



DISCLOSURE STATEMENT

Quail Haven of Pinehurst, LLC, a North Carolina for-profit limited liability company (“Quail Haven”) the operator of Quail Haven Village (the "Village") must deliver a Disclosure Statement to a prospective resident prior to or at the time a prospective resident executes a Residency Agreement to provide continuing care, or prior to or at the time a prospective resident transfers any money or other property to Quail Haven, whichever occurs first.

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

May 31, 2019

Unless earlier revised, the Quail Haven intends for this Disclosure Statement to remain effective until October 28, 2020

EQUAL HOUSING OPPORTUNITY

(910) 295-2294

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INTRODUCTION

Quail Haven Village (the "Village") is located at 155 Blake Boulevard, Pinehurst, NC 28374. It brings to residents of the central North Carolina area, who are age 62 and over, a way of retirement living known as "continuing care." This concept offers retirees a lifestyle designed to meet their unique needs while allowing them the freedom to pursue their personal interests. As a continuing care community, the Village encompasses these important components: residential living, a wide array of personal services, and the security of care in the on-site professional health center.

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

Since nontechnical language has been used in this Disclosure Statement, the text of this booklet and the language of the Continuing Care Residency Agreement (the "Residency Agreement") signed by a resident may not be the same. Although this Disclosure Statement details the provisions of the Residency Agreement, the Residency Agreement serves as the sole binding contract between the resident and us.

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

QUAIL HAVEN VILLAGE

The Village is operated by Quail Haven of Pinehurst, LLC, a for-profit North Carolina limited liability company (“Quail Haven”) and is located at 155 Blake Boulevard in Pinehurst, North Carolina on 18 acres of land (the “Site”). It is a continuing care retirement community designed to accommodate its residents (“Residents”) in a dignified manner. The Village has 82 independent living rental apartments located in an independent living facility (the “Independent Living Building”) with access to a 60-bed health center known as The Inn at Quail Haven Village (the “Inn”), and two six-bed Family Care Homes, known as Cardinal Cottage and Rosemary Cottage, (the “FCH Beds”) providing licensed assisted living care. At the time of this filing with the NC Department of Insurance there were approximately 74 Independent Living residents under Residency Agreements.

In addition to the primary intent of the Village, which is to assure the residents of continuing care throughout their retirement years, the Village is designed to create an environment that will enrich the lives of the people who live and work there. The Clubhouse, which is the central building of the Village’s campus, contains a commercial kitchen, administrative offices, a library, a lounge, a conference room, a beauty/barber shop, and two dining rooms. A covered portico at the main entrance extends for sheltered automobile access. The Village has asphalt-paved streets and parking for staff, visitors, and vendors. Significant mature landscaping has been planted and complete irrigation provided throughout the campus. Walkways, garden plots and large open areas add to the ambience of the Village.

The Inn and the FCH Beds are operated by Quail Haven Healthcare Center of Pinehurst, LLC, a North Carolina for-profit limited liability company (“Quail Haven Healthcare”) and are licensed by the North Carolina Division of Health Service Regulation and the beds in the Inn are both Medicare and Medicaid certified. The Inn offers skilled nursing care to the residents of the Village pursuant to a Transfer Agreement (defined below) between Quail Haven and Quail Haven Healthcare. Despite having separate ownership, the Village, the FCH Beds, and The Inn share certain common areas and supporting services such as a central kitchen, housekeeping, maintenance staff and other administrative services. Each resident is entitled to receive three (3) days of nursing care at The Inn and in the FCH beds at no additional charge, except for the costs of physician services and ancillary health services and supplies. Such three (3) days is non-cumulative and renews on an annual basis. If the resident no longer qualifies for the three (3) days of care each year, the services at The Inn and the FCH Beds are available for the per diem and monthly charges.

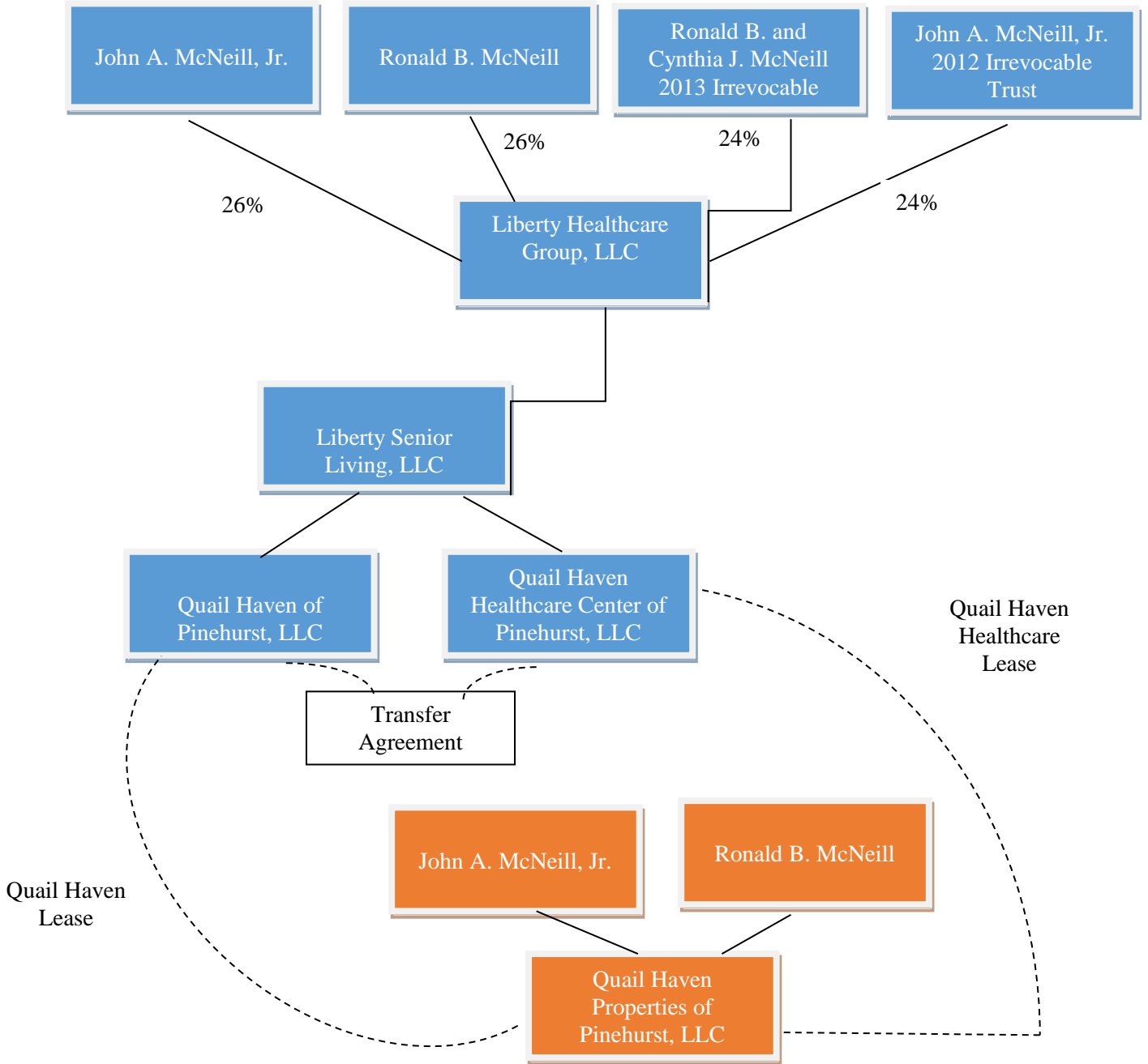
ORGANIZATION, OWNERSHIP AND MANAGEMENT

A. Organization of Quail Haven.

Organized on May 5, 2013 to manage the Village, Quail Haven of Pinehurst, LLC, is a North Carolina for-profit limited liability company. Liberty Senior Living, LLC (“Liberty Senior Living”) is the sole owner of Quail Haven. Liberty Healthcare Group, LLC (“Liberty Healthcare Group”) is the sole owner of Liberty Senior Living, LLC. John A. McNeill, Jr.,

Ronald B. McNeill, and related trusts are the principals of the Liberty Healthcare Group. John A. McNeill, Jr., Ronald B. McNeill, and related trusts are the only individuals and trusts having, directly or indirectly, a 10% or greater beneficial interest in Quail Haven.

Organizational Chart



Facility Ownership and Financing.

The Village is located on an approximately 18-acre site (the “Site”), having an address of 155 Blake Boulevard in Pinehurst, North Carolina. Pursuant to an Asset Purchase Agreement Quail Haven Properties of Pinehurst, LLC, a North Carolina for-profit limited liability company (“Quail Haven Properties”) purchased the Site, together with all of the improvements comprising the Village and the Inn from Pleasant Living Healthcare, Inc. on November 19, 2013.

Promptly after the purchase, Quail Haven Properties and Quail Haven executed a lease (the “Quail Haven Lease”) for Quail Haven’s use and operation of the Independent Living Building, the Clubhouse, and the associated common areas. Quail Haven Properties and Quail Haven Healthcare executed a separate lease (the “Quail Haven Healthcare Lease”) for Quail Haven Healthcare’s use and operation of the Inn. The Quail Haven Lease and the Quail Haven Healthcare Lease each have terms of 10 years and rent under each of the leases are in an amount sufficient to satisfy the debt service coverage ratio required by Quail Haven Properties’ lender.

The Village provides its residents temporary or permanent skilled nursing services or adult care services (“Healthcare Services”) through a healthcare services transfer agreement with Quail Haven Healthcare (the “Transfer Agreement”). Twenty-five (25) skilled nursing beds located within The Inn are operated by Quail Haven Healthcare, but the use is reserved for residents of the Village (the “Closed Beds”). Thirty-five (35) skilled nursing beds located within The Inn are available to the public (the “Open Beds”). In the event that the Closed Beds are fully-occupied, residents of the Village will be given priority access to the available Open Beds. Adult care services will be provided through the same Transfer Agreement in the FCH Beds. The 6 beds located in the Cardinal Cottage will be reserved for residents requiring Memory Care services.

B. Management.

Quail Haven operates the Village. No other person or entity referred to herein has assumed any financial responsibility for the fulfillment of Quail Haven’s agreements or obligations, except as otherwise stated. The principals of Quail Haven are John A. McNeill, Jr. and Ronald B. McNeill. Angela Pauline is the Executive Director of Quail Haven. The address for principals is 2334 S. 41st St., Wilmington, NC 28403 and address for the Executive Director is 155 Blake Blvd, Pinehurst, NC 28734.

1. John A. McNeill, Jr. and Ronald B. McNeill. John A. McNeill Jr. and Ronald B. McNeill are the principals of Liberty Living Management (defined below) and Liberty Healthcare Group, which is the parent company of Quail Haven, Quail Haven Properties, and Quail Haven Healthcare.

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 one of the principals of Liberty Healthcare Group and 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.

2. Melissa Godwin. Ms. Godwin is the Executive Director of the Village and has been an employee of Liberty Senior Living since March 2018. She holds a Bachelor of Science in Business Administration from East Carolina University and a Master of Accounting and Financial Management from DeVry University. She is licensed as a nursing home administrator in North Carolina. Ms. Godwin began her healthcare career in 1992, as a critical care nurse and began working in long term care in 1996. Ms. Godwin has worked as a licensed nursing home administrator with Liberty Healthcare Group since 2002.

C. Related Parties.

The Village is managed and operated by various related parties pursuant to agreements between such parties and Quail Haven as more fully described below:

1. Quail Haven Properties of Pinehurst, LLC. Quail Haven Properties is a North Carolina for-profit limited liability company formed for the purpose of developing and owning the Site and improvements comprising the Village, the Inn, and the FCH Beds. Quail Haven Properties has the responsibilities as the landlord under the Quail Haven Lease and the Quail Haven Healthcare Lease. The principals of Quail Haven Properties are John A. McNeill, Jr. and Ronald B McNeill.
2. Quail Haven Healthcare Center of Pinehurst, LLC. Quail Haven Healthcare is a North Carolina for-profit limited liability company formed for the purpose of leasing and operating the Inn and the FCH Beds located on the Site adjacent to the Village. Liberty Senior Living, LLC is the sole owner of Quail Haven Healthcare. Liberty Healthcare Group is the sole owner of Liberty Senior Living, LLC. John A. McNeill, Jr., Ronald B McNeill, and related trusts are the principals of Liberty Healthcare Group.
3. 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 the Village 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 the Village through its affiliation with Liberty Healthcare Management, Inc. and provides healthcare related services to Quail Haven Healthcare through its affiliation with Liberty 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.
4. 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 the Village 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.

Neither the managers nor any principals of Quail Haven, Quail Haven Properties, Quail Haven Healthcare and Liberty Living Management: (i) have been convicted of a felony or pleaded nolo contendere to a felony charge or been held liable or enjoined in a civil action by final judgment for a felony or civil action involved fraud, embezzlement, fraudulent conversion, or misappropriation of property or (ii) are subject to a currently effective injunctive or restrictive court order, or within the past five years, had any state or federal license or permit suspended or revoked as a result of an action

brought by any governmental agency or department, arising out of or related to business activity of health care, including actions affecting a license to operate a foster care facility, nursing home, retirement home, home for the aged, or facility subject to N.C.G.S. §58-64 or similar law in another state.

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

THE PROPOSAL

1. Admissions Policy. The resident must be 62 years of age or older, capable of residential living, and have sufficient financial resources to permit payment of the Monthly Fee (first and second person, as applicable) plus other personal expenses which may be reasonably expected, to pay for the costs of health care services, and to meet anticipated increases in the cost of living and increases in the Monthly Fees.

3. Community Fee. Upon execution of the Residency Agreement, the resident is required to pay a nonrefundable Community Fee, which will be applied towards the operating expenses of the Village.

4. Monthly Fee. The resident is required to pay a Monthly Fee (first and second person) to the Village on the first (1st) day of the month. The first Monthly Fee will be due within 60 days of the execution of the Residency Agreement and payment of the Community Fee. The Monthly Fees are paid to provide the services and amenities described in the Residency Agreement and to meet the expenses associated with the operation of the Village. The amount of the Monthly Fee in effect at the time a Residency Agreement is executed will be clearly stated in the Residency Agreement. Total Monthly Fees are higher when a second person also shares a residence. We may increase the Monthly Fee upon 30 days written notice to the residents if we deem it necessary in order to meet the financial needs of the Village and to provide the services and amenities to the residents.

5. Home Care Services. Quail Haven Health is licensed to provide home care services to residents in their residences so that they may continue to live in their residences for as long as possible. Home care services may include: (i) tray service; (ii) special diets; and (iii) assistance with bathing, dressing, and escort. Such services are for an additional fee.

