
Combined Statement of Operations and Changes in Members' Equity
Year Ended December 31, 2018

Revenues, gains and other support:	
Entrance fee amortization	\$ 174,984
Independent living revenue	871,193
Assisted living revenue	1,113,196
Skilled nursing revenue	9,456,920
Wellness membership and rentals	84,652
Other revenue	60,856
Total revenues, gains and other support	<u>11,761,801</u>
Expenses:	
Resident and resident services:	
Independent living expenses	145,998
Assisted living expenses	298,083
Skilled nursing expenses	5,719,080
Dietary	923,670
Laundry	156,801
Housekeeping	373,361
Plant operations and maintenance	944,242
General and administrative	1,006,821
Management fee	834,835
Property costs	95,138
Loss on disposal of assets	20,874
Interest expense and financing cost amortization	544,106
Depreciation	674,762
Total expenses	<u>11,737,771</u>
Operating loss	<u>24,030</u>
Non-operating gain:	
Gain on bargain purchase	<u>1,410,692</u>
Net income	1,434,722
Members' equity, beginning of year	892,345
Contributions	6,100,000
Distributions	<u>(6,000,000)</u>
Members' equity, end of year	<u><u>\$ 2,427,067</u></u>

See accompanying notes.

Pisgah Valley
Combined Statement of Cash Flows
Year Ended December 31, 2018

Cash flows from operating activities:	
Net income	\$ 1,434,722
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	674,762
Amortization of deferred financing costs	38,251
Loss on disposal of assets	20,874
Gain on bargain purchase	(1,410,692)
Amortization of entrance fees	(174,984)
Provision for bad debts	46,031
Entrance fees received - turnover nonrefundable portion	149,281
Change in working capital:	
Resident accounts receivable	(1,200,628)
Other receivables	(47,011)
Inventories	(73,500)
Prepaid expenses	(111,976)
Deposits	(38,774)
Unearned revenue	8,274
Accounts payable and accrued expenses	733,261
Accrued interest payable	24,023
	<hr/>
Net cash provided by operating activities	71,914
	<hr/>
Cash flows from investing activities:	
Acquisition costs, net of cash received	(17,589,308)
Routine capital purchases	(1,309,382)
Distributions of short-term promissory notes	(4,411,338)
	<hr/>
Net cash used by investing activities	(23,310,028)
	<hr/>

See accompanying notes.

Pisgah Valley
Combined Statement of Cash Flows
Year Ended December 31, 2018

Cash flows from financing activities:	
Proceeds from long-term debt	\$ 14,960,000
Deferred financing costs	(274,084)
Principal payment of long-term debt	(130,511)
Advances (to)/from affiliated entities	295,229
Members' contributions	6,100,000
Members' distributions	(6,000,000)
Acquisition of contracts	10,166,744
Entrance fees received - first generation	1,289,703
Entrance fees received - turnover refundable portion	1,295,700
Resident refunds of entrance fees	<u>(1,020,880)</u>
Net cash provided by financing activities	<u>26,681,901</u>
Change in cash and cash equivalents	3,443,787
Cash and cash equivalents, beginning of year	<u>174,972</u>
Cash and cash equivalents, end of year	<u><u>\$ 3,618,759</u></u>
Supplemental disclosure of cash flow information:	
Cash paid during the year for interest	<u><u>\$ 529,878</u></u>
Non-cash activities:	
Purchase of property and equipment in accounts payable at year-end	<u><u>\$ 49,585</u></u>

See accompanying notes.

Pisgah Valley

NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 1—Nature of operations

Nature of Operations— Pisgah Valley (the “Company”) is an economic entity comprised of three individual companies listed below. The Company provides senior living services in Candler, North Carolina. Services include providing and maintaining an independent living retirement community, assisted living services, skilled nursing care, and supporting services. The Company was acquired and began operations in February 2018.

Pisgah Valley Retirement Center Properties, LLC (“Pisgah Valley Properties”) is a North Carolina for-profit limited liability company formed for the purpose of developing and owning real property and the facilities of the Company. Pisgah Valley Properties, through acquisition, holds the certificate of need (“CON”) for 118 skilled nursing beds. The value of the CON is recorded as an intangible asset on Pisgah Valley Properties. Pisgah Valley Properties is owned by Liberty Real Properties VII, LLC, a North Carolina limited liability company.

Pisgah Valley Retirement Center, LLC (“Pisgah Valley”) is a North Carolina for-profit limited liability company formed for the purpose of leasing and operating independent living units, assisted living, and skilled nursing beds. Pisgah Valley is owned by Liberty Senior Living, LLC, a North Carolina limited liability company. Liberty Senior Living, LLC is owned by Liberty Healthcare Group, LLC, a North Carolina limited liability company.

Pisgah Valley and Pisgah Valley Properties collectively are a continuing care retirement community (the “CCRC”) licensed by the State of North Carolina.

Pisgah Estates Unit Owners Association (the “Unit Owners Association”) is a North Carolina not-for-profit company formed in accordance with the North Carolina Condominium Act for the purpose of owning and managing the commonly owned property of the Company’s independent living units. The Unit Owners Association began operations in 1975 and was incorporated in September 2008. Pisgah Valley Properties has majority voting rights in the Unit Owners Association under the terms of a management agreement (the “Management Agreement”). Services are billed monthly and the Management Agreement is renewable each calendar year. The Unit Owners Association’s revenue is generated exclusively through maintenance fees from independent living unit owners.

Note 2—Summary of significant accounting policies

Principles of Combination— The combined financial statements include the accounts of Pisgah Valley and Pisgah Valley Properties, both of which are owned and controlled by the members of the limited liability companies as well as the Unit Owners Association. 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.

Pisgah Valley

NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 2—Summary of significant accounting policies (continued)

Resident 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 and uncollectible amounts. 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 allowance for uncollectible accounts was \$64,500 at December 31, 2018.

Estimated third-party payor settlements - The Company has agreements with third-party payors that provide for payments to the Company at amounts different from its established rates. Payment arrangements include prospectively determined per diem payments. Revenue under third-party payor agreements is subject to audit and retroactive adjustment. Provisions for estimated third-party payor settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and interim and final settlements are reported in operations in the year of settlement.

Inventories – Inventories consist primarily of food and medical supplies and are stated at the lower of average cost or net realizable value.

Property and Equipment, Net – Assets acquired through the asset purchase agreement are recorded at fair value. All other additions to property and equipment are recorded 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 and amortization is computed using the straight-line method over the estimated useful lives of the assets. Depreciation and amortization amounted to \$674,762 for the year 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
Leasehold improvements	Lesser of 40 years or the lease term
Equipment	3 to 20 years

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 in the combined financial statements.

Pisgah Valley

NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 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 twelve 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 in 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 corporate federal income taxes, the members of an LLC are taxed on their proportionate share of the Company's taxable income. Management has evaluated the effect of the guidance provided by GAAP on Accounting 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.

The Unit Owners Association, as a homeowners association, may be taxed either as a homeowners association or as a regular corporation. For the year ended December 31, 2018, the Unit Owners Association was taxed as a homeowners association. As a homeowners association, membership income is exempt from taxation if certain elections are made, and the homeowners association is taxed only on its non-membership income, such as interest earnings, at regular federal and state corporate rates.

Intangible Asset – In accordance with accounting standards generally accepted in the United States of America, 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 certificate of need ("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 will perform a qualitative assessment of impairment to determine whether the value of the CON is impaired. Based on the results of this qualitative assessment, the CON was not impaired as of December 31, 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.

Operating Reserves – In order to meet North Carolina General Statute operating reserve requirement of \$3,200,000 at December 31, 2018, the CCRC entered into an irrevocable standby letter of credit up to \$3,390,000 with an expiration date of November 1, 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 Statute. 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 General Statute 58-64-10.

Pisgah Valley

NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 2—Summary of significant accounting policies (continued)

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.

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 ended December 31, 2018, 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 who are insured by third party payors. The mix of receivables from patients and third party payors at December 31, 2018 was as follows:

Medicaid	14%
Medicare	75%
Private	8%
Insurance and other	3%
	<u>100%</u>

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

Medicaid	36%
Medicare	33%
Private	22%
Insurance and other	9%
	<u>100%</u>

Advertising Costs – Advertising costs are expensed in the period incurred and totaled \$40,175 for the year ended December 31, 2018.

Pisgah Valley

NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 2—Summary of significant accounting policies (continued)

Obligation to provide future services - The CCRC enters into continuing care contracts with various residents. A continuing care contract is an agreement between a resident and the Company specifying the services and facilities to be provided to a resident over his or her remaining life. Under the contracts, the CCRC has the ability to increase fees as deemed necessary.

At the end of each fiscal year, the CCRC calculates the present value of estimated net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from entrance fees at that date. If the present value of the net cost of future services and the use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded (obligation to provide future services) with a corresponding charge to income. No liability was recorded at December 31, 2018, because the present value of the estimated net costs of future services and use of facilities was less than deferred revenue from entrance fees. The obligation was discounted at 5.00 percent, based on the average life expectancy and expected annual inflationary increase of 3.00 percent.

Resident refunds - Resident refunds payable include refunds due to residents or third-party payors for overpayments, waiting list deposits by prospective residents, and estimated entrance fee refunds due to residents in the subsequent year.

Resident deposits consist of a \$1,000 refundable deposit paid by prospective residents in order to be placed on a priority list for available patio homes. Once a prospective resident has been approved for admission and has selected an available patio home to occupy, the resident(s) signs a residence and services agreement (the "Residency Agreement") and provides the CCRC with a deposit of 10 percent (10%) of the total entrance fees on the specific patio home, less this initial \$1,000 priority deposit.

The CCRC offers two (2) entrance fee refund options - (1) nonrefundable ("Nonrefundable Option") or (2) ninety percent (90%) refundable. Partial refunds for the Nonrefundable Option are computed on a declining balance basis. Commencing on the date of occupancy, the refundable portion of the Nonrefundable Option is reduced to 90 percent (90%) for months one through five and five (5) basis points for every month thereafter until month 23 when the refundable portion is reduced to zero. The refundable portion of the entrance fee will be refunded within thirty (30) days from when the Residency Agreement is terminated and the full amount of a new entrance fee for the patio home has been collected from a new resident. Estimates of entrance fee refunds are computed annually based on historical annual refunds and reclassified to current liabilities in the accompanying combined balance sheets. At December 31, 2018, there were no Residency Agreements with a Nonrefundable Option.

Total contractual refund obligations under existing contracts (that is if all residents with a refundable balance were to have withdrawn) totaled approximately \$10,900,000 at December 31, 2018.

Deferred revenue from entrance fees - Ten percent (10%) of the entrance fees paid by a resident upon entering into a Residency Agreement are non-refundable. In accordance with the Residency Agreement beginning with the date of occupancy, entrance fees that are expected to be non-refundable to the resident are recorded as deferred revenue and are amortized into revenue using the straight-line method over the estimated remaining life expectancy of the resident. When a resident terminates their Residency Agreement, the amount of unamortized non-refundable deferred revenue from entrance fees is recognized as revenue.

Pisgah Valley

NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 3—Acquisition

On February 1, 2018, Pisgah Valley Properties executed an asset purchase agreement with Carolina Adventist Retirement Systems (“CARS”) whereby Pisgah Valley Properties acquired substantially all of the assets of CARS used to conduct the business. The purchase price was \$19,000,000 subject to certain adjustments and was reduced by the amount of cash held by CARS as of the purchase date. Pisgah Valley Properties assumed the liabilities of CARS related to unamortized entrance fees which were not yet due and payable to a resident at the time of acquisition as well as certain payables, other accrued expenses and capital leases.

The Acquisition was recorded in accordance with Accounting Standards Codification (“ASC”) 805: *Business Combinations*. The acquisition was recorded using the acquisition method of accounting in accordance with current accounting guidance for business combinations. Management has used its best estimates in the allocation of the purchase price to assets acquired and liabilities assumed based on the fair market value of such assets and liabilities at the date of acquisition. The allocation of the purchase price for the acquisition is as follows (in thousands):

Cash	\$	11,085
Accounts receivable		673
Inventory		69
Property and equipment		16,300
Identifiable intangibles		<u>2,900</u>
Total assets acquired		31,027
Accounts payable and accrued expenses		421
Deferred revenue		995
Capital lease		16
Refundable fees		<u>9,280</u>
Total liabilities assumed		<u>10,712</u>
Net assets acquired	\$	<u>20,315</u>

The excess of the amounts allocated to identifiable assets and liabilities over the purchase price was recorded as a gain on the purchase for approximately \$1,400,000. The fair value exceeded the purchase price as the CARS board was looking to exit the business but did not want to disrupt the quality of care provided to the residents.

Note 4—Property and equipment, net

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

Land and land improvements	\$	2,420,385
Leasehold improvements		658,159
Buildings		14,338,293
Furniture and equipment		929,324
Vehicles		82,623
Construction in progress		<u>390,486</u>
		18,819,270
Less accumulated depreciation		<u>(1,172,745)</u>
	\$	<u>17,646,525</u>

Pisgah Valley
NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 5—Intangible asset

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

Certificate of need	\$ <u>2,900,000</u>
---------------------	---------------------

Note 6—Long-term debt and capital leases

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

Note payable for \$14,960,000 at 3.65%, payable in 84 monthly installments of \$76,535, due in February 2025. The note is guaranteed by the Company and Liberty Healthcare Group, LLC and secured by all real property and the furniture, fixtures, and equipment included in the asset purchase agreement.	\$ 14,838,401
Capital lease	6,709
Unamortized debt issuance costs	(235,833)
Current maturities	<u>(382,360)</u>
	<u>\$ 14,226,917</u>

Maturities of long-term debt and capital lease payments over the next five years are as follows:

2019	\$ 382,360
2020	388,290
2021	404,407
2022	419,629
2023	435,424
Thereafter	<u>12,815,000</u>
	<u>\$ 14,845,110</u>

Future amortization of deferred financing costs at December 31, 2018 is as follows:

2019	\$ 39,155
2020	39,155
2021	39,155
2022	39,155
2023	39,155
Thereafter	<u>40,058</u>
	<u>\$ 235,833</u>

Interest expense amounted to \$544,106 for the year ended December 31, 2018, including \$38,251 of amortization of deferred financing costs.

Pisgah Valley

NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 7—Related party transactions

Other entities owned by Liberty Healthcare provide other benefits to the Company. These transactions are 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 from related parties were \$1,502,523 and total payables to related parties were \$1,300,742.

Amounts were advanced to owners of Liberty Healthcare during 2018 in the amount of \$4,400,000. Such advances were pursuant to a note agreement, bearing interest at 2% per annum and were due and unpaid December 31, 2018. As such, these advances along with accrued interest are included in current assets at December 31, 2018.

Note 8—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. 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 9—Retirement 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 \$22,450 for the year ended December 31, 2018.

Note 10—Subsequent events

The Company has evaluated subsequent events through May 23, 2019, in connection with the preparation of these combined financial statements, which is the date the combined financial statements were available to be issued. The Company is unaware of any subsequent events that would render the combined financial statements misleading.

