



# CAROLINA BAY

AT AUTUMN HALL

## **Disclosure Statement**

**May 31, 2021**

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

**Unless earlier revised, this Disclosure Statement will remain effective until October 31, 2022. Delivery of this Disclosure Statement to a contracting party prior to execution of a contract for the provision of continuing care is required by North Carolina law. This Disclosure Statement has not been reviewed or approved by any governmental agency or representative to ensure accuracy or completeness of the information set out.**

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## I. Introduction

Carolina Bay at Autumn Hall (the “CCRC” or the “Community”) is a continuing care retirement community which offers its residents (“Residents”) one hundred twenty-two (122) independent living rental apartments (the “Independent Living Building Apartments”) located in an independent living building (the “Independent Living Building”) and twenty-four (24) independent living rental garden flat apartments (the “Garden Flat Apartments”) arranged in freestanding clusters (the “Garden Flat Buildings”) (collectively each an “Apartment”), a wide array of services, a clubhouse (the “Clubhouse”), and the security of access to an adjacent one hundred and eight (108) bed healthcare center (the “Healthcare Center”). The Community is situated on an approximately 20.5-acre site within the Autumn Hall development (the “Site”). As of February 28, 2021 there were one hundred seventy-four (174) independent living Residents under Residency and Care Agreements.

## II. Organization, Ownership and Management

### A. Organization

Carolina Bay of Wilmington, LLC (“Carolina Bay Wilmington” or the “Company”) is a Delaware for-profit limited liability company registered to do business in North Carolina formed for the purpose of leasing and operating independent living units. The business address of the Company is One Town Center Road, Suite 300; Boca Raton, Florida 33786. Carolina Bay Wilmington is solely owned by Wilmington AH Senior Housing JV Opco, LLC (“Wilmington Joint Venture Opco”). Wilmington Joint Venture Opco is the only entity having, directly or indirectly, a ten percent (10%) or greater beneficial interest in Carolina Bay Wilmington. In August 2019, the North Carolina Department of Insurance issued a permanent Continuing Care Retirement Community License to Carolina Bay Wilmington.

### B. Facility Ownership

Carolina Bay Properties of Wilmington, LLC (“Carolina Bay Properties”) is a Delaware for-profit limited liability company registered to do business in North Carolina formed for the purpose of developing and owning real property and certain buildings of the CCRC.

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

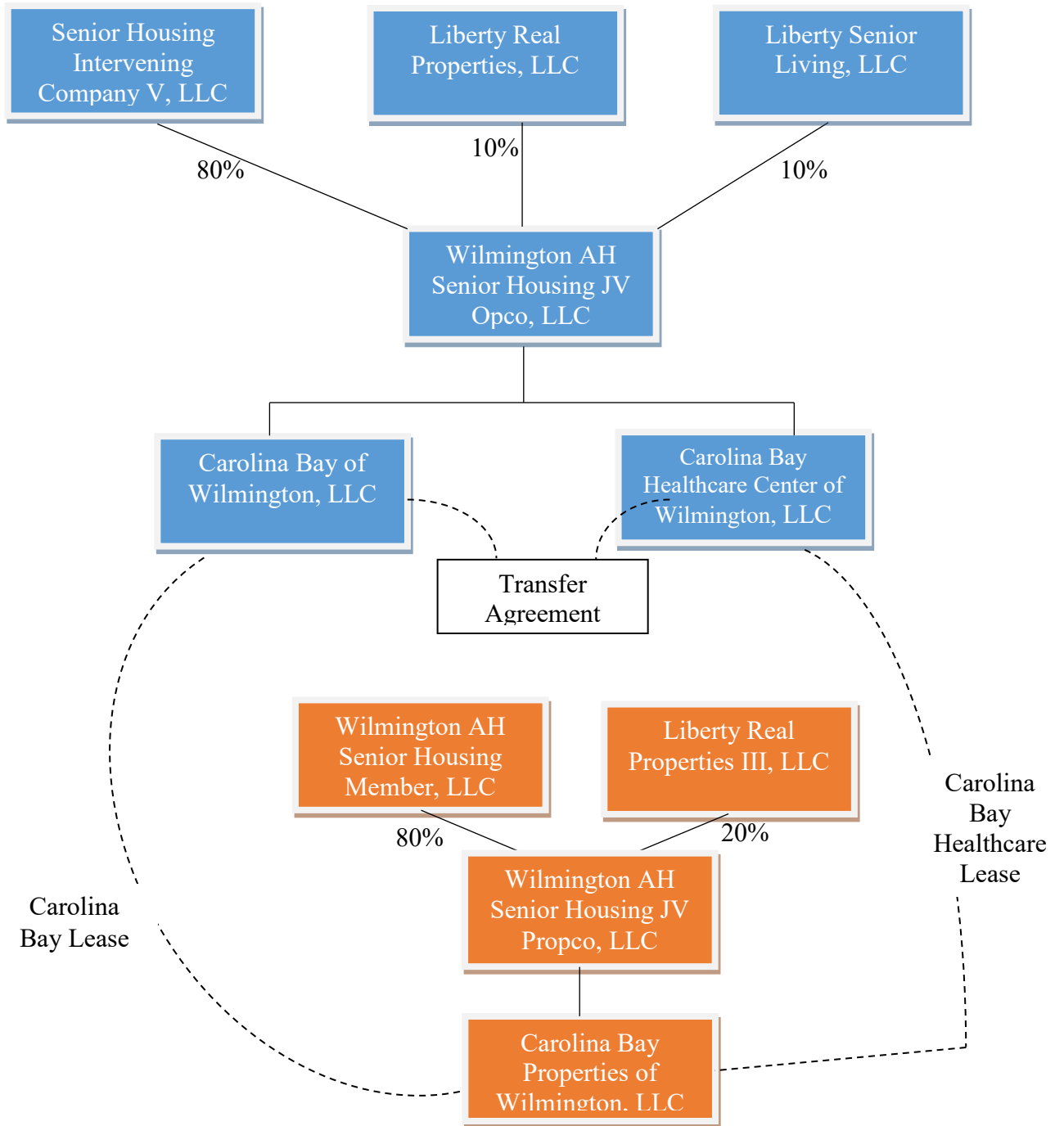
Carolina Bay Properties of Wilmington III, LLC (“Carolina Bay Properties III”) is a Delaware for-profit limited liability company registered to do business in North

Carolina formed for the purpose of developing and owning real property and certain buildings of the CCRC.

Carolina Bay Properties purchased the Site in May 2012, together with all of the improvements comprising the Independent Living Building. Carolina Bay Properties II and Carolina Bay Properties III are the development companies related to the Garden Flat Buildings. Carolina Bay Properties and Carolina Bay Wilmington have executed a lease agreement (the “Carolina Bay Lease”) for Carolina Bay Wilmington’s use and operation of the Independent Living Building, Garden Flat Buildings, the Clubhouse, and the associated common areas. Carolina Bay Properties and Carolina Bay Healthcare have executed a lease agreement (the “Carolina Bay Healthcare Lease”) for Carolina Bay Healthcare’s use and operation of the Healthcare Center. The Carolina Bay Lease and the Carolina Bay Healthcare Lease each have terms of ten (10) years and rent under each of the leases are in an amount sufficient to satisfy the debt service coverage ratio required by Carolina Bay Properties’ lender. Carolina Bay Properties, Carolina Bay Properties II, and Carolina Bay Properties III are responsible for constructing, at Carolina Bay Properties, Carolina Bay Properties II, and Carolina Bay Properties III’s sole cost and expense, all of the improvements leased pursuant to the Carolina Bay Lease and the Carolina Bay Healthcare Lease.

See the organization/ownership chart below.

### Organization/Ownership Chart



C. Healthcare

The CCRC provides the Residents temporary or permanent assisted living services and skilled nursing services in beds located within the Healthcare Center. The Healthcare Center is licensed for seventy-eight (78) adult care home beds (“Adult Care Home Beds”) and thirty (30) skilled nursing beds (the “Skilled Nursing Beds”). Twenty-six (26) of the Adult Care Home Beds and twelve (12) of the Skilled Nursing Beds are reserved for the Residents of the CCRC (the “Closed Beds”). The remaining Healthcare Center beds are available to the public (the “Open Beds”). The Company has executed a healthcare services transfer agreement with Carolina Bay Healthcare (the “Transfer Agreement”) for use of the Closed Beds. Under the terms of the Transfer Agreement, in the event that the Closed Beds are fully occupied, the Resident will be given priority access to the available Open Beds.

D. Management

Carolina Bay Wilmington operates the independent living units at the CCRC. No other person or entity referred to herein has assumed any financial responsibility for the fulfillment of Carolina Bay Wilmington’s agreements or obligations, except as otherwise stated.

*Carolina Bay Wilmington Management*

Carolina Bay Management of Wilmington, LLC (“Carolina Bay Wilmington Management”) is a North Carolina for-profit limited liability company formed for the purpose of employing the employees of and providing management services to Carolina Bay Wilmington.

Carolina Bay Wilmington has executed a staffing agreement (the “Independent Living Staffing Agreement”) with a fee of five percent (5%) of total revenues derived from independent living units paid to Carolina Bay Wilmington Management.

*Carolina Bay Healthcare and Carolina Bay Healthcare Management*

Carolina Bay Healthcare Center of Wilmington, LLC (“Carolina Bay Healthcare”) is a Delaware for-profit limited liability company registered to do business in North Carolina formed for the purpose of leasing and operating the healthcare facilities at the CCRC. Carolina Bay Healthcare is solely owned by Wilmington Joint Venture Opco. Wilmington Joint Venture Opco is the only entity having, directly or indirectly, a ten percent (10%) or greater beneficial interest in Carolina Bay Healthcare.

Carolina Bay Healthcare Center Management of Wilmington, LLC (“Carolina Bay Healthcare Management”) is a North Carolina for-profit limited liability company formed for the purpose of employing the employees of and providing management services to Carolina Bay Healthcare.

Carolina Bay Healthcare has executed a staffing agreement (the “Healthcare Staffing Agreement”) with a fee of six percent (6%) of total revenues derived from assisted living units, memory care units, and skilled nursing units paid to Carolina Bay Healthcare Management.

*Liberty Living Management, LLC*

Liberty Living Management, LLC (“Liberty Living Management”) has executed separate management agreements with Carolina Bay Wilmington Management and Carolina Bay Healthcare Management in which each company pays Liberty Living Management fees equal to the fees derived from the Independent Living Staffing Agreement and the Healthcare Staffing Agreement, respectively. Liberty Living Management’s headquarters are at 2334 S. 41<sup>st</sup> St., Wilmington, NC 28403. The following individuals are the key managers or corporate executives:

1. John A. McNeill, Jr. and Ronald B. McNeill

John A. McNeill Jr. and Ronald B. McNeill are managers of Liberty Living Management.

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

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

Together the McNeill’s purchased their first nursing home in 1990, but the McNeill family’s healthcare heritage dates all the way back to 1870 beginning with their great-grandfather. Over the last three decades the Liberty Healthcare Group has grown from a single nursing home to a fully integrated post-acute healthcare provider, which includes numerous nursing homes, assisted living facilities, independent living communities,

continuing care retirement communities, and a home health and hospice company with several locations servicing various urban and rural counties in North Carolina, South Carolina, and Virginia. The McNeill family also operates a durable medical equipment company under the Liberty family as well as a retail and a long-term care pharmacy. The McNeill family comes from a tradition of service, dating back generations, and Sandy and Ronnie continue that tradition today as principals of one of the largest and most comprehensive healthcare companies in the state.

2. William B. Purvis

William (“Will”) Purvis is a manager of Liberty Living Management and President of Liberty Senior Living in Wilmington, North Carolina. He manages business development as well as capital financing for the Liberty companies. Prior to moving to Wilmington, Will worked with Grandbridge Real Estate Capital, a subsidiary of BB&T. Will was responsible for commercial mortgage production for the Eastern, Northeast and Triangle regions of the bank’s network.

Will received a B.S. in Business Management from North Carolina State University and a Masters of Business Administration from Wake Forest University. He serves on the Senior Housing Product Council of Urban Land Institute, the Board of Directors for Cape Fear Council Boy Scouts of America, New Hanover Regional Medical Center Foundation, Wilmington Chamber of Commerce, and North Carolina Coastal Land Trust.

3. Cindy Stancil

Cindy Stancil, LNHA, is the President of Operations of Liberty Living Management, LLC. Cindy started her career in assisted living as the Administrator of Northridge Retirement Village in Raleigh, North Carolina in 1985. After four years of service, she moved to Wilmington, North Carolina, to open a new assisted living community, Liberty Commons Assisted Living. Over the past 30 years, Mrs. Stancil’s responsibilities have grown from being the Administrator of an assisted living community to budgeting and training, policy and procedures development and implementation, research, design and development of nursing home, independent, and assisted living projects.

Cindy has served as a Board Member of the North Carolina Assisted Living Association as current Secretary and past President. She has worked in Task Force groups such as “The Star Rating program”, the MUST pre-screening form, etc. with the Medical Care Commission, Division of Medical Assistance and Division of Health Services



Regulation. Mrs. Stancil is a Licensed Assisted Living Administrator as well as a Licensed Nursing Home Administrator.

4. Nicole Cook

Nicole Cook, RN LNHA provides operational support to Liberty Living Management team in the role of Regional Operations Manager. Nicole is a native of Nashville, Tennessee, educated in North Carolina and has enjoyed a career in Healthcare for over 25 years. Nicole is an RN and is also licensed as a Nursing Home Administrator. Spending her career in both clinical and operational management, Nicole brings years of patient care and operational leadership to the team. With a passion for customer service and a dedication to quality patient care, she is active in ensuring that our Liberty Living communities provide the best possible experience for those we serve. Nicole resides in Wilmington, NC with her husband and teenage daughter.

*Facility Management*

Bill Piper. Bill Piper serves as the Executive Director of Carolina Bay. Bill is a Dayton, Ohio native who attended Sinclair Community College. He has a long-time career with the Liberty Healthcare Group, serving as Marketing Director for freestanding Assisted Living then assuming the Marketing Director position at Carolina Bay and moving into the Executive Director role. Prior to joining Liberty Health Care, he was the Marketing Director for the healthcare component of a company in Ohio.

E. Related Parties

The CCRC will be developed, managed and operated by various related parties pursuant to agreements entered into between those parties and the CCRC. These transactions are considered related party transactions and are settled through related party cash accounts and payments to the other entities.

F. Legal Disclaimer

Neither the managers nor any principals of the Company (i) have been convicted of a felony or pleaded nolo contendere to a felony charge or been held liable or enjoined in a civil action by final judgment for a felony or civil action involving fraud, embezzlement, fraudulent conversion, or misappropriation of property or (ii) are subject to a currently effective injunctive or restrictive court order, or within the past five years, had any state or federal license or permit suspended or revoked as a result of an action brought by any governmental agency or department, arising out of or related to business activity of health care, including actions affecting a license to operate a foster care facility, nursing home, retirement home, home for the aged, or facility subject to N.C.G.S. §58-64 or similar law in another state.

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

G. Affiliations

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

**III. Facility Description and Amenities**

A. Location

The Community is located on an approximately 20.5-acre site, having an address of 630 Carolina Bay Dr., Wilmington, North Carolina and is situated within the Autumn Hall development. Autumn Hall is a 236-acre mixed-use master planned community that includes a variety of residential choices, shops and restaurants and is located near the Cape Fear Coast in Wilmington, North Carolina.

B. Layout and Types of Accommodations

Accommodations of the Company include one hundred twenty-two (122) Independent Living Building Apartments within the Independent Living Building with one and two bedroom floor plans that range from approximately 800 to 1,500 square feet and twenty-four (24) Garden Flat Apartments located within stand-alone Garden Flat Buildings with two-bedroom floor plans that range from approximately 1,300 to 1,700 square feet each. Carolina Bay is able to accommodate up to two hundred sixty-eight (268) Residents, all of whom are provided services pursuant to their respective Residency and Care Agreements. Subject to the terms and conditions of the Residency and Care Agreement and the limits of the Company's license, a full continuum of healthcare services is provided in the Healthcare Center. In addition, in the event the Closed Beds are fully occupied, Residents will be given priority access to the available Open Beds.

C. Amenities

1. Clubhouse. The Clubhouse is a social center for residents to gather. The Clubhouse features opportunities for formal and informal dining, a corner market with all day service, wireless internet, a business center, billiards and card rooms, and a ballroom.
2. Wellness Center. The on-site wellness center (the "Wellness Center") provides an array of wellness programs for the Residents. Facilities and

services include state-of-the-art fitness equipment, exercise classes, indoor heated pool and certain wellness education programs.

#### IV. Services

- A. Basic Services. Subject to the terms and conditions of the Residency and Care Agreement, the following basic services (collectively “Basic Services”) are included in the Monthly Service Fee (defined below):
1. Appliances and Furnishings. The Apartments shall include the following appliances and furnishings: window coverings; standard flooring; appliances, including an electric range/self-cleaning oven, refrigerator/freezer with icemaker, garbage disposal, microwave, dishwasher, washer and dryer; smoke and fire detectors; an individual climate control system; an individual hot water heater; a 24-hour emergency call system and other permanent fixtures. All other appliances and furnishings for the Apartments not listed above are to be provided by the Resident.
  2. Utilities. Included with residency in an Apartment are heating, air conditioning, water, sewer, gas, electricity, basic cable television, trash removal and pest control.
  3. Meals. As part of the Monthly Service Fee, the Resident shall be given a monthly declining balance meal plan credit (the “Declining Balance Meal Credit”). The Resident shall be entitled to dine in any of the CCRC’s dining options and charges for the food and beverages, except for alcoholic beverages, of the Resident or of any guest of the Resident shall be deducted from such Declining Balance Meal Credit. Upon termination of the Residency and Care Agreement, any unused portion of the Declining Balance Meal Credit shall be forfeited. If the monthly charges of the Resident exceed the amount of the monthly Declining Balance Meal Credits, such additional charges shall be billed to the Resident on a monthly basis.
  4. Maid Service. The Resident agrees to keep the Apartment in a clean and orderly condition. On a weekly basis, the Company will provide basic housekeeping services in the Apartment.
  5. Maintenance Services. The Company will be responsible for normal wear and tear, maintenance and replacement of the property, furnishings and equipment owned or leased by the Company for use in the CCRC. The Resident will be responsible for any damage to such property, furnishings and equipment, including the cost of repair or replacement or the diminution in value thereof, caused by the Resident, the Resident’s guests or the Resident’s pets. The Resident will be responsible for the maintenance and repair of their personal property.

