



# THE OAKS AT WHITAKER GLEN

A CONTINUING CARE RETIREMENT COMMUNITY

## Disclosure Statement

January 12, 2021

Whitaker Glen, Inc. d/b/a The Oaks at Whitaker Glen

501 East Whitaker Mill Road

Raleigh, NC 27608

(919) 839-5604

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

- **This Disclosure Statement may be delivered until revised, but not after October 25, 2020;**
- **Delivery of this Disclosure Statement to a contracting party is required before execution of a continuing care contract;**
- **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.**

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## HISTORY AND FACILITY INFORMATION

Whitaker Glen, Inc. opened Whitaker Glen, A Comprehensive Retirement Community, on August 13, 1984. The retirement community was originally intended to complement the services of the adjoining skilled nursing facility, Mayview Convalescent Center, which had opened September 1, 1957. Together, the facilities now known as The Oaks at Whitaker Glen and The Oaks at Whitaker Glen - Mayview, respectively, offer a comprehensive array of services. The facilities are located on a fourteen acre campus inside the Raleigh I-440 Beltline on Whitaker Mill Road. Located approximately halfway between Glenwood Avenue and Wake Forest Road, The Oaks at Whitaker Glen's address is 501 East Whitaker Mill Road, and The Oaks at Whitaker Glen - Mayview's address is 513 East Whitaker Mill Road.

Whitaker Glen was operated as an independent living facility until its licensure as a continuing care retirement community in 2004. In 2005, some organizational changes were made to place Whitaker Glen, Inc. in control of both the independent living and skilled nursing facility components of the continuing care retirement community. In December, 2009, the stock of Whitaker Glen, Inc. was sold by the Tomlinson family to Cumberland Healthcare Properties, Inc., a Georgia corporation registered to do business in North Carolina and an affiliate of PruittHealth, Inc. formerly known as Pruitt Corporation ("PruittHealth"), a fifty (50) year old company whose affiliates care for over 24,000 patients a day and which provides long term care and related services at approximately 150 locations in North Carolina, South Carolina, Georgia and Florida. PruittHealth maintains an office in North Carolina at 4022 Stirrup Creek Drive, Building 3, Suite 325, Durham, NC 27703, to assist with the provision of care offered by its North Carolina-based affiliates in skilled nursing facilities, independent living facility (Whitaker Glen), hospice agencies, home health agencies, and pharmacy throughout North Carolina. The Oaks at Whitaker Glen continues to be operated and services are provided by Whitaker Glen, Inc. In January 2010, Whitaker Glen, Inc. filed its registration with the Wake County, North Carolina Register of Deeds to do business under the name The Oaks at Whitaker Glen. At the same time, Whitaker Glen, Inc. also filed its registration with the Wake County, North Carolina Register of Deeds to do business under the name The Oaks at Mayview. In February 2014, the decision was made to change the name of the skilled nursing facility to The Oaks at Whitaker Glen – Mayview and Whitaker Glen, Inc. filed its registration with the Wake County, North Carolina Register of Deeds to conduct business under this new name. Throughout this Disclosure Statement, the terms "Whitaker Glen, Inc.", "The Oaks at Whitaker Glen" and Whitaker Glen" are used interchangeably.

The sale of the stock of Whitaker Glen, Inc. left intact its existing licenses and contractual relationships with those persons residing at Whitaker Glen at the time of the sale. Therefore, those residents saw no changes to their Residence and Services Agreement unless mutually agreed upon. An example of the type of change which a resident might have agreed to is a renovation and upgrade of the resident's unit in exchange for a change in the resident's entrance fee refund.

The Oaks at Whitaker Glen is designed to offer security, friends, activities, privacy, transportation, health care, and a caring staff who are referred to as "partners". It is surrounded by some of the best of Raleigh's old neighborhoods, and the nearby commercial areas offer practically any required service such as dry cleaners, groceries, banks, pharmacies, churches, post offices, specialty shops, automobile dealerships, etc.

The independent living component offers spacious one and two-bedroom residential units, complete with full kitchen, dishwasher, self-cleaning oven, garbage disposal, frost-free refrigerator/ freezer with ice-maker, patio or balcony, and a washer and dryer. The 96 residential units offer three different floor plans. The focal point of each of the three residential buildings is a four-story high, sky-lit, climate-controlled atrium, complete with numerous plantings and 20-foot live trees. Each atrium features a 20-foot by 16-foot Coromandel Screen that was handcrafted in Hong Kong and offers a tasteful traditional look.

The activities center contains the offices of the community's capable and caring partners, the central dining room, the private dining room/meeting room, the kitchen, the health room, the library, the recreation room, the arts and crafts room, the exercise room and the woodworking shop. Our full-time food service director and the partners that provide support offer three meals a day, food for special events and can cater private functions. A full time Recreation Director provides a myriad of enjoyable and varied activities.

All of the residential buildings are connected by enclosed walkways; so, when it's freezing outside, it's still easy to move about. The Oaks at Whitaker Glen is surrounded by trees and is built on gently rolling land. The facilities are barrier free, which means residents with handicaps should have no trouble getting around. Additionally, each building has an elevator and adequate parking for residents and visitors.

A full range of health services, with an emphasis on preventive care, is provided for our independent living residents at The Oaks at Whitaker Glen. Annual health assessments, blood pressure checks, diabetic training, assistance with medication administration, nutrition counseling and even weight control assistance, are all available from our nursing partners. Additionally, home visits can be arranged from virtually any health professional, including physicians, licensed nurses, nurses' aides, homemakers, physical therapists, occupational therapists, speech therapists and respiratory therapists.

Though not connected by an enclosed walkway, The Oaks at Whitaker Glen - Mayview, the skilled nursing facility component of The Oaks at Whitaker Glen, is just a few steps away. Mayview is a skilled nursing facility licensed for 139 beds, over half of which are in private rooms with private baths. Our commitment for quality care begins with registered nurses, licensed practical nurses and nursing assistants and extends to the partners who work in dietary, housekeeping and maintenance. Our commitment to training and our unique caring culture have resulted in the staff being one of the most experienced and stable found anywhere.

The Oaks at Whitaker Glen - Mayview is organized around three nursing stations with one of the three certified by both Medicare and Medicaid. Prior to transfer from independent living or admission to The Oaks at Whitaker Glen - Mayview from the greater Raleigh community, we consider the individual's medication, treatment, dietary requirements, social needs and physician's recommendations. At admission and routinely thereafter, each resident is given a comprehensive, multidisciplinary assessment. The assessment and the physician's orders guide the plan of care. Individual food preferences are considered. Special diets, therapy exercise and other individualized services are used to meet each patient's identified needs.

All of the services found at The Oaks at Whitaker Glen are complemented by the Wake County Community Services Center which is located next door and the Wake County Emergency Medical Services Ambulance Station just around the corner on Noble Road.

## THE ORGANIZATION

### Owners, Managers, and Directors

The shareholder of Whitaker Glen, Inc. has elected to operate it as a qualified subsidiary under Chapter S of the Internal Revenue Code. The outstanding shares of common stock in Whitaker Glen, Inc. are owned by Cumberland Healthcare Properties, Inc. (“Cumberland”). The following persons serve as officers and directors of Whitaker Glen, Inc. dba The Oaks at Whitaker Glen:

Neil L. Pruitt, Jr.  
Chairman and CEO, Treasurer, Assistant Secretary and Director  
1626 Jeurgens Court  
Norcross, GA 30093

Mr. Pruitt, who is also Chairman and Chief Executive officer of PruittHealth, an integrated health care company, serves as Chairman and CEO of Whitaker Glen, Inc. He is inspired by the vision of building a seamless and superior health delivery system for long-term care. He believes that the realization of this vision depends on a team of great people, focused on delivering high quality services through an organization that is financially stable and sustainable over the long run.

Great people are attracted to PruittHealth and its affiliates based on a system of competitive pay and benefits that reward the attainment of quantifiable goals. They remain because, in this rapidly growing company, they are offered a fair opportunity for advancement as they improve their skills through company-funded scholarships and participation in programs such as Pruitt University, an online Executive Management Training Program. Higher quality of care is a direct result of this attention to people. The evidence in support of this claim can be found in patient, family and partner satisfaction scores, declining survey deficiencies and various financial indicators.

PruittHealth also positively affects the quality of service at its affiliates’ locations through a network of monitoring systems, aimed at providing feedback on performance and at holding the business units accountable for outcomes. Mr. Pruitt believes that the environment in which services are rendered plays a vital role in determining quality. Consequently, he is personally involved at every level in the company’s effort to redesign, rebuild and renovate all of the skilled nursing facilities affiliated offices and service delivery sites as needed. The adaptation of hospitality customer service practices ensures that all patients and families are recognized and treated with respect. An aggressive corporate compliance program demands the highest level of integrity and strict adherence to all applicable rules, regulations and standards.

The model of care which emerged from the implementation of these initiatives is patient-centered and is dedicated to offering a complete array of services in the most appropriate setting. The company offers independent and assisted living, skilled nursing services, rehabilitation services, home health and hospice care. Also provided are pharmacy services, community-based services, medical supplies and care management.

In discussions with government leaders at the state level, in testimony before Congress, and in talks with the Centers for Medicare and Medicaid, Mr. Pruitt has supported increased funding for long-term care services that are tightly linked to high quality care. He is optimistic about the future of long-term care and is prepared to accept all challenges and opportunities that are presented.

Neil L. Pruitt, Jr. is a past Chair and current member of the Board of Governors of the American Health Care Association (AHCA), which represents nearly 11,000 non-profit and proprietary facilities, including skilled nursing homes, assisted living residences, sub-acute centers and homes for people with developmental disabilities. Mr. Pruitt is a recognized leader in the health care profession and is a board member of the PruittCares Hospice Foundation, past Chairman and current member of the Georgia Health Care Association and former member of The Alliance for Quality Nursing Home Care. He is also a member of various other healthcare related organizations.

Mr. Pruitt graduated with a Bachelor of Arts degree in Economics from the University of the South. He was awarded a Master's of Business Administration and a Master's of Health Administration from Georgia State University in 2000.

Philip W. Small, Secretary and Director  
1626 Jeurgens Court  
Norcross, GA 30093

Philip Small serves as Secretary and Director of Whitaker Glen, Inc. Mr. Small is also the Chief Investment Officer of PruittHealth, whose affiliates comprise one of the largest health care providers in the Southeast. As Chief Investment Officer, he is responsible for the overall strategic direction of PruittHealth and its family of providers. He was previously the Chief Financial Officer of PruittHealth. In this role, he oversaw all financial operations of all the companies affiliated with PruittHealth, including Whitaker Glen, Inc. Mr. Small managed the corporation's Accounting, Accounts Payable, Accounts Receivable, Financial Analysis and Financial Reimbursement departments. He was responsible for ensuring that corporate and financial strategic goals and objectives were achieved and supported an environment focused on performance excellence and teamwork. Mr. Small, along with Mr. Pruitt, serves as the Board of Directors for Whitaker Glen, Inc.

Before joining PruittHealth, Mr. Small operated his own consulting business where he assisted clients with strategic planning, acquisition and disposition support and financial restructuring. The bulk of his career has been spent in executive positions with major long term and post-acute care corporations, including a company which operates 265 long term care facilities in the U.S. and Canada.

Mr. Small has held various leadership positions with the American Health Care Association (AHCA), serving on the Finance Committee, PPS Task Force and Multiple State Negotiating Team for Medicaid State Plan Development. He is a member of the American Institute of Certified Public Accountants (AICPA), which sets ethical and auditing standards; the Virginia Society of Certified Public Accountants, and a board member of Atlantic Shores Cooperative Association, a continuing care retirement community.

Mr. Small graduated with a Bachelor of Science in Accounting from Virginia Polytechnic Institute in 1979.

The "day-to-day" operation and management of Whitaker Glen is the responsibility of the community's Manager.

Donna T. Hill  
Manager  
Whitaker Glen, Inc.  
501 East Whitaker Mill Road  
Raleigh, NC 27608

Mrs. Donna Taylor Hill was appointed as the Manager of The Oaks at Whitaker Glen on November 22, 2013. She has over 30 years of experience in the healthcare industry both in nursing home and independent living facilities. The majority of those years have been at The Oaks at Whitaker Glen. She has been a member of the management team at Whitaker Glen since August 7, 1987 and her experience encompasses Payroll, Accounts Payable, Accounts Receivable, Human Resources, preparing and researching daily and monthly financial reports, physical plant operations and daily involvement with Resident concerns and needs. She supervises the Administrative, Dietary, Environmental Services, Nursing and Activity Departments which includes more than 30 partners, as well as performs the duties of the Financial Counselor. As the on-site manager, Mrs. Hill reviews all matters related to the resident approval and move-in process, resident relations and partner hiring and training and facility morale. She prepares financial reports on an as needed and monthly basis for the Campus Administrator and the Area Vice President. Her first priority is the safety and well-being of the residents at Whitaker Glen. She is actively involved in her community and church.

#### Related Parties

Except as noted below, there is no person, association, trust, partnership, or corporation which has an ownership interest in Whitaker Glen, Inc. and which also has an ownership interest in a service firm, association, trust, partnership, or corporation which provides goods, leases, or services to the corporation.

- Mayview Convalescent Home, Inc., 513 East Whitaker Mill Road, Raleigh, NC 27608: At the same time that Cumberland Healthcare Properties, Inc. purchased the stock of Whitaker Glen, Inc., it also purchased the stock of Mayview Convalescent Home, Inc. Mayview Convalescent Home, Inc. manages The Oaks at Whitaker Glen - Mayview, The

Oaks at Whitaker Glen's skilled nursing facility component, under a management contract with Whitaker Glen, Inc. Mayview provides inpatient nursing services for The Oaks at Whitaker Glen, "off-hours" emergency support for The Oaks at Whitaker Glen's independent residents, access to partner health insurance and access to a 401(k) retirement savings plan. Payments made in accordance with the management contract are included in the financial forecast. Future payments by The Oaks at Whitaker Glen residents for nursing care at Mayview cannot be reasonably estimated.

- Mayview Healthcare Properties, Inc., another affiliate of PruittHealth, owns the land and buildings of The Oaks at Whitaker Glen - Mayview and leases them to Whitaker Glen, Inc. for the operation of The Oaks at Whitaker Glen - Mayview, Whitaker Glen's skilled nursing facility component. Rent payments under the lease have been included in the financial forecast.
- Whitaker Glen Properties, Inc. owns the land and buildings of The Oaks at Whitaker Glen and leases them to Whitaker Glen, Inc. for operation. A Deed of Trust secured by the interest of Whitaker Glen Properties, Inc. in the land and improvements has been executed for the benefit of the Whitaker Glen residents. Rent payments for future years have been included in the financial forecast.
- PruittHealth provides administrative consulting services to The Oaks at Whitaker Glen and The Oaks at Whitaker Glen - Mayview, such as accounting, payroll, etc., in exchange for a fee.
- Other affiliates of PruittHealth, e.g., PruittHealth Pharmacy Services, Inc. (pharmacy and consulting), PruittHealth Medical Supply, LLC (medical supplies), PruittHealth Hospice, Inc. (hospice), and PruittHealth Therapy Services, Inc. (rehab therapy), among others, may also provide services or goods to Whitaker Glen, Mayview and their residents and patients.

### Affiliations

Whitaker Glen, Inc. is not affiliated with a religious, charitable, or other non-profit organization; therefore, Whitaker Glen, Inc. is responsible for all financial and contractual obligations. Whitaker Glen, Inc. is not a tax exempt organization and has no plans to qualify as a tax exempt organization under the Internal Revenue Code.

## POLICIES

### Admission Health and Financial Criteria

The Application for Residency and the Financial and Application Information forms which are part of the marketing packet include the following statements:

- The applicant's financial advisor will be asked to "certify that the applicant(s) have sufficient financial reserves to sustain residence at Whitaker Glen and that if there are to be two occupants, sufficient discussions and/or arrangements have taken place to assure an orderly transition if one of the occupants should fall ill or expire."
- The applicant's physician will be asked to "certify that the applicant(s) are of sufficient mental and physical health to live at Whitaker Glen without significant danger to



themselves or to others and to identify any items, such as a specialized diet, which will be required by the applicant(s)."

- The applicant's physician will be asked to complete a questionnaire detailing medical history, current diagnoses, current medications, allergies, etc., that might be useful in a medical emergency.
- An update of the medical information from the applicant's physician may be required if it is over 30 days old.

The Residence and Services Agreement includes the following items that are required for admission:

Comprehensive Health Care Program. All Residents eligible for Medicare Hospital Insurance (Part A) and Medicare Medical Insurance (Part B) shall be required to maintain such coverage. In addition to such coverage, all Residents must obtain and maintain Medicare Supplemental Insurance satisfactory to Whitaker Glen. Any Resident not eligible for Medicare and Medicare Supplemental Insurance must obtain other comparable medical insurance coverage satisfactory to Whitaker Glen.

