



Disclosure Statement

May 31, 2024

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

Quail Haven Village, like all other continuing care retirement communities in the state of North Carolina, is subject to an article concerning licensure and disclosure. In accordance with Chapter 58, Article 64 of the North Carolina General Statutes of the State of North Carolina: Unless earlier revised, Quail Haven Village intends for this Disclosure Statement to remain effective for up to one (1) year through May 31, 2025. Quail Haven village must deliver a Disclosure Statement to a prospective member prior to or at the time a prospective resident executes a residency agreement or at the time a prospective resident transfers any money or other property to Quail Haven Village, whichever occurs first. 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

Quail Haven Village (the “CCRC” or the “Community”) is a continuing care retirement community which offers its residents (“Residents”) seventy-nine (79) independent living rental apartments (each an “Apartment”) located in independent living buildings (the “Independent Living Buildings”), a wide array of services, a clubhouse (the “Clubhouse”), and the security of access to adjacent twelve (12) family care home units located in two (2) six-bed buildings (the “Family Care Homes”) and sixty (60) skilled nursing beds located in a healthcare building (the “Healthcare Center”). The Community is situated on an approximately 18-acre campus located in Pinehurst, North Carolina (the “Site”). As of April 30, 2023, there were eighty-four (84) Residents under Residency and Care Agreements. As of December 31, 2023, there were one-hundred-thirty-six (136) total residents, eighty-eight (88) independent living residents, eleven (11) assisted living residents and forty-three (43) skilled nursing residents.

II. Organization, Ownership and Management

A. Organization

Quail Haven of Pinehurst, LLC (“Quail Haven Pinehurst”) is a North Carolina for-profit limited liability company formed for the purpose of leasing and operating independent living units of the CCRC. Quail Haven Pinehurst is owned by Liberty Senior Living, LLC (“Liberty Senior Living”), a North Carolina limited liability company. The business address of Liberty Senior Living is 2334 S. 41st Street; Wilmington, North Carolina 28403. Liberty Senior Living is owned by Liberty Healthcare Group, LLC (“Liberty Healthcare Group”), a North Carolina limited liability company.

Quail Haven Healthcare Center of Pinehurst, LLC (“Quail Haven Healthcare”) is a North Carolina for-profit limited liability company formed for the purpose of leasing and operating the Healthcare Center of the CCRC. Quail Haven Healthcare is owned by Liberty Senior Living. Liberty Senior Living is owned by Liberty Healthcare Group.

B. Facility Ownership

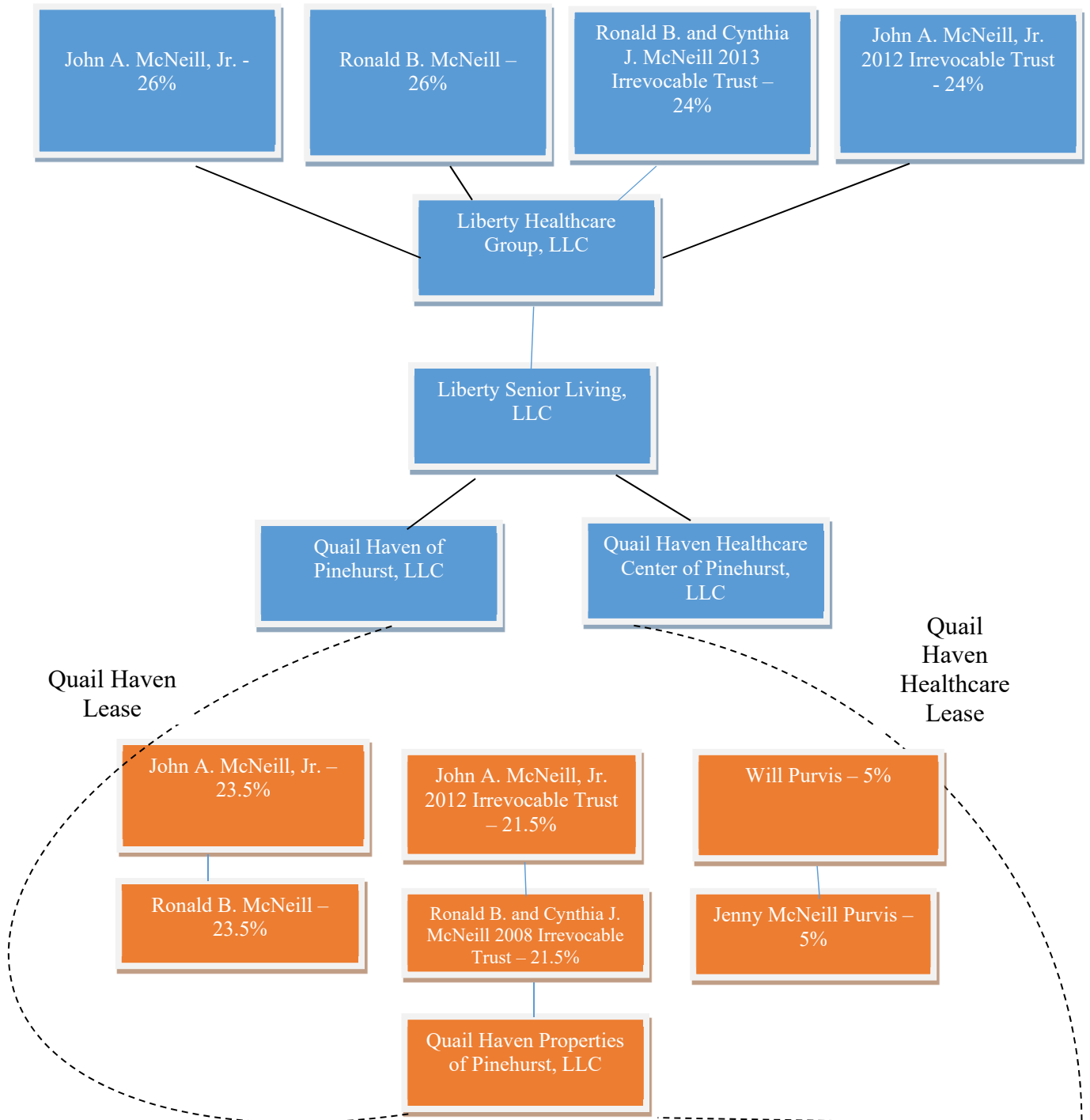
Quail Haven Properties of Pinehurst, LLC (“Quail Haven Properties”) is a North Carolina for-profit limited liability company formed for the purpose of developing and owning real property and the buildings of the CCRC.

Quail Haven Properties have executed separate lease agreements with Quail Haven Pinehurst and Quail Haven Healthcare, under which Quail Haven Pinehurst and Quail Haven Healthcare make lease payments to Quail Haven Properties for use and operation of the Independent Living Buildings, the Clubhouse, the Family Care Homes, the Healthcare Center, and the associated common areas. The lease agreements have terms of ten (10) years with options to renew the leases for two additional terms of five (5) years each.

In March 2020, the North Carolina Department of Insurance issued a Continuing Care Retirement Community License to Quail Haven Pinehurst, Quail Haven Healthcare Center, and Quail Haven Properties (individually and collectively the “Company”) as co-providers.

See the organization/ownership chart below.

Organization/Management Chart



C. Healthcare

The CCRC provides Residents temporary or permanent assisted living and skilled nursing services in the beds located within the Family Care Homes and Healthcare Center, respectively. The CCRC is licensed for twelve (12) family care home beds (the “Family Care Home Beds”) located in two (2) six-bed buildings. The Healthcare Center is licensed for sixty (60) skilled nursing beds. Twenty-five (25) of the skilled nursing beds are reserved for the Residents of the Independent Living Buildings (the “Closed Beds”). The Family Care Home Beds and the remaining Healthcare Center beds are available to the public (the “Open Beds”). In the event that the Closed Beds are fully occupied, the Resident will be given priority access to the available Open Beds.

D. Management

Quail Haven Pinehurst and Quail Haven Healthcare operate the CCRC. No other person or entity referred to herein has assumed any financial responsibility for the fulfillment of Quail Haven Pinehurst and Quail Haven Healthcare’s agreements or obligations, except as otherwise stated. Liberty Healthcare Group, LLC, Quail Haven of Pinehurst, LLC and Quail Haven Healthcare Center of Pinehurst, LLC are all guarantors to the Quail Haven village loan.

Liberty Living Management, LLC

Liberty Living Management, LLC (“Liberty Living Management”) has executed separate management agreements in which Quail Haven Pinehurst and Quail Haven Healthcare pay a management fee of five percent (5%) and six percent (6%), respectively, of net revenues to a related party who provides management services to the Company. Liberty Living Management’s headquarters are at 2334 S. 41st 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 health care insurance reimbursement expertise. 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, Florida, Louisiana 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 and an institutional special need plan (ISNP), entitled Liberty Advantage. 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. 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 39 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 daughter.

5. Melissa Godwin

Melisa Godwin, RN, LNHA provides operational support to Liberty Living Management team in the role of Regional Operations Manager. Melissa is a native of Eastern North Carolina and has had the privilege of working with Seniors for over 27 years. As an RN and Licensed Nursing Home Administrator, Melissa has served in both clinical and operational roles. With a passion for customer service and employee development, she is committed to helping Liberty Living communities thrive. Melissa currently serves as a member of the Standards & Ethics Committee through the NCHCFA.

Facility Management

Crystal Hofstetter, RN, LNHA. Crystal Hofstetter serves as the Executive Director of Quail Haven Village. Crystal is a North Carolina native who attended Sandhills Community College. She has worked in long-term care for over 16 years and joined Liberty Healthcare Group in 2016. She served as the Director of Nursing for the Healthcare Center prior to assuming the Executive Director position in 2020.

E. Related Parties

The CCRC is managed and operated by various related parties pursuant to agreements entered into between those parties and the CCRC. These transactions are also 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 18-acre site, having an address of 155 Blake Boulevard in Pinehurst, North Carolina.

B. Layout and Types of Accommodations

Accommodations include seventy-nine (79) one-story garden apartments within the Independent Living Buildings with one and two bedroom floor plans that range from approximately 520 to 1,400 square feet. The CCRC is able to accommodate up to one hundred fifty-eight (158) Residents, all of whom will be 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 are to be 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, wireless internet, and card rooms, and a multi-purpose room.
2. Fitness Center. Residents receive a membership to the First Health Fitness Center of Pinehurst or Southern Pines (collectively the "Fitness Center"), which 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 water heater; a 24-hour emergency call system and other permanent fixtures. All other appliances and furnishings for the Apartments not listed above, shall be provided by the Resident.
 2. Utilities. Included with residency in an Apartment are heating, air conditioning, water, sewer, gas, electricity, satellite cable television, trash removal and pest control.
 3. Meals. All Residents shall be provided with one (1) meal per day in the Clubhouse dining room.
 4. Housekeeping 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 for use 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 Community 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.
 8. Use of the Fitness Center. As part of the Monthly Service Fee, the Resident will be provided with membership to the Fitness Center.