SUPPLEMENTAL SCHEDULES

**Pisgah Valley
Combining Balance Sheet
December 31, 2018**

	<u>Pisgah Valley</u>	<u>Pisgah Valley Properties</u>	<u>Unit Owners Association</u>	<u>Eliminations</u>	<u>Combined</u>
ASSETS					
Current assets:					
Cash and cash equivalents	\$ -	\$ 3,618,759	\$ -	\$ -	\$ 3,618,759
Assets limited as to use, current portion	17,787	-	-	-	17,787
Accounts receivable:					
Resident accounts receivable, net	1,153,756	-	841	-	1,154,597
Other	47,011	497,010	-	(497,010)	47,011
Notes receivable	-	4,411,338	-	-	4,411,338
Inventories	73,500	-	-	-	73,500
Prepaid expenses	235,946	100	397	(124,252)	112,191
Intercompany receivables	1,382,230	2,605,340	412,588	(4,400,158)	-
Total current assets	<u>2,910,230</u>	<u>11,132,547</u>	<u>413,826</u>	<u>(5,021,420)</u>	<u>9,435,183</u>
Non-current assets:					
Property and equipment, net	1,097,040	15,822,985	726,500	-	17,646,525
Intangible asset	-	2,900,000	-	-	2,900,000
Due from related parties	1,502,410	113	-	-	1,502,523
Other non-current assets	38,624	-	150	-	38,774
Total non-current assets	<u>2,638,074</u>	<u>18,723,098</u>	<u>726,650</u>	<u>-</u>	<u>22,087,822</u>
Total assets	<u>\$ 5,548,304</u>	<u>\$ 29,855,645</u>	<u>\$ 1,140,476</u>	<u>\$ (5,021,420)</u>	<u>\$ 31,523,005</u>

See independent auditors' report.

**Pisgah Manor
Combining Balance Sheet
December 31, 2018**

	<u>Pisgah Valley</u>	<u>Pisgah Valley Properties</u>	<u>Unit Owners Association</u>	<u>Eliminations</u>	<u>Combined</u>
LIABILITIES AND MEMBERS' EQUITY					
Current liabilities:					
Long-term debt, current portion	\$ 6,709	\$ 375,651	\$ -	\$ -	\$ 382,360
Funds held on behalf of others	17,787	-	-	-	17,787
Resident refunds, current portion	-	600,000	-	-	600,000
Unearned revenue	8,274	-	-	-	8,274
Accounts payable and accrued expenses	841,483	-	-	(621,262)	220,221
Accrued payroll and related withholdings	513,040	-	-	-	513,040
Accrued interest payable	-	24,023	-	-	24,023
Intercompany payables	2,982,453	1,048,274	369,431	(4,400,158)	-
Total current liabilities	<u>4,369,746</u>	<u>2,047,948</u>	<u>369,431</u>	<u>(5,021,420)</u>	<u>1,765,705</u>
Long-term liabilities:					
Long-term debt, net	-	14,226,917	-	-	14,226,917
Due to related parties	1,539,440	243,717	14,595	-	1,797,752
Resident refunds, less current portion	-	10,165,210	-	-	10,165,210
Deferred revenue from entrance fees	-	1,140,354	-	-	1,140,354
Total long-term liabilities	<u>1,539,440</u>	<u>25,776,198</u>	<u>14,595</u>	<u>-</u>	<u>27,330,233</u>
Total liabilities	<u>5,909,186</u>	<u>27,824,146</u>	<u>384,026</u>	<u>(5,021,420)</u>	<u>29,095,938</u>
Members' equity	<u>(360,882)</u>	<u>2,031,499</u>	<u>756,450</u>	<u>-</u>	<u>2,427,067</u>
Total liabilities and members' equity	<u>\$ 5,548,304</u>	<u>\$ 29,855,645</u>	<u>\$ 1,140,476</u>	<u>\$ (5,021,420)</u>	<u>\$ 31,523,005</u>

See independent auditors' report.

Pisgah Valley
Combining Statement of Operations
Year Ended December 31, 2018

	<u>Pisgah Valley</u>	<u>Pisgah Valley Properties</u>	<u>Unit Owners Association</u>	<u>Eliminations</u>	<u>Combined</u>
Revenues, gains and other support:					
Entrance fee amortization	\$ -	\$ 174,984	\$ -	\$ -	\$ 174,984
Independent living revenue	791,827	-	255,443	(176,077)	871,193
Assisted living revenue	1,113,196	-	-	-	1,113,196
Skilled nursing revenue	9,456,920	-	-	-	9,456,920
Wellness membership and rentals	84,652	-	-	-	84,652
Rent revenue	-	1,366,776	-	(1,366,776)	-
Management fees	163,900	-	-	(163,900)	-
Other revenue	48,093	12,763	-	-	60,856
Total revenues, gains and other support	<u>11,658,588</u>	<u>1,554,523</u>	<u>255,443</u>	<u>(1,706,753)</u>	<u>11,761,801</u>
Expenses:					
Resident and member services:					
Independent living expenses	145,998	-	-	-	145,998
Assisted living expenses	298,083	-	-	-	298,083
Skilled nursing expenses	5,719,080	-	-	-	5,719,080
Dietary	923,670	-	-	-	923,670
Laundry	156,801	-	-	-	156,801
Housekeeping	373,361	-	-	-	373,361
Plant operations and maintenance	1,070,250	4,815	45,254	(176,077)	944,242
General and administrative	995,847	10,180	794	-	1,006,821
Management fee	819,075	-	179,660	(163,900)	834,835
Property costs	1,461,914	-	-	(1,366,776)	95,138
Loss on disposal of assets	20,874	-	-	-	20,874
Interest expense and financing cost amortization	-	544,106	-	-	544,106
Depreciation	119,042	549,587	6,133	-	674,762
Total expenses	<u>12,103,995</u>	<u>1,108,688</u>	<u>231,841</u>	<u>(1,706,753)</u>	<u>11,737,771</u>

See independent auditors' report.

**Pisgah Valley
Combining Statement of Operations
Year Ended December 31, 2018**

(Continued)

	<u>Pisgah Valley</u>	<u>Pisgah Valley Properties</u>	<u>Unit Owners Association</u>	<u>Eliminations</u>	<u>Combined</u>
Operating income (loss)	(445,407)	445,835	23,602	-	24,030
Non-operating gain:					
Gain on bargain purchase	-	1,410,692	-	-	1,410,692
Net income (loss)	<u>\$ (445,407)</u>	<u>\$ 1,856,527</u>	<u>\$ 23,602</u>	<u>\$ -</u>	<u>\$ 1,434,722</u>

See independent auditors' report.

Pisgah Valley
Combining Statement of Cash Flows
Year Ended December 31, 2018

	<u>Pisgah Valley</u>	<u>Pisgah Valley Properties</u>	<u>Unit Owners Association</u>	<u>Eliminations</u>	<u>Combined</u>
Cash flows from operating activities:					
Net income (loss)	\$ (445,407)	\$ 1,856,527	\$ 23,602	\$ -	\$ 1,434,722
Adjustments to reconcile change in net income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	119,042	549,587	6,133	-	674,762
Amortization of deferred financing costs	-	38,251	-	-	38,251
Loss on disposal of assets	20,874	-	-	-	20,874
Gain on bargain purchase	-	(1,410,692)	-	-	(1,410,692)
Amortization of entrance fees	-	(174,984)	-	-	(174,984)
Provision for bad debts	46,031	-	-	-	46,031
Entrance fees received - turnover nonrefundable portion	-	149,281	-	-	149,281
Change in working capital:					
Resident accounts receivable	(1,199,787)	-	(841)	-	(1,200,628)
Other receivables	(47,011)	(497,010)	-	497,010	(47,011)
Inventories	(73,500)	-	-	-	(73,500)
Prepaid expenses	(235,946)	(100)	(182)	124,252	(111,976)
Deposits	(38,624)	-	(150)	-	(38,774)
Unearned revenue	8,274	-	-	-	8,274
Accounts payable and accrued expenses	1,354,523	-	-	(621,262)	733,261
Accrued interest payable	-	24,023	-	-	24,023
Net cash (used) provided by operating activities	<u>(491,531)</u>	<u>534,883</u>	<u>28,562</u>	<u>-</u>	<u>71,914</u>

See independent auditors' report.

Pisgah Valley
Combining Statement of Cash Flows
Year Ended December 31, 2018

(Continued)

	<u>Pisgah Valley</u>	<u>Pisgah Valley Properties</u>	<u>Unit Owners Association</u>	<u>Eliminations</u>	<u>Combined</u>
Cash flows from investing activities:					
Acquisition costs	(393,008)	(17,196,300)			(17,589,308)
Routine capital purchases	(843,802)	(465,580)	-	-	(1,309,382)
Distributions of short-term promissory notes	-	(4,411,338)	-	-	(4,411,338)
Net cash used by investing activities	<u>(1,236,810)</u>	<u>(22,073,218)</u>	<u>-</u>	<u>-</u>	<u>(23,310,028)</u>
Cash flows from financing activities:					
Proceeds from long-term debt	\$ -	\$ 14,960,000	\$ -	\$ -	\$ 14,960,000
Deferred financing costs	-	(274,084)	-	-	(274,084)
Principal payment of long-term debt	(8,912)	(121,599)	-	-	(130,511)
Advances (to)/from affiliated entities	1,637,253	(1,313,462)	(28,562)	-	295,229
Members' contributions	100,000	6,000,000	-	-	6,100,000
Members' distributions	-	(6,000,000)	-	-	(6,000,000)
Acquisition of contracts	-	10,166,744	-	-	10,166,744
Entrance fees received - first generation	-	1,289,703	-	-	1,289,703
Entrance fees received - turnover refundable portion	-	1,295,700	-	-	1,295,700
Resident refunds of entrance fees	-	(1,020,880)	-	-	(1,020,880)
Net cash provided by financing activities	<u>1,728,341</u>	<u>24,982,122</u>	<u>(28,562)</u>	<u>-</u>	<u>26,681,901</u>
Change in cash and cash equivalents	-	3,443,787	-	-	3,443,787
Cash and cash equivalents, beginning of year	<u>-</u>	<u>174,972</u>	<u>-</u>	<u>-</u>	<u>174,972</u>
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ 3,618,759</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,618,759</u>
Supplemental disclosure of cash flow information:					
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ 529,878</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 529,878</u>
Non-cash activities:					
Purchase of property and equipment in accounts payable at year-end	<u>\$ 49,585</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,585</u>

See independent auditors' report.

EXHIBIT B

ACTUAL VERSUS FORECASTED RESULTS

[ATTACHED]

Pisgah Valley
Material Difference Narrative
At and For the Year Ended December 31, 2018

For purposes of comparison, Pisgah Valley ("PV") used the following financial reports as of and for the year ended (actual)/ending (forecasted) December 31, 2018:

Audited - Obtained from the consolidated audited financial statements of Pisgah Valley as of and for the year ended December 31, 2018.

Forecasted - Obtained from the forecasted financial statements with the Independent Accountants' Compilation Report dated November 21, 2017, which was included in the PV 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 PV'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 \$1,000,000 and 10% on line item amounts.

Pisgah Valley
Material Difference Narrative
At and For the Year Ended December 31, 2018

Balance Sheets:

1. Cash and Cash Equivalents - Cash and cash equivalents were less than forecasted by approximately \$4,300,000 (54%). This was primarily due to cash distributed to owners related to short-term notes receivable of approximately \$4,400,000 (see #2 below).
2. Notes Receivable - Notes receivable represent short-term promissory notes with two members. Notes receivable were less than forecasted by approximately \$4,400,000 (100%) since they were not part of the forecasted assumptions.
3. Assets limited as to Use - Statutory Operating Reserve - The statutory operating reserve was less than forecasted by approximately \$3,300,000 (100%). At December 31, 2018 the statutory operating reserve was fulfilled by an irrevocable standby letter of credit, which under accounting standards is not required to be recorded on the balance sheet. At December 31, 2018 the statutory operating reserve requirement was \$3,200,000. At December 31, 2018 the irrevocable standby letter of credit was \$3,390,000.
4. Accounts Payable - Related Parties - There are transactions throughout the year between PV 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 (in thousands)

	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)	\$ -	\$ -	\$ -	\$ 1,503	\$ 1,783	\$ (280)

The net amount due by PV to other Liberty companies was approximately \$280,000, which is below the threshold for further explanation.

Pisgah Valley
Material Difference Narrative
At and For the Year Ended December 31, 2018

5. Intangible Assets - Intangible assets represent value of PV's skilled nursing bed certificate of need as estimated by a third party. Notes receivable were more than forecasted by approximately \$2,900,000 (100%) since the valuation was not available at the time of the forecast. Therefore, they were not part of the forecasted assumptions.

6. Resident Refunds Payable, less Current Portion - Resident refunds payable represent refundable entrance fees. Resident refunds payable were more than forecasted by approximately \$1,300,000 (14%). Three factors created this difference--(1) entrance fee pricing used during 2018 was 3% higher than was assumed in the 2018 forecast, (2) entrance fees were collected on two more units than were assumed in the forecast, and (3) fewer residents opted for the 0% refundable plan than forecasted which resulted in less deferred revenue than forecasted (see deferred revenue difference).

7. Members' Equity - Members' equity was less than forecasted by approximately \$2,100,000 (56%). This was due to a combination of less member net contributions than forecasted (approximately \$3,700,000) (see #10 below), reduced more net income in 2018 than forecasted (approximately \$1,400,000).

Pisgah Valley
Material Difference Narrative
At and For the Year Ended December 31, 2018

Statements of Operations:

8. Skilled Nursing Service Fees - Skilled nursing service fees were less than forecasted by approximately \$1,300,000 (12%). This difference was due to the forecast assuming that the PV asset purchase transaction occurred on January 1, 2018 and included 12 months of operations. The purchase actually took place on February 1, 2018 so the actual 2018 financial statements presented 11 months of operations. Additionally, the actual occupancy was 91% versus the forecasted assumed occupancy of 93% and the actual Medicare per diem rate was 9% lower than the rate assumed in the forecast.

9. Gain on Bargain Purchase Price - The gain on bargain purchase price represents the difference between the purchase price and fair market value of the net assets related to the purchase of PV on February 1, 2018. The gain on bargain purchase price was more than forecasted by approximately \$1,000,000 (281%) as the result of a lower than forecasted appraised and fair value of net assets not available at the time of the forecast.

10. Members' Contributions - The members' contributions were less than forecasted by approximately \$3,700,000 (97%). This difference was due to the (1) gain on bargain purchase price (see #9 above), (2) cash acquired in the February 1, 2018, and (3) standby letter of credit to satisfy the operating reserve requirement (see #3 above), making it unnecessary for as much cash infusion from member contributions.

Pisgah Valley
Material Difference Narrative
At and For the Year Ended December 31, 2018

Statements of Cash Flows:

11. Net Income (Loss) from Operations - See explanations in the Statements of Operations sections above.
12. Acquisition of Contracts - The acquisition of contracts represents the liability and deferred revenue assumed in the purchase of PV on February 1, 2018 associated with continuing care residency contracts. The cash recognized from the acquisition of contracts was greater than forecasted by approximately \$10,200,000 (100%) since the forecast assumed a traditional asset purchase transactions, so this was not part of the forecasted assumptions.
13. Cash and Cash Equivalents, Beginning Balance - The beginning balance for cash and cash equivalents was approximately \$7,300,000 (97%) less than the forecasted beginning balance. This was due to the assumption in the forecast that the asset purchase transaction occurred on January 1, 2018 instead of the actual transaction date of February 1, 2018.