Power of Attorney. The Resident agrees to select and empower an attorney-in-fact prior to residency at Whitaker Glen, and to continuously maintain a comprehensive durable power of attorney executed in a form suitable for recordation in the office of the Register of Deeds. A copy of the Resident's current Power of Attorney will be on file with Whitaker Glen at all times.

Last Will and Testament. Prior to becoming a resident of Whitaker Glen, the Resident agrees to provide in his Last Will and Testament for the final disposition of all furniture and possessions located at the Whitaker Glen facility and for burial and payment of funeral expenses. The Resident must keep the Will accurate and complete during the residency. Upon occupancy, the Resident also agrees to provide Whitaker Glen pertinent data related to the above matters and to keep this information current.

Personal Physician. The Resident agrees to select and maintain a personal physician licensed to practice medicine in North Carolina. The Resident's physician must be available to discuss the Resident's condition, transfer decisions, and ability to live independently in accordance with this Agreement.

Personal Belongings. It is expressly agreed that the Resident will provide at his or her expense insurance protection covering any loss or damage to his or her personal property.

#### Additional Occupant

If a Resident marries or invites a non-resident to share the unit, a new Residence and Services Agreement and a new Entrance Fee Agreement will be executed by both individuals to reflect their shared responsibility to adhere to the agreements. The monthly service fee will be adjusted to reflect double occupancy. If the non-resident does not meet the admission requirements, residency will be denied. The non-resident can live in another appropriate facility of his or her choice, or the Resident can elect to terminate residency.

The Residence and Services Agreement includes the following statement:

Sharing Occupancy. If a single Resident wishes to invite a non-resident to share the Residential Unit, the non-resident must follow the application procedure then utilized by Whitaker Glen and execute a Residence and Services Agreement. With the exception of short-term visitors and guests, no person other than the Resident may occupy the Residential Unit covered by this Agreement.

In the event an existing Resident desires to vacate their Residential Unit to move in with another existing Resident, as a result of marriage or otherwise, the stipulations in the following paragraphs regarding Termination and Refund shall apply. Both Residents will be required to execute a new Residence and Services Agreement and a new Entrance Fee Agreement to reflect their shared responsibility to adhere to the agreements.

#### Payment of Entrance Fee

The applicant shall execute the Entrance Fee Agreement, simultaneously with the Residence and Services Agreement, agreeing to pay an entrance fee to be evidenced by a Nonnegotiable Note issued by Whitaker Glen.

The Entrance Fee Agreement and Residence and Services Agreement include the following statements:

The proceeds of the Note, as well as the proceeds of other notes issued by Whitaker Glen in exchange for payment of Entrance Fees, shall be utilized only for expenses incurred incident to the construction, furnishing, and operation of the Retirement Community. Such notes, including that issued to the Applicant, shall be secured by a deed of trust upon the interest of the Grantors in the land and improvements comprising the Retirement Community, which shall be a second lien upon such land and improvements subordinate only to the lien of a first deed of trust securing the repayment of additional funds utilized incident to the construction, furnishing and operation of the Retirement Community.

Status of the Note. The Note shall be a debt obligation of Whitaker Glen secured as aforementioned, and with the exception of such security, the rights granted thereunder shall not include a proprietary or other interest in the business, assets and properties of Whitaker Glen.

The Grantors under the aforementioned deed of trust are Whitaker Glen, Inc. and Whitaker Glen Properties, Inc. as successor in interest to Tomlinson Holdings, LLC and Tomlinson & Associates, the prior owners of the land and improvements respectively.

#### Entrance Fee Structure

Effective October 1, 2012, all Entrance Fees paid by new Residents are partially refundable. Under this structure, the refundable portion of the Entrance Fee is reduced to either 50% of its original amount, or 0% of its original amount over a 25 month period depending on whether the Resident elects the Traditional Plan or the Equity Plan upon the execution of the Entrance Fee Agreement.

The Residences and Services Agreement and the Entrance Fee Agreement include the following information:

A Resident choosing the **Equity Plan** will have the Entrance Fee Refund reduced according to the following schedule:

**Equity Plan Reduction Schedule.** Beginning the first day of the month following the month in which the Resident initially occupies the Residential Unit, the amount owed to the Applicant under the Entrance Fee Agreement and the Note will be reduced by two percent (2.0%) of the original Note amount for each month or partial month the unit is occupied by the Resident but not more than twenty-five (25) months and not to exceed a reduction of more than fifty percent (50%) of the original amount owed under the Entrance Fee Agreement. **As an example only to illustrate application of this provision,** if the amount owed a Resident under the Resident's Entrance Fee Agreement is Eighty Thousand Dollars (\$80,000.00), then the reduction each month in the amount owed under the Entrance Fee Agreement would be One Thousand Six Hundred Dollars (\$1,600.00); ( $\$80,000.00 \times 2.0\% = \$1,600$ ). The monthly reduction of \$1,600.00 would continue to be applied for each month or partial month the unit is occupied by the Resident up to a total of 25 months or until the original amount owed under the Entrance Fee Agreement had been reduced 50% or Forty Thousand Dollars (\$40,000.00), whichever occurred first. In the example given above, the twenty-five months would equal exactly Forty Thousand Dollars (\$40,000.00), and would also be equal to 50% of the original amount owed so the monthly reduction would stop after the 25th month. **The remaining balance owed to the Applicant under the Entrance Fee Agreement and the Note would then be \$40,000.**

A Resident choosing the **Traditional Plan** will have the Entrance Fee Refund reduced according to the following schedule:

**Traditional Plan Reduction Schedule.** Beginning the first day of the month following the month in which the Resident initially occupies the Residential Unit, the amount owed to the Applicant under the Entrance Fee Agreement and the Note will be reduced by four percent (4.0%) of the original Note amount for each month or partial month the unit is occupied by the Resident over a twenty-five (25) month period until the original amount owed under the Entrance Fee Agreement is reduced to 0%. **As an example only to illustrate application of this provision,** if the amount owed a Resident under the Resident's Entrance Fee Agreement is Eighty Thousand Dollars (\$80,000.00), then the reduction each month in the amount owed under the Entrance Fee Agreement would be Three Thousand Two Hundred Dollars (\$3,200.00); ( $\$80,000.00 \times 4.0\% = \$3,200$ ). The monthly reduction of \$3,200.00 would continue to be applied for each month or partial month the unit is occupied by the Resident up to a total of 25 months or until the original amount owed under the Entrance Fee Agreement had been reduced to 0%. **After the 25<sup>th</sup> month, the remaining balance owed to the Applicant under the Entrance Fee Agreement and the Note would be \$0.**

## SERVICES

The Oaks at Whitaker Glen currently offers ninety-six (96) independent living units. Historically, the number of residents of the facility has varied from 100 to 120 depending on the number of units with two occupants.

The Oaks at Whitaker Glen - Mayview consists of one hundred thirty-nine (139) licensed skilled nursing beds. Occupancy can vary significantly during the year, but historically has averaged between 118 and 139.

### Basic Services

The Residence and Services Agreement contains the following wording regarding the services provided in exchange for the basic service fee:

Residence. Subject to the provisions of this Agreement, the Resident will have the personal, non-assignable right to reside in Residential Unit \_\_\_\_\_, (hereinafter referred to as the "Residential Unit"), as shown on the plan of The Oaks at Whitaker Glen, for the term of this Agreement.

Utilities. Whitaker Glen will furnish water and sewage service, electricity, heat, air-conditioning, basic local telephone service, the use of a television receiving system and internet service.

Security. The Resident's Residential Unit will be equipped with a sprinkler system, automatic smoke and fire alarm system and a call system. Personnel will be available to respond to security and emergency calls at all times.

Activities. Whitaker Glen will provide a program of recreation, craft and hobby opportunities, library facilities and social activities which will be designed to meet the physical, social and psychological needs of its residents for intellectual stimulation and companionship. Scheduled transportation to selected, commonly used facilities will be provided by Whitaker Glen.

Furnishings. The Resident's Residential Unit will be provided with wall-to-wall carpeting, window coverings, stove, dishwasher, side-by-side refrigerator/freezer, washer and dryer. The Resident will provide all other furnishings and furniture which is desired in the Residential Unit. Whitaker Glen will provide furnishings and furniture for common facilities.

Trash Removal. Whitaker Glen will provide appropriate facilities for the Resident to dispose of trash.

Maintenance and Repairs. Whitaker Glen will perform the necessary repairs, maintenance and replacement of its property and equipment. Repairs, maintenance and replacement of the Resident's personal property will be the responsibility of the Resident. Minor repairs to the Resident's personal property may be provided at the Resident's expense by Whitaker Glen personnel depending on their availability. Throughout the term of this Agreement, the Resident will maintain the Residential Unit in a clean, sanitary and orderly condition.

Common Facilities. Whitaker Glen will maintain common areas, such as the atriums, assembly areas, dining areas, library, recreational facilities, elevators, stairways,

hallways and passageways in a clean, safe and attractive manner at all times for the use and benefit of all Residents. Whitaker Glen will also furnish grounds- keeping service including lawn, tree, and shrubbery care and will maintain all interior plants and plantings in common areas.

Parking. Whitaker Glen will provide parking areas in accordance with the requirements of the city of Raleigh and the overall development plan for The Oaks at Whitaker Glen.

Meal Plan. For Residents moving in after October 1, 2012, Whitaker Glen will establish a meal plan account for the Residential Unit. Each month the Residential Unit is occupied, Whitaker Glen will credit \$200.00 for a Residential Unit with one occupant, and \$300.00 for a Residential Unit with two occupants (the "Meal Plan Credit") to the meal plan account. The Meal Plan Credit will be for the Resident's use in the dining room, café, or university club during the month in which it is issued. Any portion of the Meal Plan Credit remaining after the end of the month will be forfeited and no longer available for use.

### Optional Services

The Residence and Services Agreement contains the following wording regarding the services which are made available at or by Whitaker Glen for an extra charge:

Utilities. The Resident will pay for additional telephone service and, if available, optional television programming.

Alterations. Any structural or physical change of any kind within the Residential Unit of the Resident, including optional building features, will be made only after approval by Whitaker Glen. The cost of any change requested by the Resident and, if appropriate, the cost of any future removal of the change will be borne by the Resident unless otherwise agreed in writing. The ownership of any change or improvement will be vested in Whitaker Glen. Redecoration of the Resident's Residential Unit, in addition to or other than that scheduled by Whitaker Glen, will require approval by Whitaker Glen and will be undertaken only at the expense of the Resident.

Optional Services. Whitaker Glen offers optional services for meals, housekeeping, dry cleaning and personal needs such as beauty shop, trips and fitness program. In addition, Whitaker Glen will assist the Resident in seeking to obtain any service which is needed or desired and is not specifically provided under this Agreement.

Whitaker Glen now offers additional optional services through the Enhanced Living Program. Residents purchasing this plan will enjoy services such as made to order breakfast delivered to the residential unit, one additional meal in the dining room or room service daily, access to a Personal Care Assistant 24 hours a day, a medicine alert pendant, weekly laundry and housekeeping services and escort to dining room and social events. These services are offered through three levels of customized care; Supportive Care - \$1,445/month for a single Resident and \$1575 for Residents sharing a residential unit; Enhanced Care - \$1,600/month for a single Resident and \$1,725/month for Residents sharing a residential unit and Comprehensive Care - \$1,680/month for one Resident and \$1,875/month for Residents sharing a residential unit.

Residents who prefer not to purchase the Enhanced Living Program package, may still have access to additional services that can be purchased a la carte including weekly housekeeping services, weekly housekeeping with laundry services, carpet cleaning, pressing of clothes, in-home room service, escort to meals and activities and medicine alert pendants.

### Medical Services

The Residence and Services Agreement further states the following with regard to the extent to which medical services are furnished:

Infirmary. The Oaks at Whitaker Glen agrees to provide an out-patient infirmary capable of meeting the needs of a Resident with minor ailments or injuries, counseling and routine physical evaluations.

Health Care Center. The Oaks at Whitaker Glen - Mayview (the "Health Care Center") will provide personnel to monitor the various call systems available in the residential units during times when Whitaker Glen personnel are not available, and the Health Care Center personnel will respond to the "off-hours" emergency needs of the residents of Whitaker Glen. Upon determination that inpatient nursing services are required, Whitaker Glen Residents will be admitted to the Health Care Center if they meet the requirements for admission and an appropriate bed is available. During inpatient stays in the Health Care Center, the Resident shall pay for occupancy, care and services at rates customarily charged by the Health Care Center. Upon permanently moving to the Health Care Center, the Resident shall no longer be responsible for payment of the Monthly Service Fee under this Agreement.

Medical Director. Whitaker Glen will engage a physician duly licensed in the State of North Carolina (the "Medical Director") who will assist the Whitaker Glen partners in evaluating a Resident's ability to live independently in accordance with this Agreement.

Partner Assistance. Whitaker Glen will assist a Resident in filing Medicare and other insurance claims and in pursuing unpaid claims.

## WITHDRAWAL, TERMINATION, AND REFUND

### Withdrawal

A resident has the right to withdraw or rescind the Residence and Services Agreement and Entrance Fee Agreement within the time period specified in the agreements and as set forth below:

Withdrawal Within the 30 Day Right of Rescission Period. The Resident may rescind this Agreement prior to the date of occupancy, or after occupancy, by giving written notice to Whitaker Glen within the later of thirty (30) days of the execution of the Agreement or of the date that the Resident received the Disclosure Statement as required by GS § 58-64-20. The Resident is not required to take occupancy before the expiration of the thirty (30) day period. If the Agreement is rescinded, the Resident will receive all monies or property transferred to Whitaker Glen less applicable periodic charges, nonstandard costs incurred at the request of the resident, and a service charge not to exceed the greater of \$1,000 or 2% of the debenture

amount paid by the Resident. The refund will be paid to the Resident within one hundred eighty (180) days of receipt of the written notice to rescind.

### Termination

The term of the agreement is "open-ended", and the rights of either party to terminate the agreement are specified in the Residence and Services Agreement and the Entrance Fee Agreement as follows:

Termination Prior to Occupancy. The Resident may terminate this Agreement prior to occupancy by giving notice in writing to Whitaker Glen. If the Resident is unable to occupy the Residential Unit due to death, illness, injury, or incapacity, this Agreement shall terminate and be automatically canceled.

Trial Period. The first ninety (90) days of occupancy will be on a trial basis. During this 90-day period, Whitaker Glen shall have the right to terminate this Agreement and the Resident's occupancy based upon its judgment that either the Resident's physical condition or emotional adjustment will not permit satisfactory residency at Whitaker Glen.

Residence in Excess of Ninety Days. Subsequent to the aforementioned 90-day period, this Agreement shall be terminated only pursuant to the following subparagraphs.

1. Death of Resident. This Agreement shall terminate upon the death of the Resident. In the event that two (2) individuals have executed this Agreement as the Resident, this Agreement shall terminate upon the death of the survivor of such individuals.
2. Termination by Whitaker Glen. Whitaker Glen may terminate this Agreement and the Resident's occupancy if the Resident fails to make a payment to Whitaker Glen required under this Agreement, and Whitaker Glen gives the notice required. In addition, Whitaker Glen may terminate this Agreement upon a determination by the Manager that (i) there has been a change in the physical or mental condition of the Resident which renders the Resident incapable of living independently in the Residential Unit and the Resident does not move to the Health Care Center or an Affiliated Facility, or (ii) the Resident has developed a contagious disease deemed hazardous to others by the Manager. Whitaker Glen may also terminate this Agreement for cause as previously provided or in the event that the Resident fails to comply with any of the terms and provisions of this Agreement.
3. Termination by Resident. The Resident may terminate this Agreement at any time by providing Whitaker Glen with ninety (90) days prior written notice. During the ninety (90) day notice period, the Resident shall remain responsible for the payment of the Monthly Service Fee as it becomes due.
4. Permanent Transfer to the Health Care Center or an Affiliated Facility. This Agreement shall terminate upon permanent transfer to the Health Care Center or an Affiliated Facility and the removal of all personal belongings from the Residential Unit.

Permanent Transfer. If the Resident's physical or mental condition deteriorates so that it precludes the Resident's ability to live independently or if the Resident cannot live in the Residential Unit without endangering himself or others, Whitaker Glen may require transfer of the Resident at the Resident's expense, to a more protective accommodation which is able to provide for more appropriate safety and care. If a diagnosis is confirmed that in all probability the Resident's condition is irreversible and there is negligible possibility of recovery that would permit independent living, Whitaker Glen may assign the Resident's Residential Unit to another individual. If the Resident should recover to the point that independent living is again possible, the Resident will have priority for accommodations at Whitaker Glen as they become available. The Resident will bear the cost of moving and storing personal belongings in the event of such transfer. Whitaker Glen will consult the Resident or his or her responsible party as well as the Resident's physician regarding transfer decisions.

### Refund

The refund of fees upon termination of the Agreement is specified in the Residence and Services Agreement and the Entrance Fee Agreement as follows:

Termination of this Agreement Prior to Occupancy. If the Applicant is unable to take occupancy of the Residential Unit due to death, illness, injury or incapacity, this Agreement shall be automatically canceled. If prior to the Applicant's occupancy at Whitaker Glen, the Applicant should terminate the Residence and Services Agreement, this Agreement shall terminate. In such event all amounts paid under this Agreement shall be refunded to the Applicant. Such refund shall be made within one hundred eighty (180) days following the aforementioned cancellation or termination.