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 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 or ("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 Housekeeping Service. If a Resident requests or requires housekeeping services in addition to those provided as a Basic Service, the Company may provide such services when and if staff is available to provide such services in accordance with a published fee schedule.
 6. Salon Services. Salon services in the Beauty Salon will be charged directly to the

Resident in accordance with a published fee schedule.

7. Upgraded Television Channels. Upgraded television channels, if available, may be made available to the Resident 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, if available.
10. Home Care Services. Home care services from a licensed team of caregivers are available to Residents through the CCRC’s Home Care Services Program in accordance with a published fee schedule. Home care services range from medication management to personal care assistance.

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 other provider of healthcare services and (ii) releases the Company from liability for any such claims, damages or expenses.

V. **Expansion/Development**

There are no ongoing or proposed expansion or development projects.

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 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 personal 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 ("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, such 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. Residents shall be required to pay the Monthly Service Fee and other fees as set forth in the Residency and Care Agreement. Fees payable by the Residents are described in more detail 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 Residence and Care Agreement. If the second occupant does not meet the requirements for residency, or does not execute a Residency and Care Agreement, he or she shall not be permitted to occupy the Apartment.

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 but not limited to, sidewalks, driveways, patios and balconies) or any other building or location in or on the Community'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. 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 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, each 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 rights 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 rescission, 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 the Residency and Care 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 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 the Occupancy Date upon prior 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.

(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, 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, 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 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 is a list of the fees and charges expected to be charged to the Residents of the CCRC:

- A. Priority Deposit. At the time the Priority Partner Agreement is executed, 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 one 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, nonrefundable fee (except as defined in the Residency and Care Agreement) which entitles the Resident priority access to all services and amenities of the Community. A 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, Residents shall pay 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 Fees 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 at 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 Company 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 the 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 (5th) 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 skilled nursing 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 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, 2023 are included as Exhibit A.
- B. Actual versus Forecasted Results. A narrative of material differences between the previously forecasted financial statements and actual results of operations for the year ended December 31, 2023 for the Company are included as Exhibit B.
- C. Interim Financial Statements. Interim financial statements for the three-month period ended March 31, 2024 for the Company are included as Exhibit C.
- D. 5-Year Prospective Financial Statements. Financial projections for each of the five years ending December 31, 2028 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 CCRC 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 North Carolina Department of Insurance 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]

QUAIL HAVEN VILLAGE

COMBINED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

As of and for the Year Ended December 31, 2023

And Report of Independent Auditor

QUAIL HAVEN VILLAGE
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Report of Independent Auditor

To the Members
Quail Haven Village
Wilmington, North Carolina

Opinion

We have audited the accompanying combined financial statements of Quail Haven Village (the “Company”), a group of entities under common control, which comprise the combined balance sheet as of December 31, 2023, 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.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Combined Financial Statements* section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2 to the combined financial statements, the Company changed its method of accounting for credit losses as of January 1, 2023, due to the adoption of Accounting Standards Update 2016-13, *Financial Instruments – Credit Losses (Topic 326)*. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern within one year after the date that the combined financial statements are available to be issued.

Auditor’s Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

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

Cherry Bekaert LLP

Atlanta, Georgia
May 15, 2024

QUAIL HAVEN VILLAGE
COMBINED BALANCE SHEET

DECEMBER 31, 2023

ASSETS

Current Assets:

Cash	\$ 234,343
Restricted cash	157,218
Resident accounts receivable, net	662,781
Accounts receivable - other	7,132
Inventories	15,100
Prepaid expenses	152,834
Total Current Assets	<u>1,229,408</u>

Property and Equipment, Net

8,683,403

Noncurrent Assets:

Intangible asset	1,194,465
Accounts receivable - related parties	4,171,695
Other assets	30,112
Total Noncurrent Assets	<u>5,396,272</u>

Total Assets

\$ 15,309,083

LIABILITIES AND MEMBERS' EQUITY

Current Liabilities:

Current portion of long-term debt and financing leases	\$ 282,789
Resident accounts payable	63
Deferred revenue	83,562
Accrued expenses and other payables	1,234,069
Total Current Liabilities	<u>1,600,483</u>

Noncurrent Liabilities:

Accounts payable - related parties	4,746,152
Long-term debt and financing leases, net	8,010,393
Total Noncurrent Liabilities	<u>12,756,545</u>

Total Liabilities

14,357,028

Members' Equity

952,055

Total Liabilities and Members' Equity

\$ 15,309,083

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

QUAIL HAVEN VILLAGE**COMBINED STATEMENT OF OPERATIONS AND CHANGES IN MEMBERS' EQUITY**

YEAR ENDED DECEMBER 31, 2023

Revenue:	
Resident revenue - Independent living	\$ 3,538,175
Resident revenue - Assisted living	855,692
Resident revenue - Skilled nursing	6,587,548
Other revenue	59,688
Community fee amortization	49,505
Total Revenue	<u>11,090,608</u>
Expenses:	
Resident services - Independent living	191,598
Resident services - Assisted living	536,769
Resident services - Skilled nursing	3,899,365
Dietary	1,586,424
Laundry	70,770
Housekeeping	338,594
Plant operations	1,070,133
Physical plant	371,071
General and administrative	1,292,673
Management fees	623,143
Interest	254,935
Depreciation and amortization	102,841
Total Expenses	<u>10,338,316</u>
Net income	752,292
Members' equity, beginning of year	176,000
Contributions	100,000
Cumulative effect of adoption of ASC 326 (Note 2)	(76,237)
Members' equity, end of year	<u>\$ 952,055</u>

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

QUAIL HAVEN VILLAGE
COMBINED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2023

Cash flows from operating activities:

Net income	\$ 752,292
Adjustments to reconcile net income to net cash flows from operating activities:	
Depreciation and amortization	102,841
Amortization of debt issuance costs	3,631
Changes in operating assets and liabilities:	
Resident accounts receivable, net	(73,425)
Accounts receivable - other	152,521
Prepaid expenses	17,306
Accounts receivable - related parties	(2,190,022)
Other assets	330,638
Resident accounts payable	63
Accrued expenses and other payables	(16,210)
Deferred revenue	(76,795)
Accounts payable - related parties	390,664
Net cash flows from operating activities	<u>(606,496)</u>

Cash flows from investing activities:

Purchases of property and equipment	<u>(358,481)</u>
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Cash flows from financing activities:

Principal payments on long-term debt	(272,228)
Contributions from officers/members	100,000
Payments on financing leases	<u>(3,755)</u>
Net cash flows from financing activities	<u>(175,983)</u>

Net change in cash and restricted cash	(1,140,960)
Cash and restricted cash, beginning of year	<u>1,532,521</u>
Cash and restricted cash, end of year	<u>\$ 391,561</u>

Supplemental disclosure of cash flow information:

Cash paid during the year for interest	<u>\$ 251,303</u>
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Reconciliation of cash and restricted cash to the combined balance sheet:

Cash and restricted cash per combined balance sheet	\$ 234,343
Restricted cash per combined balance sheet	<u>157,218</u>
	<u>\$ 391,561</u>

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

QUAIL HAVEN VILLAGE

NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2023

Note 1—Nature of operations

Nature of Operations – Quail Haven Village (the “Company” or “CCRC”) is an economic entity comprised of three individual companies listed below. The Company provides senior living services in Pinehurst, North Carolina. Services include providing and maintaining an independent living retirement community, assisted living services, skilled nursing care, and supporting services. The Company was acquired and began operations in November 2013. In 2020, the North Carolina Department of Insurance (“NC DOI”) approved a modification in the continuing care retirement community (the “CCRC”) license to include all three of the following companies as co-providers.

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

Quail Haven of Pinehurst, LLC (“Quail Haven Pinehurst”) is a North Carolina for-profit limited liability company formed for the purpose of leasing and operating independent living units. Quail Haven Pinehurst is owned by Liberty Senior Living, LLC, a North Carolina limited liability company. Liberty Senior Living, LLC is owned by Liberty Healthcare Group, LLC (“Liberty Healthcare”), a North Carolina limited liability company.

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

Quail Haven Properties owns two six-bed family care homes and holds the certificate of need (“CON”) for 60 skilled nursing beds, including 25 closed beds reserved for independent living residents, the value of which is recorded as an intangible asset on Quail Haven Properties.

Note 2—Summary of significant accounting policies

Principles of Combination – The combined financial statements include the accounts of the limited liability companies noted above (Quail Haven Pinehurst, Quail Haven Properties, and Quail Haven Healthcare), all of which are owned and controlled by the members of the limited liability companies. All significant inter-company accounts and transactions have been eliminated, including right of use asset and right of use lease liability amounts. 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 accounting principles generally accepted in the United States of America (“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 period. Actual results could differ from those estimates.

No assets or liabilities (real or contingent) of the individual members of any of the limited liability companies are included in the combined financial statements of the Company. 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, 2023.

QUAIL HAVEN VILLAGE

NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2023

Note 2—Summary of significant accounting policies (continued)

Restricted Cash – Restricted cash is comprised of patient trust funds and refundable security deposits (the “Security Deposits”) received from current residents and refundable priority deposits (the “Priority Deposits”) received from future residents, which are held in accordance with statute, law, and regulation of the federal, state, and local government. The Priority Deposits 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 is included within accrued expenses and other payables on the combined balance sheet and totaled \$153,645 as of December 31, 2023.

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

Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets. Depreciation and amortization amounted to \$102,841 for the year ended December 31, 2023.

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

Buildings and improvements	5 to 40 years
Land improvements	5 to 15 years
Furniture and fixtures	5 to 20 years
Leasehold improvements	Lesser of 40 years or the lease term
Equipment	3 to 20 years

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. Unamortized debt issuance costs are included as a reduction to related debt liabilities.

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 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.

QUAIL HAVEN VILLAGE

NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2023

Note 2—Summary of significant accounting policies (continued)

The Company also collects a one-time upfront nonrefundable community fee. The community fee is a one-time fee equivalent to one Monthly Service Fee and becomes non-refundable 30 days after the resident signs the Residency and Care Agreement (the “Rescission Period”). The community fee is initially recorded as deferred revenue, then recognized as revenue at the end of the Rescission Period.