Pisgah Valley
At December 31, 2018

Balance Sheet (in '000s)	2018 Forecast	2018 Actual	Exclude Pisgah Estates Unit Owners Association* from 2018 Audit	2018 Report Reclassifications	2018 Actual-Adjusted	Variance	See Material Difference Narrative
Assets:							
Current assets:							
Cash and cash equivalents	\$ 7,892	\$ 3,619	\$ -	\$ -	\$ 3,619	\$ (4,273)	-54% (1)
Assets limited as to use, current portion	13	18			18	5	38%
Accounts receivable:							
Resident accounts receivable, net	912	1,154	(1)		1,153	241	26%
Notes receivable		4,411			4,411	4,411	100% (2)
Other		47			47	47	100%
Inventories	64	74			74	10	16%
Prepaid expenses	191	112			112	(79)	-41%
Total current assets	9,072	9,435	(1)	-	9,434	362	
Noncurrent assets:							
Assets limited as to use - statutory operating reserve	3,290					(3,290)	-100% (3)
Accounts Receivable - related parties	-	1,503			1,503	1,503	100% (4)
Intangible assets		2,900			2,900	2,900	100% (5)
Other non-current assets	-	38			38	38	100%
Property and equipment, net	17,911	17,647	(727)		16,920	(991)	-6%
Total noncurrent assets	21,201	22,088	(727)	-	21,361	160	
Total assets	\$ 30,273	\$ 31,523	\$ (728)	\$ -	\$ 30,795	\$ 522	
Liabilities and Members' Equity:							
Current liabilities:							
Current portion-capital lease obligation	\$ -	-			\$ -	-	100%
Long-term debt, current portion	387	382			382	(5)	-1%
Accrued interest	46	24			24	(22)	-48%
Resident refunds payable, current portion:							
Entrance fee refunds, current portion	734	600			600	(134)	-18%
Other	21	8			8	(13)	-62%
Funds held on behalf of others	24	18			18	(6)	-25%
Accounts payable/Accounts payable and accrued expenses	450	221			221	(229)	-51%
Accrued payroll and related withholdings	322	513			513	191	59%
Due to related party		-	44		44	44	100%
Total current liabilities	1,984	1,766	44	-	1,810	(174)	
Long-term liabilities:							
Accounts payable - related parties	-	1,798	(15)		1,783	1,783	100% (4)
Long-term debt, less current portion, net of deferred financing costs	14,487	14,227		236	14,463	(24)	0%
Deferred financing costs, net	(192)	-		(236)	(236)	(44)	23%
Resident refunds payable, less current portion	8,907	10,165			10,165	1,258	14% (6)
Deferred revenue, net	1,272	1,140			1,140	(132)	-10%
Total long-term liabilities	24,474	27,330	(15)	-	27,315	2,841	
Total liabilities	26,458	29,096	29	-	29,125	2,667	
Members' equity	3,815	2,427	(757)		1,670	(2,145)	-56% (7)
Total liabilities and members' equity	\$ 30,273	\$ 31,523	\$ (728)	\$ -	\$ 30,795	\$ 522	

*The Pisgah Estates Unit Owners Association is not a component of the "licensed" CCRC

Pisgah Valley
For the Year Ended December 31, 2018

Statement of Operations (in 000s)	2018 Forecast	2018 Actual	Exclude Pisgah Estates Unit Owners Association* from 2018 Audit	2018 Report Reclassifications	2018 Actual-Adjusted	Variance		
Revenue:								
Entrance fee amortization	\$ 73	\$ 175	\$ -	\$ -	\$ 175	\$ 102	140%	
Independent living service fees	904	871	(79)		792	(112)	-12%	
Assisted living revenue	1,301	1,113			1,113	(188)	-14%	
Skilled nursing service fees	10,807	9,457		46	9,503	(1,304)	-12%	(8)
Wellness memberships and rentals	132	85			85	(47)	-36%	
Management fees	141	-	163		163	22	16%	
Other revenue	25	61			61	36	144%	
Total Revenue	13,383	11,762	84	46	11,892	(1,491)		
Expenses:								
Independent living	204	146			146	(58)	-28%	
Assisted living	65	298			298	233	358%	
Health care/skilled nursing	6,539	5,719			5,719	(820)	-13%	
Dietary	803	924			924	121	15%	
Housekeeping	416	373			373	(43)	-10%	
Laundry & Linen	187	157			157	(30)	-16%	
General & Administrative	1,044	1,007	(1)	(128)	878	(166)	-16%	
Plant & Operations/maintenance	1,330	944	131		1,075	(255)	-19%	
Property costs/Physical plant	61	95			95	34	56%	
Management fees	867	835	(16)		819	(48)	-6%	
Property taxes	170	-		128	128	(42)	-25%	
Provision for bad debt	110	-		46	46	(64)	-58%	
Loss on disposal of assets		21			21	21	100%	
Interest expense	564	544		(38)	506	(58)	-10%	
Depreciation	1,370	675	(6)		669	(701)	-51%	
Amortization deferred financing costs	8	-		38	38	30	375%	
Total expenses	13,738	11,738	108	46	11,892	(1,846)		
Excess of revenues under expenses/Income before other operating income ((355)	24	(24)	-	-	355		
Other changes to income (loss):								
Gain on bargain purchase price	370	1,411			1,411	1,041	281%	(9)
Total other changes to income (loss)	370	1,411	-	-	1,411	1,041		
Net income/(loss) from operations	15	1,435	(24)	-	1,411	1,396		
Member's equity, beginning of year	-	892	(733)		159	159	100%	
Members' contributions	3,800	6,100			6,100	2,300	61%	(10)
Members' distributions		(6,000)			(6,000)	(6,000)	100%	(10)
Member's equity, end of year	\$ 3,815	\$ 2,427	\$ (757)	\$ -	\$ 1,670	\$ (2,145)		

*The Pisgah Estates Unit Owners Association is not a component of the "licensed" CCRC

Pisgah Valley
For the Year Ended December 31, 2018

Statement of Cash Flows (in 000s)	2018 Forecast	2018 Actual	Exclude Pisgah Estates Unit Owners Association* from 2018 Audit	2018 Report Reclassifications	2018 Actual-Adjusted	Variance		
Cash flows from operating activities:								
Net income (loss) from operations	\$ 15	\$ 1,435	\$ (24)		\$ 1,411	\$ 1,396	9307%	(11)
Adjustments to reconcile net income (loss) from operations to net cash provided by (used in) operating activities:								
Depreciation	1,370	675	(6)		669	(701)	-51%	
Amortization of deferred financing costs	8	38			38	30	375%	
Gain on bargain purchase price	(370)	(1,411)			(1,411)	(1,041)	281%	(9)
Amortization of entrance fees	(73)	(175)			(175)	(102)	140%	
Provision for bad debts	110	46			46	(64)	-58%	
Loss on disposal of assets		21			21	21	100%	
Entrance fees received - nonrefundable portion	556	150			150	(406)	-73%	
Changes in operating assets and liabilities:								
Resident accounts receivable	(363)	(1,201)	1		(1,200)	(837)	231%	
Other receivables	(88)	(47)			(47)	41	-47%	
Inventories		(73)			(73)	(73)	100%	
Prepaid expenses		(112)			(112)	(112)	100%	
Deposits		(39)			(39)	(39)	100%	
Unearned revenue		8			8	8	100%	
Accounts payable and other accrued liabilities	253	733		(513)	220	(33)	-13%	
Accrued payroll and related withholdings	(307)			513	513	820	-267%	
Accrued interest payable		24			24	24	100%	
Net change in current assets and liabilities					-	-	100%	
Net cash provided by (used in) operating activities	1,111	72	(29)	-	43	(1,068)		
Cash flows from investing activities:								
Acquisition costs	(19,000)	(17,589)			(17,589)	1,411	-7%	
Patio purchases	(692)			(466)	(466)	226	-33%	
Routine capital additions	(147)	(1,310)		466	(844)	(697)	474%	
Distributions of short-term promissory notes		(4,411)			(4,411)	(4,411)	100%	(2)
Change in assets limited as to use and investments	91				-	(91)	-100%	
Net cash provided by (used in) investing activities	(19,748)	(23,310)	-	-	(23,310)	(3,562)		
Cash flows from financing activities:								
Proceeds from long-term debt	15,200	14,960			14,960	(240)	-2%	
Deferred financing costs	(200)	(274)			(274)	(74)	37%	
Principal payment of long-term debt	(342)	(131)			(131)	211	-62%	
Advances and contributions (to)/from related party		295	29		324	324	100%	
Members' contributions	3,800	6,100			6,100	2,300	61%	(10)
Members' distributions		(6,000)			(6,000)	(6,000)	100%	(10)
Acquisition of contracts		10,167			10,167	10,167	100%	(12)
Entrance fees received - first generation	663	1,290			1,290	627	95%	
Entrance fees received - turnover (refundable portion)	663	1,296			1,296	633	95%	
Resident refunds of entrance fees	(723)	(1,021)			(1,021)	(298)	41%	
Net cash provided by (used in) financing activities	19,061	26,682	29	-	26,711	7,650		
Change in cash and investments	424	3,444			3,444	3,020		
Cash and investments/Cash and cash equivalents, beginning of year	7,468	175	-	-	175	(7,293)	-98%	(13)
Cash and investments/Cash and cash equivalents, end of year	\$ 7,892	\$ 3,619	\$ -	\$ -	\$ 3,619	\$ (4,273)		

*The Pisgah Estates Unit Owners Association is not a component of the "licensed" CCRC

EXHIBIT C
INTERIM FINANCIAL STATEMENTS
[ATTACHED]

Pisgah Valley
Consolidated Balance Sheets
March 31, 2019

Assets	<u>Pisgah Valley Retirement Center, LLC</u>	<u>Pisgah Valley Retirement Center Properties, LLC</u>	<u>Eliminations</u>	<u>Consolidated</u>
Current assets:				
Cash and cash equivalents	\$ 1,151,926	\$ 515,313	\$ -	\$ 1,667,239
Accounts receivable:				
Resident accounts receivable, net	1,235,359	-	-	1,235,359
Notes receivable	-	4,433,128	-	4,433,128
Other	58,754	-	-	58,754
Inventories	73,500	-	-	73,500
Prepaid expenses	194,296	100	(124,252)	70,144
Due from related party	1,124,639	3,609,717	(4,734,356)	-
Total current assets	3,838,474	8,558,258	(4,858,608)	7,538,124
Non-current assets:				
Investments	-	3,000,000	-	3,000,000
Property and equipment, net	1,198,159	15,942,267	-	17,140,426
Intangible assets	-	2,900,000	-	2,900,000
Due from related parties	2,027,223	11,788	-	2,039,011
Other non-current assets	38,624	-	-	38,624
Total non-current assets	3,264,006	21,854,055	-	25,118,061
Total assets	\$ 7,102,480	\$ 30,412,313	\$ (4,858,608)	\$ 32,656,185

Liabilities and Members' Equity/(Deficit)**Current liabilities:**

Current portion-capital lease obligation	\$	4,192	\$	-	\$	-	\$	4,192
Current portion-long-term debt		-		375,651		-		375,651
Accrued interest		-		23,802		-		23,802
Resident refunds payable, current portion:		-		-		-		-
Entrance fees		-		600,000		-		600,000
Deferred revenue, current portion		25,713		124,252		(124,252)		25,713
Accounts payable and accrued expenses		329,265		-		-		329,265
Accrued payroll and related withholdings		586,115		-		-		586,115
Due to related party		3,609,717		1,124,639		(4,734,356)		-
Total current liabilities		4,555,002		2,248,344		(4,858,608)		1,944,738

Non-current liabilities and deferred revenue:

Capital lease obligations, less current portion		-		-		-		-
Long-term debt, less current portion, net of deferred financing costs		-		14,143,459		-		14,143,459
Resident refunds payable, less current portion		-		10,274,100		-		10,274,100
Deferred revenue, net		-		1,312,725		-		1,312,725
Due to related parties		2,733,089		280,105		-		3,013,194
Total non-current liabilities and deferred revenue		2,733,089		26,010,389		-		28,743,478
Total liabilities and deferred revenue		7,288,091		28,258,733		(4,858,608)		30,688,216
Members' equity/(deficit)		(185,611)		2,153,580		-		1,967,969
Total liabilities and members' equity/(deficit)	\$	7,102,480	\$	30,412,313	\$	(4,858,608)	\$	32,656,185

Pisgah Valley
Consolidated Statements of Operations and Changes in Members' Equity
For Three Months Ended March 31, 2019

	Pisgah Valley Retirement Center, LLC	Pisgah Valley Retirement Center Properties, LLC	Eliminations	Consolidated
Revenue:				
Entrance fee amortization	\$ -	\$ 46,237	\$ -	\$ 46,237
Independent living revenue	232,484	-	-	232,484
Assisted living revenue	310,706	-	-	310,706
Skilled nursing revenue	2,791,676	-	-	2,791,676
Provision for bad debt	(27,721)	-	-	(27,721)
Wellness center membership and rental revenue	24,471	-	-	24,471
Management fee from homeowners association	65,400	-	-	65,400
Rent revenue	-	372,757	(372,757)	-
Investment income/interest income	224	21,790	-	22,014
Other revenue	17,069	-	-	17,069
Total operating revenue	3,414,309	440,784	(372,757)	3,482,336
Expense:				
Independent living resident services	42,791	-	-	42,791
Assisted living resident services	81,023	-	-	81,023
Skilled nursing resident services	1,601,941	-	-	1,601,941
Dietary	239,234	-	-	239,234
Housekeeping	109,977	-	-	109,977
Laundry and linen	42,839	-	-	42,839
General and administrative	279,113	2,594	-	281,707
Plant operations	302,535	-	-	302,535
Physical plant	16,455	-	-	16,455
Management fee to Liberty Living Management, LLC	203,270	300	-	203,570
Rent/lease expense	383,524	-	(372,757)	10,767
Interest expense	-	134,984	-	134,984
Amortization of loan financing costs	-	10,943	-	10,943
Depreciation	41,136	169,882	-	211,018
Total operating expenses	3,343,838	318,703	(372,757)	3,289,784

Pisgah Valley
Consolidated Statements of Operations and Changes in Members' Equity
For Three Months Ended March 31, 2019

	<u>Pisgah Valley Retirement Center, LLC</u>	<u>Pisgah Valley Retirement Center Properties, LLC</u>	<u>Eliminations</u>	<u>Consolidated</u>
Net income	70,471	122,081	-	192,552
Members' equity/(deficit), beginning of year	(360,882)	2,031,499	-	1,670,617
Members' contributions	104,800	-	-	104,800
Members' equity/(deficit), end of year	\$ (185,611)	\$ 2,153,580	\$ -	\$ 1,967,969

Pisgah Valley
Consolidated Statements of Cash Flows
For Three Months Ended March 31, 2019

	Pisgah Valley Retirement Center, LLC	Pisgah Valley Retirement Center Properties, LLC	Eliminations	Consolidated
Cash flows from operating activities:				
Net income	\$ 70,471	\$ 122,081	\$ -	\$ 192,552
Adjustments to reconcile income to net cash provided by operating activities:			-	
Amortization of entrance fees	-	(46,237)	-	(46,237)
Provision for bad debts	27,721	-	-	27,721
Amortization of loan financing costs	-	10,943	-	10,943
Depreciation	41,136	169,882	-	211,018
Entrance fees received - turnover (nonrefundable portion)	-	29,958	-	29,958
Change in current assets and liabilities, net	(518,908)	621,041	-	102,133
Net cash provided by (used in) operating activities	(379,580)	907,668	-	528,088
Cash flows from investing activities:				
Capital additions	(142,255)	(289,166)	-	(431,421)
Distributions of short-term promissory notes	-	(21,790)	-	(21,790)
Change in investments	-	(3,000,000)	-	(3,000,000)
Net cash provided by (used in) investing activities	(142,255)	(3,310,956)	-	(3,453,211)
Cash flows from financing activities:				
Principal payment of capital lease obligations	(2,517)	-	-	(2,517)
Principal payment of long-term debt	-	(94,401)	-	(94,401)
Advances and contributions (to)/from related party	1,553,691	(903,298)	-	650,393
Member contributions	104,800	-	-	104,800
Entrance fees received - first generation	-	203,350	-	203,350
Entrance fees received - turnover (refundable portion)	-	289,800	-	289,800
Resident refunds of entrance fees	-	(195,610)	-	(195,610)
Net cash provided by (used in) financing activities	1,655,974	(700,159)	-	955,815
Change in cash and cash equivalents	1,134,139	(3,103,447)	-	(1,969,308)
Cash and cash equivalents, beginning of year	17,787	3,618,760	-	3,636,547
Cash and cash equivalents, end of year	\$ 1,151,926	\$ 515,313	\$ -	\$ 1,667,239

EXHIBIT D

5-YEAR PROSPECTIVE FINANCIAL STATEMENTS

[ATTACHED]

Pisgah Valley Retirement Center, LLC
Pisgah Valley Retirement Center Properties, LLC

Compilation of a Financial Forecast

For Each of the Five Years Ending December 31, 2023

(with Independent Accountants'
Compilation Report thereon)

Pisgah Valley Retirement Center, LLC
Pisgah Valley Retirement Center Properties, LLC

Compilation of a Financial Forecast

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Independent Accountants' Compilation Report

Pisgah Valley Retirement Center, LLC
Pisgah Valley Retirement Center Properties, LLC
Candler, North Carolina

Management of Pisgah Valley Retirement Center, LLC and Pisgah Valley Retirement Center Properties, LLC (the "Companies") and the day-to-day operating manager, Liberty Living Management, LLC (collectively "Management") are responsible for the accompanying financial forecast of the Companies, which comprises the forecasted balance sheets as of and for each of the five years ending December 31, 2023, and the related forecasted statements of operations, changes in members' equity, 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 forecast established by the American Institute of Certified Public Accountants ("AICPA").