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

1. Transportation Services. If a Resident requests transportation in addition to that provided as a Basic Service, the Company may provide such transportation provided that the Company has adequate transportation staff available at such date and time and to destinations that the Company identifies as being within the geographic area of transportation services.
2. Food Services. If a Resident requests food services or catered services in addition to those provided as a Basic Service, the Company may provide such additional food services or catered services for an additional cost.
3. Tray Service. Residents may request that meals be delivered to the Apartment (“Tray Service”) for a delivery charge; provided, however, that the Tray Service may not be requested for more than three (3) consecutive days except at a physician’s or nurse’s direction.
4. Activities. A fee may be required for some wellness and life enrichment programs.
5. Additional Maid Service. If a Resident requests or requires housekeeping services in addition to those provided as a Basic Service, the Company may provide such services if staff is available to provide such services.
6. Spa Services. Spa and personal care services in the Wellness Center will be available in accordance with a published fee schedule.
7. Upgraded Television Channels. Upgraded television channels will be available to Residents living in the Apartments in accordance with a published fee schedule.
8. Additional Parking. Additional parking, including garage parking if available, may be made available to the Residents in accordance with a published fee schedule.
9. Personal Emergency Transmitter. The provision of a Personal Emergency Transmitter (“PET”) which shall transmit to the CCRC’s Concierge Desk.

C. Healthcare

The Company will provide Healthcare Services to the Residents in the Healthcare Center. Care in the Healthcare Center will only be provided within the limits of the CCRC’s license. Hospital-level services are not provided within the Healthcare Center. Such level of care must be obtained from a hospital. The costs related to any hospitalization are the responsibility of the Resident.

The Healthcare Center’s Medical Director will determine the appropriate level of nursing care required by the Resident upon admission to the Healthcare Center. Residents who are unable to return to their Apartment will have the benefit of

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

## **V. Expansion/Development**

Twelve (12) new Garden Flat Apartments were opened on May 1, 2020.

Planned future phases of the Community may include the construction of up to an additional one hundred (100) Independent Living Building Apartments and up to an additional thirty (30) Garden Flat Apartments. The additional Apartments will be constructed as dictated by demand for residency in the Community. The expected date for commencement of such construction is not known at this time.

## **VI. The Continuing Care Concept**

The Company's continuing care concept ensures a Resident, so long as the Resident is in compliance with the Residency and Care Agreement, residence in an Apartment, a wide array of personal services and long-term nursing care in the Healthcare Center if the Resident can no longer live independently.

## **VII. The Residency and Care Agreement**

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

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

- B. Eligibility Requirements. Eligibility for residency in the Community is conditioned upon, among other things more particularly described in the Residency and Care Agreement, the following:
1. Age Criteria. The requirements for admission into the CCRC are nondiscriminatory except as to age. Admission is restricted to persons sixty-two (62) years of age or older with the exception of a younger second occupant. An underage second occupant may be approved for residency in the Apartment in the Company's sole discretion but must, at a minimum, be fifty (50) years of age and meet the other requirements for residency in the CCRC. The Company reserves the right to limit the number of Residents under the age of sixty-two (62) that will live in the CCRC.
  2. Preliminary Health Screen. The Resident must be capable of living independently and must satisfy the then current independent living criteria as published by the Company, which criteria may be amended from time to time in the Company's sole discretion. The Resident shall provide to the Company an internal preliminary health screen substantially in the form attached to the Apartment Selection Agreement executed by the Resident and the Company, completed by the Resident's primary physician and certifying that the Resident meets the independent living criteria within the period outlined in the Residency and Care Agreement.
  3. Financial Condition. The Company must be satisfied that the Resident has the financial income and assets to pay the Monthly Service Fee, extra meal charges, charges for additional services, personal living expenses, and the future adjustments of these charges during the term of the Residency and Care Agreement. Immediately prior to the Occupancy Date (as defined in the Residency and Care Agreement), the Resident will affirm to the Company that the Resident's financial situation does not differ materially and adversely from the financial situation presented in the Application Forms (substantially in the form attached to the Apartment Selection Agreement). If the Resident's then personal financial situation differs materially and adversely from the Resident's prior financial situation, the Company may terminate the Residency and Care Agreement. After the Occupancy Date, the Company may require updated financial information. In the case of two Residents occupying an Apartment, and in the event of the death of one of the occupants, the surviving Resident will be required to submit an update of the original Application Forms within thirty (30) days after the Company's request for the same.
- C. Priority Partner Agreement. A prospective resident may execute a Priority Partner Agreement (the "Priority Partner Agreement") with the Company to be placed on the waiting list for an Apartment.

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



A second occupant includes, but is not limited to, a spouse as defined by State statute.

- J. Transfers. Should the Resident desire to transfer to another Apartment, the Resident must notify the Company in writing. Following receipt of this request, and subject to availability, the Company may grant the Resident an option to move to the next available Apartment of the size requested. Upon transfer to a new residence, the Monthly Service Fee for the month in which the move takes place shall be prorated to reflect the percentage of the month that the Resident spends in each type of residence. With all transfers, there will be an up-fitting charge for the vacated residence based on the current rate established by the CCRC at the time of the transfer. The Resident will move all furnishings and belongings to the new residence within ten (10) days of the established occupancy date for the new residence. Any moving expense will be the responsibility of the Resident.
- K. Death or Transfer of One Resident. If one of the Residents named in the Residency and Care Agreement dies, moves out or is permanently transferred to the Healthcare Center or any other nursing center, the remaining Resident will continue to be bound by the terms of the Residency and Care Agreement except that the Monthly Service Fee will be reduced to the single occupancy rate then in effect.
- L. Smoking Policy. The CCRC is smoke-free. No smoking is permitted in the Apartments (to include balconies) or in any other building or location in or on the CCRC's premises. The Resident agrees to abide by the CCRC's Rules and Regulations concerning smoking.
- M. Pets. Subject to the prior written consent of the Company, which such consent shall be at the sole and absolute discretion of the Company, pets may be permitted in the Apartments. All pets must be on a leash at all times when not in a Resident's Apartment. Pets must be healthy, have current shots and rabies immunization, and be free of fleas and other parasites. The Resident must provide the Company with documentation that their pets have received all required shots and immunizations. The Resident is responsible for any costs expended by the Company for the failure of such Resident to adhere to the CCRC's pet policy, including, but not limited to, the cost of disinfection, cleaning and fumigation. Pets are prohibited in the dining spaces, the Wellness Center, the multipurpose room, the chapel, and the art space and activity rooms. The Resident understands and agrees that the pet must be removed from the Apartment, upon fourteen (14) days' prior written notice from the Company, if the pet becomes a nuisance to other Residents of the CCRC, as determined by the Company in its sole and absolute discretion. The Resident agrees that if the Resident has been approved to have a pet living in the Apartment, and elects to do so, the Resident shall pay a non-refundable pet fee in the amount posted at the time the pet is registered.
- N. Health Insurance. Prior to the Occupancy Date, the Resident shall provide evidence of health insurance coverage to the Company at a level reasonably satisfactory to the Company.

O. Termination

1. Termination by Resident. Upon the termination of the Residency and Care Agreement, the Resident shall have no further right to reside in the CCRC. The Residency and Care Agreement may be terminated or cancelled by the Resident under the following terms and conditions:
  - (a) Rescission During First Thirty (30) Days. The Resident may terminate the Residency and Care Agreement for any reason within thirty (30) days following the later of the execution of the Residency and Care Agreement or receipt by the Resident of the Disclosure Statement (the “Rescission Period”), and the Resident is not required to move into the facility before expiration of the Rescission Period. The Resident’s termination of the Residency and Care Agreement during the Rescission Period is without penalty, and all payments made by the Resident before such termination, less a service charge of One-Thousand Dollars (\$1,000.00) and less any charges specifically incurred by the Company at the Resident’s request and set forth in Exhibit A of the Residency and Care Agreement or in writing in a separate addendum to the Residency and Care Agreement signed by the Resident and the Company. Any refund shall be paid within thirty (30) days after the Company receives written notice of the Resident’s election to terminate the Residency and Care Agreement.
  - (b) Termination After Rescission Period but Prior to the Occupancy Date. For Residents electing to reside in an Apartment, the Resident may terminate the Residency and Care Agreement for any reason after the Rescission Period but prior to the Occupancy Date upon written notice to the Company. In the event of such termination, the Resident shall be entitled to a refund of all monies paid to the Company, except, as the case may be, the Community Fee, the Apartment Selection Fee, the Security Deposit, and any costs or other charges that the Resident and the Company agree in advance are non-refundable.
  - (c) General Termination Right. The Resident may terminate the Residency and Care Agreement at any time for any reason by giving the Company thirty (30) days’ written notice signed by the Resident (or both of them if there are two Residents). In the event of such termination by a Resident for reasons other than those permitted in the Residency and Care Agreement, the Resident shall pay the Company for all Optional Services rendered by the Company to the Resident through the date of termination and shall continue to be liable for the Monthly Service Fee until the date that all of the Resident’s personal belongings are removed from the Apartment. In addition, the Resident shall be responsible for payment of liquidated

damage of one month's rental charge, calculated at the existing market rate.

2. Termination by Death or Serious Illness

- (a) Termination by Death or Serious Illness Prior to the Occupancy Date. If prior to the Occupancy Date, the Resident dies or is precluded from living in the CCRC under the terms of the Residency and Care Agreement as a result of serious illness, injury, non-qualification or incapacity, the Residency and Care Agreement will automatically terminate. In the event the Residency and Care Agreement is terminated provided for in the Residency and Care Agreement, the Resident or the Resident's estate shall be entitled to a refund of any amounts paid to the Company, except, as the case may be, a service charge of One-Thousand Dollars (\$1,000.00) and for costs or other charges that the Resident and the Company agree in advance are non-refundable. Such refund shall be paid by the Company within thirty (30) days after the Residency and Care Agreement is terminated pursuant to the applicable subsection of the Residency and Care Agreement. The foregoing notwithstanding, if there is more than one Resident, the Residency and Care Agreement will continue to be binding on the surviving or eligible Resident unless and until the Residency and Care Agreement is terminated as to or by the surviving Resident as provided for in the Residency and Care Agreement.
- (b) Termination by Death or Serious Illness After the Occupancy Date. If the Resident dies after the Occupancy Date or the Resident is precluded from living in the CCRC under the terms of the Residency and Care Agreement as a result of serious illness, injury, or incapacity and the serious illness, injury or incapacity that is not otherwise addressed by the provision of the Residency and Care Agreement, then the Residency and Care Agreement shall terminate. In the event, the Resident or the estate of the Resident shall pay for any Optional Services rendered to the Resident through the date of termination and shall continue to be liable for the Monthly Service Fee until the later of the date that all of the Resident's personal belongings are removed from the Apartment and the Apartment can be made ready for re-occupancy. The foregoing notwithstanding, if there is more than one Resident, the Residency and Care Agreement will continue to be binding on the surviving or eligible Resident until the Residency and Care Agreement is terminated as to or by the surviving Resident as provided for in the Residency and Care Agreement.

3. Termination by the Company

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

termination and shall continue to be liable for the Monthly Service Fee until the date that all of the Resident's personal belongings are removed from the Apartment.

### VIII. Fees.

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

- A. Priority Deposit. Upon the execution of the Priority Partner Agreement, the prospective resident shall submit to the Company a payment of One-Thousand Dollars (\$1,000.00) (the "Priority Deposit"). The Priority Deposit is fully refundable should the prospective resident choose not to proceed with the reservation process and not enter into a Residency and Care Agreement for any reason. The Priority Deposit will be fully applied toward the Security Deposit should the prospective resident proceed with the reservation process and execute a Residency and Care Agreement.
- B. Apartment Selection Fee. Upon the execution of the Apartment Selection Agreement, the Resident shall submit to the Company a fee equal to the Monthly Service Fee payment (the "Apartment Selection Fee"). The Apartment Selection Fee is a non-refundable fee (except as defined in the Residency and Care Agreement) and shall be fully applied toward the first month's Monthly Service Fee.
- C. Community Fee. Upon the execution of the Apartment Selection Agreement, the Resident shall submit to the Company a fee equal to one Monthly Service Fee payment (the "Community Fee"). The Community Fee is a one-time, non-refundable fee (except as outlined in the Residency and Care Agreement) which entitles the Resident priority access to all services and amenities of the Community. The Community Fee will not be charged to Residents upon any renewal of the Residency and Care Agreement.
- D. Security Deposit. Upon the execution of the Residency and Care Agreement, the Resident shall make a Security Deposit payment to the Company equal to one Monthly Service Fee payment (the "Security Deposit"), which shall be deposited in accordance with statute, law or regulation of the federal, state, and local Government. If the Resident has complied with all terms of the Residency and Care Agreement and returns the Apartment in the same or materially similar condition as when the Resident moved into the Apartment, the Company will return the Security Deposit to the Resident within thirty (30) days after the Resident's move-out date. The Security Deposit shall be credited to the Resident as the last Monthly Service Fee payment in the event of the Resident's death. In the event that the Resident breaches or otherwise violates the Residency and Care Agreement before the end of the last month of occupancy by the Resident, then the Security Deposit shall be forfeited to the Company. The Resident is additionally responsible for any expense incurred by the Company resulting from damages to the Apartment that

are in excess of the Security Deposit. In the event that the Resident has entered into a Priority Partner Agreement and paid a refundable deposit to the Company, the Priority Deposit shall be applied to the amount due as the Security Deposit.

- E. Monthly Service Fee. Throughout the Term, the Resident shall pay to the Company a Monthly Service Fee (the “Monthly Service Fee”) as described in Exhibit A attached to the Residency and Care Agreement. The Monthly Service Fee shall be paid by the Resident on or before the fifth (5th) day of each month for Basic Services to be rendered that month with the first payment due on or before the Occupancy Date. The Monthly Service Fee shall be due regardless of whether or not the Apartment is actually occupied by the Resident on the scheduled Occupancy Date and such Monthly Service Fee will not be adjusted if the Resident is voluntarily absent from the CCRC at any time after such date. If the Resident obtains possession of the Apartment prior to the first of a month, the Resident shall pay the Company the first Monthly Service Fee on a pro-rata basis based on the actual number of days contained in the month. If the Residency and Care Agreement does not terminate at the expiration of the initial Term or a renewal Term, the Monthly Service Fee may continue to be payable beyond the date of termination as set forth in the Residency and Care Agreement.
- F. Adjustments to Monthly Service Fees. The Company reserves the right to change the amount of the Monthly Service Fee upon thirty (30) days’ written notice prior to any renewal of the Residency and Care Agreement. Adjustments to the Monthly Service Fee will be made as may be reasonably necessary according to the economic requirements and conditions of the CCRC and the level and quality of services provided to the Residents of the CCRC and consistent with operating on a sound financial basis. See Exhibit F for five years of historical average dollar amount of increases in fees.
- G. Fees for Optional Services. The Resident shall receive a monthly statement from the Company showing the total amount of fees and other charges owed by the Resident, which shall be paid by the fifth (5<sup>th</sup>) day of each month. A list of fees for recurring Optional Services the Resident has elected to purchase as of the date of the Residency and Care Agreement shall be attached to the Residency and Care Agreement as Exhibit A.
- H. Healthcare Center Fees and Charges. The Healthcare Center will consist of accommodations, equipment and staffing necessary for assisted living, assisted housing with services, skilled nursing care and memory care services on a temporary or permanent basis. The Company shall establish and publish per diem rates for accommodations and services at the Healthcare Center. Each calendar year, the Resident shall receive a ten percent (10%) discount on fees the Resident accrues during its first thirty (30) days of residency in the Healthcare Center (each day being a “Discounted Fee Day”). The Resident may not carry any unused Discounted Fee Days over to the following calendar year. Fees for residency in the Healthcare Center shall otherwise be payable in accordance with the Residency and

Care Agreement and in accordance with the then published Healthcare Center per diem charge.

- I. Refund of Fees. If the Resident cancels during the Rescission Period as defined in the Residency and Care Agreement, the Priority Deposit, Apartment Selection Fee, Community Fee, and Security Deposit (and any other fees paid by Resident) in accordance with the Residency and Care Agreement will be refunded to the Resident, without interest, less a service charge of One-Thousand Dollars (\$1,000.00) and less any charges specifically incurred by the Company at the Resident's request and set forth in Exhibit A of the Residency and Care Agreement, or in writing in a separate addendum to the Residency and Care Agreement, signed by the Resident and the Company. Any refund shall be paid within thirty (30) days after the Company's receipt of the Resident's written notice of rescission. The Apartment Selection Fee and the Community Fee become non-refundable after the Rescission Period. The Security Deposit is refundable and will be returned to the Resident within thirty (30) days after the Resident's move-out date if the Resident has complied with all terms of the Residency and Care Agreement and returns the Apartment in the same or materially similar condition as when Resident moved into the Apartment. If the Resident breaches or otherwise violates the Residency and Care Agreement before the end of the last month of occupancy by the Resident, then the Security Deposit shall be forfeited to the Company.
- J. Late Charges. The Company will charge a one percent (1%) late payment charge per month on any Monthly Service Fees and extra charges that have not been paid within five (5) days after their due date.

## **IX. Financial Information**

- A. Audited Financial Statements. Audited financial statements of the Company as of and for the year ended December 31, 2020 are included as Exhibit A.
- B. Actual versus Projected Results. A narrative of material differences between the previously projected financial statements and actual results of operations for the year ended December 31, 2020 for the Company are included in Exhibit B.
- C. Interim Financial Statements. Interim financial statements for the three-month period ended March 31, 2021 for the Company are included as Exhibit C.
- D. Five-Year Prospective Financial Statements. Financial projections for each of the five years ending December 31, 2025 for the Company as compiled by an independent public accountant are included as Exhibit D.
- E. Reserves, Escrow and Trusts. North Carolina law requires continuing care retirement communities such as the Community to maintain operating reserves equal to fifty percent (50%) of the total operating costs in a given year, or twenty-five percent (25%) of such total operating costs if occupancy as of a certain date exceeds ninety percent (90%) of the Community's capacity (such reserve amount

is referred to herein as the “Statutory Reserve”). This law provides security to the Residents that the Company will be able to meet its contractual obligations to provide continuing care. The Company’s Statutory Reserve will be maintained through a letter of credit issued by a financial institution approved by the North Carolina Department of Insurance (the “Letter of Credit”). The Letter of Credit will name the Company as the beneficiary and be in an amount sufficient to satisfy the Statutory Reserve requirement.

**X. Other Material Information**

None.



EXHIBIT A  
AUDITED FINANCIAL STATEMENTS  
[ATTACHED]

# **CAROLINA BAY AT AUTUMN HALL**

## **COMBINED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES**

***As of and for the Year Ended December 31, 2020***

***And Report of Independent Auditor***

# CAROLINA BAY AT AUTUMN HALL

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## Report of Independent Auditor

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

We have audited the accompanying combined financial statements of Carolina Bay at Autumn Hall, a group of entities under common control (collectively, "Carolina Bay"), which comprise the combined balance sheet as of December 31, 2020, and the related combined statements of operations and changes in members' equity and cash flows for the year then ended, and the related notes to the combined financial statements.