6. Services at the Inn. Each resident is entitled to receive three (3) days of assisted living or skilled nursing care in the Inn at no additional charge, except for the costs of physician services and ancillary health services and supplies as outlined in the Residency Agreement. Such three (3) days is non-cumulative, renews on an annual basis, and also applies to utilization of the FCH Beds. After utilization of the three (3) days of care, the resident will be required to pay the per diem charge for care in the Inn or FCH Beds, as well as the Monthly Fee for his/her residence. If it is determined that the resident requires permanent care in the Inn or FCH Beds, the resident will be required to release his/her residence for occupancy by someone else. Once the residence is vacated, the Monthly Fee will cease.

7. Relocation/Moves. We may relocate a resident to a different residence or a higher level of care after consultation with the resident, resident's family and attending physician if it is determined that such a move should be made for the benefit of the resident or for the proper operation of the Village or to meet the requirements of law.

8. Provisions for New Second Resident. No person other than the resident may occupy the residence without our written approval. Should the resident marry or should the resident wish to add a second person who is not a party to the Residency Agreement, then that person's acceptance will be in accordance with our then-current admissions policy. Upon application for residency, such

second person shall pay a nonrefundable Community Fee. After occupancy, the second person will be required to pay the then-current Monthly Fee for second persons. If the second person does not meet the requirements for residency, he/she will not be permitted to occupy the residence for more than 30 days, except with our written approval, and the resident may cancel the Residency Agreement.

9. Provisions for Resident Marrying Resident. Should the resident marry a person who is also a resident of the Village or should two residents decide to co-occupy one residence, they must declare which residence will be occupied and which residence will be released (or they may choose to release both of their residences and occupy a new residence). After the residence(s) is vacated, the then-current first and second person Monthly Fees shall be paid for the occupied residence.

10. Insurance. The resident is required to maintain Medicare Part A, Medicare Part B and one supplemental health insurance policy or equivalent insurance coverage acceptable to us. Residents are also required to carry personal property insurance and liability insurance.

11. Cancellation of the Residency Agreement.

11.1 Nonacceptance. If the resident is not accepted for residency at the Village, the full amount of the Community Fee paid by the resident will be promptly refunded, without interest. If the resident's spouse or second person does not meet the requirements for admission, said person may be admitted directly into the Inn as long as accommodations are available and such person qualifies for the care available at the. He/she will pay the full per diem charge for such care.

11.2 Right of Rescission. The resident has the right to rescind the Residency Agreement within 30 days following his/her execution of the Residency Agreement or the date of receipt of the disclosure statement, whichever comes later. The Community Fee paid in accordance with the terms of the Residency Agreement will be refunded, without interest, less a service charge of \$1,000 and less any charges specifically incurred by the Village at resident's request and as set forth in writing. Refund will be issued within 60 days after our receipt of the resident's notice of rescission.

11.3 Cancellation Prior to Occupancy. If the resident dies or is unable to occupy the residence due to illness, injury or incapacity, the Residency Agreement will automatically cancel. The resident may also cancel the Residency Agreement for any other reason (including a change in resident's financial condition) at any time before moving into the Village by giving written notice to us. The Community Fee paid in accordance with the terms of the Residency Agreement will be refunded, without interest, less a service charge of \$1,000 and less any charges specifically incurred by the Village at resident's request and as set forth in writing. Refund will be issued within 60 days after our receipt of the notice of your death, injury or incapacity, or receipt of your notice of cancellation.

11.4 Cancellation After Occupancy. The resident may cancel the Residency Agreement for any reason after moving into the Village by giving us 30 days prior written notice. The resident is required to vacate the residence at the expiration of the 30 day period.

During the 30 day period, we may remarket the residence to prospective residents. If the resident cancels the Residency Agreement prior to its expiration during the initial term or any renewal term, the resident will be responsible for continuing to pay the Monthly Fee until the later of (i) removal of the resident's furniture, possessions and property from the residence and the turnover of the keys to Village Administration; or (ii) the reoccupancy of the resident's residence by a new resident. The Community Fee paid in accordance with the terms of the Residency Agreement is nonrefundable.

11.5 Cancellation Due to Death After Occupancy. This Agreement will automatically cancel upon the resident's death. The resident's personal representative will have 30 days from the date of such death to remove resident's personal property from the residence. Resident's estate will continue to be responsible for paying the Monthly Fee until the removal of the resident's furniture, possessions and property from the residence and the turnover of the keys to Village Administration. The Community Fee paid in accordance with the terms of the Residency Agreement is nonrefundable.

11.6 Cancellation by Us After Occupancy. We may cancel the Residency Agreement at any time upon notice and opportunity to care for any of the following reasons:

- Resident does not comply with the terms of the Residency Agreement or our published operating procedures, covenants, rules, regulations, and policies (now existing or later amended); or
- Resident misrepresents himself or fails to disclose information during the admissions process; or
- Resident fails to make payment to us of any fees or charges due within 60 days of the date when such fees or charges are due; or
- Resident's health status or behavior constitutes a substantial threat to his/her health or safety, or the health or safety of other residents or others including a resident's refusal to consent to relocation or behavior that would result in the physical damage to the property of others or the Village; or
- There is a major change in Resident's physical or mental condition, which cannot be cared for in the Inn within the limits of its license.

The Community Fee paid in accordance with the terms of the Residency Agreement is nonrefundable.

THE SERVICES

1. The following services are provided for the Monthly Fee:
 - An unfurnished residence, which includes a refrigerator, oven and range, and a smoke detector.
 - One (1) meal per day in the Clubhouse dining room;
 - Utilities, including heating, cooling, water, and electricity;
 - Cable television satellite system;

- Wireless internet access;
- Scheduled curbside trash pick-up;
- Weekly housekeeping service;
- Weekly linen and towel service, if desired;
- Availability of laundry facilities so that resident can wash and dry personal laundry;
- Scheduled local transportation;
- Interior maintenance of the residence and of the furnished appliances (due to normal wear and tear);
- Maintenance of the Village common areas;
- Regular exterior maintenance and landscaping;
- Planned social and recreational activities for those who wish to participate;
- Use of all the Village's common areas, subject to the rules and regulations contained in the Resident Handbook;
- Use of First Health Fitness Center;
- Twenty-four (24) hour security service;
- Emergency call system;
- Routine health consultation at the Inn; and
- Three (3) free days of care per calendar year in the Inn, on a space available basis.

2. The following services are available for an extra charge.

- Extra meals;
- Guest meals;
- Beauty salon services;
- Personal local transportation;
- Home care services through the Village's Home Care Services Program; and
- Additional care beyond the three (3) free days of care per year in the Inn on a space available basis.

3. Long-term care services are available for a per diem charge in the on-site health centers.

The base per diem charge includes:

- 24 hour nursing service;
- Room and board;
- Three meals per day;
- Feeding assistance;
- Housekeeping;
- Planned activities;
- Bathing/grooming/dressing;
- Third party insurance billing, upon request;
- Social services;
- Chaplaincy services;
- Personal laundry; and
- Wireless Internet access.

4. The following services are available in the health centers for an additional fee:
- Pharmacy/medications;
 - Nursing supplies not considered routine;
 - Supplemental nourishment;
 - Physician professional services;
 - Podiatry services;
 - Psychiatric services;
 - Physical therapy, speech therapy, and occupational therapy;
 - Transportation; and
 - Special feedings.

FEES

1. The fee requirements for living in a residence at the Village are as follows:

A. Community Fee. Non-refundable Community Fee equal to one month's Resident's Monthly Fee is required to be paid at the time the Residency Agreement is executed by the resident.

B. Monthly Fee. A Monthly Fee for services is required to be paid each month per person. Monthly Fees are determined by single or double occupancy and the size and type of the residence reserved. The Monthly Fee is due on the first (1st) day of the month. A schedule of the current Monthly Fees is as follows:

2019 MONTHLY FEES	
<u>Unit Type</u>	2019
One Bedroom, One Bath	
Dogwood (520 sq. ft.)	\$2,744
Maple (590 sq. ft.)	\$2,877
Peach (690 sq. ft.)	\$3,213
Two Bedrooms, One Bath	
Holly (690 sq. ft.)	\$3,213
Magnolia (781 sq. ft.)	\$3,529
Rose (884 sq. ft.)	\$3,708
Two Bedrooms, Two Baths	
Cedar (793 sq. ft.)	\$3,570
Oak (1,040 sq. ft.)	\$3,993
Pine (1,210 sq. ft.)	\$4,407
Pine II (1,535 sq. ft.)	\$4,590
Willow (1,560 sq. ft.)	\$4,723
Second Person	\$500

2. Extra Charges. In addition to the Monthly Fees residents of the Village may pay for optional services such as (1) extra/catered/delivered meals, (2) guest meals, (3) beauty and salon services, (4) personal local transportation, (5) home care services through the Village's Home Care Services Program, and (6) additional care beyond the three (3) free days of care per year in the Inn on a space available basis. A list of the current fees for such items is available from the Village's Business Office and the Village's Marketing Office.

3. Health Care Fees. The per diem charges for care in the Inn and FCH Beds are:

Skilled Care - Private Room	\$248.00
Family Care Home:	
Cardinal Cottage – Studio	\$5,406/month*
Rosemary Cottage – One-Bedroom	\$5,931/month*
Rosemary Cottage – Studio	\$5,406/month*

*An additional \$400/month charge will be applied to Level 5 care level residents.

Following is a table showing the average dollar amount of increase in the Monthly Fees at the Village, along with the average dollar amount increase related to skilled nursing per diem and family care home monthly charges for the current year and for the previous five years:

Average Increase in Charges						
<u>Unit Type</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<i>Independent Living (monthly):</i>						
First Person	\$100	\$0	\$0	\$0	\$100	\$67
Second Person	\$0	\$0	\$0	\$0	(\$175)*	\$0
<i>Skilled Nursing (per diem):</i>						
Semi-Private Room	\$7	\$0	\$0	\$0	\$0	\$5
Private Room	\$7	\$0	\$0	\$0	\$9	\$5
<i>Family Care Home (monthly):</i>						
Studio	\$0	\$0	\$0	\$0	\$100	\$106
One-bedroom	\$0	\$0	\$0	\$0	\$115	\$116

*Second Person Fee decreased from \$675 to \$500.

4. Adjustment of Fees. We may adjust the Monthly Fees as determined by management in order to maintain the desired quality of service and to operate the Village on a fiscally sound basis. We shall provide the resident with 30 days' written notice in advance of any change in the Monthly Fees.

FINANCIAL INFORMATION

1. Audited Financial Statements. Audited combined financial statements of Quail Haven, Quail Haven Properties, and Quail Haven Healthcare as of and for the year ended December 31, 2018 are included as Exhibit A.

2. Actual versus Forecasted Results. A narrative of material differences between the previously forecasted financial statements and actual results of operations for the year ended December 31, 2018 for Quail Haven are included as Exhibit B.

3. Interim Financial Statements. Interim financial statements for the three-month period ended March 31, 2019 for Quail Haven are included as Exhibit C.

4. 5-Year Prospective Financial Statements. Financial forecasts for each of the five years ending December 31, 2023 for Quail Haven as compiled by an independent public accountant are included as Exhibit D.

5. Financing. Quail Haven Properties' acquisition of the Site and improvements comprising the Village, the FCH Beds, and the Inn was financed through a loan in the approximate amount of Seven Million One Hundred and Sixty Thousand Dollars (\$7,160,000.00).

6. Reserves. In accordance with Section 58-64-33 of the North Carolina General Statutes, we are required to maintain an operating reserve for the Village equal to 50 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 the Village. The Village's Statutory Reserve is 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 names Quail Haven Village of Pinehurst, LLC as the beneficiary and is in an amount sufficient to satisfy the Statutory Reserve requirement. The Village's Statutory Reserve requirement at December 31, 2018 was \$2,473,000 based on occupancy of less than 90%. The Letter of Credit at December 31, 2018 was \$2,969,000 with an expiry date of November 2019.

7. Financial Assistance. Default in payment of the Monthly Fee is cause for cancellation of the Residency Agreement. We may provide up to one percent (1%) of gross revenues annually for residents who become unable to pay their regular charges. Any such need for financial assistance will be considered, after written request from the responsible person, on a case-by-case basis by the Quail Haven Village. Financial assistance funds are available as long as providing financial assistance does not impair our ability to operate the Village on a sound financial basis for the benefit of all residents. Financial assistance may be available to a continuing care resident, provided such resident does not impair his/her ability to meet the financial obligations by transfer of assets other than to meet ordinary and customary living expenses or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance or other health insurance as outlined in the Residency Agreement. A resident must have met all "spend-down" provisions of eligibility for the Medicaid program. The resident must agree to apply for Medicaid.

FACILITY DEVELOPMENT/EXPANSION

For the past several years, the Village has been refurbishing residences as they become available for remarketing. As of the date of this Disclosure Statement, 64 residences have been completely refurbished and 18 residences have been partially refurbished. Two independent living buildings totaling 9 units were converted to two Family Care Homes, the Rosemary and Cardinal Cottages.

OTHER MATERIAL INFORMATION

To the best of its knowledge, management knows of no legal or civil action against Quail Haven as of the date of this Disclosure Statement.

AGREEMENTS WITH RESIDENTS

A copy of the current Residency Agreement for the Village is attached to this Disclosure Statement as Exhibit E. This agreement is in compliance with the pertinent specifications of Section 58-64-25 of the North Carolina General Statutes. We reserve the right to offer to new prospective residents alternative forms of agreements from time to time.

EXHIBIT A
AUDITED FINANCIAL STATEMENTS
[ATTACHED]

QUAIL HAVEN VILLAGE

COMBINED FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES

As of and for the Year Ended December 31, 2018

And Report of Independent Auditor

QUAIL HAVEN VILLAGE

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Report of Independent Auditor

To the Owners
Quail Haven Village
Wilmington, North Carolina

We have audited the accompanying combined financial statements of Quail Haven Village, a group of entities under common control (collectively “Quail Haven”), which comprise the combined balance sheet as of December 31, 2018, and the related combined statements of operations and changes in members’ equity and cash flows for the 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.

Auditor’s Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

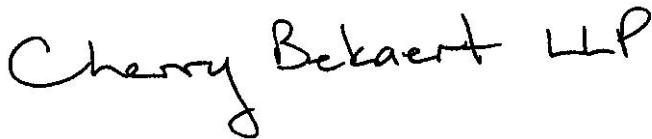
We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Quail Haven as of December 31, 2018, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Supplemental Information

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

A handwritten signature in black ink that reads "Cherry Bekaert LLP". The signature is written in a cursive, flowing style.