The accompanying forecast and this report were prepared to comply with the requirements of North Carolina General Statutes, Chapter 58, Article 64 and 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 forecast 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 forecast.

The forecasted 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.

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
May 30, 2019

Pisgah Valley Retirement Center, LLC
Pisgah Valley Retirement Center Properties, LLC

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

	2019	2020	2021	2022	2023
Revenue:					
Entrance fee amortization	\$ 153	\$ 181	\$ 205	\$ 228	\$ 242
Independent living revenue	1,018	1,149	1,285	1,428	1,522
Assisted living revenue	1,300	1,354	1,408	1,465	1,523
Skilled nursing revenue	10,807	11,128	11,394	11,785	12,191
Wellness center membership and rental revenue	96	99	102	105	108
Management fee from Unit Owners Association	262	270	278	286	295
Investment income	47	264	303	343	385
Other revenue	42	42	43	43	43
Total operating revenue	13,725	14,487	15,018	15,683	16,309
Expense:					
Independent living resident services	197	202	207	211	216
Assisted living resident services	335	343	351	359	367
Skilled nursing resident services	6,163	6,302	6,445	6,591	6,741
Dietary	980	998	1,016	1,035	1,054
Housekeeping	433	446	460	473	483
Laundry	197	202	207	212	217
General and administrative	1,211	1,232	1,254	1,275	1,298
Plant operations	1,289	1,332	1,377	1,416	1,436
Physical plant	99	100	101	102	103
Management Fee	803	833	860	894	928
Rent expense	35	43	43	43	43
Interest expense	585	572	556	541	525
Depreciation	826	883	1,004	1,126	1,214
Total operating expenses	13,153	13,488	13,881	14,278	14,625
Net income	572	999	1,137	1,405	1,684
Members' equity, beginning of year	1,672	2,244	3,243	4,380	5,785
Members' equity, end of year	\$ 2,244	\$ 3,243	\$ 4,380	\$ 5,785	\$ 7,469

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

Pisgah Valley Retirement Center, LLC
Pisgah Valley Retirement Center Properties, LLC

Forecasted Combined 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	\$ 572	\$ 999	\$ 1,137	\$ 1,405	\$ 1,684
Adjustments to reconcile income to net cash provided by operating activities:					
Amortization of entrance fees	(153)	(181)	(205)	(228)	(242)
Provision for bad debts	87	88	89	90	91
Amortization of loan financing costs	42	42	42	42	42
Depreciation	826	883	1,004	1,126	1,214
Entrance fees received - turnover (nonrefundable portion)	113	117	120	124	128
Change in current assets and liabilities, net	(154)	(128)	(119)	(132)	(130)
Net cash provided by operating activities	1,333	1,820	2,068	2,427	2,787
Cash flows from investing activities:					
Capital additions	(1,574)	(1,602)	(1,631)	(1,660)	(605)
Distributions of short-term promissory notes to related parties	(44)	-	-	-	-
Repayment of short-term promissory notes from related parties	4,455	-	-	-	-
Change in investments	(8,137)	(1,293)	(1,331)	(1,370)	(1,408)
Net cash used in investing activities	(5,300)	(2,895)	(2,962)	(3,030)	(2,013)
Cash flows from financing activities:					
Principal payment of capital lease obligations	(7)	-	-	-	-
Principal payment of long-term debt	(377)	(388)	(404)	(420)	(435)
Advances and contributions to related party	(3)	-	-	-	-
Entrance fees received - first generation	1,294	1,137	1,171	896	108
Entrance fees received - turnover (refundable portion)	1,020	1,050	1,082	1,114	1,148
Resident refunds of entrance fees	(600)	(738)	(768)	(799)	(832)
Net cash provided by (used in) financing activities	1,327	1,061	1,081	791	(11)
Change in cash and cash equivalents	(2,640)	(14)	187	188	763
Cash and cash equivalents, beginning of year	3,638	998	984	1,171	1,359
Cash and cash equivalents, end of year	\$ 998	\$ 984	\$ 1,171	\$ 1,359	\$ 2,122

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

Pisgah Valley Retirement Center, LLC
Pisgah Valley Retirement Center Properties, LLC

Forecasted Combined 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	\$ 998	\$ 984	\$ 1,171	\$ 1,359	\$ 2,122
Accounts receivable:					
Resident accounts receivable, net	1,267	1,321	1,365	1,422	1,475
Other	47	47	47	47	47
Inventories	84	86	88	90	92
Prepaid expenses	114	116	119	122	124
Total current assets	2,510	2,554	2,790	3,040	3,860
Non-current assets:					
Investments	8,137	9,430	10,761	12,131	13,539
Property and equipment, net	17,668	18,387	19,014	19,548	18,939
Intangible assets	2,900	2,900	2,900	2,900	2,900
Due from related parties	1,502	1,502	1,502	1,502	1,502
Other non-current assets	38	38	38	38	38
Total non-current assets	30,245	32,257	34,215	36,119	36,918
Total assets	\$ 32,755	\$ 34,811	\$ 37,005	\$ 39,159	\$ 40,778
Liabilities and Members' Equity					
Current liabilities:					
Accrued interest	24	24	24	24	24
Resident refunds payable, current portion:	608	608	608	608	608
Accounts payable and accrued expenses	269	275	281	288	294
Accrued payroll and related withholdings	540	552	565	578	590
Due to related party	40	40	40	40	40
Current portion-long-term debt	388	404	420	435	450
Total current liabilities	1,869	1,903	1,938	1,973	2,006
Non-current liabilities and deferred revenue:					
Long-term debt, less current portion, net of deferred financing costs	13,880	13,518	13,140	12,747	12,339
Resident refunds payable, less current portion	11,725	13,057	14,422	15,540	15,964
Deferred revenue, net	1,254	1,307	1,342	1,331	1,217
Due to related parties	1,783	1,783	1,783	1,783	1,783
Total non-current liabilities and deferred revenue	28,642	29,665	30,687	31,401	31,303
Total liabilities and deferred revenue	30,511	31,568	32,625	33,374	33,309
Members' equity	2,244	3,243	4,380	5,785	7,469
Total liabilities and members' equity	\$ 32,755	\$ 34,811	\$ 37,005	\$ 39,159	\$ 40,778

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

Pisgah Valley Retirement Center, LLC

Pisgah Valley Retirement Center Properties, LLC

Summary of Significant Forecast Assumptions and Accounting Policies

General

The accompanying financial forecast presents, to the best of the knowledge and belief of management of Pisgah Valley Retirement Center, LLC and Pisgah Valley Retirement Center Properties, LLC (the “Companies”) and the day-to-day operating manager, Liberty Living Management, LLC (“LLM”) (collectively, “Management”), the expected financial position, results of operations and changes in members’ equity, and cash flows of the Companies as of and for the each of the five years ending December 31, 2023. Accordingly, the accompanying financial forecast reflects Management’s judgment as of May 30, 2019, the date of this forecast, of the expected conditions and its expected course of action during the forecast period.

Management’s purpose in releasing this financial forecast is for inclusion in the Companies’ 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. The Companies recognize that 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.

Basis of Presentation – The prospective financial statements included in the forecast 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.

Background of the Companies

Pisgah Valley (the “Company”) is an economic entity comprised of three individual companies listed below. The Company provides senior living services in Candler, North Carolina. Services include providing and maintaining an independent living retirement community, assisted living services, skilled nursing care, and supporting services (the “Community”). The Company was acquired in February 2018.

Pisgah Valley Retirement Center Properties, LLC (“Pisgah Valley Properties”) is a North Carolina for-profit limited liability company formed for the purpose of developing and owning real property and the facilities of the Company. Pisgah Valley Properties, through acquisition, holds the certificate of need (“CON”) for 118 skilled nursing beds. The value of the CON is recorded as an intangible asset on Pisgah Valley Properties. Pisgah Valley Properties is owned by Liberty Real Properties VII, LLC, a North Carolina limited liability company.

See Independent Accountants’ Compilation Report

Pisgah Valley Retirement Center, LLC (“Pisgah Valley Retirement Center”) is a North Carolina for-profit limited liability company formed for the purpose of leasing and operating independent living units, assisted living, and skilled nursing beds. Pisgah Valley is owned by Liberty Senior Living, LLC, a North Carolina limited liability company. Liberty Senior Living, LLC is owned by Liberty Healthcare Group, LLC, a North Carolina limited liability company.

Pisgah Valley Retirement Center and Pisgah Valley Properties collectively are a continuing care retirement community (“CCRC”) licensed by the State of North Carolina.

Related Parties

Pisgah Estates Unit Owners Association (the “Unit Owners Association”) is a North Carolina not-for-profit company formed in accordance with the North Carolina Condominium Act for the purpose of owning and managing the commonly owned property of the Company’s independent living units. The Unit Owners Association began operations in 1975 and was incorporated in September 2008. Pisgah Valley Properties has majority voting rights in the Unit Owners Association under the terms of a management agreement (the “Management Agreement”). Services are billed monthly and the Management Agreement is renewable each calendar year. The Unit Owners Association’s revenue is generated exclusively through maintenance fees from independent living unit owners.

Liberty Living Management, LLC (“LLM”) – LLM is a North Carolina limited liability company that provides all day-to-day management activity to support the Community through separate management agreements with Pisgah Valley Retirement Center and Pisgah Valley Properties.

Background of the Community

The Community is located in Candler, North Carolina and has been in operation since 1975. The Community consists of 72 independent living patio homes (the “Independent Living Units”), 24 multi-unit assisted housing with services (the “Assisted Living Units”) and 118 skilled nursing beds (the “Skilled Nursing Beds”), and related common spaces. The following table summarizes the unit and bed configuration of the Community:

Unit Type	The Company	Unit Owners Association	Total
Independent Living Units	56	16	72
Assisted Living Units	24	-	24
Skilled Nursing Beds	118	-	118
Total Unit/Bed Count	198	16	214

Source: Management

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”) and entrance fees (“Entrance Fees”) at the Community:

Table 2
Independent Living Unit Configuration and Fees
Weighted Average⁽¹⁾

Unit Type	Number of Units	Square Footage	EF: 0% Refund	EF: 90% Refund	Monthly Service Fee⁽²⁾	Monthly Service Fee⁽²⁾
<i>Independent living units:</i>						
Two-bedroom	3	1,174	\$163,800	\$253,425	\$1,346	\$1,516
Two-bedroom w/ den	25	1,240	\$172,025	\$265,725	\$1,346	\$1,516
Two-bedroom w/sunroom	5	1,474	\$183,325	\$284,250	\$1,346	\$1,516
Two-bedroom w/den & sunroom	39	1,540	\$191,625	\$296,625	\$1,346	\$1,516
Total / Weighted Average	72	1,416	\$183,084	\$283,236	\$1,346	\$1,516

Source: Management

- (1) Entrance Fees were adjusted on April 1, 2019 and Monthly Service Fees and Daily Fees are subject to change on October 1, 2019; therefore, the amounts represent the weighted averages for fiscal year 2019.
- (2) Management implemented a monthly service fee increase effective February 1, 2019 for new independent living resident contracts entered into on or after February 1, 2019. The weighted average monthly service fee for independent living residents with existing contracts did not change.

Table 3
Healthcare Living Units Configuration and Fees

Unit Type	Number of Units	Square Footage	Monthly Fee
<i>Assisted living units:</i>			
Small studio	18	154	\$4,591
Expanded studio	6	209	\$5,052
Total / Weighted Average	24	168	\$4,706
<i>Skilled nursing beds:</i>			
Semi-private	46	288	\$241
Private	72	288	\$291
Total / Weighted Avg.	118	288	\$272
Total	214		

Source: Management

- (1) The Daily Service Fee for Medicare, Medicare-Managed Care, Medicaid, and Hospice are \$491, \$435, \$174, and \$174, respectively.

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Contracts and Residency Agreements

Unit Owner Contracts

Prior to November 2006, the Independent Living Units were sold to residents (the “Unit Owner”) through a contract of sale (the “Unit Owner Contract”) and the individual Unit Owner obtained the deed to the Independent Living Unit. According to the Unit Owner Contract, Pisgah Valley Properties has the right to purchase the Independent Living Unit from the Unit Owner at the Independent Living Unit’s appraised value. Under the Management Agreement with the Unit Owners Association, Pisgah Valley Retirement Center is to provide services to the Unit Owners as follows:

- Water and sewer;
- Routine pest control and guaranteed termite treatment;
- Trash removal;
- Landscaping/lawn care;
- Snow and ice removal;
- Use of the community center;
- Use of community gardens and other common areas (e.g., streets, street lights, etc.);
- Access to on-campus medical clinic;
- Activities programming;
- Weekly transportation to shopping;
- On-campus transportation; and
- Real property insurance

It is Pisgah Valley Properties’ intent to purchase the Independent Living Units from the Unit Owners through attrition until Pisgah Valley Properties owns all 72 Patio Homes. As of the date of this report, Pisgah Valley Properties owns 57 Independent Living Units. Approximately four Independent Living Units are assumed to be purchased each year until all 72 Independent Living Units are owned by Pisgah Valley Properties and operated by Pisgah Valley Retirement Center.

Residency Agreements

Under the terms of a residence and services agreement (the “Residence and Services Agreement”), The Companies generally accepts as residents those persons at least 62 years of age at the time of occupancy (only one member of a couple must meet this requirement) who are able to care for themselves with limited or no assistance and are able to demonstrate the necessary financial resources to meet the Community’s minimum fee requirements (the “Resident(s)”). As defined in the Residence and Services Agreement, a Resident is required to pay the initial Entrance Fee and an ongoing Monthly Fee.

Terminations and Refunds – A Resident may terminate the Residence and Services Agreement within thirty (30) days of execution of the Residence and Services Agreement (the “30-Day Rescission Period”) and receive a refund of all monies transferred less any non-standard costs specifically incurred by the Companies at the request of the prospective Resident. If the Resident has occupied the residence during the 30-Day Rescission Period, the Resident will receive a refund of all monies transferred less periodic charges specified in the Residence and Services Agreement and applicable only to the period the residence was actually occupied by the Resident, those non-standard costs specifically incurred by the Companies at the request of the Resident, and a nonrefundable fee of \$1,000.

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A Resident may also voluntarily terminate the Residence and Services Agreement after the 30-Day Rescission Period and prior to the date of occupancy and receive a refund of all monies transferred less periodic charges specified in the Residence and Services Agreement and applicable only to the period the residence was actually occupied by the Resident, those non-standard costs specifically incurred by Pisgah Valley Retirement Center at the request of the Resident, and nonrefundable fees as outlined in the Residence and Services Agreement, provided that the Resident gives written notice of such termination. Monies due to be refunded to a Resident prior to occupancy is to occur within 30 days of the receipt of written notification.

After the Resident’s occupancy in the selected Independent Living Unit, the Residence and Services Agreement may be terminated at any time by the Resident by providing at least thirty (30) days written notice. The amount of refund due shall be determined according to the applicable Entrance Fee amortization schedule described below. After occupancy, all monies due to be refunded to the Resident are paid within thirty (30) days after Management collects the full amount of a new Entrance Fee for the Independent Living Unit from a new Resident or 24 months after termination, whichever comes first.

