Disclosure Statement

May 30, 2019

SearStone
17001 SearStone Drive
Cary, North Carolina 27513
(919) 234-0400

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

- **This Disclosure Statement may be delivered until revised, but not after October 28, 2020;**
- **Delivery of the Disclosure Statement to a contracting party is required before execution of a continuing care contract; and**
- **This Disclosure Statement has not been reviewed or approved by any government agency or representative to ensure accuracy or completeness of the information set out.**

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Exhibits:

I. PROVIDER INTRODUCTION AND INFORMATION

This Disclosure Statement is being provided pursuant to North Carolina Law by Samaritan Housing Foundation, Inc. (the "**Provider**"), to a prospective Member ("**Member**") of SearStone, a continuing care retirement community in Cary, North Carolina ("**SearStone**" or "**Community**"). North Carolina law requires Provider to provide the prospective Member with a Disclosure Statement before the initial transfer of funds and before the prospective Member consents to any agreement with Provider. This Disclosure Statement is subject to change for events and circumstances occurring after the effective date printed on the cover page.

Provider is a corporation organized pursuant to the Georgia Nonprofit Corporation Code. Provider has been authorized by the North Carolina Secretary of State to transact business in the State of North Carolina under the name "SearStone Retirement Community." Provider's business address in the State of North Carolina is located at 17001 SearStone Drive, Cary, North Carolina 27513. Provider has been determined by the United States Internal Revenue Service (the "**IRS**") to be exempt from federal income tax, as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "**Code**"). No other organization is responsible for the financial or contractual obligations of Provider or SearStone. Provider has never misappropriated funds or breached the terms of any agreement with a Member.

Provider owns SearStone and operates SearStone as a "continuing care retirement community," as defined in Article 64 of Chapter 58 of the North Carolina General Statutes ("**CCRC**"). Provider has received from the North Carolina Department of Insurance a Permanent License, authorizing Provider to offer and provide continuing care at SearStone. Provider has received from the North Carolina Department of Health and Human Services a license for the operation of a nursing facility within SearStone, known as "**Brittany Place**." Provider has also received from the North Carolina Department of Health and Human Services a license for the provision of adult home services within SearStone.

The development, ownership and operation of SearStone are the only activities of Provider.

Provider is solely responsible for the financing, development, and management of SearStone. Pursuant to an Affiliation Agreement between Provider and Lutheran Services for the Aging, Inc., a North Carolina nonprofit corporation ("**Lutheran Services**"), Lutheran Services assists Provider in implementation and management of its Community Benefits Program. However, Lutheran Services has no responsibility for the financing, development, or management of SearStone.

II. COMMUNITY INTRODUCTION AND INFORMATION

The Community is located in Cary, Wake County, North Carolina, within the SearStone Planned Development District encompassing approximately 76.88 acres fronting High House Road at Davis Drive (the "**PDD**").[1] SearStone does not own all the properties in the SearStone PPD. Cary is located in the "Research Triangle" or "Triangle" region of North Carolina. The Community is designed for people age 62 and older.

The Community opened for its first residents in the fall of 2013 as construction and licensing completed. The first phase of the Community ("**Phase I**") includes 131 Lorraine Plaza, Calais Terrace, Lakeside Flats, and Clubhouse residences, and 38 attached Estate Homes (referred to as "**Independent Living Units**"), located on 24 acres of land within the PDD owned by Provider. The Community opened with 8 adult home care residences for assisted living (referred to as "**Assisted Living Units**") and 16 skilled nursing residences (referred to as "**Skilled Nursing Beds**"). The Community is currently constructing additional Assisted Living Units and Skilled Nursing Beds to accommodate Members who need those services. When construction is completed there will be 14 Assisted Living Units and 25 Skilled Nursing Beds. The Assisted Living Units and Skilled Nursing Beds are provided in a health center within SearStone known as Brittany Place. In the event the need within the Community for either adult care services (assisted living) or skilled nursing services exceeds that which can be satisfied through the Assisted Living Units or Skilled Nursing Beds, Provider will temporarily provide assisted living or skilled nursing care at another facility. The Community plans a maximum of approximately 294 Members at full occupancy of Phase I, which includes double occupants of a single Residential Living Unit or a single Assisted Living Unit. As of December 31, 2018, SearStone had 242 Independent Living residents, 8 Assisted Living residents, and 15 Skilled Nursing residents, for a total of 265 residents.

The Community includes common areas, such as dining venues, a grill and bar, lounge areas, a library and communications center, a gathering room, a health and fitness club, an aquatic center, and administrative areas. The Community is constructed in accordance with all applicable building codes. Its architecture emphasizes the residential character of the area surrounding SearStone. Outside amenities include gardens, walking trails, and an approximately 4.5-acre lake.

A. Board of Directors

Provider is governed by a Board of Directors (the "**Board**"). The Board takes such actions and performs such duties and responsibilities as are authorized by law, and in so doing acts in accordance with Provider's Articles of Incorporation and by-laws. The names and biographical summaries of the Directors follow:

<u>Linda D. Coleman, Director</u>. 201 Kirvin Court, Knightdale, NC 27545. Ms. Coleman has served as Chair of the Wake County Board of Commissioners, was elected three times to the North Carolina House of Representatives, and served as the Director of the North Carolina Office of State Human Resources from 2009 to 2012. Some of her past positions have included being a high

[1] Note: Although both the Community and the PDD are named "SearStone," Provider owns only the Phase I land and the Phase II land within the PDD, as referenced herein, and the balance of the land within the PDD is owned by unrelated third parties and is used or held by such third parties for purposes unrelated to the Community, including retail, office, hotel, and residential purposes.

school teacher and working for the State of North Carolina in the human resource field as the Human Resources Manager for the North Carolina Department of Community Colleges. Ms. Coleman is a native of Greenville, North Carolina and is a long-time resident of Knightdale, North Carolina. Ms. Coleman serves on a number of boards including Wake Technical Community College and the Methodist Home for Children.

Charles H. Henderson, Director. 106 East Wind Lane, Cary, North Carolina 27518. Mr. Henderson served as the Town Attorney for Town of Cary for 28 years before retiring in 2005. After retiring from Cary, he was employed by the law firm of Poyner & Spruill, LLP for one year. Prior to his work for the Town of Cary, he served as Assistant City Attorney for the City of Burlington, NC.

Marc C. Hewitt, Director. 2109 Bell Forest Trail, Raleigh, North Carolina 27615. Mr. Hewitt is a healthcare attorney with the law firm of Fox Rothschild LLP in Raleigh, focusing on healthcare-related regulatory and litigation matters, including representation of CCRCs, nursing and assisted living facilities. He is a lifelong resident of North Carolina, has served on the board of Habitat for Humanity of Wake County, and previously served in the U.S. Marine Corps.

Mack R. Leath, Jr., Director. 2859 Paces Ferry Road, Atlanta, Georgia 30339. Mr. Leath received his B.S. Degree in Business Administration from the North Carolina State University in 1979. He has been in the petro-chemical business for 30 years, owned MRL Associates in Atlanta, Georgia for 17 of those years, and now works with Chemicals Etc., a Houston, Texas based firm. He is a founder of: Araicom Life Sciences, LLC, a literature search software start-up; Medsoftccs, LLC, a software solution focused on assisting HR functions with nursing compliance issues; and W6, a scheduling and estimating software solution for the petro-chemical industry. Mr. Leath has been the past president as well as a board member of Provider since its inception.

Charles L. Norman, Director. 817 Nolstead Court, Raleigh, North Carolina 27614. Mr. Norman earned his Bachelor of Arts in Communication from North Carolina State University. He spent seven years with the Cary Chamber of Commerce as Vice President of Communication and Government Relations prior to joining Smith & Associates/Cherokee Publishing as Vice President and Director of Business Development.

James B. Pierce, Director. 115 Summerview Lane, Cary, North Carolina 27518. Mr. Pierce is a Certified Public Accountant and a retired partner at the accounting firm of Williams Overman Pierce, LLP. He graduated from the University of North Carolina, earning a Bachelor's Degree in Accounting in 1969. Mr. Pierce has always and continues to be an active community volunteer. He has served as an officer and board member of numerous non-profit organizations, including the American Lung Association of North Carolina, Wake Education Partnership, Wake County Estate Planning Council, and Crabtree Rotary Club. He is currently the treasurer of Greenwood Forest Baptist Church.

B. Executive Officers

The President of Provider is elected by the Board, and serves as an *ex officio* member of the Board and as the chief executive officer of Provider. The name and biographical summary of the President follows:

Stanley G. Brading, President and Director. 1201 W. Peachtree Street, NW, Suite 3250, Atlanta, Georgia 30309. Mr. Brading has been a practicing attorney for 40 years, focusing on tax exempt bond financing for Code Section 501(c)(3) organizations like Provider, including the acquisition and construction of health care facilities with such bond proceeds. Mr. Brading represented Provider as its attorney from 2005 until July 1, 2011, when he accepted his current position as President. He received his B.A. degree from Duke University in 1974, his J.D. degree from the Washington and Lee University School of Law in 1979, and his Masters of Laws in Taxation degree from Emory University in 1984. He was licensed as a certified public accountant in North Carolina in 1976. He has served as President of the national Duke University Alumni Association and on the Duke University Board of Trustees, and has been involved in a wide range of non-profit community organizations such as Chairman of the Board of the Atlanta Children's Shelter, President of Buckhead Little League Baseball, as President of the Buckhead Lions Club, and as a member of the Buckhead Rotary Club.

C. Development, Management, and Consulting Professionals

The Board has authorized Provider to engage the team (consultants, construction managers, architects, engineers, community managers, and other professionals) involved in the development and management of SearStone. The Board approves or authorizes contracts, recommendations of the development, management, and consulting team, building design, capital expenditures and operating budgets, and establishes criteria for residency. The Board has also established and approved operating policies and approved personnel policies for SearStone. The Directors carry out their responsibilities through review of reports and attendance at Board meetings. The Directors have no previous business experience in the operation or management of communities similar to SearStone.

1. Management and Marketing

SearStone – RLA, Inc., a North Carolina corporation ("**SearStone - RLA**" or the "**Manager**"), has entered into a Management Agreement with Provider to manage the operations of the Community (the "**Management Agreement**"). Pursuant to the Management Agreement, SearStone - RLA as Manager is responsible for the day-to-day management of the Community, subject to reasonable and lawful policies and directives from time-to-time adopted by Samaritan. Among SearStone - RLA's responsibilities under the Management Agreement are to obtain from Members feedback on operations of the Community, and to receive, consider, and address complaints of all Members or guests or users of any of the services or facilities of the Community. SearStone - RLA's principal place of business is located at 2304 Wesvill Court, Suite 100, Raleigh, North Carolina 27607. SearStone - RLA's owner and principal is Mr. David W. Ammons. Mr. Ammons has strong experience developing and managing retirement communities in the State of North Carolina. Mr. Ammons currently oversees the management and operations of three other CCRCs in North and South Carolina. SearStone - RLA employs numerous personnel for the purpose of acting as Manager, including the Executive Director for the Community, an Administrator for Brittany Place, and the Chief Financial Officer for the Community. Pursuant to the Management Agreement, SearStone - RLA initially was paid a management fee in the amount of $25,000 per month, which increased to $30,000 per month in the 49th month following SearStone's opening, and which increased to $35,000 per month in the 73rd month following SearStone's opening. In addition to the fixed fee, SearStone - RLA is paid a percentage fee equal to 1.5% of the previous year's billable income from the Independent Living Units. This percentage portion cannot exceed a certain percentage of the total fee payable to SearStone - RLA by Provider.

2. Food Service

Pursuant to a Management Agreement with Sodexo Operations, LLC ("**Sodexo**"), a Delaware limited liability company, Sodexo has been engaged as the dining services provider for the Community (the "**Dining Services Provider**"). Sodexo provides integrated food and facilities management services for hospitals, senior living, school districts, corporate environments, military bases, remote sites, and conference centers, on a worldwide basis. Sodexo employs numerous personnel for the purpose of acting as Dining Services Provider, including a General Manager, Dining Room Manager, Dietician and Chef for the dining services. Among the duties of SearStone - RLA as the Manager, as specified in the Management Agreement, is supervision of the Dining Services Provider.

D. Ownership Interests, Conflicts of Interest, Disqualifications, etc.

None of the officers or Directors of Provider, the persons involved in the construction or management of SearStone, or any other person: (1) has an ownership interest or an equitable or beneficial interest in Provider or its assets, including the Community; or (2) is entitled to share in any distribution of any of Provider's assets upon dissolution of Provider.

No part of the net earnings of Provider may inure to the benefit of any Directors or officers of Provider or other private individuals, except that reasonable compensation may be paid for services rendered in carrying out one or more of Provider's purposes.

With respect to the officers and Directors of Provider, and any person who will be managing the Community on a day-to-day basis:

1. The name and address of any professional service firm, association, trust, partnership, or corporation (a) in which any such person has, or which has in any such person, a 10% or greater interest, and (b) which it is presently intended shall currently or in the future provide goods, leases, or services to the Community, or to residents of the Community, of an aggregate value of $500.00 or more within any year, and a description of the goods, leases, or services and the probable or anticipated cost thereof to the Community, provider, or residents, or a statement that this cost cannot presently be estimated, is as follows:

- None -

2. A description of any matter in which any such person (a) has been convicted of a felony or pleaded nolo contendere to a felony charge, or been held liable or enjoined in a civil action by final judgment, if the felony or civil action involved fraud, embezzlement, fraudulent conversion, or misappropriation of property; or (b) is subject to a currently effective injunctive or restrictive court order, or within the past five years, had any state or federal license or permit suspended or revoked as a result of an action brought by a governmental agency or department, if the order or action arose out of or related to business activity of health care, including actions affecting a license to operate a foster care facility, nursing

home, retirement home, home for aged, or facility subject to Article 64 of Chapter 58 of the North Carolina General Statutes or similar law in another state, is as follows.

-None-

E. Community Expansions

BRITTANY PLACE ADDITION:

During 2016, 2017, and 2018, Provider worked to expand Brittany Place by 15 beds (the "**Brittany Place Addition**"). In March 2017 a Certificate of Need was issued by the North Carolina Department of Health and Human Services, authorizing the addition of up to 9 Skilled Nursing Beds and 6 Assisted Living Units in Brittany Place. Funds for the development and construction of the Brittany Place Addition were obtained from the proceeds of the sale of the 2016 Bonds described in Section VI.A of this Disclosure Statement. Provider has engaged an architectural firm, a general contractor, and an owner's representative to provide project management services in connection with the development and construction of the Brittany Place Addition. Construction began in February 2018 and is expected to be completed in the second quarter of 2019. Information concerning those firms follows:

1. <u>Brittany Place Addition Architects</u>

Steele Group Architects, PLLC, of Winston-Salem, North Carolina ("**Steele Group Architects**"), serves as the architectural firm for the Brittany Place Addition. Senior living communities are an area of focus for Steele Group Architects, and the principals of the firm have over 100 years of collective experience in the design of such communities. Steele Group Architects has provided architectural services to a number of CCRCs including (a) Carolina Meadows, Chapel Hill, North Carolina, (b) The Cedars at Chapel Hill, Chapel Hill, North Carolina, (c) Penick Village, Southern Pines, North Carolina, (d) the Cascades Verdae, Greenville, South Carolina, and (e) Danberry at Inverness, Birmingham, Alabama. Mr. William P. Steele (AIA, NCARB) is the founding principal of Steele Group Architects. For over 20 years, Mr. Steele's primary responsibility has been to manage teams of architects and engineers in the design of projects of complexity and variety. Mr. Steele's focus throughout his career has been the design of Senior Living Housing; Multifamily, Mixed-Use, Affordable Housing; and Special-Needs Housing projects. Before becoming an architect, Mr. Steele began his career in the building industry as a self-employed licensed general contractor.

2. <u>Brittany Place Addition Construction Manager</u>

Poythress Commercial Contractors, Inc., of Cary, North Carolina (**Poythress**"), serves as the construction manager for the Brittany Place Addition. Poythress has constructed numerous medical facility projects in the Triangle area, and served as general contractor in connection with the initial construction of Brittany Place.

3. <u>Brittany Place Addition Owner's Representative</u>

Mr. Kenn Gardner, FAIA LEED AP, serves as owner's representative in connection with the construction of the Brittany Place Addition. Mr. Gardner is a Senior Architect and independent contractor assisting SearStone on this project, as Provider's primary contact person in connection with the Brittany Place Addition. Mr. Gardner has over 30 years of experience in Wake County and has facilitated the design and construction of more than 2.5 million square feet of public and private facilities with an additional 5.4 million square feet of analysis and assessment. Mr. Gardner is the former member of the Wake County Board of Commissioners, and in 2008 was recognized by the National Association of Counties as the National Urban Elected Official of the Year for his outstanding governance and innovative leadership.