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 payor programs which include Medicare, Medicaid, and other third party payors. Settlements with third party payors 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 payor, correspondence with the payor 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 842, *Leases*. The amount of revenue recorded under this guidance was approximately \$3,538,175 and there would be no difference in how the revenue would be recognized under ASC 606 or ASC 842.

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, donated funds, and prepaid resident/patient revenue totaling \$5,500, \$20,222, and \$57,840 respectively, as of December 31, 2023 and is recorded as deferred revenue on the combined balance sheet. There were no contract assets as of December 31, 2023.

Resident Accounts Receivable, Net – Receivables from residents, insurance companies, and third party contractual agencies are recorded at regular resident service rates, net of estimated contractual adjustments and credit losses. Contractual adjustments are estimated based on the terms of third party insured contracts and arrangements. The allowance for credit losses is based on the Company’s assessment of the collectability of resident accounts receivable. In accordance with ASC Topic 326: *Financial Instruments – Credit Losses*, the Company makes ongoing estimates relating to the collectability of resident receivables and records an allowance for estimated losses expected from the inability of its residents to make required payments. The Company establishes expected credit losses by evaluating historical levels of credit losses, current economic conditions that may affect a resident’s ability to pay, and creditworthiness. These inputs are used to determine a range of expected credit losses and an allowance is recorded within the range. Accounts receivable is stated in the amount management expects to collect from outstanding balances.

Income Taxes – The Company, with the consent of its members, has elected under the Internal Revenue Code to be taxed essentially as a partnership. In lieu of corporate federal income taxes, the members of a limited liability company are taxed on their proportionate share of the Company’s taxable income. Management has evaluated the effect of the guidance provided by U.S. GAAP on Accounting for Uncertainty in Income Taxes. Management has evaluated all other tax positions that could have a significant effect on the combined financial statements and determined the Company had no uncertain income tax positions at December 31, 2023.

QUAIL HAVEN VILLAGE
NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2023

Note 2—Summary of significant accounting policies (continued)

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, 2023.

Impairment of Long-Lived Assets – The Company reviews the carrying value of its long-lived assets such as property and equipment, 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. Based on results of this review, property and equipment were not impaired as of December 31, 2023.

Operating Reserves – CCRCs located in North Carolina are licensed and monitored by the 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 NC DOI, 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 the North Carolina General Statute operating reserve requirement for 2023, the Company maintained an irrevocable standby letter of credit throughout the year. At December 31, 2023, the amount of the letter of credit was \$5,617,000.

Credit Concentrations – The Company places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts. During the year ended December 2023, the Company from time to time may have had amounts on deposit in excess of the insured limits.

The Company grants credit without collateral to its patients and residents, most of who are insured by third party payors. The mix of receivables from patients and third party payors at December 31, 2023 was as follows:

Medicare	60%
Medicaid	24%
Commercial insurance/private pay/other	16%
	<hr/>
	100%
	<hr/>

QUAIL HAVEN VILLAGE
NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2023

Note 2—Summary of significant accounting policies (continued)

The Company's mix of revenue sources for the year ended December 31, 2023 was as follows:

Medicare	21%
Medicaid	18%
Commercial insurance/private pay/other	61%
	<hr/>
	100%
	<hr/>

Advertising Costs – Advertising costs are expensed in the period incurred and totaled \$209,655 for the year ended December 31, 2023.

Residence and Care Agreement –

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

Admittance Standards – To be accepted for admission to the independent living units at the CCRC, each prospective resident must be at least 62 years of age at the time residency is established, have financial assets adequate to pay the admission fee, and have sufficient income to meet the anticipated monthly fee and other personal expenses not provided under the Residency Agreement. A reservation requires a signed Residency Agreement and the payment of a one-time 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 – The initial Residency Agreement is for a term of 13 months. After the initial term, the resident has the option, each year, of executing another Residency Agreement for 13 months. If another 13-month Residency Agreement is not executed, the Residency Agreement will expire at the end of the term.

Termination by the Resident Prior to Occupancy – The resident may terminate the Residency Agreement prior to moving into the CCRC for any reason at any time by giving written notice. The community fee will be refundable at termination during the 30-day rescission period defined in the Residency Agreement. After the rescission period, the community fee becomes non-refundable.

Termination by the Resident after Occupancy – The resident may terminate the Residency 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 Residency Agreement prior to the expiration of the initial term or renewal term, then the resident will be obligated to pay the monthly fee throughout the remainder of the term until the later of (i) removal of possessions from the apartment and key return to administration or (ii) re-occupancy of the apartment by a new resident.

QUAIL HAVEN VILLAGE
NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2023

Note 2—Summary of significant accounting policies (continued)

The Residency 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 date of death to remove personal property from the apartment. The resident's estate will be obligated to pay the monthly fee until the removal of possessions from the apartment and key return to administration.

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

New Accounting Pronouncement – In June 2016, FASB issued Accounting Standards Update (“ASU”) 2016-13 *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which requires certain financial assets to be measured at amortized cost net of an allowance for estimated credit losses, such that the net receivable represents the present value of expected cash collection. The new rules also require certain financial assets be measured at amortized cost reflecting an allowance for estimated credit losses that are expected to occur over the life of the assets. This estimate must be based on all relevant information, such as historical information, current conditions, and reasonable and supportable forecasts that could impact the collectability of the amounts. The standard is effective for the Company for the year ending December 31, 2023. The Company adopted this ASU effective January 1, 2023, using the new modified retrospective approach. The Company recognized the cumulative effect of initially adopting the new credit loss standard to its accounts receivable by recording a \$76,237 adjustment to the opening balance of members' equity. There was no significant impact to the Company's operating results for the current period due to this standard.

Note 3—Property and equipment, net

Property and equipment, net at December 31, 2023 consisted of the following:

	Quail Haven Pinehurst	Quail Haven Healthcare	Quail Haven Properties	Total
Buildings and improvements	\$ -	\$ -	\$ 9,073,199	\$ 9,073,199
Land and land improvements	-	-	700,001	700,001
Furniture and fixtures	-	13,598	645,736	659,334
Leasehold improvements	924,143	193,239	-	1,117,382
Equipment	208,644	396,856	48,017	653,517
	<u>1,132,787</u>	<u>603,693</u>	<u>10,466,953</u>	<u>12,203,433</u>
Less accumulated depreciation	<u>(334,364)</u>	<u>(354,956)</u>	<u>(2,930,389)</u>	<u>(3,619,709)</u>
	798,423	248,737	7,536,564	8,583,724
Construction-in-progress	99,679	-	-	99,679
Property and equipment, net	<u>\$ 898,102</u>	<u>\$ 248,737</u>	<u>\$ 7,536,564</u>	<u>\$ 8,683,403</u>

QUAIL HAVEN VILLAGE
NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2023

Note 4—Intangible asset

Intangible asset (indefinite-lived) consisted of the following at December 31, 2023:

Certificate of need	<u>\$ 1,194,465</u>
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Note 5—Long-term debt and financing leases

Long-term debt for the Company consisted of the following at December 31, 2023:

Note payable bearing interest at a fixed rate of 2.93% due in monthly installments of principal and interest of \$43,614 for the period of September 2020 through July 2027 and a final payment of \$7,432,388 due upon the maturity date of August 25, 2027. This note is collateralized by the assignment of rents, profits, and leases and a Uniform Commercial Code security interest in the Personal Property as defined in the Deed of Trust.	\$ 8,306,198
Less unamortized debt issuance costs	13,016
Less current installments of long-term debt	<u>282,789</u>
Long-term debt	<u>\$ 8,010,393</u>

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

Years Ending December 31,

2024	\$ 282,789
2025	291,187
2026	299,834
2027	<u>7,432,388</u>
	<u>\$ 8,306,198</u>

Interest expense amounted to \$254,935 for the year ended December 31, 2023 including \$3,631 of amortization of debt issuance costs.

Future amortization of debt issuance costs at December 31, 2023 is as follows:

Years Ending December 31,

2024	\$ 3,632
2025	3,632
2026	3,632
2027	<u>2,120</u>
	<u>\$ 13,016</u>

Certain loan agreements contain customary affirmative and negative covenants. Management is not aware of any violations of its covenants at December 31, 2023.

QUAIL HAVEN VILLAGE

NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2023

Note 6—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, 2023, total receivables and payables to related parties were \$4,171,695 and \$4,746,152, respectively.

Quail Haven Pinehurst and Quail Haven Healthcare have entered into a management agreement in which Quail Haven Pinehurst and Quail Haven Healthcare pay a management fee of 5% and 6%, respectively, of net revenues to Liberty Living Management, a related party who provides management services to the Company. These fees totaled \$623,143 for the year ended December 31, 2023.

Note 7—Leases

Quail Haven Properties leases real estate which includes office space, nursing homes, and long-term care centers to Quail Haven Pinehurst and Quail Haven Healthcare (the “Lessees”) under the terms of the Operating Lease Agreements (the “Operating Leases”) effective September 18, 2013. The Operating Leases expired on October 31, 2023, and the Lessees have the option to renew for two additional terms of five years each. The operating Leases were renewed for one additional term of five years that expires on October 31, 2028. Renewal and termination clauses are factored into the determination of the lease term since it is reasonably certain that these options would be exercised by the Lessees.

Quail Haven Properties determines whether a contract contains a lease at inception by determining if the contract conveys the right to control the use of identified property and equipment for a period of time in exchange for consideration. Quail Haven Properties has elected to apply the practical expedient to account for lease and non-lease components as a single component, and all components qualify for this practical expedient as the timing and pattern of transfer of the lease and non-lease component are the same, and the lease would be classified as an operating lease if it were accounted for separately. Quail Haven Properties has determined that the leases are predominant in these contracts and are accounting for the combined leases as operating leases under ASC 842.

The presentation is dependent on lease classification. However, Quail Haven Properties only has operating leases from a lessor perspective. Assets leased by the Company under operating leases are presented as property and equipment in the Company’s combined balance sheet and depreciated over their estimated useful life.

The cost basis of land, buildings, and improvements and office furniture and equipment held under the terms of the lease agreement was \$10,466,953 and related accumulated depreciation was \$2,930,389 at December 31, 2023.

Quail Haven Properties receives rent payments directly from the Lessees. For the year ended December 31, 2023, the monthly payments were \$37,000 and \$13,000 for Quail Haven Pinehurst and Quail Haven Healthcare, respectively. According to the terms of the Operating Leases, the annual rent to be paid by the lessee will remain at a fixed rate throughout the remainder of the terms.

Total rental income for the year ended December 31, 2023 was \$600,000 for Quail Haven Properties and has been eliminated in the combined financial statements.