Refunds of the Entrance Fee are as follows:

Refund Options	Amortization Schedule
90% Refund Plan	Upon termination of the Residence and Services Agreement, the Resident’s potential refund would equal the original Entrance Fee paid less a 10 percent reduction. After occupancy, the refund is fixed at 90 percent.
Non-Refundable Plan	Upon termination of the Residence and Services Agreement, the Resident’s potential refund would equal the original Entrance Fee paid less a 10 percent cancellation fee and five basis point reduction for each month of occupancy beginning in month 6 through month 22. No refund is available after 23 months of occupancy.

Independent Living Units

The Companies have been remarketing Independent Living Units to Residents under the Residence and Services Agreement. In addition to the services provided to the Unit Owners, the Companies provides services to Residents of the Independent Living Unit as follows:

- Electricity;
- Propane;
- Cable-ready wiring;
- Bi-weekly housekeeping;
- Annual carpet cleaning;
- Membership to the Wellness Center;

See Independent Accountants’ Compilation Report

- 24-hour emergency response system;
- Priority access to the assisted living and skilled nursing facilities; and
- Interior unit and appliance maintenance/replacement.

Admission Agreements

The Assisted Living Units are registered by the state of North Carolina as a “multi-unit assisted housing with services” assisted living facility. As such, Management contracts with the residents of the Assisted Living Units through an annual admissions agreement (“ALU Admissions Agreement”). In addition to the services provided to the residents under the Residence and Services Agreement, the Company provides the following services to assisted living residents:

- Assistance with activities of daily living (bathing, dressing, eating, toileting, mobility, transfers) as needed;
- Written plan of care by a licensed personal care services agency;
- Three meals per day with daily snacks;
- Basic cable television;
- Daily resident safety checks;
- Regular health and wellness assessments;
- Medication reminders;
- Weekly housekeeping services;
- Personal laundry; and
- Recreational activities

All of the Assisted Living Units are available for direct entry from the outside community. Management assumes that Residents from the Independent Living Units will be provided with assisted living services at prevailing market rates.

The Skilled Nursing Beds and associated services are offered at prevailing market rates. In addition to the services offered under the ALU Admissions Agreement, skilled nursing residents receive the following services:

- Licensed nursing services 24-hours per day;
- Skilled nursing services;
- Physical, speech and occupational therapies;
- Post-hospital care;
- Recreational activities;
- Respite care;
- Hospice/palliative care; and
- Three meals per day with special diets accommodated

Skilled Nursing Beds are Medicare and Medicaid certified beds and are available for direct entry from the outside community. Management assumes that residents from the Assisted Living Units and Independent Living Units will be provided with skilled nursing services at prevailing market rates.

See Independent Accountants’ Compilation Report

Summary of Accounting Policies

Basis of Accounting and Presentation – The Companies are assumed to maintain their accounting and financial records according to the accrual basis of accounting.

Cash and Investments – Cash and investments include cash on hand and cash on deposit held by one financial institution.

Related-Party Transactions – The principal members of the Companies 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.

Income Taxes – The Companies have elected to be treated as a partnership for income tax purposes. The Companies' 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 forecasts.

Statutory Operating Reserve - North Carolina General Statute section 58-64-33, requires licensed continuing care retirement communities ("CCRC") to maintain an operating reserve equal to fifty percent (50%) of the total forecasted operating costs (adjusted for non-cash items) in a given year. If a CCRC maintains a combined independent and assisted living occupancy in excess of 90 percent, the operating reserve amount required equals 25 percent (25%) of forecasted 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 a standby letter of credit from a financial institution.

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.

Deferred Revenue from Entrance Fees – Ten percent of the Entrance Fees paid under the 90% refundable Residence and Services Agreement and all of the Entrance Fee paid under the non-refundable Residence and Services Agreement are non-refundable based on a declining balance formula outlined in the Residence and Services Agreement. In accordance with the Residence and Services Agreement beginning with the date of occupancy, Entrance Fees that are expected to be non-refundable to the Resident are recorded as deferred revenue and are amortized into revenue using the straight-line method over the estimated remaining life expectancy of the Resident. When a Resident terminates their Residence and Services Agreement, the amount of unamortized non-refundable deferred revenue from Entrance Fees is recognized as revenue.

Long-Term Debt – Long-term debt consists of a bank loan. Unamortized loan costs are reported as a reduction of the long-term debt amount.

See Independent Accountants' Compilation Report

Summary of Operating Revenue Assumptions

Utilization – The following table summarizes the assumed utilization of the Independent Living Units, Assisted Living Units, and Skilled Nursing Beds:

Table 4						
Unit Configuration and Fees						
Year Ending December 31,	Beginning of Year	Units Added	Units Eliminated	End of Year	Units Occupied⁽³⁾	Occupied Percentage
<i>Independent Living Units:</i>						
2019	56	5	-	61	59	97%
2020	61	4	-	65	63	97%
2021	65	4	-	69	67	97%
2022	69	3	-	72	70	97%
2023	72	-	-	72	70	97%
<i>Assisted Living Units:</i>						
2019 - 2023	24	-	-	24	23	96%
<i>Skilled Nursing Units:</i>						
2019 - 2023	118	-	-	118	109	92%

Source: Management

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 4.0 percent annually.

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 4.0 percent annually.

Skilled Nursing Revenue

Resident service revenue for residents living in the Skilled Nursing Beds are based upon assumed Daily Fees for services provided to residents and the assumed occupancy of Skilled Nursing Beds. Daily Fees for private pay and Medicaid Skilled Nursing Beds are assumed to increase 2.0 percent annually. Daily Fees for Medicare Skilled Nursing Beds are assumed to increase 4.0 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 2.0 percent annually during the forecast period.

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Entrance Fees Assumptions

First Generation Units

The number of Independent Living Units becoming available due to newly acquired Independent Living Units is assumed to be 5, 4, 4, and 3 during the fiscal years ending December 31, 2019, 2020, 2021, and 2022, respectively. All 72 Independent Living Units are anticipated to be acquired by Pisgah Valley Properties by January 1, 2023.

Attrition Units

The number of Independent Living Units becoming available due to resident turnover is assumed to be 4 annually.

Refunds

Under the terms of the Residence and Services Agreement, refunds of Entrance Fees are generated upon death or termination and withdrawal from the Community, subject to the re-occupancy of the vacated Independent Living Unit or 24 months, whichever is earlier. Under some residency agreements, Entrance Fees may be generated from Independent Living Units turning over without a corresponding refund because the Resident has not withdrawn from the Community but has permanently transferred to an Assisted Living Unit or a Skilled Nursing Bed. The number of refunds is assumed to be 4 annually.

Operating Expense Assumptions

Salaries, Wages and Employee Benefits

Salaries, wages and employee benefits are assumed to increase 2.5 percent annually. Salary costs include an estimate of incremental costs related to the assumed purchase of first generation Independent Living Units under the Residence and Services Agreement. The annual incremental cost per unit for housekeeping and maintenance (including utilities) are assumed to approximate \$780.

Non-Salary Expenses

Non-salary expenses are based on the historical experience of Pisgah Valley Retirement Center and are assumed to increase approximately 1.0 percent annually. Non-salary costs include an estimate of incremental costs related to the assumed purchase of first generation Independent Living Units under the Residence and Services Agreement.

Management Fee Expense

The Companies are assumed to pay LLM a management fee (the "Management Fee") for the day-to-day management of the Community. The Management Fee is assumed to be based on 5.0 percent of Independent Living resident service revenue and 6.0 percent of Assisted Living and Skilled Nursing resident service revenue.

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Statutory Operating Reserve

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

	2019	2020	2021	2022	2023
Forecasted operating expense	\$ 13,488	\$ 13,881	\$ 14,278	\$ 14,625	\$ 14,921
Add: Annual debt service on long-term debt	388	404	420	435	450
Subtract: depreciation and amortization	(925)	(1,046)	(1,168)	(1,256)	(1,286)
Forecasted operating expenses-adjusted	12,951	13,239	13,530	13,804	14,085
Operating reserve % required ⁽¹⁾	25%	25%	25%	25%	25%
Operating reserve ⁽²⁾	\$ 3,238	\$ 3,310	\$ 3,383	\$3,451	\$ 3,521
Independent Living & Assisted Living Units					
Available	85	89	93	96	96
Occupied	82	86	90	93	93
Occupancy percentage	96%	97%	97%	97%	97%

Source: Management

- (1) North Carolina state statute requires an operating reserve 50% or 25% of forecasted 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 a standby letter of credit with a financial institution. The stand by letter of credit of \$3,290,000 as of this report date expires on November 1, 2019. Management intends to renew this letter to maintain compliance with the requirement throughout the forecasted period.

Property and Equipment

The Companies are to incur routine capital additions during the forecast period that are to be capitalized as property and equipment. Depreciation expense for all capital assets is computed based on the straight-line method for buildings acquired, first generation Independent Living Units, and equipment over estimated average useful lives of 40, 15, and 10 years, respectively. The Companies' property and equipment costs, net of accumulated depreciation, during the forecast period are summarized in the table below.

	2019	2020	2021	2022	2023
Beginning balance	\$ 17,586	\$ 19,160	\$ 20,762	\$ 22,393	\$ 24,053
Routine capital additions	371	375	379	383	387
Renovations	1,203	1,227	1,252	1,277	218
Property and equipment, cost	19,160	20,762	22,393	24,053	24,658
Accumulated depreciation	(1,492)	(2,375)	(3,379)	(4,505)	(5,719)
Property and equipment, net	\$ 17,668	\$ 18,387	\$ 19,014	\$ 19,548	\$ 18,939

Source: Management

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Long-Term Debt

Long-term debt is assumed to consist of approximately \$14,845,000 of an outstanding bank loan with an interest rate of 3.65 percent per annum. Principal and interest on the long-term debt is paid monthly and amortized over a 25-year period with a balloon payment in 2025. The following table presents the forecasted debt service for the long-term debt.

Table 7
Principal and Interest Payments
(In Thousands)

Years Ended December 31,	Principal Payment	Interest Payment	Total Debt Service ⁽¹⁾
2019	\$ 383	\$ 543	\$ 926
2020	388	530	918
2021	404	514	918
2022	420	499	919
2023	435	483	918
Thereafter	12,815	546	13,361
Total	\$ 14,845	\$ 3,115	\$ 17,960

Source: Management

(1) Excludes amortization of deferred financing costs.

Current Assets and Current Liabilities

Operating revenue as used below includes monthly and daily service fee revenue for Independent Living Units, Assisted Living Units, and Skilled Nursing 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 Companies' historical trends and are outlined in the following table:

Table 8
Working Capital – Days on Hand

Accounts receivables	35	days of operating revenues
Inventories	3	days of operating expenses
Prepaid expenses	4	days of operating expenses
Accounts payable and other accrued liabilities	9	days of operating expenses
Accrued payroll and related withholdings	19	days of operating expenses

Source: Management

See Independent Accountants' Compilation Report

EXHIBIT E

CONTRACT FOR INDEPENDENT LIVING CONTINUING CARE

[ATTACHED]



Residence and Services Agreement

**104 Holcombe Cove Road
Candler, North Carolina 28715
(828) 418 – 2333**

5/31/2019

Term of Agreement Begins: _____

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Attachments:

ACKNOWLEDGEMENT OF RECEIPT OF DISCLOSURE STATEMENTS

SCHEDULE I

**PISGAH VALLEY RETIREMENT COMMUNITY
PISGAH ESTATES
RESIDENCE AND SERVICES AGREEMENT**

THIS RESIDENCE AND SERVICES AGREEMENT (this “Agreement”) is made and entered into this ____ day of _____, 20__ between _____ (“you”) and **PISGAH VALLEY RETIREMENT CENTER, LLC and PISGAH VALLEY RETIREMENT CENTER PROPERTIES, LLC**, North Carolina for-profit limited liability companies (which may hereinafter be collectively referred to as “we” or “us”) for occupancy of the residence located at _____ (the “Residence”).

We operate a continuing care retirement community in Candler, Buncombe County, North Carolina, known as Pisgah Valley Retirement Community, (“Pisgah Valley”), which includes independent living residences (collectively “Pisgah Estates Residence(s)”). Pisgah Estates Residences consist of patio homes (“Pisgah Estates Patio Home Residence(s)”).

You desire to live in one of our Pisgah Estates Residences. You (or “each of you,” if joint) have submitted an application to us for admission to a Pisgah Estates Residence. In consideration of the promises we are making to each other that are set forth below, you and we agree as follows:

I. RESIDENCE

- A. Your Residence.** You shall have the exclusive right to occupy, use, and enjoy the Residence described above and in Schedule I, attached, subject to the terms of this Agreement, during the term of this Agreement.
- B. Furnishings.** Your Residence without options (see below) includes the following furnishings: carpeting and tile flooring, emergency call system, refrigerator with icemaker, stove, oven, dishwasher, microwave, garbage disposal, blinds, washer, dryer, fireplace, and other features and fixtures as outlined in Pisgah Valley’s current literature. All other furniture, furnishings, decorations, bed/bath linens, and other personal property will be provided by you.
- C. Options and Custom Features in Your Residence.** You may select certain options and custom features for your Residence for an additional charge. Any such options and custom features selected and paid for by you will become part of the Pisgah Estates Residence and the property of Pisgah Valley upon occupancy or reoccupancy. The value of such improvements will not be considered in computing Entrance Fee refunds. All options and custom features must be approved by the management of Pisgah Valley (“Management”) in advance of the changes made.

II. COMMON AREAS AND AMENITIES

- A. **Common Areas and Amenities.** You will have the right to use all common areas at Pisgah Valley equally with other residents of Pisgah Valley. These common areas and amenities include living room/ sunroom, casual/formal dining venues, multi-purpose rooms, activity/game rooms, access to wi-fi in common areas, convenience store, chapel, on-site healthcare clinic, green space, walking areas, private streets, resident vegetable/flower garden areas, on-site assisted living/skilled nursing centers.
- B. **Parking.** In addition to designated surface parking areas, Pisgah Estates Patio Home Residences provide a single-car garage. This is included in your Monthly Fee.
- C. **Wellness.** Wellness is a foundational aspect of Pisgah Valley. As such, your Monthly Fee will include access to our wellness/fitness facilities, which include an indoor pool, hot tub, sauna, strength-training equipment, and exercise/aerobics rooms.

III. SERVICES AND PROGRAMS

- A. **Utilities.** We will furnish the following utilities for your Residence: heating, air conditioning, propane/natural gas log fireplace, electric, water/sewer service, and trash removal. You are responsible for any costs for services beyond that provided by Pisgah Valley.
- B. **Housekeeping Services.** We will provide basic housekeeping services for your Residence that include vacuuming, light dusting, cleaning of baths and kitchens, and changing of bed linens. The amount of time allotted for each residence is determined by the size of your Residence. We will provide one thorough annual cleaning that includes carpet cleaning. Basic bi-weekly (i.e., once every two weeks) housekeeping services are included in the Monthly Fee for the Pisgah Estates Patio Home residents. You may obtain additional housekeeping services for an additional charge as outlined in Pisgah Valley's current literature. You are responsible for purchasing your own bed linens.
- C. **Groundskeeping.** We will maintain the common areas at Pisgah Valley, including lawn, tree and shrubbery care plus snow and ice removal. You may be permitted to plant and maintain certain areas with Management approval.
- D. **Activities.** We will provide planned and scheduled social, recreational, spiritual, educational and cultural activities, including arts and crafts classes and other special activities. Some activities may require an additional charge and all participation is voluntary.
- E. **Wellness Programs.** In addition to access to our wellness/fitness facilities, your Monthly Fee will include participation in group fitness classes (e.g., Tai Chi, yoga, water aerobics, etc.). Personal trainers will be available for an additional charge as outlined in Pisgah Valley's current literature.