PHASE II:

In December 2016 Provider acquired approximately 16.01 acres of land within the PDD and located adjacent to the property currently comprising the Community, which Provider intends to use to expand the Community ("**Phase II**"). The acquisition of the Phase II land was financed with the proceeds of the sale of the 2016 Bonds described in Section VI.A of this Disclosure Statement, as well as the issuance of the Purchase Money Note described in Section VI.A of this Disclosure Statement. Prior to the acceptance of deposits or entrance fees for residences in Phase II, or the commencement of construction of Phase II, Provider must obtain from the North Carolina Department of Insurance certain amendments to its CCRC license. Provider has engaged a development consultant to complete an expansion plan for Phase II, including market and financial analysis, conceptual design, and master planning. Provider has also engaged an architectural firm to develop plans for construction of the Phase II improvements. Information concerning those firms follows:

1. <u>Phase II Development Consultant</u>

Greenbrier Development, LLC, a Delaware limited liability company ("**Greenbrier**"), of Dallas, Texas, serves as the development consultant for Phase II. Greenbrier served in a similar role in connection with the development of Phase I of the Community.

The principals of Greenbrier are Michael D. Gilliam, Thomas J. Navin, Cole S. Gray, Barry Johnson, and Adam P. Heffernan. Mr. Gilliam is President and Chief Executive Officer and Mr. Navin is the Executive Vice President and Chief Operating Officer. Greenbrier's management team has more than 120 combined years of experience developing CCRCs while with Greenbrier or with other senior housing development firms.

2. <u>Phase II Architects</u>

Stewart & Conners Architects, PLLC, of Charlotte, North Carolina ("**Stewart & Conners**"), serves as the architectural firm for Phase II. The development of existing, occupied, senior living campuses is the core of Stewart & Conners' experience. Stewart & Conners has assisted owners in creating master plans for senior living campuses that respond to current and future market demands, and provide the correct synthesis of financial, market, and design responses. Stewart & Conners has provided architectural services to a number of senior living projects including (a) Luther Crest, Allentown, Pennsylvania, (b) Rydal Park, Rydal, Pennsylvania, (c) Brow Wood, Lookout Mountain, Georgia, (d) Messiah Village, Mechanicsburg, Pennsylvania, and (e) Sharon Towers at The Presbyterian Home at Charlotte, Charlotte, North Carolina.

III. POLICIES

A. Membership & Residency Agreements

The terms of the agreement between a Member and Provider are set forth in a Membership & Residency Agreement between the Member and Provider ("**Membership & Residency Agreement**"). A copy of the current standard form of Membership & Residency Agreement is attached as Exhibit 1. Provider may from time-to-time enter into addenda to the standard form of Membership & Residency Agreement or revise the standard form of Membership & Residency Agreement.

B. Nature of Relationship

The Membership & Residency Agreement creates a contractual relationship between the Member and Provider. The Membership & Residency Agreement is not a lease or easement and does not transfer or grant to the Member any interest in real property, including the residence owned by Provider. The rights of Member under the Membership & Residency Agreement are not assignable, and no rights or benefits described in the Membership & Residency Agreement inure to the use or benefit of the heirs, legatees, assignees, representatives, or creditors of the Member, unless expressly provided in the Membership & Residency Agreement. The Member does not have any right to assign the residence for the use by another.

Although the Members are referred to as "members" of SearStone, they are not members in Provider within the meaning of the Georgia Nonprofit Corporation Code, and among other things have no right to appoint or vote for the election of members of the Board of Provider or to otherwise participate in the management of Provider. While one or more Members may from time-to-time be members of the Board of Provider, there is no fixed number of members of the Board of Provider reserved for Members.

C. Admission Procedure and Criteria

Individuals and couples deciding to apply for residency at SearStone will be provided with an Application for Membership, instructions for completion, and a copy of this Disclosure Statement. A residence may be chosen if the prospective Member(s) is ready to make a selection of an available unit. All residents at SearStone are required to live independently in their chosen Independent Living Unit at the time of admission and to have the financial resources to pay the Entrance Fee and monthly Membership Fees. Members must be 62 years of age at the time of admission. In the case of married couples, one spouse may be younger than 62 but must be older than 55 years of age. Members are required to subscribe to Medicare Parts A and B and to maintain supplemental health insurance acceptable to Provider as part of Provider's Life Care Plan.

Prospective Members will complete an Application for Residency, including disclosure of certain financial and medical information, and sign a Membership & Residency Agreement to reserve the residence selected. At the time the Membership & Residency Agreement is signed by the prospective Member, the prospective Member will pay a deposit equal to 10% of the Entrance Fee for the residence selected. The deposit is refundable as outlined in Section III.D of this Disclosure Statement.

The Membership & Residency Agreement stipulates that a prospective Member agrees to pay the balance of the Entrance Fee (90%) prior to residency, and in no event later than 60 days following the date the prospective Member is notified by Provider that the residence is available for residency. The Membership & Residency Agreement further stipulates that a prospective Member agrees to pay a Membership Fee beginning upon the earlier of either residency or 60 days after the prospective Member is advised that the reserved residence is ready for residency.

Applications for Residency are subject to approval by the Residency Review Committee of Provider. At the time of the signing of a Membership & Residency Agreement, prospective Members will be asked to provide certain health and financial information. The Residency Review Committee of Provider will determine if the prospective Member has assets sufficient to pay the Entrance Fee and sufficient income after the payment of the Entrance Fee to pay the monthly Membership Fees plus other personal expenses. Income must also be sufficient to meet anticipated increases in the cost of living. The Residency Review Committee of Provider will also determine if the prospective Member is able to live independently in their chosen Independent Living Unit. Once a prospective Member has been accepted for admission, regardless of changes in their health status between the signing of the Membership & Residency Agreement and the date of occupancy, admission to SearStone is guaranteed. Members whose health status changes prior to occupancy such that they require direct admission to adult home care or skilled nursing care within Brittany Place are required to pay the Entrance Fee and the fees outlined in Article V of this Disclosure Statement.

SearStone will not discriminate against any prospective Member on the basis of race, creed, color, sex, religion or national origin.

D. Entrance Fee

SearStone's agreement requires that a prospective Member pay an Entrance Fee, (GS § 58-64-1(2) defines the entrance fee as a payment that assures the resident a place in a facility for a term of years or for life as long as all terms and conditions are met), consisting of a Residential Fee and a Life Care Fee. The Residential Fee portion of the Entrance Fee is 100% refundable. The Life Care portion of the Entrance Fee is refundable, with the refund reducing at a rate of 2% per month for 50 months starting in the month the balance of the Entrance Fee is paid. See Section III.E of this Disclosure Statement for additional information.

In the case of two joint Members, the Residential Fee portion of the Entrance Fee covers both Members, but each Member must pay the Life Care portion of the Entrance Fee.

E. Rescission/ Cancellation/ Termination

1. Rescission/ Cancellation/ Termination of Agreement by Member Prior to Occupancy: Articles I, V and XI of the Membership & Residency Agreement contain the following provisions regarding cancellation prior to occupancy:

Rescission. Member has the right to rescind, cancel and terminate the Membership & Residency Agreement, provided written notice of such a decision is given to Provider within 30 days from the later of the date the Membership & Residency Agreement is signed or Member's receipt of a Disclosure Statement (the "**Rescission Period**"). If Member decides to rescind the Membership & Residency Agreement, Member must send written notice to SearStone Retirement Community, c/o Executive Director, 17001 SearStone Drive, Cary, North Carolina 27513. The Member to whom the Membership & Residency Agreement pertains is not required to move into the Community before the expiration of the Rescission Period.

If Member rescinds the Membership & Residency Agreement within 30 days of its execution in accordance with Article I, Provider shall return to Member or Member's estate Member's Entrance Fee Deposit, including interest earned thereon, less any nonstandard costs incurred by Provider at the request of Member as set forth in Appendix A [of the Membership & Residency Agreement], such amount to be returned within 30 days of receipt of Member's written rescission request.

Cancellation. If after the Rescission Period but before occupying a living unit at SearStone, Member dies or due to illness, injury or other incapacity Member would be precluded from occupying a living unit at SearStone under the terms of the Membership & Residency Agreement, the Membership & Residency Agreement is automatically canceled, and upon Provider's receipt of written notice of cancellation Provider shall return to Member or Member's estate Member's Entrance Fee Deposit, including interest earned thereon, less any nonstandard costs incurred by Provider at the request of Member as set forth in Appendix A [of the Membership & Residency Agreement], such amount to be returned within 60 days of receipt of Member's written notice of cancellation.

Termination (balance not paid). If, after the expiration of the Rescission Period but before paying the balance of the Entrance Fee, Member terminates the Membership & Residency Agreement for any reason other than a cancellation pursuant to Section 5.3(b) [of the Membership & Residency Agreement], Provider shall return to Member or Member's estate Member's Entrance Fee Deposit, including interest earned thereon, less any nonstandard costs incurred by Provider at the request of Member as set forth in Appendix A [of the Membership & Residency Agreement], on or before the first to occur of (i) that date which is 30 days following Provider's receipt of the then applicable Entrance Fee Deposit for a residence of the same type as Member's residence, or (ii) that date which is two years from the date in which Member's written termination request is received.

2. Termination of Agreement by Member After Occupancy: Articles V and XI of the Membership & Residency Agreement contain the following provisions regarding cancellation after occupancy:

Termination (balance paid). If the Membership & Residency Agreement is terminated by Member who dies after paying the balance of the Entrance Fee, or by Member who pays the balance of the Entrance Fee and who has not died but terminates for any reason other than a cancellation pursuant to Section 5.3(b) [of the Membership & Residency Agreement], Provider shall return to Member or Member's estate the amount determined below, on or before that date which is 30 days following Provider's receipt of the then applicable Entrance Fee for a residence of the same type as Member's residence. The amount to be so returned shall equal the sum of: (i) 100% of the Residential Fee portion of the Entrance Fee; **plus** (ii) the unamortized percentage of the Life Care portion of the

Entrance Fee, with the Life Care portion of the Entrance Fee to amortize at the rate of 2% per month for 50 months commencing with the month in which the balance of the Entrance Fee is paid; **less** (iii) amounts due for unpaid Membership Fees applicable only to the period a living unit was actually occupied by Member and the accrued interest on those unpaid Membership Fees; **less** (iv) advances made by Provider pursuant to Section 5.4(g) [of the Membership & Residency Agreement]; **less** (v) costs specifically incurred by Provider at the request of Member as set forth in Appendix A [of the Membership & Residency Agreement]; **less** (vi) the cost of refurbishing Member's residence for re-occupancy as defined in Section 5.3(f) [of the Membership & Residency Agreement]; and **less** (vii) any other amounts due Provider from Member.

If two persons signed the Membership & Residency Agreement and only one of such persons elects to terminate the Membership & Residency Agreement, the refund amounts will be calculated using the only the Second Person Life Care Fee. If at a later time the other of such persons elects to terminate this Agreement, the refund amounts will be calculated using the First Person Entrance Fee.

3. Termination of Agreement by Provider: Article XII of the Membership & Residency Agreement contains the following provisions regarding cancellation by Provider:

Provider may, upon notice and opportunity to cure as provided below, revoke Member's right to reside at SearStone and terminate the Membership & Residency Agreement upon the occurrence of any of the following events ("**Default**"):

(a) Failure of Member to pay the unpaid balance of the Entrance Fee when due.

(b) Member has intentionally mismanaged assets needed to pay the balance of the Entrance Fee or the Membership Fee.

(c) Failure of Member to comply with any material covenant or agreement of Member contained in the Membership & Residency Agreement (including timely payment of the Membership Fee or the Other Charges) or a material breach of any representation made by Member in the Membership & Residency Agreement or in Member's Application for Membership.

(d) For "**just cause**" presented to Member or Member's representative in writing by the SearStone medical director and administrator that Member is a danger to himself or others while remaining in the SearStone community.

F. Moves and Transfers

The Membership & Residency Agreement outlines the policies for moves and transfers in Articles VI and X. Article VI contains the following provisions for transfers to the adult care (assisted living) or skilled nursing care within Brittany Place:

Member shall relocate to Brittany Place from Member's Independent Living Unit when Provider's interdisciplinary team decides a relocation is necessary. A relocation would be necessary as a result of Member's physical or mental health decline, Member posing a risk to the safety or welfare of other Members or themselves, or other appropriate condition. The same rule would apply when the relocation is within Brittany Place. If a Member moves to Brittany Place and the interdisciplinary team determines Member is capable of living independently once again, Member shall assume residency in an appropriate Independent Living Unit.

If Member is relocated to Brittany Place, Provider shall have the right to assign Member's former residence for residency by others. If Member's condition subsequently changes, and Member can resume residency in accommodations equivalent to those he or she previously occupied, Member shall relocate to such equivalent accommodations as soon as they are available. If Member's residence is jointly occupied and one Member moves to Brittany Place and the other Member continues to reside in the residence, the residence would not be considered to have been vacated for purposes of this Section.

Article X of the Membership & Residency Agreement addresses the transfer of a Member to another establishment should the Member require care not provided by Provider. It is possible that Member may need specialized service which is beyond the capability of Provider. Such service would be needed if:

1. Member has been infected with a dangerous and/or contagious disease, service for which is not typically provided in a North Carolina nursing establishment or which Provider is not licensed to provide, or

2. Member has become mentally or emotionally disturbed to the degree that Member poses a danger to himself or herself or the health and welfare of other Members or staff, or

3. The physical or mental condition of Member materially changes so that he or she requires services not regularly provided by Provider.

In such cases, SearStone's medical director will consult with SearStone's interdisciplinary team, Member, Member's representative, and Member's personal physician. If Provider or SearStone's medical director determines that special service is needed, SearStone management will review Member's needs with Member, if he or she is competent, or Member's representative, if he or she is not competent, and arrange Member's relocation to another establishment.

All such relocations will be subject to and in accordance with applicable statutes, rules, and regulations. In the case of such relocation of Member, if Provider or SearStone's medical director determines that the relocation is temporary (usually 30 days or less but extendable at Provider's sole discretion), Provider will hold Member's residence available for reoccupancy by Member. If, in the opinion of SearStone's interdisciplinary team, the relocation is permanent, Member's residence will be available for occupancy by another person.

If the medical condition of Member permanently relocated improves to the point where Member, in the opinion of Provider or SearStone's medical director, is able to resume residing at SearStone, Member will relocate back to the living accommodation last resided in by Member. If the living accommodation last resided in by Member is occupied by a new Member, Member will be entitled to reside in the next available living accommodation of the type previously occupied by Member.

In the event no such similar living accommodation is available, Provider will make comparable living arrangements available until such a similar living accommodation becomes available. Provided Member continues to pay the Membership Fee, Provider will pay the cost of such comparable living arrangements.

If Member's residence is jointly occupied and one Member relocates to another establishment and the other Member continues to live in the residence, the residence would not be considered to have been vacated for purposes of the foregoing. If Provider or SearStone's medical director subsequently determines, in consultation with Member or Member's attending physician, that Member of a jointly occupied residence can return to that residence, Member must do so.

G. New Double Occupants

In the event that a person who is not a party to the Membership & Residency Agreement ("**New Person**") is accepted for Membership at a time subsequent to the date of the Membership & Residency Agreement (said acceptance to be in accordance with residency policies governing all other move-ins), the New Person must sign a Membership & Residency Agreement and pay the then applicable Life Care Fee. Such New Person will then become a Member for purposes of the Membership & Residency Agreement, and the then current Second Person Membership Fee will become payable.

No person other than Member may reside in the residence except for occasional visits or with the express written approval of Provider. In the event Member's spouse does not qualify or does not wish to qualify for entry into the SearStone community as a "Member": (1) such non-Member spouse will be allowed to occupy Member's residence without payment of an Entrance Fee for a second person; (2) the Second Person Membership Fee will be payable with respect to such non-Member spouse; (3) such non-Member spouse will not be entitled to the approved home care services, assisted living services, and skilled nursing services described in Section 3.3(c) of Member's Membership & Residency Agreement; and (4) such non-Member spouse will be required to vacate Member's residence upon Member's termination of the Membership & Residency Agreement, death, or permanent move to Brittany Place or for care outside the SearStone community.

Should a Member decide to marry another Member and both Members decide to share a residence, the Members may move to a new separate residence which will terminate both Members' Membership & Residency Agreements or may move into one Member's existing residence which will terminate the relocating Member's Membership & Residency Agreement.

- If the Members select a new residence, the Members will then sign a new Membership & Residency Agreement and pay the then applicable Entrance Fee and the First Person and Second Person Membership Fee for the new residence. Provider will refund the Entrance Fees associated with each of the married Members' prior residences in accordance with Section 5.3 of the Membership & Residency Agreements for each residence vacated once new Entrance Fees are received from the married Members.

- If, instead of moving into a new residence, one of the Members moves into the other Member's existing residence, the relocating Member will sign the Membership &

Residency Agreement for the existing residence and will pay the Second Person Membership Fee for that residence. Provider will refund the Entrance Fee associated with the vacated residence in accordance with Section 5.3 of the Membership & Residency Agreement once a new Entrance Fee is received from the Member moving into the other Member's existing residence.