### **Management's Responsibility for the Combined Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinion**

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Carolina Bay as of December 31, 2020 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Supplementary Information**

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

*Cherry Bekaert LLP*

Charlotte, North Carolina  
April 5, 2021

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

DECEMBER 31, 2020

**ASSETS**

Current Assets:

Cash	\$ 2,201,965
Cash - restricted	1,260,125
Resident/patient accounts receivable, net	639,103
Accounts receivable - other	37,008
Inventories	27,393
Prepaid expenses	277,254
Total Current Assets	<u>4,442,848</u>

Property and equipment, net	<u>77,595,143</u>
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Noncurrent Assets:

Goodwill	11,039,070
Intangible asset	1,584,997
Accounts receivable - related parties	494,631
Other assets	160,824
Total Noncurrent Assets	<u>13,279,522</u>

<b>Total Assets</b>	<b><u>\$ 95,317,513</u></b>
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**LIABILITIES AND MEMBERS' EQUITY**

Current Liabilities:

Current portion of long-term debt	\$ 151,542
Deferred revenue, current portion	183,504
Accrued expenses and other payables	3,041,906
Total Current Liabilities	<u>3,376,952</u>

Noncurrent Liabilities:

Deferred revenue, long-term portion	106,709
Accounts payable - related parties	1,384,215
Long-term debt, net of current portion	56,270,140
Total Noncurrent Liabilities	<u>57,761,064</u>

Total Liabilities	61,138,016
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Members' Equity	<u>34,179,497</u>
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<b>Total Liabilities and Members' Equity</b>	<b><u>\$ 95,317,513</u></b>
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## CAROLINA BAY AT AUTUMN HALL

### COMBINED STATEMENT OF OPERATIONS AND CHANGES IN MEMBERS' EQUITY

YEAR ENDED DECEMBER 31, 2020

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Revenue:	
Resident/patient revenue	\$ 9,234,030
Independent living revenue	7,630,599
Other revenue	409,148
Community fee amortization	21,887
Total Revenue	<u>17,295,664</u>
Expenses:	
Resident/patient services	5,246,524
Dietary	2,619,851
Laundry	104,443
Housekeeping	546,971
Plant operations	996,370
Physical plant	221,766
General and administrative	2,119,079
Management fees	948,041
Interest	1,394,493
Depreciation and amortization	2,008,463
Other expense	636,764
Total Expenses	<u>16,842,765</u>
Net Income	452,899
Members' equity, beginning of year	38,696,504
Distributions	(5,009,906)
Contributions	40,000
Members' Equity, End of Year	<u>\$ 34,179,497</u>

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

**CAROLINA BAY AT AUTUMN HALL**  
**COMBINED STATEMENT OF CASH FLOWS**

YEAR ENDED DECEMBER 31, 2020

<b>Cash flows from operating activities:</b>	
Net income	\$ 452,899
Adjustments to reconcile net income to net cash flows from operating activities:	
Depreciation and amortization	2,008,463
Amortization of debt issuance costs	36,466
Changes in operating assets and liabilities:	
Resident accounts receivable, net	(55,191)
Accounts receivable - other	458,939
Inventories	(15,285)
Prepaid expenses	(688)
Accounts receivable - related parties	(158,327)
Other assets	(21,517)
Deferred revenue, current portion	124,203
Deferred revenue, long-term portion	57,397
Accrued expenses and other payables	207,012
Accounts payable - related parties	(554,078)
Net cash flows from operating activities	<u>2,540,293</u>
<b>Cash flows from investing activities:</b>	
Purchases of property and equipment	<u>(230,092)</u>
<b>Cash flows from financing activities:</b>	
Distributions to officers/members	(5,009,906)
Contributions from officers/members	40,000
Net cash flows from financing activities	<u>(4,969,906)</u>
Net change in cash and restricted cash	(2,659,705)
Cash and restricted cash, beginning of year	<u>6,121,795</u>
Cash and restricted cash, end of year	<u><u>\$ 3,462,090</u></u>
<b>Supplemental disclosure of cash flow information:</b>	
Cash paid during the year for interest	<u><u>\$ (1,463,552)</u></u>
<b>Reconciliation of cash and restricted cash to the combined balance sheet:</b>	
Cash per combined balance sheet	\$ 2,201,965
Cash - restricted per combined balance sheet	<u>1,260,125</u>
	<u><u>\$ 3,462,090</u></u>

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



# CAROLINA BAY AT AUTUMN HALL

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2020

### Note 1—Nature of operations

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

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

Carolina Bay of Wilmington, LLC (“Carolina Bay Wilmington” or “CCRC”) is a Delaware for-profit limited liability company registered to do business in North Carolina formed for the purpose of leasing and operating independent living units. Carolina Bay Wilmington is owned by Wilmington AH Senior Housing JV Opco, LLC, a Delaware limited liability company.

Carolina Bay Healthcare Center of Wilmington, LLC (“Carolina Bay Healthcare”) is a Delaware for-profit limited liability company registered to do business in North Carolina formed for the purpose of leasing and operating the healthcare facilities. Carolina Bay Healthcare is owned by Wilmington AH Senior Housing JV Opco, LLC, a Delaware limited liability company.

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

Carolina Bay Properties of Wilmington III, LLC (“Carolina Bay Properties III”) is a Delaware for-profit limited liability company registered to do business in North Carolina formed for the purpose of developing and owning real property and certain buildings of the Company.

On December 16, 2020, Carolina Bay Properties III underwent an equity restructuring and executed an asset purchase agreement to acquire building, land, and property and equipment. The Company implemented Accounting Standards Update (“ASU”) 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*, for the period from December 16, 2020 to December 31, 2020. As such, the transaction was accounted for as an asset acquisition in accordance with generally accepted accounting principles in the United States (“U.S. GAAP”). In addition, acquisition-related costs have been capitalized.

As a result of the acquisition, the assets acquired and liabilities assumed were as follows:

Property and equipment	\$ 117,368
Furniture and fixtures	45,290
Buildings	5,694,896
Land	100,139
Land improvements	28,839
Loan costs	64,547
Other assets	5,592
Acquisition costs	120,415
	<u>\$ 6,177,086</u>
Consideration:	
Cash from loan proceeds	\$ 4,811,623
Member contribution	272,453
Cash	1,093,010
	<u>\$ 6,177,086</u>

# CAROLINA BAY AT AUTUMN HALL

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2020

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### Note 1—Nature of operations (continued)

Carolina Bay Healthcare Center Management of Wilmington, LLC (“Carolina Bay Healthcare Management”) is a North Carolina for-profit limited liability company formed for the purpose of employing the employees of the Company and providing management service to Carolina Bay Healthcare.

Carolina Bay Management of Wilmington, LLC (“Carolina Bay Wilmington Management”) is a North Carolina for-profit limited liability company formed for the purpose of employing the employees of the Company and providing management service to Carolina Bay Wilmington.

Carolina Bay Properties and Carolina Bay Healthcare hold the certificate of need (“CON”) for 52 adult care home beds and 18 skilled nursing beds. Carolina Bay Properties, Carolina Bay Wilmington, and Carolina Bay Healthcare hold the CON for 30 skilled nursing beds. The collective value of the CON is recorded as an intangible asset on Carolina Bay Properties. Carolina Bay Healthcare leases all 108 adult care home and skilled nursing beds from Carolina Bay Properties. Included in these 108 beds are services for 18 adult care home beds and 12 skilled nursing beds (the “Closed Beds”) reserved for independent living residents of Carolina Bay Wilmington the terms of which are governed through a healthcare services transfer agreement described in Note 8.

### Note 2—Summary of significant accounting policies

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

*Basis of Accounting* – The accompanying combined financial statements have been prepared on the accrual basis of accounting in accordance with U.S. GAAP.

*Use of Estimates* – The preparation of combined financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of any contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

No assets or liabilities (real or contingent) of the individual members of any of the limited liability companies are included in the combined financial statements of the Company. Individual members are not liable for the Company’s debt.

*Cash and Cash Equivalents* – Cash includes deposit accounts and investments purchased with an original maturity of three months or less. There were no cash equivalents as of December 31, 2020.

*Restricted Cash* – Restricted cash includes patient trust funds and amounts held in escrow for property taxes and replacement reserve as required by the note payable described in Note 6.

Restricted cash also includes refundable security deposits (the “Security Deposit”) received from current residents and refundable priority deposits (the “Priority Deposit”) received from future residents, which are held in accordance with statute, law, or regulation of the federal, state, and local government. The Priority Deposit will be applied to the Security Deposit paid by the resident upon execution of a Residency and Care Agreement. The liability associated with refundable Security Deposits and refundable Priority Deposits as of December 31, 2020 totaled \$793,019.

# CAROLINA BAY AT AUTUMN HALL

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2020

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### Note 2—Summary of significant accounting policies (continued)

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

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

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Depreciation and amortization expense amounted to \$2,008,463 for the year ended December 31, 2020.

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

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

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

*Debt Issuance Costs* – Financing costs associated with the notes payable have been deferred and are being amortized over the term of the related debt using the straight-line method, which approximates the effective interest method. Amortization of debt issuance costs is recognized as interest expense in the statement of operations and changes in members' equity. Amortization of deferred issuance costs was \$36,466 for the year ended December 31, 2020.

*Revenue Recognition* – The Company follows the guidance provided by Accounting Standards Codification (“ASC”) 606, *Revenue from Contracts with Customers* and uses a five-step model to apply to revenue recognition, consisting of: (1) determination of whether a contract, an agreement between two or more parties that creates legally enforceable rights and obligations, exists; (2) identification of the performance obligations in the contract; (3) determination of the transaction price; (4) allocation of the transaction price to the performance obligations in the contract; and (5) recognition of revenue when (or as) the performance obligation is satisfied.

*Resident/Patient Revenue* – Resident fee revenue is reported at the amount that reflects the consideration the Company expects to receive in exchange for the services period. These amounts are due from residents or third party payers and include variable consideration for retroactive adjustments, if any, under reimbursement programs. Performance obligations are determined based on the nature of the services provided. Resident fee revenue is recognized as performance obligations are satisfied.

Under the Company's skilled nursing and assisted living senior living residency agreements, the Company provides senior living services to residents for a stated daily or monthly fee. The Company recognizes revenue for room, assistance with activities of daily living, inpatient therapy, healthcare, and personalized health services provided under assisted living and skilled nursing residency agreements in accordance with the provisions of U.S. GAAP. The senior living services included under the daily or monthly fee have the same timing and pattern of transfer and are a series of distinct services that are considered one performance obligation which is satisfied over time and recognized ratably over the contractual term, typically daily.

# CAROLINA BAY AT AUTUMN HALL

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2020

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### Note 2—Summary of significant accounting policies (continued)

The Company also collects a one-time upfront, nonrefundable community fee. The community fee is recorded as deferred revenue and amortized over five years, the estimated stay of the resident based on historical knowledge.

The Company has a performance obligation related to the series of distinct goods and services and another performance obligation related to access residents have for discounted fee days. Management has determined it is appropriate to allocate an equal amount of revenue to this material right each month.

The Company receives revenue for services under various third party payer programs which include Medicare, Medicaid, and other third party payers. Settlements with third party payers for retroactive adjustments due to audits, reviews, or investigations are included in the determination of the estimated transaction price for providing services. The Company estimates the transaction price based on terms of the contract with the payer, correspondence with the payer, and historical payment trends, and retroactive adjustments are recognized in future periods as final settlements are determined.

The Company receives revenue from independent living residents containing a lease component that would fall under the guidance of ASC 840, *Leases*. The amount of revenue recorded under this guidance was approximately \$7,600,000 and there would be no difference in how the revenue would be recognized under ASC 606 or ASC 840.

*Disaggregated Revenue* – The Company has determined that the senior living services included under the daily or monthly fee have the same timing and pattern of transfer and are a series of distinct services that are considered one performance obligation which is satisfied over time.

*Contract Balances* – Timing differences among revenue recognition may result in contract assets or liabilities. Contract liabilities on the accompanying combined balance sheet related to the nonrefundable community fee and prepaid resident/patient revenue totaled \$230,025 and \$60,188, respectively, as of December 31, 2020 and is recorded as deferred revenue on the combined balance sheet. There were no contract assets as of December 31, 2020.

*Resident/Patient Accounts Receivable, Net* – Receivables from residents, patients, insurance companies, and third party contractual agencies are recorded at regular resident service rates, net of estimated contractual adjustments. Contractual adjustments are estimated based on the terms of third party insured contracts and arrangements. Adequate allowances are provided for doubtful accounts and other uncertainties. Credit losses have historically been within management's expectations. Net accounts receivable was approximately \$639,000 as of December 31, 2020. Accounts receivable are stated in the amount management expects to collect from outstanding balances. Management provides for probable, uncollectible amounts through a charge to earnings and a credit to the allowance for doubtful accounts based on its assessment of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to accounts receivable. Management recorded an approximate \$16,000 allowance for doubtful accounts as of December 31, 2020.

*Upcoming Pronouncement – Leases* – In February 2016, Financial Accounting Standards Board (“FASB”) issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of operations and changes in members' equity. This standard will be effective for the calendar year ending December 31, 2022. The Company is currently in the process of evaluating the impact of adoption of this ASU on the combined financial statements.

# CAROLINA BAY AT AUTUMN HALL

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2020

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### Note 2—Summary of significant accounting policies (continued)

*Income Taxes* – The Company, with the consent of its members, has elected under the Internal Revenue Code to be taxed essentially as a partnership. In lieu of corporation federal income taxes, the members of a limited liability company are taxed on their proportionate share of the Company's taxable income. Management has evaluated the effect of the guidance provided by U.S. GAAP for Uncertainty in Income Taxes. Management has evaluated all other tax positions that could have a significant effect on the combined financial statements and determined the Company had no uncertain income tax positions at December 31, 2020.

*Intangible Asset* – In accordance with U.S. GAAP, goodwill and intangible assets that have indefinite useful lives are not amortized but rather are tested at least annually for impairment. For the Company, this asset includes a CON. Intangible assets with indefinite useful lives are reviewed for impairment in accordance with ASC 350, *Intangibles – Goodwill and Other*, which requires the Company to evaluate the recoverability of long-lived assets annually and whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The Company continually evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of its CON may warrant revision or that the remaining carrying value may not be recoverable. As permitted by ASC 350, the Company performed a qualitative assessment of impairment to determine whether the value of the CON was impaired. Based on the results of this qualitative assessment, the CON was not impaired as of December 31, 2020.

*Goodwill* – The goodwill represents the excess of the purchase price as a result of ownership restructuring in 2018. The Company adopted the provisions of FASB ASC 350, *Intangibles – Goodwill and Other*. Accordingly, the Company's goodwill is not subject to amortization but is tested for impairment annually.

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

*Interest Rate Derivative* – The Company's long-term debt bears interest at variable rates. In order to manage interest rate risks, the Company has entered into an interest rate cap agreement under which the Company will be reimbursed for any required interest payments in excess of the interest rate per the debt agreement. The fair value of the rate cap as of December 31, 2020 is included within other assets on the combined balance sheet. Refer to Note 3 for additional discussion.

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

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

In order to meet North Carolina General Statute operating reserve requirement of \$2,829,000 based on occupancy of greater than 90% at December 31, 2020 and projected operating expenses and occupancy for 2020, presented in the 2020-2024 financial projections, the Company has entered into an irrevocable standby letter of credit of up to \$2,600,000 for the period January to October 2020 and up to \$2,829,000 for the period November to December 2020.

# CAROLINA BAY AT AUTUMN HALL

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2020

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### Note 2—Summary of significant accounting policies (continued)

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

The Company grants credit without collateral to its patients and residents, most of whom are insured by third party payers. The mix of receivables from patients and third party payers at December 31, 2020 was as follows:

Medicare	89%
Commercial insurance/private pay/other	11%
	<u>100%</u>

The Company's mix of revenue sources for the year ended December 31, 2020 was as follows:

Medicare	18%
Commercial insurance/private pay/other	82%
	<u>100%</u>

*Advertising Costs* – Advertising costs are expensed in the year incurred and totaled \$182,473 for the year ended December 31, 2020.

#### *Residence and Care Agreement* –

*Services* – The Residency and Care Agreement (“Residency Agreement”) is a rental contract under which the Company is obligated, upon payment by the resident of a community fee and ongoing payments of the monthly fee to the Company, to provide certain services to the resident. While the resident occupies an independent living unit, services provided include: one meal per day; all utilities, except telephone; for apartment and garden flat residents, housekeeping services; maintenance of both the unit and the grounds and equipment; scheduled local transportation; use of the wellness center; planned social, recreational, and cultural activities; and use of the community area and other common activity facilities.

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

A reservation requires a signed Residency Agreement and the payment of a one-time community fee equal to one month's monthly resident fee. The community fee is refundable within the first 30 days of the execution of the Residency Agreement.

*Terms of Residency* – For residents living in an apartment, the initial agreement shall be for a term of 13 months. After the initial term, the Residency Agreement will automatically renew for an additional 13-month period, unless terminated as set forth in the Residency Agreement applicable to the apartments.

**CAROLINA BAY AT AUTUMN HALL**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

DECEMBER 31, 2020

**Note 2—Summary of significant accounting policies (continued)**

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

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

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

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

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

**Note 3—Derivative instrument**

The Company has entered into an interest rate cap agreement which effectively limits the interest rate on the Company's outstanding note payable. The interest rate cap has a notional amount of \$51,950,000. The fair value of this financial instrument is adjusted through other expense each period. The agreement provides that the Company's floating interest rate will be capped at 3.55% when variable rates exceed 3.55%. The agreement expires in September 2021.

**Note 4—Property and equipment, net**

Property and equipment, net at December 31, 2020 consists of the following:

	Carolina Bay of Wilmington, LLC	Carolina Bay Healthcare Center of Wilmington, LLC	Carolina Bay Properties of Wilmington, LLC	Carolina Bay Properties of Wilmington II, LLC	Carolina Bay Properties of Wilmington III, LLC	Total
Buildings and improvements	\$ 14,600	\$ 1,920	\$ 69,491,871	\$ -	\$ 5,694,896	\$ 75,203,287
Land and land improvements	-	-	2,896,433	1,321,801	128,978	4,347,212
Furniture and fixtures	19,406	68,567	1,994,709	-	45,290	2,127,972
Vehicles	-	-	125,219	-	-	125,219
Equipment	51,695	78,149	-	-	117,368	247,212
	85,701	148,636	74,508,232	1,321,801	5,986,532	82,050,902
Less accumulated depreciation	(12,691)	(29,900)	(4,569,584)	-	(6,804)	(4,618,979)
	73,010	118,736	69,938,648	1,321,801	5,979,728	77,431,923
Construction in progress	1,912	26,000	-	135,308	-	163,220
Property and equipment, net	\$ 74,922	\$ 144,736	\$ 69,938,648	\$ 1,457,109	\$ 5,979,728	\$ 77,595,143

**CAROLINA BAY AT AUTUMN HALL**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

DECEMBER 31, 2020

**Note 5—Goodwill and intangible asset**

Goodwill and intangible asset (indefinite-lived) consists of the following at December 31, 2020:

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

**Note 6—Long-term debt**

Long-term debt for the Company consists of the following at December 31, 2020:

Note payable bearing interest at a variable rate of 1.95% plus LIBOR (0.15% at December 31, 2020) with interest only payments due monthly from the note effective date through September 30, 2024, principal and interest payment of \$1,129,973 due monthly for the period of October 1, 2024 through August 30, 2028 and a final payment of \$1,129,973 due upon the maturity date of September 1, 2028. This note is collateralized by the real property and improvements and related real and personal property as well as any additional property and improvements located thereon.

