Disclosure Statement

Galloway Ridge
Continuing Care Retirement Community

Provider: Galloway Ridge, Inc.

Date of Disclosure Statement: 12/31/2025

Last Date for Delivery: 06/09/2027

- **This Disclosure Statement must be delivered to a contracting party before the execution of a binding reservation agreement, continuing care contract, or continuing care at home contract.**
- **This Disclosure Statement has not been reviewed or approved by any government agency or representative to ensure the accuracy of the information provided.**
- **This Disclosure Statement has been filed with, and recorded by, the North Carolina Department of Insurance in accordance with Article 64A of Chapter 58 of the North Carolina General Statutes.**
- **This Disclosure Statement contains all information required by Article 64A and is correct in all material respects. Knowingly delivering a disclosure statement that contains an untrue statement or omits a material fact may subject Galloway Ridge, Inc. to penalties under Article 64A.**

Financial Snapshot: Key Ratios for Galloway Ridge, Inc.

Table FS-1. Financial Snapshot – Key Statutory Financial Ratios

Fiscal Year Ended December 31, 2025 (FY and shaded in gray), with comparative historical and prospective periods

Ratio	FY-2 (2023)	FY-1 (2024)	FY (2025)	*FY+1 (2026)*	*FY+2 (2027)*	*FY+3 (2028)*	NC 25th %[1]	NC 50th%[1]	NC 75th %[1]
DCOH	197	196	197	*205*	*228*	*254*	—	—	—
CUSH	3.70x	3.88x	3.49x	*3.74x*	*4.30x*	*4.93x*	—	—	—
OR	101.5%	98.1%	99.1%	*98.9%*	*98.3%*	*97.7%*	—	—	—
NOM	(2.6%)	1.4%	0.1%	*11.9%*	*11.9%*	*12.0%*	—	—	—
NOM-A	31.0%	37.1%	26.3%	*39.7%*	*39.7%*	*39.8%*	—	—	—
DSCR	1.53x	2.12x	2.07x	*2.40x*	*2.49x*	*2.59x*	—	—	—
CD	0.25x	0.27x	0.30x	*0.34x*	*0.41x*	*0.49x*	—	—	—
CED	1.76x	2.86x	1.72x	*1.16x*	*0.98x*	*0.95x*	—	—	—

Liquidity Ratios:

- **Days Cash on Hand (DCOH)**. Number of days the provider could pay its normal cash operating expenses using unrestricted cash and investments. More days generally means stronger liquidity.
- **Cushion Ratio (CUSH)**. Number of times the provider's unrestricted cash and investments could cover one year of debt service. Higher values mean more resources to pay debt service.

Profitability Ratios:

- **Operating Ratio (OR)**. Compares current operating expenses (excluding depreciation and amortization) to current operating revenues (excluding entrance fee amortization). Lower percentages mean operating revenues are more easily covering cash operating expenses.
- **Net Operating Margin (NOM)**. Shows the result from core resident services. Higher values mean a stronger operating result from resident services.
- **Adjusted Net Operating Margin (NOM-A)**. Shows the operating result after also counting net entrance fee cash received during the year. Higher values mean the result is improved when net entrance fee cash is included.

Capital Structure Ratios:

- **Debt Service Coverage (DSCR)**. Measures the provider's ability to pay annual debt service from operations and net entrance fee cash. Higher values indicate greater ability to pay debt service.
- **Unrestricted Cash & Investments to Long-Term Debt (CD)**. Compares unrestricted cash and investments to long-term debt. Higher values indicate more unrestricted cash and investments relative to debt.
- **Capital Expenditures to Depreciation (CED)**. Compares what the provider is spending on capital improvements to the amount its assets are wearing out. Values at or above 1.0x usually mean the provider is reinvesting enough to keep up.

See Appendix F for full statutory definitions of how ratios are derived.

[1] **NC Provider Quartiles.** Values will be compiled annually by the North Carolina Department of Insurance, stratified by community model (Entrance Fee, Rental, Equity), and are expected to be available in late 2026.

Table of Contents

1. Provider Identification

Legal Responsibility for Continuing Care

Galloway Ridge, Inc. is the entity that enters into continuing care contracts (here on forward may also be referred to as "Residence and Care Agreements") with residents and is legally responsible for providing continuing care and performing all obligations under those Agreements. No other person or entity is responsible for providing continuing care to residents.

Doing Business As (DBA)

Galloway Ridge, Inc. conducts business under the names, "Galloway Ridge", "Galloway Ridge at Fearrington", "The Duke Center for Living", and "The Arbor."

These are trade names only and do not represent a separate legal entity. Galloway Ridge, Inc. remains legally responsible for providing continuing care and performing all obligations under continuing care contracts.

Item	Information
Legal Provider Name:	Galloway Ridge, Inc.
Doing Business As (DBA):	"Galloway Ridge" "Galloway Ridge at Fearrington" "The Duke Center for Living" "The Arbor"
Business Address:	3000 Galloway Ridge, Pittsboro, NC 27312
Telephone Number:	(919) 545-2215
Legal Entity Type:	Nonprofit corporation organized under the laws of North Carolina
For-Profit / Nonprofit Status:	Nonprofit
Federal Tax Status:	Tax-exempt under Section 501(c)(3) of the Internal Revenue Code
Ownership Type:	Privately owned and controlled nonprofit organization. The provider is not part of any publicly held or publicly traded corporate system.
Tax Filing Status:	Current on all required federal and state tax filings

2. Organizational Structure

2.1 Multi-Entity Organization Status

Galloway Ridge, Inc. is part of a multi-entity organization with GRI Properties, LLC (GRI Properties) being it's one subsidiary. GRI Properties is a wholly owned subsidiary of Galloway Ridge, Inc., whose sole purpose is to hold land, and has no operational responsibilities for Galloway Ridge at Fearrington.

Galloway Ridge, Inc. holds no ownership position in any other organization, except that it may own securities for investment purposes.

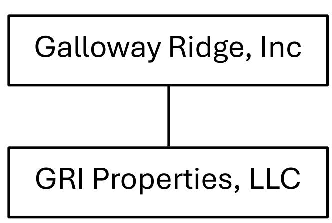
2.2 Consolidation of Financial Statements

Audited financial statements are prepared on a consolidated basis with Galloway Ridge, Inc. and its subsidiary, GRI Properties.

2.3 Controlling Entity

Item	Information
Name:	Galloway Ridge, Inc.
Business Address:	3000 Galloway Ridge, Pittsboro, NC 27312
Telephone Number:	(919) 545-2215

2.4 Company Structure Chart



Accessible Text Equivalent:

- **Galloway Ridge, Inc.** – sole provider of continuing care contracts and operator of Galloway Ridge at Fearrington (Pittsboro, NC)
- **GRI Properties, LLC** – wholly owned subsidiary of Galloway Ridge, Inc. whose sole purpose is to hold property (Pittsboro, NC)

3. Key Persons and Management Personnel

Definitions (for purposes of this Section):

- **Outside Interests**: Any professional service firm, association, trust, partnership, or corporation in which the individual has, or which has in the individual, a ten percent (10%) or greater interest and that currently provides, or is expected to provide, goods, leases, or services to the provider of an aggregate value of $5,000 or more. If none, the provider discloses "None."
- **Adverse Disclosures**: Any conviction of or plea of nolo contendere to a felony charge; any final judgment in a civil action for fraud, embezzlement, fraudulent conversion, or misappropriation of property; any currently effective injunctive or restrictive court order; or any suspension or revocation within the past five years of a state or federal license or permit as a result of governmental action. If none, the provider discloses "None."

3.1 Senior Officer and Community Management of Galloway Ridge, Inc. and GRI Properties, LLC

Name / Role	Education	Experience	Length of Service
Robert Zimmer – Executive Director/ Chief Executive Officer	MBA, Finance from University of Dallas BA, English Literature from University of Dallas	Over 35 years' experience in non-profit management to include Fiscal Services Manager for the Catholic Diocese of Raleigh; Chief Financial Officer for the North Carolina Museum of Life and Science; and Chief Operating Officer for the Durham Chamber of Commerce.	14 years (since December 2011); served as Chief Financial Officer (2011-2014) and Executive Director/Chief Executive Officer since December 2014.

Business Address: 3000 Galloway Ridge, Pittsboro, NC 27312

Disclosure: Executive Director/Chief Executive Officer has reported no Outside Interests or Adverse Disclosures.

3.2 Board of Directors — Galloway Ridge, Inc. and GRI Properties, LLC

Name / Role	Education	Experience	Length of Service
Dick Kahler President	JD, Georgetown University Law Center	Former international executive management experience in both	7 years, 3 months (May 2012- April

Name / Role	Education	Experience	Length of Service
	MA, Economics, George Washington University BA, Economics, Pennsylvania State University	governmental and private sectors Board experience for both public and private organizations in US and internationally	2018 and since September 2024)
Lisa Chapman Vice President	Doctor of Education, UNC MS, Physiology, East Tennessee State University BS, Zoology, UNC	Current President of Central Carolina Community College Prior experience as biologist and college educator	3 years, 11 months (since January 2022)
Rob Cannon Treasurer	Master degree, Trust and Investment Management, Campbell University BA, History, UNC	26+ years in banking and financial advisement industry	2 years (since January 2024)
Alan Rimer Secretary	PhD, Environmental Engineering, Duke University/Kennedy Western University Master degree, Environmental Engineering, UNC	50+ years in environmental engineering Served as elected public official Served on a number of Boards and Commissions in NC	7 years, 7 months (April 2014-December 2019 and since January 2024)
Leah Austin Director	BA, English, University of Illinois	Retired from careers in education and philanthropy Serves on boards of nonprofit institutions, and provides consulting services to Trustees/Boards	1 year (since January 2025)
Brad Bishop Director	BS, Business Administration and Economics, University of Florida	45+ years of private client and investment management experience Serves on various committees and Boards in financial committees and as Board Chair	2 months (since November 2025)

Name / Role	Education	Experience	Length of Service
Jan Busby-Whitehead Director	Residency in Internal Medicine, John Sealy Hospital at University of Texas MD, University of Texas BS, Baylor University	Career in Medicine, to include Fellowships, clinical practice, research, medical school educator, and medical director in the geriatric field. Founding Chief of Division of Geriatric Medicine and founding Director of the Center for Aging and Health	2 months (since November 2025)
Gary McKenna Director	MA, Organizational Management, University of Phoenix BS, Economics, University of Massachusetts	Executive Management in sales and marketing Consultant/adjunct instructor at UNC STAR Program for MBA students Managed a variety of programs while on Board of Directors at Governors Club	1 year (since January 2025)
Bob Marshall Director	MD, Duke Medical School BS, Davidson College	Medical career in pediatric care, to include clinical, educational, and research Volunteer work with diabetic children and hospice	3 years (since January 2023)
Renee Paschal Director	Master Degree, Public Administration, UNC BA, Political Science, UNC	Career in local and state government management Service on several community boards and associations	2 months (since November 2025)
Stan Wilson Director	MD, Ohio State University College of Medicine BS, General Studies, Ohio University	Medical career as staff physician in public and private sector Served on various committees in medical field and taught/mentored medical students	2 months (since November 2025)

Name / Role	Education	Experience	Length of Service
Christina Wilson Director	PhD, Education, North Carolina State University MA, Education Administration, East Carolina University BA, English, Queens College	30+ years' experience in business consulting with local, state and international clients Serves on other boards in education institutions	2 years (since January 2024)

Business Address: 3000 Galloway Ridge, Pittsboro, NC 27312

Disclosure: None of the directors of Galloway Ridge, Inc. have reported any Outside Interests or Adverse Disclosures.

3.3 10% + Ownership Interests

(Individuals holding ten percent (10%) or more equity or beneficial interest in the provider or any controlling person)

Galloway Ridge, Inc. a nonprofit corporation, has no equity ownership interests. No individual holds a ten percent (10%) or greater beneficial interest in Galloway Ridge, Inc. Galloway Ridge, Inc. serves as the sole corporate member of Galloway Ridge, Inc.

4. Governing Body and Oversight

Galloway Ridge, Inc is governed by a Board of Directors, consisting of twelve voting members, divided into three classes, each with four members. In most cases, each director serves for a three-year term. Currently, three members of the Board are residents of the Community, with each class containing one resident Director. The Executive Director/CEO is an Ex-officio, non-voting, member of the Board.

The Board is responsible for the overall direction and oversight of operations, financial condition, and resident welfare. Its duties include:

- reviewing and approving budgets and financial reports;
- ensuring compliance with applicable laws, regulations, and contractual obligations;
- overseeing the quality of resident care and services, including safety and satisfaction; and
- monitoring risks to Galloway Ridge, Inc.'s solvency and operations.

4.1 Selection of Members

Non-resident Directors are nominated and appointed by the current Board. Resident Directors are nominated by the Community's Residents Council and appointed by the Board. Directors serve three-year staggered terms and may be reappointed for two consecutive terms. Officers of the Board (President, Vice President, Treasurer, and Secretary) are appointed annually, by the Board, from among its members.

4.2 Oversight of Management and Operations

The Board delegates day-to-day operations of Galloway Ridge, Inc. to the Executive Director/CEO. The Board maintains oversight through:

- regular review of financial and operating reports;
- approval of major contracts, capital projects, and debt issuances;
- regularly scheduled board meetings, which include reports from the Board Committees;
- active and working, standing committees; and
- evaluation of management performance

4.3 Committees

The Galloway Ridge, Inc. Board maintains the following standing committees:

- **Audit and Finance**: monthly budget review, financial performance monitoring, and oversight of charitable funds
- **Governance**: procedural oversight, regulatory documents, Governance Manual, election process, Board evaluation, and continuing education
- **Health and Wellness**: health/wellness issues, state and federal report oversight, and quality of service monitoring
- **Long-range Planning**: oversight of the longer-term direction and viability of the organization
- **Community Outreach**: charitable/educational connection with the Chatham County community

5. Related Parties

Galloway Ridge, Inc. has no relationships with related parties under common control.

6. Relationships with Religious, Charitable, or Other Organizations

Galloway Ridge, Inc. does not have a relationship with a sponsoring religious denomination, faith-based community, or educational institution.

Galloway Ridge, Inc. is a member of LeadingAge, LeadingAge North Carolina, the International Council on Active Aging, The North Carolina Health Care Facilities Association and the Chatham County Chamber of Commerce. These memberships are limited to networking and professional development and carry no governance authority or financial support.

7. Other Persons Responsible for Obligations

No other person or entity is responsible for the financial or contractual obligations of Galloway Ridge, Inc.

8. Obligated Groups

Galloway Ridge, Inc. is the sole member of an obligated group created by a Master Trust Indenture and is responsible for the repayment of the 2014A Series bonds, 2019A Series bonds and 2022A Series bonds.

9. Debt Covenants and Compliance

Galloway Ridge, Inc. is subject to covenants contained in bond indentures and related debt agreements, including requirements for minimum debt service coverage, liquidity, and restrictions on additional borrowing.

As of the most recent covenant testing date, the provider and its obligated group are in compliance with all covenants contained in debt agreements.

10. Third-Party Management Arrangements

A management services agreement was entered into with Health Systems Medical Strategies, Inc. (HSMS), a North Carolina corporation, to manage the Duke Center for Living (DCFL) through November 2026. The DCFL is an on-site fitness center in which access is included in a resident's monthly fee and available to the general public.

11. Real Property Leases

Galloway Ridge, Inc. leases 1.774 acres of land from GRI Properties, LLC. The original lease is dated December 10, 2020 to expire on December 31, 2040. There are fifteen (15) years and zero (0) months remaining on the lease term. The lease is automatically renewable in one (1) years terms. Galloway Ridge, Inc. is responsible for any operations, expenses, taxes, insurance, and capital expenditures.

12. Endowment Funds

Galloway Ridge, Inc. does not maintain any endowment funds and does not have access to endowment funds through a related party.

13. Description and Location of the Community

Galloway Ridge at Fearrington is a Life Plan Community, located at 3000 Galloway Ridge, Pittsboro, NC 27312.

The Community began in 2005 on approximately 52 acres. The original campus included 183 apartments and 51 villas in independent living, 22 assisted living and 16 skilled nursing units, and the Duke Center for Living.

The Galloway Ridge campus is now approximately 67 acres and includes 300 independent living units and 96 units in our health care center, The Arbor.

Our main building includes common areas such as a UNC Health Clinic, library and business center, living room, auditorium, billiards room, multipurpose room, multiple meeting spaces, stadium seating movie theater, and art studio. On the rest of the Galloway Ridge Campus, are the Galloway Ridge WellPlex, which includes the Duke Center for Living, our 20,000 sq. ft. state-of-the-art fitness center, Duke Primary Care, and the Center for Physical Rehabilitation; a woodworking shop; nature and walking trails; and a fenced dog park. Our newly renovated dining areas include "Honey & Hearth" for casual dining, "Harvest" for upscale dining, "Table 23" for fine and private dining and the centrally located "Belties Lounge". The dining core renovation also includes a grab-and-go marketplace, open 24/7, for our residents and employees, called, "Mulberry Market."

Galloway Ridge, Inc. owns and operates Galloway Ridge at Fearrington, located at 3000 Galloway Ridge, Pittsboro, NC 27312. No other properties are owned, leased, or controlled by Galloway Ridge, Inc.

14. Living Units by Level of Care

As of December 31, 2025, Galloway Ridge at Fearrington includes the following units, constructed and available:

- 300 independent living units (248 apartments and 52 villas)
- 14 Multi-Unit Assisted Housing with Services [MUAHS] units
- 22 licensed assisted living units, with 9 licensed as dual-occupancy

- 20 Special Care Units (specifically, memory care)
- 40 skilled nursing beds

15. Continuing Care at Home Program

Galloway Ridge, Inc. does not operate a continuing care at home program.

16. Resident Population Served

As of December 31, 2025, the resident population served by Galloway Ridge at Fearrington under continuing care contracts was as follows:

- 408 residents in independent living
- 50 residents in assisted living, memory care, and MUAHS
- 33 residents in skilled nursing

As of December 31, 2025, the community maintained a waitlist for admission to independent living consisting of 168 individuals or couples. Individuals on the waitlist are prospective applicants and are not residents of the community unless and until they have executed a Residence and Care Agreement and commenced residency or payment of monthly fees.

To be placed on the independent living waitlist, prospective applicants are required to execute a Residence Preference Agreement and submit a $2,500 waitlist deposit. If the applicant later enters into a Residence and Care Agreement, the waitlist deposit is applied toward the required entrance fee at that time. If prospective applicant chooses to cancel the Residence Preference Agreement, they must notify Galloway Ridge, Inc. in writing. Upon receipt of written notice of cancelation, and in accordance with the Residence Preference Agreement, Galloway Ridge will refund $1,500 to applicant and will retain $1,000.

Placement on the waitlist does not guarantee admission to the community and does not create contractual rights beyond those in the Residence Preference Agreement.

Prospective residents may elect to pay a non-refundable fee of $250 for placement on a preferred status list based on the date they pay the non-refundable fee.

17. Occupancy Rates

The 12-month daily average occupancy rates for Galloway Ridge for the past five fiscal years were as follows:

Table 17.1 – Historical Occupancy Rates (12-Month Daily Average)

Fiscal Year-End	Independent Living (%)	Assisted Living (%)	Skilled Nursing (%)
12/31/2025	97.3%	90.7%	82.0%
12/31/2024	96.5%	91.4%	72.1%
12/31/2023	95.6%	76.6%	70.5%
12/31/2022	96.4%	66.5%	64.3%
12/31/2021	96.7%	66.1%	55.3%

18. Semiannual Resident Meetings

Galloway Ridge, Inc. holds meetings with residents twice each year with an independent Director present, as required by law.

Fiscal Year 2025 Meeting Dates

- October 30, 2025 – Dick Kahler, Board President, attended and 3rd Quarter 2025 financial results and 2026 Budget were discussed.
- May 22, 2025 – Dick Kahler, Board President, attended and 1st Quarter 2025 financial results and 2024 Audit were discussed.

19. Resident Property Rights

Residents do not hold ownership or property rights in the real estate of Galloway Ridge, Inc. Residency and access to services are governed solely by the Residence and Care Agreement.

20. Services Provided Under the Contract

Galloway Ridge, Inc. offers the following services under the Residence and Care Agreement.

20.1 Health Care Services

Each resident is entitled to receive care in the Health Center (assisted living, memory care, or skilled nursing care), pursuant to the terms of the Residence and Care Agreement, at no extra charge, except for the costs of additional meals, physician services and ancillary health services and supplies, as outlined in Section 4, “Assisted Living Services and Nursing Care Services,” of the Residence and Care Agreement, found in Appendix D.

20.2 Services Included in Monthly Fees

Services that are included in the monthly fee at Galloway Ridge are listed in Section 1, “Services and Amenities Provided to All Residents” of the Residence and Care Agreement, found in Appendix D.

20.3 Services Available at Additional Charge

Services available at additional charge are listed in Section 2, “Additional Services Provided for an Extra Charge”, of the Residence and Care Agreement, found in Appendix D.

20.4 Delivery of Services

Core residential, assisted living, and skilled nursing services are provided directly by Galloway Ridge, Inc. Certain therapies, such as physical, occupational, speech, and talk, plus specialized medical care (dental, podiatry, and wound) are furnished under contract with unrelated third parties.

21. Resident Fees

Nonancillary fees at Galloway Ridge, Inc. consist of required, ongoing fees such as entrance fees, monthly service fees, and transfer fees.

Galloway Ridge offers two forms of Residence and Care Agreements: a 75% Return-of-Capital™ Plan (Plan C) and a Traditional Plan (Plan A). The differences between the 75% Return-of-Capital™ Plan and the Traditional Plan are the amount of entrance fee paid upon admission to the Community, and the amount of the repayment a resident (or resident’s estate) is entitled to after the Residence and Care Agreement is terminated, due to death or relocation from Community. Refundability terms vary by contract and are disclosed in Section 22

The following tables show Galloway Ridge, Inc.’s current fee schedules, along with historical information on entrance fees and monthly service fees over the past five years.

Narrative explanations of household composition changes (Section 21.3) and transfer fees (Section 21.4) are also included.

Resale fees are not applicable because residents do not hold ownership rights in living units

21.1 Entrance Fees

Entrance fees vary based on Plan selected, model of residence selected, and number of occupants. The tables below list all current entrance fees for the Traditional (non-refundable) and the 75% Refundable plans offered at Galloway Ridge.

Table 21.1: Current Entrance Fees (Plan A – Traditional), Effective January 1, 2026

Unit Type	Entrance Fee (Single)	Entrance Fee (Double)
Independent Living Apartments		
1-bedroom apartment models		
Barnsley	$275,000	$330,000
Barnsley Deluxe	$302,000	$357,000
Claremont	$350,000	$405,000
Chelsea	$350,000	$405,000
Kent	$309,000	$364,000
Somerset	$361,000	$416,000
2-bedroom apartment models		
Marston	$373,000	$428,000
Wycombe	$407,000	$462,000
Sutton	$432,000	$487,000
Sutton II	$474,000	$529,000
Abbey	$491,000	$546,000
Abbey Deluxe	$510,000	$565,000
Windsor Standard	$421,000	$476,000
Windsor Plus	$453,000	$508,000
Windsor Deluxe	$486,000	$541,000

Unit Type	Entrance Fee (Single)	Entrance Fee (Double)
Oxford	$486,000	$541,000
Devon	$486,000	$541,000
York	$538,000	$593,000
Villas		
Chelsea	$426,000	$481,000
Exbury	$582,000	$637,000
Abbotsford	$640,000	$695,000
Abbotsford Deluxe	$682,000	$737,000
Durham	$631,000	$686,000
Westbury	$755,000	$810,000
Kensington	$1,002,000	$1,057,000
Chatham	$771,000	$826,000

Table 21.2: Current Entrance Fees (Plan C – 75% Refundable) Effective January 1, 2026

Unit Type	Entrance Fee (Single)	Entrance Fee (Double)
1-bedroom Apartment Models		
Barnsley	$473,000	$552,000
Barnsley Deluxe	$519,000	$598,000
Claremont	$602,000	$681,000
Chelsea	$602,000	$681,000
Kent	$531,000	$610,000
Somerset	$621,000	$700,000

Unit Type	Entrance Fee (Single)	Entrance Fee (Double)
2-bedroom Apartment Models		
Marston	$642,000	$721,000
Wycombe	$700,000	$779,000
Sutton	$743,000	$822,000
Sutton II	$815,000	$894,000
Abbey	$845,000	$924,000
Abbey Deluxe	$877,000	$956,000
Windsor Standard	$724,000	$803,000
Windsor Plus	$779,000	$858,000
Windsor Deluxe	$836,000	$915,000
Oxford	$836,000	$915,000
Devon	$836,000	$915,000
York	$925,000	$1,004,000
Villa Models		
Chelsea	$733,000	$812,000
Exbury	$1,001,000	$1,080,000
Abbotsford	$1,101,000	$1,180,000
Abbotsford Deluxe	$1,173,000	$1,252,000
Durham	$1,085,000	$1,164,000
Westbury	$1,299,000	$1,378,000
Kensington	$1,723,000	$1,802,000
Chatham	$1,326,000	$1,405,000

Table 21.3: Historical Annual Increases in Entrance Fees – Plan A (Traditional)

Effective Date	% Increase	Average $ Increase, Single Occupancy	Average $ Increase, Double Occupancy
1/1/2026			
Villas	7.5%	$48,125	$51,125
Apartments	5.0%	$19,889	$22,889
1/1/2025			
Villas	5.0%	$30,250	$32,250
Apartments	3.5%	$13,500	$15,500
1/1/2024			
Villas	7.5%	$42,500	$44,500
Apartments	3.5%	$13,000	$15,000
1/1/2023			
Villas	8.3%	$43,250	$45,250
Apartments	3.5%	$12,611	$14,611
1/1/2022			
Villas	2.0%	$10,250	$11,250
Apartments	2.0%	$7,000	$8,000

Table 21.4: Historical Annual Increases in Entrance Fees – Plan C (75% Refundable)

Effective Date	% Increase	Average $ Increase, Single Occupancy	Average $ Increase, Double Occupancy
1/1/2026			
Villas	7.5%	$82,875	$86,875
Apartments	5.0%	$34,111	$38,111
1/1/2025			
Villas	5.0%	$52,000	$55,000
Apartments	3.5%	$23,278	$26,278
1/1/2024			
Villas	7.5%	$73,000	$75,000
Apartments	3.5%	$22,389	$24,389
1/1/2023			
Villas	8.3%	$74,500	$76,500
Apartments	3.5%	$21,722	$23,722
1/1/2022			
Villas	2.0%	$79,125	$80,125
Apartments	2.0%	$54,278	$55,278

21.2 Monthly Service Fees

The resident is required to pay a monthly fee to the Community by the 15th day of each month. If there are two residents, a second person monthly fee will also be paid. The monthly fees are paid to provide the service and amenities described in the Residence and Care Agreement and to meet the costs of the expenses associated with the operation of the Community. We may increase the monthly fee upon sixty (60) days written notice to the residents if we deem it necessary in order to meet the financial needs of the Community and to provide the services to the residents. The current monthly fee amounts are included in the table below.