QUAIL HAVEN VILLAGE
NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2023

Note 7—Leases (continued)

Minimum future cash rentals due to Quail Haven Properties under the terms of the operating lease agreements are as follows:

<u>Years Ending December 31,</u>	<u>Quail Haven Pinehurst</u>	<u>Quail Haven Healthcare</u>	<u>Total</u>
2024	\$ 444,000	\$ 156,000	\$ 600,000
2025	444,000	156,000	600,000
2026	444,000	156,000	600,000
2027	444,000	156,000	600,000
2028	444,000	156,000	600,000
Thereafter	2,109,000	741,000	2,850,000
	<u>\$ 4,329,000</u>	<u>\$ 1,521,000</u>	<u>\$ 5,850,000</u>

Total rent expense incurred by the Quail Haven Pinehurst and Quail Haven Healthcare to Quail Haven Properties was approximately \$444,000 and \$156,000, respectively, for the year ended December 31, 2023, including amortization of the right-of-use asset of approximately \$233,129 and \$42,154, respectively. These amounts have been eliminated in the combined financial statements.

Note 8—Contingencies

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

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

Note 9—Pension plan

The Company offers a defined contribution plan to eligible employees as defined by the plan. The Company will match employee contributions at the discretion of management. The Company contributed \$32,490 for the year ended December 31, 2023.

Note 10—Subsequent events

The Company has evaluated subsequent events through May 15, 2024, in connection with the preparation of these combined financial statements, which is the date the combined financial statements were available to be issued. The Company is unaware of any subsequent events that should be recognized or disclosed in the combined financial statements.

SUPPLEMENTARY INFORMATION

QUAIL HAVEN VILLAGE
COMBINING BALANCE SHEET

DECEMBER 31, 2023

	Quail Haven of Pinehurst, LLC	Quail Haven Healthcare Ctr. of Pinehurst, LLC	Quail Haven Properties of Pinehurst, LLC	Eliminations	Total
ASSETS					
Current Assets:					
Cash	\$ 99,529	14,902	\$ 119,912	\$ -	\$ 234,343
Restricted cash	154,213	3,005	-	-	157,218
Resident accounts receivable, net	25,022	637,759	-	-	662,781
Accounts receivable - Quail Haven	2,191,429	5,141,614	189,231	(7,522,274)	-
Accounts receivable - other	684	6,448	-	-	7,132
Inventories	-	15,100	-	-	15,100
Prepaid expenses	149,192	53,642	-	(50,000)	152,834
Total Current Assets	<u>2,620,069</u>	<u>5,872,470</u>	<u>309,143</u>	<u>(7,572,274)</u>	<u>1,229,408</u>
Property and equipment, net	<u>898,102</u>	<u>248,737</u>	<u>7,536,564</u>	<u>-</u>	<u>8,683,403</u>
Noncurrent Assets:					
Intangible asset	-	-	1,194,465	-	1,194,465
Accounts receivable - related parties	496,445	3,201,249	474,001	-	4,171,695
Right of use asset	3,239,992	1,045,830	-	(4,285,822)	-
Other assets	44,849	-	675	(15,412)	30,112
Total Noncurrent Assets	<u>3,781,286</u>	<u>4,247,079</u>	<u>1,669,141</u>	<u>(4,301,234)</u>	<u>5,396,272</u>
Total Assets	<u><u>\$ 7,299,457</u></u>	<u><u>\$ 10,368,286</u></u>	<u><u>\$ 9,514,848</u></u>	<u><u>\$ (11,873,508)</u></u>	<u><u>\$ 15,309,083</u></u>

QUAIL HAVEN VILLAGE
COMBINING BALANCE SHEET (CONTINUED)

DECEMBER 31, 2023

	<u>Quail Haven of Pinehurst, LLC</u>	<u>Quail Haven Healthcare Ctr. of Pinehurst, LLC</u>	<u>Quail Haven Properties of Pinehurst, LLC</u>	<u>Eliminations</u>	<u>Total</u>
LIABILITIES AND MEMBERS' EQUITY (DEFICIT)					
Current Liabilities:					
Current portion of long-term debt and financing leases	\$ -	\$ -	\$ 282,789	\$ -	\$ 282,789
Resident accounts payable	63	-	-	-	63
Deferred revenue	41,276	42,286	50,000	(50,000)	83,562
Accrued expenses and other payables	443,221	788,448	2,400	-	1,234,069
Current portion of right of use lease liability	247,742	72,421	-	(320,163)	-
Accounts payable - Quail Haven	5,231,034	2,146,143	160,509	(7,537,686)	-
Total Current Liabilities	<u>5,963,336</u>	<u>3,049,298</u>	<u>495,698</u>	<u>(7,907,849)</u>	<u>1,600,483</u>
Noncurrent Liabilities:					
Accounts payable - related parties	1,140,642	3,555,815	49,695	-	4,746,152
Right of use lease liability, net of current portion	2,992,250	973,409	-	(3,965,659)	-
Long-term debt and financing leases, net	-	-	8,010,393	-	8,010,393
Total Noncurrent Liabilities	<u>4,132,892</u>	<u>4,529,224</u>	<u>8,060,088</u>	<u>(3,965,659)</u>	<u>12,756,545</u>
Total Liabilities	10,096,228	7,578,522	8,555,786	(11,873,508)	14,357,028
Members' Equity (Deficit)	<u>(2,796,771)</u>	<u>2,789,764</u>	<u>959,062</u>	<u>-</u>	<u>952,055</u>
Total Liabilities and Members' Equity (Deficit)	<u><u>\$ 7,299,457</u></u>	<u><u>\$ 10,368,286</u></u>	<u><u>\$ 9,514,848</u></u>	<u><u>\$ (11,873,508)</u></u>	<u><u>\$ 15,309,083</u></u>

QUAIL HAVEN VILLAGE**COMBINING STATEMENT OF OPERATIONS AND CHANGES IN MEMBERS' EQUITY**

YEAR ENDED DECEMBER 31, 2023

	Quail Haven of Pinehurst, LLC	Quail Haven Healthcare Ctr. of Pinehurst, LLC	Quail Haven Properties of Pinehurst, LLC	Eliminations	Total
Revenue:					
Resident revenue - Independent living	\$ 3,538,175	\$ -	\$ -	\$ -	\$ 3,538,175
Resident revenue - Assisted living	-	855,692	-	-	855,692
Resident revenue - Skilled nursing	-	6,587,548	-	-	6,587,548
Rent revenue	-	-	600,000	(600,000)	-
Other revenue	41,120	18,568	-	-	59,688
Community fee amortization	49,505	-	-	-	49,505
Total Revenue	<u>3,628,800</u>	<u>7,461,808</u>	<u>600,000</u>	<u>(600,000)</u>	<u>11,090,608</u>
Expenses:					
Resident services - Independent living	191,598	-	-	-	191,598
Resident services - Assisted living	2,938	533,831	-	-	536,769
Resident services - Skilled nursing	-	3,899,365	-	-	3,899,365
Dietary	1,006,981	579,443	-	-	1,586,424
Laundry	2,058	68,712	-	-	70,770
Housekeeping	104,038	234,556	-	-	338,594
Plant operations	763,561	306,572	-	-	1,070,133
Physical plant	471,302	224,486	-	(324,717)	371,071
General and administrative	690,539	588,158	13,976	-	1,292,673
Management fees	181,297	438,246	3,600	-	623,143
Interest	151	9	254,775	-	254,935
Depreciation and amortization	91,547	52,218	234,359	(275,283)	102,841
Total Expenses	<u>3,506,010</u>	<u>6,925,596</u>	<u>506,710</u>	<u>(600,000)</u>	<u>10,338,316</u>
Net Income	122,790	536,212	93,290	-	752,292
Members' equity, beginning of year	(2,919,561)	2,329,789	765,772	-	176,000
Contributions	-	-	100,000	-	100,000
Cumulative effect of adoption of ASC 326 (Note 2)	-	(76,237)	-	-	(76,237)
Members' equity, end of year	<u>\$ (2,796,771)</u>	<u>\$ 2,789,764</u>	<u>\$ 959,062</u>	<u>\$ -</u>	<u>\$ 952,055</u>

QUAIL HAVEN VILLAGE
COMBINING STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2023

	<u>Quail Haven of Pinehurst, LLC</u>	<u>Quail Haven Healthcare Ctr. of Pinehurst, LLC</u>	<u>Quail Haven Properties of Pinehurst, LLC</u>	<u>Eliminations</u>	<u>Total</u>
Cash flows from operating activities:					
Net income	\$ 122,790	\$ 536,212	\$ 93,290	\$ -	\$ 752,292
Adjustments to reconcile net income to net cash flows from operating activities:					
Depreciation and amortization	91,547	52,218	234,359	(275,283)	102,841
Amortization of debt issuance costs	-	-	3,631	-	3,631
Changes in operating assets and liabilities:					
Resident accounts receivable, net	(20,300)	(53,125)	-	-	(73,425)
Accounts receivable - other	153,096	(3,991)	3,416	-	152,521
Prepaid expenses	31,552	(14,246)	-	-	17,306
Accounts receivable - related parties	(97,577)	(1,668,444)	(424,001)	-	(2,190,022)
Accounts receivable - Quail Haven	(465,141)	(404,937)	(49,231)	919,309	-
Other assets	266,783	48,443	-	15,412	330,638
Resident accounts payable	63	-	-	-	63
Accrued expenses and other payables	(23,730)	5,120	2,400	-	(16,210)
Lease liabilities	(233,129)	(42,154)	-	275,283	-
Accounts payable - Quail Haven	440,385	488,096	6,240	(934,721)	-
Deferred revenue	(41,511)	(35,284)	-	-	(76,795)
Accounts payable - related parties	88,967	301,697	-	-	390,664
Net cash flows from operating activities	<u>313,795</u>	<u>(790,395)</u>	<u>(129,896)</u>	<u>-</u>	<u>(606,496)</u>

QUAIL HAVEN VILLAGE
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)

YEAR ENDED DECEMBER 31, 2023

	Quail Haven of Pinehurst, LLC	Quail Haven Healthcare Ctr. of Pinehurst, LLC	Quail Haven Properties of Pinehurst, LLC	Eliminations	Total
Cash flows from investing activities:					
Purchases of property and equipment	\$ (273,446)	\$ (85,035)	\$ -	\$ -	\$ (358,481)
Cash flows from financing activities:					
Principal payments on long-term debt	-	-	(272,228)	-	(272,228)
Contributions from officers/members	-	-	100,000	-	100,000
Payments on financing leases	(3,755)	-	-	-	(3,755)
Net cash flows from financing activities	(3,755)	-	(172,228)	-	(175,983)
Net change in cash and restricted cash	36,594	(875,430)	(302,124)	-	(1,140,960)
Cash and restricted cash, beginning of year	217,148	893,337	422,036	-	1,532,521
Cash and restricted cash, end of year	<u>\$ 253,742</u>	<u>\$ 17,907</u>	<u>\$ 119,912</u>	<u>\$ -</u>	<u>\$ 391,561</u>
Supplemental disclosure of cash flow information:					
Cash paid during the year for interest	<u>\$ 151</u>	<u>\$ 9</u>	<u>\$ 251,143</u>	<u>\$ -</u>	<u>\$ 251,303</u>
Reconciliation of cash and restricted cash to the combining balance sheet:					
Cash per combining balance sheet	\$ 99,529	\$ 14,902	\$ 119,912	\$ -	\$ 234,343
Restricted cash per combining balance sheet	154,213	3,005	-	-	157,218
	<u>\$ 253,742</u>	<u>\$ 17,907</u>	<u>\$ 119,912</u>	<u>\$ -</u>	<u>\$ 391,561</u>

EXHIBIT B
ACTUAL VERSUS FORECASTED RESULTS
[ATTACHED]

Quail Haven Village
Material Difference Narrative
For the Year Ended December 31, 2023

For purposes of comparison, Quail Haven of Pinehurst, LLC, Quail Haven Healthcare Center of Pinehurst, LLC, and Quail Haven Properties of Pinehurst, LLC (collectively, "Quail Haven Village") used the following financial reports as of and for the year ended (actual)/ending (forecasted) December 31, 2023:

Audited - Obtained from the combined audited financial statements of Quail Haven Village as of and for the year ended December 31, 2023.