Termination by Resident. If the Resident gives written notice of termination within the initial ninety (90) days of the occupancy at Whitaker Glen, the Initiation Fee shall be refunded.

Termination After Occupancy. Following payment of the Entrance Fee and the Applicant's occupancy at Whitaker Glen, the Entrance Fee Refund shall be payable to the Applicant within thirty (30) days after the Applicant's Residential Unit (as defined in the Residence and Services Agreement) is occupied by another individual following (i) the death of the Applicant or (ii) the termination of the Residence and Services Agreement in accordance with the provisions of such agreement. It is provided, however, that should the Residence and Services Agreement be terminated as a result of the Applicant's Permanent Transfer to the Health Care Center or Affiliated Facility (as such terms are defined in the Residence and Services Agreement), the Applicant will have the option to receive a refund within thirty (30) days after the Applicant's Residential Unit is occupied by another individual, or have the Entrance Fee Refund applied as a credit at the Health Care Center or Affiliated Facility to be used to pay for occupancy, care and services. If the Entrance Fee is refunded to the Applicant or credited upon transfer to the Health Care Center or Affiliated Facility, the Applicant may again occupy a residential unit at the Retirement Community, when available, upon the payment of all fees required in connection with admission to Whitaker Glen. Whitaker Glen reserves the right at its sole discretion to repay all or any portion of the Entrance Fee Refund to the Applicant at an



earlier date than otherwise required hereunder. Refunds of refundable entrance fees are limited to reoccupancy proceeds.

Any refund set forth above may be reduced by charges due and payable to Whitaker Glen.

## FEES

### Current Fees

The Financial and Application Information form which is part of the marketing packet includes the following requirement:

- Complete the application and return it along with the non-refundable application fee of \$100.00 per person.

The Residence and Services Agreement and/or the Entrance Fee Agreement contain the following wording regarding fees to be paid:

Initiation Fee. An Initiation Fee in the amount of \_\_\_\_\_ shall be payable to Whitaker Glen by the Resident. Any refundable deposit made during the application process shall be applied toward payment of the Initiation Fee and the amount payable by the Resident pursuant to the Entrance Fee Agreement executed simultaneously herewith. The Initiation Fee shall become non-refundable ninety (90) days after the Resident's occupancy of the Residential Unit.

Entrance Fee. Payment of an entrance fee provides a resident with the lifetime use of a residence and the services and amenities available at the Retirement Community. At the time the Applicant makes application for residency at the Retirement Community, the Applicant will receive a copy of the Disclosure Statement and will pay an entrance fee deposit. The balance of the entrance fee will be paid at the time the Residence and Services Agreement and Entrance Fee Agreement are signed. The Applicant hereby agrees to pay an entrance fee in the total amount of \$\_\_\_\_\_.

Monthly Service Fee. The Monthly Service Fee for the Residential Unit and the number of occupants covered by this Agreement is payable prior to occupancy and on the first day of each month thereafter. The Monthly Service Fee in effect on the date of this Agreement for the Residential Unit and number of occupants covered by this Agreement is \_\_\_\_\_.

Extra Charges. The Resident will be invoiced by Whitaker Glen for optional services, special services, or supplies obtained for and furnished to the Resident which are not provided pursuant to this Agreement as a result of payment of the Monthly Service Fee.

Whitaker Glen's fees are delineated in the Financial and Application Information form in the marketing packet. The fees effective October 1, 2019 are summarized as follows:

## The Traditional Plan

Residence	Non-Refundable Initiation Fee <sup>1</sup>	Residential Admission Fee	Total Fees	Monthly Service Fee	
				One Occupant	Two Occupants
One Bedroom	\$8,000	\$50,000	\$58,000	\$3,031	\$3,566
Two Bedroom	\$8,500	\$96,800	\$105,300	\$3,350	\$3,903
Two Bedroom Deluxe	\$9,000	\$114,950	\$123,950	\$3,444	\$3,985

## The Equity Plan

Residence	Non-Refundable Initiation Fee	Residential Admission Fee	Total Fees	Monthly Service Fee	
				One Occupant	Two Occupants
One Bedroom	\$8,000	\$80,000	\$88,000	\$3,031	\$3,566
Two Bedroom	\$8,500	\$133,100	\$141,600	\$3,350	\$3,903
Two Bedroom Deluxe	\$9,000	\$151,250	\$160,250	\$3,444	\$3,985

In the event a Whitaker Glen Resident is admitted to the Health Care Center upon determination that inpatient nursing services are required, the per diem skilled nursing fees charged by the Health Care Center shall be based on the type of room, the hall on which the room is located and with respect to some private rooms, whether the room shares a bath with the next room. The per diem fees effective October 1, 2019 are as follows:

Private	\$286 - \$315
Semi-Private	\$245 - \$260
Three Bed Ward	\$260

### Adjustments to the Fees

Once a resident occupies a residence at Whitaker Glen, the Initiation Fee and the Entrance Fee become fixed and will not be adjusted as long as they remain in the same Residential

---

<sup>1</sup> The Initiation Fee shall become non-refundable ninety (90) days after the Resident's occupancy of the Residential Unit.

Unit. However, the Monthly Service Fee can be adjusted (generally on an annual basis each October 1) as specified in the Residence and Services Agreement as follows:

Monthly Service Fee. Whitaker Glen will operate consistent with sound financial practices and to maintain quality care and services. It is agreed that the Resident’s Monthly Service Fee may be increased or decreased by Whitaker Glen if required by the costs of operation. In determining any change in the Monthly Service Fee, Whitaker Glen will consider, among other things, changes in operating costs and the cost of living. No increase in the Monthly Service Fee will take effect earlier than thirty (30) days after written notice of the change is given to the Resident, and the Resident agrees to pay the Monthly Service Fee should it be adjusted.

No fee reduction will be made because the Resident is voluntarily absent from the facility.

Past Fee Adjustments

Effective October 1, 2012, the Initiation Fee was adjusted as presented in the following table. Prior to October 1, 2012, the Initiation Fee had remained constant over the previous five years except for an adjustment in June 2011 to differentiate Renovated Units (Whitaker Glen no longer offers non-renovated units).

<b>Initiation Fee Adjustment - 10/1/2012</b>	
1 Bedroom	(\$2,000)
2 Bedroom	(\$2,500)
2 Bedroom Deluxe	(\$3,000)

The Residential Admission Fee was adjusted in October 2012 to differentiate the Traditional Plan and the Equity Plan, after remaining constant over the previous five years. The Residential Admission Fee was adjusted again in October 2014, October 2015, October 2016, and October 2017. The following table presents the increase over the previous five year period:

**Traditional Plan**

<b>Increase of Residential Admission Fee</b>					
<b>Date</b>	<b>10/1/2019</b>	<b>10/1/2018</b>	<b>10/1/2017</b>	<b>10/1/2016</b>	<b>10/1/2015</b>
<b>One Bedroom</b>	\$0	\$0	\$0	\$0	\$0
<b>Two Bedroom</b>	\$0	\$0	\$8,800	\$8,000	\$5,000
<b>Two Bedroom Deluxe</b>	\$0	\$0	\$10,450	\$9,500	\$5,000

## Equity Plan

Increase of Residential Admission Fee					
Date	10/1/2019	10/1/2018	10/1/2017	10/1/2016	10/1/2015
One Bedroom	\$0	\$0	\$0	\$0	\$0
Two Bedroom	\$0	\$0	\$12,100	\$11,000	\$5,000
Two Bedroom Deluxe	\$0	\$0	\$13,750	\$12,500	\$5,000

The following table presents the average increase in the Monthly Service Fee over the previous five year period:

Average Increase of Monthly Service Fees					
Increase Date	10/1/2019	10/1/2018	10/1/2017	10/1/2016	10/1/2015
One Bedroom	\$88	\$113	\$109	\$79	\$77
Two Bedroom	\$98	\$125	\$120	\$152	\$83
Two Bedroom Deluxe	\$100	\$129	\$124	\$147	\$86

Over the same period, the per diem skilled nursing fees have increased once per year. The following table presents the average increase over the previous five years:

Average Increase of Skilled Nursing Fees					
Increase Date	10/1/2019	10/1/2018	10/1/2017	10/1/2016	10/1/2015
Private	\$11	\$11	\$5	\$13	\$8
Semi-Private	\$10	\$10	\$4	\$11	\$7
Three Bed Ward	\$10	\$23	\$4	\$11	\$7

### Resident Financial Difficulties

The Residence and Services Agreement states the following with regard to a Resident's financial difficulties:

Financial Assistance. It is understood by the parties that the Resident has sufficient assets at the present time to meet expected costs of subsistence and services under this Agreement. Without in any way qualifying the right of Whitaker Glen to terminate this Agreement, it is the declared policy of Whitaker Glen that every effort will be made to prevent termination of this Agreement solely because of the Resident's inability to pay the Monthly Service Fee and any other sums due Whitaker Glen because of circumstances beyond the Resident's control. Whitaker Glen at its option may structure

an agreement with the Resident addressing that Resident's financial situation but is not obligated to do so.

Financial Statement. If at any time Whitaker Glen feels it necessary to request a financial statement or other financial information from a Resident, the Resident agrees to present such information to Whitaker Glen within twenty (20) calendar days of such request.

## FINANCIAL INFORMATION

As required by North Carolina General Statutes Chapter 58, Article 64, Whitaker Glen will maintain an operating reserve adequate to enable it to perform its obligations fully under contracts to provide continuing care. Cash equivalents typically in the form of certificates of deposit or money market funds will be utilized. The Chairman and CEO or his designee will make the investment decisions.

The following attachments present current and forecasted financial information:

Audited Financial Statements - Exhibit A

Interim Financial Statements – Exhibit C

Five Year Forecast - Exhibit D

Whitaker Glen has not had an actuarial report prepared within the prior two years that estimates the capacity of Whitaker Glen to meet its contractual obligations to the residents.

The material differences identified by a comparison of the actual results of operations for the year ending December 31, 2019 to the forecast included in the 2018 Disclosure Statement are set forth in Exhibit B.

## RESIDENCE AND SERVICES AGREEMENT/ ENTRANCE FEE PURCHASE AGREEMENT

The Residence and Services Agreement and the Entrance Fee Agreement, which are executed concurrently, are attached as Exhibits E and F respectively.

## REGISTERED TRADE NAME

A copy of the Registered Trade Name, The Oaks at Whitaker Glen, as filed with the Wake County Clerk of Court is attached as Exhibit G.

## OTHER INFORMATION

### Waiting List

The Financial and Application Information form which is part of the marketing packet includes the following information:

- If the desired unit is not available, your name will be placed on a waiting list with the priority based on the date your application was received. A \$5,000 refundable deposit is required at the time of acceptance of your application. The deposit may be refunded if you do not become a resident of Whitaker Glen and will be applied first to your Initiation Fee if you do become a resident and then the balance, if any, to your Entrance Fee Amount.

The Residence and Services Agreement states the following with regard to the waiting list:

- Within five (5) days after the receipt of such notice, the Resident must accept such occupancy date or defer occupancy. Although deferral will not otherwise change the obligations of the Resident or of Whitaker Glen, it will result in surrender of the Residential Unit specifically provided in this Agreement. The Resident will maintain his priority position on the waiting list during the deferral period and will be furnished a similar unit when it becomes available based on waiting list priority.

If the desired residential unit is not available and a prospective resident on the waiting list chooses to occupy an available unit, the person's name will be entered on the "in-house" waiting list based on the date the intra-facility move was requested. These intra-facility moves have priority over new residents and are handled on a "first come, first served" basis. If a Residential Unit is offered to a Resident on the "in-house" waiting list, and is declined, the Resident will maintain their priority on the waiting list.

### Recent Renovations

A renovation project for improvements at Whitaker Glen was completed in 2012. The renovations included the two-story remodel of the activities center and remodel to the atriums of each of the three residential tower buildings. Renovations to various apartment units have taken place on an ongoing basis.

### Criminal Violation Statement

There is no director, officer, agent, or managing employee of Whitaker Glen, Inc. that (i) has been convicted of a felony or pleaded nolo contendere to a felony charge, or has been held liable or enjoined in a civil action by final judgment, for a felony or civil action involving fraud, embezzlement, fraudulent conversion, or misappropriation of property; or (ii) is subject to a currently effective injunctive or restrictive court order, or within the past five years, had any State or federal license or permit suspended or revoked as a result of an action brought by a governmental agency or department, related to business activity of health care, including

actions affecting a license to operate a foster care facility, skilled nursing facility, retirement home, home for aged, or facility subject to North Carolina General Statutes Chapter 58 Article 64 or a similar law in another state.

Disclosure Statement Content

Where reference is made in this Disclosure Statement to provisions found in the Residence and Services Agreement, the Entrance Fee Agreement, or other documents, the provisions referred to are not quoted verbatim. Only the language of the provisions necessary to understand the reference is included. For the exact language of the referenced provisions, see the specific agreement from which the reference is made.

The Oaks at  
Whitaker Glen  
Disclosure Statement

Exhibit A

Audited Financial Statements  
December 31, 2019 and 2018



*Whitaker Glen, Inc.*

Financial Statements

Years Ended December 31, 2019 and 2018



**WHITAKER GLEN, INC.**  
**Financial Statements**  
**Years Ended December 31, 2019 and 2018**

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ERNEST W. WARNER, JR.  
ROBERT A. ALEXANDER  
JAMES E. CARTER, JR.  
TINA M. GOERTZ

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholder  
of WHITAKER GLEN, INC.

We have audited the accompanying financial statements of WHITAKER GLEN, INC. (a North Carolina corporation), which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of operations, stockholder's deficit, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

2245 GATEWAY ACCESS POINT  
SUITE 201  
RALEIGH, N.C. 27607  
(919) 781-7550  
FAX (919) 781-7525  
EMAIL:  
administrator@atallencpa.com

Members:  
American Institute of  
Certified Public Accountants  
N.C. Association of  
Certified Public Accountants

Private Companies Practice Section  
of the American Institute of  
Certified Public Accountants  
of Certified Public Accountants

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WHITAKER GLEN, INC. as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*A. T. ALLEN & COMPANY, LLP*

Raleigh, North Carolina  
June 26, 2020

**WHITAKER GLEN, INC**  
**Balance Sheets**  
**December 31, 2019 and 2018**

<u>Assets</u>	<u>2019</u>	<u>2018</u>
Current assets:		
Cash	\$ 13,290	\$ 14,130
Accounts receivable	43,771	33,212
Prepaid expenses	21,031	9,286
Total current assets	<u>78,092</u>	<u>56,628</u>
Property and equipment, net	<u>5,742,475</u>	<u>5,689,921</u>
Other assets:		
Restricted assets - statutory operating reserve	2,747,840	2,743,565
Secured receivable	7,560,000	7,560,000
Deposit	80,000	80,000
Goodwill, net	1,288,447	1,656,573
Total other assets	<u>11,676,287</u>	<u>12,040,138</u>
	<u>\$ 17,496,854</u>	<u>\$ 17,786,687</u>
 <b><u>Liabilities and Stockholder's Deficit</u></b> 		
Current liabilities:		
Accounts payable - trade	\$ 230,414	\$ 177,119
Payroll withholdings and accruals	5,482	17,304
Other accrued expenses	7,204	9,618
Debentures	481,472	644,410
Accrued salaries	63,740	71,402
Due to related parties	15,375,645	14,371,285
Total current liabilities	<u>16,163,957</u>	<u>15,291,138</u>
Long term liabilities:		
Debentures	3,465,064	3,898,728
Deposits - entrance fees	95,000	125,000
Total long term liabilities	<u>3,560,064</u>	<u>4,023,728</u>
Total liabilities	<u>19,724,021</u>	<u>19,314,866</u>
Stockholder's deficit:		
Common stock, par value \$1 per share, 100,000 shares authorized, 5,000 shares issued and outstanding	5,000	5,000
Additional paid in capital	3,995,000	3,995,000
Accumulated deficit	<u>(6,227,167)</u>	<u>(5,528,179)</u>
Total stockholder's deficit	<u>(2,227,167)</u>	<u>(1,528,179)</u>
	<u>\$ 17,496,854</u>	<u>\$ 17,786,687</u>

The accompanying notes are an integral part of these financial statements.