\$ 51,950,000

Construction loan for up to \$4,824,576 bearing interest at a variable rate of 1.75% plus LIBOR (0.15% at December 31, 2020) with interest only payments due monthly from the note effective date through November 17, 2020, principal and interest payment of \$20,255 due monthly for the period of December 18, 2020 through December 17, 2026 and a final payment of \$3,871,304 due upon the maturity date of December 17, 2026. This note is collateralized by the real property and improvements and related real and personal property as well as any additional property and improvements located thereon.

4,811,623

56,761,623

Less current portion of long-term debt

(151,542)

Less debt issuance costs

(339,941)

Long-term debt

\$ 56,270,140

Future maturities of long-term debt are as follows:

**Years Ending December 31,**

2021	\$ 151,542
2022	154,492
2023	157,500
2024	3,280,000
2025	12,806,758
Thereafter	<u>40,211,331</u>
	<u>\$ 56,761,623</u>



# CAROLINA BAY AT AUTUMN HALL

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2020

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### Note 6—Long-term debt (continued)

Interest expense amounted to \$1,394,493 for the year ended December 31, 2020, including \$36,466 related to debt issuance cost amortization. Future amortization of debt issuance costs at December 31, 2020 is as follows:

#### Years Ending December 31,

2021	\$ 46,825
2022	46,825
2023	46,825
2024	46,825
2025	46,825
Thereafter	105,816
	<u>\$ 339,941</u>

Certain loan agreements contain customary affirmative and negative covenants. Management believes the Company was in compliance with all covenants at December 31, 2020.

The note payable requires funds be held in escrow for property taxes and replacement reserve. The Company held \$449,292 and 17,718 in escrow for property taxes and replacement reserve, respectively, as of December 31, 2020.

### Note 7—Related party transactions

Other entities owned by Liberty Healthcare provide other benefits to the Company. These transactions are also considered related party transactions and are settled through related party cash accounts and payments to the other entities. As of December 31, 2020, total receivables and payables to related parties were \$494,631 and \$1,384,215, respectively.

### Note 8—Intercompany agreements

Carolina Bay Wilmington and Carolina Bay Healthcare have entered into management agreements with a fee of 5% of total revenue derived from independent living units and 6% of total revenue derived from assisted living units, memory care units, and skilled nursing units paid to Carolina Bay Management of Wilmington and Carolina Bay Healthcare Center Management, LLC, respectively. These fees totaled \$948,041 for the year ended December 31, 2020. These amounts have been eliminated on the combined financial statements.

Carolina Bay Properties entered into separate lease agreements with Carolina Bay Wilmington and Carolina Bay Healthcare, under which Carolina Bay Wilmington and Carolina Bay Healthcare will make lease payments to Carolina Bay Properties for use of the facilities. The lease agreements have a term of 15 years.

**CAROLINA BAY AT AUTUMN HALL**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

DECEMBER 31, 2020

**Note 8—Intercompany agreements (continued)**

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

	<b>Carolina Bay Wilmington</b>	<b>Carolina Bay Healthcare</b>	<b>Total</b>
2021	\$ 1,566,672	\$ 1,516,672	\$ 3,083,344
2022	1,666,672	1,616,668	3,283,340
2023	566,668	550,000	1,116,668
	<u>\$ 3,800,012</u>	<u>\$ 3,683,340</u>	<u>\$ 7,483,352</u>

Total rent expense incurred by the CCRC and Carolina Bay Healthcare was \$4,926,137 for the year ended December 31, 2020. These amounts have been eliminated on the combined financial statements.

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

**Note 9—Contingencies**

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

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government-healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

On January 30, 2020, the World Health Organization declared the "COVID-19" outbreak a Public Health Emergency of International Concern and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines, or stay at home restrictions in certain areas and forced closures for certain types of public places and businesses. COVID-19 and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets globally, including the geographical areas in which the Company operates.

While it is unknown how long these conditions will last and what the complete financial impact will be, the Company is closely monitoring the impact of the COVID-19 pandemic on all aspects of the business and are unable at this time to predict the continued impact COVID-19 will have on their business, financial position, and operating results in future periods due to numerous uncertainties.

**CAROLINA BAY AT AUTUMN HALL**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

*DECEMBER 31, 2020*

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**Note 10—Pension plan**

The Company offers a defined contribution plan (the “Plan”) to eligible employees as defined by the Plan. The Company will match employee contributions at the discretion of management. The Company contributed \$35,897 to the Plan for the year ended December 31, 2020.

**Note 11—Subsequent events**

The Company has evaluated subsequent events through April 5, 2021, in connection with the preparation of these combined financial statements, which is the date the combined financial statements were available to be issued.

## **SUPPLEMENTARY SCHEDULES**

# CAROLINA BAY AT AUTUMN HALL COMBINING BALANCE SHEET

DECEMBER 31, 2020

	Carolina Bay of Wilmington, LLC	Carolina Bay Healthcare Center of Wilmington, LLC	Carolina Bay Properties of Wilmington, LLC	Carolina Bay Properties of Wilmington II, LLC	Carolina Bay Properties of Wilmington III, LLC	Carolina Bay Healthcare Center Management of Wilmington, LLC	Carolina Bay Management of Wilmington, LLC	Eliminations	Total
<b>ASSETS</b>									
Current Assets:									
Cash	\$ 131,004	\$ 586,018	\$ 1,158,378	\$ 40,614	\$ -	\$ 224,964	\$ 60,987	\$ -	\$ 2,201,965
Cash - restricted	793,019	96	467,010	-	-	-	-	-	1,260,125
Resident/patient accounts receivable, net	18,718	620,385	-	-	-	-	-	-	639,103
Accounts receivable - Carolina Bay	1,746,520	454,415	602,534	-	-	760,252	215,934	(3,779,655)	-
Accounts receivable - other	-	-	658,337	-	15,054	27,309	9,699	(673,391)	37,008
Inventories	-	27,393	-	-	-	-	-	-	27,393
Prepaid expenses	251,527	149,176	-	-	-	1,280	271	(125,000)	277,254
Total Current Assets	2,940,788	1,837,483	2,886,259	40,614	15,054	1,013,805	286,891	(4,578,046)	4,442,848
Property and equipment, net	74,922	144,736	69,938,648	1,457,109	5,979,728	-	-	-	77,595,143
Noncurrent Assets:									
Goodwill	-	-	11,039,070	-	-	-	-	-	11,039,070
Intangible asset	-	-	1,584,997	-	-	-	-	-	1,584,997
Accounts receivable - related parties	11,517	221,896	-	22,933	-	147,075	91,210	-	494,631
Other assets	40,497	-	168	-	120,159	-	-	-	160,824
Total Noncurrent Assets	52,014	221,896	12,624,235	22,933	120,159	147,075	91,210	-	13,279,522
<b>Total Assets</b>	<b>\$ 3,067,724</b>	<b>\$ 2,204,115</b>	<b>\$ 85,449,142</b>	<b>\$ 1,520,656</b>	<b>\$ 6,114,941</b>	<b>\$ 1,160,880</b>	<b>\$ 378,101</b>	<b>\$ (4,578,046)</b>	<b>\$ 95,317,513</b>

**CAROLINA BAY AT AUTUMN HALL  
COMBINING BALANCE SHEET (CONTINUED)**

DECEMBER 31, 2020

	Carolina Bay of Wilmington, LLC	Carolina Bay Healthcare Center of Wilmington, LLC	Carolina Bay Properties of Wilmington, LLC	Carolina Bay Properties of Wilmington II, LLC	Carolina Bay Properties of Wilmington III, LLC	Carolina Bay Healthcare Center Management of Wilmington, LLC	Carolina Bay Management of Wilmington, LLC	Eliminations	Total
<b>LIABILITIES AND MEMBERS' EQUITY (DEFICIT)</b>									
Current Liabilities:									
Current portion of long-term debt	\$ -	\$ -	\$ -	\$ -	\$ 151,542	\$ -	\$ -	\$ -	\$ 151,542
Deferred revenue, current portion	58,196	125,308	125,000	-	-	-	-	(125,000)	183,504
Accrued expenses and other payables	1,603,087	1,466,110	94,095	-	3,563	428,532	119,910	(673,391)	3,041,906
Accounts payable - Carolina Bay	782,003	2,259,189	178,086	-	-	377,727	182,650	(3,779,655)	-
Total Current Liabilities	2,443,286	3,850,607	397,181	-	155,105	806,259	302,560	(4,578,046)	3,376,952
Noncurrent Liabilities:									
Deferred revenue, long-term portion	106,709	-	-	-	-	-	-	-	106,709
Accounts payable - related parties	350,662	329,685	16,750	167,625	-	418,894	100,599	-	1,384,215
Long-term debt, net of current portion	-	-	51,674,134	-	4,596,006	-	-	-	56,270,140
Total Noncurrent Liabilities	457,371	329,685	51,690,884	167,625	4,596,006	418,894	100,599	-	57,761,064
Total Liabilities	2,900,657	4,180,292	52,088,065	167,625	4,751,111	1,225,153	403,159	(4,578,046)	61,138,016
Members' Equity (Deficit)	167,067	(1,976,177)	33,361,077	1,353,031	1,363,830	(64,273)	(25,058)	-	34,179,497
<b>Total Liabilities and Members' Equity (Deficit)</b>	<b>\$ 3,067,724</b>	<b>\$ 2,204,115</b>	<b>\$ 85,449,142</b>	<b>\$ 1,520,656</b>	<b>\$ 6,114,941</b>	<b>\$ 1,160,880</b>	<b>\$ 378,101</b>	<b>\$ (4,578,046)</b>	<b>\$ 95,317,513</b>

# CAROLINA BAY AT AUTUMN HALL

## COMBINING STATEMENT OF OPERATIONS AND CHANGES IN MEMBERS' EQUITY

YEAR ENDED DECEMBER 31, 2020

	Carolina Bay of Wilmington, LLC	Carolina Bay Healthcare Center of Wilmington, LLC	Carolina Bay Properties of Wilmington, LLC	Carolina Bay Properties of Wilmington II, LLC	Carolina Bay Properties of Wilmington III, LLC	Carolina Bay Healthcare Center Management of Wilmington, LLC	Carolina Bay Management of Wilmington, LLC	Eliminations	Total
Revenue:									
Resident/patient revenue	\$ 2,966,131	\$ 6,267,899	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,234,030
Independent living revenue	7,630,599	-	-	-	-	-	-	-	7,630,599
Rent revenue	-	-	4,911,083	-	15,054	-	-	(4,926,137)	-
Other revenue	175,101	234,047	-	-	-	4,948,904	1,402,340	(6,351,244)	409,148
Community fee amortization	21,887	-	-	-	-	-	-	-	21,887
Total Revenue	10,793,718	6,501,946	4,911,083	-	15,054	4,948,904	1,402,340	(11,277,381)	17,295,664
Expenses:									
Resident/patient services	1,638,679	3,607,845	-	-	-	3,649,435	140,575	(3,790,010)	5,246,524
Dietary	2,018,161	601,690	-	-	-	488	-	(488)	2,619,851
Laundry	65,044	39,399	-	-	-	13,221	2,649	(15,870)	104,443
Housekeeping	355,150	191,821	-	-	-	257,333	263,611	(520,944)	546,971
Plant operations	743,182	252,882	-	-	306	95,810	113,254	(209,064)	996,370
Physical plant	3,516,541	1,629,199	-	281	1,882	-	-	(4,926,137)	221,766
General and administrative	1,520,312	580,356	4,373	12,578	1,192	377,003	490,092	(866,827)	2,119,079
Management fees	569,255	378,786	-	-	-	556,143	391,898	(948,041)	948,041
Interest	-	-	1,388,246	-	6,247	-	-	-	1,394,493
Depreciation and amortization	23,832	14,991	1,962,580	-	7,060	-	-	-	2,008,463
Other expense	269,281	359,906	7,577	-	-	-	-	-	636,764
Total Expenses	10,719,437	7,656,875	3,362,776	12,859	16,687	4,949,433	1,402,079	(11,277,381)	16,842,765
Net Income (Loss)	74,281	(1,154,929)	1,548,307	(12,859)	(1,633)	(529)	261	-	452,899
Members' equity, beginning of year									
Members' equity, beginning of year	142,786	(771,248)	35,212,770	2,835,796	1,365,463	(63,744)	(25,319)	-	38,696,504
Contributions	-	-	-	40,000	-	-	-	-	40,000
Distributions	(50,000)	(50,000)	(3,400,000)	(1,509,906)	-	-	-	-	(5,009,906)
Members' equity, end of year	\$ 167,067	\$ (1,976,177)	\$ 33,361,077	\$ 1,353,031	\$ 1,363,830	\$ (64,273)	\$ (25,058)	\$ -	\$ 34,179,497

# CAROLINA BAY AT AUTUMN HALL

## COMBINING STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2020

	Carolina Bay of Wilmington, LLC	Carolina Bay Healthcare Center of Wilmington, LLC	Carolina Bay Properties of Wilmington, LLC	Carolina Bay Properties of Wilmington II, LLC	Carolina Bay Properties of Wilmington III, LLC	Carolina Bay Healthcare Center Management of Wilmington, LLC	Carolina Bay Management of Wilmington, LLC	Eliminations	Total
<b>Cash flows from operating activities:</b>									
Net income (loss)	\$ 74,281	\$ (1,154,929)	\$ 1,548,307	\$ (12,859)	\$ (1,633)	\$ (529)	\$ 261	\$ -	\$ 452,899
Adjustments to reconcile net income (loss) to net cash flows from operating activities:									
Depreciation and amortization	23,832	14,991	1,962,580	-	7,060	-	-	-	2,008,463
Closed beds depreciation reclassification	(5,724)	5,724	-	-	-	-	-	-	-
Amortization of debt issuance costs	-	-	35,994	-	472	-	-	-	36,466
Changes in operating assets and liabilities:									
Resident accounts receivable, net	(2,372)	(52,819)	-	-	-	-	-	-	(55,191)
Accounts receivable - other	-	-	244,591	-	(15,054)	904	(1,039)	229,537	458,939
Inventories	-	(15,285)	-	-	-	-	-	-	(15,285)
Prepaid expenses	(50,774)	(15,876)	-	-	5,592	18,712	33,325	8,333	(688)
Accounts receivable - related parties	(11,395)	(10,073)	8,052	(22,933)	-	(90,838)	(31,140)	-	(158,327)
Accounts receivable - Carolina Bay	(130,516)	697,596	(400,039)	-	-	145,491	46,698	(359,230)	-
Other assets	(21,517)	-	-	-	-	-	-	-	(21,517)
Deferred revenue, current portion	28,359	95,844	8,333	-	-	-	-	(8,333)	124,203
Deferred revenue, long-term portion	57,397	-	-	-	-	-	-	-	57,397
Accrued expenses and other payables	(145,488)	517,019	(69,058)	(10,064)	3,563	110,788	29,789	(229,537)	207,012
Accounts payable - related parties	296,235	13,631	(14,045)	(976,789)	-	138,370	(11,480)	-	(554,078)
Accounts payable - Carolina Bay	(370,541)	248,346	(16,897)	(14,538)	-	(99,154)	(106,446)	359,230	-
Net cash flows from operating activities	(258,223)	344,169	3,307,818	(1,037,183)	-	223,744	(40,032)	-	2,540,293
<b>Cash flows from investing activities:</b>									
Purchases of property and equipment	(44,389)	(69,695)	(98,890)	(17,118)	-	-	-	-	(230,092)
Net cash flows from investing activities	(44,389)	(69,695)	(98,890)	(17,118)	-	-	-	-	(230,092)
<b>Cash flows from financing activities:</b>									
Distributions to officers/members	(50,000)	(50,000)	(3,400,000)	(1,509,906)	-	-	-	-	(5,009,906)
Contributions from officers/members	-	-	-	40,000	-	-	-	-	40,000
Net cash flows from financing activities	(50,000)	(50,000)	(3,400,000)	(1,469,906)	-	-	-	-	(4,969,906)
Net change in cash and restricted cash	(352,612)	224,474	(191,072)	(2,524,207)	-	223,744	(40,032)	-	(2,659,705)
Cash and restricted cash, beginning of year	1,276,635	361,640	1,816,460	2,564,821	-	1,220	101,019	-	6,121,795
Cash and restricted cash, end of year	\$ 924,023	\$ 586,114	\$ 1,625,388	\$ 40,614	\$ -	\$ 224,964	\$ 60,987	\$ -	\$ 3,462,090
<b>Supplemental disclosure of cash flow information:</b>									
Cash paid during the year for interest	\$ -	\$ -	\$ (1,457,305)	\$ -	\$ (6,247)	\$ -	\$ -	\$ -	\$ (1,463,552)
<b>Reconciliation of cash and restricted cash to the combining balance sheet:</b>									
Cash per combining balance sheet	\$ 131,004	\$ 586,018	\$ 1,158,378	\$ 40,614	\$ -	\$ 224,964	\$ 60,987	\$ -	\$ 2,201,965
Cash - restricted per combining balance sheet	793,019	96	467,010	-	-	-	-	-	1,260,125
	\$ 924,023	\$ 586,114	\$ 1,625,388	\$ 40,614	\$ -	\$ 224,964	\$ 60,987	\$ -	\$ 3,462,090



EXHIBIT B

ACTUAL VERSUS PROJECTED RESULTS

[ATTACHED]

**Carolina Bay of Wilmington, LLC**  
**Carolina Bay Management of Wilmington, LLC**  
**Material Difference Narrative**  
**For the Year Ended December 31, 2020**

For purposes of comparison, Carolina Bay of Wilmington, LLC and Carolina Bay Management of Wilmington, LLC (collectively the "Company") used the following financial reports as of and for the year ended (actual)/ending (projected) December 31, 2020:

**Audited** - Obtained from the Supplemental Schedules of the audited financial statements of the Carolina Bay at Autumn Hall as of and for the year ended December 31, 2020.