H. Financial Hardship

It is the intent and policy of Provider to operate as a not-for-profit corporation and not to terminate the residency of a Member solely by reason of the financial inability of the Member to pay the total Membership Fee. When a Member establishes the facts to justify the need for financial assistance as determined by Provider in its reasonable judgment, Provider may in its discretion, and subject to funds availability, advance funds to help the Member pay his or her Membership Fee. Such advances, plus simple interest at the prime rate, then noted in the "Money Rates" column of *The Wall Street Journal*, from the date when such advances are made to the date when such advances are repaid or otherwise satisfied, will be charged against the refundable portion of Member's Entrance Fee, as determined in accordance with Section 5.3 of the Membership & Residency Agreement. In the case where such advances exceed the amount of Member's Entrance Fee refund, as determined in accordance with Section 5.3 of the Membership & Residency Agreement, Provider may in its discretion and subject to funds availability waive some or all of Member's Membership Fee, if the Member has not intentionally depleted assets needed to pay his or her Membership Fee. If a Member is receiving financial assistance, copies of such Member's most recently filed federal income tax return must be provided to Provider within 30 days of receiving assistance, and as may thereafter be requested by Provider.

I. Waiting List

SearStone has a Waiting List program for prospective Members who are not ready or able to select an Independent Living Unit type that meets their needs. The procedure is summarized below:

1. If a prospective resident expresses the desire to move to SearStone and there are no Independent Living Units available in the type desired, he or she may be placed on a Waiting List maintained by the Manager.

2. Placement on the Waiting List requires a completed Wait List Application, Wait List Contract, payment of a $300 non-refundable wait list application fee, and payment of a $5,000 refundable wait list deposit.

3. The Wait List Application will be reviewed by the Manager, and the prospective resident will be informed by the Manager as to whether the prospective resident will be placed on the Waiting List. If the prospective resident is not placed on the Waiting List, the $5,000 refundable wait list deposit will be returned, but the $300 non-refundable wait list application fee will not be returned.

4. If the prospective resident is placed on the Waiting List the prospective resident will be informed by the Manager of his or her placement location on the Waiting List (i.e., whether first, second, third, etc. in line for a certain type of Independent Living Unit) and will be updated periodically on the status of the list.

5. All prospective residents on the Waiting List will be periodically invited to special events at SearStone and to eat in the dining room at SearStone so they can begin to develop relationships with the staff and residents.

6. When an Independent Living Unit of the type desired by a prospective resident becomes available, the prospective resident will be informed and have a period of 48 hours after being so informed to accept or reject the available Independent Living Unit. If the prospective resident accepts the available Independent Living Unit the prospective resident will have three days following acceptance within which to execute an Application for Residency and a Membership & Residency Agreement and pay to Provider the balance of the Entrance Fee Deposit (to which the $5,000 refundable wait list deposit will be applied).

7. If the prospective resident does not accept the available Independent Living Unit, the prospective resident will not lose the prospective resident's priority spot on the Waiting List. If the prospective resident accepts the available Independent Living Unit but fails to on a timely basis execute an Application for Residency and a Membership & Residency Agreement and pay to Provider the balance of the Entrance Fee Deposit for such Independent Living Unit, the prospective resident will lose the prospective resident's priority spot on the Wait List.

8. Following the prospective resident's execution of an Application for Residency and a Membership & Residency Agreement and payment to Provider of the balance of the Entrance Fee Deposit for the available Independent Living Unit, the Application for Residency and the prospective resident's eligibility for residency will be reviewed in accordance with Section III.C of this Disclosure Statement.

J. Rules and Regulations

Rules and regulations with respect to the use of common areas and amenities within SearStone have been established by Provider and are available in the SearStone Resident Manual. Provider may from time-to-time change the Rules and Regulations, which will require changes to the SearStone Resident Manual, and in such case these changes will be provided to Members.

IV. SERVICES

A. Standard Services Available

SearStone is a full-service retirement community. Members pay an Entrance Fee and a Monthly Membership Fee. The fees are designed to cover most living expenses incurred by residents of SearStone. Two service packages are offered. The **Platinum Option** offers more meal credits and more housekeeping services than does the **Gold Option**. Members can change their service package option on a monthly basis. The Monthly Membership Fee includes the following basic services:

- Scheduled dining in the dining venues. Under the Platinum Option, a monthly dining credit amount of $416 per person is included as part of the Membership Fee. Under the Gold Option, a monthly dining credit amount of $208 per person is included as part of the Membership Fee.

- Housekeeping services under the Platinum Option will be performed every week. Housekeeping under the Gold Option will be provided once per month.

- Utilities included in the Membership Fee are heating, air conditioning, water, sewer, electricity, basic cable television services, wireless internet access in common areas, and wiring for telephone.

- Driver services for local medical appointments, with proper scheduling by Member, as determined by SearStone.

- Interior and exterior maintenance of all residences, including all provided appliances, fixtures, systems, lawns, gutters, and windows. Appliances provided will include a range, microwave, refrigerator with icemaker, dishwasher, garbage disposal, washer, and dryer.

- Call system and response to calls for emergencies are available 24 hours per day.

- Recreational, social, and cultural events as scheduled and planned for those Members interested in participating. SearStone employs a Director of Resident Life & Wellness to plan and coordinate recreational, social, educational, and special events.

- Common areas for Members and their guests include a Clubhouse, restaurant, private dining for personal parties and special events, a bar and grill, lounge areas, a health and fitness club, an aquatic center, and administrative areas.

- Building and grounds maintenance and housekeeping of common areas.

- Additional storage for Lorraine Plaza, Calais Terrace, Lakeside Flats, and Clubhouse residences for Member’s personal belongings.

- Smoke detection and sprinklers in all areas both common and multi-story residential. There are not sprinklers in Estate Homes. A generator is available to power the Clubhouse and a designated generator for Brittany Place is also available in case of emergency or power outage.

- For Members residing in Lakeside Flats or Estate Homes, covered parking is provided per residence. For Members residing in Calais Terrace, under-building parking is available. For Members residing in Lorraine Plaza, parking is provided adjacent to the Lorraine Plaza building. For Members residing in Winston Clubhouse, parking is provided adjacent to the Winston Clubhouse building. Valet parking is provided for Members residing in the Winston Clubhouse.

B. Services Available for an Additional Cost

Services available but not included in the Monthly Membership Fee include:

- Additional dining.
- Additional housekeeping.
- Additional maintenance.
- Personal transportation beyond that scheduled by Provider.
- Linen services.
- Non-emergency response calls to residences.
- Other concierge services.

C. Health Care Services Available

SearStone has designated as medical director a consulting physician licensed to practice medicine in the State of North Carolina.

A Member is responsible for, over and above the Membership Fee, the cost of Member's physician services, hospital services, prescription drugs, durable medical equipment, and prescribed therapies. Outside provider services are billed by the outside provider to Medicare and the Member, as appropriate.

<u>For a Member under a Type A - Life Care Plan</u>, normally the Member will receive required assisted living or required skilled nursing services at SearStone within Brittany Place.

If the Member requires assisted living services, as determined by SearStone's interdisciplinary team:

- The Member will be provided assistance with activities of daily living as typically provided by an assisted living establishment in the State of North Carolina. In such case, SearStone will provide access to prescription drugs, physical therapy, speech therapy, and occupational therapy, at an additional cost to the Member (possibly reimbursable to the Member by Medicare or other insurance procured by the Member). Also, in such case, the Member will be responsible for the cost of private duty nurses if determined to be medically necessary or when requested by the Member or the Member's representative.

- Such assisted living services will be provided by SearStone at Brittany Place, but if the assisted living and skilled nursing units in Brittany Place are full the Member will be provided temporary residence at an appropriate offsite assisted living establishment, as determined by SearStone. Any such offsite assisted living services will be at SearStone's expense except for those items which would be at the Member's expense if the Member were in Brittany Place, such as the cost of additional meals. The decision to move a Member temporarily offsite under such circumstances is in the sole discretion of SearStone.

- In the event the Member, with SearStone's approval, elects to stay in the Member's Independent Living Unit rather than move temporarily offsite under such circumstances, then the Member will be responsible for the cost of all home care services and will relocate to Brittany Place once an assisted living or skilled nursing unit in Brittany Place is available.

- In the event a Member is moved temporarily offsite under such circumstances, the Member will relocate to Brittany Place once an assisted living or skilled nursing unit is available in Brittany Place, and if the Member declines a unit at Brittany Place the Member will be responsible for all offsite location fees.

If the Member requires skilled nursing services, as determined by SearStone's interdisciplinary team:

- The Member will be provided those services typically provided by a skilled nursing establishment in the State of North Carolina. In such case, SearStone will provide access to prescription drugs, physical therapy, speech therapy, and occupational therapy, at an additional cost to the Member (possibly reimbursable to the Member by Medicare or the other insurance procured by the Member). Also, in such case, the Member will be responsible for the cost of private duty nurses if determined to be medically necessary or when requested by the Member or the Member's representative.

- Such skilled nursing services will be provided by SearStone at Brittany Place, but if the skilled nursing units in Brittany Place are full the Member will be provided temporary skilled nursing services at an appropriate area skilled nursing facility, as determined by SearStone. Any such offsite skilled nursing services will be at SearStone's expense except for those items which would be at the Member's expense if the Member were in Brittany Place, such as the cost of additional meals. The decision to move a Member temporarily offsite under such circumstances is in the sole discretion of SearStone.

- In the event a Member is moved temporarily offsite under such circumstances, the Member will relocate to Brittany Place once a skilled nursing unit is available in Brittany Place, and if the Member declines a unit at Brittany Place the Member will be responsible for all offsite location fees.

<u>For a Member under a Type C – Fee-for-Service Plan</u>, the Member, at the Member's expense, will be provided access to assisted living services or skilled nursing services at SearStone or at another provider. The Member will be responsible for the cost of any home care services, assisted living services, or skilled nursing services.

The Fee-for-Service Plan is no longer available to new Members.

V. ENTRANCE FEES AND MEMBERSHIP FEES

Members will pay an Entrance Fee and monthly Membership Fees that vary based on whether the Member signs-up under the Type A - Life Care Plan or the Type C – Fee-for-Service Plan, and the service package option selected. Under both plans the Entrance Fee assures a Member a place at SearStone for life, subject to the provisions of the Member's Membership & Residency Agreement.

The Fee-for-Service Plan is no longer available to new Members.

Type A – Life Care Plan Fees

The Entrance Fee under the Type A - Life Care Plan has two components: A Residential Fee which is 100% refundable (and identical to the Entrance Fee for the Fee-for-Service Plan), and a Life Care Fee which is refundable to the extent not amortized. The Life Care Fee amortizes at the rate of 2% per month commencing with the month in which the balance of the Entrance Fee is paid, such that it will be fully amortized (and 0% refundable) after 50 months from the month in which the balance of the Entrance Fee is paid. Under the Type A - Life Care Plan a second occupant within a residence must pay a Second Person Entrance Fee, consisting only of a Life Care Fee which amortizes at 2% per month in the same manner.

Under the Type A - Life Care Plan, there are two monthly service package options; namely the Gold Option and the Platinum Option, with the Platinum Option providing more meals and housekeeping than provided with the Gold Option. There is a Second Person monthly Membership Fee for a second occupant within a residence.

Type C – Fee-for-Service Plan Fees

The entire Entrance Fee under the Fee-for-Service Plan is 100% refundable. There is no Second Person Entrance Fee under this plan.

Under the Type C – Fee-for-Service Plan, there are two service package options; namely the Gold Option and the Platinum Option, with the Platinum Option providing more meals and housekeeping than provided with the Gold Option. There is a Second Person monthly Membership Fee for a second occupant within a residence.

The-Fee-for-Service Plan is no longer available to new Members.

The following table summarizes Entrance Fees and monthly Membership Fees by type of Independent Living Unit and plan type:

SearStone Retirement Community 2019 Independent Living Fees				
Floor Plan	Number Of Units	Square Footage	100% Refundable Residential Fee (1)(2)(3)	Monthly Membership Fee - Type A (1)(2)(3)(4)
One Bedroom				
Asturian	14	931-1097	$379,000-$394,000	$3,130-$3,340
Breton	4	1,039	$364,000	$3,300
Galacian	6	1,165	$379,000	$3,870
Finnhorse	4	1,280	$404,000	$3,970
Belgian	4	1,194-1,356	$414,000-$429,000	$3,870-$4,070
Clydesdale	2	1,370	$434,000	$4,070
Danube	6	1,402	$434,000	$4,070
Two Bedroom				
Buckskin	16	1,204-1,760	$442,000-$550,000	$3,870-$5,640
Buckskin-Terrace	8	1,315	$419,000	$4,020
Hackney	5	1,478-1,500	$475,000-$485,000	$5,010-$5,020
Shetland	8	1,562	$539,000	$5,190
Dartmoor	12	1,765-1,793	$561,000-$576,000	$5,640
Highland	8	1,866-1,924	$586,000-$591,000	$5,720
Two Bedroom/Den				
Haflinger	5	1,578-1,636	$506,000-$511,000	$5,190-$5,220
Campolina	4	2,000	$698,000	$5,860
Highland II	8	1,945-2,006	$596,000-$616,000	$5,740-$5,900
Caspian	2	1,811-2,092	$698,000-$700,000	$5,670-$5,900
Pegasus	8	1,853	$585,000	$5,690
Appaloosa	1	2,085	$641,000	$5,900
Estonian	6	2,238-2,294	$687,000	$6,220
Estate Homes				
Under 2,500 Square Feet	30	1,766-2,394	$539,000-$818,000	$5,640-$6,420
Over 2,500 Square Feet	8	2,558-3,914	$768,000-$849,000	$6,530-$7,010
Total Units	169			
Weighted Average			$561,818	$4,599
Second Person - Monthly Membership Fees (1)(2)(3)(4)				$1,350
Life Care Entrance Fee(per person)(Type A contracts only) (3)			$62,000	

(1) Monthly Membership Fee pricing is effective as of January 1, 2019. Prices subject to change.

(2) Provider offered Type A and Type C contracts to prospects who contracted prior to the start of construction. Subsequently, all contracts are Type A contracts.

(3) Type A contracts require the payment of an additional LifeCare Entrance Fee per person of $62,000. This fee amortizes pro-rata at a rate of 2% per month, and is fully amortized after 50 months. The Life Care Entrance Fee pricing is effective as of January 1, 2019.

(4) SearStone offers two resident service packages: The "Gold Option" and the "Platinum Option":

(5) Monthly Fees above for the Type A contract, reflect the Gold Plan (4). Participation in the Platinum Option requires an additional first person fee of $300/month. Second person fee for the Platinum Option is an additional $200/month.

Health Center (Brittany Place) Fees

Members under Type A - Life Care Plans will pay the same monthly Membership Fee, plus the cost of additional meals, when residing in Brittany Place as they would pay in their Independent Living Unit.

Members under Type C – Fee-for-Service Plans will pay the following fees for Assisted Living services and Skilled Nursing services within Brittany Place:

Assisted Living Per Diem Fee in 2019 - $ 213.00

Skilled Nursing Per Diem Fee in 2019 - $ 399.00

The Fee-for-Service Plan is no longer available to new Members.

Increases in Monthly Membership Fees

The Membership Fees are subject to periodic increases. Provider will provide the Members with 30 days' notice of any change in Membership Fees. Such notice will set forth the effective date of the new Membership Fee and the amount of the change. Provider intends to increase the Membership Fee on January 1 of each year, if Provider deems such increase to be necessary in order to meet the financial needs of operating SearStone or to provide services to Members. Provider reserves the right to increase Membership Fees more often than once each year if Provider deems such increase to be necessary to meet its obligations.

In most years since 2011 the annual increases in the monthly Membership Fee (taking as an example the monthly First Person Membership Fee under the Gold Option) have ranged between 4.0% to - 6.5%, and prospective Members should understand that similar percentage increases for all monthly Membership Fees are currently forecasted for future years. Prospective Members should also understand that actual percentage increases in monthly Membership Fees for future years may exceed the currently forecasted percentage increases. Since SearStone initiated pre-marketing activities in 2006, and began operations in October 2013, all increases in monthly Membership Fees are reflected in the following table:

Increases in Weighted Average - Entrance Fees, and Monthly Membership Fees

	100% Refundable Residential Fee (Weighted Average Fees - All Independent Units)	Life Care Fees[2]: Non-Refundable LifeCare Fee Per Person	Life Care Fees[2]: Monthly 1st Person Fee - Gold	Life Care Fees[2]: Monthly 2nd Person Fee - Gold	Life Care Fees[2]: Monthly 1st Person Platinum Package[1]	Life Care Fees[2]: Monthly 2nd Person Platinum Package[1]
Increases at 1/1 each year		Fee Schedule	Actual Weighted Average	Actual Weighted Average	Fee Schedule	Fee Schedule
2012	$479,832	$45,427	$3,712 (3)	$841 (3)	$249	$144
2013	$479,832	$45,427	$3,141 (3)	$910 (3)	$268	$156
2014	$479,832	$45,427	$3,146 (3)	$770 (3)	$242	$125
2015	$489,357	$49,500	$3,571	$852	$256	$132
2016	$515,331	$52,225	$3,848	$921	$270	$150
2017	$529,810	$52,225	$4,140	$974	$300	$190
2018	$551,416	$60,000	$4,365	$1,026	$300	$200
2019	$561,818	$62,000	$4,599	$1,350	$300	$200

	Resident % Increase	Resident % Increase	Resident % Increase	Resident % Increase	Resident % Increase	Resident % Increase
2012	0.00%	0.00%	4.01%	3.96%	4.18%	4.35%
2013	0.00%	0.00%	0.00%	8.20%	7.63%	8.33%
2014	0.00%	0.00%	0.00%	0.00%	-9.70%	-19.87%
2015	1.99%	8.97%	5.75%	5.75%	5.79%	5.60%
2016	5.31%	5.51%	5.50%	5.50%	5.47%	13.64%
2017	2.81%	0.00%	4.50%	4.50%	11.11%	26.67%
2018	4.08%	14.89%	4.50%	4.50%	0.00%	5.26%
2019	1.00%	4.5%	4.5%	4.5%	0.0%	0.0%

	Average $ Increase	Average $ Increase	Weighted Average $ Increase	Weighted Average $ Increase	Average $ Increase	Average $ Increase
2012	$0	$0	$143	$32	$10	$6
2013	$0	$0	-$571	$69	$19	$12
2014	$0	$0	$5	-$140	-$26	-$31
2015	$9,525	$4,073	$425	$82	$14	$7
2016	$25,974	$2,725	$277	$69	$14	$18
2017	$14,479	$0	$292	$53	$30	$40
2018	$21,606	$7,775	$225	$52	$0	$10
2019	$10,402	$2,000	$234	$324	$0	$0

(1) Platinum Package Fee is in addition to the Gold Package Fee shown for 1st and 2nd Person.
(2) Life Care residents pay the same monthly rate in Assisted Living and Skilled Nursing levels of care, as in independent. They also pay a monthly meal charge to cover the cost of extra meals eaten in the health care setting, as compared to the meals consumed in the independent setting. See the attached "SearStone Extra Cost
(3) Pricing sheet - residents moved November 2013. Fill up in progress in FY2013 & FY2014.