**WHITAKER GLEN, INC**  
**Statements of Operations**  
**Years Ended December 31, 2019 and 2018**

	2019	2018
Revenues:		
Monthly service fees	\$ 2,850,385	\$ 2,438,048
Debenture revenue	537,768	542,616
Initiation revenue	58,500	80,500
Health care income	1,204,233	1,175,715
Interest	106,541	97,944
Loss on sale of investments	(564)	(87)
Other income	537,929	663,005
Total revenues	5,294,792	4,997,741
Operating expenses:		
Dietary	439,863	476,559
Resident activities	113,231	104,045
Health care expenses	333,633	305,898
Operations expense	492,455	434,109
Rent	2,223,346	2,158,101
Utilities	292,146	269,430
Administrative and general expenses	724,895	724,780
Insurance	131,620	121,800
Employee benefits	151,745	146,846
Professional fees	17,955	18,671
Property taxes	141,583	139,487
Depreciation and amortization	931,308	949,619
Total operating expenses	5,993,780	5,849,345
Net loss	\$ (698,988)	\$ (851,604)

The accompanying notes are an integral part of these financial statements.



**WHITAKER GLEN, INC**  
**Statements of Stockholder's Deficit**  
**Years Ended December 31, 2019 and 2018**

	<u>Common Stock</u>		<u>Additional Paid In Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>			
Balance December 31, 2017	5,000	\$ 5,000	\$ 3,995,000	\$ (4,676,575)	\$ (676,575)
Net loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>(851,604)</u>	<u>(851,604)</u>
Balance December 31, 2018	5,000	5,000	3,995,000	(5,528,179)	(1,528,179)
Net loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>(698,988)</u>	<u>(698,988)</u>
Balance December 31, 2019	<u>5,000</u>	<u>\$ 5,000</u>	<u>\$ 3,995,000</u>	<u>\$ (6,227,167)</u>	<u>\$ (2,227,167)</u>

The accompanying notes are an integral part of these financial statements.



**WHITAKER GLEN, INC.**  
**Statements of Cash Flows**  
**Years Ended December 31, 2019 and 2018**

	2019	2018
Cash flows from operating activities:		
Net loss	\$ (698,988)	\$ (851,604)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation and amortization	931,308	949,619
Amortization of debentures	(669,402)	(769,842)
Loss on sale of investments	564	87
(Increase) decrease in operating assets:		
Accounts receivable	(10,559)	13,809
Prepaid expenses	(11,745)	232
Increase (decrease) in operating liabilities:		
Accounts payable - trade	53,295	5,670
Payroll withholdings and accruals	(11,822)	(3,963)
Other accrued expenses	(2,414)	(2,353)
Accrued salaries	(7,662)	8,837
Net cash provided (used) by operating activities	(427,425)	(649,508)
Cash flows from investing activities:		
Purchase of investments	(542,019)	(728,698)
Purchase of property and equipment	(615,736)	(484,390)
Statutory operating reserve	49,673	302,976
Proceeds from sale of investments	487,507	250,793
Net cash provided (used) by investing activities	(620,575)	(659,319)
Cash flows from financing activities:		
Proceeds from debentures	406,800	1,030,100
Refunds of debentures	(334,000)	(893,760)
Proceeds from deposits - entrance fees	30,000	20,000
Refunds of deposits - entrance fees	(60,000)	(30,000)
Due to related parties	1,004,360	1,182,697
Net cash provided (used) by financing activities	1,047,160	1,309,037
Net increase (decrease) in cash	(840)	210
Cash at beginning of year	14,130	13,920
Cash at end of year	\$ 13,290	\$ 14,130

The accompanying notes are an integral part of these financial statements.



**WHITAKER GLEN, INC.**  
**Notes to Financial Statements**  
**December 31, 2019 and 2018**

1. BUSINESS ACTIVITY

Whitaker Glen, Inc. (the Company) was organized in 1981, and since 1984, has operated a comprehensive retirement community providing residents with a high quality of life. In 2004, Whitaker Glen, Inc. became licensed as a continuing care retirement community. In December 2009, the stock of the Company was sold to Cumberland Healthcare Properties, Inc. a Georgia corporation registered to do business in North Carolina.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting whereby revenue is recognized when earned and expenses are recognized when incurred.

Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the following estimated useful lives:

	<u>Estimated Useful Life</u>
Buildings, leasehold, and land improvements	Up to 40 years
Furniture, computers, and other equipment	3 to 20 years
Transportation equipment	5 years

Investments

Investments in municipal bonds are carried at cost, which approximates fair value. The municipal bonds are classified as available for sale.

Income Tax

The stockholder of the Company has elected to operate the Company as a qualified subsidiary under the provisions of Subchapter S of the Internal Revenue Code. Therefore, the Company does not pay federal or state corporate income taxes on its taxable income. Accordingly, no provision for income taxes is included in the accompanying financial statements.

Advertising Costs

Advertising costs are expensed as they are incurred. Advertising costs were \$30,451 and \$33,590 in 2019 and 2018, respectively.

Accounts Receivable

Accounts receivable consists of monthly miscellaneous charges such as telephone long distance, meals, resident activity fees, and purchased services billed in arrears to residents. The Company has established an allowance for doubtful accounts based on their best estimate which was \$6,374 and \$19,388 at December 31, 2019 and 2018, respectively.



**WHITAKER GLEN, INC.**  
**Notes to Financial Statements**  
**December 31, 2019 and 2018**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

The Company amortizes goodwill on the straight-line method over 10 years and only evaluates goodwill for impairment at the entity level when a triggering event occurs.

3. PREPAID EXPENSES

Prepaid expenses consist of the following:

	<u>2019</u>	<u>2018</u>
Insurance	\$ 4,028	\$ 4,385
Other	17,003	4,901
	<u>\$ 21,031</u>	<u>\$ 9,286</u>

4. PROPERTY AND EQUIPMENT

Property and equipment are summarized by major classifications as follows:

	<u>2019</u>	<u>2018</u>
Furniture, computers, and other equipment	\$ 1,637,769	\$ 1,615,086
Leasehold improvements	6,665,203	6,440,435
Construction in progress	866,907	498,623
	9,169,879	8,554,144
Less accumulated depreciation	<u>3,427,404</u>	<u>2,864,223</u>
	<u>\$ 5,742,475</u>	<u>\$ 5,689,921</u>

Depreciation expense amounted to \$563,181 and \$581,491 in 2019 and 2018, respectively.

5. GOODWILL

Goodwill consists of the following:

	<u>2019</u>	<u>2018</u>
Goodwill	\$ 3,681,276	\$ 3,681,276
Less accumulated amortization	<u>2,392,829</u>	<u>2,024,703</u>
	<u>\$ 1,288,447</u>	<u>\$ 1,656,573</u>

Amortization expense amounted to \$368,127 and \$368,128 in 2019 and 2018, respectively.



**WHITAKER GLEN, INC.**  
**Notes to Financial Statements**  
**December 31, 2019 and 2018**

6. RECLASSIFICATIONS

At times, reclassifications need to be made so that the prior period presented is comparable to the current period. These reclassifications have no material effect on the prior period's financial position, results of operations, or cash flows.

7. CONCENTRATIONS OF CREDIT RISK

The Company maintains its cash in financial institutions insured by the Federal Deposit Insurance Corporation. Deposit accounts, at times, may exceed insured limits.

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported on the balance sheets.

8. DEPOSITS – ENTRANCE FEES

A \$5,000 refundable deposit is required at the time of acceptance of the application to the Community. If a desired apartment is not available at the time an application is made, a prospective resident's name will be placed on a waiting list with a priority based on the date an application was received. Deposits at December 31, 2019 and 2018 were \$95,000 and \$125,000, respectively.

9. RETIREMENT PLAN

The Company sponsors a defined contribution profit sharing plan that covers all full-time employees who have at least 90 days of service. The plan provides that the Company may make contributions in the amount equal to 3.25% of the annual compensation paid to employees in the plan year. The Company did not make profit-sharing contributions during 2019 or 2018.

The Company also sponsors a matching 401(k) plan. This plan provides that the Company will make a matching contribution in an amount not to exceed 3% of the annual compensation of any employee electing the plan. The Company's contribution for 2019 and 2018 was \$0 and \$5,689, respectively. In 2018, the Company amended the plan to cease matching contributions.

10. RELATED PARTY TRANSACTIONS

The Company leases its facilities from affiliated companies. The rent expense for 2019 and 2018 was \$1,011,617 and \$982,153, respectively.

The Company leases the Mayview Convalescent Center facilities from affiliated companies. The rent expense was \$1,204,234 and \$1,169,159 in 2019 and 2018, respectively.

The Company entered into a management services agreement on July 1, 2005 with Mayview Convalescent Home, Inc. to manage and operate the nursing home, doing business as Mayview Convalescent Center. The compensation for Mayview Convalescent Home, Inc. will be a sum equal to the net profit or loss shown by the required financial statements of Mayview Convalescent Home, Inc., prepared as of the fiscal year end.

Mayview Convalescent Home, Inc. paid an operating fee to the Company of \$100,353 each month in 2019 and \$97,976 each month in 2018. This operating fee for 2019 and 2018 was \$1,204,233 and \$1,175,715, respectively.

**WHITAKER GLEN, INC.**  
**Notes to Financial Statements**  
**December 31, 2019 and 2018**

10. RELATED PARTY TRANSACTIONS (continued)

The Company and the residents (debenture holders, Note 14) are the holders of a secured receivable in the form of a Deed of Trust which is secured by the Whitaker Glen (the Community) real property owned by affiliated companies. The value of the Deed of Trust at December 31, 2019 and 2018 was \$7,560,000.

The Company purchases various supplies and services from several affiliated companies. These purchases in 2019 and 2018 amounted to \$242,194 and \$226,890, respectively.

The Company entered into a management services agreement on January 1, 2010, with an affiliated company to provide management related services to the Company. The compensation for these services is a percentage of revenue. In 2017, this agreement was amended to modify the percentage used to calculate the amount of compensation to be paid under this agreement. The management fee for 2019 and 2018 was \$291,529 and \$283,883, respectively.

Amounts due to related parties are balances created from shared transactions in daily operations with affiliated companies. One of the affiliated companies serves as an internal cash management entity. The balance at December 31, 2019 and 2018 was \$15,375,645 and \$14,371,285, respectively.

11. INVESTMENTS

Investments are summarized as follows at December 31:

	2019		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Municipal bonds	\$ 2,676,581	\$ 2,676,581	\$ -
	2018		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Municipal bonds	\$ 2,622,633	\$ 2,622,633	\$ -

Investments are included in the accompanying balance sheets under the following captions:

	2019	2018
Restricted assets - statutory operating reserve	\$ 2,676,581	\$ 2,622,633

The following schedule summarizes the investment return for the years ended December 31:

	2019	2018
Investment return	\$ 94,968	\$ 83,808



**WHITAKER GLEN, INC.**  
**Notes to Financial Statements**  
**December 31, 2019 and 2018**

12. STATUTORY OPERATING RESERVE

Under the rules and regulations of the Department of Insurance of North Carolina, which regulates continuing care facilities operating in the state, the Company is required to maintain operating reserves from 25% to 50%, depending on the occupancy percentage, of the total forecasted annual operating costs. The statutory operating reserve is calculated using the forecasted expenses less depreciation and amortization and assuming an occupancy factor of less than 90% in 2019 and 2018. Beginning in 2004, the Company became a continuing care retirement community subject to the rules and regulations requiring a statutory operating reserve.

The statutory operating reserve consists of the following:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 71,259	\$ 120,932
Investments	<u>2,676,581</u>	<u>2,622,633</u>
	<u>\$ 2,747,840</u>	<u>\$ 2,743,565</u>

13. DEPOSIT

In 2017, the Company entered into an agreement to purchase a new institutional health service for \$400,000. Pursuant to this agreement, the Company paid an earnest money deposit of \$80,000 with the remaining balance due upon closing.

14. DEBENTURES

Applicants desiring to become residents of the Community agree to purchase a debenture from the Company in principal amounts ranging from \$50,000 to \$137,500. The proceeds from the debentures shall be utilized only for expenses incurred incident to the construction, furnishing, and operation of the Community. The debenture provides that the principal amount does not bear interest. The debentures are secured by a Deed of Trust on the real property leased by the Company (Note 10). The principal is returned to the resident upon the termination of the resident's Residence and Services Agreement. During 2012, a new debenture equity plan was implemented on new debentures issued. New debentures are reduced monthly over a 25 month period down to 50% or 0% of the original debenture amount depending on the debenture plan chosen. The debenture obligation at December 31, 2019 and 2018 was \$3,946,536 and \$4,543,138, respectively.

Debentures consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
Deferred revenue - nonrefundable current	\$ 481,472	\$ 644,410
Refundable	3,373,000	3,630,600
Deferred revenue - nonrefundable noncurrent	<u>92,064</u>	<u>268,128</u>
	<u>3,465,064</u>	<u>3,898,728</u>
	<u>\$ 3,946,536</u>	<u>\$ 4,543,138</u>

**WHITAKER GLEN, INC.**  
**Notes to Financial Statements**  
**December 31, 2019 and 2018**

15. FAIR VALUE MEASUREMENT

The Company's investments are stated at cost, which approximates fair value in the accompanying balance sheets. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future values. Furthermore, although the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Fair values of investments measured on a recurring basis at December 31, 2019 and 2018 are as follows:

	Fair Value Measurements Using:	
	Level 1	Fair Value
December 31, 2019:		
Municipal Bonds	\$ 2,676,581	\$ 2,676,581
December 31, 2018:		
Municipal Bonds	\$ 2,622,633	\$ 2,622,633

The fair value measurement accounting literature establishes a three level fair value hierarchy that describes the inputs that are used to measure assets and liabilities (from highest to lowest priority). All investments have been valued using a market approach. The Company uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. The Company measures fair value using one of these levels based on the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

Level 1- inputs are unadjusted quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include municipal bonds traded on an exchange or listed market. The fair value of municipal bonds is based on quoted net asset value of the shares held by the Company at year end. The Company holds investments that are measured as Level 1 assets.

Level 2- inputs use observable inputs that include: quoted market prices for similar assets or liabilities in an active market not defined by Level 1; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets or liabilities. There are no Level 2 assets.

Level 3- inputs include significant unobservable inputs (including the Company's own assumptions in determining the fair value of investments). There are no Level 3 assets.

There have been no changes in valuation techniques and related inputs during the year.

16. OPERATING LEASES

The Company leases its facilities and the Mayview Convalescent Center facilities from affiliated companies (Note 10) under operating leases expiring in 2022, with options to renew for variable periods extending to 2050. Rent expense for 2019 and 2018 was \$2,215,851 and \$2,151,312, respectively.



**WHITAKER GLEN, INC.**  
**Notes to Financial Statements**  
**December 31, 2019 and 2018**

16. OPERATING LEASES (continued)

The future minimum annual rental payments are as follows:

<u>Year ending December 31,</u>	
2020	\$ 1,652,981
2021	1,073,225
2022	<u>731,502</u>
	<u>\$ 3,457,708</u>

The Company leases equipment under operating leases with various terms. Rent expense for 2019 and 2018 was \$7,495 and \$6,789, respectively.

17. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through June 26, 2020, the date which the financial statements were available to be issued.



The Oaks at  
Whitaker Glen  
Disclosure Statement

Exhibit B

Narrative of Material Variances



Below, please find explanations for the variance between forecasted 2019 and actual 2019 financial data.