**Projected** - Obtained from the projected financial statements of Carolina Bay of Wilmington, LLC with the Independent Accountants' Compilation Report dated June 5, 2020, which was included in the Carolina Bay at Autumn Hall Disclosure Statement dated May 31, 2020.

The following explanations are furnished pursuant to Section 58-64-30 of the General Statutes of North Carolina. The explanations pertain to material differences between the Company's audited and projected financial statements, as described above, as of and for the year ending December 31, 2020. See the summary Balance Sheets, Statements of Operations and Statements of Cash Flows behind this narrative for amounts and percentages.

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

## Balance Sheets:

1. Intercompany Receivable/Payable - Carolina Bay - There are transactions throughout the year between other companies related under the Carolina Bay at Autumn Hall economic entity. Below is a summary of the net balances due to and from these companies at December 31, 2020:

	<b>Projected</b>			<b>Actual</b>		
	<b><u>Due From</u></b>	<b><u>Due To</u></b>	<b><u>Net Rec/(Pay)</u></b>	<b><u>Due From</u></b>	<b><u>Due To</u></b>	<b><u>Net Rec/(Pay)</u></b>
Carolina Bay Properties of Wilmington, LLC				\$ 178	\$ (377)	\$ (199)
Carolina Bay Healthcare Center of Wilmington, LLC				1,288	(194)	\$ 1,094
Carolina Bay Healthcare Center Management of Wilmington, LLC				118	(15)	\$ 103
Total receivable/(payable)	\$ 847	\$ -	\$ 847	\$ 1,584	\$ (586)	\$ 998
						\$ 151
						18%

The net amount due from the three companies related under the Carolina Bay at Autumn Hall economic entity was more than projected by approximately \$151,000 (18%), which is below the materiality threshold.

## Statements of Operations and Changes in Members' Equity:

2. Independent Living Services Fees - Independent living service fees were less than projected by approximately \$891,000 (10%). In May 2020 Carolina Bay at Autumn Hall opened twelve (12) new garden flat apartments, which were almost 100% occupied by the end of the year. Occupancy in the traditional apartments was projected to be approximately 93%. Actual average occupancy for 2020 was approximately 87% in the traditional apartments due to net move-outs primarily related to pandemic concerns. The projected rate was approximately 2% higher than actual rates charged as management minimized rate increases and offered new sales incentives.

## Statements of Cash Flows:

No material changes.

**Carolina Bay of Wilmington, LLC**  
**Carolina Bay Management of Wilmington, LLC**  
**At December 31, 2020**

Balance Sheet (in '000s)	2020 Projection	2020 Audited				Variance	See Material Difference Narrative
		Carolina Bay of Wilmington, LLC	Carolina Bay Management of Wilmington, LLC	Eliminations	Combined		
<b>Assets:</b>							
Current assets:							
Cash	\$ 511	\$ 131	\$ 61	\$ -	\$ 192	\$ (319)	-62%
Cash - restricted	942	793	-	-	793	(149)	-16%
Residents accounts receivable, net	23	19	-	-	19	(4)	-17%
Accounts receivable - other	8	-	10	-	10	2	25%
Prepaid expenses	259	251	-	-	251	(8)	-3%
Intercompany receivable - Carolina Bay	847	1,747	216	(379)	1,584	737	87% (1)
Total current assets	2,590	2,941	287	(379)	2,849	259	
Noncurrent assets:							
Property and equipment, net	81	75	-	-	75	(6)	-7%
Due from related parties	-	12	91	-	103	103	100%
Deferred marketing costs, net of amortization	43	40	-	-	40	(3)	-7%
Total noncurrent assets	43	52	91	-	143	100	
Total assets	\$ 2,714	\$ 3,068	\$ 378	\$ (379)	\$ 3,067	\$ 353	
<b>Liabilities and Members' Equity/(Deficit):</b>							
Current liabilities:							
Deferred revenue, current portion	\$ 61	\$ 58	\$ -	\$ -	\$ 58	(3)	-5%
Accounts payable and accrued expenses	1,864	1,603	-	-	1,603	(261)	-14%
Accrued payroll and related withholdings	102	-	120	-	120	18	18%
Intercompany payable - Carolina Bay	-	782	183	(379)	586	586	100% (1)
Total current liabilities	2,027	2,443	303	(379)	2,367	340	
Long-term liabilities:							
Accounts payable - related parties	-	351	100	-	451	451	100%
Deferred revenue, non-current portion	99	107	-	-	107	8	8%
Total long-term liabilities	99	458	100	-	558	459	
Total liabilities	2,126	2,901	403	(379)	2,925	799	
Member's equity/(deficit)	588	167	(25)	-	142	(446)	-76%
Total liabilities and member's equity	\$ 2,714	\$ 3,068	\$ 378	\$ (379)	\$ 3,067	\$ 353	

**Carolina Bay of Wilmington, LLC**  
**Carolina Bay Management of Wilmington, LLC**  
**For the Year Ended December 31, 2020**

Statement of Operations and Changes in Members' Equity (in 000s)	2020 Projection	2020 Audited				Variance	See Material Difference Narrative
		Carolina Bay of Wilmington, LLC	Carolina Bay Management of Wilmington, LLC	Eliminations	Combined		
<b>Revenue:</b>							
Community fee amortization	\$ 44	\$ 22	\$ -	\$ -	\$ 22	(22)	-50%
Independent living service fees	8,522	7,631	-	-	7,631	(891)	-10% (2)
Assisted living service fees	1,367	1,175	-	-	1,175	(192)	-14%
Skilled nursing service fees	1,650	1,791	-	-	1,791	141	9%
Other revenue	210	175	1,402	(1,402)	175	(35)	-17%
<b>Total Revenue</b>	<b>11,793</b>	<b>10,794</b>	<b>1,402</b>	<b>(1,402)</b>	<b>10,794</b>	<b>(999)</b>	
<b>Expenses:</b>							
Independent living resident services	295	261	140	(140)	261	(34)	-12%
Assisted living resident services	481	509	-	-	509	28	6%
Skilled nursing resident services	1,002	869	-	-	869	(133)	-13%
Dietary	2,194	2,018	-	-	2,018	(176)	-8%
Housekeeping	380	355	264	(264)	355	(25)	-7%
Laundry & Linen	89	65	3	(3)	65	(24)	-27%
General, administrative, and marketing	1,473	1,521	490	(490)	1,521	48	3%
Management Fees	620	569	392	(392)	569	(51)	-8%
Plant operations	843	743	113	(113)	743	(100)	-12%
Physical plant	124	180	-	-	180	56	45%
<b>Total expenses</b>	<b>7,501</b>	<b>7,090</b>	<b>1,402</b>	<b>(1,402)</b>	<b>7,090</b>	<b>(411)</b>	
Operating income	4,292	3,704	-	-	3,704	(588)	
<b>Other operating income (expenses):</b>							
Rent expense	(3,816)	(3,337)	-	-	(3,337)	479	-13%
Depreciation	(6)	(24)	-	-	(24)	(18)	300%
COVID expense	-	(255)	-	-	(255)	(255)	100%
Owner's expense	-	(14)	-	-	(14)	(14)	100%
<b>Total other operating income (expenses)</b>	<b>(3,822)</b>	<b>(3,630)</b>	<b>-</b>	<b>-</b>	<b>(3,630)</b>	<b>192</b>	
Net income	470	74	-	-	74	(396)	
Members' equity, beginning of year	118	143	(25)	-	118	-	0%
Members' contributions	-	-	-	-	-	-	100%
Members' distributions	-	(50)	-	-	(50)	(50)	100%
<b>Members' equity, end of year</b>	<b>\$ 588</b>	<b>\$ 167</b>	<b>\$ (25)</b>	<b>\$ -</b>	<b>\$ 142</b>	<b>\$ (446)</b>	

**Carolina Bay of Wilmington, LLC**  
**Carolina Bay Management of Wilmington, LLC**  
**For the Year Ended December 31, 2020**

Statement of Cash Flows (in 000s)	2020 Projection	2020 Audited				Variance	See Material Difference Narrative
		Carolina Bay of Wilmington, LLC	Carolina Bay Management of Wilmington, LLC	Eliminations	Combined		
<b>Cash flows from operating activities:</b>							
Net income (loss) from operations	\$ 470	\$ 74	\$ -	\$ -	\$ 74	(396)	-84%
Adjustments to reconcile net income (loss) from operations to net cash provided by (used in) operating activities:							
Depreciation	6	24	-	-	24	18	300%
Advance fee amortization	(44)	(22)	-	-	(22)	22	-50%
Closed beds depreciation reclassification	-	(6)	-	-	(6)	(6)	100%
Provision for bad debts	-	-	-	-	-	-	100%
Changes in operating assets and liabilities, net	(333)	(329)	(40)	-	(369)	(36)	11%
Net cash flows from operating activities	99	(259)	(40)	-	(299)	(398)	
<b>Cash flows from investing activities:</b>							
Capital additions	(24)	(44)	-	-	(44)	(20)	83%
Net cash flows from investing activities	(24)	(44)	-	-	(44)	(20)	
<b>Cash flows from financing activities:</b>							
Member contributions/(distributions)	-	(50)	-	-	(50)	(50)	100%
Net cash flows from financing activities	-	(50)	-	-	(50)	(50)	
Change in cash	75	(353)	(40)	-	(393)	(468)	
Cash, beginning of year	1,378	1,277	101	-	1,378	-	
Cash, end of year	\$ 1,453	\$ 924	\$ 61	\$ -	\$ 985	\$ (468)	
<b>Cash Reconciliation:</b>							
Cash	511	\$ 131	\$ 61	\$ -	\$ 192	(319)	-62%
Cash - restricted	942	793	-	-	793	(149)	-16%
Total cash	\$ 1,453	\$ 924	\$ 61	\$ -	\$ 985	\$ (468)	

EXHIBIT C  
INTERIM FINANCIAL STATEMENTS

[ATTACHED]

**Carolina Bay of Wilmington, LLC and Carolina Bay of Wilmington Management, LLC**  
**Consolidated Statements of Operations and Changes in Members' Equity**  
**For Three-Months Ended March 31, 2021**

	<u>Carolina Bay of Wilmington, LLC</u>	<u>Carolina Bay Management of Wilmington, LLC</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>Revenue:</b>				
Advance fee amortization	\$ 6,122	\$ -	\$ -	\$ 6,122
Net resident revenue:				
Independent living revenue	2,160,147	-	-	2,160,147
Management fees	-	110,106	(110,106)	-
Other revenue	35,844	272,316	(272,316)	35,844
<b>Total operating revenue</b>	<b>2,202,113</b>	<b>382,422</b>	<b>(382,422)</b>	<b>2,202,113</b>
<b>Expense:</b>				
<b>Direct expenses:</b>				
Dietary	407,879	-	-	407,879
Wellness	19,108	22,958	(22,958)	19,108
Patient activities	45,119	18,485	(18,485)	45,119
<b>Total direct expenses</b>	<b>472,106</b>	<b>41,443</b>	<b>(41,443)</b>	<b>472,106</b>
<b>Gross margin</b>	<b>1,730,007</b>	<b>340,979</b>	<b>(340,979)</b>	<b>1,730,007</b>
<b>Indirect expense:</b>				
Housekeeping	65,285	66,226	(66,226)	65,285
Laundry and linen	11,508	430	(430)	11,508
General, administrative, and marketing	349,095	139,239	(139,608)	348,726
Management fee expense	110,106	110,008	(110,008)	110,106
Transportation	2,044	1,560	(1,560)	2,044
Plant operations	167,406	23,147	(23,147)	167,406
Physical plant	42,297	-	-	42,297
<b>Total indirect expenses</b>	<b>747,741</b>	<b>340,610</b>	<b>(340,979)</b>	<b>747,372</b>
<b>Total operating expenses</b>	<b>1,219,847</b>	<b>382,053</b>	<b>(382,422)</b>	<b>1,219,478</b>
<b>Earnings before interest, taxes, and depreciation</b>	<b>982,266</b>	<b>369</b>	<b>-</b>	<b>982,635</b>
<b>Other revenue/(expense):</b>				
Rent expense	(760,311)	-	-	(760,311)
Amortization of marketing costs	(2,854)	-	-	(2,854)
Depreciation and amortization	(3,852)	-	-	(3,852)
Extraordinary expense	(28,541)	-	-	(28,541)
COVID expense	(20,795)	-	-	(20,795)
Owner's Expense	(1,107)	-	-	(1,107)
<b>Total other revenue/(expense)</b>	<b>(817,460)</b>	<b>-</b>	<b>-</b>	<b>(817,460)</b>
<b>Net income/(loss)</b>	<b>164,806</b>	<b>369</b>	<b>-</b>	<b>165,175</b>
Members' equity/(deficit), beginning of year	167,067	(25,058)	-	142,009
Members' equity/(deficit), end of year	\$ 331,873	\$ (24,689)	\$ -	\$ 307,184



**Carolina Bay of Wilmington, LLC and Carolina Bay of Wilmington Management, LLC**  
**Consolidated Statements of Cash Flows**  
**For Three-Months Ended March 31, 2021**

	<u>Carolina Bay of Wilmington, LLC</u>	<u>Carolina Bay Management of Wilmington, LLC</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>Cash flows from operating activities:</b>				
Net income/(loss)	\$ 164,806	369	\$ -	\$ 165,175
Adjustments to reconcile income/(loss) to net cash provided by operating activities:				
Depreciation	3,852	-	-	3,852
Amortization of advance fees	(6,122)	-	-	(6,122)
Amortization of deferred marketing costs	2,854	-	-	2,854
Change in working capital:				
Resident accounts receivable	(5,444)	-	-	(5,444)
Prepaid expenses	28,766	309	-	29,075
Accounts receivables - related parties	(246)	(1)	-	(247)
Accounts receivable - Carolina Bay	(275,347)	(45,926)	45,671	(275,602)
Other assets	(8,006)	-	-	(8,006)
Deferred revenue, current	116,816	-	-	116,816
Deferred revenue, non-current portion	(106,709)	-	-	(106,709)
Accounts payable and other accrued expenses and other payables	114,128	1,017	-	115,145
Accrued payroll and related withholdings	-	50,037	-	50,037
Accounts payable - related parties	(275,144)	12,170	-	(262,974)
Accounts payable - Carolina Bay	527,769	1	(45,671)	482,099
Cash flows from operating activities	281,973	17,976	-	299,949
<b>Cash flows from investing activities:</b>				
Capital additions	(12,942)	-	-	(12,942)
Cash flows from investing activities	(12,942)	-	-	(12,942)
<b>Cash flows from financing activities:</b>				
Net cash provided by (used in) financing activities	-	-	-	-
Change in cash and cash equivalents	269,031	17,976	-	287,007
Cash and cash equivalents, beginning of year	924,023	60,987	-	985,010
Cash and cash equivalents, end of year	\$ 1,193,054	\$ 78,963	\$ -	\$ 1,272,017
Cash - unrestricted	362,220	78,963	-	441,183
Cash - restricted/invested	830,834	-	-	830,834
Total cash	\$ 1,193,054	\$ 78,963	\$ -	\$ 1,272,017

**Carolina Bay of Wilmington, LLC and Carolina Bay of Wilmington Management, LLC**  
**Consolidated Balance Sheets**  
**March 31, 2021**

Assets	<u>Carolina Bay of Wilmington, LLC</u>	<u>Carolina Bay Management of Wilmington, LLC</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>Current assets:</b>				
Cash	\$ 362,220	\$ 78,963	\$ -	\$ 441,183
Cash - restricted	830,834	-	-	830,834
Accounts receivable:				
Resident accounts receivable, net	24,162	-	-	24,162
Other	-	9,699	-	9,699
Prepaid expenses	222,761	(38)	-	222,723
Due from related party - Carolina Bay	2,021,867	261,860	(424,235)	1,859,492
<b>Total current assets</b>	<b>3,461,844</b>	<b>350,484</b>	<b>(424,235)</b>	<b>3,388,093</b>
<b>Non-current assets:</b>				
Property and equipment	84,012	-	-	84,012
Due from related parties	11,763	91,211	-	102,974
Deferred marketing costs, net of amortization	45,574	-	-	45,574
Other non-current assets	75	-	-	75
<b>Total non-current assets</b>	<b>141,424</b>	<b>91,211</b>	<b>-</b>	<b>232,635</b>
<b>Total assets</b>	<b>\$ 3,603,268</b>	<b>\$ 441,695</b>	<b>\$ (424,235)</b>	<b>\$ 3,620,728</b>
<b>Liabilities and Members' Equity/(Deficits)</b>				
<b>Current liabilities:</b>				
Deferred revenue, current portion	\$ 168,890	\$ -	\$ -	\$ 168,890
Accounts payable and accrued expenses	1,717,215	1,197	-	1,718,412
Accrued payroll and related withholdings	-	169,767	-	169,767
Due to related party - Carolina Bay	1,309,772	182,651	(424,235)	1,068,188
<b>Total current liabilities</b>	<b>3,195,877</b>	<b>353,615</b>	<b>(424,235)</b>	<b>3,125,257</b>
<b>Non-current liabilities and deferred revenue:</b>				
Due to related parties	75,518	112,769	-	188,287
<b>Total non-current liabilities and deferred revenue</b>	<b>75,518</b>	<b>112,769</b>	<b>-</b>	<b>188,287</b>
<b>Total liabilities and deferred revenue</b>	<b>3,271,395</b>	<b>466,384</b>	<b>(424,235)</b>	<b>3,313,544</b>
Members' equity/(deficit)	331,873	(24,689)	-	307,184
<b>Total liabilities and members' equity/(deficit)</b>	<b>\$ 3,603,268</b>	<b>\$ 441,695</b>	<b>\$ (424,235)</b>	<b>\$ 3,620,728</b>

EXHIBIT D

5-YEAR PROSPECTIVE FINANCIAL STATEMENTS

[ATTACHED]

**Carolina Bay of Wilmington, LLC and  
Carolina Bay Management of Wilmington, LLC**

Compilation of a Financial Forecast

For Each of the Five Years Ending  
December 31, 2025

(with Independent Accountants'  
Compilation Report thereon)

**Carolina Bay of Wilmington, LLC and  
Carolina Bay Management of Wilmington, LLC**

Compilation of a Financial Forecast

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## Independent Accountants' Compilation Report

Carolina Bay of Wilmington, LLC and  
Carolina Bay Management of Wilmington, LLC  
Wilmington, North Carolina

Management of Carolina Bay of Wilmington, LLC and Carolina Bay Management of Wilmington, LLC (collectively the "Company") and the day-to-day operating manager, Liberty Living Management, LLC (collectively "Management") are responsible for the accompanying financial forecast of the Company, which comprises the forecasted combined balance sheets as of and for each of the five years ending December 31, 2025, the related forecasted combined statements of operations, changes in members' equity, and cash flows for each of the years then ending, and the related summaries of significant assumptions and rationale in accordance with guidelines for the presentation of a financial forecast established by the American Institute of Certified Public Accountants ("AICPA").