Extra Cost List Items As Of January 1, 2019

Residents may occasionally need other services for which there will be a fee. Following is a list of these extra charges.

Below is the fee if a resident would like to receive a replacement or extra of the following items:

Mail Key	$ 10.00
Room Key	$ 25.00
Emergency Pendant	$135.00
Neck Lanyard	$ 5.00
Photo ID Name Badge / Meal Card	$ 15.00
Resident Name Tag	$ 17.50

Basic Maintenance Items

2" Grab Bar	$ 35.00 (does not include installation time)
Extra Towel Bar	$ 25.00 (does not include installation time)

Below is the fee for additional Housekeeping, Transportation, and Maintenance costs:

Housekeeping Help*	$26.00 per hour 1 hour minimum
Maintenance Help	$26.00 per hour 1 hour minimum
Extra Carpet Cleaning	Fee based on size of residence
Transportation Personal Trips	$26.00 per hour 1 hour minimum
Airport Transportation	$19.00 Flat Rate – one way
Wheel Chair Transportation by other than Searstone	$ vendor fees apply
Trip Charges	There may be times when scheduled bus trips and outings will carry a fee. These fees will be posted and communicated with specific trip information.
Calais Garage Parking Space (Limited Space Available)	$37.50 per month (See Security & Transportation Dept. to apply for wait list)

* Housekeeping help is periodic and as needed. It is not to be a set schedule of additional services. Residents can opt into the Platinum Option for regular scheduled services.

** Transportation time includes travel to and from destination, and any time at destination.

*** Extra fees may also exist for special community life and wellness functions, classes and trips.

Brittany Place specific Additional Fee Items

Life Care Contract Meals	$939.00 per month
Non-medical Meal Delivery	$5.00
Fee for Service Daily Rate – Skilled Nursing	$399.00 +/- per day
Fee for Service Daily Rate – Assisted Living	$213.00 +/- per day
Wheel Chair Transportation by other than Searstone.	$ vendor fees
Medical Equipment Used in Care	If your doctor orders special equipment for your care or rehabilitation, you will be responsible for costs not covered by Medicare or other insurances. Personal Medical Equipment for personal use is the Financial responsibility of the resident.
Laundry Services	$28.00 per week per individual

* Housekeeping help is periodic and as needed. It is not to be a set schedule of additional services. Residents can opt into the **Platinum** program for regular scheduled extra services.

** Transportation time includes travel to and from destination, and any time at destination. Extra fees may exist for special community life, wellness functions, classes and trips.

VI. FINANCIAL INFORMATION

A. Summary of Financing

The initial development of the Community was financed in part through the issuance by the Public Finance Authority of $117,450,000 of non-rated, tax-exempt, fixed rate, term bonds (the "**2012 Bonds**"), and the loan to Provider by the Public Finance Authority of the proceeds from the sale of the 2012 Bonds. The 2012 Bonds were comprised of $56,135,000 of non-rated, tax-exempt, fixed rate, term bonds (the "**Series 2012A Bonds**"), $60,375,000 of Series 2012B Bonds (the "**Series 2012 B Bonds**"), and $940,000 of Series 2012C Bonds (the "**Series 2012C Bonds**"). The proceeds from the Series 2012 Bonds were used by Provider for purposes including to finance the cost of the development and construction of Phase I of the Community and to fund certain reserves. In December 2017 the Series 2012A Bonds were advance refunded and defeased (see discussion of Series 2017 Bonds, below), and consequently are deemed to have been paid in full. The Series 2012B Bonds and the 2012C Bonds have been paid in full and retired.

In December 2016 the Public Finance Authority issued $8,000,000 of non-rated, tax-exempt, fixed rate, term bonds (the "**Series 2016 Bonds**"), and the Public Finance Authority loaned to Provider the proceeds from the sale of the Series 2016 Bonds. The Series 2016 Bonds are due in 2049, and bear interest at 6.000%. The proceeds from the Series 2016 Bonds were and will be used by Provider (1) to finance a portion of the acquisition cost of the Phase II land, (2) to finance the $2,500,000 cost of the Brittany Place Addition, (3) to fund certain reserves, and (4) for other Community projects.

In December 2017, the Public Finance Authority issued $77,745,000 of non-rated, tax-exempt, fixed rate, term bonds (the "**Series 2017 Bonds**"), and the Public Finance Authority loaned to Provider the proceeds from the sale of the Series 2017 Bonds. The Series 2017 Bonds were comprised of $71,730,000 of Series 2017A refunding bonds ("**2017A Bonds**") and $6,015,000 of Series 2017B bonds ("**2017B Bond**s"). The proceeds from the Series 2017 Bonds were and will be used by Provider to (1) to advance refund and defease the Series 2012A Bonds, (2) to finance improvements and expansion of the facilities of the Community, (3) to fund a Debt Service Reserve Fund, and (4) to pay costs of issuance of the 2017 Bonds.

Existing bonds are often advance refunded and defeased, when by their contractual terms the existing bonds may not be called; i.e., prepaid, prior to a certain specified date. When existing bonds are advance refunded and defeased: (1) the proceeds from a new bond issue are used to purchase a portfolio of U.S. Treasury or similar approved securities; (2) that securities portfolio is placed in escrow with an escrow agent; (3) any property serving as security for the existing bonds is released, and the securities portfolio is substituted as security for the existing bonds; (4) the earnings from the securities portfolio are used to fund the annual debt service obligation on the existing bonds; and (5) the securities portfolio is used to retire the existing bonds when the existing bonds mature or may be called; i.e., prepaid. This is often done when due to favorable interest rates a reduced annual debt service obligation may be achieved through defeasance of the existing bonds.

The Series 2016 and Series 2017 Bonds are collateralized by substantially all of the assets of Provider, including the Community. Under the terms of an Amended and Restated Master Trust

Indenture entered into by Provider in favor of the trustee for the Series 2016 Bonds and the Series 2017 Bonds, Provider is required to comply with certain operating and financial covenants.

As of December 31, 2018, required principal payments of long-term debt for the next five years and thereafter are as follows:

Fiscal Year	**2016 Bonds**	**2017A Bonds**	**2017B Bonds**	**Total**
2019	$ 0	$ 0	$ 550,000	$ 550,000
2020	$ 0	$ 55,000	$ 1,005,000	$ 1,060,000
2021	$ 0	$ 55,000	$ 1,005,000	$ 1,105,000
2022	$ 0	$ 65,000	$ 1,090,000	$ 1,155,000
2023	$ 0	$ 65,000	$ 1,135,000	$ 1,200,000
Thereafter	$ 8,000,000	$ 71,490,000	$ 1,185,000	$ 80,675,000
Total	$ 8,000,000	$ 71,730,000	$ 5,970,000	$ 85,745,000

In addition to the Series 2016 Bonds and the Series 2017 Bonds, Provider has issued subordinated debt, consisting of pre-finance capital provided by MatchCap - Sears Farm, LLC ($6,800,000) and by Sears Farm, LLC ($2,390,000), which accrues simple interest at the rate of 6% per annum. The principal of the subordinated debt is subordinated to the repayment in full of the Series 2016 Bonds and the Series 2017 Bonds, and is payable only if the Community achieves certain occupancy milestones and Provider meets certain financial performance conditions.

Also subordinated to the Series 2016 Bonds and the Series 2017 Bonds are certain fees payable by Provider to: Sears Farm, LLC; SearStone - RLA; RLA; Greenbrier; and Sears Hackney Keener Williams, Inc. (an architectural firm that provided services in connection with Phase I), in the total amount of $1,833,444.

A portion of the purchase price of the Phase II land was financed through the issuance by Provider of its Balance Purchase Money Note, which has a current balance $2,000,000 (the "**Purchase Money Note**"). The Purchase Money Note is non-interest bearing. The Purchase Money Note matures, and is payable in full, on the earlier of (1) the date when Provider obtains construction funding for Phase II in an amount sufficient to construct approximately 152 independent living units, or (2) October 31, 2022. The Purchase Money Note is non-recourse as to Provider, and is secured by a deed of trust encumbering the Phase II land, which is subordinate to the deed of trust encumbering such land that serves as security for the Series 2016 Bonds and the Series 2017 Bonds.

B. Audited Financial Statements

Provider operates on a calendar year basis. Financial statements for Provider, which comprise the balance sheets as of December 31, 2018 and 2017, and the related statements of operations and changes in net deficit and cash flows for the years then ended, and the related notes to the financial statements, as audited by the independent accounting firm of Dixon Hughes Goodman LLP, are attached as Exhibit 2.

C. Comparison of Material Differences between Forecasted Financial Statements and Actual Financial Statements

A comparison of the forecasted financial statements for Provider, and the actual financial statements for Provider, which comprise the balance sheet as of December 31, 2018, and the related statements of operations and changes in net deficit and cash flows for the year then ended, is attached as Exhibit 3. Variances greater than $150,000 are considered material. An explanation of each of the material differences is contained in the narrative on Exhibit 3.

D. Interim Financial Statements

Unaudited interim financial statements for Provider, consisting of the balance sheet as of March 31, 2019, and the related statement of profit and loss (with comparison to budget) and cash flow statement for the period from January 1, 2019 through March 31, 2019 are attached as Exhibit 4.

E. Financial Projections

Unaudited financial projections for Provider for each of the five years ending December 31, 2023, which comprise a projected statement of operations and changes in net assets, a projected statement of cash flows, and projected balance sheets, as compiled by the independent accounting firm of Dixon Hughes Goodman LLP, are attached as Exhibit 5. The financial projections are based in part on an actuarial study as of December 31, 2018, performed by Continuing Care Actuaries (the "**Actuarial Study**"). A summary of the Actuarial Study is attached as Exhibit 6.

F. Operating Reserve

Pursuant to North Carolina General Statutes Section 58-64-33, after the opening of a continuing care retirement facility a provider must maintain on deposit with the North Carolina Department of Insurance an operating reserve equal to 50% of the total operating costs of the facility forecasted for the 12 month period following the period covered by the most recent disclosure statement filed by Provider with the North Carolina Department of Insurance. The forecast statements as required by North Carolina General Statutes Section 58-64-20(a)(12) serve as the basis for computing the operating reserve. For this purpose, in addition to total operating expenses, total operating costs will include debt service, consisting of principal and interest payments along with taxes and insurance on any mortgage loan or other long-term financing, but will exclude depreciation, amortized expenses, and extraordinary items as approved by the North Carolina Commissioner of Insurance (the "**Commissioner**"). If the debt service portion is accounted for by way of another reserve account, the debt service portion may be excluded. If a facility maintains an occupancy level in excess of 90%, Provider is only required to maintain on deposit with the North Carolina Department of Insurance a 25% operating reserve upon approval of the Commissioner, unless otherwise instructed by the Commissioner. The operating reserve must be funded by cash, by invested cash, or by investment grade securities, including bonds, stocks, U.S. Treasury obligations, or obligations of U.S. government agencies. SearStone's operating reserve is held at Branch Banking and Trust Company, and all funds are invested in a money market account with interest income reinvested. The monies are shown in the balance sheet which is a part of the unaudited interim financial statements attached as Exhibit 4, under "Escrows and Reserves / 11237 - Cash - Board Restricted".

The following table reflects the calculation of the operating reserve required of Provider for each of the five years ending December 31, 2023:[2]

Operating Reserve Fund	**2019**	**2020**	**2021**	**2022**	**2023**
IL Occupancy Projection	95.3%	95.3%	95.3%	95.3%	95.3%
For the Subsequent Fiscal Year Ending December 31:					
Income statement expenses	$ 17,595	$ 18,229	$ 18,436	$ 18,652	$ 18,850
Plus: Capitalized interest	419	-	-	-	-
Total Expenses	$ 18,014	$ 18,229	$ 18,436	$ 18,652	$ 18,850
Plus: Bond principal redemptions, schedule required	1,060	1,105	1,155	1,200	1,255
Plus: principal paid on notes payable	3	-	-	-	-
Less: Depreciation	(3,169)	(3,156)	(3,147)	(3,141)	(3,140)
Less: Amortization	(73)	(73)	(73)	(73)	(48)
Less: Extraordinatry items approved by Commissioner	-	-	-	-	-
Less: Debt service portion, if provided for by way of a separate reserve account	(5,756)	(5,754)	(5,753)	(5,746)	(5,746)
Total Operating Costs	**$ 10,079**	**$ 10,351**	**$ 10,618**	**$ 10,892**	**$ 11,171**
Occupancy Factor	25%	25%	25%	25%	25%
Operating Reserve Requirement	$ 2,520	$ 2,588	$ 2,655	$ 2,723	$ 2,793

2

Exhibit 1

<u>Membership & Residency Agreement</u>

[see attached]

SEARSTONE

Life Care (Type A)
Membership & Residency Agreement

SearStone
17001 SearStone Drive
Cary, North Carolina 27513
(919) 234-0400

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SearStone

Membership & Residency Agreement

Recitals:

Samaritan Housing Foundation, Inc., a Georgia not for profit corporation operating in the State of North Carolina as SearStone Retirement Community ("**Provider**"), is the owner of a continuing care retirement community known as SearStone (“**SearStone**”), located at 17001 SearStone Drive in Cary, North Carolina. Through the development and ongoing management of SearStone, Provider plans to provide quality services as described here to residents (“**Members**”) at costs commensurate with the services and amenities contemplated by this Agreement. It is the goal of Provider that Members continue to have an enjoyable lifestyle knowing that certain additional attention and personal service is available if ever needed.

The individual person or persons who sign this Membership & Residency Agreement (“**Agreement**”) are referred to throughout this document as “**Member**” and this Agreement shall apply to both them and to the survivor. Member has decided to move to SearStone to enjoy the amenities and services contemplated by this Agreement. SearStone will include various styles of residences, common areas, skilled nursing accommodations and adult care home accommodations.

Agreement:

In consideration of the mutual commitments made herein, the sufficiency of which is hereby acknowledged, this Agreement is made and entered into between Provider and Member, as an agreement to abide by the following terms and conditions:

I. MEMBER’S RIGHT OF RESCISSION

____ (Member) has the right to rescind, cancel and terminate this Agreement, provided written notice of such a decision is given to Provider within thirty (30) days from the later of the date this Agreement is signed or Member’s receipt of a Disclosure Statement (the “**Rescission Period**”). If Member decides to rescind the Agreement, Member must send written notice to SearStone Retirement Community, c/o Executive Director, 17001 SearStone Drive, Cary, North Carolina 27513. There is no requirement that Member move in during the Rescission Period.

II. OBLIGATIONS OF PROVIDER

Subject to Member's performance of his or her duties and obligations under this Agreement, Provider shall provide the services described in this Agreement. Provider shall also make (address) ____, which is ____, [description of residence] available to Member for Member use for life or until permanent transfer to any other residence at

SearStone including the Brittany Place Health Center ("**Brittany Place**" or the "**Health Center**"), or until termination of this Agreement in accordance with Articles XI or XII.

III. DESCRIPTION OF SERVICES

3.1 Provider shall provide to Member services, as long as Member resides at SearStone, as follows:

(a) Member will have the opportunity to select from one of two Service Package Options; namely, a Platinum Option and a Gold Option. Changing from the Platinum Option to the Gold Option, or vice versa, impacts both dining credits and housekeeping services. Member will be given the opportunity to change Member's Service Package Option on a monthly basis (30 days notice).

(b) Provider will provide venues at SearStone for breakfast, lunch and dinner each day. The various dining venues at SearStone will be adaptable to many diet restrictions.