Table 21.5: Current Monthly Fees, Effective January 1, 2026

Unit Type	Single Occupant	Double Occupant
1-bedroom Apartment Models		
Barnsley	$4,415	$6,197
Barnsley Deluxe	$4,596	$6,378
Claremont	$5,579	$7,361
Chelsea	$5,579	$7,361
Kent	$4,849	$6,631
Somerset	$5,677	$7,459
2-bedroom Apartment Models		
Marston	$6,192	$7,974
Wycombe	$6,498	$8,280
Sutton	$7,020	$8,802
Sutton II	$7,560	$9,342
Abbey	$7,761	$9,543
Abbey Deluxe	$7,989	$9,771
Windsor Standard	$6,512	$8,294
Windsor Plus	$7,025	$8,807
Windsor Deluxe	$7,205	$8,987
Oxford	$7,532	$9,314
Devon	$7,532	$9,314
York	$7,698	$9,314

Unit Type	Single Occupant	Double Occupant
Villas		
Chelsea	$5,579	$7,361
Exbury	$7,151	$8,933
Abbotsford	$7,267	$9,049
Abbotsford Deluxe	$8,373	$10,155
Durham	$7,565	$9,347
Westbury	$8,253	$10,035
Kensington	$8,495	$10,277
Chatham	$7,745	$9,527

Table 21.6: The Arbor Fees – For MUAHS Contracts only

	Single Occupant	Double Occupant
Monthly service fee (basic)	$7,596	$9,626
Monthly Enhanced Care fee	$1,215	$2,430
Assisted Living	$326 daily	
Memory Care	$398 daily	
Skilled Nursing	$458 daily	

Monthly fees are reviewed and adjusted annually to reflect changes in operating costs. Adjustments are subject to board approval, with no contractual cap on increases.

Table 21.7: Historical Increases in Monthly Fees

Effective Date	Average % Increase	Average $ Increase	Frequency
1/1/2026	5.2%	$330	Annual
1/1/2025	5.2%	$301	Annual
1/1/2024	6.9%	$391	Annual
1/1/2023	5.75%	$308	Annual
1/1/2022	5.1%	$259	Annual
1/1/2021	3.75%	$184	Annual

Table 21.8: Weighted Average Dollar Amount of Changes in Monthly Fees

(All years in table reflect effective date of January 1)

	2021	2022	2023	2024	2025	2026
Single Occupancy	$184	$259	$308	$391	$301	$330
Double Occupancy	$308	$268	$390	$495	$385	$418

21.3 Household Composition Changes

No person other than the resident may occupy the residence without our written approval. If a second person, who is not a party to the Residence and Care Agreement, wishes to become a resident of Galloway Ridge, that person's acceptance will be in accordance with the current admission policies. An Entrance Fee, as determined by the Community, will be paid upon admission. In addition, each month, the then-current Monthly Fee for double occupancy will be paid. If the person does not meet the requirements for residency, he or she will not be permitted to occupy the residence for more than 30 days, except with written approval of the Executive Director.

Should the resident choose to marry, or cohabitate with a person who is also a resident of the Community, they must declare which residence will be occupied and which residence will be surrendered. Each month, the then-current Monthly Fee for the second person in the occupied residence shall be added to the Monthly Fee of the occupied residence.

Any Entrance Fee repayment due for the surrendered residence will be paid when the resident no longer resides in the community.

21.4 Transfer Fees and Resale Fees

If a resident transfers to a different independent living unit, a transfer fee of $7,500 is charged.

No resale fees are charged because residents do not hold ownership rights in their living units.

22. Refundable Entrance Fee Obligations

22.1 75% Return-of-Capital™ Residence and Care Agreement

Under the 75% Return-of-Capital™ Residence and Care Agreement, during the first twelve (12) months of occupancy, we will remit to the resident or resident's estate, the Entrance Fee paid, without interest, less 1% of the Entrance Fee paid and less 2% paid per month or partial month of occupancy. After twelve (12) months of occupancy, we will remit to the resident or the resident's estate an amount equal to 75% of the Entrance Fee, without interest. Any repayment will be paid upon occupancy of the residence, subsequent to termination of the Agreement, by a new resident and within 30 days of our receipt of the Entrance Fee paid by the new resident.

22.2 Traditional Residence and Care Agreement

Under the Traditional Residence and Care Agreement, during the first forty-eight (48) months of occupancy, we will remit to the resident or the resident's estate the Entrance Fee paid, without interest, less 4% of the Entrance Fee paid and less 2% paid per month or partial month of occupancy. After 48 months of occupancy, the entire Entrance Fee will be considered earned by us and no portion of the Entrance fee will be repayable to the resident or the resident's estate. Any repayment will be paid upon occupancy of the residence, subsequent to termination of the Agreement, by a new resident and within 30 days of our receipt of the Entrance Fee paid by the new resident.

22.3 Refund Obligations as of December 31, 2025

Category	Number of Contracts	Aggregate Amount
Refunds for which all contractual conditions have been satisfied but payment is not yet due under the contract	2	$747,000
Refunds currently due and payable, including an aging of amounts that are 30 or more days past due, measured from the contractual due date, by aging category (e.g. 30-59 days, 60-89 days, 90+ days past due)	30-59 days – 1 60-89 days – 0 90+ days - 0	$16,240 $0 $0

Category	Number of Contracts	Aggregate Amount
Refunds due to residents who have vacated their independent living unit and now reside in a non-independent living unit either within or outside the community	0	$0
Refunds due to residents who have vacated their independent living unit, now reside in a non-independent living unit, and whose former unit has already been re-occupied	0	$0

As of December 31, 2025, Galloway Ridge, Inc. had $763,240 in total refundable entrance fee obligations. One refund was contractually due or past due at year-end. A check for the past due refund had been issued and returned due to the need for the recipient to set up an estate. Payment for this refund was finalized in January 2026. All other obligations will be satisfied in accordance with contract terms as independent living units are reoccupied and replacement entrance fees are received; however, the timing of refund payments depends on the pace of independent living unit turnover and re-occupancy activity.

23. Financial Hardship Policies

23.1 Policies for Residents Unable to Pay

Financial assistance may be available to existing continuing care residents who live at the Community under a life care Residence and Care Agreement. To be eligible for such financial assistance, the resident cannot impair his/her ability to meet his/her financial obligations by transfer of assets other than to meet ordinary and customary living expenses or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance or other health insurance as outlined in the Residence and Care Agreement. The resident must have less than $25,000 ($50,000 for a couple) in total assets. Financial assistance funds are available as long as providing financial assistance does not impair our ability to operate the Community on a sound financial basis for the benefit of all residents.

Residents may be required to move to a unit with a lower monthly fee. Resident needing financial assistance may reside at the community indefinitely.

We do not offer financial assistance to non-Life care residents who are admitted under an MUAHS Agreement

23.2 Sources of Financial Support

- **Refundable Entrance Fees**: Residents contractually entitled to a refundable entrance fee may, subject to the approval of Galloway Ridge, Inc., apply available refundable amounts toward unpaid monthly fees. Such applications reduce the remaining refund obligation and do not accelerate contractual payment of refunds.

- **Resident Benevolent Care Fund (RBCF)**: Residents who are not contractually entitled to a refundable entrance fee, may, subject to the approval of Galloway Ridge, Inc., apply for assistance with full or partial payment of monthly fees from the RBCF.

23.3 Conditions or Limitations

- Eligibility for benevolent care is determined through a confidential financial review conducted by Galloway Ridge, Inc.
- Financial assistance will be available as long as providing financial assistance does not impair the ability to operate the community on a sound financial basis for the benefit of all residents.
- Residents must annually recertify financial need to continue receiving assistance.

23.4 Narrative

In 2025, Galloway Ridge, Inc. distributed $186,097 in benevolent care support to Galloway Ridge residents. As of December 31, 2025, the Resident Benevolent Care Fund maintained net assets of $5.6 million.

24. Contract Cancellation and Refund Policies

24.1 Provider-Initiated Cancellation

Galloway Ridge, Inc. may terminate a Residence and Care Agreement:

- Before occupancy or commencement of services, if:
  - The applicant fails to meet health or financial eligibility requirements at the time of application;
  - The applicant provided materially false or misleading information during the application process; or
  - Admission would pose a direct threat to the health and safety of others.
- After occupancy or commencement of services and with 30 days written notice, if:
  - Resident does not comply with the terms of the Residence and Care Agreement or the Community's procedures, covenants', rules, regulations, or policies; or
  - Resident misrepresents themselves or fails to disclose information during the admissions process; or

- Resident fails to make payment to Galloway Ridge, Inc. of any fees or charges due to Galloway Ridge, Inc within 60 days of the due date; or
- Resident's health status or behavior constitutes a substantial threat to the health or safety of resident, other residents, or others; including resident's refusal to consent to relocation, or would result in physical damage to the property of others; or
- Resident's physical or mental condition cannot be cared for in the Community Health Center within the limits of the Community's license.

24.2 Resident-Initiated Cancellation

A resident may cancel a contract under the following circumstances**:**

- **Before occupancy or commencement of services**:
A resident may cancel at any time. The entrance fee and any prepaid monthly fees are refunded, less a nonrefundable $500 application or processing fee retained by Galloway Ridge, Inc. to cover administrative costs.
- **After occupancy or commencement of services**:
A resident may voluntarily cancel by providing 30 days' written notice. Refundable entrance fees, if any, are returned in accordance with Section 22 once all contractual conditions are satisfied, including receipt of a new entrance fee and re-occupancy of the living unit when applicable.

24.3 Refunds Upon Cancellation

- Refundable entrance fees are returned in accordance with Section 22 – Refundable Entrance Fee Obligations.
- Nonrefundable portions of entrance fees are retained by Galloway Ridge, Inc.
- Prepaid monthly fees are prorated to the later of the date the living unit is vacated or services cease, and any remaining balance is refunded.

24.4 Refunds Upon Death

- **Before occupancy or commencement of services**:
If a resident dies before moving into the community or beginning continuing care at home services, the entrance fee is refunded in full, less the nonrefundable $500 application or processing fee.
- **After occupancy or commencement of services**:
Refunds are made according to the standard refundable entrance fee provisions described in Section 22, including re-occupancy and replacement entrance fee conditions. Prepaid monthly fees are prorated to the date all personal property is removed from the living unit and exit walk is completed, and refunded.

25. Re-occupancy of Units

A living unit at Galloway Ridge may be reassigned to a new resident under the following circumstances:

25.1 Resident-Initiated Vacating

- **Voluntary termination**: When a resident cancels their continuing care contract and permanently vacates the living unit.
- **Transfer to a higher level of care**: When a resident moves from independent living to assisted living or skilled nursing, and the contract permits the original living unit to be reassigned.

25.2 Provider-Initiated Vacating

- **Contract termination by provider**: When a contract is terminated by the provider under the circumstances described in Section 24 – Contract Cancellation and Refund Policies.
- **Persistent nonpayment**: When a resident fails to meet contractual payment obligations and the provider declares the contract terminated.

25.3 Temporary Absences

Hospitalizations, rehabilitative stays, or other temporary absences do not constitute a vacating of the living unit and do not permit re-occupancy by a new resident.

25.4 Refunds

Refunds associated with the vacating of a living unit are handled in accordance with Section 22 – Refundable Entrance Fee Obligations. Refunds are contingent upon re-occupancy by a new resident, and the timing of repayment may vary depending on market demand and the pace of living unit turnover.

26. Resident Relocation

Galloway Ridge, Inc. reserves the right to relocate a resident to a different residence or a higher level of care after consultation with the resident, resident's family and attending physician if, in our sole discretion, it is determined that such a move should be made for the benefit of the resident or for the proper operation of the Community or to meet the requirement of law.

26.1 Resident Needs

- **Health-Related Transfer**: When a resident's medical condition requires a move to a more supportive level of care, such as assisted living, memory care, or skilled nursing.
- **Safety and Accessibility**: When the current living unit no longer meets the resident's safety or accessibility needs (for example, due to mobility limitations, inability to recognize an emergency, or inability to safely evacuate the building in case of an emergency).

26.2 Provider Needs

- **Renovation or Construction**: When construction, renovation, or repair work requires temporary or permanent relocation.
- **Operational Necessity**: When the continued occupancy of a living unit materially interferes with the orderly operation of the community and no reasonable alternative exists. This provision is applied only in limited circumstances.
- **Need for Benevolent Care:** When the resident requires benevolent care and a unit with a lower monthly fee is available.

26.3 Process

- Relocation decisions are made in consultation with the resident, the resident's family (if applicable), and appropriate health professionals.
- The provider makes reasonable efforts to relocate the resident to a comparable living unit within the community, meaning one of similar size, type, and monthly fee level whenever possible.
- If relocation is required for renovation or construction purposes, the provider will inform the resident in advance and clarify whether the move is temporary or permanent.

26.4 Financial Obligations

All entrance fee and monthly fee obligations continue in accordance with the terms of the resident's contract, regardless of relocation.

27. Admission and Continuation Standards

Galloway Ridge, Inc. is a life care senior living community established for persons 62 years of age or older. As a life care senior living community, its primary purpose is to provide its residents with a private residence, a wide array of personal services, and the security of access to on-site, licensed assisted living care and nursing care, all combined within a sound financial plan.

27.1 Summary of Residency Requirements

Applicants for residency must be capable of meeting the following requirements for occupancy:

- Has reached the age of 62
- Is in sufficiently good health to be capable of independently occupying an independent living residence, with or without reasonable accommodation or reasonable modification
- Has sufficient assets and income to pay the Entrance Fee; monthly service fees; plus, other, reasonably expected, personal expenses; additional costs of Health Center services, as necessary; and to meet anticipated increases in the cost of living and monthly service fees.

27.2 Financial Requirements

Financial evaluation of a prospective resident is primarily dependent upon two factors:

- The prospective resident's net worth; and
- The prospective resident's average monthly income.

To determine whether a prospective resident meets the financial guidelines for residency, all applicants shall be required to complete a Confidential Data Disclosure, to include the required documentation to verify assets and income.

The prospective resident will undergo financial underwriting that will measure the risk of them outliving their income and assets and, therefore, requiring subsidization of their fees. A computer model tailored specifically to Galloway Ridge's fee structure, contract type, refund agreements, services and costs, as well as the prospective resident's age, gender, couple status, choice of living unit, contract terms, actuarial life expectancy, and an estimated amount of other personal expenses are used in the analysis. The prospective resident's assets, investments, pension income and social security income as well as assumed rates of inflation and rates of return on investments play key roles in predicting when the prospective resident will require fee subsidization.

The prospective resident's assets and income must be sufficient under foreseeable circumstances and after provision for payment of the prospective resident's obligations under the Residence and Care Agreement to meet the prospective resident's ordinary and customary living expenses after assuming residency at the Community. Examining both the net worth and monthly income permits some flexibility in determining a prospective resident's financial qualifications for residency. If a prospective resident exceeds the minimum requirement for either net worth or monthly income but falls short of the minimum requirement for the other factor, it is possible that when the factors are examined together, the prospective resident may financially qualify for residency.

Further, if there are two prospective residents applying for residency whose property is not held jointly, then each prospective resident must complete a Confidential Data Disclosure based on their own assets and monthly income. Each prospective resident's net worth and monthly income must, independent of the other, meet the financial guidelines for residency.

A prospective resident who meets all other qualifications for residency but fails to meet the financial qualifications may still be accepted for residency if a third party with adequate resources agrees in writing prior to a prospective resident's acceptance for residency to guarantee payment of the prospective resident's obligations under the Residence and Care Agreement. The third party will be required to provide documentation to verify assets and income and provide documentation of irrevocable provisions to provide for the prospective resident's obligations in the event the third-party should pre-decease the prospective resident.

27.3 Health Requirements

An inquiry will be made of all applicants regarding the prospective resident's ability to live independently in an independent living residence, allowing for reasonable accommodations or reasonable modification. To determine whether a prospective resident meets the health guidelines, health information will be gathered on the Confidential Data Disclosure and Resident Health Information form completed by the applicant, and a Cognitive Health Assessment will be administered by Galloway Ridge. The health information the applicant provides will be considered protected health information and will remain confidential. The information from these two forms will be used to answer the following questions:

- Is the prospective resident capable of living independently in an independent living residence in the Community? If no, can reasonable accommodations or reasonable modifications be made to allow the prospective resident to live independently in the selected residence?
- Could the prospective resident's residency pose a threat to the health, safety, or welfare of the prospective resident or others?
- Could the prospective resident's residency result in substantial physical damage to the property of others?

27.4 Requirements for Continued Residency

Continued residency at Galloway Ridge is not determined by health status, as long as the health services required are offered at Galloway Ridge. To continue residency at Galloway Ridge resident must:

- pay monthly service fees and all other ancillary charges incurred by resident;
- comply with terms of Residence and Care Agreement and policies in the Resident Handbook; and

- maintain Medicare Part A, Medicare Part B, and one supplemental health insurance policy or equivalent insurance coverage acceptable to Galloway Ridge, Inc.

28. Age and Insurance Requirements

28.1 Age and Relationship Requirements

A prospective resident must have attained their 62nd birthday by the anticipated date of residency. No children, grandchildren, nieces, or nephews will be accepted for residency as a second person under the same Residence and Care Agreement, unless they meet the residency requirements (age, financial, health). No third persons will be accepted for residency. There is no maximum age limit.

28.2 Insurance Requirements

Prospective residents must have Medicare Part A, Medicare Part B, and one supplemental health insurance policy or equivalent insurance coverage acceptable to Galloway Ridge, Inc. Failure to have or maintain acceptable insurance coverage will result in denial of admission or contract termination.

29. Reserve Funding and Refund Security

29.1 Cash and Investments

As of December 31, 2025, Galloway Ridge, Inc. held $18,721,205 in unrestricted cash and investments. Within this balance, $8,707,975 has been designated by the Board of Galloway Ridge, Inc. These funds remain unrestricted for accounting purposes but reflect the Boards' intent to maintain liquidity for resident benevolent care and capital projects.

At year-end, unrestricted cash and investments supported a Days Cash on Hand of 197 days, representing approximately six months of projected operating expenses without new revenues.

29.2 Investment Management and Oversight

- **Oversight Body**: Audit and Finance Committee of the Galloway Ridge Board of Directors
- **Day-to-Day Management**: Hamilton Point Investment Advisors, LLC
- **Experience**: Finance Committee members have varied experience in auditing, investing, business operations, and budgeting
- **Policy and Controls**: Investments are managed under a Board-approved Investment Policy emphasizing liquidity and capital preservation. Permitted holdings include cash, cash equivalents, U.S. Treasury/agency securities, investment-grade bonds, and broadly diversified public funds/ETFs

29.3 Statutory Operating Reserve Requirement

As of December 31, 2025, Galloway Ridge's 12-month rolling average independent living unit occupancy was 97.3%. Based on this level of occupancy, the required statutory operating reserve was 12.5% of projected operating costs for the next 12 months.

Because Galloway Ridge, Inc. is part of an obligated group that maintains a separate Debt Service Reserve Fund, principal and interest payments are excluded from the operating reserve calculation.

Table 29.1: Statutory Operating Reserve Calculation (as of December 31, 2025)

Component	Amount
Total projected operating expenses	$38,358,000
Add: Debt service (principal and interest)	$2,095,000
Less: Depreciation expense	($4,855,000)
Less: Amortization expense	($158,000)
Less: Debt Service provided for by a separate reserve account	($5,342,000)
Net projected operating costs	**$30,098,000**
Applicable reserve percentage based on occupancy	12.5%
Required operating reserve	**$3,762,250**
Statutory operating reserve balance	$7,373,252
Excess above required reserve	**$3,611,002**

Summary: The required statutory operating reserve was $3.76 million. Galloway Ridge, Inc. held $7.37 million in unrestricted cash and investments, providing an excess cushion of $3.61 million above the statutory minimum.

29.4 Refund Security (Entrance Fee Refunds)

Entrance fee refund obligations are supported by receipt of replacement entrance fees and unrestricted liquidity of $3,611,002 above the statutory operating reserve.

Table 29.2: Unrestricted Cash and Investment Summary as of December 31, 2025

Category	Amount	Notes
Total unrestricted cash & investments	$18,721,205	All liquid balances (cash and investments)
Less: Required operating reserve	($3,762,250)	Must be maintained; release requires regulatory approval
Less: Board-designated for benevolent care and capital projects	($8,707,975)	Internal designation; unrestricted under GAAP
Excess unrestricted cash and investments above operating reserve and board designated refund reserve	**$6,250,980**	Available for operations and refund needs (outside of designated reserves)

30. Expansion and Renovation Plans

As of December 31, 2025, Galloway Ridge, Inc. has no plans for expansion or significant renovation.

31. Audit Opinion and Timeliness

The consolidated financial statements of Galloway Ridge, Inc. and GRI Properties, LLC, for the fiscal year ended December 31, 2025, were audited by Clifton Larson Allen, LLP (Charlotte, NC).

- **Timeliness**: The audit was completed and issued within 150 days of fiscal year-end, meeting statutory requirements.
- **Audit Opinion**: The independent auditor issued an unqualified opinion (a "clean" audit opinion) on the financial statements.

32. Audited Financial Statements

The audited consolidated financial statements of Galloway Ridge, Inc., for the fiscal year ended December 31, 2025, are attached hereto as Appendix A and form an integral part of this Disclosure Statement. These statements include the balance sheet, statement of operations, statement of cash flows, and accompanying notes, and have been prepared in accordance with generally accepted accounting principles (GAAP).

Because the financial statements are presented on a consolidated basis, supplemental consolidating schedules provide provider-level detail for Galloway Ridge, Inc.

33. Five-Year Prospective Financial Statements

The five-year prospective financial statements of Galloway Ridge, Inc., for the period 2026 through 2030 are attached hereto as Appendix B. These statements were prepared and compiled by Clifton Larson Allen, LLP, and include a summary of significant assumptions and accounting policies.

34. Variances from Prospective Financial Statements

For the fiscal year ended December 31, 2025, management reviewed the results of operations for Galloway Ridge, Inc. against the prospective financial statements filed in the prior year. Variances included both financial line items and key assumptions, such as occupancy, used in preparing the projections. The following material variances were identified:

Table 34.1: Variance Analysis - Fiscal Year Ended 12/31/25

Category	Projected Amount	Actual Amount	Variance	Explanation
Assisted Living Occupancy	80.0%	83.9%	3.9%	Higher-than-expected residents transferring from independent living to assisted living
Skilled Nursing Occupancy	52.5%	50.0%	-2.5%	Lower-than-expected residents transferring to skilled nursing
Entrance Fee Receipts	$12.7 million	$10.5 million	-$2.2 million	Lower-than-expected Entrance Fee receipts due to decrease in the mix of the number of couples versus singles of new residents
Entrance Fees Refunded	$4.6 million	$1.0 million	-$3.6 million	Lower-than-expected termination of contracts for refundable fee plans
Amortization of Entrance Fees	$7.3 million	$8.0 million	$1.3 million	Higher-than-expected termination income

Category	Projected Amount	Actual Amount	Variance	Explanation
Investment Income	$0.8 million	$1.4 million	$0.6 million	Higher-than-expected investment income due to increased stock market returns and forecast does not include unrealized gains/(losses)
Contributions	$0 million	$1.0 million	$1.0 million	Higher-than-expected contributions due to forecast not anticipating contributions
Healthcare Expenses	$8.4 million	$8.6 million	$0.1 million	Higher-than-anticipated healthcare expenses due to unbudgeted reliance on contract staff to cover shortages
Dining Services Expenses	$6.5 million	$6.9 million	$0.4 million	Higher-than-expected dining services expenses due to increase in salaries and wages to cover increased dining service as a result of the opening of new dining venues on campus in addition to higher-than-expected inflation or raw food costs
Restricted Assets Expended	$0.0 million	$0.1 million	$0.1 million	Higher-than-expected due to exclusion of prediction in the forecast
Total Assets	$142.3 million	$145.3 million	$3.0 million	Higher-than-anticipated cash and investments due to increase of cash received through entrance fee turnovers and stock market performance higher than projected
Total Liabilities	$162.2 million	$163.0 million	$0.8 million	Higher-than-expected entrance fee refund payables and higher than expected resident deposits.

35. Key Financial Metrics

This section presents the eight statutory financial ratios required under N.C. Gen. Stat. § 58-64A-150(a)(39). Historical values are based on audited financial statements; prospective values are derived from the provider's five-year prospective financial statements. Comparative statewide medians will be published by the North Carolina Department of Insurance beginning in late 2026.

For the tables below, FY = the most recent fiscal year end and is the shaded column in the middle

Full statutory text of definitions is provided in Appendix F.

35.1 Liquidity Ratios

Days Cash on Hand (DCOH). Number of days the provider (obligated group) could pay its normal cash operating expenses using unrestricted cash and investments. More days generally means stronger liquidity.

Cushion Ratio (CUSH). Number of times unrestricted cash and investments could cover one year of debt service. Higher values mean more resources to pay debt service.

Table 35.1: Liquidity Ratios – Provider and Obligated Group

As Galloway Ridge, Inc. is the sole member of the Obligated Group, ratios for the Obligated Group are the same as those for the Provider.

Ratio	FY-2 (2023)	FY-1 (2024)	FY (2025)	*FY+1 (2026)*	*FY+2 (2027)*	*FY+3 (2028)*
DCOH	197	196	197	*205*	*228*	*254*
CUSH	3.70x	3.88x	3.49x	*3.74x*	*4.30x*	*4.93x*

Narrative:

Liquidity declined modestly through FY 2025 because of reinvestment in campus renovations and temporary use of cash for refund payments.

A gradual recovery is projected beginning FY 2026 as occupancy and entrance-fee receipts strengthen, restoring approximately 30 days of liquidity by FY 2028.

35.2 Profitability Ratios

Operating Ratio (OR). Compares current operating expenses (excluding depreciation and amortization) to current operating revenues (excluding entrance fee amortization). Lower percentages mean operating revenues are more easily covering cash operating expenses.

Net Operating Margin (NOM). Shows the result from core resident services. Higher values mean a stronger operating result from resident services.

Adjusted Net Operating Margin (NOM-A). Shows the operating result after also counting net entrance fee cash received during the year. Higher values mean the result is improved when net entrance fee cash is included.

Table 35.2: Profitability Ratios – Provider and Obligated Group

As Galloway Ridge, Inc. is the sole member of the Obligated Group, ratios for the Obligated Group are the same as those for the Provider.

Ratio	FY-2 (2023)	FY-1 (2024)	FY (2025)	*FY+1 (2026)*	*FY+2 (2027)*	*FY+3 (2028)*
OR	101.5%	98.1%	99.1%	*98.9%*	*98.3%*	*97.7%*
NOM	(2.6%)	1.4%	0.1%	*11.9%*	*11.9%*	*12.0%*
NOM-A	31.0%	37.1%	26.3%	*39.7%*	*39.7%*	*39.8%*

Narrative:

Margins strengthened beginning FY 2023 as census stabilized, inflation moderated, and expense controls took hold.

Management projects continued modest improvement through FY 2028 as operating efficiencies and entrance-fee inflows support profitability.

35.3 Capital Structure Ratios

Debt Service Coverage (DSCR). Measures ability to pay annual debt service from operations and net entrance fee cash. Higher values indicate greater ability to pay debt service.