Charlotte, North Carolina
May 24, 2019

QUAIL HAVEN VILLAGE

COMBINED BALANCE SHEET

DECEMBER 31, 2018

ASSETS

Current Assets:

Cash	\$	999,019
Resident/patient accounts receivable, net		338,166
Accounts receivable - other		10,798
Inventories		31,576
Prepaid expenses		51,973
Total Current Assets		<u>1,431,532</u>

Property and equipment, net		<u>9,314,058</u>
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Noncurrent Assets:

Intangible asset		1,194,465
Receivables - related parties		804,059
Other assets		34,546
Total Noncurrent Assets		<u>2,033,070</u>

Total Assets	\$	<u><u>12,778,660</u></u>
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LIABILITIES AND MEMBERS' EQUITY

Current Liabilities:

Current portion of long-term debt and capital leases	\$	221,229
Trade accounts payable		73,868
Resident accounts payable		10,592
Unearned revenue		35,236
Accrued expenses and other payables		494,770
Total Current Liabilities		<u>835,695</u>

Noncurrent Liabilities:

Accounts payable - related parties		2,651,780
Long-term debt and capital leases, net of current portion		5,975,996
Total Noncurrent Liabilities		<u>8,627,776</u>
Total Liabilities		<u>9,463,471</u>

Members' Equity		<u>3,315,189</u>
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Total Liabilities and Members' Equity	\$	<u><u>12,778,660</u></u>
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QUAIL HAVEN VILLAGE

COMBINED STATEMENT OF OPERATIONS AND CHANGES IN MEMBERS' EQUITY

YEAR ENDED DECEMBER 31, 2018

Revenue:	
Resident/patient revenue	<u>\$ 8,437,262</u>
Expenses:	
Nursing	2,517,897
Resident/patient services	765,873
Ancillary services	30,660
Dietary	1,124,620
Laundry	77,179
Housekeeping	265,559
Plant, operations, and maintenance	289,370
Cost of sales	155
Medical supplies	322,247
General and administrative	1,490,552
Depreciation and amortization	389,488
Interest expense	260,293
Management fees	591,563
Repairs and maintenance	<u>204,805</u>
Total Expenses	<u>8,330,261</u>
Net income	107,001
Members' equity, beginning of year	<u>3,208,188</u>
Members' equity, end of year	<u>\$ 3,315,189</u>

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

QUAIL HAVEN VILLAGE
COMBINED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2018

Cash flows from operating activities:	
Net income	\$ 107,001
Adjustments to reconcile net income to net cash flows from operating activities:	
Depreciation and amortization	389,488
Amortization of deferred financing costs	15,615
Changes in operating assets and liabilities:	
Resident/patient accounts receivable, net	53,210
Accounts receivable - other	(9,040)
Inventories	(10,189)
Prepaid expenses	(22,404)
Receivables - related parties	(281,238)
Trade accounts payable	45,749
Unearned revenue	(112,634)
Accrued expenses and other payables	47,774
Accounts payable - residents	6,802
Accounts payable - related parties	<u>267,346</u>
Net cash flows from operating activities	<u>497,480</u>
Cash flows from investing activities:	
Purchases of property and equipment	<u>(144,743)</u>
Cash flows from financing activities:	
Principal payments on long-term debt	(203,405)
Payments on capital lease obligations	<u>(9,057)</u>
Net cash flows from financing activities	<u>(212,462)</u>
Net change in cash	140,275
Cash, beginning of year	<u>858,744</u>
Cash, end of year	<u>\$ 999,019</u>
Supplemental disclosure of cash flow information:	
Cash paid during the year for interest	<u>\$ 243,722</u>

QUAIL HAVEN VILLAGE

NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 1—Nature of operations

Nature of Operations – Quail Haven Village (the “Company”) is an economic entity comprised of three individual companies listed below. The Company provides senior living services in Pinehurst, 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 November 2013.

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

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

Quail Haven Healthcare Center of Pinehurst, LLC (“Quail Haven Healthcare”) is a North Carolina for-profit limited liability company formed for the purpose of leasing and operating the 72-bed family care homes and skilled nursing facilities. Quail Haven Pinehurst 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.

Quail Haven Properties, through acquisition, owns two (2) six-bed family care homes and holds the certificate of need (“CON”) for 60 skilled nursing beds, the value of which is recorded as an intangible asset on Quail Haven Properties. Quail Haven Healthcare leases all 72 family care home and skilled nursing beds from Quail Haven Properties. Included in these 72 beds are services for 25 skilled nursing beds reserved for independent living residents of Quail Haven Pinehurst the terms of which are governed through a healthcare services transfer agreement described in Note 6.

Note 2—Summary of significant accounting policies

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

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

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

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

QUAIL HAVEN VILLAGE

NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 2—Summary of significant accounting policies (continued)

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

An allowance for uncollectible accounts is recorded to report the receivables at their net realizable value. Estimates for uncollectible accounts are based upon collection history and are reported in the period during which the services are provided even though the actual amounts collected may not become known until a later date. There was no allowance for uncollectible accounts at December 31, 2018.

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

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

Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets. Depreciation and amortization amounted to \$389,488 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 on the combined financial statements.

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

QUAIL HAVEN VILLAGE

NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 2—Summary of significant accounting policies (continued)

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 a limited liability company are taxed on their proportionate share of the Company's taxable income. Management has evaluated the effect of the guidance provided by GAAP 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.

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

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 \$2,548,000 based on occupancy of less than 90% at December 31, 2018 and projected operating expenses for 2019. The Company entered into an irrevocable standby letter of credit up to \$2,969,000 with an expiry date of November 2019.

Continuing care retirement communities located in North Carolina are licensed and monitored by the North Carolina 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.

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 North Carolina 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.

QUAIL HAVEN VILLAGE

NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 2—Summary of significant accounting policies (continued)

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 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:

Medicare	79%
Medicaid	11%
Commercial Insurance/Private Pay/Other	10%
	<hr/>
	100%
	<hr/> <hr/>

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

Medicare	27%
Medicaid	10%
Commercial Insurance/Private Pay/Other	63%
	<hr/>
	100%
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Advertising Costs – Advertising costs are expensed in the period incurred and totaled \$28,186 for the year ended December 31, 2018.

Residence and Care Agreement

Services – The residency agreement (“Residency Agreement”) is a rental contract under which the Company is obligated, upon payment by the resident of an admission fee and ongoing payments of the monthly fee to the CCRC, to provide certain services to the resident. While the resident occupies an independent living unit, services provided include: three (3) free days of nursing care per calendar year at the Inn (except for the costs of physician services and ancillary health services and supplies); one meal per day; all utilities, except telephone; housekeeping services; maintenance of both the unit and the grounds and equipment; scheduled local transportation; health consultation at the Inn; planned social, recreational, and cultural activities; and use of the community area and other common activity facilities. In addition, the community healthcare services are provided to residents at fee for service rates at the Inn.

Admittance Standards – To be accepted for admission to the independent living units at the CCRC, each prospective resident must be at least 55 years of age at the time residency is established, have financial assets adequate to pay the admission fee, and have sufficient income to meet the anticipated monthly fee and other personal expenses not provided under the Residency Agreement.

A reservation requires a signed Residency Agreement and the payment of a one-time working capital fee of \$10,000 as well as a \$100 initial application fee. The working capital fee is refundable within the first 30 days of the execution of the Residency Agreement.

QUAIL HAVEN VILLAGE
NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 2—Summary of significant accounting policies (continued)

Terms of Residency – The initial Residency Agreement shall be for a term of 13 months. After the initial term, the resident has the option, each year, of executing another Residency Agreement for 13 months. If another 13-month Residency Agreement is not executed, the Residency Agreement will expire at the end of the term.

Termination by the Resident Prior to Occupancy – The resident may terminate the Residency Agreement prior to moving into the CCRC for any reason at any time before moving into the CCRC by giving written notice. The application fee will be refundable at termination.

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

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

Termination by the Company – The Company may terminate the Residency Agreement for just cause. Just cause includes (i) breach of agreement; (ii) misrepresenting information in admission process; (iii) failure to pay any charges; (iv) resident becomes infected with dangerous or contagious disease; and (v) a major change in physical or medical condition that cannot be cared for or is beyond the limits of the CCRC’s license.

Healthcare Benefit – The CCRC, through its arrangement with Quail Haven Healthcare, set forth in a transfer agreement (see Note 6), will provide the residents temporary or permanent skilled nursing services in the Inn, within the limits of Quail Haven Healthcare’s licensure. Residents will receive three (3) free days of skilled nursing care per year (noncumulative) in the Closed Beds.

Note 3—Property and equipment, net

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

	<u>CCRC</u>	<u>Quail Haven Properties</u>	<u>Quail Haven Healthcare</u>	<u>Total</u>
Buildings and improvements	\$ -	\$ 9,085,645	\$ -	\$ 9,085,645
Land and land improvements	-	700,001	-	700,001
Furniture and fixtures	-	645,736	-	645,736
Leasehold improvements	175,035	-	47,399	222,434
Equipment	111,171	48,017	284,637	443,825
	<u>286,206</u>	<u>10,479,399</u>	<u>332,036</u>	<u>11,097,641</u>
Less accumulated depreciation	66,608	1,592,037	124,938	1,783,583
Property and equipment, net	<u>\$ 219,598</u>	<u>\$ 8,887,362</u>	<u>\$ 207,098</u>	<u>\$ 9,314,058</u>

QUAIL HAVEN VILLAGE
NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 4—Intangible asset

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

Certificate of need	\$ 1,194,465
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Note 5—Long-term debt and capital leases

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

Note payable bearing interest at a fixed rate of 3.80% due in monthly installments of principal and interest, maturing November 2020. This note is collateralized by the assignment of rents, profits, and leases and a Uniform Commercial Code security interest in the Personal Property as defined in the Deed of Trust.	\$ 6,202,995
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Capital lease bearing interest at 8.40% due in 60 monthly installments, ending on March 1, 2021.	23,373
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Total debt and capital leases	6,226,368
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Less deferred financing costs	29,143
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Less current installments of long-term debt and capital leases	221,229
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Long-term debt and capital leases	\$ 5,975,996
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Maturities of long-term debt and capital lease payments over the next three years are as follows:

Years Ending December 31,

2019	\$ 221,229
2020	6,002,772
2021	2,367
	<u>\$ 6,226,368</u>

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

Years Ending December 31,

2019	\$ 15,615
2020	13,528
	<u>\$ 29,143</u>

Interest expense amounted to \$260,293 for the year ended December 31, 2018, including \$15,615 of amortization of deferred financing costs.

QUAIL HAVEN VILLAGE
NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 6—Intercompany agreements

Quail Haven Properties entered into separate lease agreements with the CCRC and Quail Haven Healthcare, under which the CCRC and Quail Haven Healthcare will make lease payments to Quail Haven Properties for use of the facilities of the Village, the Inn, and the Clubhouse. The lease agreements have terms of ten years with options to renew the leases for two additional terms of five years each.

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

Years Ending December 31,	CCRC	Quail Haven Healthcare	Total
2019	\$ 444,000	\$ 156,000	\$ 600,000
2020	444,000	156,000	600,000
2021	444,000	156,000	600,000
2022	444,000	156,000	600,000
Thereafter	370,000	130,000	500,000
	<u>\$ 2,146,000</u>	<u>\$ 754,000</u>	<u>\$ 2,900,000</u>

Total rent expense incurred by the CCRC and Quail Haven Healthcare to Quail Haven Properties was approximately \$444,000 and \$156,000, respectively, for the year ended December 31, 2018. These amounts have been eliminated on the combined financial statements.

In 2013, the CCRC and Quail Haven Healthcare entered into a healthcare services transfer agreement, under which Quail Haven Healthcare will provide care to residents of the CCRC through the operation of the Closed Beds. Under the terms of the transfer agreement, the Company will collect daily service fees from residents occupying the Closed Beds and will subsequently make healthcare fee payments to Quail Haven Healthcare equivalent to the amount of daily service fees collected for any Closed Bed occupied by a resident of the CCRC.

Note 7—Related party transactions

Other entities owned by Liberty Healthcare provide other benefits to the Company. These transactions are also considered related party transactions and are settled through related party cash accounts and payments to the other entities. As of December 31, 2018, total receivables and payables to related parties were \$804,059 and \$2,651,780, respectively.

The Quail Haven Pinehurst and Quail Haven Healthcare have entered into a management agreement in which the Quail Haven Pinehurst and Quail Haven Healthcare pay a management fee of 7% of net revenues to Senior Living Management, a related party who provides management services to the Company. These fees totaled \$591,563 for the year ended December 31, 2018.

QUAIL HAVEN VILLAGE

NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 8—Contingencies

The Company is subject to legal proceedings and claims which arise in the course of providing healthcare 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 healthcare 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-healthcare 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 healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

Note 9—Pension plan

The Company offers a defined contribution plan (the "Plan") to eligible employees as defined by the Plan. The Company will match employee contributions at the discretion of management. The Company contributed \$10,972 for the year ended December 31, 2018.