Forecasted - Obtained from the forecasted financial statements with the Independent Accountants' Compilation Report dated May 20, 2023, which was included in the Quail Haven Village Disclosure Statement dated May 31, 2023.

The following explanations are furnished pursuant to Section 58-64-30 of the General Statutes of North Carolina. The explanations pertain to material differences between the QH's audited and forecasted financial statements, as described above, as of and for the year ending December 31, 2023. 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:

- Cash - Cash was approximately \$1,266,000 (84%) less than forecasted due to clearing out intercompany balances at the end of the year.
- Due From/To Related Parties - There are transactions throughout the year between other companies related to Quail Haven Village which are not part of the economic entity. Below is a summary of the net balances due to and from these companies (shown in a comprehensive total) at December 31, 2023:

In \$1,000s	Forecasted			Actual		
	<u>Due From</u>	<u>Due To</u>	<u>Net Rec/(Pay)</u>	<u>Due From</u>	<u>Due To</u>	<u>Net Rec/(Pay)</u>
Total receivable/(payable)	\$ 1,152	\$(4,686)	\$ (3,534)	\$ 4,172	\$ (4,746)	\$ (574)
						\$ 2,960
						-84%

Quail Haven Village receivables from related parties was significantly more than forecasted by a net amount of approximately \$2,960,000 (84%).

Statements of Operations:

- Net Income - Net income was approximately \$540,000 (255%) more than forecasted. Occupancy and revenue were close to projected levels. Expenses were much lower in several departments than projected. In total, expenses were \$939,000 below budget.

Statements of Cash Flows:

- Net Change in Current Assets and Liabilities - The net change in current assets and liabilities was approximately (\$2,557,000) less than budgeted. This is mainly due to the difference in related party transactions throughout the year.
- Net Change in Cash and Cash Equivalents - The net change in current assets and liabilities was approximately (\$1,736,000) less than budgeted. This is mainly due to the difference in related party transactions throughout the year.

Quail Haven Village
At December 31, 2023

Balance Sheet (in '000s)	2023 Forecast		2023 Actual		Variance		See Material Difference Narrative	
Assets:								
Current assets:								
Cash	\$	1,500	\$	234	\$	(1,266)	-84%	(1)
Cash - restricted		128		157		29	23%	
Accounts receivable:								
Resident accounts receivable, net		744		663		(81)	-11%	
Other		156		7		(149)	-95%	
Inventories		20		15		(5)	-25%	
Prepaid expenses		258		153		(105)	-41%	
Total current assets		2,806		1,229		(1,577)		
Noncurrent assets:								
Operating reserve - Company	\$	500	\$	-			0%	(2)
Property and equipment, net		8,985		8,683		(302)	-3%	
Intangible assets		1,194		1,194		0	0%	
Due from related parties		1,152		4,172		3,020	262%	
Deferred marketing costs, net of amortization		36		-		(36)	-100%	
Other non-current assets		35		30		(5)	-14%	
Total noncurrent assets		11,902		14,080		2,678		
Total assets	\$	14,708	\$	15,309	\$	1,101		
Liabilities and Members' Deficit:								
Current liabilities:								
Long-term debt and capital lease obligation, current portion	\$	283	\$	283		(0)	0%	
Deferred revenue, current portion		-		84		84	100%	
Accounts payable and accrued expenses		1,354		1,234		(120)	-9%	
Accrued payroll and related withholdings		-		-		-	100%	
Total current liabilities		1,637		1,600		(37)		
Long-term liabilities:								
Long-term debt and capital lease obligation, less current portion		7,997		8,010		13	0%	
Deferred revenue, non-current portion		-		-		-	100%	
Deferred financing costs, net of accumulated amortization		-		-		-	100%	
Due to related parties		4,686		4,746		60	1%	
Notes payable - owners		-		-		-	100%	
Total long-term liabilities		12,683		12,757		74		
Total liabilities		14,320		14,357		37		
Member's equity (Deficit)		388		952		564	145%	
Total liabilities and member's equity (deficit)	\$	14,708	\$	15,309	\$	601		

Quail Haven Village
For the Year Ended December 31, 2021

Statement of Operations (in 000s)	2023 Forecast	2023 Actual	Variance	
Revenue:				
Community fee amortization	\$ 160	\$ 50	\$ (110)	-69%
Independent living service revenue	3,669	3,538	(131)	-4%
Assisted living service revenue	917	856	(61)	-7%
Skilled nursing service revenue	6,601	6,588	(13)	0%
Provision for bad debt	-	-	-	100%
Other revenue	142	60	(82)	-58%
Total Revenue	11,489	11,091	(398)	
Expenses:				
Independent living resident services	234	192	(42)	-18%
Assisted living resident services	559	537	(22)	-4%
Skilled nursing resident services	4,312	3,899	(413)	-10%
Dietary	1,629	1,586	(43)	-3%
Housekeeping	300	339	39	13%
Laundry & Linen	97	71	(26)	-27%
General and Administrative	1,410	1,293	(117)	-8%
Management Fees	648	623	(25)	-4%
Plant & Operations	1,443	1,070	(373)	-26%
Physical Plant/Repairs and maintenance	51	371	320	628%
Total expenses	10,683	9,981	(702)	
Net operating income	806	1,110	304	38%
Other Expense:				
Investment income/interest income				
Interest expense	260	255	(5)	-2%
Depreciation and amortization	324	103	(221)	-68%
Other expense	10		(10)	-100%
Total other expense	594	358	(236)	
Net income/(loss)	212	752	540	255%
Member's deficit, beginning of year	176	176	-	0%
Members' contributions	-	100	100	100%
Members' distributions	-	(76)	(76)	100%
Member's deficit, end of year	\$ 388	\$ 952	\$ 564	

(3)

Quail Haven Village
For the Year Ended December 31, 2021

Statement of Cash Flows (in 000s)	2023 Forecast	2023 Actual	Variance		
Cash flows from operating activities:					
Net income (loss) from operations	\$ 212	\$ 703	\$ 491	232%	(3)
Adjustments to reconcile net income (loss) from operations to net cash provided by (used in) operating activities					
Depreciation	324	103	(221)	-68%	
Amortization of Community Fees	(160)	50	210	-131%	
(Gain)/loss on disposal of assets			-	100%	
Amortization of deferred financing costs	4	4	(0)	-9%	
Amortization of deferred marketing costs	6		(6)	-100%	
Provision for bad debts			-	100%	
Net change in current assets and liabilities	1,092	(1,465)	(2,557)	-234%	(4)
Net cash provided by (used in) operating activities	1,478	(606)	(2,084)		
Cash flows from investing activities:					
Routine capital additions/purchases of property & equipment	(593)	(358)	235	-40%	
Net cash provided by (used in) investing activities	(593)	(358)	235		
Cash flows from financing activities:					
Principal payments on capital lease/payments on capital lease obligat	(290)	(276)	14	-5%	
Notes payable - owners			-	100%	
Members' contributions/(distributions)	-	100	100	100%	
Net cash provided by (used in) financing activities	(290)	(176)	114		
Change in cash and cash equivalents	595	(1,141)	(1,736)		(5)
Cash and cash equivalents, beginning of year	1,533	1,533	(0)		
Cash and cash equivalents, end of year	\$ 2,128	\$ 392	(1,736)		

EXHIBIT C
INTERIM FINANCIAL STATEMENTS
[ATTACHED]

Quail Haven Village
Consolidated Statements of Operations and Changes in Members' Equity
For Three Months Ended March 31, 2024