- F. Transportation.** We will provide local group transportation for residents on a regular, scheduled basis for shopping and activities and provide scheduled personal medical transportation during regular business hours within a limited radius. These services are included in your Monthly Fee. We will provide other scheduled local transportation for residents for an additional fee as outlined in Pisgah Valley's current literature. An additional charge may be made for transportation for special, personal or private group trips.
- G. Maintenance and Repairs.** We will maintain and repair your Residence, including the furnishings, appliances and equipment we have supplied with your Residence. You agree to pay, or reimburse us for paying, the cost of repairing any damage to your Residence, the common areas or any of our other property caused by you or any of your guests, except for ordinary wear and tear. Your Residence has received a guaranteed termite treatment and we will provide routine pest control.
- H. Security.** We will arrange for twenty-four (24) hour monitoring for intrusion protection, fire, smoke and medical emergencies and on-site security. We reserve the right to change the provider of these monitoring services in our sole discretion.
- I. Dining.** We will make available to you meals served daily in the Pisgah Valley dining areas during regularly scheduled operating hours. The Monthly Service Fee does not include meals.
- J. Other Services and Programs at Additional Charge.** Other services and programs will be available to you at your expense, including, but not limited to those previously mentioned, beauty and barber services, personal laundry, special transportation, catering, guest dining, tray service/take-out, and other special services performed for you beyond the normal scope of services offered by Pisgah Valley. The availability and charges for additional services are outlined in Pisgah Valley's current literature.
- K. Notice of Change in Scope of Services.** Except for changes required by law, Pisgah Valley will notify you of any proposed change in the scope of services provided in this Agreement at least thirty (30) days before such change is effective. No change relating to a service included in the Monthly Fee under the terms of this Agreement shall be effective unless (a) consented to by you or (b) a reasonable adjustment is made in the Monthly Fee.
- L. Health Care Accommodations and Services.** Pisgah Valley will make available health care accommodations and services as follows:
- 1. Two Levels of Care in Health Care Residences.** Pisgah Valley will have accommodations, equipment, staffing, programs, services and supervision necessary for assisted living services at Pisgah Villa and licensed nursing care

at Pisgah Manor (collectively, the “Health Care Residences”). The Health Care Residences and services are available to you either temporarily or permanently on a space available basis, if needed, as determined by Management. Charges will be in accordance with Paragraph V.H.. Residents of Pisgah Valley have priority access to all Health Care Residences and services before non-residents.

In the event that space for you, for any reason, is not available in a Health Care Residence upon determination that a permanent transfer is required, Pisgah Valley will arrange and pay for your care in your Residence or in another facility of Pisgah Valley’s choice as deemed appropriate by Pisgah Valley and your medical services provider, if reasonably possible, until space becomes available in a Health Care Residence. Pisgah Valley will pay for care in another facility to the same extent as if the care were provided by Pisgah Valley. The Resident will pay monthly or daily service fees to Pisgah Valley as if the Resident were a Pisgah Valley Health Care Residence. If the cost of care at the other facility is higher than at Pisgah Valley, Pisgah Valley will pay the difference.

2. **Respite Care.** Respite care is available to you in a Health Care Residence based on availability.
3. **Healthcare Clinic.** A healthcare clinic for certain consultations, screenings, and appointments is available to you as scheduled and provided by Pisgah Valley.
4. **Staffing.** Nursing care appropriate for your needs will be provided by Pisgah Valley.
5. **Medical Director.** The overall coordination and supervision of health care services within Pisgah Valley will be provided by a Medical Director, who will be a licensed physician selected by Pisgah Valley.
6. **Charges.** Charges for the Health Care Residences and services described in paragraphs 1 and 2 above shall be as set forth in Paragraph V.H, as well as charges for ancillary health care services.
7. **Personal Physician.** You will choose a personal physician who has admission privileges at a local hospital, in the event that you need to be hospitalized. You are responsible for the cost of physician services and all related medical and non-medical expenses.

IV. DATE OF OCCUPANCY AND OCCUPANCY

- A. **Date of Occupancy.** The Date of Occupancy, as indicated on Schedule I to this Agreement, is the date established by us based on when your Residence is available for occupancy, you make your ten percent (10%) reservation, and you sign this Agreement. If your Residence is ready for occupancy when you make

your ten percent (10%) reservation and sign this Agreement, the occupancy date will be no later than sixty (60) days from the date you sign this Agreement. If your Residence is not ready for occupancy when you make your ten percent (10%) reservation and sign this Agreement, then the occupancy date will be no later than thirty (30) days from the date the Residence is ready for occupancy. You will be expected to take occupancy of the Residence and begin paying the Monthly Fee pursuant to Paragraph V.D. as of the Date of Occupancy. The balance of the Entrance Fee is due on or prior to the Date of Occupancy.

- B. Occupancy.** As used in this Agreement, “Occupancy” will have occurred when you have signed this Agreement, have paid the Entrance Fee in full as described in Paragraph V.C., and have paid a full month Monthly Fee as described in Paragraph V.D. Upon Occupancy, we will be obligated to provide you with the services outlined in this Agreement.

V. FINANCIAL ARRANGEMENTS

- A. **Entrance Fee.** You agree to pay us an Entrance Fee, as indicated on Schedule I of this Agreement. The Entrance Fee assures you a place at Pisgah Valley for a term of years or for life.

The Entrance Fee is non-transferable, non-interest bearing and shall be the property of Pisgah Valley for use in accordance with the terms of this Agreement, and shall not be subject to the claims of your creditors. Any refundable portion of the Entrance Fee shall be governed by Section IX of this Agreement.

- B. **Entrance Fee Refund Options.** You will choose from two Entrance Fee refund options--a 0% or a 90% Entrance Fee refund. Refunds will be computed on a declining balance basis as outlined in Section IX.D. The Entrance Fee refund is subject to the provisions set forth in Sections V and IX of this Agreement. Once this Agreement is executed, the Entrance Fee refund option selected cannot be changed. Pisgah Valley may, for any lawful reason, limit availability of any of these Entrance Fee refund options.

C. **Terms of Payment of the Entrance Fee.**

1. **Initial \$1,000 Priority Reservation Deposit.** Upon entering into a Priority Reservation Agreement (the "Priority Reservation Agreement") and prior to entering into this Agreement, you agree to pay \$1,000 as an priority reservation deposit (the "Priority Reservation Deposit"). Such Priority Reservation Deposit is fully refundable should you choose not to proceed with the reservation process and not enter into this Agreement for any reason. The Priority Reservation Deposit fully applies toward the Entrance Fee should you proceed with the reservation process and enter into this Agreement.
2. **Initial Ten Percent (10%) Reservation Fee.** To reserve your Residence, you will make application to the Pisgah Valley Admissions Committee. You will receive notice of your approval or denial by the Pisgah Valley Admissions Committee within fourteen (14) days of submitting your application. An amount equal to ten percent (10%) of the Entrance Fee, less any Priority Reservation Deposit previously paid of one thousand dollars (\$1,000) (the "Reservation Fee"), is paid upon entering into this Agreement.
3. **Amounts for Options and Custom Features.** Pisgah Valley will present you with a written quote specific to your options and custom feature request detailing the prices. The cost of options and custom features selected will be invoiced by Pisgah Valley for the selected options or custom features and is due by you upon receipt of such invoice. The amounts for options and custom features will not be considered part of the Entrance Fee when calculating the refund.

4. **Balance of the Entrance Fee.** The balance of the total Entrance Fee for the Residence will be due and payable prior to the Date of Occupancy, unless otherwise agreed to in writing by Management.
- D. Monthly Fee.** In addition to the Entrance Fee, you agree to pay us a Monthly Fee, as indicated on Schedule I of this Agreement, upon Occupancy for the term of this Agreement, which includes a fee for one resident and, if applicable, an additional fee for the second resident. The Monthly Fee will be payable in advance by the fifth (5th) business day of each month. You agree to pay the first Monthly Fee with the balance of the Entrance Fee (prorated, as applicable, for the number of days remaining in the calendar month that such payment is due). Your initial Monthly Fee will be as indicated on Schedule I of this Agreement.
- E. Additional Charges.** In addition to the Entrance Fee and Monthly Fee, you agree to pay us for additional charges for (1) housekeeping not included in your Monthly Fee, (2) meals not included in your Monthly Fee, (3) certain activities, and (4) special/personal/private group transportation. We will include these charges on the monthly statement described in the "Payment of Monthly Fees" below.
- F. Payment of Monthly Fees.** We will provide you with a monthly statement specifying the Monthly Fee you owe for the month in advance, along with any additional charges from the previous month, payable by the fifth (5th) business day of the current month. We reserve the right to charge interest at a rate of one and one-half percent (1½%) per month on any unpaid balance owed by you thirty (30) days after the monthly statement is dated. If you fail to pay your Monthly Fees, you agree that we may deduct the unpaid Monthly Fees (plus any accrued interest and our reasonable attorneys' fees) from any refund of your Entrance Fee due when this Agreement terminates. You agree to pay your Monthly Fees even if you are voluntarily absent (e.g., on vacation, temporary stays in a Health Care Residence) from your Residence.
- G. Adjustments in the Monthly Fee.** The Monthly Fee is paid to provide the facilities, programs, and services described in this Agreement and are intended to cover costs of the expenses associated with the operation and management of Pisgah Valley. Pisgah Valley, with the approval of its Board of Directors, may increase the Monthly Fee from time to time during the term of this Agreement. Monthly Fees will be adjusted as required, consistent with operating on a sound financial basis and maintaining quality service. We will notify you of any increase in the Monthly Fee at least thirty (30) days before the increase takes effect. You should expect that we will increase the Monthly Fee at least once a year, regardless of your Date of Occupancy, generally in October.

H. Health Care Charges.

1. **Fee for Services.** In exchange for payment of your applicable Monthly Fee, Pisgah Valley will provide assisted living services or nursing care to the extent that it is not covered by your insurance, Medicare, or any other governmental programs or entitlements which you are required to maintain under this Agreement, subject to the following:
 - a. Temporary Transfers. A transfer is considered temporary when the condition that requires your transfer has the potential to be resolved in a manner which may allow you to return to your Pisgah Estates Residence. Your Residence will be held for your return.
 - i. Single Occupancy. Should you have a temporary need for services provided in a Health Care Residence while you are still occupying your Pisgah Estates Residence, you will pay both the then-current Monthly Fee for your Pisgah Estates Residence and the then-current rate applicable to the Health Care Residence.
 - ii. Double Occupancy. Should one or both residents have a temporary need for services provided in a Health Care Residence while still occupying the Pisgah Estates Residence, the resident remaining in the Residence or the last resident to occupy the Residence (in the case of both residents simultaneously requiring temporary care provided in a Health Care Residence) will continue to pay the then-current Monthly Fee less the then-current second person Monthly Fee for the Pisgah Estates Residence. Additionally, each resident requiring temporary care provided in a Health Care Residence will be required to pay the applicable then-current rate applicable to the Health Care Residence.
 - iii. Temporary Utilization. Temporary utilization of a Health Care Residence services does not constitute a change of accommodations subject to the provisions of Paragraph VII.H.
 - b. Permanent Transfers. A transfer is considered permanent when the condition that requires your transfer will not allow you to return to your Pisgah Estates Residence and the Residence has been vacated.
 - i. Single Occupancy. Should you have a permanent need for services provided in a Health Care Residence, you will be required to release your Pisgah Valley Estates Residence as outlined in Paragraph VIII.A. Your Monthly Fee will be adjusted to the then-current Monthly Fee for the Health Care Residence.
 - ii. Double Occupancy. Should one Resident have a permanent need for services provided in a Health Care Residence, the Monthly Fee will be

equal to the then-current Monthly Fee for your Pisgah Estates Residence for one person plus the then-current rate applicable to the Health Care Residence. Should both residents have a permanent need for services provided in a Health Care Residence, residents will be required to release the Residence as provided under Section VIII.A. Your Monthly Fee will be adjusted to the then-current Monthly Fee for the Health Care Residence for each resident.

2. **Additional Charges for Respite Care.** You will be responsible for prompt payment of additional charges for respite care as outlined in Pisgah Valley's current literature.
3. **Additional Charges for Ancillary Health Care Services.** You will be responsible for prompt payment of all additional charges for ancillary health care services provided at Pisgah Valley. Ancillary services will include all services not provided by the staff of Pisgah Valley and not included in the per diem or monthly fee. Examples of additional charges include, but are not limited to, the cost of prescription and non-prescription medications, physical examinations, laboratory tests, physical therapy, home health care, occupational therapy, rehabilitative treatments, wheelchairs and other medical equipment and supplies. In the event of a temporary or permanent transfer, you will be responsible for all costs of relocation.
4. **Use of Refundable Portion of the Entrance Fee.** See Paragraph IX.H. for use of the refundable portion of the Entrance Fee to pay for health care costs at Pisgah Valley.
5. **Care in Another Facility.** Should you need a level of care or health services beyond that provided at Pisgah Valley, as determined by Pisgah Valley, and require transfer to another facility, you will be responsible for all expenses of such transfer and services.

VI. ADMISSION REQUIREMENTS AND PROCEDURES

- A. **Age.** Residents shall be sixty-two (62) years of age or older. If resident is a couple, at least one member of the couple must be sixty-two (62) years of age at the time of Occupancy.
- B. **Application Forms.** You will provide an Application for Residency, a Personal Health Information and Personal Financial Information (collectively, the "Application Forms"), all on forms furnished by Pisgah Valley, for initial approval by the Pisgah Valley Admissions Committee.
- C. **Personal Interview.** You shall have an interview with a Marketing Representative from Pisgah Valley prior to occupancy. Upon review of all information required to be furnished herein, additional personal interviews may be requested by you or Pisgah Valley.

- D. Approval Process.** Upon receipt of the completed Application Forms, the Pisgah Valley Admissions Committee will review your Application Forms as a basis for initial acceptance. The Admissions Committee will approve or deny the application within fourteen (14) days after receipt of the completed Application Forms and will provide you with a written decision thereafter.
- E. Health Requirements.** Within ninety (90) days before the Date of Occupancy, you will provide Pisgah Valley with a physician's report completed by your personal physician. Such report shall include a statement by the physician that you are able to live independently and undertake ongoing activities of daily living. Pisgah Valley may now or in the future additionally require a history and physical from your physician to include physician progress notes. Pisgah Valley may require you to have another physical examination by a physician approved by Pisgah Valley if additional information is necessary. You shall be responsible for the cost of such physical examinations. If you do not meet the criteria for independent living established by Pisgah Valley, you may move to other accommodations within Pisgah Valley more suitable to your needs, or terminate this Agreement.
- F. Financial Requirements.** You must have assets and income sufficient to pay your financial obligations under this Agreement and to meet your ordinary living expenses. Pisgah Valley may require you to furnish additional or updated financial information prior to Occupancy and on a periodic basis as requested subsequent to Occupancy. Supplemental financial assistance may be available to residents who qualify, as determined by Management, as outlined in Section X.
- G. Disclosure Statement.** You acknowledge that we have delivered a copy of our current Disclosure Statement as of the date of this Agreement to you at the same time that you signed this Agreement. We agree to make all revised versions of the Pisgah Valley Disclosure Statement available to you.
- H. Representations.** You affirm that the representations made in all information furnished by you to Pisgah Valley, including the Application for Residency, Personal Health Information, Personal Financial Information, and Physician's Examination Report, are true and correct and may be relied upon by Pisgah Valley as a basis for entering into this Agreement.
- I. Statement as to Non-Discrimination.** Pisgah Valley shall not limit residency to persons on the basis gender, race, color, religion, national origin, or disability.