Note 10—Subsequent events

The Company has evaluated subsequent events through May 24, 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

QUAIL HAVEN VILLAGE
COMBINING BALANCE SHEET

DECEMBER 31, 2018

	Quail Haven of Pinehurst, LLC	Quail Haven Healthcare Center of Pinehurst, LLC	Quail Haven Properties of Pinehurst, LLC	Eliminations	Total
ASSETS					
Current Assets:					
Cash	\$ -	\$ 500,027	\$ 498,992	\$ -	\$ 999,019
Resident/patient accounts receivable, net	10,739	327,427	-	-	338,166
Accounts receivable - Quail Haven	1,501,239	2,670,424	166,352	(4,338,015)	-
Accounts receivable - other	4,165	6,633	-	-	10,798
Inventories	-	31,576	-	-	31,576
Prepaid expenses	72,173	29,800	-	(50,000)	51,973
Total Current Assets	<u>1,588,316</u>	<u>3,565,887</u>	<u>665,344</u>	<u>(4,388,015)</u>	<u>1,431,532</u>
Property and equipment, net	<u>219,598</u>	<u>207,098</u>	<u>8,887,362</u>	<u>-</u>	<u>9,314,058</u>
Noncurrent Assets:					
Intangible asset	-	-	1,194,465	-	1,194,465
Receivables - related parties	114,344	639,715	50,000	-	804,059
Other assets	27,582	6,289	675	-	34,546
Total Noncurrent Assets	<u>141,926</u>	<u>646,004</u>	<u>1,245,140</u>	<u>-</u>	<u>2,033,070</u>
Total Assets	<u>\$ 1,949,840</u>	<u>\$ 4,418,989</u>	<u>\$ 10,797,846</u>	<u>\$ (4,388,015)</u>	<u>\$ 12,778,660</u>

QUAIL HAVEN VILLAGE
COMBINING BALANCE SHEET (CONTINUED)

DECEMBER 31, 2018

	Quail Haven of Pinehurst, LLC	Quail Haven Healthcare Center of Pinehurst, LLC	Quail Haven Properties of Pinehurst, LLC	Eliminations	Total
LIABILITIES AND MEMBERS' EQUITY (DEFICIT)					
Current Liabilities:					
Current portion of long-term debt and capital leases	\$ 9,847	\$ -	\$ 211,382	\$ -	\$ 221,229
Trade accounts payable	37,599	36,269	-	-	73,868
Resident accounts payable	-	10,592	-	-	10,592
Unearned revenue	35,236	-	-	-	35,236
Accrued expenses and other payables	105,644	426,359	12,767	(50,000)	494,770
Accounts payable - Quail Haven	2,685,329	1,232,732	419,954	(4,338,015)	-
Total Current Liabilities	<u>2,873,655</u>	<u>1,705,952</u>	<u>644,103</u>	<u>(4,388,015)</u>	<u>835,695</u>
Noncurrent Liabilities:					
Accounts payable - related parties	795,818	1,164,303	691,659	-	2,651,780
Long-term debt and capital leases, net of current portion	13,526	-	5,962,470	-	5,975,996
Total Noncurrent Liabilities	<u>809,344</u>	<u>1,164,303</u>	<u>6,654,129</u>	<u>-</u>	<u>8,627,776</u>
Total Liabilities	3,682,999	2,870,255	7,298,232	(4,388,015)	9,463,471
Members' Equity (Deficit)	<u>(1,733,159)</u>	<u>1,548,734</u>	<u>3,499,614</u>	<u>-</u>	<u>3,315,189</u>
Total Liabilities and Members' Equity (Deficit)	<u>\$ 1,949,840</u>	<u>\$ 4,418,989</u>	<u>\$ 10,797,846</u>	<u>\$ (4,388,015)</u>	<u>\$ 12,778,660</u>

QUAIL HAVEN VILLAGE
COMBINING STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2018

	Quail Haven of Pinehurst, LLC	Quail Haven Healthcare Center of Pinehurst, LLC	Quail Haven Properties of Pinehurst, LLC	Eliminations	Total
Revenue:					
Resident/patient revenue	\$ 4,797,784	\$ 3,639,478	\$ -	\$ -	\$ 8,437,262
Rent revenue	-	-	600,000	(600,000)	-
Total Revenue	<u>4,797,784</u>	<u>3,639,478</u>	<u>600,000</u>	<u>(600,000)</u>	<u>8,437,262</u>
Expenses:					
Nursing	1,168,558	1,349,339	-	-	2,517,897
Resident/patient services	430,898	334,975	-	-	765,873
Ancillary services	22,681	7,979	-	-	30,660
Dietary	909,257	215,363	-	-	1,124,620
Laundry	38,537	38,642	-	-	77,179
Housekeeping	183,411	82,148	-	-	265,559
Plant, operations, and maintenance	754,334	135,036	-	(600,000)	289,370
Cost of sales	-	155	-	-	155
Medical supplies	172,639	149,608	-	-	322,247
General and administrative	1,149,839	318,673	22,040	-	1,490,552
Depreciation and amortization	44,798	21,414	323,276	-	389,488
Interest expense	474	-	259,819	-	260,293
Management fees	336,314	255,249	-	-	591,563
Repairs and maintenance	167,521	37,284	-	-	204,805
Total Expenses	<u>5,379,261</u>	<u>2,945,865</u>	<u>605,135</u>	<u>(600,000)</u>	<u>8,330,261</u>
Net Income (Loss)	<u>\$ (581,477)</u>	<u>\$ 693,613</u>	<u>\$ (5,135)</u>	<u>\$ -</u>	<u>\$ 107,001</u>

QUAIL HAVEN VILLAGE
COMBINING STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2018

	Quail Haven of Pinehurst, LLC	Quail Haven Healthcare Center of Pinehurst, LLC	Quail Haven Properties of Pinehurst, LLC	Eliminations	Total
Cash flows from operating activities:					
Net income (loss)	\$ (581,477)	\$ 693,613	\$ (5,135)	\$ -	\$ 107,001
Adjustments to reconcile net income (loss) to net cash flows from operating activities:					
Depreciation and amortization	44,798	21,414	323,276	-	389,488
Amortization of deferred financing costs	-	-	15,615	-	15,615
Closed beds depreciation and amortization reclassification	(15,297)	15,297	-	-	-
Changes in operating assets and liabilities:					
Resident/patient accounts receivable, net	944	52,266	-	-	53,210
Accounts receivable - other	(4,165)	(4,875)	-	-	(9,040)
Inventories	-	(10,189)	-	-	(10,189)
Prepaid expenses	(9,680)	(12,724)	-	-	(22,404)
Receivables - related parties	(51,585)	(229,653)	-	-	(281,238)
Receivables - Quail Haven	(439,919)	(1,038,481)	-	1,478,400	-
Trade accounts payable	26,524	19,702	(477)	-	45,749
Unearned revenue	(45,388)	(17,246)	(50,000)	-	(112,634)
Accrued expenses and other payables	(3,132)	49,950	956	-	47,774
Accounts payable - residents	-	6,802	-	-	6,802
Accounts payable - related parties	55,009	212,137	200	-	267,346
Accounts payable - Quail Haven	1,038,481	439,919	-	(1,478,400)	-
Net cash flows from operating activities	<u>15,113</u>	<u>197,932</u>	<u>284,435</u>	<u>-</u>	<u>497,480</u>

QUAIL HAVEN VILLAGE
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)

YEAR ENDED DECEMBER 31, 2018

	Quail Haven of Pinehurst, LLC	Quail Haven Healthcare Center of Pinehurst, LLC	Quail Haven Properties of Pinehurst, LLC	Eliminations	Total
Cash flows from investing activities:					
Purchases of property and equipment	\$ (86,003)	\$ (58,740)	\$ -	\$ -	\$ (144,743)
Cash flows from financing activities:					
Principal payments on long-term debt	-	-	(203,405)	-	(203,405)
Payments on capital lease obligations	(9,057)	-	-	-	(9,057)
Net cash flows from financing activities	(9,057)	-	(203,405)	-	(212,462)
Net change in cash	(79,947)	139,192	81,030	-	140,275
Cash, beginning of year	79,947	360,835	417,962	-	858,744
Cash, end of year	<u>\$ -</u>	<u>\$ 500,027</u>	<u>\$ 498,992</u>	<u>\$ -</u>	<u>\$ 999,019</u>
Supplemental disclosure of cash flow information:					
Cash paid during the year for interest	<u>\$ 474</u>	<u>\$ -</u>	<u>\$ 243,248</u>	<u>\$ -</u>	<u>\$ 243,722</u>

EXHIBIT B

ACTUAL VERSUS FORECASTED RESULTS

[ATTACHED]

Quail Haven of Pinehurst, LLC
Material Difference Narrative
For the Year Ended December 31, 2018

For purposes of comparison, Quail Haven of Pinehurst, LLC ("QH") used the following financial reports as of and for the year ended (actual)/ending (forecasted) December 31, 2018:

Audited - Obtained from the Supplemental Schedules of the combined audited financial statements of Quail Haven Village as of and for the year ended December 31, 2018.

Forecasted - Obtained from the forecasted financial statements with the Independent Accountants' Compilation Report dated May 30, 2018, which was included in the QH 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 QH'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 \$100,000 and 10% on line item amounts.

Balance Sheets:

1. Cash and Cash Equivalents - Cash and cash equivalents were less than forecasted by approximately \$100,000 (100%). This was due to the net amounts due to other companies related under the Quail Haven Village economic entity (see #2 below).
2. Accounts Receivable - Quail Haven Companies - There are numerous transactions throughout the year between other companies related under the Quail Haven Village economic entity. Below is a summary of the net balances due to and from these companies at December 31, 2018:

	Forecasted			Actual		
	<u>Due To*</u>	<u>Due From*</u>	<u>Net Rec/(Pay)</u>	<u>Due To</u>	<u>Due From</u>	<u>Net Rec/(Pay)</u>
Quail Haven Properties of Pinehurst, LLC				\$ 331	\$ 104	\$ 227
Quail Haven Healthcare Center of Pinehurst, LLC				1,170	2,581	(1,411)
Total receivable/(payable)	<u>\$ 750</u>	<u>\$ 2,422</u>	<u>\$ (1,672)</u>	<u>\$ 1,501</u>	<u>\$ 2,685</u>	<u>\$ (1,184)</u>

*Not specifically identified in the forecasted financial statements

The net amount due to the two companies related under the Quail Haven Village economic entity is less than forecasted. This is due to the use of cash from QH (see #1 above) to reduce this balance.

3. Lease Asset/Liability - The lease asset and related liability were less than forecasted by approximately \$4,850,000 (100%). These are related to a new accounting standard related to leases which QH will not be required to and does not intend to implement this new standard until 2020. For purposes of the forecast, the current lease was determined to be an operating lease under the new standard and included in the 2018 forecasted balance sheets.
4. Accrued Expenses - Accrued expenses represent estimates for payroll and payroll-related taxes and benefits due. Accrued expenses were less than forecasted by approximately \$103,000 (55%). Accruals vary as a result of the timing of the payment of the payroll and employee participation in benefit programs (e.g., paid time off). The forecasted financial statements assumed 12 days of accrued expenses at year end versus actual, which was 6 days.

5. Accounts Payable - Related Parties - There are transactions throughout the year between QH and other companies owned and operating within the Liberty network. Below is a summary of the net balances due to and from these companies (shown in a comprehensive total) at December 31, 2018:

	Forecasted			Actual		
	<u>Due To*</u>	<u>Due From*</u>	<u>Net Rec/(Pay)</u>	<u>Due To</u>	<u>Due From</u>	<u>Net Rec/(Pay)</u>
Total receivable/(payable)	\$ 56	\$ 361	\$ (305)	\$ 114	\$ 796	\$ (682)

The net amount due to these other Liberty companies is more than forecasted. This is due to the use of cash to QH from the Liberty companies to reduce the net accounts payable to the other Quail Haven Village companies (see #2 above).

Statements of Operations:

6. Administrative and General - Administrative and general expenses were less than forecasted by approximately \$224,000 (23%). This decrease was due to (1) an allocation to another Quail Haven Village company related to the shared payroll and related benefits expense of the Business Office Manager and a temporary vacancy in the Marketing Director position during the year, which resulted in lower payroll/benefits and advertising costs than forecasted.

Statements of Cash Flows:

7. Net Income (Loss) from Operations - See explanations in the Statements of Operations sections above.
8. Net Change in Current Assets and Liabilities - The increase in cash related to the net change in current assets and liabilities was less than forecasted by approximately \$131,000 (15%). This was primarily due to intercompany transactions between related Quail Haven Village companies. The forecast assumed an net increase in cash as a result of transactions with related Quail Haven Village companies of approximately \$713,000. Actual transactions resulted in a net increase in cash as a result of transactions with related Quail Haven Village companies of \$598,000--a \$115,000 difference.

Quail Haven of Pinehurst, LLC
At December 31, 2018

Balance Sheet (in '000s)	2018 Forecast		2018 Actual		2018 Report	2018 Actual-Adjusted		Variance	See Material	
					Reclassifications				Difference	
									Narrative	
Assets:										
Current assets:										
Cash and investments/Cash	\$	100	\$	-		\$	-	\$	(100) -100%	(1)
Accounts receivable - residents		25		11			11		(14) -56%	
Accounts receivable - Quail Haven Companies		750		1,501			1,501		751 100%	(2)
Accounts receivable - other				4			4		4 100%	
Inventory		15		-			-		(15) -100%	
Prepaid expenses		93		72			72		(21) -23%	
Total current assets		983		1,588		-	1,588		605	
Noncurrent assets:										
Accounts Receivable - related parties		56		114			114		58 104%	(5)
Utility deposits/Other assets		28		28			28		- 0%	
Lease asset		4,850		-			-		(4,850) -100%	(3)
Property and equipment, net		171		220			220		49 29%	
Total noncurrent assets		5,105		362		-	362		(4,743)	
Total assets	\$	6,088	\$	1,950	\$	-	\$	1,950	\$	(4,138)
Liabilities and Members' Deficit:										
Current liabilities:										
Current portion capital lease	\$	10	\$	10		\$	10	\$	- 0%	
Accounts payable		155		38		23	61		(94) -61%	
Accrued expenses		186		106		(23)	83		(103) -55%	(4)
Unearned Working Capital Fee		81		35			35		(46) -57%	
Accounts payable - Quail Haven Companies		2,422		2,685			2,685		263 11%	(2)
Total current liabilities		2,854		2,874		-	2,874		20	
Long-term liabilities:										
Accounts payable - related parties		361		796			796		435 120%	(5)
Long-term debt and capital lease obligations, less current portion		13		13			13		- 0%	
Lease liability		4,850		-			-		(4,850) -100%	(3)
Total long-term liabilities		5,224		809		-	809		(4,415)	
Total liabilities		8,078		3,683		-	3,683		(4,395)	
Member's deficit		(1,990)		(1,733)			(1,733)		257 -13%	
Total liabilities and member's deficit	\$	6,088	\$	1,950	\$	-	\$	1,950	\$	(4,138)

Quail Haven of Pinehurst, LLC
For the Year Ended December 31, 2018

Statement of Operations (in 000s)	2018 Forecast	2018 Actual	2018 Report Reclassifications	2018 Actual-Adjusted	Variance	
Revenue:						
Resident/patient revenue	\$ -	\$ 4,798	\$ (4,798)	\$ -	\$ -	0%
Independent living service fees	2,260		2,305	2,305	45	2%
Skilled nursing service fees	2,564		2,424	2,424	(140)	-5%
Other revenue	61		69	69	8	13%
Total Revenue	4,885	4,798	-	4,798	(87)	
Expenses:						
Nursing		1,169	(1,169)	-	-	0%
Resident services	1,886	431	1,375	1,806	(80)	-4%
Ancillary services		23	(23)	-	-	0%
Dietary	885	909		909	24	3%
Housekeeping	223	183		183	(40)	-18%
Laundry & Linen	39	38		38	(1)	-3%
Medical supplies		173	(173)	-	-	0%
Administrative & General	984	1,150	(390)	760	(224)	-23%
Plant & Operations	702	754	(94)	660	(42)	-6%
Physical Plant/Repairs and maintenance	142	168		168	26	18%
Management Fees	338	336		336	(2)	-1%
Interest expense	2	-		-	(2)	-100%
Lease expense/Rent	444	-	444	444	-	0%
Depreciation	42	45		45	3	7%
Total expenses	5,687	5,379	(30)	5,349	(338)	
Income before other operating income (expenses)	(802)	(581)	30	(551)	251	
Other operating income (expenses):						
Letter of credit fees	(36)	-	(30)	(30)	6	-17%
Total other operating income (expenses)	(36)	-	(30)	(30)	6	
Net income from operations	(838)	(581)	-	(581)	257	
Member's deficit, beginning of year	(1,152)	(1,152)		(1,152)	-	0%
Member's deficit, end of year	\$ (1,990)	\$ (1,733)	\$ -	\$ (1,733)	\$ 257	

(6)