(c) Under the Platinum Option, a dollar credit amount of $416 per month per person will be included as part of the Membership Fee. Under the Gold Option, a dollar credit amount of $208 per month per person will be included as part of the Membership Fee. Members may also use their own monthly dining dollar credits for their guests and for private functions. Members who incur monthly dining charges, for themselves or guests, in excess of the monthly credit amount will either pay for such excess at the time such dining charges are incurred, or will be billed for such excess dining charges monthly. The Membership Fee will not be reduced for dining dollar credits not used unless Member is away from SearStone for more than thirty (30) consecutive days, with prior notification. If such prior notification is given, Member will be credited with a prorated dining dollar credit commencing with the thirty-first (31st) day of absence.

(d) Housekeeping services under the Platinum Option will be performed every week. Housekeeping under the Gold Option will be provided once per month. More frequent housekeeping services will be available at an extra charge.

(e) Utilities included in the Membership Fee are heating, air conditioning, water, sewer, electricity, basic cable television services, wireless internet access in common areas, and wiring for telephone. Member must contract with the telephone company, internet service provider and the cable company to pay for any service beyond basic cable and for all telephone and internet connection services within Member's residence.

(f) Driver services for local medical appointments, with proper scheduling by Member, as determined by Provider.

(g) Interior and exterior maintenance of all residences, including all provided appliances, fixtures, systems, lawns, gutters and windows. Appliances provided will include a range, microwave, refrigerator with icemaker, dishwasher, garbage disposal, washer and dryer. Member is responsible for the cost of repairing damage to any SearStone property or equipment caused by Member's misuse or neglect.

(h) A call system and response to calls for emergencies will be available twenty-four (24) hours per day.

(i) Recreational, social and cultural events will be scheduled and planned for those Members interested in participating. Provider will employ a Resident Life Director to plan and coordinate recreational, social, educational and special events.

(j) Common areas for Members and their guests will include a Clubhouse, a restaurant, private dining for personal parties and special events, a bar and grill, lounge areas, a health and fitness club, an aquatic center, and administrative areas.

(k) Building and grounds maintenance and housekeeping of common areas.

(l) Additional storage for residents of Lorraine Plaza, Calais Terrace, Lakeside Flats, and Clubhouse residences for Member's personal belongings.

(m) Smoke detectors and sprinklers in all areas both common and multi-story residential. There are not sprinklers in Estate Homes. A generator will be available to power the Clubhouse and Brittany Place in case of emergency or power outage.

(n) For Members residing in Lakeside Flats or Estate Homes, covered parking is provided per residence. For Members residing in Calais Terrace, under-building parking is available. For Members residing in Lorraine Plaza, parking is provided adjacent to the Lorraine Plaza building. For Members residing in Winston Clubhouse, parking is provided adjacent to the Winston Clubhouse building. Valet parking is provided for Members residing in the Winston Clubhouse.

3.2 Provider will provide to Member services in addition to the services described in Section 3.1, for an additional charge. The amount of the additional charge will be established by Provider from time-to-time. Some examples of additional services may include, but are not limited to:

(a) Additional dining.

(b) Additional housekeeping.

(c) Additional maintenance.

(d) Personal transportation beyond that scheduled by Provider.

(e) Linen services.

(f) Non-emergency response calls to residences.

(g) Other concierge services.

3.3 In addition to the residential services described above, certain health services will be offered by Provider to Member on the following basis:

(a) Member, at Member's expense, will have the right to be treated by any physician of his or her choice while residing in Lorraine Plaza, Calais Terrace, Lakeside Flats, Clubhouse, or Estate Homes (the "**Independent Living Unit(s)**"). Upon residency at SearStone Member shall designate a physician as Member's attending physician and shall keep Provider informed of any changes.

(b) Provider will designate as medical director for SearStone a consulting physician licensed to practice medicine in the State of North Carolina.

(c) Assisted living services, in accordance with Article VI.

(d) Skilled nursing services, in accordance with Article VI.

(e) Member shall be responsible for, over and above the Membership Fee, the cost of Member's physician services, hospital services, temporary short-term home care services approved by Provider, prescription drugs, durable medical equipment, and prescribed therapies. Rehabilitation services will be provided by outside providers and will be billed by the outside provider to Medicare and Member, as appropriate.

3.4 Rules and regulations with respect to the use of common areas and amenities within SearStone have been established by Provider and are available in the SearStone Resident Manual. Provider may from time-to-time change the Rules and Regulations, which will require changes to the SearStone Resident Manual, and in such case these changes will be provided to Members.

IV. MEMBER PARTICIPATION

4.1 SearStone Residents Association is a member organization at SearStone. Member shall have the right to participate in this Member organization (or organizations) at SearStone. Any Member group organized pursuant to this section ("**Members Association**") shall have the following rights, subject to reasonable limitations deemed appropriate by Provider to maintain the integrity of the SearStone community:

(a) The right to engage in group activities;

(b) The right to use SearStone amenities to conduct private meetings;

(c) The right to obtain current copies of the Disclosure Statement, Annual Report, Audit Reports and final results of any regulatory findings pertaining to the SearStone community as a whole or any of its component amenities;

(d) The right to be represented by an individual of their choice in communications with SearStone management;

(e) The right to engage in concerted activities for their own purposes; and

(f) The right to obtain outside advice, consultation, and services of their own choosing and at their own expense on any matter, including, but not limited to, medical, legal and financial matters.

4.2 Member shall, subject to reasonable limitations as referenced above, have the right to independence, dignity, individuality, privacy, choice, a home environment, and self-determination, including, but not limited to:

(a) Recognition of Member's rights, responsibilities, needs, and preferences;

(b) Freedom to select or refuse services and accept responsibility for the consequences;

(c) Freedom to develop and maintain social ties with opportunities for meaningful interaction and involvement in SearStone;

(d) Acknowledgement of Member's personal space and right to furnish and decorate that personal space as private;

(e) Freedom to set his/her own schedule, have visitors, and leave SearStone;

(f) Freedom from abuse, neglect, and the use of chemical or physical restraints;

(g) Access to means for resolving Member complaints; and

(h) Assurance that methods of preventing and responding to incidents involving injury, loss of property, abuse, neglect, and exploitation will be identified and implemented.

4.3 In addition, Member shall be allowed communication with and access to persons and services inside and outside the SearStone community. Except to the extent otherwise provided herein, all Member communications will be with representatives of such management company as may from time-to-time be engaged by Provider to manage SearStone.

4.4 SearStone representatives will be available for meetings at least twice per year with Member or Member's representative(s). The meetings will be for the purpose of providing a forum for free and open discussion of any point either wishes to discuss. The Members Association may request that a manager, director, or other official of Provider be present at such a meeting. Member will be given at least two (2) weeks notice of each such meeting.

4.5 If Member has a grievance or a dispute, Member has the right to present the grievance or dispute directly to SearStone management. If the grievance or dispute is not resolved in thirty (30) days, Member may appeal to Provider's Board of Directors. Provider's Board of Directors shall consider Member's appeal within thirty (30) days. Member shall have no further appeal within Provider's organization from the decision of Provider's Board of Directors. This process does not preclude a Member from availing himself or herself of any other legal, statutory, and/or regulatory remedies available.

4.6 If Member moves to Brittany Place, Member may be entitled under State of North Carolina and/or federal law and regulations to one or more additional or different rights establishing Member's rights and remedies as well as the procedures for bringing forward Member grievances and complaints provided by the North Carolina Long Term Care Ombudsman Program, the terms of which are available to Member upon request and which shall be provided to Member by Provider upon Member's transfer or move to Brittany Place.

V. FEES AND ENTRANCE FEE REFUNDS

5.1 For the right to use the residence at SearStone, and to receive the services described in this Agreement, Member shall pay to Provider the following fees, which are due and payable as described below.

5.2 Entrance Fee:

(a) *Amount*. The Entrance Fee shall be the Total Combined Fee in the table below, which equals the total of the Residential Fee(s) and the Life Care Fee(s) for the residence selected, as follows:

	Refundable Residential Fee	**Amortizable Life Care Fee**	**Total Combined Fee**
First Person	$	$	$
Second Person	$	$	$
Total	$	$	$

(b) *Entrance Fee Deposit*. The Entrance Fee Deposit shall equal ten percent (10%) of the Total Combined Fee (minus any previous deposit or $____________) and is due upon signing of this Agreement. This Entrance Fee Deposit shall be paid by Member's check made payable to Provider, and receipt of such ten percent (10%) Entrance Fee Deposit is hereby acknowledged by Provider. The Entrance Fee Deposit is subject to refund if Member exercises Member's right of rescission.

(c) *Balance of Total Combined Fee*. The ninety percent (90%) balance of the Total Combined Fee ($______________________) is to be paid to Provider prior to residency, but in no event later than sixty (60) days following the date upon which Member receives notice from Provider that Member's residence is available for commencement of residency. Provider will accept cash via a wire transfer or check as payment. Provider will not accept securities, goods, services, or any other form of payment.

5.3 Refunds:

(a) *Rescission*. If Member rescinds this Agreement within the Rescission Period in accordance with Article I, Provider shall return to Member or Member's estate Member's Entrance Fee Deposit, including interest earned thereon, less any nonstandard costs incurred by Provider at the request of Member as set forth in Appendix A, such amount to be returned within thirty (30) days of receipt of Member's written rescission request.

(b) *Cancellation*. If after the Rescission Period but before occupying a living unit at SearStone, Member dies or due to illness, injury, or other incapacity Member would be precluded from occupying a living unit at SearStone under the terms of this Agreement, this Agreement is automatically cancelled, and upon Provider's receipt of written notice of cancellation Provider shall return to Member or Member's estate Member's Entrance Fee Deposit, including interest earned thereon less any nonstandard costs incurred by Provider at the request of Member as set forth in Appendix A, such amount to be returned within sixty (60) days of receipt of Member's written notice of cancellation.

(c) *Termination (balance not paid)*. If, after the expiration of the Rescission Period but before paying the balance of the Entrance Fee, Member terminates this Agreement for any reason other than a cancellation pursuant to Section 5.3(b), Provider shall return to Member or Member's estate Member's Entrance Fee Deposit, including interest earned thereon less any nonstandard costs incurred by Provider at the request of Member as set forth in Appendix A, on or before the first to occur of (i) that date which is thirty (30) days following Provider's receipt of the then applicable Entrance Fee Deposit for a residence of the same type as Member's residence, or (ii) that date which is two (2) years from the date in which Member's written termination request is received.

(d) *Termination (balance paid)*. If this Agreement is terminated by Member who dies after paying the balance of the Entrance Fee, or by Member who pays the balance of the Entrance Fee and who has not died but terminates for any reason other than a cancellation pursuant to Section 5.3(b), Provider shall return to Member or Member's estate the amount determined below, on or before that date which is thirty (30) days following Provider's receipt of the then applicable Entrance Fee for a residence of the same type as Member's residence. The amount to be so returned shall equal the sum of: (i) one hundred percent (100%)

of the Residential Fee portion of the Entrance Fee; **plus** (ii) the unamortized percentage of the Life Care Fee portion of the Entrance Fee, with the Life Care Fee portion of the Entrance Fee to amortize at the rate of two percent (2%) per month for fifty (50) months commencing with the month in which the balance of the Entrance Fee is paid; **less** (iii) amounts due for unpaid Membership Fees applicable only to the period a living unit was actually occupied by Member and the accrued interest on those unpaid Membership Fees; **less** (iv) advances made by Provider pursuant to Section 5.4(g); **less** (v) costs specifically incurred by Provider at the request of Member as set forth in Appendix A; **less** (vi) the cost of refurbishing Member's residence for re-occupancy as defined in Section 5.3(f); and **less** (vii) any other amounts due Provider from Member.

(e) *Multiple Persons*. If two persons sign this Agreement and only one of such persons elects to terminate this Agreement, the refund amounts will be calculated using only the Second Person Life Care Fee. If at a later time the other of such persons elects to terminate this Agreement, the refund amounts will be calculated using the First Person Total Combined Fee.

(f) *Cost of Refurbishing*. The cost of refurbishing Member's residence for re-occupancy shall include (i) replacing or repairing damaged appliances, fixtures, walls, ceilings, floor coverings, cabinets, counter tops, windows, doors, lights and locks, exclusive of wear and tear; (ii) removing wall coverings installed at the request of Member; (iii) repainting rooms previously painted with nonstandard paint at the request of Member; and (iv) replacing nonstandard floor coverings installed at the request of Member. The cost of refurbishment shall not include the cost of repainting walls painted with standard paint, the cost of shampooing standard carpet, or other cleaning, repair, or replacement needed due to normal use.

5.4 Monthly Membership Fee:

(a) *Amount*. The monthly Membership Fee (the "**Membership Fee**") for Member's SearStone residence shall be the sum of the First Person Membership Fee and, if applicable, the Second Person Membership Fee. The "**First Person Membership Fee**" in effect through December 31, 20__ is $_______________. The "**Second Person Membership Fee**" in effect through December 31, 20__ is $_______________, which shall be applicable only if two persons reside in the same SearStone residence. Member shall pay the Membership Fee beginning on the earlier of the date Member assumes residency at SearStone or sixty (60) days after the residence is available for residency, and continuing until this Agreement is terminated. Provider will accept cash via wire transfer or a check as payment. Provider will not accept securities, goods, services, or any other form of payment. The Membership Fee shall be billed in advance to Member at the beginning of each month and is due by the fifth (5th) day of the month.

(b) *Increases in the Membership Fee*. The Membership Fee charged to all Members shall be subject to periodic increases. Provider shall provide Member with thirty (30) days notice of any change in the Membership Fees. Such notice shall set forth the effective date of the new Membership Fee and the amount or percent of the change. On January 1 of each year Provider intends to increase the Membership Fee, if Provider deems such increase is necessary to meet the financial needs of operating SearStone or to provide services to Members. Provider reserves the right to increase the Membership Fees more often than once each year if Provider deems such increase is necessary to meet its obligations.

Provider notes that a table in Part V of Provider's Disclosure Statement provides detail concerning increases in the Membership Fee for the years since 2011. Provider notes that the Financial Projections attached to Provider's Disclosure Statement as Exhibit 5 *assume the Membership Fee will increase 4.5% on January 1, 2020 and annually thereafter. Actual future Membership Fee increases could be greater or lesser than these amounts.*

(c) *Brittany Place*. A change of residence of one or both Members to Brittany Place shall not change their Membership Fee.

(d) *Death*. If one Member of a jointly occupied residence dies or terminates this Agreement in accordance with Article XI, or if Provider terminates this Agreement in accordance with Article XII, the remaining Member shall continue to pay the First Person Membership Fee. Payment of the Second Person Membership Fee shall terminate upon the date of death or termination of this Agreement by one Member of a jointly occupied residence, or relocation of a Member from a jointly occupied residence to another residence.

(e) *Other Charges*. Member may voluntarily select optional services, such as guest dining, extra dining, or other optional services. The charges for such optional services ("**Other Charges**") shall be published by Provider and shall be the same for all Members. The Other Charges shall be billed to Member by Provider at the end of each month and are payable to Provider by Member by the fifth (5th) day of the following month. Such right to select optional services may be restricted by Provider if Member is in default of payment of the Membership Fees or Other Charges, unless Provider has approved the incurrence of Other Charges in advance.

(f) *Late Payment Charge*. Member is expected to make payment of the Membership Fee and Other Charges when due. Member is encouraged to make arrangements with Provider if Member will be unable to make payments when due. Although Member shall have no right to delay payment without Provider's prior written consent, if any amount due is not paid when due, Member shall pay on demand interest on delinquent Membership Fees and Other Charges, computed at the rate of eighteen percent (18%) per annum from the date when due until the date when paid, and such fees and late fees may be charged against the refundable portion of Member’s Entrance Fee.

(g) *Entrance Fee Charge-Off*. If Member is unable to pay the Membership Fee and Other Charges when due, and Member desires financial assistance from Provider, Member must establish facts to justify the need for financial assistance, as determined by Provider in its reasonable judgment. In such cases, Provider may in its discretion and subject to funds availability, advance funds to help Member pay Member’s Membership Fee. Such advances, plus simple interest at the prime rate then noted in the “Money Rates” column of *The Wall Street Journal* (the “**Prime Rate**”) from the date when such advances are made to the date when such advances are repaid or otherwise satisfied, shall be charged against the refundable portion of Member’s Entrance Fee, as determined in accordance with Section 5.3. In the case where such advances exceed the refundable portion of Member’s Entrance Fee, as determined in accordance with Section 5.3, Provider may in its discretion and subject to funds availability waive some or all of Member’s Membership Fee; *provided, however*, that Member has not intentionally depleted assets needed to pay Member’s Membership Fee. If Member is receiving financial assistance pursuant to this section, copies of Member’s most recently filed federal income tax return must be provided to Provider within thirty (30) days of receiving assistance, and as may thereafter be requested by Provider.

(h) *Absences*. The Membership Fee shall not be reduced when Member is absent from SearStone for an extended period, except as set forth in Article III relating to the cost of dining not taken.

VI. TERMS OF MEMBERSHIP

6.1 SearStone’s obligation to provide services under this Agreement begins when Member’s residence is available for residency, Member pays the balance of the Entrance Fee, and begins payment of the Membership Fee.