	Quail Haven of Pinehurst, LLC	Quail Haven Healthcare Center of Pinehurst, LLC	Quail Haven Properties of Pinehurst, LLC	Eliminations	Consolidated
Revenue:					
Advance fee amortization	\$ -	\$ -	\$ -	\$ -	\$ -
Net resident service revenue:					
Independent living revenue	981,051	-	-	-	981,051
Assisted living revenue	-	237,570	-	-	237,570
Skilled nursing revenue	-	1,635,495	-	-	1,635,495
Provision for bad debt	-	(5,824)	-	-	(5,824)
Management fee revenue	-	-	-	-	-
Other revenue	13,302	3,926	-	-	17,228
Total operating revenue	994,353	1,871,167	-	-	2,865,520
Expense:					
Direct expenses:					
Nursing services	5,440	813,211	-	-	818,651
Dietary	228,389	152,892	-	-	381,281
Wellness	26,955	-	-	-	26,955
Patient activities	-	18,770	-	-	18,770
Social services	-	22,833	-	-	22,833
Physical therapy	-	55,424	-	-	55,424
Occupational therapy	-	58,408	-	-	58,408
Speech therapy	-	7,132	-	-	7,132
Medical supplies	-	72,124	-	-	72,124
Other ancillaries	-	2,116	-	-	2,116
Total direct expense	260,784	1,202,910	-	-	1,463,694
Gross margin	733,569	668,257	-	-	1,401,826
Indirect expense:					
Housekeeping	27,111	58,113	-	-	85,224
Laundry and linen	1,736	13,321	-	-	15,057
Barber & beauty	6,931	1	-	-	6,932
General and administrative	186,060	137,395	371	-	323,826
Management fee expense	50,920	111,563	1,400	-	163,883
Transportation	11,609	12,509	-	-	24,118
Plant operations	207,562	87,987	-	-	295,549
Physical plant	4,351	8,990	-	-	13,341
Total indirect expense	496,280	429,879	1,771	-	927,930
Total expense	757,064	1,632,789	1,771	-	2,391,624
Earnings before interest, taxes, and depreciation	237,289	238,378	(1,771)	-	473,896
Other revenue/(expense):					
Gain/(loss) on disposal of assets	-	-	-	-	-
Investment income/interest income	-	-	-	-	-
Investment/interest expense	-	(4)	(96,670)	-	(96,674)
Amortization of deferred financing costs	-	-	(908)	-	(908)
Rent revenue	-	-	150,000	(150,000)	-
Rent expense	(111,000)	(39,000)	-	150,000	-
Amortization of deferred marketing costs	(5,646)	-	-	-	(5,646)
Depreciation	(20,250)	(10,658)	(58,589)	-	(89,497)
Extraordinary expense	-	-	-	-	-
Total other revenue/(expense)	(136,896)	(49,662)	(6,167)	-	(192,725)
Net income/(loss)	100,393	188,716	(7,938)	-	281,171
Members' equity/(deficit), beginning of year	(2,797,532)	2,785,795	959,062	-	947,325
Members' contributions	-	-	-	-	-
Members' distributions	-	-	-	-	-
Members' equity/(deficit), end of year	\$ (2,697,139)	\$ 2,974,511	\$ 951,124	\$ -	\$ 1,228,496

Quail Haven Village
Consolidated Statements of Cash Flows
For Three Months Ended March 31, 2024

	Quail Haven of Pinehurst, LLC	Quail Haven Healthcare Center of Pinehurst, LLC	Quail Haven Properties of Pinehurst, LLC	Eliminations	Consolidated
Cash flows from operating activities:					
Net income/(loss)	\$ 100,393	\$ 188,716	\$ (7,938)	\$ -	\$ 281,171
Adjustments to reconcile income/(loss) to net cash provided by operating activities:					
Depreciation	20,250	10,658	58,589	-	89,497
Amortization of deferred financing costs	-	-	(40,865)	-	(40,865)
(Gain)/loss on disposal of assets	-	-	-	-	-
Amortization of advance fees	-	-	-	-	-
Amortization of deferred marketing csts	5,646	-	-	-	5,646
Provision for bad debts	-	5,824	-	-	5,824
Closed beds deprec iation reclassification	-	-	-	-	-
Change in working capital:					
Resident accounts receivable	21,643	72,061	-	-	93,704
Other receivables	684	(8,495)	(150,000)	-	(157,811)
Inventories	-	-	-	-	-
Prepaid expenses	135,844	(10,905)	(500)	-	124,439
Accounts receivables - related parties	(0)	341,592	167,539	-	509,130
Intercompany receivables - Quail Haven Village	(77,668)	(8,516)	(17,538)	103,724	2
Other assets	55,342	17,658	-	-	73,000
Deferred revenue, current portion	7,141	0	-	-	7,141
Deferred revenue, long-term portion	-	-	-	-	-
Accounts payable and other accrued expenses and other payables	113,624	131,562	(2,400)	-	242,786
Accrued payroll and related withholdings	14,750	46,042	-	-	60,792
Resident refunds	-	-	-	-	-
Accounts payable - related parties	25,694	77,394	1	-	103,089
Intercompany payables - Quail Haven Village	8,516	77,668	(0)	(103,724)	(17,540)
Cash flows from operating activities	431,860	941,259	6,887	-	1,380,006
Cash flows from investing activities:					
Capital additions	(45,760)	(1)	1	-	(45,760)
Proceeds from sale of assets	-	-	-	-	-
Cash flows from investing activities	(45,760)	(1)	1	-	(45,760)
Cash flows from financing activities:					
Proceeds from long-term debt	-	-	-	-	-
Deferred financing costs	-	-	-	-	-
Principal payment of long-term debt and capital lease obligations	(60,742)	(13,099)	3,313,009	-	3,239,168
Notes payable - owners	-	-	-	-	-
Members' contributions/(distributions)	-	-	-	-	-
Cash flows from financing activities	(60,742)	(13,099)	3,313,009	-	3,239,168
Change in cash and cash equivalents	325,358	928,159	3,319,897	-	4,573,414
Cash and cash equivalents, beginning of year	253,743	17,907	119,912	-	391,562
Cash and cash equivalents, end of year	\$ 579,101	\$ 946,067	\$ 3,439,809	\$ -	\$ 4,964,976
Cash - unrestricted	\$ 393,719	\$ 942,678	\$ 3,439,809	-	\$ 4,776,205
Cash - restricted/invested	185,382	3,389	-	-	188,771
Total cash	\$ 579,101	\$ 946,067	\$ 3,439,809	\$ -	\$ 4,964,976

Quail Haven Village
Consolidated Balance Sheets
March 31, 2024

Assets	Quail Haven of Pinehurst, LLC	Quail Haven Healthcare Center of Pinehurst, LLC	Quail Haven Properties of Pinehurst, LLC	Eliminations	Consolidated
Current assets:					
Cash	\$ 393,719	\$ 942,678	\$ 3,439,809	\$ -	\$ 4,776,205
Cash - restricted	185,382	3,389	-	-	188,771
Accounts receivable:					
Resident accounts receivable, net	3,379	539,800	-	-	543,179
Other	-	11,221	150,000	-	161,221
Inventories	-	15,100	-	-	15,100
Prepaid expenses	13,348	84,621	500	(50,000)	48,469
Intercompany receivables - Quail Haven Village	2,269,096	5,150,130	156,769	(7,575,996)	(1)
Total current assets	2,864,924	6,746,939	3,747,078	(7,625,996)	5,732,944
Non-current assets:					
Investments	-	-	-	-	-
Property and equipment, net	923,612	238,080	7,477,974	-	8,639,666
Intangible assets	-	-	1,248,346	-	1,248,346
Due from related parties	496,446	2,859,657	306,462	-	3,662,565
Deferred marketing costs, net of amortization	44,603	-	-	-	44,603
Other non-current assets	3,179,250	1,028,172	675	-	4,208,097
Total non-current assets	4,643,911	4,125,909	9,033,457	-	17,803,277
Total assets	\$ 7,508,835	\$ 10,872,848	\$ 12,780,535	\$ (7,625,996)	\$ 23,536,221
Liabilities and Members' Assets/(Deficits)					
Current liabilities:					
Long-term debt and capital lease obligation, current portion	\$ 187,000	\$ 72,421	\$ 213,301	\$ -	\$ 472,722
Deferred financing costs, net of accumulated amortization	-	-	-	-	-
Resident refunds, current portion	-	-	-	-	-
Deferred revenue, current portion	28,195	42,286	-	(50,000)	20,481
Accounts payable and accrued expenses	448,900	584,656	-	-	1,033,556
Accrued payroll and related withholdings	143,741	381,643	-	-	525,384
Intercompany payables - Quail Haven Village	5,239,551	2,223,811	160,508	(7,575,996)	47,874
Total current liabilities	6,047,387	3,304,817	373,809	(7,625,996)	2,100,017
Non-current liabilities and deferred revenue:					
Long-term debt and capital lease obligation, less current portion	2,992,250	960,310	11,405,906	-	15,358,466
Deferred financing costs, net of accumulated amortization	-	-	-	-	-
Deferred revenue, long-term portion	-	-	-	-	-
Due to related parties	1,166,337	3,633,210	49,696	-	4,849,243
Notes payable-owners	-	-	-	-	-
Total non-current liabilities and deferred revenue	4,158,587	4,593,520	11,455,602	-	20,207,709
Total liabilities and deferred revenue	10,205,974	7,898,337	11,829,411	(7,625,996)	22,307,726
Members' equity/(deficit)	(2,697,139)	2,974,511	951,124	-	1,228,496
Total liabilities and members' equity/(deficit)	\$ 7,508,835	\$ 10,872,848	\$ 12,780,535	\$ (7,625,996)	\$ 23,536,222

EXHIBIT D
5-YEAR PROSPECTIVE FINANCIAL STATEMENTS
[ATTACHED]

Quail Haven Village

Compilation of a Financial Projection

Five Years Ending December 31, 2028

(with Accountants' Compilation Report thereon)

Quail Haven Village

Compilation of a Financial Projection

Five Years Ending December 31, 2028

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Accountants' Compilation Report

Quail Haven Village
Wilmington, North Carolina

Management of Quail Haven Village, a group of entities under common control, (the "Company") and the day-to-day operating manager, Liberty Living Management, LLC (collectively "Management") is responsible for the accompanying financial projection of the Company, which comprises the projected combined balance sheets as of and for each of the five years ending December 31, 2028, the related projected 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 projection established by the American Institute of Certified Public Accountants ("AICPA").

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

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

Furthermore, even if the hypothetical assumption that the Company refinances its Note Payable (defined hereinafter) at terms and rates similar to those reflected in the projection occurs during the projection period, there will usually be differences between the projected and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

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

FORVIS,LLP

Atlanta, Georgia
May 24, 2024

Quail Haven Village

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

	2024	2025	2026	2027	2028
Revenue:					
Independent living	\$ 3,585	\$ 3,744	\$ 3,856	\$ 3,972	\$ 4,091
Assisted living	951	980	1,009	1,040	1,071
Skilled nursing	7,129	7,355	7,576	7,797	8,031
Other revenue	189	195	201	207	214
Total operating revenue	11,854	12,274	12,642	13,016	13,407
Expense:					
Resident services - independent living	118	122	126	130	134
Resident services - assisted living	566	583	600	618	637
Resident services - skilled nursing	4,115	4,238	4,365	4,496	4,631
Dietary	1,560	1,607	1,655	1,705	1,756
Housekeeping	344	354	365	376	387
Laundry	99	102	105	108	111
General and administrative	1,651	1,701	1,752	1,805	1,859
Management Fee	674	697	719	739	761
Plant operations	930	958	987	1,017	1,048
Physical plant	58	60	62	64	66
Total operating expenses	10,115	10,422	10,736	11,058	11,390
 Operating income	 1,739	 1,852	 1,906	 1,958	 2,017
 Other expense:					
Interest expense	434	439	426	471	574
Deferred financing cost amortization	4	4	4	10	21
Depreciation	315	326	335	345	355
Total other expense	753	769	765	826	950
 Net income	 986	 1,083	 1,141	 1,132	 1,067
 Members' equity, beginning of year	 952	 1,938	 3,021	 4,162	 5,294
Members' equity, end of year	\$ 1,938	\$ 3,021	\$ 4,162	\$ 5,294	\$ 6,361