VII. TERMS OF RESIDENCY

- A. **Sale, Lease, Sublease or Assignment.** This Agreement is and shall be construed only as a revocable license. This Agreement does not give you ownership of or title to your Residence. This Agreement does not constitute a sale of your Residence to you, and does not transfer or grant any interest in the real or personal property we own that is part of your Residence other than the right to its occupancy, use and enjoyment in accordance with and subject to the terms of this Agreement. Your rights and privileges under this Agreement are personal to you and will not inure to the benefit of your heirs, assigns or representatives. You may not lease, sublease or assign the right to occupy the Residence. We may sell or mortgage your Residence and assign this Agreement without your consent and, if we do so, you will continue to be bound by the terms of this Agreement.
- B. **Policies and Procedures.** You agree to abide by our policies and procedures, including such amendments, modifications, and changes to the Resident Handbook as may be adopted by Pisgah Valley. By signing this Agreement, you acknowledge that you have received a copy of the Resident Handbook. Such Resident Handbook shall be made readily available to you.
- C. **Use of Your Residence.** You agree not to use your Residence in any manner that violates any zoning law or any other law or regulation. You agree to keep your Residence in a clean, safe and sanitary condition, and to use in a proper and reasonable manner all electrical, plumbing, sanitary, heating, ventilating, air conditioning and other systems and appliances furnished as part of your Residence. You agree not to destroy, deface, damage or remove any part of your Residence (including all furnishings and appliances) and not to permit your guests or visitors to do so. You agree to occupy your Residence in a quiet and peaceful manner and not to carry on any loud, obnoxious or offensive activity or noise.
- D. **Changes in the Residence and the Agreement.** Pisgah Valley has the right to change the Residence and/or the Agreement when and to the limited extent required to comply with the requirements of any applicable statutes, laws or regulations.
- E. **Visitors.** You agree that no person other than you will reside in your Residence, except for short-term (meaning two weeks or less) visitors or guests without the approval of Management as described in Paragraph VII.M. You will inform Management promptly of any home health/care services being provided in the Residence and the scheduled hours of individuals providing care. Management will evaluate such situations on a case by case basis.
- F. **Pets.** You agree to have and keep pets in your Residence only in accordance with our policies and procedures as described in the Resident Handbook. There will be an additional nonrefundable fee for pets as indicated on Schedule I of this Agreement.

G. Occupancy by Two Residents. In the event that more than two residents sign this Agreement, each of you is jointly and severally liable for the payment and performance of all of your obligations under this Agreement. If one of you permanently moves to a Health Care Residence, dies, or abandons the Residence, this Agreement shall continue in effect as to the surviving or remaining resident who shall be obligated to pay only the first person monthly fee associated with the Residence. Should the remaining or surviving Pisgah Estates Resident wish to move to another Pisgah Estates Residence, the policies of Pisgah Valley governing said Residence change of accommodation will prevail. The resident moving to a Health Care Residence will pay the published rates for the applicable level of care as described in Paragraph III.M. of this Agreement. No Entrance Fee refunds shall be paid to the remaining resident until the Residence is vacated as described in Paragraph IX.E.

H. Change in Residence

- 1. Request by You for Change in Residence.** You may request a change in residence at any time. Management carefully considers such requests, including but not limited to such factors as your health, finances, availability of requested type of residence and waiting lists. Resident must agree to pay the difference in the Entrance Fee and Monthly Fee between the requested residence and the current Residence. Management may require you to enter into a new or amended Residence and Services Agreement for the new residence. The Entrance Fee refund percentage selected at initial occupancy remains in effect during a change in residence and is applicable to any additional amounts paid as a result of the change.
- 2. Move to Another Residence.** Should you be approved by Management to move to a subsequent residence, You will pay the Monthly Fee associated with the subsequent residence. Even if the Entrance Fee for the original Residence, when you began to occupy it, was greater than the current Entrance Fee for the subsequent residence, you will not be entitled to a refund as a result of the difference between such Entrance Fees. If, however, the Entrance Fee for the original Residence, when you began to occupy it, was less than the current Entrance Fee for the subsequent residence, you will pay an amount equal to the difference between the Entrance Fee of the original Residence that you paid and the current Entrance Fee of the subsequent residence.
- 3. At the Option of Pisgah Valley.** If Management reasonably determines that your Residence needs to be vacated to permit repairs or renovations thereto, or needs to be modified or reconfigured to accommodate a new or different use of the Residence, or as a result of any other circumstances reasonably determined Management to justify such transfer, Pisgah Valley may move you to a new Residence of a similar size provided that Pisgah Valley (i) advises you prior to undertaking any such move, (ii) gives you reasonable notice of and time to prepare for such move, (iii) incurs all the costs of such move, (iv)

arranges for the prompt and convenient moving of your personal furnishings, and (v) either provides in such new residence optional custom improvements comparable to those provided in your original Residence or, at your option, reimburses you for the value of such improvements.

- I. **Casualty or Condemnation.** We will be entitled to all proceeds from any insurance maintained by us against a fire or any other casualty affecting your Residence or the building in which it is located and from any condemnation by a governmental authority of all or any part of your Residence or the building in which it is located. If your Residence or the building in which it is located is substantially damaged or destroyed by fire or other casualty, or condemned or sold in lieu of condemnation, we may, at our option, take any of the following actions: (i) within a reasonable time, restore your Residence to its original condition, (ii) within a reasonable time, substitute substantially similar accommodations for your Residence to the extent available, or (iii) terminate this Agreement if the options described in items (i) and (ii) above are uneconomical for us. You shall immediately notify us of any fire or other casualty affecting your Residence. If we substitute substantially similar accommodations for your Residence, then this Agreement shall continue in full force and effect and the term "Residence" as used in this Agreement shall be deemed to refer to such substitute accommodations.
- J. **Loss or Damage of Your Personal Property.** We are not responsible for the loss or damage of any personal property belonging to you due to theft, disappearance, fire or any other cause. You agree to carry insurance to cover such losses. We shall insure the real property (e.g., unit and common areas) and any personal property (e.g., furnishings, fixtures and equipment) owned by us.
- K. **Medical Insurance.** You shall maintain Medicare Part A, Medicare Part B, and one supplemental health insurance policy or equivalent insurance coverage acceptable to Pisgah Valley and shall furnish Pisgah Valley with evidence of such coverage annually or whenever a change in insurance occurs.

Should the resident or the resident's legally-authorized representative apply for assistance under the Medicaid program, or any successor program of a similar nature, the resident's contract will be terminated.

- L. **Marriage During the Term of This Agreement.** If you marry a person who is also a resident of Pisgah Estates pursuant to a similar agreement with us, you may occupy either Pisgah Estates Residence and shall surrender the Pisgah Estates Residence that you will not occupy. If you surrender the Residence described in this Agreement, refund of the Entrance Fee will be paid pursuant to the terms in Paragraph IX.E. of this Agreement. If you and your spouse occupy the Residence described in this Agreement, you will pay the current Entrance Fee and Monthly Fee for double occupancy of this Residence at the time your spouse moves into this Residence.

If you marry a person who is not a resident of a Pisgah Estates Residence pursuant to a similar agreement with us, your spouse may become a resident of the Residence described in this Agreement if your spouse (i) meets all the current requirements for admission to a Pisgah Estates Residence, (ii) signs this Agreement and any amendments necessary to reflect double occupancy, and (iii) you and your spouse pay the current Entrance Fee and Monthly Fee for double occupancy of this Residence at the time your spouse moves into this Residence. If your spouse does not meet our requirements for admission, you may terminate this Agreement.

- M. Added Resident.** Should you desire to invite an individual to join you in sharing a Pisgah Estates Residence for which you paid the entire Entrance Fee and in which you are living alone, such person may become a resident of the Residence described in this Agreement if the individual (i) meets all the current requirements for admission to a Pisgah Estates Residence, (ii) signs this Agreement and any amendments necessary to reflect double occupancy, and (iii) you and the co-resident pay the current Monthly Fee for double occupancy of this Residence at the time the co-resident moves into this Residence.
- N. Right of Entry.** You hereby authorize our employees or agents to enter your Residence for the purposes of housekeeping, repairs, maintenance, inspection, fire drills, and in the event of an emergency. Pisgah Valley will always endeavor to maintain your privacy and the privacy of the Residence. For your safety, you agree not to replace or add any locks to the Residence.
- O. Residents' Organizations.** Residents of Pisgah Valley are members of a Residents' Council that is open to all residents. Such organization elects representatives, officers, and other positions to engage in activities of interest to all residents.

VIII. TRANSFERS OR CHANGES IN LEVELS OF CARE

- A. Transfer to a Pisgah Valley Health Care Residence.** Pisgah Valley recognizes the right of self-determination and will attempt to involve you or your representative in all decisions related to transfers and changes in level of care. Pisgah Valley shall have authority to determine whether you should be transferred from your Residence to a Health Care Residence or from one level of care to another within Pisgah Valley, in cases of potential harm to yourself or others, to assure the health and wellbeing of you and others or to provide for the highest quality of life possible. Such determination shall be based on the opinion of Management and/or the Pisgah Valley Medical Director and shall be made after consultation with you and your representative and your attending physician. Such decisions shall be made only in your best interest and in the best interest of the larger community as determined by Management. You have the right to be admitted to the first such Health Care Residence that becomes available for occupancy after the date of such determination, subject to any obligations we may have under the Medicaid program or another Residence and Services Agreement with a Pisgah Estates resident to make such Health Care Residence available to

someone else. A Resident transferring to a higher level of care does not constitute a change of accommodation for the purpose of calculating an Entrance Fee refund.

In the event of a permanent transfer, you shall release your Pisgah Estates Residence in order for Pisgah Valley to make your Residence available to a new resident. In such event, Pisgah Valley may enter into a new Agreement for occupancy of the Residence with a new resident. If your Residence is reassigned and should you subsequently recover sufficiently to maintain yourself independently in a residence, you shall be offered the next available residence similar to the one relinquished. While you are in a Health Care Residence, the Monthly Fee will continue to be due and payable as described in Paragraph V.D.

If the Residence is occupied by two (2) residents, the permanent transfer of one (1) resident does not affect the rights and privileges under this Agreement of the remaining resident.

- B. Transfer to Hospital or Other Facility.** If it is determined by Management that you need care beyond that which can be provided by Pisgah Valley, you may be transferred to a hospital or institution equipped to give such care at your expense. Such transfer will be made only after consultation with you and/or your representative and attending physician.
- C. Surrender of Residence.** If a reasonable determination is made by Pisgah Valley that any transfer described in Paragraph VIII.A. is or is highly likely to be permanent; you agree to surrender your Residence. You will have priority to move to such Health Care Residence, determined to best meet your needs, as soon as such is available. If the interdisciplinary team, including you, to the extent practical, or your legally-authorized representative, in conjunction with appropriate staff members and in consultation with your attending physician, subsequently determines that you can resume occupancy in a Residence or accommodation comparable to that occupied by you prior to such transfer, you shall have priority to such residence as soon as it becomes available.

IX. TERMINATION AND REFUND PROVISIONS

A. Termination Prior to Occupancy.

- 1. Right of Rescission.** You have the right required under Section 58-64-25(a)(1) of the North Carolina General Statutes to rescind this Agreement within thirty (30) days following the later of the execution of the Agreement or the receipt of a Disclosure Statement that meets the requirements of North Carolina General Statutes Section 58; Article 64. Under the terms of this Agreement, you are not required to move into your Residence during this thirty-day rescission period (that is, you are permitted to select a move-in date that is 31 days or more after the date of this Agreement). To exercise this statutory right to rescind this Agreement, you must notify us in writing within thirty (30) days after the later of the

execution of this Agreement or the receipt of a Disclosure Statement that meets the requirements of North Carolina General Statute Section 58; Article 64. If you exercise this statutory right to rescind this Agreement, we will refund all amounts you have paid to us pursuant to this Agreement less any non-standard costs specifically incurred by Pisgah Valley at your request and described in this Agreement or an amendment to this Agreement signed by you. Any such refund shall be paid by Pisgah Valley within thirty (30) days following receipt of written notification of such termination by the resident. Written notice should be sent to:

**Director of Marketing
Pisgah Valley Retirement Community
6 Rhododendron Way
Candler, NC 28715**

2. **Due to Death, Illness, Injury, or Incapacity.** If you die or are rendered incapable of independent living on account of illness, injury, or incapacity before occupying the Residence, this Agreement will automatically be cancelled to comply with NCGS 58-64-25(a)(2). Any monies paid by the resident shall be refunded in full less any non-standard costs specifically incurred by us at your request and described in the Agreement or an amendment to this Agreement signed by you, within thirty (30) days after our receipt of the written notice from you (or your heirs, as applicable) that any such event has occurred. Written notice should be sent to the address noted in Paragraph IX.A.1.
3. **Other Reasons.** You have the right to terminate this Agreement for any reason before occupying the Residence by giving us written notice signed by you to the address in Paragraph IX.A.1. In the event of such termination, we will refund your entire ten percent (10%) Reservation Fee to you, without interest, less a nonrefundable fee of One Thousand Dollars (\$1,000) and any non-standard costs specifically incurred by us at your request and described in the Agreement or an amendment to this Agreement signed by you, within thirty (30) days after our receipt of the written notice of termination. Written notice should be sent to the address noted in Paragraph IX.A.1.
4. **Our Right to Terminate this Agreement and Refund Your Deposit.** If we do not accept you for residency, the full amount of the ten percent (10%) deposit you have paid will be promptly refunded to you, without interest. We may terminate this Agreement and refund your entire ten percent (10%) deposit without interest and any non-standard costs specifically incurred by us at your request at any time prior to the time you move into your Residence for the following reasons: (i) a material misrepresentation or omission made by you in your application for admission or (ii) you fail to pay the balance of the Entrance Fee and the first monthly fee when due. We will pay the refund to you within thirty

(30) days after we deliver written notice to you that we are terminating this Agreement for one of the reasons specified in this paragraph.

B. Termination After Occupancy.

1. **Right of Rescission.** You have the right required under Section 58-64-25(a)(1) of the North Carolina General Statutes to rescind this Agreement within thirty (30) days following the later of the execution of the Agreement or the receipt of a Disclosure Statement that meets the requirements of North Carolina General Statutes Section 58; Article 64. Under the terms of this Agreement, you are not required to move into your Residence during this thirty-day rescission period (that is, you are permitted to select a move-in date that is 31 days or more after the date of this Agreement). However, if you choose to rescind this Agreement as described in Paragraph IX.A.1. and have elected to move into the Residence during this 30-day rescission period, you agree to remove all of your personal property from the Residence and vacate the Residence, leaving the Residence in the same condition as when you first occupied it, except for normal wear and tear and any damage by fire or other casualty. To exercise this statutory right to rescind this Agreement, you must notify us in writing within thirty (30) days after the later of the execution of this Agreement or the receipt of a Disclosure Statement that meets the requirements of North Carolina General Statute Section 58; Article 64. If you exercise this statutory right to rescind this Agreement, we will refund all amounts you have paid to us pursuant to this Agreement less (i) periodic charges specified in this Agreement and applicable only to the period the Residence was actually occupied by the resident; (ii) those non-standard costs specifically incurred by Pisgah Valley at request of you and described in the Agreement or any amendment to this Agreement signed by you; and (iii) a nonrefundable fee of One Thousand Dollars (\$1,000). Any such refund shall be paid by Pisgah Valley within thirty (30) days following receipt of written notification of such termination by the resident. Written notice should be sent to the address noted in Paragraph IX.A.1.
2. **Termination By You Upon Thirty Days' Notice.** After you have paid the entire Entrance Fee as described in Paragraph V.C., you have the right to terminate this Agreement for any reason by giving us written notice signed by you to the address in Paragraph IX.A.1., which will be effective and irrevocable upon delivery. Termination will occur thirty (30) days after written notice is delivered and you must vacate your Residence within the thirty (30) days. You or your legal representative shall receive a refund less (i) periodic charges specified in the Agreement and applicable only to the period the Residence was actually occupied by you; (ii) those non-standard costs specifically incurred by Pisgah Valley at your request and described in the Agreement or any amendment to this Agreement signed by you; and (iii) nonrefundable fees as set out in Paragraph IX.E. of this Agreement.