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

We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the financial forecast nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by Management. Accordingly, we do not express an opinion, a conclusion, or provide any form of assurance on this financial forecast. The forecasted results may not be achieved as there will usually be differences between the prospective and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

*Dixon Hughes Goodman LLP*

Atlanta, Georgia  
April 16, 2021

**Carolina Bay of Wilmington, LLC and  
Carolina Bay Management of Wilmington, LLC**

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

	2021	2022	2023	2024	2025
<b>Revenue:</b>					
Community fee amortization	\$ 18	\$ 45	\$ 59	\$ 56	\$ 68
Independent living	8,925	9,206	9,475	9,753	10,039
Assisted living	1,268	1,301	1,340	1,380	1,422
Skilled nursing	1,860	1,973	2,033	2,099	2,157
Other revenue	201	204	208	212	217
<b>Total operating revenue</b>	<b>12,272</b>	<b>12,729</b>	<b>13,115</b>	<b>13,500</b>	<b>13,903</b>
<b>Expense:</b>					
Independent living	265	288	294	300	306
Assisted living	551	562	573	585	596
Skilled nursing	989	1,009	1,029	1,050	1,071
Dietary	1,878	1,916	1,955	1,994	2,033
Housekeeping	351	358	365	372	380
Laundry	81	84	86	87	89
General and administrative	1,725	1,759	1,794	1,830	1,867
Management Fee	645	667	686	707	728
Plant operations	798	814	830	847	864
Physical plant	190	194	198	202	206
<b>Total operating expenses</b>	<b>7,473</b>	<b>7,651</b>	<b>7,810</b>	<b>7,974</b>	<b>8,140</b>
 Operating income	 4,799	 5,078	 5,305	 5,526	 5,763
<b>Other expense:</b>					
Rent expense	3,892	3,942	4,021	4,101	4,183
Depreciation	13	28	35	42	49
Deferred marketing cost amortization	8	9	11	9	11
Other expense	56	10	10	10	10
<b>Total other expense</b>	<b>3,969</b>	<b>3,989</b>	<b>4,077</b>	<b>4,162</b>	<b>4,253</b>
 Net income	 830	 1,089	 1,228	 1,364	 1,510
 Members' equity, beginning of year	 142	 972	 2,061	 3,289	 4,653
<b>Members' equity, end of year</b>	<b>\$ 972</b>	<b>\$ 2,061</b>	<b>\$ 3,289</b>	<b>\$ 4,653</b>	<b>\$ 6,163</b>

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

**Carolina Bay of Wilmington, LLC and  
Carolina Bay Management of Wilmington, LLC**

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

	2021	2022	2023	2024	2025
<b>Cash flows from operating activities:</b>					
Net income	\$ 830	\$ 1,089	\$ 1,228	\$ 1,364	\$ 1,510
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation	13	28	35	42	49
Deferred marketing cost amortization	8	9	11	9	11
Community fee amortization	(18)	(45)	(59)	(56)	(68)
Change in current assets and liabilities	(395)	(1,019)	(1,152)	(1,295)	(1,437)
Cash flows from operating activities	438	62	63	64	65
<b>Cash flows from investing activities:</b>					
Capital additions	(49)	(50)	(51)	(52)	(53)
Cash flows from investing activities	(49)	(50)	(51)	(52)	(53)
<b>Cash flows from financing activities:</b>					
Cash flows from financing activities	-	-	-	-	-
Change in cash and restricted cash	389	12	12	12	12
Cash and restricted cash, beginning of year	985	1,374	1,386	1,398	1,410
Cash and restricted cash, end of year	\$ 1,374	\$ 1,386	\$ 1,398	\$ 1,410	\$ 1,422
Cash and restricted cash reconciliation:					
Cash	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500
Cash - restricted	874	886	898	910	922
Total cash	\$ 1,374	\$ 1,386	\$ 1,398	\$ 1,410	\$ 1,422

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



**Carolina Bay of Wilmington, LLC and  
Carolina Bay Management of Wilmington, LLC**

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

<b>Assets</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Current assets:					
Cash	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500
Cash - restricted	874	886	898	910	922
Resident accounts receivable, net	24	25	26	27	28
Accounts receivable - other	10	10	10	10	10
Prepaid expenses	266	273	278	284	290
Accounts receivable - Carolina Bay	2,319	3,453	4,734	6,175	7,756
<b>Total current assets</b>	<b>3,993</b>	<b>5,147</b>	<b>6,446</b>	<b>7,906</b>	<b>9,506</b>
Non-current assets:					
Property and equipment	111	133	149	159	163
Due from related parties	103	103	103	103	103
Deferred marketing costs, net of amortization	45	45	43	43	41
<b>Total non-current assets</b>	<b>259</b>	<b>281</b>	<b>295</b>	<b>305</b>	<b>307</b>
<b>Total assets</b>	<b>\$ 4,252</b>	<b>\$ 5,428</b>	<b>\$ 6,741</b>	<b>\$ 8,211</b>	<b>\$ 9,813</b>
<b>Liabilities and Members' Equity</b>					
Current liabilities:					
Deferred revenue, current portion	\$ 41	\$ 50	\$ 59	\$ 72	\$ 81
Accounts payable and accrued expenses	1,611	1,641	1,668	1,696	1,725
Accrued payroll and related withholdings	123	126	128	131	134
Accounts payable - Carolina Bay	844	843	842	843	844
<b>Total current liabilities</b>	<b>2,619</b>	<b>2,660</b>	<b>2,697</b>	<b>2,742</b>	<b>2,784</b>
Non-current liabilities:					
Due to related parties	451	451	451	451	451
Deferred revenue, net	210	256	304	365	415
<b>Total non-current liabilities</b>	<b>661</b>	<b>707</b>	<b>755</b>	<b>816</b>	<b>866</b>
<b>Total liabilities</b>	<b>3,280</b>	<b>3,367</b>	<b>3,452</b>	<b>3,558</b>	<b>3,650</b>
Members' equity	972	2,061	3,289	4,653	6,163
<b>Total liabilities and members' equity</b>	<b>\$ 4,252</b>	<b>\$ 5,428</b>	<b>\$ 6,741</b>	<b>\$ 8,211</b>	<b>\$ 9,813</b>

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

**Carolina Bay of Wilmington, LLC and  
Carolina Bay Management of Wilmington, LLC  
Summary of Significant Forecast Assumptions and Rationale  
For Each of the Five Years Ending December 31, 2025**

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**General**

The accompanying financial forecast presents, to the best of the knowledge and belief of management of Carolina Bay of Wilmington, LLC and Carolina Bay Management of Wilmington, LLC (collectively the “Company”) and the day-to-day operating manager, Liberty Living Management, LLC (the “Operating Manager”) (collectively, “Management”), the expected financial position, results of operations and changes in members’ equity, and cash flows of the Company as of and for the each of the five years ending December 31, 2025. Accordingly, the accompanying financial forecast reflects Management’s judgment as of April 16, 2021, the date of this forecast, of the expected conditions and its expected course of action during the forecast period. There will usually be differences between the prospective and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

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

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

**Background**

Carolina Bay at Autumn Hall (the “Community”) is an economic entity comprised of seven individual companies listed below. Management provides senior living services in Wilmington, North Carolina. Services include providing and maintaining an independent living retirement community, assisted living services, skilled nursing care, and supporting services. The Community began operation in November 2015.

Carolina Bay Properties of Wilmington, LLC (“Carolina Bay Properties”) is a Delaware for-profit limited liability company registered to do business in North Carolina and formed for the purpose of developing and owning real property and certain buildings of the Community.

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

Carolina Bay Properties of Wilmington III, LLC (“Carolina Bay Properties III”) is a Delaware for-profit limited liability company registered to do business in North Carolina and formed for the purpose of developing and owning real property and certain buildings of the Community.

**See Independent Accountants’ Compilation Report**

Carolina Bay Healthcare Center of Wilmington, LLC (“Carolina Bay Healthcare”) is a Delaware for-profit limited liability company registered to do business in North Carolina and formed for the purpose of leasing and operating the healthcare facilities at the Community. Carolina Bay Healthcare is owned by Wilmington AH Senior Housing JV Opco, LLC, a Delaware limited liability company.

Carolina Bay Healthcare Center Management of Wilmington, LLC (“Carolina Bay Healthcare Management”) is a North Carolina for-profit limited liability company formed for the purpose of employing the employees of and providing management services to Carolina Bay Healthcare.

Carolina Bay of Wilmington, LLC (“Carolina Bay Wilmington”) is a Delaware for-profit limited liability company registered to do business in North Carolina and formed for the purpose of leasing and operating the independent living units at the Community. Carolina Bay Wilmington is owned by Wilmington AH Senior Housing JV Opco, LLC, a Delaware limited liability company. Carolina Bay Wilmington operates a continuing care retirement community licensed by the State of North Carolina.

Carolina Bay Management of Wilmington, LLC (“Carolina Bay Wilmington Management”) is a North Carolina for-profit limited liability company formed for the purpose of employing the employees of and providing management services to Carolina Bay Wilmington.

The activities of Carolina Bay Wilmington and Carolina Bay Wilmington Management (collectively, the “Company”) are included in Management’s forecast.

The Community currently consists of 146 independent living units (“Independent Living Units”), 70 assisted living units (“Assisted Living Units”), and 30 skilled nursing beds (“Skilled Nursing Beds”). The Company operates the Independent Living Units. The Assisted Living Units and Skilled Nursing Beds are collectively referred to as the “Healthcare Center”).

Carolina Bay Properties and Carolina Bay Healthcare hold the certificate of need (“CON”) for 52 adult care home beds and 18 Skilled Nursing Beds. Carolina Bay Properties, Carolina Bay Wilmington, and Carolina Bay Healthcare hold the CON for 30 Skilled Nursing Beds. The collective value of the CON is recorded as an intangible asset by Carolina Bay Properties. Carolina Bay Healthcare leases all 100 adult care home units and skilled nursing beds from Carolina Bay Properties. Included in these 100 units and beds are services for the 18 Assisted Living Units and 12 Skilled Nursing Beds (collectively the “Closed Beds”), which are reserved for independent living residents of Carolina Bay Wilmington, the terms of which are governed through a healthcare services transfer agreement (the “Transfer Agreement”). The Independent Living Units and the Closed Beds are collectively defined as the “CCRC”.

#### *Intercompany Agreements*

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

**See Independent Accountants’ Compilation Report**

Carolina Bay Wilmington and Carolina Bay Healthcare have entered into management agreements with a fee of 5 percent of total revenues derived from Independent Living Units and 6 percent of total revenues derived from Assisted Living Units and Skilled Nursing Beds paid to Carolina Bay Wilmington Management and Carolina Bay Healthcare Management, respectively.

Carolina Bay Properties entered into separate lease agreements with Carolina Bay Wilmington and Carolina Bay Healthcare, under which Carolina Bay Wilmington and Carolina Bay Healthcare make payments to Carolina Bay Properties for use of the facilities (the “Lease Agreement”). The lease agreements have a term of 15 years.

*Related Parties*

Other entities owned by Liberty Healthcare Group, LLC provide other benefits the Community. These transactions are considered related party transactions and are settled through related party cash accounts and payments to the other entities.

Carolina Bay Management and Carolina Bay Healthcare Management entered into separate management agreements with the Operating Manager in which each company pays a management fee of 5 percent of total revenues derived from Independent Living Units and 6 percent of total revenues derived from Assisted Living Unit and Skilled Nursing Beds to the Operating Manager, a related party to the Community (the “Management Fee”).

**The Community**

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

<b>Table 1</b>			
<b>Community Configuration</b>			
<b>Unit Type</b>	<b>CCRC</b>	<b>Carolina Bay Healthcare<sup>(1)</sup></b>	<b>Carolina Bay Properties</b>
Independent Living Units	146	-	146
Assisted Living Units	18 <sup>(2)</sup>	52	70
Skilled Nursing Beds	12 <sup>(2)</sup>	18	30
<b>Total Units/Beds</b>	<b>176</b>	<b>70</b>	<b>246</b>

Source: Management

(1) The Open beds are shown for informational purposes and not considered as part of Management’s forecast.

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

*Unit Configuration and Fees*

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

<b>Table 2</b>			
<b>Independent Living Units and the Closed Beds Configuration and Fees</b>			
Unit Type	Number of Units	Square Footage	Monthly Fee <sup>(1)(2)(3)</sup>
<i>Independent Living Units:</i>			
<b><i>Apartments:</i></b>			
One bedroom	56	798	\$ 4,521
One bedroom/den	18	948	5,133
Two bedroom	19	1,143	5,389
Two bedroom/den	29	1,477	6,544
<b><i>Garden Flats</i></b>	<b>24</b>	<b>1,657</b>	<b>7,334</b>
<b>Total / Weighted Average</b>	<b>146</b>	<b>1,137</b>	<b>\$ 5,574</b>
<i>Closed Beds-Assisted Living:</i>			
Standard	12	467	\$ 7,634
Memory Care	6	351	6,963
<b>Total / Weighted Average</b>	<b>18</b>	<b>428</b>	<b>\$ 7,187</b>
<i>Closed Beds-Skilled Nursing:</i>			<b>Daily Service Fee</b>
Private			\$ 299
Medicare – Traditional			542
Medicate – Managed Care			415
<b>Total / Weighted Average</b>	<b>12</b>	<b>356</b>	<b>\$ 419</b>
<b>Total Units / Beds</b>	<b>176</b>		

Source: Management

- (1) Residents of the Independent Living Units are required to pay a one-time non-refundable fee equal to one month’s Monthly Fee (the “Community Fee”); a one-time non-refundable fee equal to one month’s Monthly Fee (the “Apartment Selection Fee”); and a one-time refundable security deposit equal to one month’s Monthly Fee (the “Security Deposit”).
- (2) The second person Monthly Fee is \$695 for the Independent Living Unit Apartments and \$450 for the Independent Living Units Garden Flats.
- (3) Monthly Fees and Daily Service Fees increase each January. Residents renew their respective leases at renewal dates throughout the year. The Monthly Fees and Daily Service Fees shown are an average of the Monthly Fees and Daily Service Fees effective January 1, 2020 and January 1, 2021.

**See Independent Accountants’ Compilation Report**

## **COVID-19 Pandemic**

On January 30, 2020, the World Health Organization declared the “COVID-19” outbreak a Public Health Emergency of International Concern and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines, or stay-at-home restrictions in certain areas and forced closures for certain types of public places and businesses. COVID-19 and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets globally, including the geographical areas in which the Community operates.

In December 2020, the U.S. Food and Drug Administration issued emergency use authorization of vaccines for the prevention of COVID-19.

For purposes of the forecast, Management has assumed no revenue impact and some additional staffing related expenses for fiscal year 2021. Management assumes COVID-19 shall have a negligible impact to its operations and has, therefore, excluded any additional revenue or expense related to COVID-19 for the remainder of the forecast period.

**See Independent Accountants’ Compilation Report**

## Residency and Care Agreement

Services – The residency agreement (“Residency and Care Agreement”) is a rental contract under which the Company is obligated, upon payment by the resident (the “Resident” or “Residents”) of a Security Deposit, Community Fee, Apartment Selection Fee, and ongoing payment of the Monthly Fee, to provide certain services to the Resident. While the Resident occupies an Independent Living Unit, services provided include:

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

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

Admittance Standards – Prior to taking occupancy of a selected Independent Living Unit, the Resident shall execute a Residency and Care Agreement. The terms of the Residency and Care Agreement require the Company to accept persons at least 62 years of age at the time of occupancy, who demonstrate the ability to live independently, and meet the financial obligations as a Resident. A reservation requires a signed Residency and Care Agreement and the payment of a Security Deposit, a non-refundable Apartment Selection Fee, and a one-time, non-refundable Community Fee. Upon occupancy, Residents are expected to pay an ongoing Monthly Fee.

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

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

**See Independent Accountants’ Compilation Report**

Termination by the Resident Prior to Occupancy – The Resident may cancel at any time and for any reason during the 30-day rescission period as defined in the Residency and Care Agreement (the “Rescission Period”) and shall receive a refund of any fees paid less a service charge. After the Rescission Period, the Resident may terminate the Residency and Care Agreement prior to moving into the Community by giving thirty (30) days’ prior written notice. Under this circumstance, the Apartment Selection Fee and Community Fee become non-refundable after the Rescission Period.

Termination by the Resident After Occupancy – The Resident may terminate the Residency and Care Agreement after moving into the Community by giving thirty (30) days’ prior written notice of termination, which shall be effective and irrevocable upon delivery. If the Resident terminates the Residency and Care Agreement prior to the expiration of the initial term or renewal term, then the Resident shall be liable for the Monthly Fee until the date that all of the Resident’s personal belongings are removed from the Independent Living Unit. In addition, the Resident shall be responsible for payment of liquidated damages of one month’s rental charge.

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

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

**See Independent Accountants’ Compilation Report**



## Summary of Significant Accounting Policies

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

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

Restricted Cash – Restricted cash includes refundable priority deposits received from future residents (the “Priority Deposit”) and Security Deposits received from Residents upon execution of a Residency and Care Agreement, which are held in accordance with statute, law, or regulation of the federal, state, and local Government. The Priority Deposit shall be applied to the Security Deposit paid by the Resident upon execution of a Residency and Care Agreement.

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

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

Deferred Revenue – The non-refundable Community Fee is amortized into income over the estimated average length of stay of the Residents in the Independent Living Units and Assisted Living Units, assumed to be five and two years, respectively.

Lease Accounting – The Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-02, Lease Accounting Standard in February 2016. ASU 2016-02 requires all leases with lease terms over twelve months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases are to be classified as either finance or operating. This distinction shall be relevant for the pattern of expense recognition in the statement of operations. The Company is currently in the process of evaluating the impact of adoption of this ASU and has not made final determinations. Therefore, for purposes of the forecast ASU 2016-02 has not been implemented by the Company.

**See Independent Accountants’ Compilation Report**

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

Deferred Marketing Costs – Management has implemented ASU No. 2014-09 “Revenue from Contracts with Customers” and adopted the treatment of deferred marketing costs. Under the standard, the Company capitalizes marketing sales commissions associated with securing new Residency and Care Agreements as an asset and amortizes these commissions over the estimated term of the respective Residency and Care Agreements.

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

**See Independent Accountants’ Compilation Report**

### Summary of Revenue Assumptions

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

<b>Year Ending December 31,</b>	<b>Average Units Available</b>	<b>Average Units Occupied<sup>(1)</sup></b>	<b>Occupied Percentage</b>
<i>Independent Living Units:</i>			
2021	146	132	90%
2022-2025	146	137	94%
<i>Closed Beds (2021 – 2025):</i>			
Assisted Living Units	18	17	94%
Skilled Nursing Beds	12	11	92%

Source: Management

(1) The payor mix for the Closed Beds is assumed to be as follows: private pay: 31 percent; Medicare-traditional: 58 percent; and Medicare-managed care: 11 percent.