6.2 Member's right to reside at SearStone shall exist and continue during Member's lifetime unless rescinded in accordance with Article I or terminated as provided for in Article XI or Article XII. It is expressly understood and agreed by the parties signing this Agreement that this Agreement grants Member a right to reside in and use space at SearStone, subject to the terms of this Agreement. It is also understood that this Agreement is not a lease or easement and does not transfer or grant to Member any interest in real property, including the residence owned by Provider. Rights of Member under this Agreement are not assignable and no rights or benefits described here shall inure to the use or benefit of the heirs, legatees, assignees, representatives, or creditors of Member, unless expressly provided in this Agreement, and Member shall have no right to assign the residence for the use by another.

6.3 No person other than Member may reside in the residence except for occasional visits or with the express written approval of Provider. In the event Member’s spouse does not qualify or does not wish to qualify for entry into the SearStone community as a "Member": (a) such non-Member spouse will be allowed to occupy Member's residence without payment of an Entrance Fee for a second person; (b) the Second Person Membership Fee shall be payable with respect to such non-Member spouse; (c) such non-Member spouse will not be entitled to the approved home care services, assisted living services, and skilled nursing services described in Section 3.3(c); and (d) such non-Member spouse will be required to vacate Member's residence upon Member's termination of the Residency Agreement, death, or permanent move to Brittany Place or for care outside the SearStone community.

6.4 In the event that a person who is not a party to this Agreement ("**New Person**") is accepted for Membership at a time subsequent to the date of this Agreement (said acceptance to be in accordance with residency policies governing all other move-ins), New Person shall sign this Residency Agreement and pay the then applicable Second Person Life Care Fee. Such New Person will then become a Member for purposes of this Agreement, and the then current Second Person Membership Fee will become payable.

6.5 Member's residence shall be used only for residential purposes and shall not be used for business or professional purposes, or in any manner in violation of zoning requirements or applicable law.

6.6 Provider will provide a locking device on each entry to residences located outside Brittany Place. Member agrees that emergency personnel of SearStone shall have access to Member's residence at all times, and that home care, housekeeping and maintenance personnel shall have access at scheduled times. Member shall not place any additional locking devices on entry doors to Member's residence.

6.7 Notwithstanding any other provisions in this Agreement, Provider may make alterations in Member's residence to meet the requirements of any applicable statute, law, or regulation of the federal, state or municipal government.

6.8 Member shall not make any alterations to Member's residence without the prior written approval of Provider. Provider will review and approve all appropriate requests.

6.9 Furnishings within Member's residence will be provided by Member. Furnishings provided by Member shall not be such as to interfere with the health, safety, and general welfare of other Members.

6.10 In the event removal of Member's property from SearStone is not completed within thirty (30) days after termination of Member's residency by reason of death or otherwise, Provider may remove and store such furniture, possessions, and property at the expense of Member or Member's estate.

6.11 Member shall relocate to Brittany Place from Member's Independent Living Unit when Provider's interdisciplinary team decides a relocation is necessary. A relocation would be necessary as a result of Member's physical or mental health decline, Member posing a risk to the safety or welfare of other Members or themselves, or other appropriate condition. The same rule would apply when the relocation is within Brittany Place. If a Member moves to Brittany Place and the interdisciplinary team determines Member is capable of living independently once again, Member shall assume residency in an appropriate Independent Living Unit.

6.12 The interdisciplinary team will consist of the SearStone medical director and selected SearStone staff professionals. In making such decisions, the SearStone medical director shall consult with Member, if competent, Member's representative, and Member's personal physician. All decisions to relocate or change a Member's accommodation shall be based on a current assessment of Member's condition and reasons why Member's health needs cannot be met at Member's present location. In the event of disagreement, the decision shall be referred to Provider as provided in Article XIII.

6.13 If Member is relocated to Brittany Place pursuant to Section 6.11, Provider shall have the right to assign Member's former residence for residency by others. If Member's condition subsequently changes, and pursuant to Section 6.11 Member can resume residency in accommodations equivalent to those he or she previously occupied, Member shall relocate to such equivalent accommodations as soon as they are available. If Member's residence is jointly occupied and one Member moves to Brittany Place and the other Member continues to reside in the residence, the residence would not be considered to have been vacated for purposes of this section.

6.14 If Member requires assisted living services as determined in accordance with this Article VI:

(a) Member will be provided assistance with activities of daily living as typically provided by an assisted living establishment in the State of North Carolina. In such case, Provider will provide access to prescription drugs, physical therapy, speech therapy, and occupational therapy, at an additional cost to Member (possibly reimbursable to Member by Medicare or the other insurance referenced in Section 9.1(g)). Also, in such case, Member will be responsible for the cost of private duty nurses if determined to be medically necessary or when requested by Member or Member's representative.

(b) Such assisted living services will be provided by Provider at Brittany Place, but if the assisted living and skilled nursing units in Brittany Place are full Member will be provided temporary residence at an appropriate offsite assisted living establishment, as determined by Provider. Any such offsite assisted living services will be at Provider's expense except for those items which would be at Member's expense if Member were in Brittany Place, such as the cost of additional meals. The decision to move Member temporarily offsite under such circumstances is in the sole discretion of Provider.

(c) In the event Member, with Provider's approval, elects to stay in Member's Independent Living Unit rather than move temporarily offsite under such circumstances, then Member will be responsible for the cost of all home care services and will relocate to Brittany Place once an assisted living or skilled nursing unit in Brittany Place is available.

(d) In the event Member is moved temporarily offsite under such circumstances, Member will relocate to Brittany Place once an assisted living or skilled nursing unit is available in Brittany Place, and if Member declines a unit at Brittany Place the Member will be responsible for all offsite location fees.

6.15 If Member requires skilled nursing services as determined in accordance with this Article VI:

(a) Member will be provided those services typically provided by a skilled nursing establishment in the State of North Carolina. In such case, Provider will provide access to prescription drugs, physical therapy, speech therapy, and occupational therapy, at an additional cost to Member (possibly reimbursable to Member by Medicare or the other insurance referenced in Section 9.1(g)). Also, in such case, Member will be responsible for the cost of private duty nurses if determined to be medically necessary or when requested by Member or Member's representative.

(b) Such skilled nursing services will be provided by Provider at Brittany Place, but if the skilled nursing units in Brittany Place are full Member will be provided temporary skilled nursing services at an appropriate area skilled nursing facility, as determined by Provider. Any such offsite skilled nursing services will be at Provider's expense except for those items which would be at Member's expense if Member were in Brittany Place, such as the cost of additional meals. The decision to move Member temporarily offsite under such circumstances is in the sole discretion of Provider.

(c) In the event Member is moved temporarily offsite under such circumstances, Member will relocate to Brittany Place once a skilled nursing unit is available in Brittany Place, and if Member declines a unit at Brittany Place the Member will be responsible for all offsite location fees.

6.16 Provider shall not be liable for, and Member shall be liable for and pay for, all loss, liability, claims, damages, or expenses, including attorneys' fees and court costs, injury, or death to persons and any damages to property caused by a negligent or intentional act of Member.

6.17 Member acknowledges that Provider's property, plant, and equipment will be encumbered by a deed of trust, the proceeds of which will be used to pay for development, construction, or operation of SearStone or its refinancing. Member's rights under this Agreement are subordinate to all such deeds of trust. Member shall not have personal liability for any such deed of trust indebtedness. Member acknowledges that Member does not have any ownership interest or membership interest in Provider.

6.18 Pursuant to an Affiliation Agreement between Provider and Lutheran Services for the Aging, Inc., a North Carolina nonprofit corporation ("**Lutheran Services**"), Lutheran

Services assists Provider in implementation and management of its Community Benefits program. However, Lutheran Services has no responsibility for the financing, development and management of SearStone.

6.19 Member shall abide by all rules and regulations relating to SearStone and Member's use and occupancy as adopted by Provider from time-to-time.

VII. REPRESENTATIONS OF MEMBER

7.1 Member represents to Provider that:

(a) All facts stated on Member's Application for Membership are true and complete in all material respects as of the date made.

(b) Between the date of Member's Application for Membership and the date Member commences residency in SearStone, Member has not made any gift, transferred any asset listed on Member's Application for Membership, or otherwise intentionally depleted his or her assets if making such gift or transfer will impair Member's ability to meet Member's financial obligations under this Agreement.

VIII. COVENANTS OF PROVIDER

8.1 Provider covenants and agrees with Member that:

(a) Provider shall operate SearStone in accordance and compliance with all applicable State of North Carolina and federal laws and regulations relating to continuing care retirement communities, and the operation of Brittany Place shall be consistent with the regulations for licensing of adult home care and skilled nursing establishments in the State of North Carolina.

(b) It is the intent and policy of Provider to operate as a not-for-profit corporation, and Provider will not terminate the residency of Member solely by reason of the financial inability of Member to pay the total Membership Fee. The foregoing intent and policy will be implemented through the application of the provisions of Section 5.4(g).

(c) Provider shall make available annually to Member the annual Disclosure Statement provided by Provider to the North Carolina Department of Insurance.

IX. COVENANTS OF MEMBER

9.1 Member covenants and agrees with Provider that Member will:

(a) At all times act in a manner that is considered proper and courteous to fellow Members, to SearStone employees and contractors, and to Provider's directors, officers, and employees.

(b) Comply with all reasonable operating procedures applicable to SearStone, and with all rules and regulations adopted by Provider from time-to-time, as published in the SearStone Resident Manual.

(c) Pay when due the Entrance Fee, the Membership Fee, and the Other Charges as provided in this Agreement.

(d) Within sixty (60) days following commencement of residency at SearStone, make provision by will or otherwise upon termination of this Agreement for the disposition of all furniture, possessions, and property of Member located on the premises of SearStone.

(e) Not willfully mismanage assets necessary to meet Member's financial obligations under this Agreement.

(f) Notify Provider of any change in Member's health or financial condition between the time this Agreement is signed and initial occupancy of Member's residence.

(g) Purchase and maintain at Member's cost Medicare Part A, Medicare Part B (or equivalent), and one supplemental health insurance policy and to furnish SearStone evidence of coverage. Member shall be responsible for paying costs of hospital care, Medicare covered nursing services, prescription drugs, prescribed therapies, physician fees, and the like that are not covered by insurance. If Member does not maintain this insurance, Provider may acquire it on behalf of Member and charge Member for the cost thereof, with Member being obligated to reimburse Provider for the cost of such insurance. If Member does not maintain this insurance and Provider cannot purchase Medicare coverage and Medicare supplemental coverage or the equivalent for Member, Provider shall have the authority to require an adjustment in the Membership Fee to fund the additional risk. Member shall upon request provide Provider with written evidence that Member has paid Medicare and Medicare Supplemental Insurance premiums when due. Member will not be required to apply for Medicaid, public assistance, or other public benefit programs not noted in this Agreement.

(h) Maintain automobile liability insurance in the amount of $300,000/$500,000 and uninsured motorist insurance in the amount of $500,000 as long as Member owns or operates a motor vehicle. This coverage is necessary to ensure that a Member's assets are not depleted as a result of an uninsured claim arising from operation of a motor vehicle. Member shall upon request provide Provider with proof of such insurance.

(i) Maintain insurance covering damage or loss to Member's personal belongings and personal liability insurance in the amount of at least $300,000/$500,000. Provider shall not be responsible for and will not assume custody of any property of Member. Member shall upon request provide Provider with proof of such insurance.

(j) Prior to moving into SearStone, sign and deliver a copy to Provider a Power of Attorney for health care and financial matters, which Power of Attorney shall designate a person and an alternate person to act as Member's representative under this Agreement.

(k) Abide by all of the terms of residency set forth in Article VI and all other terms of this Agreement.

X. TRANSFER OF MEMBER TO ANOTHER ESTABLISHMENT

10.1 It is possible that Member may need specialized service which is beyond the capability of Provider. Such service would be needed if:

(a) Member has been infected with a dangerous and/or contagious disease, service for which is not typically provided in a North Carolina nursing establishment or which Provider is not licensed to provide, or

(b) Member has become mentally or emotionally disturbed to the degree that Member poses a danger to himself or herself or the health and welfare of other Members or staff, or

(c) The physical or mental condition of Member materially changes so that he or she requires services not regularly provided by Provider.

10.2 In any of the circumstances described in Section 10.1, SearStone's medical director shall consult with SearStone's interdisciplinary team, Member, Member's representative identified in this Agreement, and Member's personal physician. If Provider or SearStone's medical director determines that special service is needed, SearStone management will review Member's needs with Member, if he or she is competent, or Member's representative, if he or she is not competent, and arrange Member's relocation to another establishment.

(a) All such relocations shall be subject to and in accordance with applicable statutes, rules, and regulations. In the case of such relocation of Member, if Provider or SearStone's medical director determines that the relocation is temporary (usually thirty (30) days or less but extendable at Provider's sole discretion), Provider shall hold Member's residence available for reoccupancy by Member. If, in the opinion of SearStone's interdisciplinary team, the relocation is permanent, Member's residence shall be available for occupancy by a person other than Member.

(b) If the medical condition of Member permanently relocated under this Section 10.2 improves to the point where Member, in the opinion of Provider or SearStone's medical director, is able to resume residing at SearStone, Member shall relocate back to the living accommodation last resided in by Member. If the living accommodation last resided in by Member is occupied by a new Member, Member shall be entitled to reside in the next available living accommodation of the type previously occupied by Member. In the event no such similar living accommodation is available, Provider will make comparable living arrangements available until such a similar living accommodation becomes available. Provided Member continues to pay the Membership Fee due under this Agreement, Provider shall pay the cost of such comparable living arrangements.

(c) If Member's residence is jointly occupied and one Member relocates to another establishment and the other Member continues to live in the residence, the residence would not be considered to have been vacated for purposes of this Section. If Provider or SearStone's medical director subsequently determines, in consultation with Member or Member's attending physician, that Member of a jointly occupied residence can return to that residence, Member shall do so.

10.3 In the event Member, if he or she is competent, or, if he or she is not competent, Member's representative, disagrees with the SearStone medical director's opinion under Section 10.2, such disagreement shall be submitted to Provider as provided in Article XIII. If Member is so relocated before such disagreement is resolved and, if after review in accordance with Article XIII, such relocation is found to have been unnecessary, (a) Provider shall be responsible for any additional costs incurred by Member as a result of such relocation, and (b) Member shall move back to Brittany Place, if appropriate, or to Member's previous residence unless it has been occupied by a new Member, in which case Member shall be entitled to reside in the next available residence of the type previously resided in by Member. In the event no such similar residence is available, Provider will make comparable living arrangements available until a similar residence becomes available.

10.4 When a Member permanently moves to another establishment under Section 10.2, Member's obligation to pay the Membership Fee shall cease and Provider shall refund to Member the Entrance Fee to the extent provided in Section 5.3. If, after Member has ceased paying the Membership Fee or has received a refund of his or her Entrance Fee and is able to resume occupancy, Member shall, prior to moving back to SearStone, pay Provider the amount of any Entrance Fee to the extent it was refunded pursuant to Section 5.3, and upon moving back to SearStone Member shall pay Provider the amount of the Membership Fee Member would have paid if the relocation had not taken place.

XI. TERMINATION BY MEMBER

11.1 The date of residency, membership, or occupancy as used herein is considered as having occurred on the Member is obligated to pay to Provider the amount of the Entrance Fee and the first monthly Membership Fee due as specified in this Agreement. Prior to residency, in the event (a) of the death of Member, or (b) due to illness, injury, or other incapacity Member would be precluded from occupying a living unit at SearStone under the terms of this Agreement, this Agreement shall be automatically canceled, and upon Provider's receipt of written notice of cancellation Provider shall refund Member's Entrance Fee Deposit in accordance with Section 5.3(b). In the event a second person is a party to this Agreement, Member shall, in the event of the death of the second person as provided in clause (a) above or inability of the second person as provided in clause (b) above, irrevocably elect for this Agreement to remain in force or to cancel this Agreement, such election to be made in writing within thirty (30) days of the date of such event and in the event Member fails to timely make such a written election Member shall be considered to have elected for this Agreement to remain in force.

11.2 After the expiration of the Rescission Period but prior to payment of the balance of the Entrance Fee, Member may terminate this Agreement for any reason by providing to Provider written notice of termination. Such termination shall be effective upon Provider's receipt of such written notice of termination. In the event of such a termination, Provider shall refund to Member the amount of the Entrance Fee Deposit in accordance with Section 5.3(c).

11.3 In the event Member fails to move into Member's residence within sixty (60) days of the date the residence is ready for residency, this Agreement shall automatically be extended unless Member terminates this Agreement pursuant to this Article XI or Provider terminates this Agreement pursuant to Article XII.

11.4 If Member dies after Member has assumed residency, Member's Agreement shall terminate and an Entrance Fee refund shall be made in accordance with Section 5.3(d).

11.5 After Member has assumed residency, Member may terminate this Agreement for any reason for any reason by providing to Provider written notice of termination. Such termination shall be effective on the later of (a) the date specified in the written notice of termination, or (b) that day which is sixty (60) days after the date such written notice is delivered to Provider. In the event of a termination pursuant to this section, Member shall continue to be obligated to pay the Membership Fee with respect to periods prior to the effective date of the termination and the Other Charges, and an Entrance Fee refund shall be made in accordance with Section 5.3(d).