The materiality threshold is based on the change in each line item on the 2019 Actual to Forecast of 10% with a floor of \$25,000. The following line items, along with an explanation, were outside of the threshold:

Balance Sheet:

- BS.1 Accounts Receivable: decrease in allowance for doubtful accounts
- BS.2 Prepaid expenses: upfront payment for elevator repairs
- BS.3 Property and Equipment, net: increase in leasehold improvements over forecast
- BS.4 Restricted assets-statutory operating reserve: net effect of deposit to meet requirement, purchases, sales and gains on investments
- BS.5 Deposits: this represents earnest money paid toward the purchase of 20 ACH beds to be incorporated into the facility
- BS.6 Accounts payable – trade: corresponds with the increase in leasehold improvements
- BS.7 Payroll withholdings and accruals: timing of payroll and payroll tax payments
- BS.8 Other accrued expenses: decrease in property tax accrual
- BS.9 Deferred Revenue – insurance: balance for filed claim
- BS.10 Accrued salaries: decrease in accrued bonus
- BS.11 Due to related parties: continued renovations/improvements along with support from parent company to cover operating shortfalls
- BS.12 Deferred Revenue-Refundable entrance fees: lower than forecasted move ins
- BS.13 Deferred Revenue-Non-Refundable Debentures: follows with BS12, representing the unamortized portion “grandfathered” debentures
- BS.14 Deposits – entrance fees: lower than forecasted new residents

Income Statement:

- IS.1 Monthly services fees: lower than forecasted occupancy
- IS.2 Loss on investments: fluctuations due to changes in the investment portfolio
- IS.3 Other income: lower than forecasted revenue from debentures and meal sales
- IS.4 Dietary: decrease due to improved pricing from vendors along with lower occupancy
- IS.5 Operations expense: related to additional leasehold improvements as well as an increase in repairs/maintenance
- IS.6 Administrative & general expenses: lower than forecasted partner staffing related to lower occupancy

**WHITAKER GLEN, INC**  
**Comparative Balance Sheet**  
**December 31, 2019**

<u>Assets</u>	Actual	Forecast	Variance	Ref
Current assets:				
Cash and cash equivalents	\$ 13,290	\$ 14,271	\$ (981)	
Accounts receivable	43,771	34,208	9,563	BS1
Prepaid expenses	21,031	9,565	11,466	BS2
Total current assets	78,092	58,044	20,048	
Property and equipment, net	5,742,475	5,239,472	503,003	BS3
Other assets:				
Restricted assets - statutory operating reserve	2,747,840	1,372,106	1,375,734	BS4
Secured receivable	7,560,000	7,560,000	-	
Goodwill	1,288,447	1,288,445	2	
Deposits	80,000	-	80,000	BS5
Total other assets	11,676,287	10,220,551	1,455,736	
Total assets	\$ 17,496,854	\$ 15,518,067	\$ 1,978,787	
<b><u>Liabilities and Stockholder's Equity</u></b>				
Current liabilities:				
Accounts payable - trade	\$ 229,764	\$ 182,433	\$ 47,331	BS6
Payroll withholdings and accruals	5,482	17,823	(12,341)	BS7
Other accrued expenses	7,204	9,907	(2,703)	BS8
Deferred Revenue - insurance	650	-	650	BS9
Estimated refundable entrance fees	481,472	505,168	(23,696)	
Accrued salaries	63,740	73,544	(9,804)	BS10
Due to related parties	15,375,645	12,812,880	2,562,765	BS11
Total current liabilities	16,163,957	13,601,755	2,562,202	
Long term liabilities:				
Deferred Revenue - Refundable entrance fees	1,440,364	1,645,340	(204,976)	BS12
Deferred Revenue - Non-Refundable entrance fees	2,024,700	1,902,800	121,900	BS13
Deposits-entrance fees	95,000	125,000	(30,000)	BS14
Total long term liabilities	3,560,064	3,673,140	(113,076)	
Total liabilities	19,724,021	17,274,895	2,449,126	
Stockholder's equity - unrestricted:				
Common stock, par value \$1 per share, 100,000 shares authorized, 5,000 shares issued and outstanding	5,000	5,000	-	
Additional Paid in Capital	3,995,000	3,995,000	-	
Accumulated deficit	(6,227,167)	(5,756,828)	(470,339)	
Total stockholder's equity	(2,227,167)	(1,756,828)	(470,339)	
Total	\$ 17,496,854	\$ 15,518,067	\$ 1,978,787	

Variance Threshold based on a 10% change in line item Forecast to Actual with a \$25,000 floor

**WHITAKER GLEN, INC**  
**Comparative Statement of Operations**  
**Year Ended December 31, 2019**

	Actual	Forecast	Variance	Ref
<b>Revenues:</b>				
Monthly service fees	\$ 2,850,385	\$ 3,275,145	\$ (424,760)	IS1
Health care income	1,204,233	1,217,945	(13,712)	
Interest income	106,541	98,923	7,618	
Loss on investments	(564)	-	(564)	IS2
Contributions/Gifts	-	-	-	
Other income	1,134,197	1,453,938	(319,741)	IS3
Total revenues	5,294,792	6,045,951	(751,159)	
<b>Operating expenses:</b>				
Dietary	439,863	490,856	(50,993)	IS4
Resident activities	113,231	107,166	6,065	
Health care expenses	333,633	315,075	18,558	
Operations expense	492,455	447,132	45,323	IS5
Rent	2,223,346	2,222,843	503	
Utilities	292,146	277,513	14,633	
Administrative and general expenses	742,850	1,057,851	(315,001)	IS6
Insurance	131,620	125,454	6,166	
Employee benefits	151,745	151,251	494	
Property taxes	141,583	140,882	701	
Depreciation and amortization	931,308	938,577	(7,269)	
Interest Expense	-	-	-	
Total operating expenses	5,993,780	6,274,600	(280,820)	
Net loss	(698,988)	(228,649)	(470,339)	
<b>Accumulated deficit</b>				
Beginning balance	(5,528,179)	(5,528,179)	-	
Ending balance	(6,227,167)	(5,756,828)	(470,339)	

Variance Threshold based on a 10% change in line item Forecast to Actual with a \$25,000 floor

**WHITAKER GLEN, INC.**  
**Comparative Statement of Cash Flows**  
**Year Ending December 31, 2019**

	Actual	Forecast	Variance	Ref
Cash flows from operating activities:				
Net income (loss)	\$ (698,988)	\$ (228,649)	\$ (470,339)	
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Amortization of entrance fees	(669,402)	(778,330)	108,928	IS3
Depreciation and amortization	931,308	938,577	(7,269)	
Loss on sale of investments	564	-	564	IS2
Changes in Assets and Liabilities:				
Accounts receivable	(10,559)	(996)	(9,563)	BS1
Prepaid expenses	(11,745)	(279)	(11,466)	BS2
Accounts payable	52,645	5,314	47,331	BS6
Payroll withholdings and accruals	(11,822)	519	(12,341)	BS7
Deferred Revenue - insurance	650	-	650	BS9
Other accrued expenses	(2,414)	289	(2,703)	BS8
Accrued salaries	(7,662)	2,142	(9,804)	BS10
Net cash provided by (used in) operating activities	(427,425)	(61,413)	(366,012)	
Cash flows from investing activities:				
Purchase of investments	(542,019)	-	(542,019)	BS4
Purchase of property and equipment	(615,736)	(120,000)	(495,736)	BS3
Statutory operating reserve	49,673	1,371,459	(1,321,786)	BS4
Other investing activities	-	80,000	(80,000)	BS5
Proceeds from sale of investments	487,507	-	487,507	BS4
Net cash provided by (used in) investing activities	(620,575)	1,331,459	(1,952,034)	
Cash flows from financing activities:				
Net (payments) on note payable	-	-	-	
Net change in due to related parties	1,004,360	(1,558,405)	2,562,765	BS11
Net proceeds from entrance fees refundable	406,800	68,912	337,888	BS12
Net proceeds from entrance fees non refundable	-	639,088	(639,088)	BS13
Net proceeds (refunds) from deposits	(30,000)	-	(30,000)	BS14
Refund of entrance fees	(334,000)	(419,500)	85,500	BS12
Net cash provided by (used in) financing activities	1,047,160	(1,269,905)	2,317,065	
Net increase in cash and cash equivalents	(840)	141	(981)	
Cash and cash equivalents				
Beginning balance	14,130	14,130	0	
Ending balance	\$ 13,290	\$ 14,271	\$ (981)	

Variance Threshold based on a 10% change in line item Forecast to Actual with a \$25,000 floor

The Oaks at  
Whitaker Glen  
Disclosure Statement

Exhibit C

Interim Financial Statements  
(Unaudited)

Whitaker Glen, Inc.

Interim Financial Statements  
As of March 31, 2020  
(Unaudited)

Note: Unaudited Statements are drawn from detailed accounting records, and summary numbers will have apparent insignificant errors due to round-off.

**WHITAKER GLEN, INC****Balance Sheets****March 31, 2020****Assets**

Current assets:	
Cash and cash equivalents	\$ 13,290
Accounts receivable	27,786
Prepaid expenses	5,606
	<hr/>
Total current assets	46,682
	<hr/>
Property and equipment, net	5,672,666
	<hr/>
Other assets:	
Restricted assets - statutory operating reserve	2,750,748
Secured receivable	7,560,000
Deposits	80,000
Goodwill	1,196,414
	<hr/>
Total other assets	11,587,162
	<hr/>
Total assets	\$ 17,306,510
	<hr/> <hr/>

**Liabilities and Stockholder's Equity**

Current liabilities:	
Accounts payable - trade	\$ 160,237
Payroll withholdings and accruals	5,632
Other accrued expenses	41,843
Deferred Revenue - insurance	650
Estimated refundable entrance fees	383,638
Accrued salaries	85,767
Due to related parties	15,659,680
	<hr/>
Total current liabilities	16,337,447
	<hr/>
Long term liabilities:	
Deferred Revenue - Refundable entrance fees	1,409,148
Deferred Revenue - Non-Refundable entrance fees	1,936,300
Deposits-entrance fees	95,000
	<hr/>
Total long term liabilities	3,440,448
	<hr/>
Total liabilities	19,777,895
	<hr/> <hr/>
Stockholder's equity - unrestricted:	
Common stock, par value \$1 per share, 100,000 shares authorized, 5,000 shares issued and outstanding	5,000
Additional Paid in Capital	3,995,000
Accumulated deficit	(6,471,385)
	<hr/>
Total stockholder's equity	(2,471,385)
	<hr/> <hr/>
	\$ 17,306,510
	<hr/> <hr/>

**WHITAKER GLEN, INC**  
**Statements of Operations**  
**Three Months Ended March 31, 2020**

Revenues:	
Monthly service fees	\$ 721,225
Health care income	305,507
Interest	26,322
Gain on investments	(21,506)
Other income	216,039
Total revenues	<u>1,247,587</u>
Operating expenses:	
Dietary	109,673
Resident activities	27,411
Health care expenses	96,025
Operations expense	122,258
Rent	564,634
Utilities	69,055
Administrative and general expenses	168,649
Insurance	33,817
Employee benefits	32,196
Property taxes	35,052
Depreciation and amortization	233,035
Total operating expenses	<u>1,491,805</u>
Net loss	<u><u>\$ (244,218)</u></u>
Accumulated deficit	
Beginning balance	<u>(6,227,167)</u>
Ending balance	<u><u>\$ (6,471,385)</u></u>



**WHITAKER GLEN, INC**  
**Statements of Cash Flows**  
**Period Ended March 31, 2020**

Cash flows from operating activities:	
Net loss	\$ (244,218)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:	
Depreciation and amortization	233,035
(Increase) decrease in operating assets:	
Accounts receivable	15,985
Prepaid expenses	15,425
Increase (decrease) in operating liabilities:	
Accounts payable - trade	(69,527)
Payroll withholdings and accruals	150
Other accrued expenses	34,639
Accrued salaries	22,027
	<hr/>
Net cash provided (used) by operating activities	7,516
	<hr/>
Cash flows from investing activities:	
Purchase of property and equipment	(71,194)
Statutory operating reserve	(2,908)
	<hr/>
Net cash provide (used) by investing activities	(74,102)
	<hr/>
Cash flows from financing activities:	
Refunds of debentures	(88,400)
Amortization of debentures	(129,050)
Due to related parties	284,036
	<hr/>
Net cash provide (used) by financing activities	66,586
	<hr/>
Net increase (decrease) in cash and cash equivalents	-
Cash and cash equivalents at beginning of year	<hr/> 13,290
Cash and cash equivalents at end of year	<hr/> <hr/> \$ 13,290

The Oaks at  
Whitaker Glen  
Disclosure Statement

Exhibit D

Five Year Forecast  
2020-2024

*Forecasted Financial Statements*

WHITAKER GLEN, INC.  
Forecasted Financial Statements  
Years Ending December 31, 2020, 2021, 2022, 2023, and 2024

**WHITAKER GLEN, INC.**  
**Forecasted Financial Statements**  
**Years Ending December 31, 2020, 2021, 2022, 2023 and 2024**

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INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Directors  
Whitaker Glen, Inc.  
Norcross, Georgia

Management is responsible for the accompanying forecast of Whitaker Glen, Inc., which comprises the forecasted balance sheets as of December 31, 2020, 2021, 2022, 2023 and 2024 and the related forecasted statements of income, retained earnings, and cash flows for the years then ending, and the related summaries of significant assumptions and accounting policies in accordance with guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants (AICPA). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the forecast nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on this 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 these differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

Toccoa, Georgia

*J. Sam Johnson CPA, LLC*

June 24, 2020

**WHITAKER GLEN, INC.**  
**Forecasted Balance Sheets**  
**As of December 31, 2020, 2021, 2022, 2023 and 2024**

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
<b><u>Assets</u></b>					
Current assets:					
Cash and cash equivalents	\$ 13,423	\$ 13,557	\$ 13,693	\$ 13,830	\$ 13,968
Accounts receivable	45,084	46,437	47,830	49,265	50,743
Prepaid expenses	21,662	22,312	22,981	23,670	24,380
Total current assets	<u>80,169</u>	<u>82,306</u>	<u>84,504</u>	<u>86,765</u>	<u>89,091</u>
Property and equipment - net	<u>5,304,750</u>	<u>4,862,577</u>	<u>4,412,929</u>	<u>3,974,828</u>	<u>3,551,516</u>
Other assets:					
Restricted statutory operating reserve	2,675,264	1,375,784	1,416,685	1,458,117	1,501,621
Deposits					
Goodwill, net of amortization	920,319	552,192	184,064	1	1
Software licenses - net of amortization	-	-	-	-	-
Secured receivable	<u>7,560,000</u>	<u>7,560,000</u>	<u>7,560,000</u>	<u>7,560,000</u>	<u>7,560,000</u>
Total other assets	<u>11,155,583</u>	<u>9,487,976</u>	<u>9,160,749</u>	<u>9,018,118</u>	<u>9,061,622</u>
Total assets	<u>\$ 16,540,502</u>	<u>\$ 14,432,859</u>	<u>\$ 13,658,182</u>	<u>\$ 13,079,711</u>	<u>\$ 12,702,229</u>
<b><u>Liabilities and Stockholder's Equity</u></b>					
Current liabilities:					
Accounts payable - trade	\$ 236,657	\$ 243,757	\$ 251,070	\$ 258,602	\$ 266,360
Payroll withholdings and accruals	5,646	5,815	5,989	6,169	6,354
Due to related parties	15,326,462	14,015,121	13,907,227	13,743,155	13,516,782
Estimated refundable entrance fees	331,104	233,780	175,080	175,080	175,080
Deferred revenue-insurance	-	-	-	-	-
Other accrued expenses	7,420	7,643	7,872	8,108	8,351
Accrued salaries	<u>65,652</u>	<u>67,622</u>	<u>69,651</u>	<u>71,741</u>	<u>73,893</u>
Total current liabilities	<u>15,972,941</u>	<u>14,573,738</u>	<u>14,416,889</u>	<u>14,262,855</u>	<u>14,046,820</u>
Long term liabilities:					
Deferred revenue-refundable entrance fees	1,673,640	1,723,690	1,832,440	1,941,190	2,045,590
Deferred revenue-non refundable entrance fees	-	-	-	-	-
Entrance fees	1,265,200	944,200	623,200	302,200	-
Deposits	95,000	95,000	95,000	95,000	95,000
Long term debt	-	-	-	-	-
Total long term liabilities	<u>3,033,840</u>	<u>2,762,890</u>	<u>2,550,640</u>	<u>2,338,390</u>	<u>2,140,590</u>
Total liabilities	<u>19,006,781</u>	<u>17,336,628</u>	<u>16,967,529</u>	<u>16,601,245</u>	<u>16,187,410</u>
Stockholder's equity:					
Stockholder's equity - restricted	-	-	-	-	-
Stockholder's equity - unrestricted					
Common stock	5,000	5,000	5,000	5,000	5,000
Additional paid in capital	3,995,000	3,995,000	3,995,000	3,995,000	3,995,000
Retained earnings (deficit)	(6,466,279)	(6,903,769)	(7,309,347)	(7,521,534)	(7,485,181)
Total stockholder's equity - unrestricted	<u>(2,466,279)</u>	<u>(2,903,769)</u>	<u>(3,309,347)</u>	<u>(3,521,534)</u>	<u>(3,485,181)</u>
Total stockholder's equity (deficit)	<u>(2,466,279)</u>	<u>(2,903,769)</u>	<u>(3,309,347)</u>	<u>(3,521,534)</u>	<u>(3,485,181)</u>
Total liabilities and stockholder's equity	<u>\$ 16,540,502</u>	<u>\$ 14,432,859</u>	<u>\$ 13,658,182</u>	<u>\$ 13,079,711</u>	<u>\$ 12,702,229</u>

See accountants' report and summary of significant assumptions and accounting policies

**WHITAKER GLEN, INC.**  
**Statements of Forecasted Income & Retained Earnings**  
**Years Ending December 31, 2020, 2021, 2022, 2023 and 2024**