#### *Independent Living Revenue*

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

#### *Assisted Living Revenue*

Resident service revenue for Residents living in the Closed Beds related to Assisted Living Units is based upon assumed Monthly Fees for services provided to Residents and the assumed occupancy of the Assisted Living Units. Monthly Fees for the Assisted Living Units are assumed to increase 3.0 percent annually throughout the forecast period.

#### *Skilled Nursing Revenue*

Resident service revenue for Residents living in the Closed Beds related to Skilled Nursing Beds is based upon assumed daily fees for services provided to Residents and the assumed occupancy of Skilled Nursing Beds. Daily fees for Skilled Nursing Beds are assumed to increase 3.0 percent annually throughout the forecast period.

#### *Other Revenue*

Revenue from other revenue is assumed to be generated from guest meals and other miscellaneous sources and is assumed to increase 2.0 percent annually during the forecast period.

**See Independent Accountants' Compilation Report**

## Summary of Operating Expense Assumptions

### *Salaries, Wages and Employee Benefits*

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

### *Non-Salary Expenses*

Non-salary expenses are assumed to increase approximately 2.0 percent annually.

### *Management Fee Expense*

The Company is assumed to pay the Management Fee for the day-to-day management of the Independent Living Units and the Closed Beds. The Management Fee is assumed to be based on 5.0 percent of Independent Living Units revenue and 6.0 percent of Assisted Living Units and Skilled Nursing Beds revenue.

### *Rent Expense*

The Company leases property owned by Carolina Bay Properties. Under the terms of the Lease Agreement, Carolina Bay Wilmington pays Carolina Bay Properties a base rent amount plus surplus rent based on specific revenue breakpoints. The base rent payment is calculated on a straight-line basis over the amortization period. The monthly rent is assumed to approximate \$126,000 throughout the forecast period. The surplus rent is assumed to be calculated on varying percentages related to revenue breakpoints of approximately \$400,000 and \$568,000, in 2021 dollars, for Independent Living revenue.

**See Independent Accountants' Compilation Report**

## Statutory Operating Reserve

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

	2021	2022	2023	2024	2025
Forecasted operating expense	\$ 11,442	\$11,640	\$11,887	\$ 12,136	\$ 12,393
Add: Annual debt service on long-term debt	-	-	-	-	-
Subtract:					
Depreciation	(13)	(28)	(35)	(42)	(49)
Amortization	(8)	(9)	(11)	(9)	(11)
Forecasted operating expenses-adjusted	11,421	11,603	11,841	12,085	12,333
Operating reserve % required <sup>(1)</sup>	50%	25%	25%	25%	25%
<b>Operating reserve</b>	<b>\$ 5,711</b>	<b>\$ 2,901</b>	<b>\$ 2,960</b>	<b>\$ 3,021</b>	<b>\$ 3,083</b>
Independent Living and Assisted Living Units:					
Available, beginning of year	164	164	164	164	164
Occupied, beginning of year	141	154	154	154	154
Occupancy percentage	86%	94%	94%	94%	94%

Source: Management

- (1) North Carolina state statute requires an operating reserve of 50% or 25% of forecasted operating expenses-adjusted for occupancy of independent and assisted living below 90% or 90% or above, respectively.
- (2) Management satisfies the statutory operating reserve requirement through an irrevocable standby letter of credit with a financial institution.

## Current Assets and Current Liabilities

Operating revenue as used below includes net resident service fee revenue. Operating expenses as used below exclude amortization, depreciation, and interest expense. Management has assumed working capital components based on the Company historical trends and are outlined in the following table:

Accounts receivables, net	1 day of operating revenues
Prepaid expenses	13 days of operating expenses
Accounts payable and accrued expenses	36 days of operating expenses
Accrued payroll and related withholdings	6 days of operating expenses

Source: Management

**See Independent Accountants' Compilation Report**

EXHIBIT E

CONTRACT FOR INDEPENDENT LIVING CONTINUING CARE

[ATTACHED]



# CAROLINA BAY

AT AUTUMN HALL

## **Residency and Care Agreement**

**630 Carolina Bay Drive  
Wilmington, North Carolina 28403  
(910) 769-7500**

**5/31/2020**

**Term of Agreement Begins  
("Occupancy Date"): \_\_\_\_\_**

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# CAROLINA BAY AT AUTUMN HALL

## RESIDENCY AND CARE AGREEMENT

This RESIDENCY AND CARE AGREEMENT (the “Agreement”) is made this \_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, between CAROLINA BAY OF WILMINGTON, LLC, a Delaware for-profit limited liability company registered to do business in North Carolina (the “Company” or “Community”) and \_\_\_\_\_ and \_\_\_\_\_ (herein individually or collectively called “Resident”). If two persons desire to share an Apartment enter into this Agreement, the term Resident shall apply to them jointly and severally and to the survivor of them.

### WITNESSETH:

WHEREAS, the Company leases and operates the continuing care retirement community known as CAROLINA BAY AT AUTUMN HALL (the “CCRC”), located at 630 Carolina Bay Dr., Wilmington, North Carolina; and

WHEREAS, the Resident desires to use and occupy an apartment or garden flat unit (referred to collectively herein as an “Apartment”) located in the CCRC’s rental independent living buildings (the “Independent Living Buildings”); and

WHEREAS, and the Company desires to make the selected Apartment available to the Resident.

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

1. Eligibility Requirements and Procedures.

The Resident will be qualified for admission as an occupant of the CCRC on the following terms and conditions:

- a. Age Criteria. The requirements for admission into the CCRC are nondiscriminatory except as to age. Admission is restricted to persons sixty-two (62) years of age or older with the exception of a younger second occupant. An underage second occupant may be approved for residency in the Apartment in the Company’s sole discretion but must, at a minimum, be at least fifty (50) years of age and meet the other requirements for residency in the CCRC. The Company reserves the right to limit the number of residents under the age of sixty-two (62) that will live in the CCRC.
- b. Preliminary Health Screen. The Resident must be capable of living independently and must satisfy the then current independent living criteria as published by the Company, which criteria may be amended from time to time in the Company’s sole discretion. The Resident shall provide to the Company an internal preliminary health screen (the “Preliminary Health Screen”), substantially in the form attached

to the Apartment Selection Agreement executed by the Resident and the Company dated as of the \_\_\_ day of \_\_\_\_\_, 20\_\_ (the “Apartment Selection Agreement”), completed by the Resident’s primary physician and certifying that the Resident meets the independent living criteria within the period outlined in Section 1.e. of this Agreement.

- c. Apartment Selection Agreement. At the time of selecting an Apartment, the Resident completed an Apartment Selection Agreement and submitted it to the Company along with an Apartment Selection Fee and Community Fee, as defined in Sections 7.a. and 7.b., respectively, of this Agreement. In the event of any conflict between the provisions of the Apartment Selection Agreement and this Agreement, the provisions of this Agreement shall control.
- d. Disclosure Statement. Upon execution of this Agreement, the Company will provide the Resident a copy of the CCRC’s Disclosure Statement (the “Disclosure Statement”) which fully describes the organization, facilities, policies, services, fees, financial condition, projections, and the vital information related to the CCRC. Included in the Disclosure Statement is a copy of this Agreement.
- e. Application. Within thirty (30) days of execution of the Apartment Selection Agreement, the Resident will complete a Preliminary Health Screen and a confidential financial statement, all on the forms provided by the Company, and deliver the same (all such documents collectively referred to herein as, the “Application Forms”) to the Company.
- f. Interview. The Resident must have an interview with a representative from the Company prior to being approved for residency in the CCRC. This interview may include a non-medical assessment of the Resident(s) as an initial step in determining the whether the requirements for residency may be met.
- g. Financial Condition. The Company must be satisfied that the Resident has the financial income and assets to pay the Monthly Service Fee (as defined in Section 7.d. of this Agreement), extra meal charges, charges for additional services, personal living expenses, and the future adjustments of these charges during the term of this Agreement. Immediately prior to the Occupancy Date (as defined in Section 1.n. of this Agreement), the Resident will affirm to the Company that the Resident’s financial situation does not differ materially or adversely from the financial situation as presented in the Application Forms (substantially in the form attached to the Apartment Selection Agreement). If the Resident’s then personal financial situation differs materially and adversely from the Resident’s prior financial situation, the Company may terminate this Agreement. After the Occupancy Date, the Company may require updated financial information. In the case of two Residents occupying an Apartment, and in the event of the death of one of the occupants, the surviving Resident will be required to submit an update of the original Application Forms within thirty (30) days after the Company’s request for the same.

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

- n. Notification of Availability. If the Resident is approved for residency in the CCRC, the Company will notify the Resident of the projected date of availability for occupancy (the “Notice of Availability Date”) and the Resident will have sixty (60) days from date of the Notice of Availability Date to occupy the Apartment (the date of occupancy hereinafter referred to as the “Occupancy Date”) and begin paying the Monthly Service Fee. If the Resident is not approved for residency in the CCRC, this Agreement shall be terminated and all payments made by the Resident before such termination, less those costs or other charges that are non-refundable pursuant to the terms of this Agreement, shall be refunded by the Company within thirty (30) days.

2. Basic Services and Programs.

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

- a. Description of Apartment. The Resident shall be entitled to the exclusive use of Apartment \_\_\_\_\_ located in the CCRC’s Independent Living Building.
- b. Appliances and Furnishings. The Apartment shall include the following appliances and furnishings:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Window coverings                   | <input checked="" type="checkbox"/> Standard flooring        |
| <input checked="" type="checkbox"/> Electric range                     | <input checked="" type="checkbox"/> Self-cleaning oven       |
| <input checked="" type="checkbox"/> Refrigerator/freezer with icemaker | <input checked="" type="checkbox"/> Garbage disposal         |
| <input checked="" type="checkbox"/> Microwave                          | <input checked="" type="checkbox"/> Dishwasher               |
| <input checked="" type="checkbox"/> Washer and dryer                   | <input checked="" type="checkbox"/> Smoke and fire detectors |
| <input checked="" type="checkbox"/> Climate control system             | <input checked="" type="checkbox"/> Hot water heater         |
| <input checked="" type="checkbox"/> 24-hour emergency call system      | <input checked="" type="checkbox"/> Other permanent fixtures |

All other appliances and furnishings are to be provided by Resident.

- c. Utilities. The following utility fees are included in the Monthly Service Fee:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Heating                | <input checked="" type="checkbox"/> Air conditioning |
| <input checked="" type="checkbox"/> Water                  | <input checked="" type="checkbox"/> Sewer            |
| <input checked="" type="checkbox"/> Gas                    | <input checked="" type="checkbox"/> Electricity      |
| <input checked="" type="checkbox"/> Basic cable television | <input checked="" type="checkbox"/> Pest control     |
| <input checked="" type="checkbox"/> Trash removal          |  |

- d. Meals. As part of the Monthly Service Fee, the Resident shall be given a monthly declining balance meal plan credit (the “Declining Balance Meal Credit”). The Resident shall be entitled to dine in any of the CCRC’s dining options and charges for the food and beverages, except for alcoholic beverages, of the Resident and any guest of the Resident shall be deducted from such Declining Balance Meal Credit.

Upon termination of this Agreement, any unused portion of the Declining Balance Meal Credit shall be forfeited. If the monthly charges of the Resident exceed the amount of the monthly Declining Balance Meal Credit, such additional charges shall be billed to the Resident on a monthly basis.

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

- m. Transportation. The Company will provide scheduled transportation to locations routinely visited by residents of the CCRC such as shopping centers, medical offices and social events. Some transportation is subject to an additional charge.
- n. Emergency Response System. The Company will provide, on a twenty-four (24) hour basis, an emergency call system. Response to a call shall be limited to an evaluation of the Resident's needs. If other medical response is determined to be necessary, the Resident is responsible for any costs associated with such other medical response, including emergency medical transportation.
- o. Insurance. The Company will maintain general liability and hazard insurance on the property within the CCRC owned or leased by the Company, but will not be responsible for the Resident's personal property.

3. Optional Services.

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

- a. Transportation Services. If the Resident requests transportation in addition to that provided as a Basic Service, the Company may provide such transportation service provided that the Company has adequate transportation staff available at such date and time and to destinations that the Company identifies as being within the geographic area of transportation services.
- b. Food Services. If the Resident requests food services or catered services in addition to those provided as a Basic Service, the Company may provide such additional food services or catered services for an additional cost.
- c. Tray Service. The Resident may request that meals be delivered to the Apartment ("Tray Service") for a delivery charge; provided however, that Tray Service may not be requested for more than three (3) consecutive days except at a physician's or nurse's direction.
- d. Activities. Due to their special nature, a special fee may be required for some wellness and life enrichment programs.
- e. Additional Maid Service. If the Resident requests or requires housekeeping services in addition to those provided as a Basic Service, the Company may provide such services if staff is available to provide such services.
- f. Spa Services. Spa and personal care services in the Wellness Center will be available in accordance with a published fee schedule.
- g. Upgraded Television Channels. Upgraded television channels will be available to the Resident in accordance with a published fee schedule.

- h. Additional Parking. Additional parking, including garage parking if available, may be made available to the Residents in accordance with a published fee schedule.
- i. Personal Emergency Transmitter. The provision of a Personal Emergency Transmitter (“PET”) which shall transmit to the CCRC Concierge Desk.

4. Terms of Residence.

- a. Term of Agreement. The initial term of this Agreement shall be for thirteen (13) months beginning on the Occupancy Date (the “Term”). After the initial Term, this Agreement will automatically renew for additional thirteen (13) month periods, unless terminated in accordance with Section 8 below. Prior to the expiration of the initial Term or any renewal Term, the Company reserves the right to present the Resident with a new version of the Company Residency and Care Agreement for signature by the Company and the Resident.
- b. Nature and Extent of Rights. The Resident’s right to occupy the Apartment shall exist and continue unless terminated as provided in this Agreement. Nothing contained herein shall be construed or is intended to require that the Company care for the Resident after expiration or termination of this Agreement.
- c. Terms of Occupancy. Signing of this Agreement does not deliver title to real or personal property, and this Agreement may not be assigned, transferred, inherited or devised. Any rights, privileges, benefits, or interests created by or under this Agreement shall be subordinated to any mortgage, deed of trust, or other security interest created on any of the premises or interests in the real estate comprising the CCRC and to all amendments, modifications, replacements or refunding thereof. The Resident agrees to execute and deliver any document required by the Company or by the holder of any mortgage, deed of trust or other interest to evidence or effect such subordination.
- d. Alteration or Modification. Notwithstanding any other provisions in this Agreement, the Company may alter or modify the Apartment to meet requirements of any statute, law or regulation of the federal, state or local Government. The Resident may not, without prior written consent of the Company, make any alterations or modifications to the Apartment.
- e. Use. The Apartment shall be used for residential purposes only and shall not be used for business or professional purposes, or in any manner in violation of any zoning or health ordinances.
- f. Permitted Occupants. The Resident(s) named herein and no other person shall reside in or occupy the Apartment during the term of this Agreement, except with the express prior written approval of the Company. If a second occupant who is not a party to this Agreement is accepted for residency in the CCRC after the date of this Agreement, such acceptance shall be subject to the approval of the Company and adherence to policies then governing all other admissions and such second

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

- g. Transfers. Should the Resident desire to transfer to another Apartment, the Resident must notify the Company in writing. Following receipt of this request, and subject to availability, the Company may grant the Resident an option to move to the next available Apartment of the size requested. Upon transfer to a new residence, the Monthly Service Fee for the month in which the move takes place shall be prorated to reflect the percentage of the month that the Resident spends in each type of residence. With all transfers, there will be an up-fitting charge for the vacated residence based on the current rate established by the CCRC at the time of the transfer. The Resident will move all furnishings and belongings to the new residence within ten (10) days of the established occupancy date for the new residence. Any moving expense will be the responsibility of the Resident.
- h. Death or Transfer of One Resident. If one of the Residents named herein dies, moves out or is permanently transferred to the Healthcare Center or any other nursing center, the remaining Resident will continue to be bound by the terms of this Agreement except that the Monthly Service Fee will be reduced to the single occupancy rate then in effect.
- i. Rules and Regulations. The Resident and its guests and invitees shall comply in all respects with the CCRC's operating rules and regulations (the "Rules and Regulations") established by the Company from time to time. The Company may revise or amend such Rules and Regulations at any time in its sole discretion. A copy of the Rules and Regulations will be made available to the Resident.
- j. Pets. Subject to the prior written consent of the Company, which such consent shall be at the sole and absolute discretion of the Company, pets may be permitted in the Apartments. All pets must be on a leash at all times while not in a Resident's Apartment. Pets must be healthy, have current shots and rabies immunization, and be free of fleas and other parasites. The Resident must provide the Company with documentation that their pets have received all required shots and immunizations. The Resident is responsible for any costs expended by the Company for the failure of the Resident to adhere to the CCRC's pet policy, including, but not limited to, the cost of disinfection, cleaning and fumigation. Pets are prohibited in the dining spaces, the Wellness Center, the multipurpose room, the chapel, and the art space and activity rooms. The Resident understands and agrees that the pet must be removed from the Apartment, upon fourteen (14) days' prior written notice from the Company, if the pet becomes a nuisance to other residents of the CCRC, as determined by the Company in its sole and absolute discretion. The Resident agrees that if the Resident has been approved to have a pet living in the Apartment, and elects to do so, the Resident shall pay a non-refundable pet fee in the amount posted at the time the pet is registered.



- k. Smoking Policy. The CCRC is smoke-free. No smoking is permitted in the Apartment (to include any balconies) or in any other building or location in or on the CCRC's premises. The Resident agrees to abide by the CCRC's Rules and Regulations concerning smoking.

5. Nursing and Healthcare Services.

The CCRC will provide the Resident temporary or permanent assisted living services, assisted housing with services, and skilled nursing services (the "Healthcare Services") in the healthcare center adjacent to the CCRC (the "Healthcare Center"). A number of the beds in the Healthcare Center have been designated as "closed beds" under state laws and/or regulations and, as such, are reserved for Residents (the "Closed Beds"). In the event that these Closed Beds are fully occupied, the Resident will be given priority access to the available unreserved beds (the "Open Beds"). Service in the Healthcare Center shall be provided within the limits of the Company's license.