Quail Haven of Pinehurst, LLC
For the Year Ended December 31, 2018

Statement of Cash Flows (in 000s)	2018 Forecast	2018 Actual	2018 Report Reclassifications	2018 Actual-Adjusted	Variance		
Cash flows from operating activities:							
Net income (loss) from operations	\$ (838)	\$ (581)		\$ (581)	\$ 257	-31%	(7)
Adjustments to reconcile net income (loss) from operations to net cash provided by (used in) operating activities:							
Depreciation	42	30		30	(12)	-29%	
Changes in operating assets and liabilities:							
Accounts receivable - Other		(4)	4	-	-	0%	
Prepaid expenses		(10)	10	-	-	0%	
Receivables - related parties		(52)	59	7	7	0%	
Receivables - Quail Haven		(440)	440	-	-	0%	
Trade accounts payable		27	(27)	-	-	0%	
Unearned revenue		(45)	45	-	-	0%	
Accrued expenses and other payables		(3)	3	-	-	0%	
Accounts payable - related parties		55	(55)	-	-	0%	
Accounts payable - Quail Haven		1,038	(1,038)	-	-	0%	
Net change in current assets and liabilities	875		744	744	(131)	-15%	(8)
Net cash provided by (used in) operating activities	79	15	185	200	121		
Cash flows from investing activities:							
Routine capital additions/purchases of property & equipment	(50)	(86)		(86)	(36)	72%	
Net cash provided by (used in) investing activities	(50)	(86)	-	(86)	(36)		
Cash flows from financing activities:							
Principal payments on capital lease/payments on capital lease obligæ	(9)	(9)		(9)	-	0%	
Net cash provided by (used in) financing activities	(9)	(9)	-	(9)	-		
Change in cash and cash equivalents	20	(80)	185	105	85		
Cash and cash equivalents, beginning of year	80	80		80	-		
Cash and cash equivalents, end of year	\$ 100	\$ -	\$ 185	\$ 185	\$ 85		

EXHIBIT C
INTERIM FINANCIAL STATEMENTS
[ATTACHED]

Quail Haven of Pinehurst, LLC**Balance Sheets****March 31, 2019****Assets****Current assets:**

Cash and cash equivalents	\$	174,489
Accounts receivable:		
Resident accounts receivable, net		13,164
Prepaid expenses		62,419
Due from related party		1,637,148
Total current assets		1,887,220

Non-current assets:

Property and equipment, net		217,045
Due from related parties		154,407
Other non-current assets		27,582
Total non-current assets		399,034
Total assets	\$	2,286,254

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

Current portion-capital lease obligation	\$	7,462
Deferred revenue, current portion		21,488
Accounts payable and accrued expenses		98,318
Accrued payroll and related withholdings		78,248
Due to related party		2,958,113
Total current liabilities		3,163,629

Non-current liabilities and deferred revenue:

Capital lease obligations, less current portion		13,526
Due to related parties		966,374
Total non-current liabilities and deferred revenue		979,900
Total liabilities and deferred revenue		4,143,529
Members' deficit		(1,857,275)
Total liabilities and members' equity	\$	2,286,254

Quail Haven of Pinehurst, LLC
Statements of Operations and Changes in Members' Equity
For Three Months Ended March 31, 2019

Revenue:

Independent living revenue	619,782
Skilled nursing revenue	594,626
Provision for bad debt	(1,955)
Other revenue	11,341
<hr/> Total operating revenue	<hr/> 1,223,794

Expense:

Independent living resident services	30,291
Skilled nursing resident services	414,834
Dietary	240,467
Housekeeping	57,219
Laundry and linen	9,272
General and administrative	179,060
Plant operations	215,317
Physical plant	10,565
Management fees	67,278
Rent/lease expense	111,000
Depreciation	12,607
<hr/> Total operating expenses	<hr/> 1,347,910
Net income/(loss)	(124,116)
Members' deficit, beginning of year	(1,733,159)
<hr/> Members' deficit, end of year	<hr/> \$ (1,857,275)

Quail Haven of Pinehurst, LLC
Statements of Cash Flows
For Three Months Ended March 31, 2019

Cash flows from operating activities:

Net income/(loss)	\$	(124,116)
Adjustments to reconcile income/(loss) to net cash provided by operating activities:		
Depreciation		12,607
Change in current assets and liabilities, net		31,069
Net cash provided by (used in) operating activities		(80,440)

Cash flows from investing activities:

Capital additions		(10,054)
Net cash provided by (used in) investing activities		(10,054)

Cash flows from financing activities:

Principal payment of capital lease obligations		(2,385)
Advances and contributions (to)/from related party		267,368
Net cash provided by (used in) financing activities		264,983
Change in cash and cash equivalents		174,489
Cash and cash equivalents, beginning of year		-
Cash and cash equivalents, end of year		174,489

EXHIBIT D

5-YEAR PROSPECTIVE FINANCIAL STATEMENTS

[ATTACHED]

Quail Haven of Pinehurst, LLC

Compilation of a Financial Forecast

For Each of the Five Years Ending
December 31, 2023

(with Independent Accountants'
Compilation Report thereon)

Quail Haven of Pinehurst, LLC

Compilation of a Financial Forecast

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Independent Accountants' Compilation Report

Quail Haven of Pinehurst, LLC
Wilmington, North Carolina

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

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

We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services Committee of the AICPA. We did not examine or review the financial forecast nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management of the Company ("Management"). Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on the financial forecast. The forecasted results may not be achieved as there will usually be differences between the forecasted 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 28, 2019

Quail Haven of Pinehurst, LLC

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

	2019	2020	2021	2022	2023
Revenue:					
Entrance fee amortization	\$ -	\$ -	\$ -	\$ -	\$ -
Independent living revenue	2,465	2,582	2,632	2,683	2,736
Skilled nursing revenue	2,094	2,149	2,172	2,202	2,233
Other revenue	65	65	66	66	67
Total operating revenue	4,624	4,796	4,870	4,951	5,036
Expense:					
Independent living resident services	133	134	135	137	138
Skilled nursing resident services	1,563	1,579	1,596	1,613	1,630
Dietary	880	889	898	907	916
Housekeeping	170	173	176	178	181
Laundry and linen	29	30	30	30	30
General and administrative	643	654	663	673	682
Plant operations	785	796	808	820	832
Physical plant	42	42	42	42	42
Management fee	255	263	267	272	276
Rent/lease expense	445	444	444	444	444
Interest expense	1	1	-	-	-
Depreciation	39	61	70	80	89
Total operating expenses	4,985	5,066	5,129	5,196	5,260
Net loss	(361)	(270)	(259)	(245)	(224)
Members' deficit, beginning of year	(1,733)	(2,094)	(2,364)	(2,623)	(2,868)
Members' deficit, end of year	\$ (2,094)	\$ (2,364)	\$ (2,623)	\$ (2,868)	\$ (3,092)

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

Quail Haven of Pinehurst, LLC

Forecasted 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 loss	\$ (361)	\$ (270)	\$ (259)	\$ (245)	\$ (224)
Adjustments to reconcile net loss to net cash used in operating activities:					
Provision for bad debts	34	34	34	34	34
Depreciation	39	61	70	80	89
Change in current assets and liabilities, net	(38)	(32)	(33)	(35)	(33)
Net cash used in operating activities	(326)	(207)	(188)	(166)	(134)
Cash flows from investing activities:					
Capital additions	(71)	(88)	(89)	(90)	(91)
Net cash used in investing activities	(71)	(88)	(89)	(90)	(91)
Cash flows from financing activities:					
Principal payment of capital lease obligations	(10)	(11)	(3)	-	-
Advances and contributions from related party	604	306	280	256	225
Net cash provided by financing activities	594	295	277	256	225
Change in cash and cash equivalents	197	-	-	-	-
Cash and cash equivalents, beginning of year	1	198	198	198	198
Cash and cash equivalents, end of year	\$ 198	\$ 198	\$ 198	\$ 198	\$ 198

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

Quail Haven of Pinehurst, LLC

Forecasted 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	\$ 198	\$ 198	\$ 198	\$ 198	\$ 198
Accounts receivable:					
Resident accounts receivable, net	13	13	13	14	14
Other	4	4	4	4	4
Prepaid expenses	68	68	69	70	71
Due from related party	-	-	-	-	-
Total current assets	283	283	284	286	287
Non-current assets:					
Restricted assets - statutory operating reserve	-	-	-	-	-
Lease asset	-	4,219	3,980	3,729	3,466
Property and equipment, net	252	279	298	308	310
Due from related parties	114	114	114	114	114
Other non-current assets	27	27	27	27	27
Total non-current assets	393	4,639	4,419	4,178	3,917
Total assets	\$ 676	\$ 4,922	\$ 4,703	\$ 4,464	\$ 4,204
Liabilities and Members' deficit					
Current liabilities:					
Current portion-capital lease obligation	\$ 11	\$ 3	\$ -	\$ -	\$ -
Deferred revenue, current portion	35	35	35	35	35
Accounts payable and accrued expenses	58	59	60	60	61
Accrued payroll and related withholdings	79	80	81	82	83
Due to related party, current portion	1,788	2,094	2,374	2,630	2,855
Total current liabilities	1,971	2,271	2,550	2,807	3,034
Non-current liabilities:					
Capital lease obligations, less current portion	3	-	-	-	-
Lease obligations	-	4,219	3,980	3,729	3,466
Resident refunds payable, less current portion	-	-	-	-	-
Deferred revenue, net	-	-	-	-	-
Due to related parties	796	796	796	796	796
Total non-current liabilities	799	5,015	4,776	4,525	4,262
Total liabilities	2,770	7,286	7,326	7,332	7,296
Members' deficit	(2,094)	(2,364)	(2,623)	(2,868)	(3,092)
Total liabilities and members' deficit	\$ 676	\$ 4,922	\$ 4,703	\$ 4,464	\$ 4,204

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

Quail Haven of Pinehurst, LLC
Summary of Significant Forecast Assumptions and Accounting Policies
For Each of the Five Years Ending December 31, 2023

General

The accompanying financial forecast presents, to the best of the knowledge and belief of management of Quail Haven of Pinehurst, LLC (the “Company or CCRC”) 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’ deficit, and cash flows of the Company as of and for the each of the five years ending December 31, 2023. Accordingly, the accompanying financial forecast reflects Management’s judgment as of May 28, 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 Company’s annual disclosure statement in accordance with Chapter 58, Article 64, of the North Carolina General Statutes. Accordingly, this report should not be used for any other purpose. The assumptions disclosed herein are those that Management believes are significant to the prospective financial statements. The Company recognizes 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

The Company is a North Carolina for-profit limited liability company formed for the purpose of leasing and operating independent living units. The Company is owned by 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. The Company is a continuing care retirement community licensed by the State of North Carolina. The activity of the Company is included in Management’s forecast.

The Company is part of the Quail Haven Village (the “Community”) economic entity comprised of the Company, Quail Haven Properties, LLC (“Quail Haven Properties”), and Quail Haven Healthcare Center, LLC (“Quail Haven Healthcare”). The Community provides senior living services in Pinehurst, North Carolina. Services include providing and maintaining an independent living retirement community, assisted living services, skilled nursing care, and supporting services. The Community was acquired and began operations in November 2013.

The Company operates the independent living units (“Independent Living Units”) and the skilled nursing beds reserved for independent living residents of the CCRC (the “Closed Beds”) through a lease agreement with Quail Haven Properties and a transfer agreement with Quail Haven Healthcare.

See Independent Accountants’ Compilation Report

Quail Haven Properties, through acquisition, holds the certificate of need (“CON”) for 60 skilled nursing beds. Quail Haven Properties and the Company hold the certificate of need (“CON”) to convert 10 of the 60 skilled nursing beds to 10 adult care home beds at some future date. The collective value of the CON’s is recorded as an intangible asset on Quail Haven Properties. Quail Haven Healthcare leases the 60 skilled nursing beds, along with 12 adult care home beds, from Quail Haven Properties. Included in these 72 beds are services for 25 Closed Beds under a healthcare services transfer agreement between the Company and Quail Haven Healthcare.

Related Parties

Quail Haven Properties is a North Carolina for-profit limited liability company formed for the purpose of developing and owning real property and the buildings of the Community.

Quail Haven Healthcare is a North Carolina for-profit limited liability company formed for the purpose of leasing and operating the 72-bed adult care home and skilled nursing facility. Quail Haven Healthcare 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.

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

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 the Company, Quail Haven Properties and Quail Haven Healthcare.

See Independent Accountants’ Compilation Report

The Community

The Community is located in Pinehurst, North Carolina on 18 acres of land and consists of 82 Independent Living Units, two six-bed family care homes (the “Assisted Living Units”), 25 Closed Beds, and 35 open skilled nursing beds (collectively the “Skilled Nursing Beds”), and related common spaces (the “Community”). The following table summarizes the unit and bed configuration of the Community:

Table 1
Community Configuration
As of December 31, 2018

Unit Type	CCRC	Quail Haven Healthcare	Quail Haven Properties
Independent Living Units	82	-	82
Assisted Living Units	-	12	12
Skilled Nursing Beds:			
Skilled Nursing Beds-open	-	35	35
Closed Beds	25	-	25
Total Skilled Nursing Beds	25	35	60
Total Units/Beds	107	47	154

Source: Management

Unit Configuration and Fees

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

Table 2
CCRC Configuration and Fees

Unit Type	Number of Units	Square Footage	Monthly Fee ⁽¹⁾
<i>Independent Living Units:</i>			
One bedroom	30	564	\$ 2,862
Two bedroom	52	916	3,724
Total / Weighted Average	82	787	\$ 3,409
<i>Closed Beds:</i>			Daily Service Fee
Private	11	168	\$ 248
Medicare – Traditional	12	168	484
Medicare – Managed Care	2	168	390
Total / Weighted Average	25	168	373
Total Units / Beds	107		

Source: Management

1) Residents of the Independent Living Units are required to pay a one-time fee equal to 50 percent of the Monthly Fee (the “Working Capital Fee”).

See Independent Accountants’ Compilation Report

Residency Agreements and Transfer Agreement

Services - The residency agreement (“Residency Agreement”) is a rental contract under which the CCRC is obligated, upon payment by the Resident of an admission fee and ongoing payment of the Monthly Fee, to provide certain services to the Resident. While the Resident occupies an Independent Living Unit, services provided include: three (3) free days of nursing care per calendar year in Quail Haven Healthcare Nursing Beds (non-cumulative); one meal per day; all utilities, except telephone and cable television; housekeeping services; maintenance of both the unit and the grounds and equipment; scheduled local transportation; health consultation at the Quail Haven Healthcare; planned social, recreational and cultural activities; and use of the community areas and other common activity facilities. In addition, healthcare services are available to Residents of Quail Haven Healthcare for additional fees.