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Revenues:					
Monthly service fees	\$ 3,348,633	\$ 3,563,796	\$ 3,779,865	\$ 3,958,563	\$ 4,077,264
Health care income	1,240,360	1,277,571	1,315,898	1,355,375	1,396,037
Amortization of entrance fees	625,092	402,774	305,450	246,750	251,100
Contributions/gifts	-	-	-	-	-
Interest income	107,606	108,682	109,769	110,867	111,976
Other income	576,928	643,123	687,954	690,891	749,770
	<u>5,898,619</u>	<u>5,995,946</u>	<u>6,198,936</u>	<u>6,362,446</u>	<u>6,586,147</u>
Expenses:					
Dietary	453,059	466,651	480,651	495,071	509,923
Resident activities	116,628	120,127	123,731	127,443	131,266
Health care expenses	343,642	353,951	364,570	375,507	386,772
Operations expense	507,229	522,446	538,119	554,263	570,891
Rent	2,290,047	2,358,517	2,429,273	2,502,152	2,577,217
Utilities	300,910	309,937	319,235	328,812	338,676
Administrative and general expenses	904,148	926,456	955,647	982,957	1,014,434
Insurance	135,569	139,636	143,825	148,140	152,584
Interest Expense	-	-	-	-	-
Employee benefits	156,297	160,986	165,816	170,790	175,914
Property taxes	142,999	144,429	145,873	147,332	148,805
Depreciation and amortization	925,855	930,301	937,774	742,166	543,312
Total operating expenses	<u>6,276,383</u>	<u>6,433,437</u>	<u>6,604,514</u>	<u>6,574,633</u>	<u>6,549,794</u>
Net income (loss)	(377,764)	(437,491)	(405,578)	(212,187)	36,353
Retained earnings (deficit) beginning of year	<u>(6,088,515)</u>	<u>(6,466,279)</u>	<u>(6,903,769)</u>	<u>(7,309,347)</u>	<u>(7,521,534)</u>
Distribution to stockholders	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Retained earnings (deficit) end of year	<u>\$ (6,466,279)</u>	<u>\$ (6,903,769)</u>	<u>\$ (7,309,347)</u>	<u>\$ (7,521,534)</u>	<u>\$ (7,485,181)</u>

See accountants' report and summary of significant assumptions and accounting policies

**WHITAKER GLEN, INC.**  
**Statements of Forecasted Cash Flows**  
**Years Ending December 31, 2020, 2021, 2022, 2023 and 2024**

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Cash flows from operating activities:					
Net income (loss)	\$ (377,764)	\$ (437,491)	\$ (405,578)	\$ (212,187)	\$ 36,353
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:					
Amortization of entrance fees	(625,092)	(402,774)	(305,450)	(246,750)	(251,100)
Depreciation and amortization	925,855	930,301	937,774	742,166	543,312
Changes in Assets and Liabilities:					
Accounts receivable	(1,313)	(1,353)	(1,392)	(1,437)	(1,479)
Prepaid expenses	(631)	(650)	(669)	(689)	(710)
Accounts payable	6,893	7,100	7,315	7,531	7,756
Payroll withholdings and accruals	164	169	174	180	185
Other accrued expenses	216	223	229	236	243
Deferred revenue-insurance	(650)	-	-	-	-
Accrued salaries	1,912	1,970	2,029	2,090	2,152
Net cash provided by (used in) operating activities	<u>(70,410)</u>	<u>97,495</u>	<u>234,432</u>	<u>291,140</u>	<u>336,712</u>
Cash flows from investing activities:					
Purchase of property and equipment	(120,000)	(120,000)	(120,000)	(120,000)	(120,000)
Statutory operating reserve	72,576	1,299,480	(40,901)	(41,432)	(43,504)
Other investing activities	80,000	-	-	-	-
Net cash provided by (used in) investing activities	<u>32,576</u>	<u>1,179,480</u>	<u>(160,901)</u>	<u>(161,432)</u>	<u>(163,504)</u>
Cash flows from financing activities:					
Net change in due to related parties	(49,183)	(1,311,341)	(107,895)	(164,071)	(226,370)
Net proceeds from entrance fees refundable	233,276	50,050	108,750	108,750	104,400
Net proceeds from entrance fees non refundable	474,724	305,450	246,750	246,750	251,100
Refunds of entrance fees	(759,500)	(321,000)	(321,000)	(321,000)	(302,200)
Net cash provided by (used in) financing activities	<u>(100,683)</u>	<u>(1,276,841)</u>	<u>(73,395)</u>	<u>(129,571)</u>	<u>(173,070)</u>
Net increase in cash and cash equivalents	<u>(138,517)</u>	<u>134</u>	<u>136</u>	<u>137</u>	<u>138</u>
Cash and cash equivalents					
Beginning balance	<u>13,290</u>	<u>(125,227)</u>	<u>(125,093)</u>	<u>(124,957)</u>	<u>(124,820)</u>
Ending balance	<u>\$ (125,227)</u>	<u>\$ (125,093)</u>	<u>\$ (124,957)</u>	<u>\$ (124,820)</u>	<u>\$ (124,682)</u>

See accountants' report and summary of significant assumptions and accounting policies



# WHITAKER GLEN, INC.

## Summary of Significant Forecast Assumptions & Accounting Policies

Management's purpose in releasing this financial forecast is for inclusion in Whitaker Glen, Inc.'s Disclosure Statement in accordance with Chapter 58, Article 64 of the North Carolina General Statutes. The report should not be used for any other purpose. The financial forecast presents, to the best of management's knowledge and belief, the Company's expected financial position, results of operations, and cash flows for the forecast period. Accordingly, the forecast reflects management's judgment as of June 24, 2020, the date of the forecast, of the expected conditions and its expected course of actions. The assumptions disclosed herein are those that management believes are significant to the forecasted statements. There will be differences between forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

Section .0108 of 11NCAC 11H specifies that certain categories or line items be included in the five year forecasted balance sheets and statements of forecasted income & retained earnings. Of those categories or line items, the following are not applicable to Whitaker Glen, Inc.: stockholder's equity – restricted and contributions/gifts. These line items are presented as \$0 in the forecasted financial statements.

### 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Business

Whitaker Glen, Inc. (the Company) is a privately held North Carolina Corporation. The Company was organized in 1981, and since 1984, has operated a comprehensive retirement community in Raleigh, North Carolina providing residents with a high quality of life. In 2004, Whitaker Glen, Inc. became licensed as a continuing care retirement community. In December 2009, Cumberland Healthcare Properties, Inc. purchased 100% of the stock of Whitaker Glen, Inc.

#### Basis of Accounting

The forecasted financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which is the basis that the Company expects to use when preparing its historical financial statements.

#### Cash and Cash Equivalents

For the purpose of the forecasted statements of cash flows; the Company considers petty cash, cash on hand, cash in commercial checking accounts, money market funds and certificates of deposit to be "cash and cash equivalents."

# WHITAKER GLEN, INC.

## Summary of Significant Forecast Assumptions & Accounting Policies

### 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Accounts Receivable

Accounts receivable consist of monthly miscellaneous charges such as food service charges, resident activity fees, telephone long distance charges, beauty shop charges, laundry charges, and purchased services billed in arrears on a monthly basis. There is no allowance for uncollectible accounts since all balances are considered collectable upon settlement at the termination of the resident's Residence and Services Agreement.

#### Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Routine maintenance, repairs, and renewals are charged to expenses. Expenditures that materially increase values, change capacities, or extend useful lives are capitalized. The Company's capitalization threshold is \$500. Depreciation is computed using the straight-line method over the following estimated useful lives:

	<u>Estimated Useful Life</u>
Furniture and fixtures	5 to 20 years
Leasehold improvements	7 to 40 years
Vehicles	5 years

#### Income Taxes

The Company is a wholly-owned qualified subchapter S corporation subsidiary and as such the Company does not pay federal or state corporate income taxes on its taxable income. The shareholders of the parent are liable for the income taxes on their respective shares of the Company's taxable income. Accordingly, no provision for income taxes is included in the forecasted financial statements.

### 2. SUMMARY OF SIGNIFICANT ASSUMPTIONS

#### Property and Equipment

In the year ending December 2020, the Company is forecasted to spend approximately one hundred and twenty thousand dollars for renovations of four residential units. It is assumed these renovations will be completed by October 2020.

## WHITAKER GLEN, INC.

### Summary of Significant Forecast Assumptions & Accounting Policies

As of December 31, 2019, the Company has invested approximately \$8 million dollars for construction, remodeling, and furniture and fixtures related to the renovation of certain apartment units. These purchases are depreciated on a straight-line basis over a 15-year life for leasehold improvements and over a 10-year life for furniture, fixtures, and equipment.

#### Secured Receivable

This account represents the funds for the original construction of the facilities owned by a related party. The balance is not expected to change over the forecasted periods. This receivable is non-interest bearing.

#### Entrance Fees, Debentures and Deposits

The amount of entrance fees, debentures and deposits can vary year-to-year at year-end in response to apartment vacancies and the timing of resident turnover. The forecasted December 31, 2020 balances as well as those at each subsequent year-end are based on forecasted occupancy, turnover rates and the associated entrance fees for residents moving to the community. The entrance fees are based on agreements that include 100% refundable and partially refundable entrance fee options. The entrance fees for all incoming residents are assumed to be partially refundable. All refunds during the years ending December 2020 through 2024 are assumed to be refunds of debentures.

The refundable portion of the entrance fees will be reduced ratably to either 50% of the original amount or 0% of the original amount over a 25-month period as elected by the resident upon execution of the entrance fee agreement. This reduction is recognized as income and is presented as amortization of entrance fees in the forecasted statements of income.

#### Due to Related Parties

Due to related parties represents balances generated from transactions with affiliates. The changes in this balance are related to the Company's net cash flows.

## WHITAKER GLEN, INC.

### Summary of Significant Forecast Assumptions & Accounting Policies

#### Facility Utilization

Forecasted occupancy and the related revenue are based on the following occupancy for the years ending December 2020 through 2024: 90%, 94%, 98%, 98%, and 98%. Historically, occupancy has been as follows:

2019	82.6%
2018	88.0%
2017	83.7%
2016	87.8%
2015	89.4%

#### Monthly Service Fees Revenue

Monthly service fees revenue is forecasted to increase by 3% per unit in October 2020 and by 3% in each subsequent October of the forecast period.

Other revenues area forecasted to increase by 3% per year.

Initiation fees are based on the expected turnover in units. The expected turnover during the year ending December 31, 2020 is six units, for year December 2021 is three, for year 2022 is two units and for the years ended December 2023 - 2024 none.

#### Health Care Income and Related Rental Expense

The Company occupies premises that are owned by affiliated companies.

Health care income includes an operating fee of \$101,836 per month paid by Mayview Convalescent Home, Inc. A corresponding expense of \$85,547 per month is included in rent expense for the lease of the Mayview property. The monthly operating fee and rental expense related to Mayview Convalescent Home, Inc. is assumed to increase 3% each July through the forecast period.

#### Cost and Expenses

Cost and expenses are based on actual operating expenses over the past several years forecasted using a 3% annual inflation factor for all accounts with the exception of rent, depreciation, amortization, and fees for management related services. Property tax expense is forecasted using a 1% annual inflation factor.

## **WHITAKER GLEN, INC.**

### **Summary of Significant Forecast Assumptions & Accounting Policies**

Rent expense for the independent living property and equipment is set at \$1,240,361 for the year ending 2020. Rent is forecasted to increase 3% per year.

Depreciation is calculated based on the forecasted capital expenditures. Goodwill is amortized over a life of 10 years beginning in 2014.

A fee for management related services of 5.51% of total revenue less health care income is forecasted for each year of the forecast.

#### **3. STATUTORY OPERATING RESERVE**

Under the rules and regulations of the Department of Insurance of North Carolina, which regulates continuing care facilities operating in the state, the Company is required to maintain operating reserves from 25% to 50%, depending on the occupancy percentage, of the total forecasted annual operating costs. The statutory operating reserve is calculated using the forecasted expenses less depreciation and amortization. The statutory operating reserve balances for the year ending 2020 are calculated assuming occupancy less than 90% with years 2021-2024 in excess of 90%. Operating reserves for the years ending December 31, 2020 through December 31, 2024 are as follows: \$2,675,264, \$1,375,784, \$1,416,685, \$1,458,117 and \$1,501,624.

The Oaks at  
Whitaker Glen  
Disclosure Statement

Exhibit E

Residence and Services Agreement

THE OAKS AT WHITAKER GLEN, a  
CONTINUING CARE RETIREMENT COMMUNITY

RESIDENCE AND SERVICES AGREEMENT

THIS RESIDENCE AND SERVICES AGREEMENT (this "Agreement"),  
made and entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_ by  
and between WHITAKER GLEN, INC. (d/b/a The Oaks at Whitaker  
Glen), a North Carolina corporation, (hereinafter referred to  
alternately as "Whitaker Glen" or "The Oaks at Whitaker Glen"),  
and \_\_\_\_\_ (hereinafter referred  
to as the "Resident").

Whitaker Glen is a corporation organized for the purpose of  
providing housing and services for people of retirement age, and  
for those purposes operates a continuing care retirement  
community in Raleigh, North Carolina known as "The Oaks at  
Whitaker Glen".

In consideration of the Resident's promise to perform the  
obligations under this Agreement and the simultaneous execution  
of the Whitaker Glen Entrance Fee Agreement, Whitaker Glen agrees  
to provide the Resident accommodations and services at The Oaks

at Whitaker Glen, subject to the terms and conditions of this Agreement.

The effective date of residence will be established at a later time. The approximate date that occupancy is anticipated is \_\_\_\_\_ . The Resident will be notified at least thirty (30) days prior to the actual date occupancy will be available. Within five (5) days after the receipt of such notice, the Resident must accept such occupancy date or defer occupancy. Although deferral will not otherwise change the obligations of the Resident or of Whitaker Glen, it will result in surrender of the Residential Unit specifically provided in this Agreement. The Resident will maintain his priority position on the waiting list during the deferral period. Upon his later request for occupancy, the Resident will be furnished a similar unit when it becomes available based on his priority on the Whitaker Glen waiting list.

Whitaker Glen and the Resident further agree as follows:

Accommodations and Services

(a) Residence. Subject to the provisions of this Agreement, the Resident will have the personal, nonassignable right to



reside in Residential Unit \_\_\_\_ (hereinafter referred to as the "Residential Unit"), as shown on the plan of The Oaks at Whitaker Glen, for the term of this Agreement.

(b) Utilities. Whitaker Glen will furnish water and sewage service, electricity, heat, air-conditioning, basic local telephone service, the use of a television receiving system and internet service. The Resident will pay for additional telephone service and, if available, optional television programming.

(c) Security. The Resident's Residential Unit will be equipped with a sprinkler system, automatic smoke and fire alarm system and a call system. Personnel will be available to respond to security and emergency calls at all times.

(d) Activities. Whitaker Glen will provide a program of recreation, craft and hobby opportunities, library facilities, and social activities which will be designed to meet the physical, social, and psychological needs of its residents for intellectual stimulation and companionship. Scheduled transportation to selected, commonly used facilities will be provided by Whitaker Glen.

(e) Furnishings. The Resident's Residential Unit will be provided with wall-to-wall carpeting, window coverings, stove, dishwasher, side-by-side refrigerator/freezer, washer and dryer.

The Resident will provide all other furnishings and furniture which are desired in the Residential Unit. Whitaker Glen will provide furnishings and furniture for common facilities.

(f) Trash Removal. Whitaker Glen will provide appropriate facilities for the Resident to dispose of trash.

(g) Maintenance and Repairs. Whitaker Glen will perform the necessary repairs, maintenance, and replacement of its property and equipment. Repairs, maintenance, and replacement of the Resident's personal property will be the responsibility of the Resident. Minor repairs to the Resident's personal property may be provided at the Resident's expense by Whitaker Glen personnel depending on their availability. Throughout the term of this Agreement, the Resident will maintain the Residential Unit in a clean, sanitary, and orderly condition.

(h) Alterations. Any structural or physical change of any kind within the Residential Unit, including optional building features, will be made only after approval by Whitaker Glen. The cost of any change requested by the Resident and, if appropriate, the cost of any future removal of the change will be borne by the Resident unless otherwise agreed in writing. The ownership of the change or improvement will be vested in Whitaker Glen. Redecoration of the Residential Unit, in addition to or other

than that scheduled by Whitaker Glen, will require approval by Whitaker Glen and will be undertaken only at the expense of the Resident.

(i) Common Facilities. Whitaker Glen will maintain common areas, such as the atriums, assembly areas, dining areas, library, craft room, recreational facilities, elevators, stairways, hallways and passageways in a clean, safe and attractive manner at all times for the use and benefit of all Residents. Whitaker Glen will also furnish grounds keeping service including lawn, tree, and shrubbery care and will maintain all interior plants and plantings in common areas.

(j) Parking. Whitaker Glen will provide parking areas in accordance with the requirements of the City of Raleigh and the overall development plan for The Oaks at Whitaker Glen.

(k) Meal Plan. Whitaker Glen will establish a meal plan account for the Residential Unit. Each month the Residential Unit is occupied, Whitaker Glen will credit \$200.00 for a Residential Unit with one occupant, and \$300.00 for a Residential Unit with two occupants (the "Meal Plan Credit") to the meal plan account. The Meal Plan Credit will be for the Resident's use in the dining room, café, or university club during the month in which it is issued. Any portion of the Meal Plan Credit

remaining after the end of the month will be forfeited and no longer available for use.

(1) Optional Services. Whitaker Glen offers optional services for meals, housekeeping, dry cleaning, and personal needs such as beauty shop, trips, fitness program, and craft supplies. In addition, Whitaker Glen will assist the Resident in seeking to obtain any service which is needed or desired by the Resident and is not specifically provided under this Agreement. Whitaker Glen shall have no responsibility for the services provided by third parties which are not affiliates of Whitaker Glen.