Unrestricted Cash & Investments to Long-Term Debt (CD). Compares unrestricted cash and investments to long-term debt. Higher values indicate more unrestricted cash and investments relative to debt.

Capital Expenditures to Depreciation (CED). Indicates reinvestment relative to depreciation expense. Values at or above 1.0x usually mean the provider is reinvesting enough to keep up.

Table 35.3: Capital Structure Ratios – Provider and Obligated Group

As Galloway Ridge, Inc. is the sole member of the Obligated Group, ratios for the Obligated Group are the same as those for the Provider.

Ratio	FY-2 (2023)	FY-1 (2024)	FY (2025)	*FY+1 (2026)*	*FY+2 (2027)*	*FY+3 (2028)*
DSCR	1.53x	2.12x	2.07x	2.40x	2.49x	2.59x
CD	0.25x	0.27x	0.30x	0.34x	0.41x	0.49x
CED	1.76x	2.86x	1.72x	1.16x	0.98x	0.95x

Narrative:

Galloway Ridge, Inc. maintains healthy coverage and is gradually deleveraging as long-term debt amortizes.

Capital-expenditure ratios remain at or above 1.0×, indicating adequate reinvestment in campus infrastructure.

35.4 Overall Summary

Galloway Ridge, Inc. demonstrates sound liquidity, improving profitability, and conservative leverage. Provider-level liquidity dipped during recent reinvestment cycles but remains comfortably above the required statutory operating reserve level. Obligated group ratios confirm that Galloway Ridge, Inc. operates within a financially resilient group that provides additional stability and access to shared reserves. Projected performance indicates stable or modestly improving results through FY 2028, with sufficient capacity to fund operations, service debt, and support ongoing capital renewal.

36. Actuarial Opinion and Balance

The opinion of a qualified independent actuary is attached hereto as Appendix C. The actuarial report evaluates Galloway Ridge, Inc.'s current and projected financial position and determines whether Galloway Ridge, Inc. is in satisfactory actuarial balance.

The actuary reviewed Galloway Ridge, Inc.'s prospective financial statements for the next five years using standard actuarial methods and assumptions and concluded that Galloway Ridge, Inc. is in satisfactory actuarial balance as of December 31, 2024. Key assumptions included mortality, morbidity, resident entrance and withdrawal rates, fee increase patterns, and long-term investment return.

37. Most Recent Department Examination Report

The North Carolina Department of Insurance has not conducted an examination of this Provider under Article 64A.

38. Other Material Information

Management has reviewed whether there are any additional facts, circumstances, risks, or events that could reasonably be expected to influence a prospective or current resident's decision to contract with Galloway Ridge, Inc. Other than the disclosures provided in prior sections of this Disclosure Statement, management has determined that no additional material information requires disclosure at this time.

39. Contract Forms and Attachments

Galloway Ridge, Inc. offers two different continuing care contracts, referred to as Residence and Care Agreements. These contracts differ solely in their entrance fee refund provisions.

- **75% Refundable Residence and Care Agreement -** Residents pay a higher entrance fee, and 75% of the fee (less applicable deductions) is refundable after the unit is reassigned and new resident has paid entrance fee for the residence.
- **Declining Balance Contract (0% Refundable Traditional Residence and Care Agreement)** – Residents pay the lowest entrance fee. The refundable portion of the entrance fee decreases monthly and amortizes to 0% after a four-year period. Once the amortization period has elapsed, no refund is payable upon termination or death of the resident.

An example of the Traditional Residence and Care Agreement is attached hereto as Appendix D.

Appendix Index

The following Appendices are incorporated into and form an integral part of this Disclosure Statement. Each Appendix begins on a separate page.

Appendix A — Audited Financial Statements

GALLOWAY RIDGE, INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2025 AND 2024

GALLOWAY RIDGE, INC.
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
Galloway Ridge, Inc.
Pittsboro, North Carolina

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Galloway Ridge, Inc. (the Company), which comprise the balance sheets as of December 31, 2025 and 2024, and the related statements of operations, changes in net deficit, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Galloway Ridge, Inc. as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Galloway Ridge, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 GAAS 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 judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the 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 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 Galloway Ridge, Inc.'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 financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Galloway Ridge, Inc.'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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Charlotte, North Carolina
April 28, 2026

GALLOWAY RIDGE, INC.
BALANCE SHEETS
DECEMBER 31, 2025 AND 2024

	2025	2024
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 2,639,978	$ 1,616,529
Assets Limited As to Use, Current Portion	3,888,918	3,757,664
Accounts Receivable	1,431,422	1,757,633
Allowance for Credit Losses	(428,799)	(246,190)
Accounts Receivable, Net	1,002,623	1,511,443
Other Receivables	181,936	233,697
Other Current Assets	514,207	459,165
Total Current Assets	8,227,662	7,578,498
ASSETS LIMITED AS TO USE, NET OF CURRENT PORTION		
Reserves Required by State Statute	7,373,252	7,084,689
Restricted by Donor	5,261,334	4,893,841
Board-Designated Funds	8,707,975	8,917,837
Restricted by Trustee	9,858,343	10,049,753
Total Assets Limited As to Use	31,200,904	30,946,120
Less: Assets Limited As to Use, Current Portion	(3,888,918)	(3,757,664)
Total Assets Limited As to Use, Net of Current Portion	27,311,986	27,188,456
PROPERTY AND EQUIPMENT, NET	109,515,747	108,064,018
RIGHT-OF-USE ASSETS - FINANCING, NET	329,183	399,422
Total Assets	$ 145,384,578	$ 143,230,394

See accompanying Notes to Financial Statements.

GALLOWAY RIDGE, INC.
BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2025 AND 2024

	2025	2024
LIABILITIES AND NET DEFICIT		
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	$ 2,275,000	$ 2,100,000
Current Maturities of Right-of-Use Lease Liabilities - Financing	108,971	104,463
Accounts Payable	654,433	2,046,427
Accrued Interest	1,613,918	1,657,664
Accrued Payroll and Related Liabilities	435,787	405,653
Refunds Payable	763,240	334,260
Other Accrued Expenses	210,718	213,054
Total Current Liabilities	6,062,067	6,861,521
LONG-TERM DEBT, NET OF CURRENT MATURITIES	62,072,924	64,506,097
LONG-TERM RIGHT-OF-USE LEASE LIABILITIES - FINANCING, NET OF CURRENT MATURITIES	234,338	303,789
REFUNDABLE DEPOSITS	890,300	724,800
COVERED PARKING DEPOSITS	600,000	598,000
REFUNDABLE ADVANCE FEES	30,600,557	30,652,907
DEFERRED REVENUE FROM ADVANCE FEES	62,544,357	61,466,994
Total Liabilities	163,004,543	165,114,108
NET ASSETS (DEFICIT)		
Without Donor Restrictions	(23,547,973)	(27,436,631)
With Donor Restrictions	5,928,008	5,552,917
Total Net Deficit	(17,619,965)	(21,883,714)
Total Liabilities and Net Deficit	$ 145,384,578	$ 143,230,394

See accompanying Notes to Financial Statements.

GALLOWAY RIDGE, INC.
STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
REVENUE, GAINS, AND OTHER SUPPORT		
Residential Service Fees, Including the Amortization of Advance Fees of Approximately $8,033,000 in 2025 and $8,393,000 in 2024	$ 31,866,120	$ 30,870,938
Health Care Services	5,446,817	5,111,166
Duke Center for Living	1,633,439	1,497,276
Investment Income	1,429,525	1,396,732
Other	1,546,856	1,925,636
Net Assets Released from Restrictions	1,035,136	945,589
Total Revenue, Gains, and Other Support	42,957,893	41,747,337
EXPENSES		
Administration	1,563,359	1,457,335
Human Resources	1,126,117	1,086,882
Marketing	1,112,125	1,109,275
Health Care Services	8,557,506	8,256,171
Dining Services	6,896,445	6,043,539
Maintenance	1,960,075	2,321,687
Housekeeping	2,142,416	2,069,401
Facility Costs	5,782,645	5,144,513
Resident Services	1,931,791	1,875,690
Duke Center for Living	1,186,664	1,040,886
Depreciation and Amortization	4,463,107	4,395,569
Interest Expense	2,346,985	2,318,495
Total Expenses	39,069,235	37,119,443
EXCESS OF REVENUE, GAINS, AND OTHER SUPPORT OVER EXPENSES AND CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	$ 3,888,658	$ 4,627,894

See accompanying Notes to Financial Statements.

GALLOWAY RIDGE, INC.
STATEMENTS OF CHANGES IN NET DEFICIT
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Excess of Revenue, Gains, and Other Support Over Expenses	$ 3,888,658	$ 4,627,894
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	870,475	1,016,364
Investment Income	539,752	470,490
Net Assets Released from Restrictions	(1,035,136)	(945,589)
Increase in Net Assets with Donor Restrictions	375,091	541,265
CHANGE IN NET DEFICIT	4,263,749	5,169,159
Net Deficit - Beginning of Year	(21,883,714)	(27,052,873)
NET DEFICIT - END OF YEAR	$ (17,619,965)	$ (21,883,714)

See accompanying Notes to Financial Statements.

GALLOWAY RIDGE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Deficit	$ 4,263,749	$ 5,169,159
Adjustments to Reconcile Change in Net Deficit to Net Cash Provided by Operating Activities:		
Proceeds from Nonrefundable Advance Fees	9,110,655	12,600,750
Unrealized Gains on Assets Limited as to Use	(757,798)	(183,658)
Realized Gains on Assets Limited as to Use	(654,887)	(1,016,460)
Depreciation and Amortization	4,463,107	4,395,569
Amortization of Deferred Financing Costs	70,048	70,048
Amortization of Bond Discount and Premium, Net	(228,221)	(228,225)
Amortization of Advance Fees	(8,033,292)	(8,392,624)
Provision for Credit Losses	182,609	(99,810)
Change in Assets and Liabilities:		
Accounts Receivable	326,211	(549,229)
Other Receivables	51,761	150,122
Other Current Assets	(55,042)	196,492
Accounts Payable	(1,391,994)	(1,517,082)
Accrued Interest	(43,746)	(58,247)
Accrued Payroll and Other Liabilities	30,134	36,781
Other Accrued Expenses	(2,336)	5,556
Covered Parking Deposits and Refundable Deposits	167,500	(185,400)
Net Cash Provided by Operating Activities	7,498,458	10,393,742
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(5,799,177)	(11,368,964)
Net Changes in Assets Limited as to Use	1,071,524	6,820,393
Net Cash Used by Investing Activities	(4,727,653)	(4,548,571)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Long-Term Debt	(2,100,000)	(2,020,000)
Payments on Lease Liabilities	(110,363)	(73,735)
Proceeds from Refundable Advance Fees	1,404,000	496,500
Refunds of Entrance Fees	(1,027,370)	(4,496,306)
Net Cash Used by Financing Activities	(1,833,733)	(6,093,541)
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	937,072	(248,370)
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	9,238,863	9,487,233
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	$ 10,175,935	$ 9,238,863

See accompanying Notes to Financial Statements.

GALLOWAY RIDGE, INC.
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Payments for Interest, Net of Amounts Capitalized	$ 2,529,417	$ 2,520,826
Purchases of Property and Equipment Financed through Right-of-Use Lease Obligations	$ 45,420	$ 348,411

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Galloway Ridge, Inc. (the Company) was formed on September 4, 2001, as a nonprofit corporation under the laws and regulations of the state of North Carolina. The Company was formed to acquire real property and to develop, market, and operate the property as a continuing care retirement community (CCRC) in Chatham County, North Carolina, known as Galloway Ridge at Fearrington (the Project). The Company acquired its assets on October 31, 2001, from Galloway Ridge Associates, LLC (GRA). Details regarding this acquisition are included in Note 7. The Project was developed in two phases, and includes 52 independent living villas, 248 independent living apartments, 14 multiunit assisted housing units, 22 assisted living units, 20 memory support units, and 40 skilled nursing units.

In September 2020, the Company created a single member LLC, GRI Properties, LLC (LLC), for which the Company is the sole member. LLC was set up to receive a piece of donated land that an unrelated third party transferred to LLC in January 2021. This land has an assessed tax value of $78,000. There was no activity for LLC in 2020. Starting in 2021, LLC leased this land back to the Company for $10 a year.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash, Cash Equivalents, and Restricted Cash

The Company's operating cash is placed with high credit quality institutions. The funds on deposit are in excess of federally insured amounts. Restricted cash is included with cash and cash equivalents in the statements of cash flows.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the balance sheets that sum to the total amounts shown in the statements of cash flows.

	2025	2024
Cash and Cash Equivalents	$ 2,639,978	$ 1,616,529
Assets Limited as to Use:		
Reserves Required by State Statute	210,304	110,539
Internally Designated by the Board of Directors	160,425	171,251
Donor Restricted	468,877	574,976
Restricted Under Bond Indenture Agreement		
- Held by Trustee	6,696,351	6,765,568
Total Assets Limited as to Use	7,535,957	7,622,334
Total Cash, Cash Equivalents, and Restricted Cash	$ 10,175,935	$ 9,238,863

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable and Allowance for Credit Losses

Accounts receivable is reported at estimated net realizable amounts from residents and responsible third-party payors. Amounts owed to the Company are reported net of allowances for credit losses. Specific balances are written off at the time they are determined to be uncollectible, which is based on an analysis of the payor source, aging of the receivable, future economic conditions, and market trends. The allowance for credit losses at December 31, 2025 and 2024 was approximately $429,000 and $246,000, respectively.

Changes in the allowance for credit losses for the years ended December 31 were as follows:

	2025	2024
Allowances for Credit Losses:		
Balance - Beginning of Year	$ 246,190	$ 346,000
Provisions (Recoveries)	182,609	(99,810)
Balance - End of Year	$ 428,799	$ 246,190

Assets Limited as to Use

Assets limited as to use include reserves required by state statute, contributions that have been restricted by donors, funds that have been designated by the board, and funds held by trustee.

Reserves required by state statute represent an amount set aside to meet the requirements of North Carolina General Statute Chapter 58, Article 64. Under this legislation, the Company is required to maintain an operating reserve at least equal to 25% (50% if occupancy is less than 90%) of the current year's projected operating costs as defined by the statute. The board of directors has designated approximately $7,373,000 and $7,085,000 at December 31, 2025 and 2024, respectively, as reserves required by state statute.

Additional funds designated by the board include funds that have been earmarked for capital improvements, benevolent care, and maintenance.

Amounts restricted by donors include contributions to establish a charitable fund to support the community at large and other various donor-restricted purposes.

Funds held by trustee include amounts maintained by a trustee for debt service, construction, and to make future principal and interest payments on outstanding long-term debt.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Any contributed property would be recorded at the estimated fair value at the date of receipt. The Company capitalizes all assets over $1,000 and depreciation is computed under the straight-line method and is based on estimated useful lives from 3 to 40 years. The cost of maintenance and repairs is expensed as incurred. Interest is capitalized on facilities during the construction period and amortized over the useful life of the facility.

Deposits

Deposits for living units to be occupied in the future are deferred when received and recorded as refundable deposits on the balance sheets. A portion of the deposit is refundable if the resident terminates the continuing care contract. Upon occupancy of the unit, the nonrefundable portion of the deposit is amortized into residential service fees using the straight-line method over the estimated remaining life expectancy of the resident, adjusted on an annual basis.

The Company also collects deposits from residents related to reserving covered parking on campus. In 2025 and 2024, the deposit amounts were $9,500 per parking space of which $1,500 is recognized as revenue when received. The remaining $8,000 per deposit is refundable to the resident upon leaving the community or when the resident is no longer in need of covered parking. These deposits are recorded as covered parking deposits on the balance sheets.

Advance Fees

Fees paid by a resident upon entering into a continuing care contract, net of the portion thereof which is refundable to the resident, are recorded as deferred revenue from advance fees and amortized into residential service fees using the straight-line method over the estimated remaining life expectancy of the resident, adjusted on an annual basis. The refundable portion of fees paid by a resident is recorded as a long-term liability. When a contract is terminated, by death of last survivor or withdrawal, any unamortized deferred revenue is recognized as residential service fees.

Obligation to Provide Future Services

The Company enters into continuing care contracts with its residents. A continuing care contract is an agreement between a resident and the Company specifying the services and facilities to be provided over the resident's remaining life. Under the contracts, the Company has the ability to increase fees as deemed necessary. As of December 31, 2025 and 2024, the Company calculated the present value of the estimated net cost of future services to be provided, including the cost of facilities to current residents, and compares the amount with deferred revenue from advance fees. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from advance fees, an additional liability is shown in the balance sheets. No liability has been recorded as of December 31, 2025 and 2024, as the present value of the estimated net costs of future services and use of facilities is less than deferred revenues from advances fees. The present value of the net cost of future services and use of facilities was discounted at 5.0% in the years ended December 31, 2025 and 2024.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The Company determines if an arrangement is a lease at inception. Financing leases are included as right-of-use (ROU) assets and lease liabilities in the balance sheets.

ROU assets present the Company’s right to use an underlying asset for the lease term and lease liabilities represent the Company’s obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the commencement date of the lease based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise the option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Company has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or ROU assets on the balance sheets.

Net Assets (Deficit)

The Company reports its net assets (deficit) using the following two classes: net assets without donor restrictions and net assets with donor restrictions depending on the presence and type of donor-imposed restrictions limiting the Company’s ability to use or dispose of specific contributed assets or the economic benefits embodied in those assets. Net assets (deficit) without donor restrictions include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation. Net assets with donor restrictions are those net assets whose use by the Company has been limited by donors (a) to later periods of time or after specified dates or (b) to specified purposes.

Contributions and Donor-Imposed Restrictions

All contributions are considered to be available without donor restrictions unless specifically restricted by the donor. The Company reports gifts of cash and other assets as restricted contributions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets (deficit) without donor restrictions and reported in the statements of operations as “Net Assets Released from Restrictions.”

Excess of Revenues, Gains and Other Support Over Expenses

The statements of operations include excess of revenues, gains, and other support over expenses. Changes in net deficit without donor restrictions that are excluded from the excess of revenues, gains, and other support over expenses, consistent with industry practice would include permanent transfers of assets to and from affiliates for other than goods and services and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets).

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Benevolent Assistance

The Company maintains a benevolent assistance program to support residents who demonstrate financial need and are unable to pay the full amount of the monthly service fees. Benevolent assistance is used solely to subsidize a portion of the resident's monthly service fee; any additional charges or services received by the resident are the responsibility of the resident.

Residents approved for benevolent assistance continue to be billed at the full monthly service fee, and those amounts are included in resident service revenue. Benevolent assistance is applied as a dollar-for-dollar reduction of the resident's monthly service fee through funding provided by the Company's benevolent assistance investment fund.

Amounts provided under the benevolent assistance program represent actual subsidies paid from the benevolent assistance investment fund. Benevolent assistance costs covered by subsidies totaled approximately $186,000 and $132,000 for the years ended December 31, 2025 and 2024, respectively. The Company also received restricted contributions of approximately $89,000 and $288,000 during the years ended December 31, 2025 and 2024, respectively, to support the benevolent assistance program.

Income Tax Status

The Company has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3).

The Company is not aware of any activities that would jeopardize its tax-exempt status. The Company is not aware of any activities that are subject to tax on unrelated business income or excise or other taxes.

The Company follows guidance in the income tax standard regarding recognition and measurement of uncertain tax positions. The guidance has had no impact on the Company's financial statements.

Subsequent Events

In preparing these financial statements, the Company evaluated events and transactions for potential recognition or disclosure through April 28, 2026, the date the financial statements were available to be issued.

NOTE 2 RESIDENT REVENUE

Resident revenue is reported at the amount that reflects the consideration to which the Company expects to be entitled in exchange for providing resident care. The Company generates revenues, primarily by providing housing and health services to its residents. The streams of revenue are recognized as follows:

Monthly Service Fees

The life care contracts that residents select require an advanced fee and monthly fees based upon the type of space for which they apply. Resident fee revenue for recurring and routine monthly services is generally billed monthly in advance. Payment terms are usually due within 30 days. The services provided encompass social, recreational, dining along with assisted living and nursing care and these performance obligations are earned each month. Management has determined that the performance obligation for the standing obligation to provide the appropriate level of care is the predominant component and does not contain a lease component. Resident fee revenue for nonroutine or additional services are billed monthly in arrears and recognized when the service is provided.

Entrance Fees

The nonrefundable entrance fees are recognized as deferred revenue upon receipt of the payment and included in liabilities in the balance sheet until the performance obligations are satisfied. The refundable portion of an entrance fee is not considered part of the transaction price and as such is recorded as a liability in the balance sheet. Additionally, management has determined the contracts do not contain a significant financing component as the advanced payment assures residents the access to health care in the future. These deferred amounts are then amortized on a straight-line basis into revenue on a monthly basis over the life of the resident as the performance obligation is the material right associated with access to future services.

Health Care Services

In the facility, the Company provides assisted and nursing care to residents who are covered by government and commercial payors. Management has elected to utilize the portfolio approach in aggregating the revenues under these revenue streams.

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

Medicare

The Company's licensed nursing facility participates in the Medicare program. This federal program is administered by the Centers for Medicare and Medicaid Services (CMS). On October 1, 2019, CMS finalized the Patient Driven Payment Model (PDPM). Under PDPM the underlying complexity and clinical needs of a patient are used as a basis for reimbursement. In addition, PDPM introduces variable adjustment factors that change reimbursement rates during the resident's length of stay. Annual cost reports are required to be submitted to the designated Medicare Administrative Contractor; however, they do not contain a cost settlement.

NOTE 2 RESIDENT REVENUE (CONTINUED)

Medicare (Continued)

Nursing facilities licensed for participation in the Medicare program are subject to annual licensure renewal. If it is determined that a nursing facility is not in substantial compliance with the requirements of participation, CMS may impose sanctions and penalties during the period of noncompliance. Such a payment ban would have a negative impact on the revenues of the licensed nursing facility.

Other

Payment agreements with certain insurance carriers provide for payment using prospectively determined daily rates.

Laws and regulations concerning government programs, including Medicare, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Company’s compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Company. In addition, the contracts the Company has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Company’s historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in an implicit price concession impacting the transaction price, were not significant in 2025 or 2024.

NOTE 2 RESIDENT REVENUE (CONTINUED)

Generally, residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Company estimates the transaction price for residents with deductibles and coinsurance based on historical experience and expected current and future market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to resident service revenue in the period of the change. Additional revenue recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments were not considered material for the years ended December 31, 2025 and 2024. Subsequent changes that are determined to be the result of an adverse change in a resident's ability to pay are recorded as credit losses.

The Company disaggregates its revenue from contracts with customers by payor source, as the Company believes it best depicts how the nature, timing, and uncertainty of its revenues and cash flows are affected by economic factors. See details on a reportable segment basis in the table below:

	December 31, 2025			
	Independent Living	Assisted Living and Memory Care	Skilled Nursing	Total
Private Pay	$ 30,717,705	$ 3,948,145	$ 1,468,552	$ 36,134,402
Government Reimbursement	415,322	119,512	468,081	1,002,915
Other Third-Party Payor Programs	175,620	-	-	175,620
Total	$ 31,308,647	$ 4,067,657	$ 1,936,633	$ 37,312,937

	December 31, 2024			
	Independent Living	Assisted Living and Memory Care	Skilled Nursing	Total
Private Pay	$ 29,749,467	$ 3,773,847	$ 1,454,111	$ 34,977,425
Government Reimbursement	572,972	178,252	85,827	837,051
Other Third-Party Payor Programs	167,628	-	-	167,628
Total	$ 30,490,067	$ 3,952,099	$ 1,539,938	$ 35,982,104

	2025	2024
Timing of Revenue and Recognition:		
Services Transferred Over Time	$ 37,312,937	$ 35,982,104

Financing Component

The Company has elected the practical expedient allowed under Financial Accounting Standards Board *Accounting Standards Codification* 606-10-32-18 and does not adjust the promised amount of consideration from residents for the effects of a significant financing component due to its expectation that the period between the time the service is provided to a resident and the time that the resident pays for that service will be one year or less. However, the Company does, in certain instances, enter into payment agreements with residents that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

NOTE 2 RESIDENT REVENUE (CONTINUED)

The opening and closing contract balances were as follows:

	Accounts Receivable	Deferred Revenue from Entrance Fees
Balance as of January 1, 2024	$ 862,404	$ 57,258,868
Balance as of December 31, 2024	1,511,443	61,466,994
Balance as of December 31, 2025	1,002,623	62,544,357

NOTE 3 FAIR VALUE MEASUREMENTS

Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under and existing accounting standard. The Company emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair values as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable for the asset or liability, which are typically based on an entity’s own assumptions, as there is little, if any, related market activity.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company’s assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

When quoted prices are available in active markets for identical instruments, investment securities are classified within Level 1 of the fair value hierarchy. Level 1 investments include money market funds, mutual funds, common stock, exchange-traded funds and government securities which are valued based on prices readily available in the active markets in which those securities are traded, and money market funds which are based on their transacted value. Level 2 investments include corporate bonds which are valued on a recurring basis on inputs that are readily available in public markets or can be derived from information available in publicly quoted markets.

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

The Company does not have any financial assets or liabilities measured on a recurring basis categorized as Level 3, and there were no transfers in or out of Level 3 for years ended December 31, 2025 and 2024. There were no changes during 2025 or 2024 to the Company's valuation techniques used to measure asset fair values on a recurring basis.

The tables below present the balances of assets measured at fair value on a recurring basis.

	December 31, 2025			
	Level 1	Level 2	Level 3	Total
Fixed Income:				
Corporate Bonds	$ -	$ 7,073,352	$ -	$ 7,073,352
Government Securities	4,404,239	-	-	4,404,239
Total Fixed Income	4,404,239	7,073,352	-	11,477,591
Mutual Funds:				
Fixed Income	1,604,837	-	-	1,604,837
Equity	1,214,583	-	-	1,214,583
Total Mutual Funds	2,819,420	-	-	2,819,420
Common Stocks	7,963,336	-	-	7,963,336
Exchange-Traded Funds	1,329,808	-	-	1,329,808
Total	$ 16,516,803	$ 7,073,352	$ -	$ 23,590,155

The Company had $74,792 of accrued interest and $7,535,957 of money market funds included within assets limited as to use which was not included in the fair value hierarchy.

	December 31, 2024			
	Level 1	Level 2	Level 3	Total
Fixed Income:				
Corporate Bonds	$ -	$ 7,433,129	$ -	$ 7,433,129
Government Securities	4,693,649	-	-	4,693,649
Total Fixed Income	4,693,649	7,433,129	-	12,126,778
Mutual Funds:				
Fixed Income	1,545,622	-	-	1,545,622
Equity	954,872	-	-	954,872
Total Mutual Funds	2,500,494	-	-	2,500,494
Common Stocks	8,242,850	-	-	8,242,850
Exchange-Traded Funds	381,378	-	-	381,378
Total	$ 15,818,371	$ 7,433,129	$ -	$ 23,251,500

The Company had $72,286 of accrued interest and $7,622,334 of money market funds included within assets limited as to use which was not included in the fair value hierarchy.