Written notice should be sent to the address noted in Paragraph IX.A.1. Refund of the Entrance Fee will be as outlined in Paragraph IX.E.

3. **Automatic Termination Upon Your Death or Abandonment of Your Home.** After you have paid the entire Entrance Fee as described in Paragraph V.C., this Agreement will automatically terminate thirty (30) days after your death (or the death of the surviving resident in the case of joint residents) or thirty (30) days after you abandon your Residence. After such automatic termination, your personal representative will have thirty (30) days from the date of your death to remove your personal property from your Residence. Refund of the Entrance Fee will be as outlined in Paragraph IX.E.
4. **Termination By Us.** We may terminate this Agreement after you have paid the entire Entrance Fee at any time for the following reasons: (i) a material misrepresentation or omission made by you in your application for admission; (ii) restoring your Residence or the building in which it is located or providing substitute accommodations after casualty or condemnation of your Residence or the building in which it is located is uneconomical for us; or (iii) we determine, using standard evaluation procedures conducted by a physician of our choosing (and you agree to submit to such evaluation procedures upon our request and at our expense), that your mental or physical health is detrimental to your own health and safety, the health and safety of other residents of Pisgah Valley or the general and economic welfare of the residents of Pisgah Valley. We also may terminate this Agreement upon thirty (30) days prior written notice to you if you fail to comply with the terms of this Agreement, including but not limited to the failure to pay your monthly fee, unless you cure such violations within the thirty-day period specified in our notice to you.

- C. **Your Obligations Upon Termination of this Agreement.** If this Agreement terminates for any of the reasons described in Paragraphs (A) or (B) above, you agree to remove all of your personal property from the Residence and vacate the Residence, leaving the Residence in the same condition as when you first occupied it, except for normal wear and tear and any damage by fire or other casualty. We may remove and either store or dispose of any personal property left in your Residence that appear to us to have been abandoned by you. You agree that we may deduct from any refund of your Entrance Fee any costs paid by us to restore your Residence to its original condition (normal wear and tear and any fire or other casualty loss excepted), and to remove, store or dispose of personal property left in your Residence.

- D. Declining Balance of the Entrance Fee.** Your Entrance Fee may be partially refundable as outlined in Paragraph V.B.. The portion of the Entrance Fee that is refundable to you will decline over time, based on the amount of time that has elapsed since the Date of Occupancy, as follows:

<u>Month of Occupancy*</u>	<u>% Refundable</u>	
	<u>0%</u>	<u>90%</u>
1 st	90%	90%
2 nd	90%	90%
3 rd	90%	90%
4 th	90%	90%
5 th	90%	90%
6 th	85%	90%
7 th	80%	90%
8 th	75%	90%
9 th	70%	90%
10 th	65%	90%
11 th	60%	90%
12 th	55%	90%
13 th	50%	90%
14 th	45%	90%
15 th	40%	90%
16 th	35%	90%
17 th	30%	90%
18 th	25%	90%
19 th	20%	90%
20 th	15%	90%
21 st	10%	90%
22 nd	5%	90%
23 rd and beyond	0%	90%

*The percentages in the table do not apply during the rescission period as described in Paragraph IX.B.1.

- E. Refund Upon Termination and Withdrawal from Pisgah Valley Campus.** The refund due shall be the Entrance Fee paid multiplied by the percentage based on the declining balance table in Paragraph IX.D (i.e., the refundable amount) less: (i) any amount due to Pisgah Valley for monthly care or other unpaid services when this Agreement terminates, (ii) any costs we pay to restore the Residence to its original condition (normal wear and tear and any fire or other casualty loss excepted), and (iii) any costs we pay to remove, store or dispose of personal property left in the Residence. Any refundable amount shall be paid to the resident who withdraws from Pisgah Valley campus (see Paragraph IX.H. for the use of a refundable Entrance Fee in the case of on-campus transfers) only when the Residence is reserved by a new resident and thirty (30) days after we collect

full Entrance Fee from the new resident or 24 months after termination of this Agreement (whichever occurs first).

Any refund due shall be paid to the estate of the deceased Resident or to a beneficiary identified in advance by the Resident.

- F. Condition of Residence.** Upon vacating the Residence, you shall leave it in good condition except for normal wear and tear. You or your estate shall be liable to Pisgah Valley for costs required to restore the Residence to good condition or standard condition, except for normal wear and tear, and for the removal and disposition of abandoned personal belongings. Such costs will be deducted from the refundable portion of the Entrance Fee due to you.
- G. Changes to Residence.** After the Date of Occupancy, any structural or physical changes to the Residence directed by you (including alterations such as construction of bookshelves or redecoration such as painting or wallpapering) will require the prior approval of Management and will be made only under Pisgah Valley's supervision and direction. The cost of any change requested by you shall be at your expense. Pisgah Valley may require, as a condition of approval of a requested change, that you either (i) agree to bear the cost of restoring the Residence to its original condition upon termination of your occupancy of the Residence or (ii) prepay the estimated cost of restoring the Residence to its original condition. All structural improvements shall belong to Pisgah Valley.
- H. Use of a Refundable Entrance Fee Option for Health Care Expenses at Pisgah Valley.**
1. Single Occupancy. Should you permanently vacate your Pisgah Estates Residence by transferring to a Health Care Residence, you may then draw against the refundable portion of the Entrance Fee to supplement payment of your health care costs at Pisgah Valley but if, and only if, your other assets from all available sources are insufficient to cover your health care costs at Pisgah Valley. Pisgah Valley will require you to demonstrate the unavailability of other resources to cover health care costs at Pisgah Valley. The refundable portion of the Entrance Fee can be accessed exclusively for healthcare services at Pisgah Valley as a supplement to any income you receive from all available sources. You may access the refund for health care purposes only when the vacated Residence is reserved by a new resident and the new resident has paid their Entrance Fee.
 2. Double Occupancy. The following conditions apply when the residents to this contract are two married individuals in a Pisgah Estates Residence:
 - a. Single Transfer to Health Care Residence. The Entrance Fee relates to the resident identified in this Agreement, not to either individual resident alone. As such, as long as one of the residents remains at Pisgah Valley, no refund of the Entrance Fee is due to either resident, even if one resident vacates Pisgah Valley for any reason.

- b. Dual Transfer to Health Care Residence. Should both residents vacate their Pisgah Estates Residence by transferring to a Health Care Residence, either or both resident(s) may then draw against the refundable portion of the Entrance Fee to supplement payment of their health care costs at Pisgah Valley but if, and only if, the residents' other assets from all available sources are insufficient to cover the residents' health care costs at Pisgah Valley. Pisgah Valley will require the residents to demonstrate the unavailability of other resources to cover health care costs at Pisgah Valley. The remaining refundable portion of the Entrance Fee can be accessed exclusively for healthcare services at Pisgah Valley as a supplement to any income the residents receive from all available sources. The residents may access the refund for health care purposes only when the vacated Residence is reserved by a new resident and the new resident has paid their Entrance Fee.
- c. Single Transfer to Health Care Residences and Change in Residence. Should one resident vacate their Residence by transferring to a Health Care Residence, and the other resident vacates the Residence by transferring to an Pisgah Estates Residence that carries a lesser Entrance Fee, the resident who has transferred to the Health Care Residence may then draw against the remaining refundable portion of the Entrance Fee to supplement payment of their health care costs at Pisgah Valley, up to the difference between the original Entrance Fee, and the then current Entrance Fee ("Revised Entrance Fee") for the new Pisgah Estates Residence, but if, and only if, the resident's other assets from all available sources are insufficient to cover the resident's health care costs at Pisgah Valley. Pisgah Valley will require the resident to demonstrate the unavailability of other resources to cover health care costs at Pisgah Valley.

Should the resident residing in a Pisgah Estates Residence vacate said accommodation by transferring to a Health Care Residence at Pisgah Valley, that resident may then draw upon the remaining refundable portion of the Revised Entrance Fee to supplement payment of their health care costs at Pisgah Valley, but if, and only if, the resident's other assets from all available sources are insufficient to cover the resident's health care costs at Pisgah Valley. Pisgah Valley will require the resident to demonstrate the unavailability of other resources to cover health care costs at Pisgah Valley. The remaining refundable portion of the Entrance Fee can be accessed exclusively for health care services at Pisgah Valley as a supplement to any income the resident receives from all available sources. The Resident may access the refund for health care purposes only when the vacated Residence is reserved by a new resident and the new resident has paid their Entrance Fee.

- d. Utilization of the remaining refundable portion of the Entrance Fee may be made to supplement payment of health care costs at Pisgah Valley only.

Contingent upon a financial review of the resident's income and assets, Pisgah Valley reserves the right to determine the amount of the refundable portion of the Entrance Fee that may be used to supplement the resident's health care fees at Pisgah Valley.

X. FINANCIAL ASSISTANCE

The policies relating to financial assistance are determined by Management. The amount of assistance is determined on an individual basis and there is no guarantee of assistance to any individual resident.

XI. GENERAL

- A. Assignment.** Your rights and privileges under this Agreement to the Residence, common areas and amenities, services and programs of Pisgah Valley are personal to you and may not be transferred or assigned by you.
- B. Management of Pisgah Valley.** The absolute rights of management are reserved by Pisgah Valley, its officers, and its administrators as delegated by Pisgah Valley's officers. Pisgah Valley reserves the right to accept or reject any person for residency. You do not have the right to determine admission or terms of admission for any other resident.
- C. Enforcement Costs.** You agree to pay, or reimburse for paying, our reasonable attorneys' fees and expenses and any other costs we incur for the collection of any past due monthly fees or other amounts due under this Agreement or to enforce any other provision of this Agreement.
- D. Notice Provisions.** Any written notice we give to you under this Agreement shall be mailed or delivered to your unit. Any written notice you give to us under this Agreement shall be mailed or delivered to us at the following address: 95 Holcombe Cove Road, Candler, North Carolina 28715 Attention: Director of Marketing/Programming.
- E. Entire Agreement.** This Agreement constitutes the entire contract between you and us. Pisgah Valley shall not be liable or bound in any manner by any statements, representations, or promises made by any person representing or purporting to represent Pisgah Valley, unless such statements, representations, or promises are set forth in the Agreement or its duly executed Schedules and Addenda.
- F. Successors and Assigns.** Except as otherwise provided herein, this Agreement shall be binding upon and inure to the benefit of the successors and assigns of Pisgah Valley and your heirs, executors, administrators, and assigns.
- G. Subordination to Financing.** Your rights under this Agreement shall at all times be subordinate to the rights of any bona fide lender under any mortgage, deed of trust or other security interest, now existing or hereafter created, on any of the

property of Pisgah Valley and to all amendments, modifications, replacements or refinancing thereof. You shall execute and deliver any documents reasonably required by Pisgah Valley or by the holder of any mortgage, deed of trust or other security agreement to evidence or effect such subordination.

- H. Transfer of Property.** You agree not to make any gift or other transfer of property for the purpose of evading your obligations under this Agreement or if such gift or transfer would render you unable to meet such obligations.
- I. Governing Law; Severability.** This Agreement shall be governed by the laws of the State of North Carolina. If any provision of this Agreement is invalid or unenforceable, the remainder of this Agreement shall continue in full force and effect.
- J. Ad Valorem Taxes.** Should Pisgah Valley ever be required to pay ad valorem property taxes that may be assessed in the future, the applicable pro rata amount of such taxes will be added to the Monthly Fee for your Residence.
- K. Rights of the Resident.** Rights of you under this Agreement are the rights and privileges herein expressly granted and do not include any proprietary interest in the properties or assets of Pisgah Valley Retirement Center, LLC, Pisgah Valley Retirement Center Properties, LLC, or any membership in Pisgah Valley .
- L. Pisgah Estates Unit Owners Association; 95 Holcombe Cove Road, Candler, North Carolina 28715.** The Pisgah Estates Unit Owners Association (the “Unit Owners Association”) was created in accordance with the North Carolina Condominium Act to own and manage the commonly owned property of Pisgah Valley’s independent living campus. The Unit Owners Association began operations in 1975 as an unincorporated non-profit association and became a not-for-profit corporation under the laws of the State of North Carolina in September 2008. Under the terms of a management agreement (“Management Agreement”), Pisgah Valley has majority voting rights in the Unit Owners Association and performs program, maintenance, and administrative services to the Unit Owners Association. Services are billed monthly and the Management Agreement is renewable each calendar year. The Unit Owners Association’s revenue is generated primarily through maintenance fees from Pisgah Estates unit owners. Cindy Stancil is a member and chairman of the Unit Owners Association Board of Directors. The Unit Owners Association is not responsible for the financial and contractual obligations of Pisgah Valley.

IN WITNESS HEREOF, you and we have signed this Agreement and you have received a copy of the current Pisgah Valley Disclosure Statement on the day and year shown on the first page of this Agreement and you have paid the 10 Percent (10%) Deposit.

Addenda Attached:

Acknowledgement of Receipt of Disclosure Statement
Schedule I

Resident Signature

Date

Resident Signature

Date

**PISGAH VALLEY RETIREMENT CENTER,
LLC and PISGAH VALLEY RETIREMENT
CENTER PROPERTIES, LLC**

By: _____
Authorized Representative
Date

**ACKNOWLEDGEMENT OF RECEIPT
OF
DISCLOSURE STATEMENT**

**Pisgah Valley Retirement Community
95 Holcombe Cove Road
Candler, North Carolina 28715**

As of the day and year above written in this Residence Reservation Agreement, the undersigned Resident(s) acknowledges receipt of the Disclosure Statement of Pisgah Valley Retirement Center, LLC and Pisgah Valley Retirement Center Properties, LLC d/b/a Pisgah Valley Retirement Community dated _____. The Disclosure Statement was received prior to the execution of this Residence Reservation Agreement or prior to or at the time of the transfer of any money or other property to the facility, whichever occurred first.

As a prospective resident, PVRCP and PVRC representatives have encouraged me to read the Disclosure Statement in its entirety before entering into any contract or written agreement or paying any fee.

I understand Pisgah Valley, like all other continuing care retirement communities in the State of North Carolina, is subject to an act concerning registration and disclosure by continuing care retirement communities (the "Act"). Registration under the Act does not constitute approval, recommendation, or endorsement of the continuing care retirement community by the Department of Insurance or the State of North Carolina, nor does such registration evidence the accuracy or completeness of the information in the Disclosure Statement.

I understand this matter involves a financial commitment and associated risk as well as a legally binding contract. In evaluating the Disclosure Statement and the financial statements prior to any commitment, I was encouraged to consult with an attorney and/or financial advisor who could review these documents with me, if any matters contained herein are not clear, including an understanding of solvency and deficit fund balance levels for this and other continuing care retirement communities.

Resident Signature

Date

Resident Signature

Date

**PISGAH VALLEY RETIREMENT CENTER,
LLC AND PISGAH VALLEY RETIREMENT
CENTER PROPERTIES, LLC**

By: _____
Authorized Representative
Date

**RESIDENCE AND SERVICES AGREEMENT
PISGAH VALLEY RETIREMENT CENTER
SCHEDULE I
PAGE 2 OF 2**

MONTHLY FEE:

Monthly fee at Date of Occupancy:

1st person	\$ _____
2nd person	\$ _____
Optional service package (describe) _____	\$ _____
Total Monthly Fee	\$ _____

PARKING SPACE FEE (NONREFUNDABLE):

Parking space fee due at Date of Occupancy

Limited to one parking space per Residence \$ _____

PET FEE (NONREFUNDABLE):

Pet fee due at Date of Occupancy

1st pet	\$ _____
2nd pet	\$ _____
Total Nonrefundable Pet Fee	\$ _____

1st Resident Signature Date

2nd Resident Signature Date