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

Quail Haven Village

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

	2024	2025	2026	2027	2028
Cash flows from operating activities:					
Net income	\$ 986	\$ 1,083	\$ 1,141	\$ 1,132	\$ 1,067
Adjustments to reconcile net income to net cash from operating activities:					
Depreciation	315	326	335	345	355
Deferred financing cost amortization	4	4	4	10	21
Accounts receivable - related parties	892	(298)	(343)	(762)	(928)
Accounts payable - related parties	-	(500)	(500)	-	-
Change in current assets, net	77	(25)	(22)	(25)	(25)
Change in current liabilities, net	142	36	33	35	36
Cash flows from operating activities	2,416	626	648	735	526
Cash flows from investing activities:					
Capital additions	(317)	(276)	(285)	(293)	(302)
Change in designated reserve - Company	(3,392)	-	-	-	-
Cash flows from investing activities	(3,709)	(276)	(285)	(293)	(302)
Cash flows from financing activities:					
Proceeds from long-term debt	-	-	-	7,289	-
Refinance of Note Payable	-	-	-	(7,289)	-
Bank Loan proceeds	3,392	-	-	-	-
Deferred financing costs	-	-	-	(146)	-
Principal payment of long-term debt	(338)	(355)	(368)	(301)	(229)
Cash flows from financing activities	3,054	(355)	(368)	(447)	(229)
Change in cash and restricted cash	1,761	(5)	(5)	(5)	(5)
Cash and restricted cash, beginning of year	391	2,152	2,147	2,142	2,137
Cash and restricted cash, end of year	\$ 2,152	\$ 2,147	\$ 2,142	\$ 2,137	\$ 2,132
Cash and restricted cash reconciliation:					
Cash	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500
Cash - restricted	152	147	142	137	132
Operating reserve - Company	500	500	500	500	500
Total cash and restricted cash	\$ 2,152	\$ 2,147	\$ 2,142	\$ 2,137	\$ 2,132

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

Quail Haven Village

Projected Combined Balance Sheets As of December 31, (In Thousands)

Assets	2024	2025	2026	2027	2028
Current assets:					
Cash	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500
Cash - restricted	152	147	142	137	132
Resident accounts receivable, net	450	464	478	493	508
Accounts receivable - other	7	7	7	7	7
Inventories	28	29	29	30	31
Prepaid expenses	276	286	294	303	312
Total current assets	\$ 2,413	\$ 2,433	\$ 2,450	\$ 2,470	\$ 2,490
Non-current assets:					
Operating reserve - Company	500	500	500	500	500
Designated reserve - Company	3,392	3,392	3,392	3,392	3,392
Property and equipment, net	8,685	8,635	8,585	8,533	8,480
Intangible asset	1,194	1,194	1,194	1,194	1,194
Accounts receivable - related parties	3,281	3,579	3,922	4,684	5,612
Other non-current assets	30	30	30	30	30
Total non-current assets	17,082	17,330	17,623	18,333	19,208
Total assets	19,495	19,763	20,073	20,803	21,698
Liabilities and Members' Equity					
Current liabilities:					
Long-term debt, current portion	\$ 291	\$ 300	\$ 228	\$ 152	\$ 160
Deferred revenue, current portion	84	84	84	84	84
Accounts payable and accrued expenses	981	1,004	1,024	1,046	1,068
Accrued payroll and related withholdings	415	428	441	454	468
Total current liabilities	\$ 1,771	\$ 1,816	\$ 1,777	\$ 1,736	\$ 1,780
Non-current liabilities:					
Long-term debt, net	11,040	10,680	10,388	10,027	9,811
Accounts payable - related parties	4,746	4,246	3,746	3,746	3,746
Total non-current liabilities	15,786	14,926	14,134	13,773	13,557
Total liabilities	17,557	16,742	15,911	15,509	15,337
Members' equity	1,938	3,021	4,162	5,294	6,361
Total liabilities and members' equity	\$ 19,495	\$ 19,763	\$ 20,073	\$ 20,803	\$ 21,698

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

Quail Haven Village

Summary of Significant Projected Assumptions and Rationale

General

The accompanying financial projection presents, to the best of the knowledge and belief of management of Quail Haven Village, a group of entities under common control, (the “Company” or the “Community”) 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, 2028. Accordingly, the accompanying financial projection reflects Management’s judgment as of May 24, 2024, the date of this projection, of the expected conditions and its expected course of action during the projection 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 projection is for inclusion in the Company’s annual disclosure statement in accordance with Chapter 58, Article 64, of the North Carolina General Statutes. Accordingly, this report should not be used for any other purpose. The assumptions disclosed herein are those that Management believes are significant to the prospective financial statements.

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

Hypothetical Assumptions – A hypothetical assumption is an assumption used in a financial projection to present a condition or course of action that is not necessarily expected to occur but is consistent with the purpose of the presentation. Hypothetical assumptions are not derived from sources, which are based upon supporting documentation such as contracts, agreements, or other empirical data. Management has prepared its financial projection assuming the hypothetical assumption that the Company refinances its Note Payable (defined hereinafter) at terms and rates similar to those reflected in the projection.

Background

The Company is an economic entity comprised of three individual companies listed below.

Quail Haven of Pinehurst, LLC (“Quail Haven Pinehurst”) is a North Carolina for-profit limited liability company formed for the purpose of leasing and operating independent living units. Quail Haven Pinehurst is owned by Liberty Senior Living, LLC (“Liberty Senior Living”), a North Carolina limited liability company. Liberty Senior Living is owned by Liberty Healthcare Group, LLC (“Liberty Healthcare Group”), a North Carolina limited liability company.

See Accountants’ Compilation Report

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

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

The activities of Quail Haven Pinehurst, Quail Haven Healthcare, and Quail Haven Properties (collectively the “Company”) are included in Management’s projection.

Management provides senior living services in Pinehurst, North Carolina. Services include providing and maintaining an independent living retirement community, assisted living services, skilled nursing care, and supporting services. The Community was acquired and began operations as the Company in November 2013.

The Community consists of 79 Independent Living Units (the “Independent Living Units”), two six-bed family care homes (the “Assisted Living Units”), and 60 skilled nursing beds (the “Skilled Nursing Beds”). The Assisted Living Units and the Skilled Nursing Beds are collectively referred to as the “Healthcare Center.”

Quail Haven Properties owns two six-bed family care homes and holds the certificate of need (“CON”) for 60 skilled nursing beds, the value of which is recorded as an intangible asset on the balance sheet of Quail Haven Properties. Quail Haven Healthcare leases all 72 family care home beds and skilled nursing beds from Quail Haven Properties. Included in these 72 beds are services for 25 skilled nursing beds (the “Closed Beds”) reserved for independent living residents of Quail Haven Pinehurst. In 2020, the North Carolina Department of Insurance approved a modification in the continuing care retirement community (the “CCRC”) license to include all three of the companies as co-providers.

Related Parties

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

Quail Haven Pinehurst and Quail Haven Healthcare have 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 the Independent Living Units and 6 percent of total revenues derived from the Healthcare Center to the Operating Manager (the “Management Fee”).

See Accountants’ Compilation Report

The Community

The Community, located on approximately 18 acres of land, is owned by Quail Haven Properties and consists of the Independent Living Units, the Assisted Living Units, the Skilled Nursing Beds, and related common spaces.

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

Unit Type	Number of Units	Square Footage	Monthly Fee ⁽⁴⁾
<i>Independent Living Units:</i> ⁽¹⁾⁽²⁾			
One-bedroom apartment	29	560	\$ 3,708
Two-bedroom apartment	50	939	4,989
Total / Weighted Average	79	800	\$ 4,519
<i>Assisted Living Units:</i> ⁽³⁾			
Studio	8	205	\$ 6,938
One-bedroom apartment	4	335	7,387
Total / Weighted Average	12	248	\$ 7,088
<i>Skilled Nursing Beds:</i>			Daily Service Fee
Private			\$ 350
Medicare – Traditional			579
Medicare – Managed Care			486
Medicaid			296
Hospice			296
Total / Weighted Average	60	168	\$ 401
Total Units / Beds	151		

Source: Management

- (1) Residents of the Independent Living Units are required to pay a one-time nonrefundable fee equal to one-month’s Monthly Fee (the “Community Fee”); 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 for the Independent Living Units is \$625, effective January 1, 2024.
- (3) The Monthly Fees for assisted living include services provided under levels of care 1-4. An additional \$426 per month is applicable for level of care 5 – 6.
- (4) The Monthly Fees and Daily Service Fees increase each January for all residents. The Monthly Fees and Daily Service Fees shown are an average of the Monthly Fees and Daily Service Fees, effective January 1, 2024.

See Accountants’ Compilation Report

Residency and Care Agreements

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 the 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;
- One meal per day;
- Weekly housekeeping services;
- Interior unit and appliance maintenance;
- Maintenance of common area and the grounds;
- Use of common areas and wellness center;
- Uncovered parking;
- Scheduled transportation; and
- 24-hour emergency response system.

Optional services, including additional transportation, dining, and housekeeping services, are available for an extra charge as well as home care services through the Company’s licensed home care services program.

Admittance Standards – Prior to taking occupancy of a selected Independent Living Unit, the Resident executes a Residency and Care Agreement. The terms of the Residency and Care Agreement require the Company 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 payment of a one-time Security Deposit; a one-time, 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 provides Residents temporary or permanent assisted living and skilled nursing services in the Healthcare Center, within the limits of the Company’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 is 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 Agreements is not executed, the Residency and Care Agreement shall expire at the end of the term.

See 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 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 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 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 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.

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

Cash – Cash includes cash on hand and cash on deposit held in financial institutions.

Restricted Cash – Restricted cash is comprised of patient trust funds and Security Deposits 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 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.

Statutory Operating Reserve – North Carolina General Statute section 58-64-33, requires licensed CCRCs to maintain an operating reserve equal to 50 percent (50%) of the total projected operating costs (adjusted for non-cash items) in a given year. If a CCRC maintains a combined independent and assisted living occupancy in excess of 90 percent (90%), the operating reserve amount required equals 25 percent (25%) of projected operating expenses (adjusted for non-cash items). The reserve may be funded by cash, invested cash, or investment grade securities. In order to meet the North Carolina General Statutes operating reserve requirements, the Company maintains an irrevocable standby letter of credit from a financial institution. At December 31, 2023, the amount of the letter of credit was \$5,617,000. Management is to fund a \$500,000 operating reserve, at its discretion, to provide additional liquidity for Community’s operations.