NOTE 4 ASSETS LIMITED AS TO USE

Assets limited as to use consist of the following at December 31:

	2025	2024
Common Stocks	$ 7,963,336	$ 8,242,850
Equity Mutual Funds	1,214,583	954,872
Fixed Income Mutual Funds	1,604,837	1,545,622
Corporate Bonds	7,073,352	7,433,129
Government Securities	4,404,239	4,693,649
Money Market Funds	7,535,957	7,622,334
Exchange-Traded Funds	1,329,808	381,378
Accrued Interest	74,792	72,286
Total	$ 31,200,904	$ 30,946,120

Investment return is comprised of the following:

	2025	2024
Interest and Dividend Income	$ 556,592	$ 667,104
Net Realized Gains	654,887	1,016,460
Net Unrealized Gains	757,798	183,658
Total	$ 1,969,277	$ 1,867,222

Interest and dividend income on unrestricted cash is reported in the statements of operations within “Total Revenue, Gains, and Other Support.” Interest income, realized and unrealized gains on cash, cash equivalents and investments within the restricted funds are included in “Investment Income” for net assets with donor restrictions in the statements of changes in net deficit.

NOTE 5 LIFE CARE CONTRACTS

Plan A – The Amortizing Plan

Upon termination of the Plan A Residency Agreement, after residency has been established (if the resident occupies the independent living unit at the time of termination), the entrance fee will be refunded, less 4% of the entrance fee upon reoccupancy of a like living unit, and less 2% of the entrance fee for each month of residency of the initial 48 months of residency. If the Plan A Residency Agreement is terminated at any time following the initial 48 months, no refund of any entrance fee is due. The refund will be made no later than 30 days after the termination of the agreement and reoccupancy of a like living unit. Any resident withdrawing before the expiration of the first 90 days of residency is entitled to a full refund of their advance fee.

NOTE 5 LIFE CARE CONTRACTS (CONTINUED)

Plan B – The 90 Percent Refundable Plan

Upon termination of the Plan B Residency Agreement, (if the resident occupies the independent living unit at the time of termination), the entrance fee will be refunded, less 2% of the entrance fee for each month of residency for the initial five months of residency. If the Plan B Residency Agreement is terminated at any time following the initial five months of residency, the refund amount will be equal to 90% of the entrance fee and is contingent upon reoccupancy of a like independent living unit. The refund will be made no later than thirty (30) days after the termination of the agreement and reoccupancy of a like living unit.

The amount refundable after occupancy is the full entrance fee less 2% per month for each subsequent month or partial month after occupancy. After five months of occupancy, the refundable amount is equal to 90% of the entrance fee. During the year ended December 31, 2021, the Company began no longer offering the Plan B Residency Agreement.

Plan C – The 75 Percent Refundable Plan

Upon termination of the Plan C Residency Agreement, (if the resident occupies the independent living unit at the time of termination), the entrance fee will be refunded, less 1% of the entrance fee upon settlement and 2% for each month of residency for the initial 12 months of residency. If the Plan C Residency Agreement is terminated at any time following the initial 12 months of residency, the refund amount will be equal to 75% of the entrance fee and is contingent upon reoccupancy of a like independent living unit. The refund will be made no later than 30 days after the termination of the agreement and reoccupancy of a like living unit. The amount refundable after occupancy is the full entrance fee paid less 1% upon occupancy and less 2% per month for each subsequent month or partial month after occupancy. After 12 months of occupancy, the refundable amount is equal to 75% of the entrance fee.

The total amount of contractual refund obligations under all existing contracts (that is, if all residents with a refundable balance were to have withdrawn) totaled approximately $49,618,000 and $49,605,000 at December 31, 2025 and 2024, respectively.

NOTE 6 PROPERTY AND EQUIPMENT AND RIGHT-OF-USE ASSETS

A summary of property and equipment and right-of-use assets at December 31 follows:

	2025	2024
Land and Land Improvements	$ 6,733,180	$ 7,095,394
Buildings	158,306,421	140,965,789
Furniture, Fixtures, and Equipment	9,515,965	10,238,298
Right-Of-Use (ROU) Assets	549,208	623,847
Construction in Progress	1,835,337	19,063,488
Property and Equipment and ROU Assets, Gross	176,940,111	177,986,816
Less: Accumulated Depreciation	(67,095,181)	(69,523,376)
Property and Equipment and ROU Assets, Net	$ 109,844,930	$ 108,463,440

NOTE 6 PROPERTY AND EQUIPMENT AND RIGHT-OF-USE ASSETS (CONTINUED)

Construction in progress includes various projects including building improvements and common area refurbishments. The estimated cost to complete the projects are approximately $15,656,000 and $3,950,000 for the years ended December 31, 2025 and 2024, respectively. Depreciation expense was approximately $3,917,000 and $3,682,000 for years ended December 31, 2025 and 2024, respectively. Interest capitalized during the years ended December 31, 2025 and 2024, was approximately $721,000 and $824,000, respectively. Amortization expense on existing capitalized interest was approximately $599,000 in 2025 and 2024.

NOTE 7 LONG-TERM DEBT

Long-term debt consists of the following on December 31:

Description	2025	2024
First Mortgage Revenue Refunding Bonds, Series 2014A:		
Term Bonds:		
Due 2034, Interest Rate of 4.875%	$ 95,000	$ 105,000
Due 2041, Interest Rate of 5.25%	14,105,000	14,105,000
First Mortgage Revenue Refunding Bonds, Series 2019A:		
Serial Bonds Due 2021 - 2031, Interest of 3.0% to 5.0%	14,685,000	16,775,000
Term Bonds:		
Due 2035, Interest Rate of 3.50%	9,415,000	9,415,000
Due 2039, Interest Rate of 5.00%	12,100,000	12,100,000
First Mortgage Revenue Bonds, Series 2022A:		
Term Bonds:		
Due 2043, Interest Rate of 6.875%	11,980,000	11,980,000
Total	62,380,000	64,480,000
Less: Unamortized Debt Issuance Costs	(1,321,506)	(1,398,293)
Plus: Unamortized Premiums (Discounts), Net	3,289,430	3,524,390
Less: Current Maturities of Long-Term Debt	(2,275,000)	(2,100,000)
Total Long-Term Debt	$ 62,072,924	$ 64,506,097

NOTE 7 LONG-TERM DEBT (CONTINUED)

In September 2014, the Company issued $15,495,000 of tax-exempt, adjustable rate First Mortgage Revenue Refunding Bonds (2014A Bonds) through the North Carolina Medical Care Commission. Of this total amount, $15,000,000 was used to refund the Series 2010B Bonds. The remaining amounts were used for costs of issuance and to fund a debt service reserve fund. During 2022, as part of the 2022 financing, the Company early redeemed approximately $1,195,000 of the 2014A Bonds.

In October 2019, the Company issued $45,990,000 of tax-exempt, adjustable rate First Mortgage Revenue Refunding Bonds (2019A Bonds) through the North Carolina Medical Care Commission. The Series 2019A Bonds were issued at a premium of $4,738,876. The proceeds of the Series 2019A Bonds were to be used to advance refund and defease the Series 2010A Bonds.

In November 2022, the Company issued $11,980,000 of tax-exempt, fixed rate First Mortgage Revenue Bonds (2022A Bonds) through the Public Finance Authority. The proceeds of the Series 2022A Bonds were used to finance a portion of the costs of campus improvements, pay interest accruing on the 2022A Bonds for approximately 20 months, to fund a debt service reserve fund, and to pay certain expenses incurred with the issuance of the 2022A Bonds.

Under the terms of the master trust indenture and loan agreements underlying the Series 2014A, 2019A, and 2022A Bonds, the Company is required to make annual principal and interest payments on unpaid debt and is also required to comply with certain restrictive covenants, including the maintenance of specified ratios, the limitation on incurrence of additional debt, the limitation on liens and the limitation on the transfer of assets. As of December 31, 2025 and 2024, management is not aware of any non-compliance with these covenants.

Principal repayments on the Series 2014A, 2019A, and 2022A Bonds for the next five years and thereafter are summarized as follows:

Year	2014A Bonds	2019A Bonds	2022A Bonds	Total
2026	$ 5,000	$ 2,180,000	$ 90,000	$ 2,275,000
2027	10,000	2,260,000	100,000	2,370,000
2028	10,000	2,380,000	100,000	2,490,000
2029	10,000	2,495,000	110,000	2,615,000
2030	10,000	2,620,000	120,000	2,750,000
Thereafter	14,155,000	24,265,000	11,460,000	49,880,000
Total	$ 14,200,000	$ 36,200,000	$ 11,980,000	$ 62,380,000

NOTE 8 DEVELOPMENT AND MANAGEMENT AGREEMENTS

A management services agreement was entered into with Health Systems Medical Strategies, Inc. (HSMS), a North Carolina corporation, and the Company. A management agreement has been executed with HSMS for HSMS to manage the Duke Center for Living (DCFL) through November 2026. The DCFL is an on-site fitness center in which access is included in a resident's monthly fee and available to the general public. The Company incurred approximately $180,000 and $177,000 of expense under terms of this agreement for the years ended December 31, 2025 and 2024, respectively.

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at December 31:

	2025	2024
Benevolent Fund	$ 4,089,648	$ 3,709,174
Community/Charitable Fund	362,648	384,475
Special Events	490,332	469,832
Other	985,380	989,436
Total	$ 5,928,008	$ 5,552,917

Net assets with donor restrictions that were released for their designated purpose were approximately $1,035,000 and $946,000 for years ended December 31, 2025 and 2024, respectively.

NOTE 10 RETIREMENT PLAN

The Company maintains a 403(b) plan for all employees. The plan is funded by one or more investment arrangements selected by the Company. Employees can contribute the maximum allowed by federal law. The Company may match a percentage of employee contributions at the Company's discretion. Total contributions to the plan were approximately $160,000 and $151,000 in 2025 and 2024, respectively.

NOTE 11 COMMITMENTS AND CONTINGENCIES

Insurance

The Company was involved in litigation in the ordinary course of business related to professional liability claims. Management believes all claims will be settled within the limits of insurance coverage. However, the ultimate settlement of these cases and losses, if any, to the Company cannot be estimated at this time. Other claims may be asserted arising from past services provided through December 31, 2025. Management believes these claims, if asserted, would be settled within the limits of insurance coverage. General and professional liability coverage is on a claims-made basis for individual claims up to $1,000,000 per occurrence, with a total annual aggregate of $3,000,000.

NOTE 11 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Regulatory

The health care industry is subject to numerous complex laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services and Medicare fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. The Company believes that they are in compliance with all applicable laws and regulations and are not aware of any pending or threatened investigations involving allegation of potential wrongdoing.

NOTE 12 LIQUIDITY AND AVAILABILITY

As part of its liquidity management, the Company has a policy to structure its financial assets to be available as its general expenses, liabilities, and other obligations come due. In addition, the Company invests cash in excess of daily operating funds in short-term investments such as stocks, bonds, money market funds, and mutual funds.

The following schedule reflects the Company's financial assets to meet cash needs for general expenses within one year. The financial assets were derived from the total assets on the balance sheets by excluding the assets that are unavailable for general expenses in the next 12 months. Board-designated amounts for projects have been included in the schedule below as the board could release these funds for liquidity purposes if needed.

The Company also holds funds that are set aside as required by state statute of approximately $7,373,000 and $7,085,000 as of December 31, 2025 and 2024, respectively. These amounts are not included in the table below.

The Company seeks to maintain sufficient liquid assets to cover three months' operating and capital expenses.

Financial assets available for general expenditure within one year of the balance sheet date, consist of the following:

	2025	2024
Cash and Cash Equivalents	$ 2,639,978	$ 1,616,529
Accounts Receivable	1,002,623	1,511,443
Other Receivables	181,936	233,697
Assets Limited as to Use, Board-Designated Funds	8,707,975	8,917,837
Total	$ 12,532,512	$ 12,279,506

NOTE 13 FUNCTIONAL EXPENSES

Certain categories of expenses are attributable to more than one program or supporting function, therefore, these expenses require allocation on a reasonable basis that is consistently applied. Functional allocations have been made based on various statistical basis including square footage and census.

The following is a schedule of expenses by both natural classification and function for the years ended December 31:

	2025						
	Program Services						
	Independent Living	Assisted Living	Skilled Nursing	Total	Administrative and General	Marketing	Total
Salaries and Benefits	$ 8,739,801	$ 4,389,277	$ 2,931,242	$ 16,060,320	$ 2,677,299	$ 846,634	$ 19,584,253
Medical and Personal Care	546,569	89,710	426,745	1,063,024	6,785	146	1,069,955
Food services	1,796,781	368,822	201,988	2,367,591	143,158	13,501	2,524,250
Facilities Services	1,445,807	197,428	94,075	1,737,310	677,284	95,142	2,509,736
Supplies	54,276	19,738	10,623	84,637	49,272	6,363	140,272
Utilities	808,904	111,903	53,322	974,129	264,746	53,927	1,292,802
Administration	2,003,700	174,240	98,255	2,276,195	2,401,189	141,679	4,819,063
Marketing	7,327	-	-	7,327	41,189	270,295	318,811
Depreciation and Amortization	2,693,588	372,630	177,560	3,243,778	881,584	179,573	4,304,935
Interest Expense	1,567,472	216,843	103,327	1,887,642	513,018	104,498	2,505,158
Total Expense	$ 19,664,225	$ 5,940,591	$ 4,097,137	$ 29,701,953	$ 7,655,524	$ 1,711,758	$ 39,069,235

	2024						
	Program Services						
	Independent Living	Assisted Living	Skilled Nursing	Total	Administrative and General	Marketing	Total
Salaries and Benefits	$ 8,047,020	$ 3,925,287	$ 2,599,605	$ 14,571,912	$ 2,593,859	$ 856,792	$ 18,022,563
Medical and Personal Care	478,562	127,153	481,448	1,087,163	3,214	257	1,090,634
Food services	1,686,534	353,737	195,041	2,235,312	121,025	20,845	2,377,182
Facilities Services	1,543,351	212,086	101,062	1,856,499	655,570	102,188	2,614,257
Supplies	83,781	7,867	4,036	95,684	59,337	7,877	162,898
Utilities	718,305	99,368	47,350	865,023	235,049	47,878	1,147,950
Administration	2,849,253	380,824	236,503	3,466,580	1,075,109	157,222	4,698,911
Marketing	11,173	-	-	11,173	30,284	249,527	290,984
Depreciation and Amortization	2,749,398	381,019	181,101	3,311,518	900,969	183,082	4,395,569
Interest Expense	1,443,132	198,973	95,268	1,737,373	484,702	96,420	2,318,495
Total Expense	$ 19,610,509	$ 5,686,314	$ 3,941,414	$ 29,238,237	$ 6,159,118	$ 1,722,088	$ 37,119,443

Appendix B — Five-Year Prospective Financial Statements

GALLOWAY RIDGE, INC.

COMPILATION OF A FINANCIAL FORECAST

FOR THE YEARS ENDING
DECEMBER 31, 2026 THROUGH DECEMBER 31, 2030

TABLE OF CONTENTS

INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Board of Directors
Galloway Ridge, Inc.
Pittsboro, North Carolina

Management is responsible for the accompanying forecasted financial statements of Galloway Ridge, Inc. (the "Company"), which comprise the forecasted balance sheets as of December 31, 2026, 2027, 2028, 2029 and 2030, and the related forecasted statements of operations and changes in net assets (deficit), and cash flows for the years then ending, and the related summaries of significant forecast assumptions and accounting policies in accordance with the guidelines for presentation of a financial forecast established by the American Institute of Certified Public Accountants ("AICPA"). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the forecasted financial statements, nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these forecasted financial statements or the assumptions. Furthermore, the forecasted results may not be achieved as there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The accompanying forecast, and this report, are intended solely for the information and use of management, the Board of Directors, and the North Carolina Department of Insurance (pursuant to the requirements of North Carolina General Statutes, Chapter 58, Article 64A and included in the Company's disclosure statement filing) and is not intended to be and should not be used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Charlotte, North Carolina
May 19, 2026

GALLOWAY RIDGE, INC.
FORECASTED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT)
FOR THE YEARS ENDING DECEMBER 31,
(000s Omitted)

	2026	2027	2028	2029	2030
REVENUES, GAINS, AND OTHER SUPPORT					
Residential Service Fees	$ 25,246	$ 26,256	$ 27,307	$ 28,399	$ 29,536
Amortization of Advance Fees	7,663	7,970	8,289	8,621	8,966
Health Care Services	6,569	6,836	7,110	7,393	7,685
Duke Center for Living	1,728	1,745	1,763	1,780	1,798
Investment Income	1,124	1,189	1,292	1,414	1,557
Other Revenues	1,440	1,498	1,558	1,620	1,685
Total Revenue, Gains, and Other Support	43,770	45,494	47,319	49,227	51,227
EXPENSES					
Administration	1,759	1,829	1,902	1,978	2,057
Human Resources	1,220	1,269	1,320	1,373	1,428
Marketing	1,145	1,191	1,239	1,289	1,341
Health Care Services	9,031	9,392	9,767	10,157	10,564
Dining Services	7,143	7,429	7,726	8,035	8,356
Maintenance	2,234	2,323	2,416	2,513	2,614
Housekeeping	2,189	2,277	2,368	2,463	2,562
Facility Costs	4,647	4,833	5,026	5,227	5,436
Resident Services	2,136	2,221	2,310	2,402	2,498
Duke Center for Living	1,303	1,355	1,409	1,465	1,524
Depreciation	4,811	5,113	5,406	5,724	6,069
Interest Expense	3,062	2,939	2,809	2,673	2,530
Amortization of Issuance Costs	70	70	70	70	70
Amortization of Bond Premium	(235)	(235)	(235)	(235)	(235)
Amortization of Bond Discount	6	6	6	6	6
Total Operating Expenses	40,521	42,012	43,539	45,140	46,820
NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS					
Excess of Revenues, Gains and Other Support Over Expenses	3,249	3,482	3,780	4,087	4,407
NET ASSETS WITH DONOR RESTRICTIONS					
Change in Net Assets With Donor Restrictions	-	-	-	-	-
Change in Net Assets (Deficit)	3,249	3,482	3,780	4,087	4,407
Net Assets (Deficit), Beginning of Year	(17,620)	(14,371)	(10,889)	(7,109)	(3,022)
NET ASSETS (DEFICIT), END OF YEAR	**$ (14,371)**	**$ (10,889)**	**$ (7,109)**	**$ (3,022)**	**$ 1,385**

GALLOWAY RIDGE, INC.
FORECASTED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDING DECEMBER 31,
(000s Omitted)

	2026	2027	2028	2029	2030
CASH FLOWS FROM OPERATING ACTIVITIES					
Change in Net Assets (Deficit)	$ 3,249	$ 3,482	$ 3,780	$ 4,087	$ 4,407
Adjustments to Reconcile Change in Net Assets (Deficit) to Net Cash Flows Provided From Operating Activities:					
Amortization of Advance Fees	(7,663)	(7,970)	(8,289)	(8,621)	(8,966)
Proceeds from Nonrefundable Advance Fees	11,112	11,557	12,020	12,500	13,000
Depreciation	4,811	5,113	5,406	5,724	6,069
Amortization of Bond Issuance Costs	70	70	70	70	70
Amortization of Bond Premium	(235)	(235)	(235)	(235)	(235)
Amortization of Bond Discount	6	6	6	6	6
(Increase) Decrease in Current Assets:					
Accounts Receivable	(242)	(49)	(50)	(52)	(55)
Other Receivables	(202)	(15)	(16)	(16)	(17)
Other Current Assets	(125)	(26)	(26)	(28)	(29)
Increase (Decrease) in Current Liabilities:					
Accounts Payable	52	28	29	31	32
Accrued Payroll and Related Liabilities	24	18	19	20	21
Other Accrued Expenses	8	9	9	9	10
Accrued Interest	(60)	(63)	(66)	(70)	(73)
Net Cash Provided by Operating Activities	10,805	11,925	12,657	13,425	14,240
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of Property and Equipment - Routine	(5,575)	(5,000)	(5,150)	(5,305)	(5,464)
Net Change in Assets Limited as to Use	(732)	(2,223)	(2,730)	(3,244)	(3,752)
Net Cash Used in Investing Activities	(6,307)	(7,223)	(7,880)	(8,549)	(9,216)
CASH FLOWS FROM FINANCING ACTIVITIES					
Refundable Advance Fees Received	2,360	2,454	2,551	2,654	2,760
Refunds of Advance Fees	(3,723)	(3,872)	(4,027)	(4,188)	(4,356)
Principal Payments on Long-Term Debt	(2,275)	(2,370)	(2,490)	(2,615)	(2,750)
Principal Payments on Long-Term Lease	(109)	(90)	(77)	(38)	(29)
Net Cash Used in Financing Activities	(3,747)	(3,878)	(4,043)	(4,187)	(4,375)
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	751	824	734	689	649
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	10,175	10,926	11,750	12,484	13,173
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	**$ 10,926**	**$ 11,750**	**$ 12,484**	**$ 13,173**	**$ 13,822**
Cash and Cash Equivalents	$ 3,391	$ 4,215	$ 4,949	$ 5,638	$ 6,287
Cash and Cash Equivalents included in Assets Limited as to Use					
Restricted Cash Included in Assets Limited as to Use	7,535	7,535	7,535	7,535	7,535
Total Cash, Cash Equivalents, and Restricted Cash	$ 10,926	$ 11,750	$ 12,484	$ 13,173	$ 13,822
Supplemental Disclosure of Cash Flow Information:					
Cash Paid for Interest	$ 3,122	$ 3,002	$ 2,875	$ 2,743	$ 2,603

GALLOWAY RIDGE, INC.
FORECASTED BALANCE SHEETS
AT DECEMBER 31,
(000s Omitted)

	2026	2027	2028	2029	2030
ASSETS					
Current Assets:					
Cash and Cash Equivalents	$ 3,391	$ 4,215	$ 4,949	$ 5,638	$ 6,287
Assets Limited as to Use, Current Portion	3,901	3,960	4,020	4,087	4,155
Accounts Receivable	1,245	1,294	1,344	1,396	1,451
Other Receivables	384	399	415	431	448
Other Current Assets	639	665	691	719	748
Total Current Assets	9,560	10,533	11,419	12,271	13,089
Assets Limited as to Use:					
Bond Fund	3,901	3,960	4,020	4,087	4,155
Debt Service Reserve Fund	5,969	5,969	5,969	5,969	5,969
Board Designated Funds	12,708	14,708	17,208	20,208	23,708
Restricted by Donor	5,261	5,261	5,261	5,261	5,261
Statutory Operating Reserve	4,093	4,257	4,427	4,604	4,788
Total Assets Limited as to Use	31,932	34,155	36,885	40,129	43,881
Less: Current Portion	(3,901)	(3,960)	(4,020)	(4,087)	(4,155)
Total Assets Limited as to Use, Less Current Portion	28,031	30,195	32,865	36,042	39,726
Property and Equipment	180,679	185,679	190,829	196,134	201,598
Construction in Progress	1,835	1,835	1,835	1,835	1,835
Less: Accumulated Depreciation	(71,906)	(77,019)	(82,425)	(88,149)	(94,218)
Net Property and Equipment	110,608	110,495	110,239	109,820	109,215
Total Assets	$ 148,199	$ 151,223	$ 154,523	$ 158,133	$ 162,030
LIABILITIES AND NET ASSETS (DEFICIT)					
Current Liabilities:					
Accounts Payable	$ 705	$ 733	$ 762	$ 793	$ 825
Current Maturities of Lease Liabilities - Financing	90	77	38	29	-
Accrued Payroll and Related Liabilities	460	478	497	517	538
Other Accrued Expenses	219	228	237	246	256
Accrued Interest	1,554	1,491	1,425	1,355	1,282
Current Maturities of Long-Term Debt	2,370	2,490	2,615	2,750	2,890
Refunds Payable	763	763	763	763	763
Total Current Liabilities	6,161	6,260	6,337	6,453	6,554
Long-Term Debt, Net of Current Portion					
Long-Term Debt, Net of Current Maturities	57,735	55,245	52,630	49,880	46,990
Unamortized Bond Premium	3,055	2,820	2,585	2,350	2,115
Unamortized Bond Discount	(109)	(103)	(97)	(91)	(85)
Unamortized Bond Issuance Costs	(1,137)	(1,067)	(997)	(927)	(857)
Net Long-Term Debt	59,544	56,895	54,121	51,212	48,163
Long-Term Lease Liabilities - Financing, Net of Current Maturities	144	67	29	-	-
Covered Parking Deposits	600	600	600	600	600
Refundable Deposits	890	890	890	890	890
Deferred Revenue from Advance Fees	65,993	69,580	73,311	77,190	81,224
Refundable Advance Fees	29,238	27,820	26,344	24,810	23,214
Total Liabilities	162,570	162,112	161,632	161,155	160,645
Net Assets (Deficit):					
Without Donor Restriction	(20,299)	(16,817)	(13,037)	(8,950)	(4,543)
With Donor Restriction	5,928	5,928	5,928	5,928	5,928
Total Net Assets (Deficit)	(14,371)	(10,889)	(7,109)	(3,022)	1,385
Total Liabilities and Net Assets (Deficit)	$ 148,199	$ 151,223	$ 154,523	$ 158,133	$ 162,030

Introduction and Background Information

Basis of Presentation

The accompanying financial forecast presents, to the best of the knowledge and belief of management ("Management") the expected financial position, results of operations and changes in net deficit and cash flows of Galloway Ridge, Inc. (the "Company" or "Galloway Ridge") as of and for each of the five years ending December 31, 2030 (the "Forecast Period").

Galloway Ridge's principal purpose is to provide housing and long-term healthcare to residents of Galloway Ridge at Fearrington, a continuing care retirement community, also referred to as a Life Plan Community.

Accordingly, the forecast reflects Management's judgment as of May 19, 2026, the date of this forecast, of the expected conditions and its expected course of action. The assumptions disclosed herein are the assumptions which Management believes are significant to the financial forecast. The forecasted results may not be achieved as there will usually be differences between forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

This financial forecast is intended solely for the information and use of Management, the Board of Directors, as hereinafter defined, and the North Carolina Department of Insurance (pursuant to the requirements of North Carolina General Statutes, Chapter 58, Article 64A and included in the Company's disclosure statement filing), and is not intended to be and should not be used by anyone other than these specified parties.

Introduction and Background Information (Continued)

Background of the Company

The Company was formed on September 4, 2001 as a not-for-profit corporation under the laws and regulations of the State of North Carolina. The Company has received an exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and an exemption from state income taxes in North Carolina under its applicable tax provisions. The Company owns and operates a continuing care retirement community ("CCRC") in Pittsboro, Chatham County, North Carolina, known as Galloway Ridge at Fearrington (the "Community").

The Company's board of directors (the "Board of Directors") currently consists of twelve voting members (the "Directors") divided into three classes, each with four Directors. In most cases, each Director serves a term of three years. Three of the Directors are residents of the Community. In addition to voting Board members, the Board has appointed the Community's Executive Director/Chief Executive Officer as a non-voting ex-officio member of the Board. Directors, with the exception of the Executive Director/Chief Executive Officer, do not receive compensation for their service to the Company and the Company has a policy that governs the evaluation and disclosure of potential conflicts of interest.