Admittance Standards - To be accepted for admission to the Independent Living Units, each prospective Resident must be at least 62 years of age at the time residency is established, have financial assets adequate to pay the Working Capital Fee, and must have sufficient income to meet the anticipated Monthly Fee and other personal expenses not provided under the Residency Agreement. A reservation requires a signed Residency Agreement and the payment of a one-time Working Capital Fee of 50% of Monthly Fee per Independent Living Unit and refundable prior to occupancy as outlined in the Residency Agreement as well as \$100 initial refundable application fee.

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

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

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

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

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

See Independent Accountants’ Compilation Report

Summary of Significant Accounting Policies

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

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

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

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

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

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

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

See Independent Accountants’ Compilation Report

Summary of Operating Revenue Assumptions

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

Table 3						
Unit Configuration and Fees						
Year Ending December 31,	Beginning of Year⁽¹⁾	Units Added	Units Eliminated⁽²⁾	End of Year	Units Occupied⁽³⁾	Occupied Percentage
<i>Independent Living Units:</i>						
2019	79	-	(1)	78	59	76%
2020	78	-	-	78	59	76%
2021	78	-	-	78	59	76%
2022	78	-	-	78	59	76%
2023	78	-	-	78	59	76%
<i>Closed Beds:</i>						
2019 - 2023	25	-	-	25	21	84%

Source: Management

- (1) Total units owned as of December 31, 2018 was 82. Three units are not available for rental (two guest units and one employee housing).
- (2) Management plans to combine two small units into one larger unit (net loss of one unit).
- (3) The payor mix for the Closed Beds is assumed to be as follows: private pay: 43 percent; Medicare-transitional: 48 percent; and Medicare-managed care: 9 percent.

Independent Living Revenue

Resident service revenue for residents living in the Independent Living Units is based upon assumed monthly fees for services provided to residents and the assumed occupancy of the Independent Living Units. Monthly Fees for the Independent Living Units are assumed to increase 4.0 percent, annually.

Skilled Nursing Revenue

Resident service revenue for residents living in the Closed Beds is based upon assumed daily fees for services provided to residents and the assumed occupancy of Closed Beds. Daily fees for private pay are assumed to increase 2.0 percent annually. Daily fees for Medicare Skilled Nursing Beds are assumed to increase 1.0 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 1.0 percent annually during the forecast period.

See Independent Accountants' Compilation Report

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

Salaries, wages and employee benefits are assumed to increase 2.0 percent annually.

Non-Salary Expenses

Non-salary expenses are assumed to increase approximately 1.0 percent annually.

Management Fee Expense

The Company is 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 Skilled Nursing resident service revenue.

Statutory Operating Reserve

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

	2019	2020	2021	2022	2023
Forecasted operating expense	\$ 5,066	\$ 5,129	\$ 5,196	\$ 5,260	\$ 5,328
Add: Annual debt service on long-term debt	11	3	-	-	-
Subtract: depreciation	(61)	(70)	(80)	(89)	(98)
Subtract: amortization	-	-	-	-	-
Forecasted operating expenses-adjusted	5,016	5,062	5,116	5,171	5,230
Operating reserve % required ⁽¹⁾	50%	50%	50%	50%	50%
Operating reserve	\$ 2,508	\$ 2,531	\$ 2,558	\$ 2,586	\$ 2,615
Standby letter of credit ⁽²⁾	\$ 2,969				
Independent Living Units:					
Available	78	78	78	78	78
Occupied	59	59	59	59	59
Occupancy percentage	76%	76%	76%	76%	76%

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 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.

See Independent Accountants’ Compilation Report

Property and Equipment

The Company is assumed 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 and equipment over estimated average useful lives of 40, 15, and 10 years, respectively. The Company property and equipment costs, net of accumulated depreciation, during the forecast period are summarized in the table below.

Table 5
Schedule of Property and Equipment
(in thousands of dollars)

	2019	2020	2021	2022	2023
Beginning balance	\$ 291	\$ 378	\$ 466	\$ 555	\$ 645
Routine capital additions	87	88	89	90	91
Property and equipment	378	466	555	645	736
Accumulated depreciation	(126)	(187)	(257)	(337)	(426)
Property and equipment, net	\$ 252	\$ 279	\$ 298	\$ 308	\$ 310

Source: Management

Current Assets and Current Liabilities

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

Table 6
Working Capital – Days on Hand

Accounts receivables	1 day of operating revenues
Prepaid expenses	6 days of operating expenses
Accounts payable and other accrued liabilities	5 days of operating expenses
Accrued payroll and related withholdings	7 days of operating expenses

Source: Management

See Independent Accountants' Compilation Report

EXHIBIT E

CONTRACT FOR INDEPENDENT LIVING CONTINUING CARE

[ATTACHED]



Quail Haven
V i l l a g e

**Continuing Care
Residency Agreement**

**155 Blake Boulevard
Pinehurst, North Carolina 28374
(910) 295-2294**

5/31/2019

Term of Agreement Begins: _____

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EXHIBIT A - NON-STANDARD FEATURES ADDED AT RESIDENT'S REQUEST

GLOSSARY

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

“Agreement” means the continuing care residency agreement, entered into between the Resident and Quail Haven of Pinehurst, LLC, which outlines the contractual obligations of both parties.

“Application Fee” means the fee outlined in Paragraph 4.1, paid to us to process your application for admission to the Village.

“Closed Beds” are the 25 skilled nursing beds located within The Inn at Quail Haven Village that are operated by Quail Haven Healthcare, but for which use thereof is reserved for residents of the Village.

“Community Fee” means the fee outlined in Paragraph 4.2, paid to us to upon execution of the Agreement.

“Extra Charges” means the extra charges payable in consideration for the additional services and amenities requested by you, as set forth in Paragraph 1.2 of the Agreement.

“FCH Beds” are the 12 family care home beds located in the Cardinal and Rosemary Cottages provided Memory Care and Assisted Living services, respectively.

“Monthly Fee” means that fee set forth in Paragraph 4.3, payable in consideration for living in the Residence, and for the services and amenities provided to the Resident under the Agreement. If two persons are Joint Residents under the Agreement, the Monthly Fee shall include a “Second Person Monthly Fee” as outlined in Paragraph 4.3 (unless otherwise indicated).

“Occupancy” means the date the initial term of the Agreement begins as outlined in Paragraph 3.1.

“Open Beds” means the 35 skilled nursing located within The Inn at Quail Haven Village that are available to the public.

“Quail Haven of Pinehurst, LLC” or “we” or “our” or “us” means the operator of the continuing care retirement community known as Quail Haven Village. Quail Haven of Pinehurst, LLC, is a North Carolina for-profit limited liability company.

“Quail Haven Healthcare Center of Pinehurst” means Quail Haven Healthcare Center of Pinehurst, LLC, a North Carolina for-profit limited liability company that operates The Inn at Quail Haven Village.

“Residence” means the apartment at the Village identified in the introductory paragraph of the Agreement, in which the Resident is entitled to live during the term of the Agreement in exchange for paying the one-time Working Capital Fee and the Monthly Fee.

“Resident” or “you” means the person who enters into this Agreement in order to live in a Residence and receives the services and amenities offered at the Village. Sometimes a second resident (if there are two of you) is referred to in this Agreement as the “second person” or “Joint Resident.” Unless otherwise indicated, “you” refers to both of you if there are two of you.

“Second Person Monthly Fee” means that fee set forth in Paragraph 4.3, payable in consideration for a second person living in

the Residence, and for the services and amenities provided to such second person (or Joint Resident) under the Agreement.

“The Inn at Quail Haven Village” means the 60-bed health center operated by Quail Haven Healthcare Center of Pinehurst , LLC located adjacent to the Village. The Inn at Quail Haven Village is licensed to provide skilled nursing care as identified in Section 2 of the Agreement.

The “Village” means the continuing care retirement community known as “Quail Haven Village,” including the apartments, associated common areas and site amenities.



RESIDENCY AGREEMENT

INTRODUCTION.

This Residency Agreement (“Agreement”) is entered into by Quail Haven of Pinehurst, LLC (“we,” “us,” or “our”) and _____ (individually or collectively, “you,” “your,” or “Resident”). The Village is a continuing care retirement community located at 155 Blake Boulevard; Pinehurst, NC 28374.

We will provide residential housing for seniors along with a wide array of personal services and amenities outlined in this Agreement. Subject to the conditions contained in this Agreement, we agree to make available to you the Residence described as follows:

Residence Number: _____

Residence Style: _____

You may have the option of selecting certain options and custom features in the Residence at an additional charge, which shall not be subject to any refund provision herein. Any such options and custom features selected and paid for by you will become our property. Such options and custom features must be approved by the Executive Director of the Village prior to adding them to the Residence. The Executive Director of the Village has consented to your request to add the options and custom features set forth in Exhibit A attached to this Agreement. You agree to pay the amount(s) set forth in Exhibit A to cover the costs for such items.

As a Resident of the Village, you are offered use of your Residence, support services, and long-term nursing care in The Inn at Quail Haven Village or the FCH Beds.

To be accepted for residency, you must meet our admissions criteria, which includes: having reached the age of 62 (or sharing your Residence with another person who is 62 or older); financial guidelines; and the ability to live in a residence — all as outlined in our current admissions policy.

The purpose of this Residency Agreement is to set forth your rights and duties as a Resident of the Village and to delineate the services to be provided at the Village.

1. DESCRIPTION OF SERVICES AND AMENITIES.

1.1 Services and Amenities Provided for the Monthly Fee. We will provide you the following services and amenities at the Village in consideration for payment of the Monthly Fee:

- An unfurnished residence, which includes a refrigerator, oven and range, microwave, dishwasher, and a smoke detector.
- One (1) meal per day in the Clubhouse dining room;
- Utilities, including heating, cooling, water, and electricity;
- Cable television satellite system and wireless internet;
- Scheduled curbside trash pick-up;
- Weekly housekeeping service;
- Weekly linen and towel service, if desired;
- Availability of laundry facilities so that you can wash and dry personal laundry;
- Scheduled local transportation;
- Interior maintenance of the Residence and of the furnished appliances (due to normal wear and tear);
- Maintenance of the Village common areas;
- Regular exterior maintenance and landscaping;
- Planned social and recreational activities for those who wish to participate;
- Use of all the Village's common areas, subject to the rules and regulations contained in the Resident Handbook;

- Use of First Health Fitness Center
- Twenty-four (24) hour security service;
- Emergency call system;
- Routine health consultation at The Inn at Quail Haven Village; and
- Three (3) free days of care per calendar year in The Inn at Quail Haven Village and FCH Beds, on a space available basis as outlined in Paragraph 2.3.

1.2 Additional Services and Amenities Available for an Extra Charge.

The following additional services and amenities will be made available to you for an extra charge:

- Extra meals;
- Guest meals;
- Beauty salon services;
- Personal local transportation;
- Home care services through the Village's licensed Home Care Services Program; and
- Additional care beyond the three (3) free days of care per year in The Inn at Quail Haven Village or FCH Beds, on a space available basis.

A list of the extra charges is available from the Village's business or marketing office. We reserve the right to change the optional services available to you from time to time, including the charges therefore, at our sole discretion.

2. THE INN AT QUAIL HAVEN VILLAGE AND FCH BEDS.

2.1 Description. The Inn at Quail Haven Village is a 60-bed health center operated by Quail Haven Healthcare and located adjacent to the Village. The Inn at Quail Haven Village is licensed to provide skilled nursing care and is staffed by licensed nursing personnel 24 hours a day. The FCH Beds are two 6-bed Family Care Home Cottages that provide memory care and assisted living, and are also operated by Quail Haven Healthcare.

2.2 Alternate Accommodations. The Closed Beds are reserved for exclusive use by residents of the Village. You will be given priority over non-residents for admission to the Open Beds. In the event The Inn at Quail Haven Village and FCH Beds are fully occupied when you are determined appropriate for admission, you agree to relocate to an alternate health care facility that provides services similar to The Inn at Quail Haven Village and FCH Beds (a "Comparable Facility"). Upon your relocation to a Comparable Facility, you shall continue to be responsible for the Monthly Fee for your Residence (unless it has been released to us). If you qualify for the three (3) days of nursing care as outlined in Paragraph 2.3 below, then your care in the Comparable Facility during such three (3) days will be at no additional charge to you except for the charges set forth in Paragraph 2.8. If you do not qualify for the three (3) days of nursing care, then we will not be responsible for the charges associated with the alternate health care accommodations in the Comparable Facility.

2.3 Three (3) Days of Nursing Care. You are eligible to receive three (3) days

of nursing care in The Inn at Quail Haven or FCH Beds Village, on a space available basis, while you are a resident of your Residence. If there are two of you, each of you will receive three (3) days, but the days cannot be combined and used by only one of you. Such three (3) days are non-cumulative and renew on an annual basis at the beginning of each calendar year. You are required to pay your Monthly Fee, plus the charges outlined in Paragraph 2.8. Once you are permanently assigned to The Inn at Quail Haven Village or to another care facility, you no longer qualify for the three (3) free days. Further, if your stay in The Inn at Quail Haven Village is a Medicare-qualified stay, said three (3) days of care will not be used until after the Medicare-qualified stay has expired.

2.4 Transfer to The Inn at Quail Haven Village or the FCH Beds. In the event your physical or mental health is determined by us to be appropriate for care in The Inn at Quail Haven Village or the FCH Beds, you agree to relocate to The Inn at Quail Haven Village, the FCH Beds, or a Comparable Facility. Such a determination will be made by us after a review by the Director of Nursing, the Medical Director and the Executive Director in consultation with your attending physician, your personal representative, and you to the extent possible.

2.5 Temporary Assignment to The Inn at Quail Haven Village or the FCH Beds. In the event you require temporary care in The Inn at Quail Haven Village or the FCH Beds beyond the three (3) days of care described in Paragraph 2.3, you will pay the per diem charge applicable to the level of care needed by you, the Monthly Fee for your Residence, and the charges outlined in Paragraph 2.8.

2.6 Permanent Assignment to The Inn at Quail Haven Village or the FCH Beds. In the event you require permanent care in The Inn at Quail Haven Village or the FCH Beds beyond the three (3) days of care described in Paragraph 2.3, you will pay the per diem or

monthly charge applicable to the level of care needed by you, as well as the charges outlined in Paragraph 2.8. Once permanently assigned to The Inn at Quail Haven Village, the FCH Beds, or a Comparable Facility, you will be required to release your Residence to us. We shall have the right to reassign the Residence for occupancy by a different resident, except as provided in Paragraph 3.14. Payment of the Monthly Fee will cease once the Residence is vacated.

2.7 Return to Residence. If we subsequently determine, in consultation with your attending physician, your personal representative and you to the extent possible, that you may resume occupancy in a residence equivalent to the residence you previously occupied, you shall have the right to relocate to such equivalent residence as soon as one is available. You will be responsible for paying the Monthly Fee for the new residence.