11.6 If, after becoming Members, joint Members of a single residence decide to live separately, the joint Members could request several alternative living arrangements. Those alternatives and the conditions associated with each follow:

(a) *Both Members request continued residence at SearStone, with one continuing to reside in the current residence and one moving to another residence*. In such case, (i) Member residing in the new residence shall sign a new Residency Agreement, (ii) Member residing in the new residence will pay the then applicable Entrance Fee for the residence selected, and (iii) both Members will pay the then applicable First Person Membership Fee for the residence in which they reside.

(b) *One Member decides to leave SearStone*. In such case, (i) the remaining Member will pay the then applicable First Person Membership Fee, (ii) the terminating Member shall provide to Provider written notice of the termination, and (iii) Member may be entitled to a refund of part of the Entrance Fee in accordance with Section 5.3.

(c) *Both Members decide to leave SearStone*. In such case, (i) the terminating Members shall provide to Provider sixty (60) days written notice of the termination, shall pay the Membership Fee with respect to periods until the effective date of the termination, and shall pay the Other Charges, (ii) the termination shall be effective sixty (60) days after Provider receives such written notice of termination, and (iii) Members may be entitled to a refund in accordance with Section 5.3.

11.7 In the event a Member asks to move to a different residence and Provider approves such move, such move shall terminate the Residency Agreement as to the old residence. In such event, (a) Member or Members shall sign a new Residency Agreement and pay the then applicable Entrance Fee for the new residence, (b) Provider shall refund to Member or to Member's estate one hundred percent (100%) of the Residential Fee and the remaining unamortized Life Care Fee of the Entrance Fee for the residence vacated, such refund to be determined and paid in accordance with Section 5.3(d), and (c) Member or Members shall be obligated to pay the Membership Fee.

11.8 In the event Member terminates this Agreement and moves out of SearStone and then, before Provider refunds Member's Entrance Fee, Member decides to move back in to SearStone, Member may do so by paying all unpaid amounts, if any, due Provider at the time Member terminated this Agreement, plus the Membership Fee for all months beginning with the month following the effective termination date and ending on the date Member moves back in, plus simple interest at the prime rate then noted in the "Money Rates" column of *The Wall Street Journal* from the date when such unpaid amounts and Membership Fees were otherwise due until the date when such unpaid amounts and Membership Fees are paid or otherwise satisfied.

11.9 In the event Member terminates this Agreement and receives a refund of the Entrance Fee and then wishes to move back to SearStone, former Member must reapply for residency under the same procedures as any new person seeking to become a Member.

XII. TERMINATION BY PROVIDER

12.1 Provider may, upon notice and opportunity to cure as provided below, revoke Member's right to reside at SearStone and terminate this Agreement upon the occurrence of any of the following events ("**Default**"):

(a) Failure of Member to pay the unpaid balance of the Entrance Fee when due.

(b) Member has intentionally mismanaged assets needed to pay the balance of the Entrance Fee or the Membership Fee.

(c) Failure of Member to comply with any material covenant or agreement of Member contained in this Agreement (including timely payment of the Membership Fee or the Other Charges, and any covenant in Section 9.1, all of which are material) or a material breach of any representation made by Member in this Agreement or in Member's Application for Membership.

(d) For "**just cause**" presented to Member or Member's representative in writing by the SearStone medical director and administrator that Member is a danger to himself or others while remaining in the SearStone community.

12.2 In the event of a Default by Member, SearStone shall give Member notice in writing of such Default and Member shall have sixty (60) days thereafter within which to correct such Default, with the exception of termination for just cause, which may provide for termination in less than sixty (60) days. If Member corrects such Default within such time, this Agreement shall not be terminated. If Member fails to correct such Default within such time, this Agreement shall terminate at the expiration of such sixty (60) days or shorter period for just cause and an Entrance Fee refund will be made in accordance with Section 5.3. If Member's Agreement is terminated, Member ceases residency at SearStone, and Member subsequently cures the reason for termination, former Member may be accepted for residency at SearStone upon compliance with the provisions set forth in Section 11.8.

XIII. DISPUTES

13.1 It is possible that disputes will arise regarding any of the matters listed below.

(a) Member, if Member is competent, or if Member is not competent, Member's representative or Member's attending physician disagrees with the opinion or determination of the interdisciplinary team as to the relocation of Member:

(i) From Member's residence to Brittany Place or back;

(ii) Within Brittany Place;

(iii) From SearStone or Brittany Place to another establishment or back.

(b) Member disputes the determination that a Default has occurred, which warrants termination under Section 12.2.

13.2 In such case, the matter shall be referred to the executive director of SearStone for resolution.

13.3 In reviewing the circumstances relating to any such dispute, the executive director will review any written policies or procedures established by Provider, and consult with (a) the SearStone medical director, if appropriate; (b) Member, if he or she is competent, or if he or she is not competent, with Member's representative; (c) Member’s family, if desired by Member; (d) Member's attending physician, if appropriate; (e) the Members Association, if appropriate; (f) such other independent physicians, nurses and other professionals as the executive director may deem under the circumstances appropriate or required by applicable law or regulation; and (g) legal counsel.

13.4 Member (or Member's representative) and Provider shall each have the right in any dispute to include Members Association as an advisor to Member (or Member's representative) and Provider.

13.5 After considering all relevant factors, the executive director shall decide the dispute and inform Member or Member's representative(s), in writing, of the decision and of Member’s right to appeal to the Board of Directors of Provider.

13.6 The Board of Directors of Provider shall consider all such appeals within thirty (30) days of receipt. The decision of the Board of Directors of Provider shall be final.

XIV. MISCELLANEOUS

14.1 Under current provisions of the United States Internal Revenue Code, Members may be allowed certain tax benefits. The amortized Life Care Fee and a portion of the Membership Fee may qualify as a medical expense deduction. Early each year, SearStone will provide Members with the amount of each fee that has been determined to be attributable to the provision of medical services.

14.2 No act, agreement, or statement of Member or of an individual purchasing care for Member under any agreement to furnish care to Member shall constitute a valid waiver of any provision of North Carolina General Statutes Section 58-64, or of any regulation intended for the benefit or protection of Member or the individual purchasing care for Member.

14.3 If any condition, restriction, or other provision of this Agreement or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Agreement or the application of such condition, restriction, or other provision to persons or circumstances other than to those as to which it is held invalid or unenforceable shall not be affected thereby and each condition, restriction, or other provision shall be valid and be enforced to the fullest extent permitted by law.

14.4 Provider shall construe all the provisions of this Agreement and shall determine all disputed matters in a manner consistent with the ideals set forth in the Recitals. Neither the Board of Directors of Provider nor SearStone management shall be liable for actions taken and decisions made in good faith and without malice. Nothing in this Agreement shall limit a Member's right to judicial review.

14.5 This Agreement shall be interpreted according to the laws of the State of North Carolina.

14.6 This Agreement: (a) supersedes all other understandings and agreements, oral or written, between the parties with respect to its subject matter; and (b) constitutes the sole agreement between the parties with respect to its subject matter. Each party acknowledges that: (i) no representations, inducements, promises, or agreements, oral or written, have been made by any party or by anyone acting on behalf of any party, which are not embodied in this Agreement; and (ii) no agreement, statement, or promise not contained in this Agreement shall be valid. No change or modification of this Agreement shall be valid or binding upon the parties unless such change or modification is in writing and is signed by the parties.

14.7 This Agreement has been signed on behalf of Provider by its duly authorized agent. No trustee, director, officer, employee, or agent of Provider shall have any personal liability hereunder to Member for the performance or failure to perform by Provider under any circumstance.

XV. SIGNATURES

In witness of this Agreement, the parties noted below have signed this Agreement on this ______ day of ______________, ________. By their signatures, the Members acknowledge receipt of a Disclosure Statement dated ______________, ________.

________________________________	________________________________
Member	Member
________________________________	________________________________
Member's Representative	Member's Representative
________________________________	________________________________
Witness	Witness

Samaritan Housing Foundation, Inc.

By: ___________________________________
Print name:
Title:

Appendix A
SearStone
Optional Amenities

Member has asked Provider to provide Member with the following optional amenities. Member understands that the cost of these amenities as set forth below is over and above the Entrance Fee and the Membership Fee and Member agrees to pay Provider the additional amounts shown below before this Request for Optional Amenities will be accepted. Member further understands the amount paid for these amenities is not refundable at any time, even if Member does not move into SearStone for any reason.

Description of Amenity	**Nonrefundable Charge**
	$_________________
	$_________________
	$_________________
	$_________________
	$_________________
	$_________________
Total	$ 0.00

Samaritan Housing Foundation, Inc.

By:___________________________
Print name:
Title:

____
Member

____
Member

____
Residence Number

Exhibit 2

<u>Audited Financial Statements</u>

[see attached]

Samaritan Housing Foundation, Inc. d/b/a SearStone Retirement Community

Financial Statements

Years Ended December 31, 2018 and 2017

DIXON HUGHES GOODMAN LLP

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Independent Auditors' Report

Board of Directors
Samaritan Housing Foundation, Inc.
d/b/a SearStone Retirement Community

We have audited the accompanying financial statements of Samaritan Housing Foundation, Inc., d/b/a SearStone Retirement Community (the "Corporation"), which comprise the balance sheets as of December 31, 2018 and 2017, and the related statements of operations and changes in net deficit and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of December 31, 2018 and 2017, 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.

DIXON HUGHES GOODMAN LLP

Emphasis of Matter – New Accounting Pronouncements

As discussed in Note 1 to the financial statements, during the year ended December 31, 2018, the Corporation implemented the provisions of Financial Accounting Standards Board Accounting Standards Update ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* and ASU 2015-14, *Revenue from Contracts with Customers (Topic 606).* As a result of adopting these new standards, the Corporation restated amounts previously reported as of and for the year ended December 31, 2017. Our opinion is not modified in respect to this matter.

Dixon Hughes Goodman LLP

Raleigh, North Carolina
May 21, 2019

Samaritan Housing Foundation, Inc.
d/b/a Searstone Retirement Community
Balance Sheets
December 31, 2018 and 2017

	2018	2017 (As Adjusted)
ASSETS		
Current assets:		
Cash	$ 3,413,536	$ 5,241,186
Assets limited as to use, current portion	802,467	965,516
Accounts receivable	57,943	110,243
Sales tax receivable	77,015	34,210
Prepaid expenses	215,128	129,256
Short-term investments	408,459	-
Total current assets	4,974,548	6,480,411
Non-current assets:		
Assets limited as to use, less current portion	15,784,954	20,071,220
Property and equipment, net	107,094,903	105,974,044
Other receivables	1,721,818	1,710,622
Note receivable	645,151	615,151
Deferred marketing costs, net	160,528	191,941
Total non-current assets	125,407,354	128,562,978
Total assets	$ 130,381,902	$ 135,043,389
LIABILITIES AND NET DEFICIT		
Current liabilities:		
Accounts payable	$ 807,363	$ 635,761
Accrued interest payable	426,329	94,748
Bonds payable, current portion	550,000	-
Resident refunds payable	1,226,667	3,247,538
Resident deposits	376,138	870,768
Current portion of notes payable	11,207	25,552
Other liabilities	228,234	202,472
Total current liabilities	3,625,938	5,076,839
Long-term liabilities:		
Bonds payable, less current portion	82,357,947	82,798,834
Notes payable, less current portion	3,530	14,662
Subordinated obligations	21,489,677	20,952,695
Liquidity support deposits	2,000,000	2,000,000
Refundable entrance fees	83,020,600	81,346,725
Deferred revenue from advance fees	7,875,617	7,982,658
Total long-term liabilities	196,747,371	195,095,574
Total liabilities	200,373,309	200,172,413
Net deficit:		
Without donor restrictions	(70,035,199)	(65,129,024)
With donor restrictions	43,792	-
Total net deficit	(69,991,407)	(65,129,024)
Total liabilities and net deficit	$ 130,381,902	$ 135,043,389

Samaritan Housing Foundation, Inc.
d/b/a Searstone Retirement Community
Statements of Operations and Changes in Net Deficit
Years Ended December 31, 2018 and 2017

	2018	2017 (As Adjusted)
Revenues, gains and other support:		
Net residential service fees, including amortization of advance fees of approximately $1,104,000 and $1,059,000 in 2018 and 2017	**$ 10,883,952**	$ 10,201,141
Interest income	**273,004**	62,819
Other	**1,044,876**	1,007,228
Total revenues, gains, and other support	**12,201,832**	11,271,188
Expenses:		
General and administrative	**3,363,015**	3,311,103
Depreciation and amortization	**3,065,377**	2,996,753
Dining services	**1,787,875**	1,822,673
Marketing	**475,552**	432,313
Healthcare services	**2,099,466**	1,696,767
Transportation & security services	**369,974**	433,421
Building and grounds maintenance	**738,430**	630,589
Housekeeping	**299,923**	234,902
Resident Life	**184,088**	187,908
Other	**146,740**	52,620
Interest	**4,453,420**	5,189,939
Total expenses	**16,983,860**	16,988,988
Loss from operations	**(4,782,028)**	(5,717,800)
Non-operating gains and loss:		
Net unrealized and realized loss on short-term investments	**(124,147)**	-
Change in future service obligation	**-**	19,615,617
Loss on early extinguishment of debt	**-**	(18,231,601)
Net non-operating gains and loss	**(124,147)**	1,384,016
Increase in net deficit without donor restrictions	**(4,906,175)**	(4,333,784)
Change in net assets with donor restrictions:		
Contributions	**43,792**	-
Increase in net deficit	**(4,862,383)**	(4,333,784)
Net deficit, beginning of year	**(65,129,024)**	(60,795,240)
Net deficit, end of year	**$ (69,991,407)**	$ (65,129,024)

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

Samaritan Housing Foundation, Inc.
d/b/a Searstone Retirement Community
Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	2017 (As Adjusted)
Cash flows from operating activities:		
Increase in net deficit	**$ (4,862,383)**	$ (4,333,784)
Adjustments to reconcile increase in net deficit to net cash used by operating activities:		
Change in future service obligation	**-**	(19,615,617)
Net unrealized and realized loss on short-term investments	**124,147**	-
Proceeds from non-refundable advance fees	**1,550,905**	1,536,381
Depreciation	**3,033,964**	2,996,753
Amortization of debt issuance costs and bond discount	**109,113**	175,817
Loss on early extinguishment of debt	**-**	18,231,601
Amortization of marketing costs	**31,413**	-
Amortization of advance fees	**(1,103,678)**	(1,059,320)
Interest accrued - note receivable	**(30,000)**	(30,000)
Interest and fee accrued - subordinate obligations	**536,982**	695,065
Net change in:		
Accounts receivable	**52,300**	(32,829)
Entrance fees receivable	**(11,196)**	1,276,190
Sales tax receivable	**(42,805)**	58,345
Prepaid expenses	**(85,872)**	30,038
Accounts payable	**171,602**	97,046
Accrued interest payable	**331,581**	(311,912)
Other liabilities	**25,762**	7,513
Net cash used by operating activities	**(168,165)**	(278,713)
Cash flows from investing activities:		
Purchase of property and equipment	**(4,154,823)**	(1,967,129)
Net change in assets limited as to use and short-term investments	**3,916,709**	(6,828,056)
Net cash used by investing activities	**(238,114)**	(8,795,185)
Cash flows from financing activities:		
Proceeds from bond issuance	**-**	62,350,413
Payment of deferred financing costs	**-**	(597,473)
Debt issuance costs	**-**	(1,166,175)
Payment on bonds payable	**-**	(56,135,000)
Payment on notes payable	**(25,477)**	(27,762)
Net resident deposits and refunds payable	**-**	(77,648)
Refunds of entrance fees	**(8,485,776)**	(2,455,013)
Refundable entrance fees received	**7,089,882**	7,437,893
Net cash provided (used) by financing activities	**(1,421,371)**	9,329,235
Net change in cash	**(1,827,650)**	255,337
Cash, beginning of year	**5,241,186**	4,985,849
Cash, end of year	**$ 3,413,536**	$ 5,241,186

	2018	2017 (As Adjusted)
Supplemental cash flow information:		
Cash paid during the year for interest	**$ 4,187,942**	$ 5,006,583
Refunds of entrance fees included in resident refunds payable	**$ 1,226,667**	$ 3,205,807
Refunds of advance fees included in resident refunds payable	**$ -**	$ 41,731

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Community

Samaritan Housing Foundation, Inc. (the "Corporation") d/b/a SearStone Retirement Community, is a not-for-profit corporation that was formed to acquire real property and to develop, market and operate the property as a continuing care retirement community in Cary, North Carolina (the "Community"). The Community consists of 131 apartments, 38 estate homes, 8 assisted living beds, and 16 skilled nursing beds. The Community also features common areas as well as a clubhouse, a spa/wellness center with an indoor pool, a library/business center, an arts and crafts studio, living areas, a club room and other spaces as appropriate. The first units in the Community were available for occupancy in November 2013.

Basis of Accounting and Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

Cash and cash equivalents, excluding those classified as assets limited to use, include certain investments in highly liquid instruments with original maturities of three months or less when purchased. Throughout the year, the Corporation has bank balances which exceed federal depository limits.

Assets Limited as to Use

Assets limited as to use include amounts held by a trustee which are limited as to use in accordance with the trust indenture and deposits of entrance fees paid by residents and assets designated by the Board.