Background of the Community

The Community, which began operations in June 2005, is located in "Fearrington Village", a master planned community within residential neighborhoods surrounded by natural woods and farmland that includes dining and shopping at The Shops at Fearrington Village. Fearrington Village also includes the Fearrington House Inn that includes 35 guest rooms and Fearrington Swim and Croquet Club, which offers a croquet lawn, a shuffle board court, tennis courts and swimming pool.

The Community consists of 300 independent living units (the "Independent Living Units"), 22 assisted living units (the "Assisted Living Units"), 14 multi-unit assisted housing with services units ("Multi-Unit Assisted Living Housing with Services Units" or "MAHS Units"), 20 memory support units (the "Memory Support Units"), 40 skilled nursing beds (the "Skilled Nursing Beds"); a wellness center known as the "Duke Center for Living," and related common areas. The Assisted Living Units, MAHS Units, Memory Support Units, and Skilled Nursing Beds are collectively referred to as the "Healthcare Center".

The Community offers certain amenities, including the following: lobby, dining rooms, café/bistro with a lounge, library, billiards room, arts and crafts room, assembly and performing arts areas, walking/biking trails, and gardening spaces. The University of North Carolina at Chapel Hill's Division of Geriatric Medicine in the Department of Medicine in its School of Medicine ("UNC") manages the Community's primary care clinic with UNC medical professionals and provides the Medical Director for the Community. In addition, residents of the Community have access to the existing amenities available in Fearrington Village, including banking, travel, and The Fearrington House Inn and Restaurant.

Health Systems Medical Strategies, Inc., an affiliate of the Duke University Health System, currently provides certain services to the Community, including the management of the wellness center, referred to as the Duke Center for Living, and a primary care clinic. The Duke Center for Living provides residents of the Community with wellness programs, including fitness classes, aquatics, personal training, aerobics, yoga, and massage therapy. The Duke Center for Living includes the following: pool for exercise and therapy use, hot tub, cushioned track, exercise equipment, aerobics classroom, and massage rooms. Approximately 1,447 of the 1,929 total memberships are non-residents of the Community.

Introduction and Background Information (Continued)

The following table summarizes the type and number of units in the Community.

Table 1
The Community
Unit Configuration

Type of Unit	Total
Independent Living Units	
Apartments	248
Villas	52
Total Independent Living	300
Healthcare Center	
Assisted Living Units	22
MAHS Units	14
Memory Support Units	20
Skilled Nursing Beds	40
Total Healthcare Center	96
Total Community Units and Beds	396

Source: Management

Introduction and Background Information (Continued)

The following table summarizes the type, number, approximate square footage, monthly service fees and entrance fees for the Independent Living Units, in fiscal year 2026 dollars.

Table 2
Independent Living Unit Configuration

Unit Name	Unit Type	Total Units	Square Footage	Monthly Service Fee	Entrance Fee: Amortizing Plan	Entrance Fee: 75% Refundable Plan
Apartments:						
Barnsley	1 BR, 1 bath	12	815	$ 4,415	$ 275,000	$ 473,000
Barnsley Deluxe	1 BR, 1.5 baths	2	919	$ 4,596	$ 302,000	$ 519,000
Claremont	1 BR, 1.5 baths	7	1,081	$ 5,579	$ 350,000	$ 602,000
Chelsea	1 BR, 2 baths	38	1,081	$ 5,579	$ 350,000	$ 602,000
Kent	1 BR, 1 bath	6	939	$ 4,849	$ 309,000	$ 531,000
Somerset	1 BR, 1.5 baths	15	1,095	$ 5,677	$ 361,000	$ 621,000
Marston	2 BR, 2 baths	30	1,218	$ 6,192	$ 373,000	$ 642,000
Wycombe	2 BR, 2 baths	28	1,296	$ 6,498	$ 407,000	$ 700,000
Sutton	2 BR, 2 baths	18	1,432	$ 7,020	$ 432,000	$ 743,000
Sutton II	2 BR, 2 baths	11	1,506	$ 7,560	$ 474,000	$ 815,000
Abbey	2 BR, 2 baths	30	1,651	$ 7,761	$ 491,000	$ 845,000
Abbey Deluxe	2 BR, 2 baths	6	1,701	$ 7,989	$ 510,000	$ 877,000
Windsor	2 BR, 2 baths	16	1,266	$ 6,512	$ 421,000	$ 724,000
Windsor Plus	2 BR, 2 baths	3	1,361	$ 7,025	$ 453,000	$ 779,000
Windsor Deluxe	2 BR, 2 baths	2	1,500	$ 7,205	$ 486,000	$ 836,000
Oxford	2 BR, 2 baths	12	1,500	$ 7,532	$ 486,000	$ 836,000
Devon	2 BR, 2 baths	6	1,500	$ 7,532	$ 486,000	$ 836,000
York	2 BR, 2 baths	6	1,700	$ 7,968	$ 538,000	$ 925,000
Cottages/Homes/Villas:						
Chelsea	1 BR, 2 baths	1	1,081	$ 5,579	$ 426,000	$ 733,000
Exbury	2 BR, 2 baths	15	1,566	$ 7,151	$ 582,000	$ 1,001,000
Abbotsford	2 BR, 3 baths	8	1,946	$ 7,267	$ 640,000	$ 1,101,000
Abbotsford Deluxe	2 BR, 3 baths	1	2,430	$ 8,373	$ 682,000	$ 1,173,000
Durham	2 BR, 2 baths	11	1,802	$ 7,565	$ 631,000	$ 1,085,000
Westbury	2 BR, 2.5 baths	13	2,150	$ 8,253	$ 755,000	$ 1,299,000
Kensington	3 BR, 3.5 baths	2	2,922	$ 8,495	$1,002,000	$ 1,723,000
Chatham	2 BR, 2 baths	1	1,925	$ 7,745	$ 771,000	$ 1,326,000
Independent Living Units Total/Weighted Average		300	1,400	$ 6,677	$ 452,737	$ 778,767
Second Person Fee				$ 1,782	$ 55,000	$ 79,000

Source: Management

The Healthcare Center

Admission to the Healthcare Center is restricted to those residents who have signed a Residence and Care Agreement (as defined hereinafter) and lived in a non-nursing unit of the Community for a period of at least 30 days, or residents that have signed a MAHS residence and care agreement (the “MAHS Residence and Care Agreement”).

Introduction and Background Information (Continued)

The following table summarizes the type, number, approximate square footage, monthly fees, and daily fees for the Healthcare Center.

Table 3
Healthcare Center Configuration

Unit Name	Total Units/Beds	Square Footage	Life Care Monthly Rates (1)	Market Rate (2)
Assisted Living Units	22	460	$6,677	$326/day
MAHS (3)	14	460	$6,677	$7,596 /month
Memory Care Units	20	330	$6,677	$398/day
Skilled Nursing Beds	40	221 - 300	$6,677	$458/day

Source: Management
Notes:
(1) Represents first person life care rates. Under terms of the Residence and Care Agreement, as described hereinafter, the second person life care rate may apply to a resident in the Healthcare Center.
(2) The market rate applies only to those residents with a supplemental healthcare or MUAHS (catered living) contract.
(3) The MAHS Residence and Care Agreement is no longer being offered at the facility. There is only one resident remaining that has an MAHS Residence and Care Agreement as of the date of this report. The MAHS units are also utilized for those life care residents who require catered independent living services.

Description of the Residence and Care Agreement

The residence and care agreement is a life care contract under which the Company is obligated, upon payment by the resident of an entrance fee and ongoing payments of the monthly fee to the Company, to provide certain services to the resident for life (the “Residence and Care Agreement”).

Admission Standards

To be accepted for admission to an Independent Living Unit, a prospective resident must be at least 62 years of age at the time of residency, have financial assets adequate to pay the entrance fee, and must have sufficient income to meet the anticipated monthly fee and other personal expenses not provided under the Residence and Care Agreement. In order to reserve an Independent Living Unit, a prospective resident must complete a confidential data application, submit a confidential health questionnaire, and be approved by the Company’s medical staff to be physically able to live independently at the Community.

Admission requires a signed Residence and Care Agreement and the payment of an initial entrance fee deposit equal to 10 percent of the applicable entrance fee for the selected Independent Living Unit pricing (the “Entrance Fee Deposit”), as well as a $300 initial processing fee for individuals and $500 for couples. Under the Residence and Care Agreement, the remaining 90 percent of the entrance fee is due no later than 90 days after the date that the Company sends written notice to the resident that the Independent Living Unit chosen is or will be ready for occupancy (the “Occupancy Date”), unless other arrangements have been agreed to and approved in writing previously by the Company.

Services and Amenities

Under the Residence and Care Agreement, residents of the Independent Living Units (“Residents”) receive the following services and amenities:

- One meal credit per person for each day of the month;
- Weekly housekeeping and laundry service of bed linens;
- All utilities, including basic cable and Wi-Fi but excluding telephone service;

Introduction and Background Information (Continued)

- Security and 24-hour emergency call systems;
- Maintenance of both the unit and the grounds and equipment;
- Scheduled local transportation;
- Planned social, educational, cultural and recreational activities;
- Use of the Community's common areas, private dining and meeting rooms, lounges, lobbies, library, social and recreational rooms, access to the Duke Center for Living and other common activity facilities; and,
- Priority access and services in the Healthcare Center.

In addition to the items included in the monthly fee, certain services are available to Residents for an additional charge. These services include, but are not limited to: guest meals, additional meal credits, beauty and barber services, additional transportation, additional housekeeping services, laundry services for personal items, usage of an available guest suite, and alterations to the residence subject to the Company's policies and approval.

The monthly fee may be revised based on the experience of the Company and estimates of its future costs, at its sole discretion. The Company would endeavor to make such adjustments not more than once a year and would provide 60 days' prior written notice of any such adjustments.

Health Care Benefit

Residents of the Independent Living Units who require assisted living or nursing care may transfer to the appropriate level of care in the Healthcare Center and pay the Life Care Monthly Fee. In the event of double occupancy, the Resident who is transferred to the Healthcare Center would pay the then current second person Monthly Fee, plus the cost of two extra meals (the "Second Person Life Care Monthly Fee"). For the purpose of the forecast, the Life Care Monthly Fee and Second Person Life Care Monthly Fee are assumed to approximate the total weighted average for the Independent Living Units (first person and second person rates respectively). Residents are to be given priority admission to the Healthcare Center and must carry Medicare Part A and B and a satisfactory supplemental Medicare policy approved by the Company.

Entrance Fee Refundability

The Company currently offers two entrance fee plans under the Residence and Care Agreement. The entrance fee options and related amortization schedules are as follows:

- The "Amortizing Plan": Fully amortizes over 48 months – 4.0% upon initial occupancy and two percent for each month of occupancy.

- The "75% Refundable Plan": Amortizes 25.0% of its value over 12 months – 1.0% upon initial occupancy and 2.0% for each month of occupancy. Thereafter, 75.0% of the Entrance Fee is refundable upon termination and payable within 30 days following payment of an appropriate Entrance Fee and subsequent occupancy by another Resident of the specific Independent Living Unit resided in by the Resident.

Management assumes new Residents will select the following entrance fee plans during the Forecast Period: (89%) Amortizing Plan and (11%) 75% Refundable Plan. Previously, a "90% Refundable Plan" was offered, with 34 Residents remaining with this contract. This plan amortizes 10.0% of its value over five months – 2.0% for each month of occupancy. Beginning in 2012, all new 90% Refundable Plan contracts were refundable within 30 days following payment of an appropriate entrance fee and

Introduction and Background Information (Continued)

subsequent occupancy by another Resident of the specific Independent Living Unit resided in by the Resident.

Termination by The Resident Prior to Occupancy Date

Under any type of entrance fee plan, a Resident may terminate the Residence and Care Agreement within a 30-day “Rescission Period” after execution and receive a full refund of his or her entrance fee deposit, less the $300 non-refundable processing fee ($500 non-refundable processing fee for couples), payable within 30 business days of actual notice. After the Rescission Period, if the prospective Resident terminates the Residence and Care Agreement before residency is established, the Resident is to receive a refund equal to 100 percent of the entrance fee deposit less one percent of the entrance fee.

If, prior to establishing occupancy, the current financial statements of the potential Resident discloses that he or she does not meet the financial conditions for admission or if the potential Resident does not meet the medical requirements, the Company may, at its option, terminate the Residence and Care Agreement and refund the entrance fee deposit payable within thirty (30) days.

Termination by the Resident after Occupancy Date

If the Residence and Care Agreement is terminated after occupancy for any reason, or is terminated due to the death of the Resident(s), a portion of the entrance fee is refunded by the Company as determined by the entrance fee plan selected by the Resident. The refund is payable within thirty (30) days following the acceptance of a new Residence and Care Agreement with a new Resident who has accepted and paid the entrance fee for the unit formerly assigned the Resident.

If the Residence and Care Agreement has been signed by two Residents, in the event that one Resident dies or terminates the agreement, the Residence and Care Agreement would continue in effect as to the surviving or the remaining Resident. There would be no refund of any portion of the entrance fee, and the monthly fee would be adjusted to reflect the then applicable single occupancy monthly fee.

Change of Accommodations

To Another Independent Living Unit

The Resident has the option to move to another Independent Living Unit, subject to availability and subject to the Company’s policies and procedures. The Resident would be required to notify the Company in writing at least 90 days prior to the desired move date. Either a new Residence and Care Agreement would be entered into or the existing Residence and Care Agreement would be amended to reflect the change in residence, and the Resident would be required to pay the adjustment of the entrance fee (if higher) for the Independent Living Unit selected, and any moving costs would be at the expense of the Resident.

To the Healthcare Center

No refund of the entrance fee is due at the time the sole occupant of an Independent Living Unit is permanently transferred to the Healthcare Center.

Summary of Significant Accounting Policies

Basis of Accounting

The Company maintains its accounting and financial records according to the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Use of Estimates

The preparation of forecasted financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported as assets and liabilities and disclosure of contingent assets and liabilities in the forecasted financial statements and accompanying notes. Estimates also affect the reported amount of revenues and expenses during the reporting period. Estimates made by the Company relate primarily to the collectability of accounts receivable, the obligation to provide future services, the life expectancy used to amortize deferred revenue from entrance fees and the portion of entrance fees to be refunded. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments, other than those included in assets limited as to use, with a maturity of three months or less when purchased, to be cash equivalents.

Accounts Receivable

Accounts receivable is reported at estimated net realizable amounts from residents and responsible third-party payors. Amounts owed to the Company are reported net of allowances for credit losses. Specific balances are written off at the time they are determined to be uncollectible, which is based on an analysis of the payor source, aging of the receivable, future economic conditions, and market trends.

Deferred Financing Costs

Costs associated with the issuance of the Series 2014A Bonds, the Series 2019A Bonds, and the Series 2022A Bonds (collectively the “Bonds”) are capitalized and amortized over the expected life of the Bonds using the effective interest method. Debt issuance costs are presented with the related debt on the forecasted balance sheets.

Assets Limited as to Use

Assets limited as to use include reserves required by state statute, contributions that have been restricted by donors, funds that have been designated by the Board, and funds held by trustee. Amounts required to meet current liabilities have been reclassified as current assets. Assets limited as to use related to reserves required by state statute include funds held totaling 25% of the current year’s total budgeted operating costs set aside to meet the operating reserve requirements of North Carolina General Assembly Statutes – Chapter 58, Article 64A.

Additional funds designated by the Board include funds that have been earmarked for capital improvements, benevolent care, and maintenance.

Summary of Significant Accounting Policies

Amounts restricted by donors include contributions to establish a charitable fund to support the community at large and other various donor-restricted purposes.

Funds held by trustee include amounts maintained by a trustee for debt service, construction, and to make future principal and interest payments on outstanding long-term debt.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Contributed property is recorded at the estimated fair value at the date of receipt. The Company capitalizes all assets over $1,000 and depreciation is computed under the straight-line method and is based on estimated useful lives from 3 to 40 years. The cost of maintenance and repairs is expensed as incurred. Interest is capitalized on facilities during the construction period and amortized over the useful life of the facility.

Deposits

Deposits for living units to be occupied in the future are deferred when received and recorded as refundable deposits on the forecasted balance sheets. A portion of the deposit is refundable if the Resident terminates the continuing care contract. Upon occupancy of the unit, the nonrefundable portion of the deposit is amortized into residential service fees using the straight-line method over the estimated remaining life expectancy of the Resident, adjusted on an annual basis.

The Company also collects deposits from Residents related to reserving covered parking on campus. Deposit amounts are $9,500 per parking space of which $1,500 is recognized as revenue when received. The remaining $8,000 per deposit is refundable to the Resident upon leaving the community or when the Resident is no longer in need of covered parking. These deposits are recorded as covered parking deposits on the forecasted balance sheets.

Refundable Entrance Fee Deposits

Deposits for Independent Living Units to be occupied in the future are deferred when received. A portion of the entrance fee deposit is refundable if the Resident terminates the Residence and Care Agreement. Upon occupancy of the Independent Living Unit, the entrance fee deposit is amortized into net resident services revenue using the straight-line method over the estimated remaining life expectancy of the Resident, adjusted on an annual basis.

Refunds Payable

Refunds payable include estimated entrance fee refunds due to Residents, within the 12 months following the forecasted balance sheet date, that have the 75 percent and 90 percent refundable contracts. The Company stipulates that the refund is payable upon termination and payable within 30 days following payment of an appropriate entrance fee and subsequent occupancy by another Resident of the specific Independent Living Unit resided in by the Resident.

Summary of Significant Accounting Policies (Continued)

Deferred Revenue from Entrance Fees

The non-refundable portion of entrance fees paid by a Resident upon entering into Residence and Care Agreement are recorded as deferred revenue and amortized into income using the straight-line method over the estimated remaining life expectancy of the Resident, adjusted on an annual basis. The estimated amount of the contractual refund obligations that are expected to be refunded in a subsequent year are classified as a current liability on the forecasted balance sheet. The refundable portion of entrance fees paid by a Resident is recorded as a long-term liability on the forecasted balance sheet.

Obligation to Provide Future Services

The Company enters into continuing care contracts with its Residents. A continuing care contract is an agreement between a Resident and the Company specifying the services and facilities to be provided over the Resident's remaining life. Under the contracts, the Company has the ability to increase fees as deemed necessary. As of December 31, 2025, the Company calculated the present value of the estimated net cost of future services to be provided, including the cost of facilities to current Residents, and compares the amount with deferred revenue from advance fees. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from advance fees, an additional liability is shown in the forecasted balance sheets. No liability was recorded as of December 31, 2025, as the present value of the estimated net costs of future services and use of facilities is less than deferred revenues from advances fees. The present value of the net cost of future services and use of facilities was discounted at 5.0% in 2025. Management has not forecasted any obligation to provide future services during the Forecast Period.

Leases

The Company determines if an arrangement is a lease at inception. Operating leases are included in property, plant, and equipment as right-of-use ("ROU") assets and lease liabilities in the forecasted balance sheets. ROU assets present the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the commencement date of the lease based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise the option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Company has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or ROU assets on the forecasted balance sheets.

Contributions and Donor Imposed Restrictions

All contributions are considered to be available without donor restrictions unless specifically restricted by the donor. The Company reports gifts of cash and other assets as restricted contributions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets (deficit) without donor restriction and reported in the forecasted statements of operations as net assets released from restriction.

Summary of Significant Accounting Policies (Continued)

Net Assets (Deficit)

The Company reports its net assets (deficit) using the following two classes: net assets without donor restrictions and net assets with donor restrictions depending on the presence and type of donor-imposed restrictions limiting the Company's ability to use or dispose of specific contributed assets or the economic benefits embodied in those assets. Net assets (deficit) without donor restrictions include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation. Net assets with donor restrictions are those net assets whose use by the Company has been limited by donors (a) to later periods of time or after specified dates or (b) to specified purposes.

Resident Services Revenue

Resident revenue is reported at the amount that reflects the consideration to which the Company expects to be entitled in exchange for providing resident care. The Company generates revenues, primarily by providing housing and health services to its Residents. The streams of revenue are recognized as follows:

Monthly Service Fees

The life care contracts that Residents select require an advanced fee and monthly fees based upon the type of space for which they apply. Resident fee revenue for recurring and routine monthly services is generally billed monthly in advance. Payment terms are usually due within 30 days. The services provided encompass social, recreational, dining along with assisted living and nursing care and these performance obligations are earned each month. Management has determined that the performance obligation for the standing obligation to provide the appropriate level of care is the predominant component and does not contain a lease component. Resident fee revenue for nonroutine or additional services are billed monthly in arrears and recognized when the service is provided.

Entrance Fees

The nonrefundable entrance fees are recognized as deferred revenue upon receipt of the payment and included in liabilities in the forecasted balance sheet until the performance obligations are satisfied. The refundable portion of an entrance fee is not considered part of the transaction price and as such is recorded as a liability in the forecasted balance sheet. Additionally, Management has determined the contracts do not contain a significant financing component as the advanced payment assures Residents the access to health care in the future. These deferred amounts are then amortized on a straight-line basis into revenue on a monthly basis over the life of the Resident as the performance obligation is the material right associated with access to future services.

Health Care Services

In the facility, the Company provides assisted and nursing care to Residents who are covered by government and commercial payors. Management has elected to utilize the portfolio approach in aggregating the revenues under these revenue streams.

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

Summary of Significant Accounting Policies (Continued)

Medicare

The Company's licensed nursing facility participates in the Medicare program. This federal program is administered by the Centers for Medicare and Medicaid Services (CMS). CMS utilizes the Patient Driven Payment Model (PDPM) for Medicare reimbursement. Under PDPM, therapy minutes are removed as the primary basis for payment and instead use the underlying complexity and clinical needs of a patient as a basis for reimbursement. In addition, PDPM introduces variable adjustment factors that change reimbursement rates during the Resident's length of stay. Annual cost reports are required to be submitted to the designated Medicare Administrative Contractor; however, they do not contain a cost settlement.

Nursing facilities licensed for participation in the Medicare program are subject to annual licensure renewal. If it is determined that a nursing facility is not in substantial compliance with the requirements of participation, CMS may impose sanctions and penalties during the period of noncompliance. Such a payment ban would have a negative impact on the revenues of the licensed nursing facility.

Other

Payment agreements with certain insurance carriers provide for payment using prospectively determined daily rates.

Laws and regulations concerning government programs, including Medicare, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Company's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Company. In addition, the contracts the Company has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Company's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations.

Generally, Residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Company estimates the transaction price for Residents with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent

Summary of Significant Accounting Policies (Continued)

changes to the estimate of the transaction price are generally recorded as adjustments to resident service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in a Resident's ability to pay are recorded as bad debt expense.

Financing Component

The Company has elected the practical expedient allowed under Financial Accounting Standards Board *Accounting Standards Codification* 606-10-32-18 and does not adjust the promised amount of consideration from residents for the effects of a significant financing component due to its expectation that the period between the time the service is provided to a resident and the time that the resident pays for that service will be one year or loss. However, the Company does, in certain instances, enter into payment agreements with residents that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

Excess of Revenues, Gains, and Other Support Over Expenses

The forecasted statements of operations include excess of revenues, gains, and other support over expenses. Changes in net deficit without donor restrictions that are excluded from the excess of revenues, gains, and other support over expenses, consistent with industry practice would include permanent transfers of assets to and from affiliates for other than goods and services and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets).

Income Taxes

The Company has been recognized by the Internal Revenue Service as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). The Company is not aware of any activities that would jeopardize its tax-exempt status. The Company is not aware of any activities that are subject to tax on unrelated business income or excise or other taxes. The Company follows guidance in the income tax standard regarding recognition and measurement of uncertain tax positions. Management has not forecasted any liability due to an uncertain tax position during the Forecast Period.

Summary of Revenue Assumptions

Revenues

Revenue for the Company is generated primarily from monthly service fees for the Independent Living Units, amortization of entrance fees, and monthly service fees and per diem charges from the Healthcare Center, and wellness center fees (Duke Center for Living).

Resident service revenue for Residents in the Independent Living Units is based on the assumed occupancy and the monthly fees of the respective units. The monthly fees for the Independent Living Units are assumed to increase 4.0 percent annually beginning January 1, 2027.

Healthcare Center monthly fees and daily fees are generated from Residents transferring internally and from the outside community. Residents transferring from the Independent Living Units to the Assisted Living Units, MAHS Units, Memory Support Units, or Skilled Nursing Beds receive such services at no additional charge over the Resident's Independent Living Unit monthly fee then in effect, with the exception of a charge for two additional meals and other ancillary revenues such as in-home services and billable supplies. Healthcare Center fees, including Medicare rates, are assumed to increase 4.0 percent beginning January 1, 2027 and annually thereafter.

The following table summarizes the assumed utilization of the Community's Independent Living Units and Healthcare Center.

Table 4
Utilization of the Independent Living Units and Healthcare Center

For the Years Ending December 31,	2026	2027	2028	2029	2030
Average Available Units:					
Independent Living Units	300.0	300.0	300.0	300.0	300.0
Assisted Living Units and MAHS Units	36.0	36.0	36.0	36.0	36.0
Memory Support Units	20.0	20.0	20.0	20.0	20.0
Skilled Nursing Beds	40.0	40.0	40.0	40.0	40.0
Total Available Units	396.0	396.0	396.0	396.0	396.0
Average Occupied Units:					
Independent Living Units	290.0	290.0	290.0	290.0	290.0
Assisted Living Units and MAHS Units	35.0	35.0	35.0	35.0	35.0
Memory Support Units	14.0	14.0	14.0	14.0	14.0
Skilled Nursing Beds	25.0	25.0	25.0	25.0	25.0
Total Average Occupied Units	364.0	364.0	364.0	364.0	364.0
Average Occupancy Percentage:					
Independent Living Units	97%	97%	97%	97%	97%
Assisted Living Units and MAHS Units	97%	97%	97%	97%	97%
Memory Support Units	70%	70%	70%	70%	70%
Skilled Nursing Beds	63%	63%	63%	63%	63%
Total Occupancy Percentage	92%	92%	92%	92%	92%

Source: Management

Summary of Revenue Assumptions (Continued)

Assumed Independent Living Turnover

The assumed Resident turnover for the Independent Living Units due to death, withdrawal or transfer to the Healthcare Center, and double occupancy of the Independent Living Units has been based on the historical experience of Management. Refunds of entrance fees are generated upon termination of the Residence and Care Agreement and withdrawal from the Community, subject to the re-occupancy of the Independent Living Unit. Entrance Fees may be generated from Independent Living Units turning over without a corresponding refund because the Resident has not withdrawn from the Community but has permanently transferred to the Healthcare Center.

Entrance fees are assumed to increase 4.0 percent annually during the Forecast Period. The following table summarizes entrance fees received and refunded during the Forecast Period.

Table 5
Forecasted Entrance Fees Received and Refunded (in $000s)
For the Years Ending December 31,

	2026	2027	2028	2029	2030
Independent Living Units:					
Entrance Fee Receipts from Unit Turnover	$ 13,472	$ 14,011	$ 14,571	$ 15,154	$ 15,760
Entrance Fees Refunded from Unit Turnover	(3,723)	(3,872)	(4,027)	(4,188)	(4,356)
Net Independent Living Unit Entrance Fees	$ 9,749	$ 10,139	$ 10,544	$ 10,966	$ 11,404

Source: Management

Duke Center for Living

Duke Center for Living revenues are generated by monthly membership fees received from nonresidents of the Community. Average membership dues are approximately $68 per month for 2026. Management has forecasted the average monthly membership to increase by 1.0 percent during the Forecast Period. All Residents receive unlimited access to the Duke Center for Living at no additional cost. Management assumes approximately 36 percent of the Residents are assumed to utilize the facility during the Forecast Period.