Deferred Revenue – The Company records Community Fees as other income in the period received. Timing differences among revenue recognition may result in contract assets or liabilities. Contract liabilities relate to the nonrefundable Community Fee, donated funds, and prepaid resident / patient revenue and is recorded as deferred revenue on the combined balance sheets.

See Accountants’ Compilation Report

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. Upon combining the Company’s financial statements, all material lease transactions occurring during the projection period were recognized as internal lease transfers and eliminated from the financial presentation.

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. 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.

Intangible Asset – For the Company, this asset includes fees related to the Company’s application for the CON. In accordance with accounting standards generally accepted in the United States of America, intangible assets with indefinite useful lives are reviewed for impairment in accordance with Accounting Standards Codification (“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 CON may warrant revision or that the remaining carrying value may not be recoverable. As permitted by ASC 350, the Company performs qualitative assessments of impairment to determine whether the value of the CON was impaired. Management assumes no impairment for the intangible asset to occur during the projection period.

Debt Financing Cost – Cost associated with the issuance of debt is capitalized and is being amortized over the term of the related debt using the straight-line method, which approximates the effective interest method. Debt issuance costs are netted against the related debt on the projected combined balance sheet and the amortization is included on the statement of projected combined operations and changes in members’ equity.

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 shall be reported on the members’ tax returns. Accordingly, no provision for income taxes has been included in the projection.

See Accountants’ Compilation Report

Summary of Operating Revenue Assumptions

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

Year Ending December 31,	Average Units/Beds Available	Average Units Occupied	Occupied Percentage
<i>Independent Living Units:</i>			
2024 – 2028 ⁽¹⁾	79	72	91%
<i>Assisted Living Units:</i>			
2024 – 2028	12	11	92%
<i>Skilled Nursing Beds:⁽²⁾</i>			
2024	60	49	82%
2025 – 2028	60	50	83%

Source: Management

(1) Average occupancy for the Independent Living Units as of March 31, 2024 was 72 or 91 percent.

(2) The payor mix for the Skilled Nursing Beds is assumed to be as follows: Private pay: 30 percent; Medicare-traditional: 63 percent and Medicare-managed care: 7 percent.

Independent Living Revenue

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

Assisted Living Revenue

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

Skilled Nursing Revenue

Resident service revenue for Residents living in the Skilled Nursing Beds is based upon the assumed Daily Service Fees for services provided to Residents and the assumed occupancy of the Skilled Nursing Beds. Daily Service Fees for the Skilled Nursing Beds are assumed to increase 3.0 percent annually throughout the projection period.

Other Revenue

Other revenue is assumed to be generated from guest meals and other miscellaneous sources and is assumed to increase 3.0 percent annually during the projection period.

See Accountants' Compilation Report

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

Salaries, wages, and employee benefits are assumed to increase 3.0 percent annually.

Non-Salary Expenses

Non-salary expenses are assumed to increase 3.0 percent annually.

Management Fee Expense

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

Company Designated Reserve

The Company has funded a designated reserve of approximately \$3,392,000 for future use by the Company or its affiliates (the "Company Designated Reserve"). For purposes of the projection, Management assumes the Company Designated Reserve balance to remain constant during the projection period.

Statutory Operating Reserve

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

Table 3
Operating Reserve Requirement
(in Thousands)

	2024	2025	2026	2027	2028
Projected operating expenses	\$ 10,868	\$ 11,191	\$ 11,501	\$ 11,884	\$ 12,340
Add: principal payments on long-term debt	338	355	368	301	229
Subtract: Depreciation and amortization	(319)	(330)	(339)	(355)	(376)
Projected operating expenses-adjusted	10,887	11,216	11,530	11,830	12,193
Operating reserve % required ⁽¹⁾	25%	25%	25%	25%	25%
Operating reserve ⁽²⁾	\$ 2,722	\$ 2,804	\$ 2,883	\$ 2,958	\$ 3,048
Independent Living Units and Assisted Living Units:					
Available, beginning of year	91	91	91	91	91
Occupied, beginning of year	83	83	83	83	83
Occupancy percentage	91%	91%	91%	91%	91%

Source: Management

- (1) North Carolina state statute requires an operating reserve 50% or 25% of projected operating expenses-adjusted for occupancy of independent and assisted living below 90% or 90% or above, respectively.
- (2) Management satisfies the statutory operating reserve requirement through an irrevocable standby letter of credit with a financial institution. Management also funds a \$500,000 operating reserve, at its discretion, to provide additional liquidity for the Community operations.

See Accountants' Compilation Report

Property and Equipment

The Company is assumed to incur routine capital additions during the projection period that are to be capitalized as property and equipment. Depreciation expense for all capital assets is computed using the straight-line method for buildings and equipment over estimated average useful lives ranging from 5 to 40 years. The Companies' property and equipment costs, net of accumulated depreciation, during the projection period are summarized in the table below.

Table 4
Schedule of Property and Equipment
(in Thousands)

	2024	2025	2026	2027	2028
Beginning balance	\$ 12,303	\$ 12,620	\$ 12,896	\$ 13,181	\$ 13,474
Routine capital additions	317	276	285	293	302
Property and equipment	12,620	12,896	13,181	13,474	13,776
Accumulated depreciation	(3,935)	(4,261)	(4,596)	(4,941)	(5,296)
Property and equipment, net	\$ 8,685	\$ 8,635	\$ 8,585	\$ 8,533	\$ 8,480

Source: Management

Long-Term Debt*Note Payable*

The Company has a note payable (the "Note Payable") with a financial institution bearing interest at a fixed rate of 2.93 percent per annum due in monthly installments of principal and interest of approximately \$44,000 for the period of September 2020 through July 2027, and a final payment of approximately \$7,289,000 due upon the maturity date of August 25, 2027. The outstanding balance of the Note Payable was approximately \$8,306,000 as of December 31, 2023.

The Company anticipates refinancing the Note Payable upon the maturity date of August 25, 2027. Management assumes approximately \$7,289,000 of the Note Payable to be refinanced at a fixed interest rate of 5.2 percent per annum with a 25-year maturity. Management anticipates principal and interest payments would commence on September 1, 2027, with a final maturity date of August 25, 2052.

Bank Loan

The Company entered into a bank loan (the "Bank Loan") of approximately \$3,392,000, with a financial institute in January 2024. Proceeds from the Bank Loan were used to fund the Company Designated Reserve. The Bank Loan bears interest at a nominal rate of 6.25 percent per annum due in monthly installments of principal and interest of approximately \$23,000 for the period of February 2024 through January 2029, with a final balloon payment of approximately \$3,055,000 due upon maturity in February 2029.

See Accountants' Compilation Report

The following table presents the projected debt service for the Company.

Years Ended December 31,	Note Payable		Bank Loan		Total Debt Service
	Principal Payment	Interest Payment	Principal Payment	Interest Payment	
2024	\$ 283	\$ 241	\$ 55	\$ 193	\$ 772
2025	291	232	64	207	794
2026	300	224	68	203	795
2027	228	273	73	198	772
2028	152	380	77	194	803
Thereafter	7,052	1,972	3,055	32	12,111
Total	\$ 8,306	\$ 3,322	\$ 3,392	\$ 1,027	\$ 16,047

Source: Management

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 Companies' historical trends and are outlined in the following table:

Resident accounts receivable, net	40 days of operating revenues
Inventories	1 day of operating expenses
Prepaid expenses	8 days of operating expenses
Accounts payable and accrued expenses	30 days of operating expenses
Accrued payroll and related withholdings	14 days of operating expenses

Source: Management

See Accountants' Compilation Report

EXHIBIT E

CONTRACT FOR INDEPENDENT LIVING CONTINUING CARE

[ATTACHED]



Residency and Care Agreement

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

1/13/2023

**Term of Agreement Begins:
("Occupancy Date"): _____**

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QUAIL HAVEN VILLAGE

RESIDENCY AND CARE AGREEMENT

This RESIDENCY AND CARE AGREEMENT (the “Agreement”) is made this ___ day of _____, _____, between QUAIL HAVEN OF PINEHURST, LLC, QUAIL HAVEN HEALTHCARE CENTER OF PINEHURST, LLC and QUAIL HAVEN PROPERTIES OF PINEHURST, LLC, North Carolina for-profit limited liability companies (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 Quail Haven Village (the “CCRC”), located at 155 Blake Boulevard, Pinehurst, North Carolina; and

WHEREAS, the Resident desires to use and occupy an apartment unit (referred to herein as an “Apartment”) located in the CCRC’s rental independent living building (the “Independent Living Building”); 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"/> 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 provided with one (1) meal per day in the Clubhouse dining room.
- e. Housekeeping 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 Fitness Center. As part of the Monthly Service Fee, the Resident will be provided with membership to the First Health Fitness Center in either Pinehurst or Southern Pines.
- 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 Housekeeping 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. Salon Services. Salon services in the Beauty Salon will be charged directly to the Resident 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 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 (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 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 the beginning of each calendar year. 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
Quail Haven of Pinehurst, LLC
155 Blake Boulevard
Pinehurst, North Carolina 28374

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 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: _____

QUAIL HAVEN OF PINEHURST, LLC

By: _____
_____, Authorized Representative

Date: _____

EXHIBIT A – FEE SCHEDULE

Resident Name(s) _____

Unit # _____

Agreement Date _____

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

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

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

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
Quail Haven Village
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 increase in the weighted average Monthly Service Fees for independent living units, Assisted Living units, and Daily Service Fees for Skilled Nursing Beds at the Community for the previous five years.

	Effective 1/1/2019	Effective 1/1/2020	Effective 1/1/2021	Effective 1/1/2022	Effective 1/1/2023	Effective 1/1/2024
Independent Living Units (Monthly Fees):						
Apartments:						
One-bedroom	\$ 56	\$ 73	\$ 74	\$ 161	\$ 316	\$ 208
Two-bedroom	\$ 110	\$ 180	\$ 77	\$ 54	\$ 417	\$ 276
Second Person fee	\$ -	\$ 15	\$ 13	\$ 19	\$ 55	\$ 16
	Effective 1/1/2019	Effective 1/1/2020	Effective 1/1/2021	Effective 1/1/2022	Effective 1/1/2023	Effective 1/1/2024
Healthcare Center:						
Assisted Living Units (Monthly Fees):						
Studio	\$ 819	\$ 204	\$ 139	\$ 425	\$ 521	\$ 456
One-bedroom	\$ 860	\$ 247	\$ 153	\$ 320	\$ 718	\$ 500
Skilled Nursing Beds (Daily Fees):						
Private	\$ 7	\$ 7	\$ 7	\$ 20	\$ 24	\$ 51