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

6. Transfers of Resident

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

In the event the Healthcare Center is not yet completed and licensed to operate and the Resident's health or mental condition is such that, in the sole discretion of the Company, the Resident is precluded from living independently in the CCRC (the "Healthcare Transfers"), the Company will enter into a Transfer Agreement with a skilled nursing facility in reasonable proximity to the Company (the "Transfer Facility") pursuant to which the Transfer Facility shall agree to accept appropriate Healthcare Transfers from the Company. The Company will provide transportation

to the Healthcare Transfers to the Transfer Facility until such time as the Healthcare Center is available; provided however, the cost of the care at such Transfer Facility will be the responsibility of the Healthcare Transfer.

- b. Transfers to the Healthcare Center. The Resident agrees that the Company shall have the right to determine whether the Resident should be temporarily or permanently transferred from the Apartment to the Healthcare Center or from one level of care at the Healthcare Center to another level of care at the Healthcare Center. Such determination shall be in the Company's sole discretion and based on the professional opinion of the medical director of the Healthcare Center and the executive director of the CCRC that the Resident is no longer able to live independently or that living in the Apartment will endanger the Resident or the health and/or safety of others. Should the Resident fail to cooperate with a transfer of the Resident requested by the Company, the Company shall have the right to terminate this Agreement and the Resident shall no longer be permitted to live in the CCRC.
- c. Transfer Outside the CCRC. If, in the opinion of the Company, the physical or mental condition of the Resident requires services beyond that which can be provided by the facilities or personnel in the CCRC and the Healthcare Center or is beyond the scope of the services provided for in this Agreement, the Company may require that the Resident be temporarily or permanently transferred to a hospital, center, institution or other care environment equipped to give such care; provided however, the cost of the care at any such outside facility will be the responsibility of the Resident.
- d. Relinquishment of Apartment upon Permanent Transfer to the Healthcare Center or Outside Facility. If, in the sole discretion of the Company, the Resident's transfer to the Healthcare Center or to an outside facility is considered permanent, the Resident shall relinquish the Apartment and this Agreement shall terminate, unless there is a second Resident currently occupying the Apartment or unless otherwise approved by the Company.

7. Fees and Charges.

The following is a list of the fees and charges expected to be charged to the Residents of the CCRC.

- a. Apartment Selection Fee. Upon the execution of the Apartment Selection Agreement, the Resident paid an Apartment Selection Fee (the "Apartment Selection Fee") as identified in Exhibit A attached hereto. The Apartment Selection Fee is a nonrefundable fee (except as defined in Section 7.i. of this Agreement) and shall be applied to the first month's Monthly Service Fee.
- b. Community Fee. Upon the execution of the Apartment Selection Agreement, the Resident paid a Community Fee (the "Community Fee") as identified in Exhibit A attached hereto. The Community Fee is a one-time, nonrefundable fee (except as

defined in Section 7.i. of this Agreement) which entitles Residents priority access to all services and amenities of the Community. A Community Fee will not be charged to Residents upon any renewal of this Agreement.

- c. Security Deposit Fee. Upon the execution of this Agreement, the Resident shall make a Security Deposit payment to the Company equal to one Monthly Service Fee payment (the "Security Deposit"), which shall be deposited in accordance with statute, law or regulation of the federal, state, and local Government. If the Resident has complied with all terms of the Agreement and returns the Apartment in the same or materially similar condition as when the Resident moved into the Apartment, the Company will return the Security Deposit to the Resident within thirty (30) days after the Resident's move-out date. The Security Deposit shall be credited to the Resident as the last Monthly Service Fee payment in the event of the Resident's death. In the event that the Resident breaches or otherwise violates the Agreement before the end of the last month of occupancy by the Resident, then the Security Deposit shall be forfeited to the Company. The Resident is additionally responsible for any expense incurred by the Company resulting from damages to the Apartment that are in excess of the Security Deposit. In the event that the Resident has entered into a Priority Partner Agreement (the "Priority Partner Agreement") and paid a refundable deposit to the Company (the "Priority Deposit"), the Priority Deposit shall be applied to the amount due as the Security Deposit.
  
- d. Monthly Service Fees. Throughout the Term, the Resident shall pay to the Company a Monthly Service Fee (the "Monthly Service Fee") in the amount of \$\_\_\_\_\_, as described on Exhibit A attached hereto, for a single Resident. If the Apartment will be occupied by two Residents pursuant to this Agreement, an additional monthly amount of \$\_\_\_\_\_ shall be paid by the second Resident. The Monthly Service Fee shall be paid by the Resident on or before the fifth (5<sup>th</sup>) day of each month for Basic Services to be rendered that month with the first payment due on or before the Occupancy Date. The Monthly Service Fee shall be due regardless of whether or not the Apartment is actually occupied by the Resident on the scheduled Occupancy Date and such Monthly Service Fee will not be adjusted if the Resident is voluntarily absent from the CCRC at any time after such date. If the Resident obtains possession of the Apartment prior to the first of a month, the Resident shall pay the Company the first Monthly Service Fee on a pro-rata basis based on the actual number of days contained in the month. If this Agreement does not terminate at the expiration of the initial Term or a renewal Term, the Monthly Service Fee may continue to be payable beyond the date of termination as set forth in Section 7 below.
  
- e. Adjustments to Monthly Service Fees. The Company reserves the right to change the amount of the Monthly Service Fee upon thirty (30) days' written notice prior to any renewal of this Agreement. Adjustments to the Monthly Service Fee will be made as may be reasonably necessary according to the economic requirements and conditions of the CCRC, the level and quality of services provided to the residents of the CCRC and consistent with operating on a sound financial basis.

- f. Fees for Optional Services. The Resident shall receive a monthly statement from the Company showing the total amount of fees and other charges owed by the Resident, which shall be paid by the fifth (5th) day of each month. A list of fees for recurring optional services (“Optional Services”) the Resident has elected to purchase as of the date of this Agreement is attached hereto as Exhibit A.
- g. Healthcare Center Fees and Charges. The Healthcare Center will consist of accommodations, equipment and staffing necessary for assisted living, assisted housing with services, skilled nursing care and memory care services on a temporary or permanent basis. The Company shall establish and publish per diem rates for accommodations and services at the Healthcare Center. Each calendar year, the Resident shall receive a ten percent (10%) discount on fees the Resident accrues during its first thirty (30) days of residency in the Healthcare Center (each day being a “Discounted Fee Day”). The Resident may not carry any unused Discounted Fee Days over to the following calendar year. Fees for residency in the Healthcare Center shall otherwise be payable in accordance with the Residency and Care Agreement and in accordance with the then published Healthcare Center per diem charge.
- h. Fees for Occupancy in the Healthcare Center. In the event the Resident is transferred to the Healthcare Center, as determined in the sole discretion of the Company, the Resident shall pay the then published Healthcare Center per diem charge plus charges for other services not included in the Healthcare Center per diem charge, subject to available Discounted Fee Days. In addition, the Resident shall continue to be responsible for the Monthly Service Fee and other charges payable under this Agreement.
- i. Refund of Fees. If the Resident cancels during the Rescission Period (as defined in Section 8.a.i of this Agreement), the Priority Deposit, Apartment Selection Fee, Community Fee and Security Deposit (and any other fees paid by Resident) in accordance with this Residency and Care Agreement will be refunded to the Resident, without interest, less a service charge of One Thousand Dollars (\$1,000.00) and less any charges specifically incurred by the Company at Resident’s request and set forth in Exhibit A of this Agreement or in writing in a separate addendum to the Agreement, signed by the Resident and the Company. Any refund shall be paid within thirty (30) days after the Company’s receipt of the Resident’s written notice of rescission. The Apartment Selection Fee and the Community Fee become non-refundable after the Rescission Period. The Security Deposit Fee is refundable and will be returned to the Resident within thirty (30) days after the Resident’s move-out date if the Resident has complied with all terms of the Agreement and returns the Apartment in the same or materially similar condition as when Resident moved into the Apartment. If the Resident breaches or otherwise violates the Agreement before the end of the last month of occupancy by the Resident, then the Security Deposit Fee shall be forfeited to the Company.

- j. Late Charges. The Company will charge a one percent (1%) late payment charge per month on any Monthly Fees and extra charges that have not been paid within five (5) days after their due date.

8. Termination.

- a. Termination by Resident. Upon the termination of this Agreement, the Resident shall have no further right to reside in the CCRC. The Agreement may be terminated or cancelled by the Resident under the following terms and conditions:
  - i. Rescission During First Thirty (30) Days. The Resident may terminate this Agreement for any reason within thirty (30) days following the later of the execution of this Agreement or receipt by the Resident of the Disclosure Statement (the “Rescission Period”), and the Resident is not required to move into the facility before expiration of the Rescission Period. The Resident’s termination of this Agreement during the Rescission Period is without penalty, and all payments made by the Resident before such termination, less a service charge of One Thousand Dollars (\$1,000.00) and less any charges specifically incurred by the Company at the Resident’s request and set forth in Exhibit A of this Agreement or in writing in a separate addendum to the Agreement signed by the Resident and the Company. Any refund shall be paid within thirty (30) days after the Company receives written notice of the Resident’s election to terminate this Agreement.
  - ii. Termination After Rescission Period but Prior to the Occupancy Date. For Residents electing to reside in an Apartment, the Resident may terminate the Residency and Care Agreement for any reason after the Rescission Period but prior to the Occupancy Date upon written notice to the Company. In the event of such termination, the Resident shall be entitled to a refund of all monies paid to the Company, except, as the case may be, the Community Fee, the Apartment Selection Fee, and any costs or other charges that the Resident and the Company agree in advance are non-refundable.
  - iii. General Termination Right. The Resident may terminate this Agreement at any time for any reason by giving the Company thirty (30) days’ written notice signed by the Resident (or both of them if there are two Residents). In the event of termination by the Resident for reasons other than those permitted in this Agreement, the Resident shall pay the Company for all Optional Services rendered by the Company to the Resident through the date of termination and shall continue to be liable for the Monthly Service Fee until the date that all of the Resident’s personal belongings are removed from the Apartment. In addition, the Resident shall be responsible for payment of liquidated damage of one month’s rental charge, calculated at the existing market rate.

b. Termination by Death or Serious Illness

- i. Termination by Death or Serious Illness Prior to the Occupancy Date. If, prior to the Occupancy Date, the Resident dies or is precluded from living in the CCRC under the terms of this Agreement as a result of serious illness, injury, non-qualification or incapacity, this Agreement will automatically terminate. In the event this Agreement is terminated as provided for in this subsection, the Resident or the Resident's estate shall be entitled to a refund of any amounts paid to the Company, except, as the case may be, a service charge of One Thousand Dollars (\$1,000.00) and for costs or other charges that the Resident and the Company agree in advance are non-refundable. Such refund shall be paid by the Company within thirty (30) days after this Agreement is terminated pursuant to this subsection. The foregoing notwithstanding, if there is more than one Resident, this Agreement will continue to be binding on the surviving or eligible Resident until this Agreement is terminated as to or by the surviving Resident as provided for herein.
- ii. Termination by Death or Serious Illness After the Occupancy Date. If the Resident dies after the Occupancy Date or the Resident is precluded from living in the CCRC under the terms of this Agreement as a result of serious illness, injury, or incapacity and the serious illness, injury or incapacity is not otherwise addressed by the provisions of Section 6, then this Agreement shall terminate. In such event, the Resident or the estate of the Resident shall pay for any Optional Services rendered to the Resident through the date of termination and shall continue to be liable for the Monthly Service Fee until the date that all of the Resident's personal belongings are removed from the Apartment and the Apartment can be made ready for re-occupancy. The foregoing notwithstanding, if there is more than one Resident, this Agreement will continue to be binding on the surviving or eligible Resident until this Agreement is terminated as to or by the surviving Resident as provided for herein.

c. Termination by the Company

- i. Termination by the Company Prior to the Occupancy Date. If, in the Company's sole discretion, the Resident does not satisfy the criteria for occupancy in the CCRC, this Agreement shall terminate upon the Company's notification to the Resident of non-approval. In such event, all amounts paid to the Company shall be refunded to the Resident within thirty (30) days after the Company provides the Resident notice of non-approval.
- ii. Termination by the Company after the Occupancy Date. The Company may terminate this Agreement upon thirty (30) days written notice to the Resident in the event of the following:

- (1) The Resident fails to make payments to the Company of any amounts when due and such failure is not cured within fifteen (15) days after notice is given to the Resident;
- (2) The Resident consistently fails to comply with any term of this Agreement not involving the payment of money or any provisions of the Rules and Regulations and the Resident fails to cure such non-compliance within seven (7) days after written notice from the Company; or
- (3) The Resident or the Resident's authorized representative makes a material misrepresentation or omission in the information provided to the Company for its consideration of the Resident for residency in the CCRC.

- iii. Immediate Termination. If the Company determines in its sole and absolute discretion that the Resident's behavior interferes with or threatens to interfere with the safety of the Resident or the quiet enjoyment or safety of other residents, visitors and/or staff of the CCRC, or if the Resident's behavior is a detriment to other residents, visitors, and/or staff of the CCRC, the Company may immediately terminate this Agreement and the Resident shall promptly vacate the Apartment. In such event, the Resident shall pay the Company for all Optional Services rendered by the Company through the date of termination and shall continue to be liable for the Monthly Service Fee until all of the Resident's personal belongings are removed from the Apartment.
- iv. Effect of Termination by the Company after the Occupancy Date. In the event the Company terminates this Agreement after the Occupancy Date pursuant to subsection c.ii or c.iii above, the Resident shall promptly vacate the Apartment, but shall pay the Company for all Optional Services rendered by the Company through the date of termination and shall continue to be liable for the Monthly Service Fee until the date that all of the Resident's personal belongings are removed from the Apartment.

9. Miscellaneous

- a. Entire Agreement. This Agreement contains the entire agreement between the Resident and the Company. All prior discussions, agreements and negotiations are superseded by this Agreement.
- b. Successors and Assigns. The rights and privileges of the Resident under this Agreement, including but not limited to the right to and use the facilities of the CCRC under the terms of this Agreement, may not be transferred or assigned under any circumstances. The Company may transfer or assign this Agreement without the consent of the Resident. Except as provided for herein, this Agreement shall bind and inure to the benefit of the successors and assigns of the Company and to

the heirs, executors, personal representatives, any attorney-in-fact and administrators of the Resident.

- c. Severability. If any provisions of this Agreement are held to be invalid or unenforceable, such invalidity or unenforceability will not affect any other provision of this Agreement and this Agreement shall be construed and enforced as if such provision had not been included.
- d. Indemnity. The Resident shall indemnify, defend and hold the Company harmless from any and all claims, damages or expenses, including attorney's fees and court costs, resulting from any injury or death to persons or damage to property caused by, resulting from, attributable to or in any way connected to the Resident's negligence or intentional act or omission.
- e. Joint and Several Liability. If there is more than one Resident, the rights and obligations of each of the Residents are joint and several, unless otherwise provided in this Agreement.
- f. Notice Provisions. Any notices, consents or other communications to the Company shall be in writing and addressed to all of the following parties:

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

The Resident's address for the purpose of receiving notice under this Agreement prior to the Occupancy Date will be the address following the Resident's signature below. The address of the Resident for purposes of receiving notice under this Agreement after the Occupancy Date shall be the address of the Apartment.

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

Initials          Resident          \_\_\_\_\_  
  
                         Resident          \_\_\_\_\_

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



[Signatures begin on following page]

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

**RESIDENT:**

Print Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**RESIDENT:**

Print Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**CAROLINA BAY OF WILMINGTON, LLC**

By: \_\_\_\_\_  
\_\_\_\_\_, Authorized Representative

Date: \_\_\_\_\_

**EXHIBIT A – FEE SCHEDULE**

**Resident Name(s)** \_\_\_\_\_

**Unit #** \_\_\_\_\_

**Agreement Date** \_\_\_\_\_

<b>Fees Paid at Apartment Selection Execution:</b>	<b>Amount</b>
Apartment Selection Fee	
Community Fee	
Other Fees (specify):	
<b>Total amount paid at Apartment Selection Agreement execution</b>	<b>\$</b>

<b>Fees Due at Residency and Care Agreement Execution:</b>	<b>Amount</b>
Security Deposit Fee	
Less: Priority Partner Fee previously paid	(                    )
Other Fees (specify):	
<b>Total amount due at Residency and Care Agreement execution</b>	<b>\$</b>

<b>Monthly Fees:</b>	<b>Amount</b>
First Person Service Fee	
Second Person Service Fee	
Other Fees (specify):	
<b>Total monthly fees</b>	<b>\$</b>

Note that the above-listed fees do not include fees for occupancy in the Healthcare Center that are described in Section 7 of the Agreement. In addition, fees for non-recurring Optional Services selected by the Resident shall be in the amount set forth in the schedule of fees provided by the Company.

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

Initials	Resident	_____
	Resident	_____

EXHIBIT F

HISTORICAL AVERAGE DOLLAR AMOUNT OF INCREASES IN FEES

The following table is presented in accordance with North Carolina General Statute Section 58-64-20(a)(7)e. regarding Continuing Care Retirement Communities' Disclosure Statement requirement to show the frequency and average dollar amount of increase in the weighted average Monthly Service Fees for independent living units (Apartments and Garden Flats), Adult Care Home Beds, and Daily Service Fees for Skilled Nursing Beds at the Community for the previous five years.

	Effective 1/1/2017	Effective 1/1/2018	Effective 1/1/2019	Effective 1/1/2020	Effective 1/1/2021
<b>Independent Living Units (Monthly Fees):</b>					
<b>Apartments:</b>					
One-bedroom	\$ 151	\$ 115	\$ 122	\$ 167	\$ 177
One bedroom with den	\$ 176	\$ 114	\$ 138	\$ 190	\$ 205
Two-bedroom	\$ 181	\$ 132	\$ 145	\$ 199	\$ 216
Two-bedroom with den	\$ 427	\$ 185	\$ 176	\$ 242	\$ 252
Second person fee	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Garden Flat Apartments<sup>(1)</sup>:</b>					
Two-bedroom	\$ -	\$ 275	\$ 180	\$ 247	\$ 143
Two-bedroom with den	\$ -	\$ 108	\$ 195	\$ 517	\$ 280
Second person fee	\$ -	\$ 50	\$ -	\$ -	\$ -

Independent living fees are revised annually effective January 1 and adjusted throughout the year at the time of each individual resident's contract renewal.

	Effective 7/1/2017	Effective 7/1/2018	Effective 7/1/2019	Effective 7/1/2020	Effective 7/1/2021
<b>Healthcare Center:</b>					
<b>Assisted Living Units (Monthly Fees):</b>					
Memory care	\$ -	\$ (334)	\$ 871	\$ 349	\$ 219
Standard	\$ -	\$ (334)	\$ 633	\$ 286	\$ 259
Second person fee	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Skilled Nursing Beds (Daily Fees):</b>					
Private	\$ (31)	\$ 17	\$ 22	\$ 4	\$ 9

<sup>(1)</sup> Opened original 12 Garden Flat Apartments in 2017; opened an additional 12 Garden Flat Apartments in May 2020