Investment Income

Investment income consists of interest earnings on cash, cash equivalents and assets limited as to use, as provided by Management. Management has assumed an investment return of 0.50 percent on cash and cash equivalents, 3.00 percent on all trustee held and donor restricted funds and 4.00 percent on board designed funds during the Forecast Period. Management does not forecast unrealized gains or losses.

Other Revenues

Management assumes other revenues consist of revenues from additional meals and snacks, guest meals, guest apartment rentals, catering, and other miscellaneous sources. Management assumes these revenues to increase 4.0 percent beginning January 1, 2027 and annually thereafter.

Summary of Expense Assumptions

Operating Expenses

Operating expenses are provided by Management based on their experience operating the Community. Salaries, wages and employee benefits are assumed to increase 4.0 percent in 2027 and for each year thereafter during the Forecast Period. Management assumes employee benefits would approximate 26 percent of salaries during the Forecast Period. Management has forecasted 313 full-time equivalents each year of the Forecast Period.

Other operating expenses include Duke Center for Living costs, supplies, accounting and legal, and facilities costs, which include property taxes, insurance, utilities, and other miscellaneous costs. Management's forecasted other operating expenses are based on the experience of the Community and are forecasted to increase due to changes in occupancies as well as at an average annual rate of 4.0 percent in 2027 and in each year thereafter during the Forecast Period.

Summary of Other Items

Other Items

Current Assets and Current Liabilities

Cash and Cash Equivalents

Cash and cash equivalents balances for the Forecast Period are based on the results of the Forecasted Statements of Cash Flows.

Accounts Receivable

Accounts receivable are forecasted based on historical levels at 11 days of total resident revenue.

Other Receivables

Other receivables are forecasted based on historical levels at 3 days of total resident revenue.

Other Current Assets

Other current assets are forecasted based on historical levels at 7 days of operating expenses less interest expense, amortization, and depreciation.

Accounts Payable

Accounts payable are forecasted based on historical levels at 15 days of operating expenses less salaries and wages, interest expense, amortization, and depreciation.

Accrued Interest Payable

Accrued interest payable has been calculated based on interest expense requirements of outstanding debt.

Accrued Payroll and Related Liabilities

Accrued payroll and related liabilities are forecasted to approximate historical levels of 11 days of salaries and wages.

Other Accrued Expenses

Other accrued expenses are forecasted based on historical levels at 5 days of operating expenses less interest expense, amortization, and depreciation.

Assets Limited as to Use

A narrative description of the assets limited as to use follows.

- Debt Service Reserve Fund – A parity Debt Service Reserve Fund for the Series 2014A Bonds, Series 2019A Bonds, and Series 2022A Bonds.
- Board Designated Funds – Funds designated by the Board for capital projects, benevolent care, and maintenance.
- Assets Limited as to Use, Current Portion (“Bond Fund”), which is to contain installments of principal and interest on the Series 2014A Bonds, Series 2019A Bonds, and the Series 2022A Bonds paid by the Company until such principal and interest are due.

Summary of Other Items (Continued)

- Restricted by Donor –Amounts restricted by donors include contributions to assist Residents at time of financial hardship, to support the Community at large, and other various donor restricted purposes.
- Statutory Operating Reserve – Section 58-64A-245 of the General Statutes of North Carolina, as amended, requires that all continuing care facilities maintain operating reserves equal to 50 percent of the total operating costs (as defined in Section 58-64A-245) for the 12-month period related to the calculation. Once a continuing care facility achieves a 12-month daily average independent living unit occupancy rate of ninety percent (90% or higher) a provider shall only be required to maintain an operating reserve in an amount calculated using the table below, unless otherwise instructed by the Commission.

Independent Living Unit Occupancy Rate:	Operating Reserve Percentage Requirement
90% or above	25.00%
86% to 89.9%	31.25%
83% to 85.9%	37.50%
80% to 82.9%	43.75%
Below 80%	50.00%

A provider who has a 12-month daily average independent living unit occupancy rate equal to or in excess of ninety-three percent (93%) and has no long-term debt or a debt service coverage ratio in excess of 2.00 as of the provider's most recent fiscal year-end shall only be required to maintain an operating reserve equal to twelve and one-half percent (12.5%) of total operating costs of the continuing care retirement community, unless otherwise instructed by the NCDOI.

As of the Company's most recent fiscal year-end, the debt service ratio of the Company was in excess of 2.00. Management has forecasted the average independent living occupancy to be in excess of ninety-three percent (93%). As such, management has forecasted an operating reserve of 12.5% of the total operating costs. Such operating reserves may only be released upon approval of the North Carolina Commissioner of Insurance. Management has forecasted, based on its forecasted occupancies, meeting the 12.5 percent operating reserve requirement for all years of the Forecast Period.

The following reflects the statutory operating reserve requirements, as forecasted by Management:

Summary of Other Items (Continued)

Table 6
Forecasted Statutory Operating Reserve Calculation
Years Ending December 31,

Years Ending December 31,	2026	2027	2028	2029	2030
Reserves Required, Year-end					
Total Operating Expenses	$ 40,521	$ 42,012	$ 43,539	$ 45,140	$ 46,820
Add: Principal Payment on Long-Term Debt	2,370	2,490	2,615	2,750	2,890
Add: Amortization of Bond Premium	235	235	235	235	235
Less: Depreciation	(4,811)	(5,113)	(5,406)	(5,724)	(6,069)
Less: Amortization on Bond Issuance Costs	(70)	(70)	(70)	(70)	(70)
Less: Amortization of Bond Discount	(6)	(6)	(6)	(6)	(6)
Less: Debt Service (Reserved for Separately in Debt Service Reserve Fund)	(5,492)	(5,492)	(5,490)	(5,493)	(5,493)
Adjusted Expenses	$ 32,747	$ 34,056	$ 35,417	$ 36,832	$ 38,307
Required Reserve Multiplier (1)	12.5%	12.5%	12.5%	12.5%	12.5%
Required Operating Reserve (In Thousands)	$ 4,093	$ 4,257	$ 4,427	$ 4,604	$ 4,788
Average Available Independent Living Units for the Year Ending December 31:	300	300	300	300	300
Average Occupied Independent Living Units for the Year Ending December 31:	290	290	290	290	290
Average Occupancy at December 31:	96.7%	96.7%	96.7%	96.7%	96.7%

Source: Management

Property and Equipment

The Company is assumed to incur routine capital additions during the Forecast Period that would be capitalized as property and equipment. Property and equipment donated are recorded as unrestricted contributions at fair market value at the date of receipt. Expenditures for maintenance, repairs and minor renovations are charged to expense as incurred. Routine capital additions during the Forecast Period are summarized in the table below.

Table 7
Forecasted Routine Capital Additions (in $000s)
Years Ending December 31,

	2026	2027	2028	2029	2030
Routine Capital Additions	$ 5,575	$ 5,000	$ 5,150	$ 5,305	$ 5,464

Source: Management

Table 8
Forecasted Property and Equipment (1) (in $000s)
At December 31,

	2026	2027	2028	2029	2030
Land	$ 6,733	$ 6,733	$ 6,733	$ 6,733	$ 6,733
Buildings	162,766	166,766	170,886	175,130	179,501
Equipment and Furnishings	10,631	11,631	12,661	13,722	14,815
Right-of-Use (ROU) Assets	549	549	549	549	549
Total Before Accumulated Depreciation	180,679	185,679	190,829	196,134	201,598
Less Accumulated Depreciation	(71,906)	(77,019)	(82,425)	(88,149)	(94,218)
Construction in Progress	1,835	1,835	1,835	1,835	1,835
Net Property and Equipment	$ 110,608	$ 110,495	$ 110,239	$ 109,820	$ 109,215

Source: Management

Summary of Other Items (Continued)

Interest and Long-Term Debt

Long-term debt, totaling $62,380,000 at December 31, 2025, consisted of the following maturities and annual interest rates:

The Series 2014A Bonds

In September 2014, the Company issued $15,495,000 of tax-exempt, adjustable rate First Mortgage Revenue Refunding Bonds with an average interest rate ranging from 2.0 percent to 4.0 percent for the serial bonds, a fixed 4.875 percent for the 2034 term bonds and a fixed 5.25 percent for the 2041 term bonds, collectively the “Series 2014A Bonds”, through the North Carolina Medical Care Commission. As of December 31, 2025, the outstanding balance of the Series 2014A Bonds was approximately $14,200,000. Interest on the Series 2014A Bonds is payable on January 1 and July 1 of each year. Principal on the Series 2014A Bonds is paid annually on January 1, with a final maturity on January 1, 2041.

The Series 2019A Bonds

In October 2019, the Company issued $45,990,000 of tax-exempt, fixed rate Retirement Facilities First Mortgage Revenue Refunding Bonds with an average interest rate ranging from 3.00 to 6.00 percent per annum (the “Series 2019A Bonds”) through the North Carolina Medical Care Commission. Proceeds from the Series 2019A Bonds were used to refund the Series 2010A Bonds. As of December 31, 2025, the outstanding balance of the Series 2019A Bonds was approximately $36,200,000. Interest on the Series 2019A Bonds is payable on January 1 and July 1 of each year. Principal on the Series 2019A Bonds is paid annually on January 1, with a final maturity on January 1, 2039.

The Series 2022A Bonds

In November 2022, the Company issued $11,980,000 of tax-exempt, fixed rate First Mortgage Revenue Bonds (2022A Bonds) through the Public Finance Authority. The proceeds of the Series 2022A Bonds were used to finance a portion of the costs of campus improvements, pay interest accruing on the 2022A Bonds for approximately 20 months, to fund a debt service reserve fund, and to pay certain expenses incurred with the issuance of the 2022A Bonds. As of December 31, 2025, the outstanding balance of the Series 2022A Bonds was approximately $11,980,000.

Forecasted principal payments on the Company’s total long-term debt is presented in the following table, which is presented on a December 31, fiscal year basis.

Table 9
Forecasted Principal Payments (in $000s)

Year Ending December 31,	Series 2014A	Series 2019A	Series 2022A	Total
2026	$ 90	$ 2,180	$ 5	$ 2,275
2027	100	2,260	10	2,370
2028	100	2,380	10	2,490
2029	110	2,495	10	2,615
2030	120	2,620	10	2,750
Thereafter	13,680	24,265	11,935	49,880
Total	$ 14,200	$ 36,200	$ 11,980	$ 62,380

Source: Management

Summary of Other Items (Continued)

Bond Premium

At December 31, 2025, the Company had approximately $3,290,000 of unamortized bond premium associated with the Series 2019A Bonds. Management has forecasted the amortization of the bond premium over the life of the Series 2019A Bonds. Management has forecasted amortization of approximately $235,000, annually, during the Forecast Period.

Bond Discount

At December 31, 2025, the Company had approximately $115,000 of unamortized bond discount associated with the Series 2022A Bonds. Management has forecasted the amortization of the bond discount over the life of the Series 2022A Bonds. Management has forecasted amortization of approximately $7,000, annually, during the Forecast Period.

Net Assets

Net Assets With Donor Restrictions

Management has forecasted net assets with donor restrictions based upon the results of the Forecasted Statement of Operations and Changes in Net Assets.

Appendix C — Statement of Actuarial Opinion

GALLOWAY RIDGE
AT FEARRINGTON

GALLOWAY RIDGE AT FEARRINGTON COMPREHENSIVE ACTUARIAL STUDY

As of December 31, 2024

Prepared by Continuing Care Actuaries, LLC
Report Date: May 23, 2025

Statement of Actuarial Opinion

Whom It May Concern:

I, Dave Bond, am a Partner at Continuing Care Actuaries, LLC, a Member of the American Academy of Actuaries (M.A.A.A.) and a Fellow of the Society of Actuaries (F.S.A.). My qualifications and experience meet the standards set forth by the American Academy of Actuaries to render the following actuarial opinion.

Purpose of Opinion

The purpose of this statement is to certify that I have reviewed the assumptions and methods used in the actuarial cash flow, balance sheet, and pricing analysis for Galloway Ridge at Fearrington (Galloway Ridge or CCRC) as of December 31, 2024.

Opinion

Based on my review, I hereby certify that, in my opinion:

- The data and assumptions used for the population and financial projections in this report form a reasonable basis for the projections.
- The methods used to produce the projections are consistent with sound actuarial principles and practices as prescribed by the Society of Actuaries and the American Academy of Actuaries.
- Galloway Ridge is in ***adequate financial condition*** to meet its obligations as defined by Actuarial Standard of Practice No. 3 (ASOP 3). ASOP 3 defines adequacy based on the meeting of three required actuarial standards, which consist of the actuarial cash flow, the actuarial balance sheet, and the actuarial pricing analysis.
- The following report details the assumptions and results that were used to assess the financial condition of Galloway Ridge.

Sincerely,

Dave Bond

Dave Bond, F. S. A., M.A. A. A.
Managing Partner
Continuing Care Actuaries
415 Main Street
Reisterstown, MD 21136
410-833-4220

Executive Summary

Introduction

Continuing Care Actuaries, LLC (CCA) was retained by the management of Galloway Ridge at Fearrington (Galloway Ridge) to conduct a Comprehensive Actuarial Study for their community located in Pittsboro, North Carolina. The purpose of the actuarial analysis was to:

- Review the resident demographic experience,
- Provide a population projection of current and prospective residents,
- Calculate Galloway Ridge's cash flow projection and Actuarial Balance Sheet, and
- Conduct an Actuarial Pricing Analysis of the current residential contract.

Galloway Ridge is a non-profit Life Plan continuing care retirement community located in Pittsboro, North Carolina, offering a wide range of services with 5 levels of care: Independent Living Units (ILU), Assisted Living Units (ALU), Multi-Unit Assisted Housing with Services (MAHS), Memory Care Units (MCU) and Skilled nursing Facilities (SNF). Galloway Ridge currently consists of 248 apartments and 52 villas for a total of 300 ILU, plus 22 ALU, 14 MAHS, 20 MCU, and 40 SNF beds.

The basic cost of residence at Galloway Ridge consists of the initial Entrance Fee and the Monthly Service Fee. Residents requiring permanent or temporary health care are able to transfer to the needed level of care as determined appropriate by Galloway Ridge medical and management staff and in conjunction with residents and their physicians and family. Collectively, Monthly Service Fees and Entrance Fees are intended to cover the cost of constructing and operating the community and providing health care and other services to contract residents, as well as a portion of all other costs related to the operation of the community. Entrance Fees held by Galloway Ridge are subject to refund requirements.

The scope of our study consisted of (1) development of updated population projections based on the current demographic characteristics of the resident population and the assumptions used in the financial model for Galloway Ridge; (2) development of projected statements of cash flows and Actuarial Balance Sheet; and (3) preparation of an Actuarial Pricing Analysis. This Comprehensive Actuarial Study and review was performed under the guidelines contained in the American Academy of Actuaries' Actuarial Practice Number 3, "Issues Relating to Continuing Care Retirement Communities."

DATA RELIANCE

Continuing Care Actuaries, LLC has relied upon the following data sources in development of the actuarial study and according results:

All information provided in the sections below has been supplied by the Community:

A. Resident Demographic Information

The Community provided updated demographic details for all current residents, including resident name and/or ID number, contract type, date of birth, gender, location at entry, spouse/roommate ID, date of entry, and current location. All data is contained in the Community's LifeCalc Pro system.

B. Demographic Summary

The Community completed the demographic summary by filling in the designated areas on the provided chart. This data serves to verify the resident demographic information from Part A.

C. Future Occupancy Projections

The Community supplied future occupancy projections, including the expected occupancy levels at each level of care and assumptions regarding skilled nursing residents by per diem, Medicaid and Medicare (if applicable).

D. Incentive Programs

The Community stated there were no incentive programs offered.

E. Contract Descriptions

The Community provided copies of current residency agreements available to new entrants, as well as contracts that are no longer offered but still apply to existing residents. A distribution of residents by contract type was also provided, along with the assumed future distribution.

F. Community Description and Configurations

The Community described the facility, including the number and types of independent living units, assisted living units, MAHS units, memory care units and skilled nursing beds, as well as the square footage of each unit.

G. Budget Information

The Community provided the budget for the upcoming fiscal year.

H. Fee Structures

The Community shared the proposed residential fees for entrance, monthly service, health care, and ancillary fees for all contracts applicable to the next fiscal year, including per diem, Medicaid and Medicare rates (if applicable).

DATA RELIANCE (CONTINUED)

I. Debt Schedules

The Community supplied the schedule of annual principal repayments and interest for any current or future long-term debt.

J. Financial Statements

The Community provided the previous fiscal year's audited financial statements and the current year's unaudited financial statements.

K. Capital Expense Replacement Budget

The Community provided the capital expense replacement budget for the upcoming fiscal years.

L. Subsidized Units

The Community stated there were subsidized units with Benevolence Assistance.

M. Changes to the Community

The Community outlined the renovation and repositioning of the dining venues.

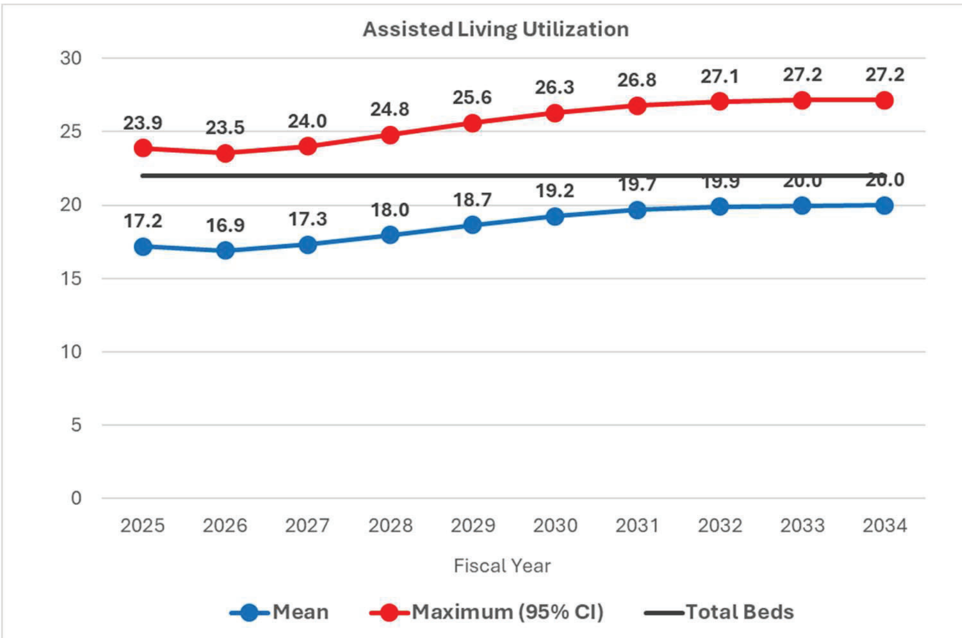
N. Other Pertinent Information

The Community stated there was none known at this time.

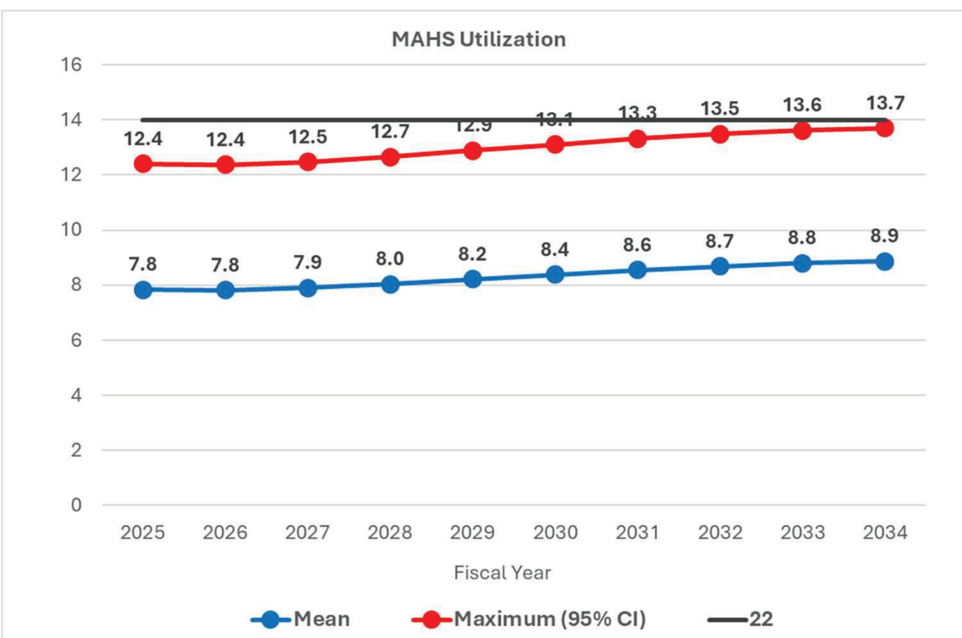
SUMMARY OF FINDINGS AND NOTES

1) **Data and Assumptions**: The data and assumptions used for the population and financial projections in this report form a reasonable basis for the projections. The methods used to produce the projections are consistent with sound actuarial principles and practices as prescribed by the Society of Actuaries and the American Academy of Actuaries.

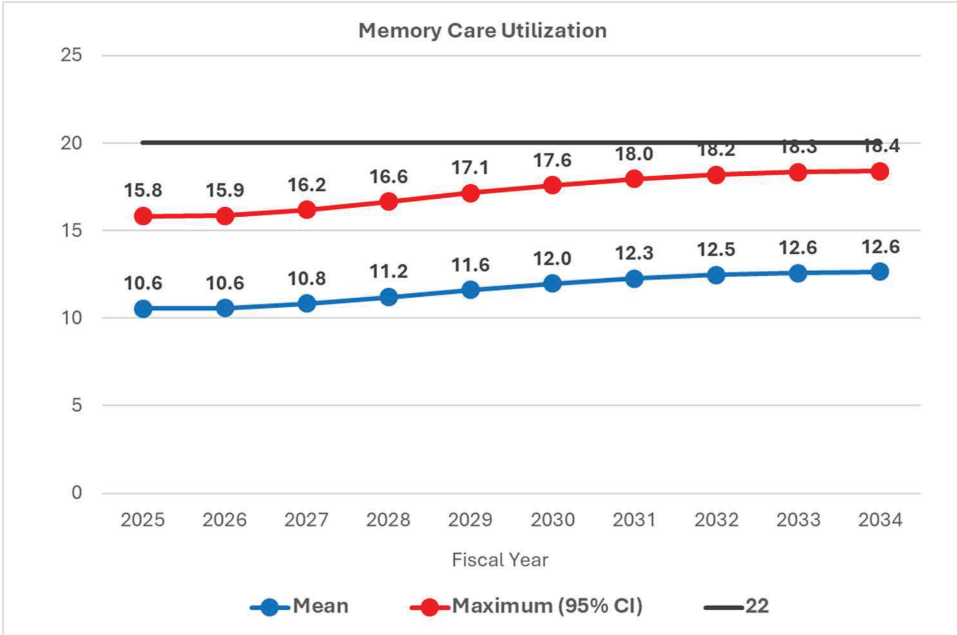
   The projected occupancy of assisted living units by residents who originated in independent living units with 95% confidence interval is displayed below:



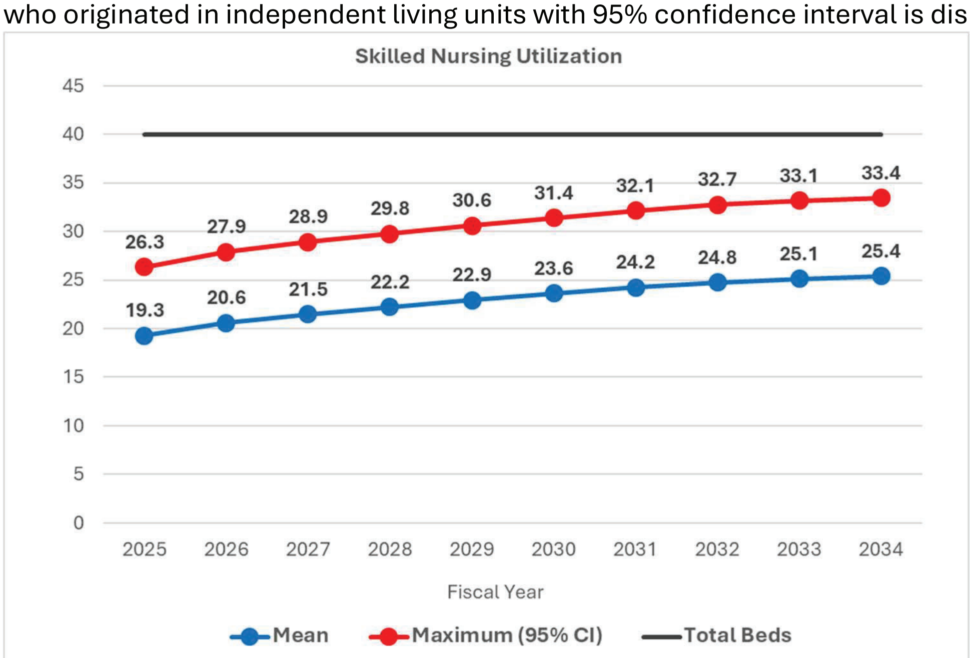
   The projected occupancy of MAHS units by residents who originated in independent living units with 95% confidence interval is displayed below:



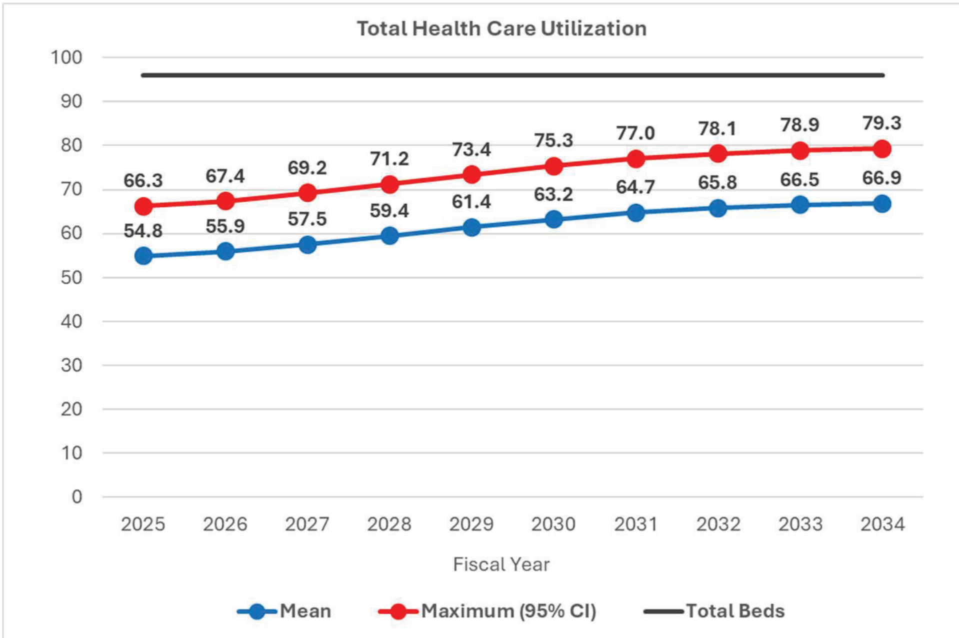
The following chart shows the projected occupancy of memory care units by residents who originated in independent living units with 95% confidence interval is displayed below:



The following chart shows the projected occupancy of the skilled nursing facility by residents who originated in independent living units with 95% confidence interval is displayed below:



The projected occupancy of the combined assisted living, MAHS, memory care, and skilled nursing by residents who originated in independent living units with 95% confidence interval is detailed below:



2) **Cash Flow Projection**: The financial projection indicates that Galloway Ridge will generate positive annual cash flow throughout the projection period, except in FY 2025 through FY 2027 due to large debt payments and capital expenditures.