2.8 Medical Director, Attending Physician, and Additional Health Services. We, in conjunction with Quail Haven Healthcare, have designated a licensed physician to serve as Medical Director of The Inn at Quail Haven Village. You may engage the services of the Medical Director or may engage the services of any physician of your choice, as long as the physician commits to the requirements for skilled nursing physician services. We will not be responsible for the charges for medical treatment by the Medical Director or your attending physician, nor will we be responsible for the charges for medical treatment by other health care providers or for the charges for medication, prescribed therapy, nursing supplies, and other medical and miscellaneous supplies and services associated with medical treatment.

2.9 Advanced Charges for Medical Treatment, Supplies and Services. In the event we incur or advance charges for your medical treatment or for medication, prescribed therapy, nursing supplies, and other medical and

miscellaneous supplies and services associated with medical treatment (even in the event such medical care is given at the direction of your attending physician or the Medical Director without your prior approval), you shall promptly reimburse us for such charges.

2.10 Medicare and Health Insurance. When age eligible, you are required to maintain Medicare Part A, Medicare Part B, and one supplemental health insurance policy or equivalent insurance coverage acceptable to us to assure your ability to fully cover a Medicare-qualified stay in The Inn at Quail Haven Village or a Comparable Facility. You shall furnish to us such evidence of coverage as we may from time to time request. Such supplemental insurance should cover Medicare co-insurance and deductibles. Should your supplemental health insurance or equivalent coverage not fully cover a Medicare-qualified stay in The Inn at Quail Haven Village or a Comparable Facility, or should you fail to purchase supplemental health insurance or equivalent coverage to fully cover a Medicare-qualified stay in The Inn at Quail Haven Village or a Comparable Facility, you shall be financially responsible for paying deductibles, co-insurance amounts, and any other charges for each Medicare-qualified admission and stay in The Inn at Quail Haven Village or a Comparable Facility. If you are eligible to receive the three (3) days of nursing care as provided in Paragraph 2.3 and your stay in The Inn at Quail Haven Village or a Comparable Facility is a Medicare-qualified stay, such three (3) days will be applied after the expiration of your Medicare-qualified stay.

If you are not eligible for Medicare, you shall maintain health insurance coverage acceptable to us and shall furnish us with evidence of such coverage upon our request. Should your health insurance not fully cover your stay in The Inn at Quail Haven Village or a Comparable Facility, you shall be financially responsible for paying deductibles, coinsurance amounts, and any other charges for each admission

and stay in The Inn at Quail Haven Village or a Comparable Facility.

If failure to maintain Medicare Part A, Medicare Part B, supplemental health insurance or other health insurance coverage causes depletion of your resources and impairs your ability to meet your financial obligations, we need not defer your financial obligations to us as outlined in Paragraph 6.1, and we retain the right cancel the Residency Agreement for nonpayment of fees as provided in Paragraph 8.2.

2.11 Managed Care. If you have chosen to participate in a managed care program as an alternative to Medicare Part A, Medicare Part B, and supplemental insurance coverage, then the terms governing nursing care in The Inn at Quail Haven Village will be as follows:

2.11.1 Participating Provider.

If The Inn at Quail Haven Village is a participating provider with your managed care program and your stay is a Medicare-qualified stay, we agree to accept, as full payment, reimbursement at the rate negotiated with your managed care program. Such a managed care stay in The Inn at Quail Haven Village will not reduce the number of days of care that you are eligible to receive without additional charge pursuant to Paragraph 2.3. You will be obligated to continue to pay the Monthly Fee for your Residence (unless it has been released) and the charges outlined in Paragraph 2.8.

2.11.2 Not a Participating Provider. If The Inn at Quail Haven Village is not a participating provider with your managed care program and you choose to receive health care services at a managed care participating provider during a Medicare-qualified stay, then you agree that you must relocate for as long as necessary for those services to be provided, and be responsible for all

charges for those health care services. In addition, you agree to continue to pay the Monthly Fee for your Residence (unless it has been released to us). Such a Medicare-qualified stay at a managed care participating provider other than The Inn at Quail Haven Village will not reduce the number of days of care that you are eligible to receive without additional charge pursuant to Paragraph 2.3.

2.11.3 Negotiated Managed Care Rate. If The Inn at Quail Haven Village is not a participating provider in your managed care program and your stay is a Medicare-qualified stay, we will attempt to negotiate an acceptable reimbursement rate with your managed care program. If we are able to negotiate an acceptable rate, we agree to accept as full payment the rate provided by your managed care program. Such a managed care stay in The Inn at Quail Haven Village will not reduce the number of days of care that you are eligible to receive without additional charge pursuant to Paragraph 2.3. You will be obligated to continue to pay the Monthly Fee for your Residence (unless it has been released) and the charges outlined in Paragraph 2.8.

2.11.4 No Negotiated Managed Care Rate. If The Inn at Quail Haven Village is not a participating provider in your managed care program and a negotiated rate is not agreed upon and you would still like to receive nursing care in The Inn at Quail Haven Village during a Medicare-qualified stay, then each day of your stay in The Inn at Quail Haven Village will reduce by one day the number of days of care that you are eligible to receive without additional charge pursuant to Paragraph 2.3. During any such Medicare-qualified stay in The

Inn at Quail Haven Village, you agree that you will continue to pay the Monthly Fee for your Residence (unless it has been released to us), as well as the charges outlined in Paragraph 2.8. If at any time during any such Medicare-qualified stay in The Inn at Quail Haven Village you are no longer eligible to receive any of the days of care provided for in Paragraph 2.3, then you agree to pay the per diem charge for your care in The Inn at Quail Haven Village, the charges outlined in Paragraph 2.8, and the Monthly Fee for your Residence (unless it has been released to us).

2.11.5 Post Medicare-Qualified Stay. At the conclusion of each such Medicare-qualified stay, you will be entitled to care in The Inn at Quail Haven Village in accordance with the terms of this Agreement other than as provided in this Paragraph 2.11, as adjusted to reflect any reduction during such stay in the number of days of care that you are eligible to receive without additional charge as provided in Paragraph 2.3.

2.12 Transfer to Hospital or Other Care Facility. If we determine after consultation with your attending physician, your personal representative and you to the extent possible, that you need care beyond which The Inn at Quail Haven Village is licensed to provide, you will be transferred to a hospital or other care facility. We shall not be responsible for health care expenses or charges incurred by you due to your transfer. You shall continue to pay the Monthly Fee until your Residence is released to us.

2.13 Admission Agreement. If you require care in The Inn at Quail Haven Village or the FCH beds, you agree to enter into a separate Admission Agreement to be signed by you, Quail Haven Healthcare and us.

2.14 Under Age 62. If you are under the age of 62 when you occupy your Residence under this Agreement, you are not eligible to receive the three (3) days of nursing care in The Inn at Quail Haven Village as described in Paragraph 2.3 until you attain the age of 62. During this time, you will be entitled to care in The Inn at Quail Haven Village at the then-current rate being charged to nonresidents in the Open Beds.

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

3. TERMS OF RESIDENCY.

3.1 Term of Agreement. The initial term of this Agreement shall be for thirteen (13) months, and shall begin on the earlier of (i) the date you begin paying the Monthly Fee to us as outlined in Paragraph 4.4; or (ii) the date you move into the Village. After the initial term, this Agreement will automatically renew for additional thirteen (13) month periods, unless notice of cancellation is issued by you or by us in accordance with Section 7 or 8 of this Agreement. Prior to the expiration of the initial term or any renewal term of this Agreement, we reserve the right to present you with a new version of a Continuing Care Residency Agreement for signature by you and us.

3.2 Use of Residence and Nature of Rights. You may reside in the Residence for as long as you are capable of living in a residence as outlined in our current admissions policy or until this Agreement is canceled by you or by us as outlined in Sections 7 and 8. You are not given exclusive possession of the Residence at the Village, and it is understood that this Agreement is not a lease or easement and does not transfer or grant to you any interest in real property owned by us. Your rights under this Agreement are not assignable, and no rights or benefits

hereunder shall inure to the use or benefit of your heirs, legatees, assignees or representatives. The Residence is for living only and shall not be used for business or profession, nor in any manner in violation of zoning restrictions.

3.3 Requirements of Law.

Notwithstanding any other provisions in this Agreement, we may change any part of the Village, including the Residence, to meet the requirements of any applicable law or regulation.

3.4 Occupants of the Residence.

No person other than you may occupy the Residence. In the event that a person who is not a party to this Agreement is accepted for residency in the Residence at a time subsequent to the date hereof (said acceptance to be in accordance with our current admissions policy), the then-current Second Person Monthly Fee shall be paid as part of the Monthly Fee. Such second person shall also pay the Community Fee as described in Paragraph 4.2. If such person does not meet the requirements for residency, such person will not be permitted to occupy the Residence for more than thirty (30) days, except with our express written approval.

If the Resident marries a person who is also a resident of the Village, or decides to co-occupy the Village with another resident (as Joint Residents), they must declare which residence will be occupied and which residence will be released.

3.5 Guests.

Guests are welcome to stay in your Residence for short stays not to exceed ten (10) consecutive days.

3.6 Furnishings.

Furnishings within the Residence will not be provided by us, except as stated in Paragraph 1.1. Furnishings provided by you shall not be such as to interfere with the health, safety or general welfare of other residents.

3.7 Release. We are not responsible for loss of or damage to your personal property, and you hereby release us from such liability.

3.8 Insurance. You are required at your own expense to carry personal property insurance and liability insurance. If requested by us, you agree to provide us with proof of such insurance coverage.

3.9 Removal and Storage of Resident's Personal Property. Your personal property must be removed from the Residence within thirty (30) days following any of the following dates: (i) the date of your death (if two Residents occupy the Residence, the date of death of the surviving Resident), (ii) the date notice of cancellation is delivered by you or us pursuant to Section 7 or 8, or (iii) the date notice is delivered to you of your permanent assignment or transfer to The Inn at Quail Haven Village or a Comparable Facility for nursing care services (see definitions in Paragraphs 2.1 and 2.2). If your personal property has not been removed from the Residence within such thirty (30) day period, then we may, in our sole discretion, either charge you an additional Monthly Fee for each month thereafter during which such personal property remains in the Residence or remove and store such personal property at the expense and risk of you or your estate.

3.10 Right of Entry. You agree to not unreasonably withhold consent from us to enter the Residence from time to time in order to inspect the premises; make necessary or agreed repairs, decorations, alterations, or improvements; provide agreed services; or exhibit the Residence to prospective residents, workmen, or contractors. We may enter the Residence at any time for the protection or preservation of the premises. When permissible, we will provide you with notice prior to entering your Residence. We may also enter your Residence in the event of an emergency, without prior notice to you.

3.11 Vacating the Residence. Upon determination by us that it is necessary or advisable for you to vacate the Residence for the protection of your health or safety, or the general and economic welfare of other residents,, you agree to so vacate and assume residency in any other residence or in The Inn at Quail Haven Village or a Comparable Facility (see definitions in Paragraphs 2.1 and 2.2).

3.12 Modifications to the Residence. You may make modifications to the Residence at your expense, subject to our advance approval and upon terms solely determined by us (see Exhibit A). All changes shall immediately become and remain the property of the Village. We condition permission for modifications on your agreeing to restore the Residence to its original condition.

3.13 Condition of Residence. You agree to properly maintain the Residence in good condition, free of debris. Upon your vacating the Residence, you agree to leave it in good condition, except for normal wear and tear. You shall be liable to us for any charges incurred to restore your Residence to good condition, normal wear and tear excepted.

3.14 Rights of Second Single Resident. When two Joint Residents reside in a single Residence under this Agreement, upon the death of one Resident or permanent assignment of one Resident to The Inn at Quail Haven Village, or other inability to continue residing in the Residence, the remaining Resident may continue to reside in the Residence under the terms of this Agreement and shall pay the Monthly Fee.

3.15 Cancellation of this Agreement. This Agreement may be canceled by you as provided in Section 7 or by us as provided in Section 8.

4. COSTS TO YOU.

4.1 Application Fee. Prior to or at the time you execute this Agreement, you will pay to us a non-refundable Application Fee of \$100.00. The Application Fee will be used by us to process your application for admission. If you are an existing resident of the Village, an Application Fee will not be charged to you upon any renewal of this Residency Agreement.

4.2 Community Fee. Upon the Resident's execution of this Agreement, Quail Haven Village shall charge a nonrefundable Community Fee equal to one month's Resident's Monthly Fee due when a Resident selects a Residence. The Community Fee is a one (1) time fee which entitles the Resident priority access to all services and amenities of Quail Haven Village.

If you are an existing resident of the Village, a Community Fee will not be charged to you upon any renewal of this Residency Agreement.

4.3 Amount of Monthly Fee. You agree to pay a Monthly Fee for the Residence and the services and amenities provided under this Agreement in the amount of \$_____ per month (the "Monthly Fee") and an additional per \$500 month if two persons are Joint Residents under this Agreement (the "Second Person Monthly Fee"). The "Second Person Monthly Fee" shall become part of the Monthly Fee. If there are Joint Residents under this Agreement and one Joint Resident dies, the Second Person Monthly Fee shall cease and the remaining Resident shall continue to pay the Monthly Fee without the Second Person Monthly Fee component. The Monthly Fee is initially set at a specific amount that can be increased as described in Paragraph 4.6 below.

4.4 Payment of Monthly Fee. The Monthly Fee shall be payable in advance on the first day of each month. The first Monthly Fee will be due as follows:

4.4.1 For an Existing Renovated Residence — Within sixty (60) days from the date of your execution of this Agreement; or

4.4.2 For a Future Renovated Residence — Within sixty (60) days from the date of your execution of this Agreement.

If the initial month of residency is less than a full calendar month, the Monthly Fee for the initial month of residency shall be prorated. Thereafter, the Monthly Fee will be paid by you by no later than the tenth (10th) day of each month.

4.5 Continuance of Monthly Fee.

4.5.1 Your Cancellation. If you cancel this Agreement after occupancy in accordance with Paragraph 7.3, the Monthly Fee will continue until the later of (i) removal of your furniture, possessions and property from the Residence and turnover of your keys to Village Administration; or (ii) re-occupancy of your Residence by a new resident if you cancel this Agreement prior to the expiration of the initial term or renewal term.

4.5.2 Death. If this Agreement is canceled after occupancy due to your death (or the death of the surviving Joint Resident), the Monthly Fee will continue until removal of your furniture, possessions and property from the Residence and turnover of your keys to Village Administration.

4.5.3 Our Cancellation. If we cancel this Agreement after occupancy in accordance with Paragraph 8.2, the Monthly Fee will continue until removal of your furniture, possessions and property from the Residence and

turnover of your keys to Village Administration.