Financial Considerations

(a) Initiation Fee. An Initiation Fee in the amount of \_\_\_\_\_ shall be payable to Whitaker Glen by the Resident. Any refundable deposit made during the application process shall be applied toward payment of the Initiation Fee and the amount payable by the Resident pursuant to the Entrance Fee Agreement executed simultaneously herewith. The Initiation Fee shall become non-refundable ninety (90) days after the Resident's occupancy of the Residential Unit.

(b) Entrance Fee Agreement. As previously mentioned, the Resident will execute a Whitaker Glen Entrance Fee Agreement simultaneously with the execution of this Agreement, and both the Resident and Whitaker Glen will comply with the terms and provisions of such agreement. Pursuant to the terms of the Entrance Fee Agreement, the Resident will pay an entrance fee (hereinafter referred to as the "Entrance Fee") and will receive a Nonnegotiable Note (the "Note") issued by Whitaker Glen. The proceeds of the Note, as well as the proceeds of other notes issued by Whitaker Glen in exchange for payment of Entrance Fees, shall be utilized only for expenses incurred incident to the construction, furnishing, and operation of the Retirement Community. Such notes, including that issued to the Resident, shall be secured by a deed of trust upon the interest of the Grantors in the land and improvements comprising the Retirement Community, which shall be a second lien upon such land and improvements subordinate only to the lien of a first deed of trust securing the repayment of additional funds utilized incident to the construction, furnishing and operation of the Retirement Community.

The Note shall be a debt obligation of Whitaker Glen secured as aforementioned, and with the exception of such security, the

rights granted thereunder shall not include a proprietary or other interest in the business, assets and properties of Whitaker Glen.

(c) Monthly Service Fee. The Monthly Service Fee for the Residential Unit and the number of occupants covered by this Agreement is payable prior to occupancy and on the first day of each month thereafter. Whitaker Glen will operate consistent with sound financial practices and maintain quality care and services. It is agreed that the Resident's Monthly Service Fee may be increased or decreased by Whitaker Glen if required by the costs of operation. In determining any change in the Monthly Service Fee, Whitaker Glen will consider, among other things, changes in operating costs and the cost of living. No increase in the Monthly Service Fee will take effect earlier than thirty (30) days after written notice of the change is given to the Resident, and the Resident agrees to pay the Monthly Service Fee should it be adjusted. No fee reduction will be made in the event the Resident is voluntarily absent from the Whitaker Glen facility. The Monthly Service Fee in effect on the date of this Agreement for the Residential Unit and number of occupants covered by this Agreement is \_\_\_\_\_.

(d) Extra Charges. The Resident will be invoiced by Whitaker Glen for optional services, special services, or supplies obtained for and furnished to the Resident which are not provided pursuant to this Agreement.

(e) Monthly Statements. Whitaker Glen will furnish the Resident with a monthly statement showing the amount due for the Monthly Service Fee and any other sums which are chargeable to the Resident. The balance shown on the monthly statement is due on the first day of each month and must be paid no later than the fifth day of the respective month.

(f) Failure to Make Payment. If the Resident fails to pay the Monthly Service Fee or other charges as required, Whitaker Glen will provide a second statement ten (10) days following the due date of the original monthly statement. The second statement will be accompanied by written notice that payment of the previously outstanding balance and any new outstanding balance must be made within fifteen (15) days or Whitaker Glen may terminate this Agreement and the Resident's occupancy of the Residential Unit.

(g) Financial Assistance. It is understood by the parties that the Resident has sufficient assets at the present time to meet expected costs of subsistence and services under this

Agreement. Without in any way qualifying the right of Whitaker Glen to terminate this Agreement, it is the declared policy of Whitaker Glen that every effort will be made to prevent termination of this Agreement solely because of the Resident's inability to pay the Monthly Service Fee and any other sums due Whitaker Glen due to circumstances beyond the Resident's control. Whitaker Glen, at its sole option, may structure an agreement with the Resident addressing that individual's financial situation.

(h) Financial Statement. If at any time Whitaker Glen feels it necessary to request a financial statement or other financial information from the Resident, the Resident agrees to provide such information to Whitaker Glen within ten (10) calendar days following such request.

#### Resident Health

(a) Infirmary. Whitaker Glen agrees to provide an out-patient infirmary capable of meeting the needs of Residents with minor ailments or injuries, counseling, and routine physical evaluations. Each Resident will be required to file certain medical information with the infirmary at occupancy and keep the information current.



(b) Health Care Center. The Oaks at Whitaker Glen - Mayview (the "Health Care Center") will provide personnel to monitor the various call systems available in the residential units during times when Whitaker Glen personnel are not available, and the Health Care Center personnel will respond to the "off-hours" emergency needs of the residents of Whitaker Glen. Should emergency procedures be performed on the Resident, he or she hereby forever absolves, releases, and discharges Whitaker Glen, the Health Care Center and their officers, employees, and directors, and all persons on their staffs who are in any way directly or indirectly connected with such procedures from any and all liability with respect thereto. Upon determination that inpatient nursing services are required, Whitaker Glen Residents will be admitted to the Health Care Center if they meet the requirements for admission and an appropriate bed is available. All admissions as inpatients to the Health Care Center must be requested by a physician and in accordance with the procedures of the Health Care Center. During inpatient stays in the Health Care Center, the Resident shall pay for occupancy, care and services at rates customarily charged by the Health Care Center. Upon Permanent Transfer (as hereinafter defined) to the Health Care Center, or any other PruittHealth affiliated skilled nursing

facility identified on Exhibit A (each an "Affiliated Facility"), the Resident shall no longer be responsible for payment of the Monthly Service Fee and the Agreement shall terminate as hereafter provided.

(c) Medical Director. Whitaker Glen will engage a physician duly licensed in the State of North Carolina (the "Medical Director") who will assist the staff at Whitaker Glen in evaluating a Resident's ability to live independently in accordance with this Agreement.

(d) Comprehensive Health Care Program. A major illness could have a potentially catastrophic financial impact on a Resident. All Residents eligible for Medicare Hospital Insurance (Part A) and Medicare Medical Insurance (Part B) shall be required to maintain such coverage. In addition to such coverage, all Residents must obtain and maintain Medicare Supplemental Insurance satisfactory to Whitaker Glen. Residents not eligible for Medicare and Medicare Supplemental Insurance must obtain other comparable medical insurance coverage satisfactory to Whitaker Glen. The aforementioned insurance coverage constitutes a comprehensive health care program and within applicable limitations should generally cover: physician fees, hospital care, fees of surgeons and other specialists, diagnostic tests

and procedures, therapy, durable medical equipment and home health visits. Residents who choose Medicare Supplemental Insurance with coverage more comprehensive than that required by Whitaker Glen may add additional coverage for the cost of out-patient drugs, coverage outside the United States, and other benefits.

(e) Permanent Transfer. If the Resident's physical or mental condition deteriorates so that it precludes the Resident's ability to live independently or if the Resident cannot live in the Residential Unit without endangering himself or others, Whitaker Glen may, in the sole discretion of its Executive Director, require transfer of the Resident, at the Resident's expense, to a more protective accommodation which is able to provide for the Resident's safety and appropriate care.

If a diagnosis is confirmed that in reasonable medical probability the Resident's condition is irreversible and there is negligible possibility of recovery that would permit independent living, Whitaker Glen may assign the Residential Unit to another individual. If the Resident should recover to the point that independent living is again possible, the Resident will have priority for accommodations at Whitaker Glen as they become

available. The Resident will bear the cost of moving and storing personal belongings in the event of such transfer. Whitaker Glen will consult the Resident or his or her responsible party as well as the Resident's physician regarding transfer decisions.

(f) Staff Assistance. Whitaker Glen will assist a Resident in filing Medicare and other insurance claims and in pursuing unpaid claims. The failure of any payor to pay a claim in full shall not relieve the Resident from his responsibilities to make all payments required under this Agreement.

#### Residence By Two Individuals

(a) Application. If two individuals sign this Agreement as Resident, the accommodations and services will be provided to both of them, and the cost of residence and services shall apply to both. The two individuals will be jointly and severally responsible for the payment of the Monthly Service Fee and additional charges, and the word "Resident" herein applies to both of them, as well as either of them, unless the context clearly requires otherwise. If two individuals execute this Agreement as Resident, a termination of the Agreement by one of them will not affect the continuation of this Agreement with the other.

(b) Sharing Occupancy. If the single occupant of the Residential Unit wishes to invite a non-resident to share the Residential Unit, the non-resident occupant must follow the application procedure then utilized by Whitaker Glen and both must execute a Residence and Services Agreement. With the exception of short-term visitors and guests, no person other than the Resident may occupy the Residential Unit covered by this Agreement.

#### Obligations of the Resident

(a) Adherence to Policies. Upon occupancy of the Residential Unit, the Resident will abide by the administrative policies and procedures for the operation and management of Whitaker Glen and such amendments, modifications or changes of those policies and procedures, as may be from time to time established by Whitaker Glen. The Resident agrees to follow and abide by these administrative policies, which are designed for the comfort, safety, and security of all the residents of The Oaks at Whitaker Glen. The Resident will be furnished a copy of current administrative policies and procedures upon taking occupancy. Whitaker Glen reserves the right to terminate this Agreement, and the Resident's occupancy hereunder, for cause in

the event the Resident fails to follow the aforementioned policies and procedures. Such policies and procedures are incorporated into this Agreement by reference and may be amended by Whitaker Glen from time to time.

(b) Liability for Debts. Whitaker Glen shall not be liable or responsible for any expense, debt, or obligation of any nature or any kind incurred or contracted by the Resident, and it shall not be obligated to furnish, supply, or provide the Resident support, maintenance, board or lodging when the Resident is absent from Whitaker Glen.

(c) Intentional Misconduct. The Resident agrees to pay or reimburse Whitaker Glen for any loss or damage suffered by Whitaker Glen as the result of the negligence or intentional misconduct of the Resident. Whitaker Glen assumes no responsibility for any injury or damage to property resulting from such negligence or intentional misconduct.

(d) Power of Attorney. The Resident agrees to select and empower an attorney-in-fact prior to residency at Whitaker Glen and to continuously maintain a comprehensive durable power of attorney executed in a form suitable for recordation in the office of the Register of Deeds. A copy of the Resident's current

Power of Attorney will be on file with Whitaker Glen at all times.

(e) Last Will and Testament. Prior to becoming a resident of Whitaker Glen, the Resident agrees to provide in his Last Will and Testament, for the final disposition of all furniture and possessions located at The Oaks at Whitaker Glen and for burial and payment of funeral expenses. The Resident must keep the Will accurate and complete during residency. Upon occupancy, the Resident also agrees to provide Whitaker Glen pertinent data related to the above matters and to keep this information current.

(f) Personal Physician. The Resident agrees to select and maintain a personal physician licensed to practice medicine in North Carolina. The Resident's physician must be available to discuss the Resident's condition, transfer decisions, and ability to live independently in accordance with this Agreement.

#### Term of this Agreement

(a) Withdrawal Within the 30 Day Right of Rescission Period. The Resident may rescind this Agreement within thirty (30) days following the later of the execution of this Agreement or the receipt of a disclosure statement that meets the requirements of

North Carolina General Statutes Chapter 58, Article 64. The Resident is not required to move into the facility before the expiration of the thirty (30) day period.

(b) Termination Prior to Occupancy. The Resident may terminate this Agreement prior to occupancy of the Residential Unit by giving notice in writing to Whitaker Glen. If the Resident is unable to occupy the Residential Unit due to death, illness, injury, or incapacity, this Agreement shall terminate and be automatically canceled.

(c) Trial Period. The first ninety (90) days of the Resident's occupancy will be on a trial basis. During this 90-day period, Whitaker Glen shall have the right to terminate this Agreement and the Resident's occupancy based upon its judgment that either the Resident's physical condition or emotional adjustment will not permit satisfactory residency at Whitaker Glen.

(d) Residence in Excess of Ninety Days. Subsequent to the aforementioned 90-day period, this Agreement shall be terminated only pursuant to the following subparagraphs (e), (f), (g), and (h).

(e) Death of Resident. This Agreement shall terminate upon the death of the Resident. In the event that two (2) individuals



have executed this Agreement as the Resident, this Agreement shall terminate upon the death of the survivor of such individuals.

(f) Termination by Whitaker Glen. Whitaker Glen may terminate this Agreement and the Resident's occupancy of the Residential Unit if the Resident fails to make a payment to Whitaker Glen required under this Agreement, and Whitaker Glen gives the notice required. In addition, Whitaker Glen may terminate this Agreement upon a determination by the Executive Director that (i) there has been a change in the physical or mental condition of the Resident which renders the Resident incapable of living independently in the Residential Unit, and the Resident does not move to the Health Care Center or an Affiliated Facility, or (ii) the Resident has developed a contagious disease deemed hazardous to others by the Executive Director. All such decision by the Executive Director shall be in his or her sole discretion. Whitaker Glen may also terminate this Agreement for cause as previously provided or in the event that the Resident fails to comply with any of the terms and provisions of this Agreement.

(g) Termination by Resident. The Resident may terminate this Agreement at any time by providing Whitaker Glen with ninety

(90) days prior written notice. During the ninety (90) day notice period, the Resident shall remain responsible for the payment of the Monthly Service Fee as it becomes due. If the Resident gives written notice of termination within the initial ninety (90) days of occupancy at Whitaker Glen, the Initiation Fee shall be refunded.

(h) Permanent Transfer to the Health Care Center or an Affiliated Facility. This Agreement shall terminate upon the Permanent Transfer to the Health Care Center or an Affiliated Facility and the removal of all personal belongings from the Residential Unit. "Permanent Transfer" shall mean the earlier to occur of (i) the sixty-first (61<sup>st</sup>) day of occupancy at the Health Care Center or Affiliated Facility or (ii) death or removal from the Health Care Center or Affiliated Facility sooner than the sixty-first (61<sup>st</sup>) day of occupancy.

(i) Condition of Residential Unit. Upon the termination of this Agreement, the Resident will vacate the Residential Unit and will leave it in good condition excepting only reasonable wear and tear. The Resident shall be liable to Whitaker Glen for any costs incurred in restoring the Residential Unit to such condition.

(j) Obligation of Whitaker Glen. Upon termination of this Agreement and upon compliance with the provisions of the Entrance Fee Agreement executed by the parties simultaneously with this Agreement, Whitaker Glen shall have no further obligation to the Resident, his or her heirs, successors, personal representatives, or assigns, and the Resident shall have no further right to occupy the Residential Unit.

#### Entrance Fee Refund

(a) Entrance Fee. As evidenced by the execution of the Entrance Fee Agreement, the Resident agrees to pay an Entrance Fee in the total amount specified in the Entrance Fee Agreement. Refunds of refundable entrance fees are limited to reoccupancy proceeds.

(b) Equity Plan. A Resident choosing the Equity Plan will have the Entrance Fee Refund reduced according to the schedule in the following subparagraph (c).

(c) Equity Plan Reduction Schedule. Beginning the first day of the month following the month in which the Resident initially occupies the Residential Unit, the amount owed to the Resident under the Entrance Fee Agreement and the Note will be reduced by two percent (2.0 %) of the original Note amount for each month or

partial month the unit is occupied by the Resident but not more than twenty-five (25) months and not to exceed a reduction of more than fifty percent (50%) of the original amount owed under the Entrance Fee Agreement. **As an example only to illustrate application of this provision,** if the amount owed a Resident under the Resident's Entrance Fee Agreement is Eighty Thousand Dollars (\$80,000.00), then the reduction each month in the amount owed under the Entrance Fee Agreement would be One Thousand Six Hundred Dollars (\$1,600.00); ( $\$80,000.00 \times 2.0\% = \$1,600$ ). The monthly reduction of \$1,600.00 would continue to be applied for each month or partial month the unit is occupied by the Resident up to a total of 25 months or until the original amount owed under the Entrance Fee Agreement had been reduced 50% or Forty Thousand Dollars (\$40,000.00), whichever occurred first. In the example given above, the twenty-five months would equal exactly Forty Thousand Dollars (\$40,000.00), and would also be equal to 50% of the original amount owed so the monthly reduction would stop after the 25th month. **The remaining balance owed to the Resident under the Entrance Fee Agreement and the Note would then be \$40,000.**

(d) Traditional Plan. A Resident choosing the Traditional Plan will have the Entrance Fee Refund reduced according to the schedule in the following subparagraph (e).

(e) Traditional Plan Reduction Schedule. Beginning the first day of the month following the month in which the Resident initially occupies the Residential Unit, the amount owed to the Resident under the Entrance Fee Agreement and the Note will be reduced by four percent (4.0%) of the original Note amount for each month or partial month the unit is occupied by the Resident over a twenty-five (25) month period until the original amount owed under the Entrance Fee Agreement is reduced to 0%. **As an example only to illustrate application of this provision**, if the amount owed a Resident under the Resident's Entrance Fee Agreement is Eighty Thousand Dollars (\$80,000.00), then the reduction each month in the amount owed under the Entrance Fee Agreement would be Three Thousand Two Hundred Dollars (\$3,200.00); ( $\$80,000.00 \times 4.0\% = \$3,200$ ). The monthly reduction of \$3,200.00 would continue to be applied for each month or partial month the unit is occupied by the Resident up to a total of 25 months or until the original amount owed under the Entrance Fee Agreement had been reduced to 0%. **After the 25<sup>th</sup> month, the**

**remaining balance owed to the Resident under the Entrance Fee Agreement and the Note would be \$0.**

(f) Reduction of Refund. In addition to the reduction schedules set forth above, any Entrance Fee Refund due to the Resident shall be subject to the deduction of charges due and payable to Whitaker Glen.