3) **Actuarial Balance Sheet**: Based on the result of the Actuarial Balance Sheet as of December 31, 2024, our analysis concluded that Galloway Ridge has current and future assets of $327,160,000 with current and future liabilities of $282,567,000. Based on these projected assets and liabilities, Galloway Ridge's funded status is 115.8% which is above our recommended target of 110% for a mature community.

   The actuarial ratio determines the percent of future expenses that are expected to be covered by future revenues for the expected group of residents as of December 31, 2024. This measure is important in that it represents Galloway Ridge's ability to deal with adverse experience. This ratio was calculated at 78.8%. The detail of the Actuarial Balance Sheet can be seen on page number 27.

4) **Actuarial Pricing Analysis**: In aggregate, based on new entrant contract distribution assumptions, the Actuarial Pricing Analysis for new entrants at Galloway Ridge is expected to cover the risk of adverse fluctuation, with a combined margin of 13.5%. Detailed pricing results by contract can be found on page number 29.

   Generally, it is our recommendation for a mature community to target a margin of approximately 10% in order to cover possible adverse fluctuations that may occur in the future. These adverse fluctuations can include both changes in economic assumptions, such as expected inflation, and changes in demographic assumptions, such as nursing care utilization.

Appendix D — Representative Contract

GALLOWAY RIDGE
AT FEARRINGTON

RESIDENCE AND CARE AGREEMENT
(Traditional)

05/22/2024

TABLE OF CONTENTS

GLOSSARY

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

"Agreement" means the Residence and Care Agreement between the Resident and Galloway Ridge, Inc. which delineates the contractual obligations of both parties.

"Entrance Fee" means the sum of (i) the Entrance Fee Deposit and (ii) the balance of the Entrance Fee paid to us pursuant to Section 5 of the Agreement.

"Extra Charges" means the additional charges to be paid for the additional services and amenities requested by Resident, as set forth in Section 2 of the Agreement.

"Galloway Ridge at Fearrington" or **"Community"** means the senior living community located at 3000 Galloway Ridge, Pittsboro, North Carolina 27312, including the residences, the health center, and all site amenities.

"Galloway Ridge, Inc.," "Galloway Ridge," "we," "our," or "us" means the owner of the Community, a non-profit corporation organized to do business in the State of North Carolina.

"Health Center" or **"The Arbor"** means the licensed area of the Community where assisted living services and nursing care services are provided.

"Monthly Charges" means the charges payable each month by the Resident pursuant to the terms of the Agreement, including the Monthly Fee, the Extra Charges, and all other fees and charges payable monthly pursuant to the terms of the Agreement.

"Monthly Fee" means the fee payable each month in consideration for the amenities and services provided to all residents, as set forth in Section 1 of the Agreement. The Monthly Fee includes a second person Monthly Fee if there are two Residents.

"Occupancy" means the earlier of the date Resident moves into the Community or the date Resident pays the balance of the Entrance Fee and Monthly Fee pursuant to Section 5.2 of the Agreement.

"Personal Service Provider" means a private employee, an independent contractor, or a licensed home care or home health care agency that may be contracted by the Resident to provide personal services requested or required by the Resident that are not covered by the Agreement.

"Residence" means the apartment home or villa identified in the introduction page of the Agreement, in which the Resident has the right to live, subject to the terms and conditions of the Agreement, in exchange for paying the Entrance Fee, the Monthly Fee and other fees and charges.

"Resident," "you" or "your" means the individual(s) who execute(s) the Agreement as Resident. Sometimes a second Resident (if there are two Residents) is referred to in the Agreement as the "second person." Unless otherwise indicated, "you" refers to both of you if there are two Residents.

GALLOWAY RIDGE
AT FEARRINGTON

TRADITIONAL
RESIDENCE AND CARE AGREEMENT

INTRODUCTION

This Traditional Residence and Care Agreement (the "Agreement") is entered into this _____ day of _____________ 20____, between Galloway Ridge, Inc., a North Carolina nonprofit corporation (hereinafter "Galloway Ridge," "we," "us," or "our"), and the undersigned ____ (individually or collectively, "you," "your," or "Resident").

Galloway Ridge was formed to develop, own and operate the senior living community known as Galloway Ridge at Fearrington (the "Community") located at Fearrington Village in Pittsboro, North Carolina. The Community is designed to provide senior living in an atmosphere of peace and harmony to eligible persons, regardless of race, religion, creed, color, sex, handicap, ancestry, sexual orientation, veteran's status or national origin. Galloway Ridge is not affiliated with any religious, charitable or other nonprofit organization, and no other organization is responsible for the financial and contractual obligations of Galloway Ridge.

Subject to the terms and conditions contained in the Agreement, as a Resident of the Community, you are offered lifetime use of your Residence and lifetime access to The Arbor by paying the Entrance Fee, Monthly Fee, and other fees or charges. Subject to the terms and conditions contained in the Agreement, we agree to make available to you the residence (hereafter "Residence") described as follows:

Residence Number: ___________________
Residence Style: ____

In addition to the provisions set forth in this Agreement, all residents are subject to Galloway Ridge's policies, procedures, rules and regulations, which may be modified or amended by Galloway Ridge from time to time at Galloway Ridge's sole discretion. Without limiting the foregoing, Resident specifically acknowledges that the Community is a tobacco-free community pursuant to a tobacco-free policy adopted by the Board of Directors of Galloway Ridge on April 27, 2016.

1. SERVICES AND AMENITIES PROVIDED TO ALL RESIDENTS. We will provide at the Community, so long as you reside in a Residence therein, the following services and amenities, which are included in the Monthly Fee:

1.1 Housekeeping. Weekly standard housekeeping services to your Residence.

1.2 Laundry. Weekly in-home linen service.

1.3 Activities and Social Services. Social, cultural, educational, recreational and spiritual activities designed to stimulate and support your overall physical, spiritual and emotional well-being. You are encouraged to join in such activities as you find appealing.

1.4 Dining Services. A set number of meal points each month sufficient for one meal per day per resident. Meal points may be used in accordance with our meal program.

1.5 Meal Delivery Service. Meal delivery to your Residence when medically necessary.

1.6 Parking. Unassigned surface parking for your use.

1.7 Emergency Response. Each residence and all common areas of the Community are equipped with an emergency call system which is monitored 24-hours per day to summon emergency aid.

1.8 Security and Grounds. For your comfort and safety, we will provide security services for the Community at large, as well as basic grounds keeping and maintenance for common areas.

1.9 Utilities and Services. Water, heat, electricity, sewer service, air conditioning in the Residence, and trash removal from central locations. At our discretion, we may also offer Community-wide wireless internet access.

1.10 Telephone. The Residence is pre-wired for telephone installation. Arranging for telephone services and payment of any charges for such service is your responsibility.

1.11 Transportation. Limited, regularly scheduled local transportation.

1.12 Common Facilities. Dining rooms, cafe, auditorium, social and activities rooms, and other Community facilities. Such other facilities include the Community's fitness center, which includes a lap pool, whirlpool, exercise track and equipment, aerobics facilities, and massage area. Private dining rooms can be reserved by Residents.

1.13 Cable TV. The Residence is pre-wired for cable television service, and basic cable television service, so long as commercially available, is included in your Monthly Fee. Arranging for any additional television service beyond basic cable and payment of charges for such additional service is your responsibility.

1.14 Furnishings. Wall-to-wall carpeting, clothes washer and dryer, kitchen appliances consisting of refrigerator/freezer with icemaker, oven/range, dishwasher, garbage disposal and microwave oven with built-in exhaust hood, and other permanent fixtures in the Residence. All other furnishings shall be provided by you and shall remain your personal property. Furnishings and appliances in the residences shall be subject to inspection and approval to ensure the safety of residents. Exterior furnishings shall be subject to Galloway Ridge's policies and procedures. No physical changes may be made to a Residence without the prior written approval of Galloway Ridge.

1.15 Maintenance. Building janitorial staff and maintenance of buildings, grounds, and residences, and all necessary (as determined by us) repairs, maintenance and replacement of property and equipment owned by us, including provided appliances.

1.16 Mail. A centralized mail area for the delivery of your mail by the U.S. Postal Service.

1.17 Resident Storage. (Apartment residents only) A small storage area away from your Residence to store non-perishable and non-hazardous materials and other items not required for daily living. These storage areas may or may not be on the same floor as the Residence.

2. ADDITIONAL SERVICES PROVIDED FOR AN EXTRA CHARGE. We may also make available additional services at the Community, at your request, for as long as you occupy a Residence at the Community, at the then prevailing rates of Extra Charge. A schedule of services currently available and the current charges for each service is available from the Community's Accounting Department. The extra services available and the prices for these services may be changed periodically. These may include, but are not limited to, the following:

2.1 Additional Meals. Additional meals over those provided in consideration for the Monthly Fee.

2.2 Additional Housekeeping. Additional housekeeping beyond that provided for in the Monthly Fee, including but not limited to unusually heavy housekeeping required due to your failure to maintain the Residence in a clean and orderly condition at all times.

2.3 Additional Parking. Covered parking spaces will be available and assigned on a limited basis, first come first served.

2.4 Satellite TV. At our sole discretion, satellite television may be available for an Extra Charge.

2.5 Additional Transportation. Unscheduled personal transportation services.

2.6 Other Services. Other services as may be provided from time to time.

3. DURATION OF YOUR RIGHT TO OCCUPY THE RESIDENCE. Subject to the terms and conditions of this Agreement, you may occupy the Residence for as long as you (or either of you) live unless you (both of you if there are two of you) are unable to continue occupying a Residence as set forth in our Aging in Community Policy, or this Agreement is canceled by you or by us. If, in the opinion of your attending physician or the Medical Director, your physical or mental health requires that assisted living services or nursing care services be given, we retain the right to require you to relocate to The Arbor where we are licensed to provide such care. If there are two of you under this Agreement and one of you dies or relocates to The Arbor, or for some other reason is unable to occupy the Residence, the remaining person may continue to occupy the Residence under the terms of this Agreement.

It is understood that this Agreement is not a lease and does not transfer or grant any interest in the real or personal property owned by Galloway Ridge other than the rights and privileges as described in this Agreement. Galloway Ridge reserves the right to relocate you to another accommodation when deemed necessary in order for Galloway Ridge to fulfill its strategic, financial or other obligations. Galloway Ridge will use reasonable efforts to relocate you to an accommodation of the same or similar type as your accommodation. Any such decision to relocate you will be discussed thoroughly with you to attempt to enlist your understanding of the need for and cooperation with the relocation. Galloway Ridge will pay all required packing and moving costs, and all reasonable refurbishing costs necessary to achieve substantial comparability between your accommodation and any new accommodation to which you may be relocated.

4. ASSISTED LIVING SERVICES AND NURSING CARE SERVICES. To the extent we are licensed by the State of North Carolina, we will provide assisted living services and nursing care services in the Community's health center, The Arbor ("Arbor").

4.1 Relocation to The Arbor. If, in the opinion of your attending physician or the Medical Director (after consultation with you to the extent possible and your responsible party, if any), you require assisted living services or nursing care services, you will relocate to the appropriate area of The Arbor, where we are licensed to provide such services. Any relocation will be in accordance with Section 4.2.1 or 4.2.2 if there is one of you and Section 4.2.3 if there are two of you. Charges for your accommodations and services at The Arbor may depend upon whether you release your Residence for occupancy by someone else.

4.2 Terms of Assignment. Usually you will be considered temporarily assigned to The Arbor for 90 or fewer consecutive days of care. However, you may be considered permanently assigned during the 90 consecutive days of care if, in the opinion of your attending physician or the Medical Director (after consultation with you to the extent possible and your responsible party, if any), it is determined that long-term assisted living or nursing care services are needed. If you require more than 90 consecutive days of assisted living or nursing care services, you will be considered permanently assigned to The Arbor, unless we determine there is still potential for you to return to your Residence.

4.2.1 Temporarily Assigned When There is One of You**.** When temporarily assigned to The Arbor, your Residence will remain assigned to you. You will continue to pay the Monthly Fee for your Residence, along with the charge for two additional meals per day and charges for any additional services provided to you.

4.2.2 Permanently Assigned When There is One of You. When permanently assigned to The Arbor, we may assign your Residence for occupancy by someone else. You will continue to pay the Monthly Fee for your Residence, along with the charge for two additional meals per day and charges for any additional services provided to you.

4.2.3 Temporarily or Permanently Assigned When There are Two of You**.** When there are two of you, and one of you requires assisted living or nursing care services, one of you may continue to occupy the Residence under the terms of this Agreement, while the other is assigned to The Arbor. When temporarily or permanently assigned to The Arbor, you will continue to pay your Monthly Fee along with the charge for two additional meals per day and charges for any additional services provided to you. In the event the first Resident dies while the other Resident is assigned to The Arbor, the Resident in The Arbor will cease paying the second person Monthly Fee and will pay the first person Monthly Fee.

4.3 **Alternate Accommodations.** In the event you need assisted living or nursing care services and The Arbor is fully occupied, we will make arrangements for your care, which may require your temporary relocation to another health care facility that is licensed to provide you with the assisted living or nursing care you require. Upon your relocation, you shall continue to be responsible for the charges set forth in Section 4 herein. To the extent we would be liable for your care and accommodations in The Arbor under this Agreement we will be responsible for the charges associated with alternate accommodations. You agree to relocate to The Arbor when a space becomes available. However, should you need care which we are not licensed to provide or which The Arbor does not have the appropriately trained staff to provide, or does not routinely provide, you agree to relocate to a facility that can provide you with the appropriate level of care. Except as expressly stated in this Agreement, we will not be responsible for the charges for this higher level of care or private duty care.

4.4 **Return to Residence.** If you released your Residence because you have moved to The Arbor, and if later you are able, in the opinion of the Medical Director or your attending physician with the concurrence of the Medical Director, to return to a residence, we will provide you a residence of similar type as your previous Residence as soon as one becomes available. Upon reoccupying a residence, your Monthly Fee will be based on the then-current Monthly Fee for the new residence.

4.5 **Medical Director and Ancillary Services.** A licensed physician will be designated to act as Medical Director for the Community. You will be at liberty to engage the services of the Medical Director or the services of a physician of your choice at your own expense. We will not be responsible for the charges for medical treatment by the Medical Director, or any other physician, nor will we be responsible for the charges for medicine, drugs, prescribed therapy, and other similar services and supplies. In the event we incur or advance charges for your medical treatment or for medicine, drugs, prescribed therapy, pharmaceutical supplies, personal laundry, rental of equipment, and other similar services and supplies, you will reimburse us for such charges.

4.6 **Non-Resident Use of The Arbor.** We may offer accommodations and services in The Arbor to qualified non-residents for a fee, to the extent space is available and as allowed by North Carolina law. However, residents of the Community will be given priority access to The Arbor.

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

4.8 Health Care Outside the Community. In the event you receive care, or choose to receive care at another health care facility not designated by us, we will not be responsible for the charges incurred there by you. However, if an accident or illness occurs while you are traveling or visiting away from the Community, you shall make every reasonable effort to notify us as soon as possible, and if nursing or assisted living care is required, you shall arrange to return to the Community as soon as reasonably possible. We will be responsible for costs of nursing and assisted living services covered under this Agreement that are incurred by you, net of any insurance proceeds, in another nursing or assisted living facility as a result of such accident or illness. Our responsibility for such nursing or assisted living facility charges will be limited to our per diem charge for the same level of care at the Community. You will be responsible for other costs such as hospitalization, physicians' fees and transportation, as noted herein, which shall be paid by you or your personal insurance. In the event an outside healthcare provider seeks payment from you for nursing or assisted living services rendered, we shall assume responsibility for payment if such services are services which we agree to furnish to you in this Agreement up to our per diem charge for the same level of care at the Community.

4.9 Assisted Living Residency Agreement or Skilled Nursing Admission. If you require assisted living or nursing care services, you agree to provide all necessary documentation to allow for admission to The Arbor.

4.10 Supplemental Insurance. You are required to maintain Medicare Part A, Medicare Part B, and one supplemental health insurance policy or equivalent insurance coverage acceptable to us to assure your ability to fully cover a Medicare-qualified stay in The Arbor. Such supplemental insurance should cover Medicare co-insurance and deductibles. You shall furnish to us such evidence of coverage as we may from time to time request. Should your supplemental health insurance or equivalent coverage not fully cover a Medicare-qualified stay in The Arbor, or should you fail to purchase supplemental health insurance or equivalent coverage to fully cover a Medicare-qualified stay in The Arbor, you shall be financially responsible for paying to us deductibles, co-insurance amounts, and any other charges for each Medicare-qualified stay in The Arbor. If failure to maintain Medicare Part A, Medicare Part B, or supplemental health insurance causes depletion of your resources and impairs your ability to meet your financial obligations, we need not defer your financial obligations as provided in Section 9.2, and we retain the right to revoke your entitlement to reside at the Community and we retain the right to cancel this Agreement as provided in Section 9.

4.11 Managed Care. If you have chosen to participate in a managed care program as an alternative to Medicare Part A, Medicare Part B, and supplemental insurance coverage, the terms governing The Arbor care will be as follows:

4.11.1 Participating Provider**.** If we are a participating provider with your managed care program and your stay is a Medicare-qualified stay, we will agree to accept, as full payment, reimbursement at the rate we negotiate with your managed care program.

4.11.2 Not a Participating Provider**.** If we are not a participating provider with your managed care program and you choose to receive health care services at a managed care participating provider during a Medicare-qualified stay, then you understand and agree that you must relocate for as long as necessary for those services, and be responsible for all charges for those health care services. In addition, while receiving health care services at the managed care participating provider, you understand and agree that unless this Agreement is canceled, you will continue to pay the Monthly Fee for your Residence.

4.11.3 Negotiated Managed Care Rate**.** If we are not a participating provider in your managed care program and you would still like to receive health care services in The Arbor during a Medicare-qualified stay, we will attempt to negotiate an acceptable reimbursement rate with your managed care program. If we are able to negotiate an acceptable rate, we will agree to accept as full payment the rate provided by your managed care program.

4.11.4 No Negotiated Managed Care Rate**.** If we are not a participating provider in your managed care program and a negotiated rate is not agreed upon between us and your managed care program and you would still desire to receive health care services in The Arbor during a Medicare-qualified stay, you agree that you will continue to pay the Monthly Fee for your Residence adjusted for the two additional meals per day at the then-current charges for meals and any additional services as described in Section 4.5.

4.11.5 Post Medicare-Qualified Stay**.** At the conclusion of each such Medicare-qualified stay, you will be entitled to health care services in The Arbor in accordance with the terms of this Agreement other than as set forth in this Section 4.12.

4.12 Effect of Permanent Assignment to The Arbor. If you (both of you, if there are two of you) are permanently assigned to The Arbor, this Agreement shall not be canceled and shall remain in full force and effect, and you will be responsible for paying the Monthly Fee and any other fees or charges for your care in The Arbor. Further, if within 12 months prior to your permanent assignment to The Arbor you moved from the Residence identified in the Introduction to this Agreement to a residence with a lower Monthly Fee, your Monthly Fee for The Arbor will be equal to the Monthly Fee of the Residence identified in this Agreement. You will also pay an additional Monthly Fee if you choose not to release your Residence while you (both of you, if there are two of you) are permanently assigned to The Arbor.

5. ENTRANCE FEE. Your Entrance Fee is $____________, and an additional Second Person Entrance Fee of $___________ if there are two of you under this Agreement. Your total Entrance Fee is $___________. This Entrance Fee applies only to the Residence specified in this Agreement, and will not increase as to that Residence after this Agreement is signed by you and Galloway Ridge. Your Entrance Fee will be paid by check or wire transfer.

5.1 **Entrance Fee Deposit.** To reserve your Residence at the Community, at the time of executing this Agreement, you will pay to us a deposit in the amount of **$___________** (an amount no less than typically equal to 10% of your total Entrance Fee).

5.2 **Balance of Entrance Fee.** The remaining balance of your total Entrance Fee is $____________ and will be paid to us on the earlier of (i) occupancy; or (ii) within 90 days of the date you execute this Agreement.

5.3 **Adjustments for Change in Residence.** If after occupancy of the Residence you desire to move to a different residence for which the then-current Entrance Fee is higher or lower than the Entrance Fee for the Residence identified in this Agreement, you will be required to execute a Residence Transfer Amendment for the new residence. Any adjustment to the Entrance Fee will be determined at the time of the requested change in residences, and will be addressed in the Residence Transfer Amendment.

6. MONTHLY FEE AND OTHER CHARGES

6.1 **Application Fee.** Prior to or at the time you execute this Agreement, you will pay to us a non-refundable Application Fee of $__________. The Application Fee will be used by us to process your application for residency.

6.2 **Monthly Fee.** You will pay a Monthly Fee for the services and amenities provided under Section 1. The current Monthly Fee is $__________ per month for one person and an additional $__________ per month if there are two of you.

6.3 **Monthly Fee Changes.** We may adjust your Monthly Fee upon 60 days' advance written notice, if in our sole discretion, we deem it necessary to meet the financial needs of operating the Community or to provide services and amenities to residents (or without notice if such change in the Monthly Fee is required by local, state, or federal laws or regulations).

6.4 **Payment.** You will pay a pro rata portion of the Monthly Fee commencing on the earlier of (i) occupancy or (ii) within 90 days of the date you execute this Agreement. Thereafter, your Monthly Fee will be payable each month in advance. Billing statements showing amounts due, including the Monthly Fee and any Extra Charges for the additional services obtained during the preceding month, will be distributed on or before the third business day of the month, and payments will be due upon receipt of a billing statement, but no later than the fifteenth day of each month.

6.5 **Late Payment.** A late payment charge will be assessed at the rate of 1% per month on the total delinquent amounts due. Late payment charges will not be compounded and will not be included in the total delinquent amounts computed for determining any late payment charge assessed in any succeeding month. The 1% late payment charge is waived if payment is delayed due to slow processing by your supplemental insurance carrier. However, we do not waive our right to cancel this Agreement for nonpayment of fees subject to Section 9 of this Agreement.

6.6 Cease Payment of Monthly Fee for Residence. The Monthly Fee for your Residence will cease in accordance with Section 8 or 9 if you (both of you if there are two of you) die, or if you or we cancel this Agreement. In the event there are two of you who occupy the Residence and only one of you cancels this Agreement or dies, the second person Monthly Fee will cease and the remaining person will continue to pay the first person Monthly Fee.

7. REPAYMENT OF ENTRANCE FEE.

7.1 Repayment of Entrance Fee Prior to Occupancy.

7.1.1 Non-acceptance**.** If we do not accept you for residency, the portion of the Entrance Fee you have paid will be repaid to you, without interest, within 30 days of our notice to you of non-acceptance.

7.1.2 Right of Rescission Period**.** If you rescind this Agreement pursuant to Section 8.1.1, the portion of the Entrance Fee you have paid will be repaid to you without interest within 30 days of our receipt of your written notice of cancellation, except that we will retain an amount equal to any charges specifically incurred by us at your request, if any, and which are set forth in a separate addendum to this Agreement. You shall not be required to move into the Community before expiration of the 30-day rescission period.

7.1.3 Change in Condition**.** If prior to occupancy this Agreement is cancelled pursuant to Section 8.1.2, we will return to you or your legal representative, without interest, the portion of the Entrance Fee which you have paid to us within 60 days of our receipt of your written notice of cancellation, except that we will retain an amount equal to any charges specifically incurred by us at your request, if any, and which are set forth in a separate addendum to this Agreement.

7.1.4 Cancellation for Reasons Other Than Set Forth in 7.1.1, 7.1.2, and 7.1.3**.** If prior to occupancy you wish to cancel this Agreement for a reason other than those set forth in Sections 7.1.1, 7.1.2, or 7.1.3, you must give us written notice of cancellation by registered or certified mail. Upon our receipt of your written notice, this Agreement will be cancelled, and we will attempt to obtain a new resident for the Residence. In such event, upon occupancy of the Residence by the new resident, and within 30 days of our receipt of the Entrance Fee paid by the new resident, we will remit to you or your legal representative, without interest, the portion of the Entrance Fee which you have paid to us, less a non-refundable fee consisting of: (i) 1% of your total Entrance Fee as specified in Section 5, and (ii) an amount equal to any charges specifically incurred by us at your request and which are set forth in a separate addendum to this Agreement.

7.2 Repayment of Entrance Fee After Occupancy. After occupancy, should you or we cancel this Agreement pursuant to Sections 8 or 9, or in the event of your death (the death of the survivor if there are two of you), we will remit the Entrance Fee paid, without interest less a nonrefundable fee equal to four percent (4%) of the Entrance Fee, and less 2% per month for each month or partial month of occupancy. After 48 months of occupancy, the entire Entrance Fee will be considered earned by us, and no portion of the Entrance Fee will be repayable to you.

Any repayment owed will be made upon occupancy of the Residence by a new resident, subsequent to the cancelation of this agreement, and within 30 days of our receipt of the proceeds paid by the new resident.

7.3 Right of Offset. We have the right to offset against any Entrance Fee repayment any unpaid Monthly Charges owed by you, any unreimbursed charges for care at The Arbor we have advanced on your behalf, any amounts deferred by us under Section 9.2, and any other sums owed by you to us. Any amounts owed by you to us will be payable with interest subject to the then-current prime interest rate as charged by our primary financial institution.

7.4 Beneficiary Designation. You may designate a beneficiary for receipt of any repayable portion of the Entrance Fee if the designation is in writing, the designation is witnessed by two competent witnesses, the designation is non-contingent, the designation is specified in percentages and accounts for 100%, and the designation has received our approval. An Assignment of Rights to Repayment may be obtained from the Community's business office.

8. YOUR CANCELLATION RIGHTS.

8.1 Prior to Occupancy.

8.1.1 Right of Rescission**.** Within 30 days following the later of the execution of this Agreement by you or the receipt of a Disclosure Statement from us, you may rescind this Agreement by giving us written notice. You shall not be required to move into the Residence prior to the expiration of the 30-day rescission period. However, if you occupy the Residence during the rescission period and then rescind this Agreement, you will only be charged a Monthly Fee for the period of time that you actually occupied the Residence. Repayment of the Entrance Fee shall be as outlined in Section 7.1.2.