4.6 Increase in Monthly Fee. The Monthly Fee is paid to us to provide the services and amenities described in this Agreement and is intended to meet the expenses associated with the operation of the Village. The Monthly Fee (which includes the Second Person Monthly Fee where applicable) may be adjusted at the beginning of each calendar year upon thirty (30) days' written notice if we, in our sole discretion, deem it necessary to meet the financial needs of the Village or to provide services to the residents.

4.7 Reduction in Monthly Fee Due to Absence. If you are absent from the Village for vacation, illness or any other reasons for a period exceeding thirty (30) consecutive days and provided you have notified us in advance of your absence, then you will be entitled to receive a credit towards future Monthly Fees. Said credit will be equal to the raw food cost determined through the Village's budgeting process and the cost of housekeeping services.

4.8 Reserve Funds. The amount of the Monthly Fee is and will continue to be affected by our policy of maintaining reserve funds for the financial security of the Village.

4.9 Late Payment Charge. We will charge a one percent (1%) late payment charge per month on any Monthly Fees, extra charges or any charges incurred while you are a resident of The Inn at Quail Haven Village that have not been paid within thirty (30) days of receipt of a monthly statement from us.

5. REPRESENTATIONS.

5.1 Our Representations. We represent and warrant that we are a for-profit limited liability company. We are not affiliated with any religious or other charitable organizations.

5.2 Your Representations. You represent and warrant that the representations made in the application for admission, your personal health history, and the confidential financial statement are true and correct and may be relied upon by us as a basis for your acceptance for residency at the Village. You also represent and warrant that you have not made any gift of your property in contemplation of the execution of this Agreement.

6. COVENANTS.

6.1 Our Covenants. We will not cancel this Agreement without just cause as specified in Paragraph 8.2. Further, we shall not cancel this Agreement solely by reason of your financial inability to pay the full Monthly Fee or the per diem charge for care in The Inn at Quail Haven Village, provided you have met all “spend-down” provisions of eligibility for the Medicaid program and any public assistance funds. This provision shall not apply if you have impaired your ability to meet your financial obligations hereunder by transfer of assets other than to meet ordinary and customary living expenses or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance, or other health insurance after assuming occupancy. You shall be permitted to remain at the Village for a reduced fee based on your ability to pay for as long as you establish facts to justify deferment of such charges and when deferment of such charges can, in our sole discretion, be granted without impairing our ability to operate the Village on a sound financial basis for the benefit of the residents.

6.2 Your Covenants. You agree to (i) comply with all policies and procedures of the Village as now existing or as hereafter amended; (ii) pay the Community Fee, Monthly Fee, and any other charges as provided in this Agreement; (iii) not impair your ability to meet the financial obligations under this Agreement by transferring assets, other than to meet ordinary and customary living expenses, or by not

maintaining Medicare Part A, Medicare Part B, supplemental insurance or other health insurance, without our consent; (iv) apply for public assistance funds and/or Medicaid if you should need financial assistance as outlined in Paragraph 6.1 above while receiving nursing care services; and (v) abide by all other terms of this Agreement.

7. CANCELLATION BY RESIDENT.

7.1 Right of Rescission. Within thirty (30) days following the later of the execution of this Agreement by you or the receipt of a Disclosure Statement from us, you may rescind this Agreement by giving us written notice. You shall not be required to move into the Residence prior to the expiration of the thirty (30) day rescission period. However, if you occupy the Residence during the rescission period and then rescind this Agreement, you will only be charged a Monthly Fee for the period of time that you actually occupied the Residence. The Community Fee paid in accordance with Paragraph 4.2 will be refunded to you, without interest, less a service charge of \$1,000 and less any charges specifically incurred by us at your request and set forth on Exhibit A or in writing in a separate addendum to this Agreement, signed by you and us. Said refund shall be paid within sixty (60) days after our receipt of your written notice of rescission.

7.2 Cancellation Prior to Occupancy. If you die or if you are unable to occupy the Residence due to illness, injury or incapacity, this Agreement will automatically cancel upon our receipt of notice of your death, illness, injury or incapacity. You may also cancel this Agreement for any other reason (including a change in your financial condition) at any time before you move into the Village by giving us written notice signed by you (both of you if there are two). The Community Fee paid in accordance with Paragraph 4.2 will be refunded to you (or your estate) without interest, less a service charge of \$1,000 and less any charges

specifically incurred by us at your request and set forth on Exhibit A or in writing in a separate addendum to this Agreement, signed by you and us. Said refund shall be paid within sixty (60) days after our receipt of notice of your death, injury or incapacity, or receipt of your written notice of cancellation.

7.3 Cancellation After Occupancy.

You may cancel this Agreement for any reason after moving into the Village by giving us thirty (30) days' prior written notice of cancellation, which shall be effective and irrevocable upon delivery. Cancellation shall occur thirty (30) days after written notice is delivered, and you must vacate the Residence within such thirty (30) days. You are obligated to pay the Monthly Fee during the thirty (30) day notice period and as outlined in Paragraph 4.5.1. The Community Fee paid in accordance with Paragraph 4.2 is nonrefundable.

7.4 Cancellation Due to Death After Occupancy. This Agreement will automatically cancel upon your death (unless you have a surviving Joint Resident). After such automatic cancellation, your personal representative will have thirty (30) days from the date of your death to remove your personal property from the Residence. Your estate will continue to be obligated to pay the Monthly Fee as outlined in Paragraph 4.5.2. The Community Fee paid in accordance with Paragraph 4.2 is nonrefundable.

8. CANCELLATION BY QUAIL HAVEN.

8.1 Cancellation Due to Non-Acceptance. If we do not accept you for residency at the Village, the full amount of the Community Fee paid in accordance with Paragraph 4.2 will be promptly refunded to you, without interest.

8.2 Cancellation After Occupancy. We may, upon notice and opportunity to cure as

hereinafter provided, cancel this Agreement after your occupancy for just cause. Just cause shall include the occurrence of any of the following events (hereinafter referred to as a "Default"):

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

8.2.2 Misrepresentation. You misrepresent yourself or fail to disclose information during the admissions process.

8.2.3 Nonpayment. You fail to pay any charges to us, subject to the provisions of Paragraph 6.1, within sixty (60) days of the date when such charges are due.

8.2.4 Threat to Health or Safety. Your health status or behavior constitutes a substantial threat to the health or safety of yourself, other residents, or others including your refusal to consent to relocation or behavior that would result in physical damage to the property of others or the Village.

8.2.5 Change in Condition. There is a major change in your physical or mental condition and your condition cannot be cared for in The Inn at Quail Haven Village within the limits of our license.

8.3 Default Notice. Prior to cancellation for any Default described in Paragraph 8.2.1, 8.2.2 or 8.2.3 above, we shall give you notice in writing of such Default, and you shall have at least thirty (30) days thereafter within which to correct such Default. A Default shall not eliminate your obligation to pay the

Monthly Fee. If you correct the Default within such time, this Agreement shall not be canceled. If you fail to correct the Default within such time, this Agreement shall cancel at the expiration of such thirty (30) days and you must vacate the Residence within such thirty (30) days. You are obligated to continue to pay the Monthly Fee as outlined in Paragraph 4.5.3.

In the event of the occurrence of a Default described in Paragraph 8.2.4 or 8.2.5 above, if we or the Medical Director determines that either the giving of notice of Default or the lapse of time as above provided might be detrimental to you or others, then such notice and/or waiting period prior to cancellation shall not be required. In such event, we are expressly authorized by you to transfer you to an appropriate hospital or other facility, and we will promptly notify your personal representative or attending physician. If you are unable to return to your Residence or the Inn at Quail Haven Village, your personal representative or family member will be required to remove your personal property from the Residence within thirty (30) days. You are obligated to continue to pay the Monthly Fee as outlined in Paragraph 4.5.3.

The Community Fee paid in accordance with Paragraph 4.2 is nonrefundable.

9. MISCELLANEOUS.

9.1 Amendments or Addenda. Amendments or addenda to this Agreement will only be valid if in writing and executed by you and us.

9.2 Entire Agreement. This Agreement and any addenda or amendments thereto contain our entire understanding with respect to your residency at the Village.

9.3 Monthly Statement. You shall receive a monthly statement from us showing the total amount of fees and other charges owed by you, which shall be paid by the tenth (10th) day of each month.

9.4 Responsible Party for Business and Financial Decision Making. Within sixty (60) days after assuming residency at the Village, you agree to execute and deliver to us a Durable Power of Attorney, trust documents, or other documentation naming a responsible party for business and financial decision-making. These documents should be drafted to remain effective notwithstanding your incompetence or disability and shall be in a form acceptable to us. You agree to keep such documents in effect as long as this Agreement is in effect. The person(s) named as your responsible party shall not be a person(s) employed by us or any other entity engaged in the management of the Village.

9.5 Disposition of Furniture, Possessions, and Property. Within sixty (60) days after the date of residency, you agree to make provision by will or otherwise for the disposition of all of your furniture, property, and possessions located on the premises of the Village.

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

9.7 Notices. Any notice required to be given to us under this Agreement shall be in writing and sent certified mail or hand-delivered to the Executive Director of the Village at 155 Blake Boulevard; Pinehurst, North Carolina 28374. Such notices shall be dated and signed.

Any notice required to be given to you shall be delivered to you at the Village or at such other place as you shall designate to us in writing. All notices mailed in accordance with this

Paragraph shall be deemed to be given when mailed whether or not they are actually received.

9.8 Indemnity. You agree to indemnify, defend and hold us harmless from claims, damages or expenses, including attorneys' fees and court costs, resulting from any injury or death to persons and any damages to property caused by, resulting from, attributable to or in any way connected with your negligent or intentional act or omission or that of your guests.

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

9.10 Subordination. You agree that all your rights under this Agreement shall at all times be subordinate and junior to the lien of all mortgages or other documents creating liens encumbering the Village, which have been or will be executed by us. Upon request, you agree to execute, acknowledge and deliver to such lender(s) such further written evidence of such subordination as such lender(s) may reasonably require. Other than payment of the Monthly Fee, you shall not be liable for any such indebtedness.

9.11 Capacity. This Agreement has been executed on our behalf by our duly authorized agent, and no officer, director, agent, representative, or employee of ours shall have any personal liability hereunder to you under any circumstances.

9.12 Resident. When Resident consists of more than one person, the rights and obligations of each are joint and several except as the context otherwise requires.

9.13 Reimbursement for Loss or Damage. You or your responsible party, if applicable, shall reimburse us for any loss or damage to the Village as a result of your

intentional, careless, or negligent acts or omissions or that of your guests.

9.14 Private Employee of Resident. If you need additional services, you can obtain these needed services from the Village's licensed Home Care Agency or from a private employee, an independent contractor, or through a different agency (personal service provider). If you do not utilize the Village's Home Care Agency, we strongly advise you to obtain these needed services from a licensed and/or certified home health agency. If you obtain services from a private employee, independent contractor or a different agency, then you must comply with our policy regarding personal service providers and ensure that your private employee, independent contractor, or person you employ through an agency complies with our policies and rules of conduct as set forth therein. If you fail to follow or enforce the policies and rules set forth in the policy, then we may elect, at our sole option, to cancel this Agreement.

9.15 Governing Law. This Agreement will be interpreted according to the laws of the State of North Carolina.

10. MEDIATION AND ARBITRATION.

10.1 Mediation. In the event a dispute, claim or controversy of any kind arises between the parties — except for those disputes, claims or controversies arising under Paragraph 10.3 below — that cannot be resolved by mutual agreement, the parties agree to submit such dispute, claim or controversy to a neutral mediator for possible resolution. The parties will jointly agree on a neutral mediator. Each party shall submit all evidence or information in writing to the mediator in support of its contentions or allegations and any defense either party may have with respect to the dispute, claim or controversy. Each party shall have the right to a hearing before the mediator and to personally present information pertinent to such dispute, claim or controversy. The mediator shall assist

each party, in an unbiased manner, in reaching an amicable agreement regarding the dispute, claim or controversy. If an amicable agreement is not reached, or if either party fails or refuses to negotiate or mediate in good faith to resolve the matter, or if a neutral mediator cannot be agreed upon between the parties, then the parties agree to submit such dispute, claim or controversy to an arbitration process as outlined below.

10.2 Arbitration. In the event a dispute, claim or controversy of any kind arising out of or relating to this Agreement except for those disputes, claims or controversies arising under Paragraph 10.3 below cannot be resolved through mediation as described in Paragraph 10.1 above, the parties agree that said dispute, claim or controversy will be submitted to and determined by arbitration in Moore County, North Carolina in accordance with the then-current commercial arbitration rules of the Federal Arbitration Act. The parties will jointly agree on an arbitrator and the arbitrator will be selected according to the procedure set forth in State law, if applicable. In reaching a decision, the arbitrator shall prepare findings of fact and conclusions of law. Any direct arbitration costs incurred by you will be borne by you. Costs of arbitration, including our legal costs, attorneys' fees and similar costs, will be borne by all residents of the Village, provided that the arbitrator may award the costs of arbitration against us if the arbitrator determines that the proposed resolution urged by us was not reasonable. If the issue affects more than one (1) resident, we may elect to join all affected residents into a single arbitration proceeding, and you hereby consent to such joinder.

You may withdraw your agreement to arbitrate within thirty (30) days after signing this Agreement by giving written notice of your withdrawal to us. This arbitration clause binds all parties to this Agreement and their spouses, heirs, representatives, executors, administrators, successors, and assigns, as applicable. After cancellation of this Agreement, this arbitration

clause shall remain in effect for the resolution of all claims and disputes that are unresolved as of that date

10.3 Voluntary Arbitration of Negligent Health Care Claims. For all claims for damages, such as personal injury or wrongful death actions, based on alleged negligence in the provision of health care, the parties may voluntarily elect to submit to arbitration pursuant to the procedures set forth in Article 1H of Chapter 90 of the North Carolina General Statutes. N.C. G.S. §90-21.60(b) prohibits any contract from requiring prior agreement of the parties to arbitrate negligent health care claims. Thus, Paragraphs 10.1 and 10.2 do not apply to personal injury or wrongful death actions based on alleged negligence in the provision of health care. If the parties agree to arbitrate such actions, said arbitration will be governed in accordance with N.C.G.S. §90-21.60, *et seq.*

You hereby certify that you received a copy of this Agreement and a copy of our most current Disclosure Statement dated _____, 20__.

Executed this _____ day of _____, 20__.

RESIDENT

Witness

RESIDENT

Witness

QUAIL HAVEN OF PINEHURST, LLC, a North Carolina for-profit limited liability company

By _____

Date: _____

Attachment: Exhibit A



05-2242
Residency Agmt (05 31 19)

Exhibit A

Non-Standard Features Added at Resident's Request

Cost

	\$
	\$
	\$
	\$
	\$
	\$
	\$
Total or Non-Standard Features	\$

RESIDENT

RESIDENT

Date: _____

QUAIL HAVEN OF PINEHURST, LLC,
a North Carolina for-profit limited liability company

By _____

Date: _____