#### Miscellaneous

(a) Disclosure Statement. By signing this Agreement, the Resident acknowledges the prior receipt of a current disclosure statement as required by North Carolina General Statutes Chapter 58, Article 64.

(b) Affiliations. Whitaker Glen is not affiliated with a religious, charitable, or other non-profit organization.

(c) Personal Nature of Rights and Privileges. The rights and privileges of the Resident under this Agreement to living accommodations, facilities, and services are personal to the Resident and cannot be transferred or assigned by any action on the part of the Resident, by any proceeding at law, or otherwise.

(d) Limitations. The rights of the Resident are the rights and privileges expressly granted in this Agreement and the Entrance Fee Agreement and, except as provided therein, do not

include any proprietary interest in the properties, business, or assets of Whitaker Glen. The Resident agrees that his or her rights under this Agreement shall at all times be subordinate to any obligations of Whitaker Glen pertaining to the property of Whitaker Glen, and the Resident further agrees to execute, acknowledge, and deliver any subordination agreement as may be required in order to establish the priorities of such obligation as a lien or liens against the property of Whitaker Glen.

(e) Personal Belongings. Whitaker Glen shall not be responsible for the loss of or damage to, any property belonging to the Resident due to theft, mysterious disappearance, fire, or any other cause. It is expressly agreed that the Resident will provide at his or her expense insurance protection covering any loss or damage to his or her personal property. Whitaker Glen shall have the right to promptly remove all personal property from the Residential Unit of the Resident who is deceased, or whose accommodations have been released for occupancy by others, or whose Residence and Services Agreement has been terminated and to store the same. The Resident or his or her estate will be obligated for the payment of charges related to such storage and will reimburse Whitaker Glen for expenses which it incurs under this paragraph.

(f) Regulatory Agencies. Notwithstanding any other provision of this Agreement, Whitaker Glen shall have the right to modify the Residential Unit of the Resident to meet the requirements of law or the regulations of a Fire Department, Public Health Department, or other duly constituted authority or agency.

(g) Rights of Management. The absolute right of management of The Oaks at Whitaker Glen is reserved to Whitaker Glen, its Board of Directors, and its officers as delegated by such Board of Directors. Whitaker Glen reserves the right to accept or reject any person for residency.

(h) Right of Entry. Duly authorized employees of Whitaker Glen shall have the right to enter the Residential Unit at any reasonable time for management, maintenance, or emergency purposes.

(i) Waiver of Breach. The failure of Whitaker Glen in any one or more instances to insist upon the strict performance, observance, or compliance by the Resident with any of the terms or provisions of this Agreement, or its waiver of the breach by the Resident of any term or provision of this Agreement shall not be construed to be a waiver or relinquishment by Whitaker Glen of



its right to insist upon strict compliance by the Resident with all of the terms and provisions of this Agreement.

(j) Entire Contract. This Agreement and the Entrance Fee Agreement executed simultaneously herewith constitute the entire contract between Whitaker Glen and the Resident. Whitaker Glen is not liable for nor bound in any manner by any statements, representations, or promises made by any person representing or purporting to represent Whitaker Glen, unless such statements, representations, or promises are set forth in this Agreement or the Entrance Fee Agreement.

(k) Successors. This Agreement shall bind and inure to the benefit of the successors and assigns of Whitaker Glen, and the heirs, personal representatives, successors, and assigns of the Resident.

(l) Gender. As used herein, the masculine gender shall include the feminine, the feminine shall include the masculine, and the singular shall include the plural, as the use and context require.

(m) Further Agreement. Any further agreement between the parties is set forth in Exhibit B attached hereto, which has been executed by both the Resident and Whitaker Glen. If an Exhibit B is not attached hereto and so executed, there is no further

agreement between Whitaker Glen and the Resident except as expressed herein and in the Entrance Fee Agreement.

IN WITNESS WHEREOF, the Resident has hereunto affixed his or her hand and seal to this Agreement, and Whitaker Glen has caused this instrument to be executed by its duly authorized officer and its corporate seal to be affixed below, all on the day and year first above written.

WITNESS:

RESIDENT:

\_\_\_\_\_

\_\_\_\_\_ (SEAL)

\_\_\_\_\_

\_\_\_\_\_ (SEAL)

WHITAKER GLEN, INC.

By \_\_\_\_\_  
Chairman and CEO

CORPORATE SEAL

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Exhibit A

Affiliated Facilities

PruittHealth - Carolina Point  
PruittHealth - Durham  
PruittHealth - Elkin  
PruittHealth - Farmville  
PruittHealth - High Point  
PruittHealth - Neuse  
PruittHealth - Raleigh  
PruittHealth - Rockingham  
PruittHealth - Sea Level  
PruittHealth - Town Center  
PruittHealth - Trent  
PruittHealth - Union Pointe  
The Oaks - Brevard

The Oaks at  
Whitaker Glen  
Disclosure Statement

Exhibit F

Entrance Fee Agreement

WHITAKER GLEN, INC.  
ENTRANCE FEE AGREEMENT

THIS ENTRANCE FEE AGREEMENT (hereinafter referred to as the "Agreement") made and entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_ by and between WHITAKER GLEN, INC. (d/b/a The Oaks at Whitaker Glen), a North Carolina corporation, (hereinafter referred to as "Whitaker Glen"), and \_\_\_\_\_ (hereinafter referred to as the "Applicant").

W I T N E S S E T H:

WHEREAS, Whitaker Glen is engaged in the operation of a continuing care retirement community called "The Oaks at Whitaker Glen " (the "Retirement Community") in Raleigh, North Carolina, and in connection therewith, is entering into Residence and Services Agreements with prospective residents of the Retirement Community;

WHEREAS, the Applicant desires to become a resident of the Retirement Community and to execute a Residence and Services Agreement with Whitaker Glen; and

WHEREAS, the Applicant desires to assist Whitaker Glen in its endeavor to operate the Retirement Community by paying an entrance fee to be evidenced by a Nonnegotiable Note issued by Whitaker Glen;

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth and other good and valuable consideration, the receipt of which is hereby mutually acknowledged, Whitaker Glen and the Applicant hereby agree as follows:

(1) Acceptance of Applicant. As evidenced by the Residence and Services Agreement executed with this Agreement, Whitaker Glen hereby accepts the Applicant as a prospective resident of the Retirement Community under the terms and conditions set forth in such agreement.

(2) Entrance Fee. Payment of an entrance fee provides a resident with the lifetime use of a residence and the services and amenities available at the Retirement Community. At the time the Applicant makes application for residency at the Retirement Community, the Applicant will receive a copy of the Disclosure Statement and will pay an entrance fee deposit. The balance of the entrance fee will be paid at the time the Residence and

Services Agreement and Entrance Fee Agreement are signed. The Applicant hereby agrees to pay an entrance fee (hereinafter referred to as the "Entrance Fee") to Whitaker Glen in the total amount of \$\_\_\_\_\_. The Applicant agrees that the \_\_\_\_\_ Plan Reduction Schedule will be applied to the refund of the Entrance Fee. The Applicant further agrees that any refundable deposit made during the application process shall be applied toward payment of the Initiation Fee in the Residence and Services Agreement and the Entrance Fee, and agrees to pay the remaining portion of the Initiation Fee and Entrance Fee to Whitaker Glen thirty (30) days prior to occupancy at the Retirement Community. At that time, Whitaker Glen shall issue the Nonnegotiable Note (the "Note") to the Applicant.

(3) Provisions of the Note.

(a) The Note shall provide that the principal amount thereof shall not bear interest. Following issuance of the Note and the Applicant's occupancy at Whitaker Glen, such principal amount, less any applicable reduction (hereinafter referred to as the "Entrance Fee Refund"), shall be payable to the Applicant within thirty (30) days after the Applicant's Residential Unit

(as defined in the Residence and Services Agreement) is occupied by another individual following (i) the death of the Applicant or (ii) the termination of his Residence and Services Agreement in accordance with the provisions of such agreement. It is provided, however, that should the Residence and Services Agreement be terminated as a result of the Applicant's Permanent Transfer to the Health Care Center or Affiliated Facility (as such terms are defined in the Residence and Services Agreement), the Applicant will have the option to receive a refund within thirty (30) days after the Applicant's Residential Unit is occupied by another individual, or have the Entrance Fee Refund applied as a credit at the Health Care Center or Affiliated Facility to be used to pay for occupancy, care and services. If the Entrance Fee is refunded to the Applicant or credited upon transfer to the Health Care Center or Affiliated Facility, he can again occupy a residential unit at the Retirement Community, as the same becomes available, upon the payment to Whitaker Glen of the appropriate Entrance Fee for the unit to be occupied. Whitaker Glen reserves the right at its sole discretion to repay all or any portion of the Entrance Fee Refund to the Applicant at an earlier date than otherwise provided herein.



(b) Payment of the Entrance Fee Refund to the Applicant shall be subject to the deduction of charges due and payable to Whitaker Glen under the terms and conditions of the Residence and Services Agreement and further to a reduction in the Entrance Fee applicable to the type of plan chosen by the Applicant according to the following schedules:

(1) Equity Plan Reduction Schedule:

Beginning the first day of the month following the month in which the resident initially occupies the Residential Unit, the amount owed to the Applicant under the Agreement and the Note will be reduced by two percent (2.0 %) of the original Note amount for each month or partial month the unit is occupied by the resident but not more than twenty-five (25) months and not to exceed a reduction of more than fifty percent (50%) of the original amount owed under the Agreement. **As an example only to illustrate application of this provision,** if the amount owed a resident under the resident's Agreement is Eighty Thousand Dollars (\$80,000.00), then the reduction each month in the amount owed under the Agreement would be One Thousand Six Hundred Dollars (\$1,600.00); ( $\$80,000.00 \times 2.0\% = \$1,600$ ). The monthly reduction of \$1,600.00 would continue to be applied for each

month or partial month the unit is occupied by the resident up to a total of 25 months or until the original amount owed under the Agreement had been reduced 50% or Forty Thousand Dollars (\$40,000.00), whichever occurred first. In the example given above, the twenty-five months would equal exactly Forty Thousand Dollars (\$40,000.00), and would also be equal to 50% of the original amount owed so the monthly reduction would stop after the 25th month. **The remaining balance owed to the Applicant under the Agreement and the Note would then be \$40,000.**

(2) Traditional Plan Reduction Schedule:

Beginning the first day of the month following the month in which the resident initially occupies the Residential Unit, the amount owed to the Applicant under the Agreement and the Note will be reduced by four percent (4.0%) of the original Note amount for each month or partial month the unit is occupied by the resident over a twenty-five (25) month period until the original amount owed under the Agreement is reduced to 0%. **As an example only to illustrate application of this provision,** if the amount owed a resident under the resident's Agreement is Eighty Thousand Dollars (\$80,000.00), then the reduction each month in the amount owed under the Agreement would be Three Thousand Two Hundred Dollars (\$3,200.00); ( $\$80,000.00 \times 4.0\% = \$3,200$ ). The

monthly reduction of \$3,200.00 would continue to be applied for each month or partial month the unit is occupied by the resident up to a total of 25 months or until the original amount owed under the Agreement had been reduced to 0%. **After the 25<sup>th</sup> month, the remaining balance owed to the Applicant under the Agreement and the Note would be \$0.**

(c) The proceeds of the Note, as well as the proceeds of other notes issued by Whitaker Glen in exchange for payment of Entrance Fees, shall be utilized only for expenses incurred incident to the construction, furnishing, and operation of the Retirement Community. Such notes, including that issued to the Applicant, shall be secured by a deed of trust upon the interest of the Grantors in the land and improvements comprising the Retirement Community, which shall be a second lien upon such improvements subordinate only to the lien of a first deed of trust securing the repayment of additional funds utilized incident to the construction, furnishing and operation of the Retirement Community.

(4) Status of the Note. The Note shall be a debt obligation of Whitaker Glen secured as aforementioned, and with

the exception of such security, the rights granted thereunder shall not include a proprietary or other interest in the business, assets, and properties of Whitaker Glen.

(5) Withdrawal Within the 30 Day Right of Rescission Period. The Applicant may rescind this Agreement prior to the date of occupancy, or after occupancy, by giving written notice to Whitaker Glen within the later of thirty (30) days of the execution of the Agreement or of the date that the Applicant received the Disclosure Statement as required by GS § 58-64-20. The Applicant is not required to take occupancy before the expiration of the thirty (30) day period. If the Agreement is rescinded, the Applicant will receive all monies or property transferred to Whitaker Glen less applicable periodic charges, nonstandard costs incurred at the request of the resident, and a service charge not to exceed the greater of \$1,000 or 2% of the debenture amount paid by the Applicant. The refund will be paid to the Applicant within one hundred eighty (180) days of receipt of the written notice to rescind.

(6) Termination of this Agreement Prior to Occupancy. If the Applicant is unable to take occupancy of the Residential

Unit due to death, illness, injury, or incapacity, this Agreement shall be automatically canceled. If prior to the Applicant's occupancy at Whitaker Glen, the Applicant should terminate his Residence and Services Agreement, this Agreement shall terminate. In such event all amounts paid under this Agreement shall be refunded to the Applicant. Such refund shall be made within one hundred eighty (180) days following the aforementioned cancellation or termination.

(7) Applicant. In the event two (2) individuals have joined in entering into this Agreement with Whitaker Glen, the word "Applicant" herein shall refer to both such people, and they shall be jointly and severally responsible for the obligations of the Applicant hereunder.

(8) Gender. As used herein, the masculine gender shall include the feminine, the feminine shall include the masculine, and the singular shall include the plural.

(9) Binding. This Agreement shall be binding upon the parties hereto, their heirs, personal representatives, successors, and assigns.

IN WITNESS WHEREOF, the Applicant has hereunto affixed his hand and seal, and Whitaker Glen has caused this instrument to be executed by its duly authorized officer and its corporate seal hereunto affixed, all on the day and year first above written.

WITNESS:

APPLICANT:

\_\_\_\_\_

\_\_\_\_\_ (SEAL)

\_\_\_\_\_

\_\_\_\_\_ (SEAL)

WHITAKER GLEN, INC.

\_\_\_\_\_  
Chairman and CEO

CORPORATE SEAL

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The Oaks at  
Whitaker Glen  
Disclosure Statement

Exhibit G

Registration of Trade Name

WAKE COUNTY, NC 299  
LAURA M RIDDICK  
REGISTER OF DEEDS  
PRESENTED & RECORDED ON  
01/22/2010 AT 14:35:08

BOOK:013832 PAGE:00498 - 00499

**CORPORATE CERTIFICATE OF ASSUMED NAME**

After recording place in Box 80  
Harold W. Berry, Jr.

The undersigned corporation, proposing to engage in business in Wake County,  
North Carolina, under an assumed name other than its corporate name, hereby certifies that:

1. The name under which the business is to be conducted is:

The Oaks at Whitaker Glen  
(Insert assumed name)

2. The names and address of the owner(s) of the business is (are):

Whitaker Glen Inc.  
501 E Whitaker Mill Road  
Raleigh NC 27608

(Insert name and address of corporation)

In witness whereof, this certificate is signed in the name of the corporation by its Vice president  
and Asst. secretary, this 31st day of December, 2009.



By R. Lawrence Williams  
Vice President  
By Neil L. Pruitt Jr.  
Asst. Secretary

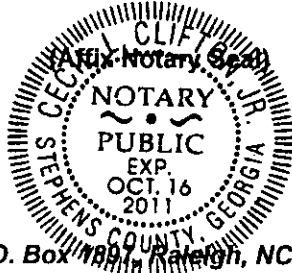
State of Georgia  
County of WINNETT

I, Cecil L. Clifton Jr., a Notary Public, do hereby certify that  
R. Lawrence Williams and Neil L. Pruitt Jr. personally appeared before me  
this 31st day of December, 2009, and that they signed the foregoing certificate on  
behalf of the said corporation in the respective capacities indicated.

Witness my hand and official seal, this the 31st day of December, 2009.

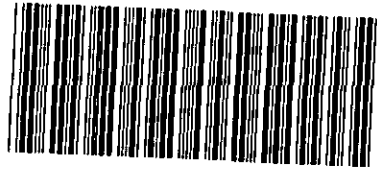
Cecil L. Clifton Jr.

Notary Public  
My Commission Expires:



Mailing Address: Wake County Register of Deeds, P. O. Box 1891, Raleigh, NC 27602





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**Yellow probate sheet is a vital part of your recorded document.  
Please retain with original document and submit for rerecording.**



**Wake County Register of Deeds  
Laura M. Riddick  
Register of Deeds**

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