8.1.2 Due to Change in Condition**.** If, on account of illness, injury, incapacity or death, you are precluded from occupying the Residence under the terms of this Agreement, this Agreement will automatically cancel upon our receipt of written notice of your illness, injury, incapacity or death. Repayment of the Entrance Fee shall be as outlined in Section 7.1.3.

8.1.3 Other Reasons**.** If you wish to cancel this Agreement prior to occupancy for any reason other than those addressed in Section 8.1.1 or 8.1.2, you may do so by giving us written notice of cancellation signed by you (both of you if there are two of you) and sent by registered or certified mail. Repayment of the Entrance Fee shall be as outlined in Section 7.1.4.

8.2 After Occupancy.

8.2.1 Cancellation**.** After occupancy, you may cancel this Agreement at any time by giving us 30 days' advance written notice executed by you (both of you if there are two of you) and sent by registered or certified mail. This Agreement will cancel on the later of: (i) 30 days following the date we receive your written notice of cancellation;

or (ii) the date you vacate your Residence and/or The Arbor, and remove all your furniture and other property from the Community.

8.2.2 Monthly Fee**.** You will continue to pay your Monthly Fee until the later of: (i) the expiration of such 30-day written notice of cancellation period; or (ii) the date you vacate your Residence and/or The Arbor, and remove all of your furniture and other property from the Community.

8.2.3 Removal of Property**.** If removal of your furniture and other property is not accomplished within 30 days of your written notice of cancellation, we may remove and store your furniture and other property at the expense and risk of you or your estate.

8.2.4 Entrance Fee**.** Your Entrance Fee refund, if any, shall be calculated as set forth in Section 7.2.

8.3 Death.

8.3.1 Cancellation**.** In the event of your death (the death of the survivor if there are two of you) after occupancy, this Agreement will cancel on the later of: (i) your death (if there are two of you, the death of the survivor); or (ii) the date your estate vacates your Residence and/or The Arbor, and removes all your furniture and other property from the Community.

8.3.2 Monthly Fee**.** Your Monthly Fee will continue until the later of: (i) your death (the death of the survivor if there are two of you); or (ii) the date your estate vacates your Residence and/or The Arbor, if applicable, and removes all of your furniture and other property from the Community.

8.3.3 Removal of Property**.** If removal of your furniture and other property is not accomplished within 30 days of your death (the survivor's death, if there are two of you), we may remove and store your furniture and other property at the expense and risk of you or your estate.

8.3.4 Entrance Fee**.** Your Entrance Fee refund, if any, shall be calculated as set forth in Section 7.2.

9. OUR CANCELLATION RIGHTS.

9.1 Just Cause. After we have accepted you for residency, we will not cancel this Agreement except for just cause. Just cause is defined as:

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

9.1.2 Misrepresentation**.** You misrepresent yourself or fail to disclose information during the residency application process.

9.1.3 Nonpayment**.** Except as set forth below, nonpayment of fees or charges.

9.1.4 Threat to Health or Safety**.** Any condition or behavior of yours as determined in the sole discretion of Galloway Ridge that creates a danger to your life, health, safety or peace; or that creates a danger to the life, health, safety or peace of other residents or staff; or interferes with the functioning of staff.

9.1.5 Change in Condition**.** There is a major change in your physical or mental condition and your condition cannot be cared for in The Arbor within the limits of our license.

9.1.6 Listed on a Sex Offender Registry**.** Resident hereby acknowledges that it is the policy of Galloway Ridge to conduct sex offender screening for every prospective resident, regardless of independent status or level of care, at the time of application for admission to Galloway Ridge and again prior to entering into a Residence and Care Agreement. If the screening shows that the prospective resident is identified as a sex offender, Galloway Ridge will deny admission of Resident on that basis and not execute a Residence and Care Agreement. In addition, Resident hereby acknowledges and agrees that if, after Galloway Ridge and Resident have entered into a Residence and Care Agreement, Galloway Ridge becomes aware that Resident is listed on any sex offender registry, Galloway Ridge may terminate this Agreement with Resident and remove Resident from Galloway Ridge. If there is more than one resident who is a party to this Agreement, the termination of this Agreement in such instance shall only apply to the resident listed on the sex offender registry.

9.2 **Financial Difficulty.** If, after you have paid the Entrance Fee, you encounter financial difficulties making it impossible for you to pay the full Monthly Charges, then:

9.2.1 Benefits**.** You may remain until any applicable Title XVIII Medicare benefits and/or third party insurance benefits received by us on your behalf have been earned; and

9.2.2 Terms of Stay. Because it is and shall continue to be our declared policy to not cancel your residency solely by reason of your financial inability to pay the full Monthly Charges, you will be permitted to remain at the Community at reduced Monthly Charges based on your ability to pay for so long as you establish facts to justify deferral of such charges, and the deferral of such charges can, in our sole discretion, be granted without impairing our ability to operate on a sound financial basis. This provision will not apply if you have impaired your ability to meet your financial obligations hereunder by transfer of assets, after assuming residency, other than to meet ordinary and customary living expenses, or by not maintaining Medicare Part A, Medicare Part B, and/or supplemental insurance coverage. To evidence these agreements based on the circumstances at the time, you agree to enter into a Financial Assistance Amendment to Residency Agreement with us at the time of any such deferrals to reflect the reduced charges currently payable. Any payments otherwise due to you from us, including any repayment of your Entrance Fee, will be offset against any such deferred charges; and

9.2.3 Guarantor**.** Sections 9.2.1 and 9.2.2 are not applicable if, to initially qualify for residency at the Community, a third party(ies) with adequate resources agreed in writing, prior to your acceptance for residency, to guarantee payment of your obligations and is fulfilling their obligations pursuant to a Guaranty of Fees and Other Payments under the Residency Agreement.

9.3 Notice of Cancellation. Prior to any cancellation of this Agreement by us, we will give you notice in writing of the reasons, and you will have 30 days thereafter to correct the problem. If we determine that the problem is corrected within such time, this Agreement shall remain in effect. If we determine that the problem is not corrected within such time, you must leave the Community within 30 days after we notify you of our determination. You will continue to pay your Monthly Fee until removal of your furniture and personal belongings has occurred. If removal of your furniture and personal belongings is not accomplished, we may remove and store your furniture and personal belongings at the expense and risk of you or your estate. This Agreement will cancel upon the removal of your furniture and personal belongings. Your Entrance Fee will amortize as set forth in Section 7.2 and will stop amortizing on the date you vacate the Residence and/or The Arbor and remove all your furniture and personal belongings from the Community. Any Entrance Fee repayment will be paid in accordance with Section 7.

9.4 Emergency Notice. Should your continued residency pose an imminent threat of serious harm to you or other residents, and the Medical Director determines that either the giving of notice or the waiting period described above might be detrimental to you or other residents, then such notice and/or waiting period shall not be required before relocation to a hospital or other appropriate facility. If there is one of you under this Agreement, we are expressly authorized to transfer you to such hospital or other facility, and we will promptly notify your responsible party and your attending physician. After transferring you to such hospital or other facility, we will provide you with a notice of cancellation if you will be unable to return to The Arbor or your Residence at the Community. You will continue to pay the Monthly Fee until removal of your furniture and personal belongings from the Community. If removal of your furniture and personal belongings is not accomplished, we may remove and store your furniture and personal belongings at the expense and risk of you or your estate. This Agreement will cancel upon the removal of your furniture and personal belongings. Your Entrance Fee will amortize as set forth in Section 7.2 and will stop amortizing on the date you vacate the Residence and/or The Arbor and remove all your furniture and personal belongings from the Community. Any Entrance Fee repayment will be paid in accordance with Section 7. If there are two of you under this Agreement and one of you is transferred to a hospital or other appropriate facility under the circumstances described in this Section, the other person may continue to occupy the Residence or The Arbor under the terms of this Agreement as the first person. We are not responsible for any charges related to such transfer or relocation to a hospital or other appropriate facility.

10. MISCELLANEOUS PROVISIONS WITH RESPECT TO YOUR RESIDENCE.

10.1 Use of Residence. The Residence is for living only and shall not be used for carrying on any business or profession, nor in any manner in violation of zoning restrictions or other applicable laws and regulations. This Agreement is not a lease, and entitles you only to the lifetime use of the Residence and other amenities of the Community and to available services, subject to the terms and conditions of this Agreement.

10.2 Occupants of Residence. Except as hereinafter provided, no person other than you (or both of you if there are two of you) may occupy the Residence except with our express written approval. In the event that a second person who is not a party to this Agreement wishes to be accepted for residency under this Agreement, after the date we execute this Agreement, said second person's acceptance will be based upon our then-current Residency Policy. If accepted, payment of the then-current Second Person Entrance Fee as determined by us, and payment of the then-current additional Monthly Charges for second persons shall be due. If such second person does not meet the requirements for residency, such second person will not be permitted to occupy the Residence for more than 30 days (except with our express written approval).

10.3 Emergency Entry and Relocation. We may enter your Residence should it be necessary in an emergency to protect your health or safety or the health or safety of other residents. Should it be necessary to modify facilities to meet the requirements of any applicable law or regulation which necessitate temporarily vacating your Residence, we will provide alternate facilities for you without Extra Charge within or outside the Community. Further, if relocation is recommended by the Medical Director or your attending physician, we will request that you relocate to another Residence in the Community or The Arbor for the protection of your health or safety or for the health or safety of the others.

10.4 Furnishings. Furnishings within the Residence will be provided by you except as listed in Section 1. Furnishings provided by you shall not interfere with the health or safety of you or other residents or others.

10.5 Alterations by You. You may undertake alterations to your Residence with our prior written approval as set forth in a separate Residence Modification Agreement.

10.6 Refurbishment. Customary and normal refurbishment costs of your Residence will be borne by all residents of the Community as part of the Monthly Fee. Any necessary refurbishment costs beyond those which are customary and normal are your responsibility and may be offset against any Entrance Fee repayment. Further, should you relocate to another residence in the Community, you may be subject to a transfer fee as set forth in our current Internal Move Policy.

10.7 Guest Privileges. Guests may stay with you in the Residence for up to eight consecutive days. The maximum number of guests allowed will be at our sole discretion. A nominal daily charge will be billed to you for each guest remaining beyond eight days. Further, you will be responsible for paying all applicable guest charges, including charges for guest meals. Guest stays beyond 8 consecutive days or more than 30 days in total in any 12-month period require approval of the Executive Director.

11. AMENDMENTS.

11.1 This Agreement. This Agreement may be amended by agreement of the parties to this Agreement (subject to any necessary regulatory approval). No amendment of this Agreement will be valid unless in writing and executed by you and us.

11.2 Law Changes/Other. Notwithstanding anything to the contrary in this Agreement, Galloway Ridge reserves the right, upon thirty (30) days prior written notice to all residents, to modify or amend the Residence and Care Agreement whenever doing so is necessary to correct errors, omissions, or inconsistencies, to provide clarification of intent, or to conform the documents to the requirements of local, state, or federal laws and regulations applicable to Galloway Ridge, in particular, or to residential life care communities, in general, or whenever doing so is deemed by the Board of Directors of Galloway Ridge to be in the best interest of Galloway Ridge and the residents in light of changes in health insurance laws and coverages and/or local, state or federal tax laws or regulations.

12. MISCELLANEOUS.

12.1 Periodic Financial Information. You agree to provide Galloway Ridge, if requested, periodic financial statements and current financial information for the purpose of demonstrating capacity to meet financial obligations to Galloway Ridge. In addition, should you experience financial difficulty that might result in your immediate or eventual inability to meet the financial obligations under this Agreement, including but not limited to any spend down of assets, you will inform Galloway Ridge immediately, and submit a current financial statement.

12.2 Residents Council. We have a Residents Council with representation from various residential areas of the Community. The Residents Council acts in an advisory capacity to our management and staff and serves to facilitate the exchange of ideas between us and the residents. Community management staff holds periodic meetings with the Residents Council and the residents in order to discuss policies, programs, services, financial information and other issues and information.

12.3 Private Employee of Resident. If you need additional services, you can obtain these needed services from a private employee, an independent contractor, or through an agency ("Personal Service Provider"). In such instances, we strongly advise you to obtain these needed services from a licensed and/or certified home care or home health agency. In any event, you must comply with our policy regarding Personal Service Providers and ensure that he/she/they complies with our policies and rules of conduct as set forth in our Personal Service Provider Policy. If you fail to follow or enforce the rules set forth in the Personal Service Provider Policy, then we may elect at our sole option to cancel this Agreement.

12.4 Resident Representations. By executing this Agreement, you represent and warrant that you will be at least 62 years of age or older at the time of residency or you will share your Residence with another person who will be 62 years of age or older at the time of residency;

that you are capable of living in your Residence in accordance with our Residency Policy; that you have assets and income which are sufficient under foreseeable circumstances and after provision for payment of your obligations under this Agreement to meet your ordinary and customary living expenses after assuming occupancy; and that all written representations made to us with respect to such matters by you or on your behalf during the residency process are true.

12.5 Our Representations. We represent and warrant to you that we are a non-profit corporation, and we are not affiliated with any other religious or charitable organization. It is and shall be our declared policy to operate as a charitable organization. We will comply with applicable statutes, rules and regulations regarding Resident's privacy and the use and disclosure of Resident's medical information.

12.6 Adjustments for Absences. You will receive a credit toward your Monthly Fee for unused meals if you are absent from the Community for more than 14 consecutive days. The amount of the credit shall be determined by us in our sole discretion based on our then-current policy regarding absences from the Community.

12.7 Governing Law. This Agreement will be governed, interpreted and construed according to the laws of the State of North Carolina without regard to conflict of laws principles and will become effective upon acceptance and execution by us.

12.8 Glossary. The Glossary which sets forth the definitions of certain terms used in this Agreement is by this reference incorporated herein and made a part of this Agreement.

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

12.10 Capacity. We are organized under the general non-profit corporation law of North Carolina. This Agreement has been executed on our behalf by our duly authorized agent, and no officer, director, agent, or employee of ours shall have any personal liability to you hereunder under any circumstances. This Agreement will become effective upon acceptance and execution by us.

12.11 Residents. When more than one person executes this Agreement as Resident, the rights and obligations of each are joint and several, except as the context of this Agreement otherwise requires.

12.12 Nature of Rights. You understand and agree that (i) this Agreement or your rights (including the use of the Residence) under it may not be assigned, and no rights or benefits under this Agreement shall inure to the benefit of your heirs, legatees, assignees, or representatives, except as to receipt of the amounts described in Section 7; (ii) this Agreement and your contractual right to reside at the Community will exist and continue to exist during your lifetime unless cancelled as provided herein; (iii) this Agreement grants you the right to occupy and use space in the Community but does not give you exclusive possession of the Residence against us, and you will not be entitled to any rights of specific performance but will be limited to such remedies as set forth herein and as provided by continuing care law; (iv) this Agreement is not a lease or easement and does not transfer or grant you any interest in real property owned by us; and (v) this Agreement grants to us complete decision-making authority regarding the management and operation of the Community.

12.13 <u>Loss of Property</u>. We are not responsible for the loss of or damage to any property belong to you due to theft, mysterious disappearance, fire, employee accident, or any other cause. It is understood that you have the responsibility of providing any desired insurance protection covering any such loss.

12.14 <u>Indemnity</u>. To the extent allowed by law, we will not be liable for, and you agree to indemnify, defend, and hold us harmless from claims, damages, and expenses, including attorneys' fees and court costs, resulting from any injury or death to persons and any damages to property to the extent caused by, resulting from, attributable to, or in any way connected with your negligent or intentional act or omission or that of your guests or invitees. It is understood that you have the responsibility of providing insurance protection covering any such loss, as directed in Galloway Ridge's polices, procedures, rules and regulations.

12.15 <u>Subordination</u>. You agree that all your rights under this Agreement will always be subordinate and junior to the lien of all mortgages or other documents creating liens encumbering the Community, which have been or will be executed by us. Upon request, you agree to execute, acknowledge and deliver to such lender(s) such further written evidence of such subordination as such lender(s) may reasonably require. Except to the extent of your obligation to pay the Monthly Fee and Second Person Monthly Fee, you shall not be liable for any such indebtedness.

12.16 <u>Tax Considerations</u>. Each person considering executing this Agreement should consult with his or her tax advisor regarding the tax considerations associated with this Agreement, as more fully explained in our Disclosure Statement.

12.17 <u>Sale or Transfer of Interest</u>. We may sell or transfer our interest in the Community. Upon the assumption of this Agreement by a buyer of the Community and its agreement to perform this Agreement and all other Residency Agreements, we will have no further obligation hereunder. In addition, we may sell or otherwise transfer the land or other portions of the Community. Your signature hereto constitutes your consent and approval to any such future transfer.

12.18 <u>Responsible Party</u>. You agree to execute and deliver to us within 30 days after assuming occupancy in your Residence, a Durable Power of Attorney, trust documents, or other documentation naming a responsible party for business and financial decision-making. These documents should be drafted to remain effective notwithstanding your incompetence or disability and will be in a form acceptable to us. You agree to keep such documents in effect as long as this Agreement is in effect. The person(s) named as your responsible party shall not be a person(s) employed by us or any other entity engaged in the management of the Community.

12.19 <u>Funeral and Burial Services</u>. Funeral or burial services or expenses are not provided by us pursuant to this Agreement.

12.20 Pets. Pets are permitted at the Community in accordance with our current Pet Policy.

12.21 Notices. Any notice required to be given to us under this Agreement shall be in writing and sent registered or certified mail or hand-delivered to the Executive Director of the Community at 3000 Galloway Ridge, Pittsboro, North Carolina 27312. Such notices shall be dated and signed. Any notice required to be given to you shall be delivered to you at the Residence or at such other place as you shall designate to us in writing. All notices mailed in accordance with this Section shall be deemed to be given when mailed whether or not they are actually received.

12.22 Survival of Representations and Obligations. Your representations and obligations under this Agreement, including but not limited to, your obligation to pay all sums owed by you to us, and your agreement to indemnify us as set forth in Section 12.14, and our representations and obligations under this Agreement, will survive any cancellation of your residency in the Community, regardless of the reason for such cancellation and regardless of whether it is initiated by you or by us.

12.23 Uncontrollable Interruption of Services. In the event of war, national emergency, strikes or other forms of labor disturbances, government regulations and/or embargoes, shortages of labor or materials, fire, floods, earthquakes, inclement weather, acts of the Residents, pandemic, epidemic, outbreak of infectious diseases or other public health crisis, including quarantine or other employee restrictions, acts of authority or change in law or other causes beyond our control, our performance under this Agreement will be excused or may be modified to the extent such acts interfere with such performance.

12.24 Entire Agreement. This Agreement and any addenda, amendment, or exhibits hereto contain our entire understanding with respect to your residency.

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

12.26 Acknowledgment of Receipt of Documents. You hereby certify that you received a copy of this Agreement, a copy of our most current Disclosure Statement, and have been permitted to inspect any additional relevant materials requested to be reviewed by you or your representatives prior to executing this Agreement.

13. MEDIATION AND ARBITRATION.

13.1 Mediation. In the event a dispute, claim or controversy of any kind arises between the parties – except for those disputes, claims or controversies arising under Section 13.3 below – that cannot be resolved by mutual agreement, the parties agree to submit such dispute, claim or controversy to a neutral mediator for possible resolution. The parties will jointly agree on a neutral mediator. Each party shall submit all evidence or information in writing to the mediator in support of its contentions or allegations and any defense either party may have with respect to the dispute, claim or controversy. Each party shall have the right to a hearing before the mediator and to personally present information pertinent to such dispute, claim or controversy. The mediator shall assist each party, in an unbiased manner, in reaching an amicable agreement regarding the dispute, claim or controversy. If an amicable agreement is not reached, or if either party fails or refuses to negotiate or mediate in good faith to resolve the matter, or if a neutral mediator cannot be agreed upon between the parties, then the parties agree to submit such dispute, claim or controversy to an arbitration process as outlined below.

13.2 Arbitration. In the event a dispute, claim or controversy of any kind arising out of or relating to this Agreement – except for those disputes, claims or controversies arising under Section 13.3 below – that cannot be resolved through mediation as described in Section 13.1 above, the parties agree that said dispute, claim, or controversy will be submitted to and determined by arbitration in Chatham County, North Carolina in accordance with Article 45C of Chapter 1 of the North Carolina General Statutes. Any direct arbitration costs incurred by you will be borne by you. If the issue affects more than one resident, we may elect to join all affected residents into a single arbitration proceeding, and you hereby consent to such joinder.

You may withdraw your agreement to arbitrate within 30 days after signing this Agreement by giving written notice of your withdrawal to us. This arbitration clause binds all parties to this Agreement and their spouses, heirs, representatives, executors, administrators, successors, and assigns, as applicable. After cancellation of this Agreement, this arbitration clause shall remain in effect for the resolution of all claims and disputes that are unresolved as of that date.

13.3 Voluntary Arbitration of Negligent Health Care Claims. For all claims for damages, such as personal injury or wrongful death actions, based on alleged negligence in the provision of health care, the parties may voluntarily elect to submit to arbitration pursuant to the procedures set forth in Article 1H of Chapter 90 of the North Carolina General Statutes. N.C.G.S. §90-21.60(b) prohibits any contract from requiring prior agreement of the parties to arbitrate negligent health care claims. Thus, Sections 13.1 and 13.2 do not apply to personal injury or wrongful death actions based on alleged negligence in the provision of health care. If the parties agree to arbitrate such actions, said arbitration will be governed in accordance with N.C.G.S. §90-21.60, *et seq*.

IN WITNESS WHEREOF, the parties hereto have entered into this Residency and Care Agreement as of the day and year noted herein.

Executed this _____ day of _____________, 20_______.

____
RESIDENT

____
ADDRESS

____
Witness

____
RESIDENT

____
ADDRESS

____
Witness

Approved this _____ day of ______________, 20_____.

GALLOWAY RIDGE, INC.
d/b/a Galloway Ridge at Fearrington

____
Printed Name of Authorized Representative

____
Signature of Authorized Representative

EQUAL HOUSING OPPORTUNITY

5/22/2024
GR Traditional Residence and Care Agreement 2024 FINAL.doc

GALLOWAY RIDGE
AT FEARRINGTON

Exhibit A

Options and Custom Features Added at Resident's Request:	**Cost**
	$
	$
	$
	$
	$
	$
Total	**$**

____
Resident

____
Resident

____
Community

Appendix E — Examination Report (N/A)

The North Carolina Department of Insurance has not conducted an examination of Galloway Ridge, Inc. pursuant to Article 64A of the North Carolina General Statutes.

Appendix F — Statutory Ratio and Supporting Definitions

This Appendix reproduces certain statutory definitions referenced in Section 35 — Key Financial Metrics. The definitions below are quoted verbatim from N.C. Gen. Stat. §§ 58-64A-5 and 58-64A-145 and are provided for reference only.

Adjusted Net Operating Margin Ratio. *"A profitability ratio that measures the margin generated from the core operations of a provider and net cash proceeds from entrance fees. The quotient shall be calculated by dividing the sum of resident operating income and net proceeds from entrance fees by the sum of resident revenue and net cash proceeds from entrance fees."* (G.S. 58-64A-145(1))

Annual Debt Service. *"The current year's capitalized interest cost plus interest expense and scheduled principal payments, excluding any balloon principal payment amounts and any portion of the annual debt service that has been or will be funded by debt for the payment of debt service."* (G.S. 58-64A-5(7))

Average Daily Cash Operating Expenses. *"The total expenses of a provider incurred in the conduct of the provider's business over a defined period of time, divided by the number of days in that period. For purposes of this definition, 'total expenses' includes interest expense, but excludes depreciation expense, amortization expense, realized or unrealized nonoperating losses or expenses, bad debt expense, and other noncash expenses."* (G.S. 58-64A-145(2))

Capital Expenditures as a Percentage of Depreciation Ratio. *"A capital structure ratio that indicates the level of capital reinvestment by a provider. The quotient shall be computed by dividing total purchases of property, plant, and equipment by total depreciation expense."* (G.S. 58-64A-145(3))

Cushion Ratio. *"A liquidity ratio that measures a provider's ability to pay its annual debt service using its unrestricted cash and investments. The quotient shall be computed by dividing unrestricted cash and investments by annual debt service."* (G.S. 58-64A-145(4))

Days Cash on Hand Ratio. *"A liquidity ratio that measures the number of days of cash operating expenses a provider could cover using its existing unrestricted cash and investments. The quotient shall be computed by dividing unrestricted cash and investments by average daily cash operating expenses."* (G.S. 58-64A-145(5))

Debt Service Coverage Ratio. *"A capital structure ratio that measures a provider's ability to pay annual debt service with cash flow from net cash revenues and net entrance fee receipts. The quotient shall be calculated by dividing the sum of total excess of revenues over or under expenses plus interest expense, depreciation expense, amortization expense, other noncash operating losses or expenses, and net cash proceeds from entrance fees, minus entrance fee amortization, entrance fee refunds contractually past due, and other noncash operating gains or revenues divided by annual debt service. Entrance fees received from the initial residents of independent living units at a continuing care retirement community that have been financed in whole or in part with the proceeds of* *indebtedness shall be excluded from the net proceeds from entrance fees up to an amount equal to the aggregate of the principal amount of the indebtedness."* (G.S. 58-64A-5(17))

Net Cash Proceeds from Entrance Fees. *"Total entrance fees received less entrance fees refunded, and less initial entrance fees received for new independent living units."* (G.S. 58-64A-5(30))

Net Operating Margin Ratio. *"A profitability ratio that measures the margin generated from the core operations of a provider. The quotient shall be calculated by dividing resident operating income by resident revenue."* (G.S. 58-64A-145(7))

Operating Ratio. *"A profitability ratio that measures whether current year cash operating revenues are sufficient to cover current year cash operating expenses without the inclusion of cash from entrance fee receipts. The quotient shall be computed by dividing total operating expenses, excluding depreciation expense and amortization expense, by total operating revenues, excluding amortization of entrance fees and other deferred revenue."* (G.S. 58-64A-145(8))

Prospective Financial Statements. *"Financial forecasts or financial projections, including the summaries of significant assumptions and accounting policies prepared by an independent certified public accountant."* (G.S. 58-64A-5(38))

Resident Expense. *"Total operating expenses excluding interest expense, depreciation expense, amortization expense, and income taxes."* (G.S. 58-64A-145(10))

Resident Revenue. *"Total operating revenue excluding interest and dividend income, entrance fee amortization, and contributions."* (G.S. 58-64A-145(11))

Unrestricted Cash and Investments. *"The sum of the provider's unrestricted cash, cash equivalents and investments, and any provider restricted funds that are available to pay debt or to pay operating expenses. For purposes of this definition, the assets serving as the operating reserve required by G.S. 58-64A-245 shall be considered unrestricted."* (G.S. 58-64A-145(12))

Unrestricted Cash and Investments to Long-Term Debt Ratio. *"A capital structure ratio that (i) measures a provider's position in available cash and marketable securities in relation to its long-term debt and (ii) measures a provider's ability to withstand annual fluctuations in cash. The quotient shall be calculated by dividing unrestricted cash and investments by total long-term debt, less the current portion of long-term debt."* (G.S. 58-64A-145(13))

Source: N.C. Gen. Stat. §§ 58-64A-5 and 58-64A-145 (Session Law 2025-58). If the statutory definitions are amended, the statute as amended controls.