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 Corporation is required to maintain an operating reserve at least equal to 25% (50% if occupancy is less than 90%) of the upcoming year's total forecasted operating costs as defined by the statute. The Corporation's Board of Directors has designated approximately $2,517,000 and $2,483,000 at December 31, 2018 and 2017, respectively, as reserves required by state statute.

Debt Issuance Costs

Debt issuance costs include the costs incurred in relation to the issuance of debt. The debt issuance costs are being amortized over the life of the debt using the straight-line method.

Deferred Marketing Costs

The Corporation defers the costs incurred in acquiring initial continuing-care contracts that are expected to be recovered from future revenues. These costs include salaries and commissions paid to sales office personnel located at the Community, direct response advertising costs, and the costs of the initial Community model. The costs are amortized on a straight-line basis over the average expected remaining lives of the residents under the contract beginning January 1, 2015, the date the Community was substantially occupied. Amortization expense related to deferred marketing costs were $31,413 and $0 for the years ended December 31, 2018 and 2017, respectively. See note below on adoption of new accounting revenue recognition standard.

Property and Equipment

The Corporation capitalizes all expenditures in excess of $1,500 for assets having a useful life greater than one year at cost. Contributed property and equipment is recorded at fair value at the date of the donation. If the donor stipulates how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Interest costs incurred on borrowed funds during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets. Routine repairs and maintenance are expensed as incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets as shown below:

Buildings	5 to 40 years
Furniture and fixtures	2 to 25 years
Vehicles	5 to 7 years

Net Assets

Net assets of the Corporation and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions- Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met either by action of the Corporation and/or the passage of time.

Statement of Operations and Changes in Net Deficit

For the purposes of presentation, transactions deemed by management to be ongoing, major, or central to providing long-term care to residents are reported as operating revenues and expenses. Peripheral or incidental transactions are reported as non-operating gains and losses. Changes in net deficit without donor restrictions which are excluded from the loss from operations, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

Resident Deposits

Each prospective Community resident is required to pay an entrance fee deposit. Entrance fee deposits are maintained in an escrow account at a financial institution. These funds will be applied to each prospective resident's total entrance fee due upon occupancy. Each prospective Community resident's entrance fee deposit is subject to refund at any time prior to occupying their unit.

Future Community residents who request upgrades and personalized features in their units are required to pay a deposit on these items. These funds will be applied to each future resident's total unit cost. Resident deposits are recorded as assets limited as to use, until the resident occupies the unit.

Liquidity Support Deposits

Liquidity support deposits were made (see Note 10) to ensure additional liquidity during the construction period of the Community. These funds were to be used to complete initial construction of the Community, if needed; in which case they would be replenished from entrance fees after a working capital fund held by the Trustee was funded when the Community opened. These funds have been used for additional working capital for operations. Interest is earned on the liquidity support deposits and is due, with the original principal, after certain conditions are met. See subsequent event at Note 15.

Deposits on Unoccupied Units

Deposits for living units to be occupied in the future are deferred when received. A portion of the deposit is refundable if the resident terminates the continuing care contract.

Deferred Revenue from Advance Fees

Deferred revenue from advance fees represent payments made by a resident in exchange for the use and privileges of the Community for life or until termination of the residency agreement. These advance fees may be partially refundable upon termination of the agreement and decline each month of occupancy straight-line over 50 months and are paid after termination of the residency agreement, provided the resident's unit is reoccupied.

Advance fees are recorded as deferred revenue and recognized as revenue earned on a straight-line basis over the estimated remaining life of each resident, actuarially adjusted annually. Any unrecognized deferred revenue at the date of death or termination of the contract is recorded as income in the period the death or termination of the contract occurs.

Continuing Care Contracts

The Corporation enters into continuing care contracts with various residents. A continuing care contract is an agreement between a resident and the Corporation specifying the services and facilities to be provided over the resident's remaining life. Under the contracts, the Corporation has the ability to increase fees as deemed necessary.

Future Service Obligation

At the end of the year, the Corporation calculates the present value of the estimated net cost of future services to be provided, including the cost of the facilities to current residents, and compares the amount with the deferred revenue from advance fees at that date. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from advance fees, a future service obligation is recorded. A liability of zero was recorded as of December 31, 2018 and 2017, because the present value of the estimated net costs of future services and use of facilities was less than deferred revenues from advance fees. The present value of the net cost of future services and use of facilities was discounted at 5.5% in 2018 and 2017.

Net Deficit

The Corporation has a significant net deficit as of December 31, 2018. Management continues on its plan to address the net asset deficiency. These plans include controlling operating expenses while maintaining quality and maintaining occupancy. These factors, along with the 2017 refinancing, will reduce the yearly operating losses. The Community's Brittany Place expansion will open in the second quarter of 2019, which includes 15 healthcare beds. The opening of the Brittany Place expansion will transfer some current independent living residents to healthcare, causing their independent living units to be resold, increasing the revenue base. Long term, Phase II of the Community is in the planning stage, which once complete will almost double the number of units in both independent living and the healthcare. Through careful management and the additional units, the Corporation plans to decrease the yearly net losses with a goal to eventual show a net asset increase.

Net Resident Service Revenue

Net resident service revenue represents the estimated net realizable amounts from residents, third-party payers, and others for services rendered, and includes estimated retroactive revenue adjustments due to future audits, reviews and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations. The Corporation does not accept the assignment of benefits from third party payers and is private pay.

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations of Credit Risk

The Community is located in Cary, North Carolina and substantially all of its residents are local residents. As of December 31, 2018 there were no entrance fees receivable.

Income Taxes

The Corporation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. The Corporation has determined that it does not have any material unrecognized tax benefits or obligations as of 2018 or 2017.

Investments

Investments in mutual funds, exchange traded funds, money markets, equity, corporate bonds, and US treasury/agency securities are measured at fair value based on quoted market prices. Investment in certain alternative investments are recorded at net asset value. Net investment gain (loss) is reported in the statement of operations and consists of interest and investment income, realized and unrealized gains and losses, less external investment expenses. See Note 12 for further discussion of fair value measurements.

Financial assistance

The Corporation currently maintains a financial assistance program and policy for Community residents holding continuing care residency agreements in the event the resident(s) should become unable to pay for services. The Corporation reserves the right to change the program and policy and does not guarantee future financial assistance. Since the Corporation does not expect to collect the normal charges for services provided for those residents who meet the financial assistance provisions, estimated charges for such assistance are not included in revenue. The cost of the charity care provided by the Corporation is based on the financial assistance that is disclosed in Note 13. No financial assistance was provided during year ended December 31, 2018.

Reclassifications

Certain amounts included in the 2017 financial statements have been reclassified to conform to the 2018 presentation. Changes in net deficit previously reported for 2017 were not affected by these reclassifications.

New Accounting Pronouncements

Revenue from Contracts with Customers

During 2018, the Corporation adopted FASB ASC Topic 606, *Revenue from Contracts with Customers,* or ASC Topic 606 under the full retrospective approach applied to certain contracts using the practical expedient in paragraph 606-10-10-4 that allows for the use of a portfolio approach, as the Corporation determined that the effect of applying the guidance to the portfolios of contracts within the scope of ASC Topic 606 on the financial statements would not differ materially from applying the guidance to each individual contract within the respective portfolio or the performance obligations within that portfolio. The five-step model defined by ASC Topic 606 requires the Corporation to: (1) identify the contracts with customers, (2) identify the performance obligations under those contracts, (3) determine the transaction prices of those contracts, (4) allocate the transaction prices to the performance obligations in those contracts and (5) recognize revenue when each performance obligation under those contracts is satisfied. Revenue is recognized when promised goods or services are transferred to the customer in an amount that reflects the consideration expected in exchange for those goods or services. The adoption of ASC Topic 606 did not result in an adjustment to the net assets except for the write-off of deferred marketing costs that are not considered incremental costs as defined in ASC Topic 606 and did not have a material impact on the amount and timing of the revenue recognition for the year ended December 31, 2018.

The promised good or service in the resident agreement for a Type A and C life care contract is that the entity is standing ready each month to provide a service such that the resident can continue to live in the facility and access the appropriate level of care based on his or her needs. As such, the entity recognizes the nonrefundable entrance fee in an equal amount allocated to each month, given the nature of the entity's performance is that of having the various residential, social or health care services available to the resident on a when-and-if needed basis each month for as long as the resident resides in the facility.

Upon adoption of ASC Topic 606, entities should evaluate costs associated with acquiring life care contracts to determine if they meet the requirements for capitalization under FASB ASC 340-40-25. Under FASB ASC 340-40-25-2, the incremental costs of obtaining a contract are those that an entity incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

As such, the entity has retrospectively adjusted the prior year financial statements for the removal of deferred marketing costs previously recorded on the balance sheets.

	ASU 2014-09 Classifications		
Revenue Classifications	**2017 Previously Presented**	**Adjustment**	**2017 (As Adjusted)**
Balance Sheet:			
Deferred Marketing Cost, net	$ 7,331,546	$ (7,139,605)	$ 191,941
Total non-current assets	135,702,583	(7,139,605)	128,562,978
Total assets	142,182,994	(7,139,605)	135,043,389
Total net deficit	(57,989,419)	(7,139,605)	(65,129,024)
Total liabilities and net deficit	142,182,994	(7,139,605)	135,043,389
Statements of Operations:			
Depreciation and amortization	3,913,197	(916,444)	2,996,753
Total expenses	17,905,432	(916,444)	16,988,988
Loss from operations	(6,634,244)	916,444	(5,717,800)
(Increase) in net deficit without donor restrictions	(5,250,228)	916,444	(4,333,784)
Net deficit, beginning of year	(52,739,191)	(8,056,049)	(60,795,240)
Net deficit, end of year	(57,989,419)	(7,139,605)	(65,129,024)
Statements of Cash Flows			
Increase in net deficit	(5,250,228)	916,444	(4,333,784)
Adjustments to reconcile increase in net deficit to net cash used by operating activities:			
Amortization of marketing costs	916,444	(916,444)	-

Presentation of Financial Statements of Not-for-Profit Entities

During the year ended December 31, 2018, the Corporation adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This accounting standard is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The 2017 financial statements have been adjusted to reflect retrospective application of the new accounting guidance, except for the disclosures around liquidity and availability of resources and analysis of expenses by functional and natural categories. These disclosures have been presented for 2018 only as allowed by ASU 2016-14.

The effect of the retrospective application of ASU 2016-14 on previously reported consolidated financial statement amounts is summarized below:

	ASU 2016-14 Classifications		
Net Asset Classifications	**Without Donor Restrictions**	**With Donor Restrictions**	**Total Net Assets**
As previously presented:			
Unrestricted	$ (65,129,024)	$ -	$ (65,129,024)
Temporarily restricted	-	-	-
Permanently restricted	-	-	-
Net assets as reclassified	$ (65,129,024)	$ -	$ (65,129,024)

Subsequent Events

The Corporation evaluated the effect subsequent events would have on the financial statements through May 21, 2019, which is the date the financial statements were issued. See Note 15.

2. Fair Value of Financial Instruments

The carrying amounts of the Corporation's financial instruments, excluding bonds payable, approximate their fair values. The fair values of the Corporation's bonds payable are estimated based on the quoted market prices for the same or similar issues.

The carrying amount and fair value of the Corporation's bonds payable at December 31 follows:

	2018		2017	
	Fair Value	**Carrying Value**	**Fair Value**	**Carrying Value**
Bonds payable	**$ 81,927,709**	**$ 85,745,000**	$ 86,065,335	$ 85,745,000

3. Revenue

The Corporation generates revenues, primarily by providing housing and health services to Community residents. The following 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 they are applying for. 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. Under ASC Topic 606, management has determined that the performance obligation for the standing obligation to provide the appropriate level of care is the predominate component and does not contain a lease component under ASC Topic 840. Resident fee revenue for non-routine 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 as described in FASB ASC 606-10-55 paragraph 42 and 51.

The disaggregated revenue from residential service revenue by service line for the years ended December 31 is as follows:

	2018	2017
Independent living	**$ 10,422,135**	$ 9,772,853
Assisted living	**518,610**	468,788
Skilled nursing	**988,083**	966,728
Total residential revenue	**$ 11,928,828**	$ 11,208,369

The Corporation provides a fully refundable residential fee upon termination of the agreement in the event of move-out, death or termination by the Corporation. The fully refundable residential fee is in conjunction with the continuing care contracts, and the Corporation has both Life Care (Type A) and Fee for Service (Type C) contracts. The refundable amount will be equal to one hundred percent of the residential fee less any amounts due to the Corporation from the resident. The total amount of contractual refund obligations under existing contracts totaled approximately $79,637,000 and $82,636,000 at December 31, 2018 and 2017, respectively. There were no entrance fees receivable at December 31, 2018 and 2017, respectively. Refundable entrance fees become currently payable when the contract terminates. Resident refunds payable were approximately $1,227,000 and $3,248,000 at December 31, 2018 and 2017, respectively.

4. Assets Limited As To Use

The composition of assets limited as to use at December 31 is set forth in the table below.

	2018	2017
Held by trustee	**$ 11,946,910**	$ 13,806,068
Reserves required by state statute	**2,516,755**	2,482,617
Resident deposits	**76,138**	570,768
Board designated	**2,038,435**	4,153,442
Other	**9,183**	23,841
Total assets limited as to use	**$ 16,587,421**	$ 21,036,736

5. Property and Equipment

Property and equipment at December 31 consists of:

	2018	2017
Land	$ 20,835,856	$ 20,835,856
Land improvements	373,552	373,552
Buildings	79,728,153	79,461,237
Furniture and fixtures	1,873,996	1,801,918
Vehicles	176,265	176,265
Construction in progress	3,999,926	1,071,562
Capitalized interest	15,419,535	14,532,070
Total fixed assets	122,407,283	118,252,460
Accumulated depreciation	(15,312,380)	(12,278,416)
Property and equipment, net	$ 107,094,903	$ 105,974,044

6. Resident Deposits

Resident deposits consist of the following at December 31:

	2018	2017
Resident deposits – reservations	$ 76,138	$ 570,768
Resident refund payable	1,226,667	3,247,538
Resident deposits – waiting list	300,000	300,000
Total resident deposits	$ 1,602,805	$ 4,118,306

7. Bonds Payable

Bonds payable consist of the following at December 31:

	2018	2017
Series 2016:		
Term bonds due 2049, interest rate of 6.000%	$ 8,000,000	$ 8,000,000
Series 2017A:		
Term bonds due 2027, interest rate of 4.250%	4,400,000	4,400,000
Term bonds due 2037, interest rate of 5.200%	19,055,000	19,055,000
Term bonds due 2047, interest rate of 5.300%	32,235,000	32,235,000
Term bonds due 2052, interest rate of 5.375%	16,040,000	16,040,000
Series 2017B:		
Term bonds due 2024, interest rate of 4.125%	6,015,000	6,015,000
Total bonds payable	85,745,000	85,745,000
Less: unamortized debt issuance costs	(1,198,282)	(1,257,751)
Less: unamortized original issue discount	(1,638,771)	(1,688,415)
Total bonds payable, net	$ 82,907,947	$ 82,798,834

In June 2012, the Corporation issued $56,135,000 of tax-exempt, fixed rate Revenue Bonds Series 2012A (“2012A Bonds”), $60,375,000 of tax-exempt, fixed rate Revenue Bonds Series 2012B (“2012B Bonds”) and $940,000 taxable, fixed-rate Revenue Bonds Series 2012C (“2012C Bonds”) through the Public Finance Authority of the State of Wisconsin (collectively, “2012 Bonds”). The proceeds of the 2012 Bonds were being used for the acquisition by the Corporation from Sears Farm, LLC (a North Carolina limited liability company which is not affiliated with the Corporation) of the land on which was developed Phase I of the Community, for construction of the Community, to fund a Debt Service Reserve Fund securing the 2012 Bonds, to fund capitalized interest for the Series 2012 Bonds, and to pay costs of issuance of the 2012 Bonds. The Series 2012B Bonds were repaid with proceeds from initial entrance fees received. The Series 2012C Bonds were paid off in full in 2014 using entrance fees received. The Series 2012A Bonds were issued at a discount of $49,484, which was being amortized as interest expense over the life of the bonds using the effective interest method. In December 2017, the Series 2012A Bonds were repaid with the proceeds of the Series 2017A and Series 2017B Bonds.

In December 2016, the Corporation issued $8,000,000 of tax-exempt, fixed rate Revenue Bonds Series 2016 (“2016 Bonds”) through the Public Finance Authority of the State of Wisconsin. The proceeds of the 2016 Bonds were being used for land purchase, landscaping, and the expansion of Community’s Brittany Place nursing facility from 8 Assisted Living and 16 Skilled Nursing Suites to 14 Assisted Living and 25 Skilled Nursing Suites. The Series 2016 Bonds were issued at a discount of $538,560, which is being amortized as interest expense over the life of the bonds using the effective interest method.

Interest on the 2012 Bonds and 2016 Bonds are due semi-annually on each June 1 and December 1, beginning December 1, 2012. The 2012 Bonds and 2016 Bonds are collateralized by substantially all of the assets of the Corporation. Under the terms of the master trust indenture underlying the 2012 Bonds and 2016 Bonds, the Corporation is required to comply with certain restrictive covenants. Certain financial covenants such as a required debt service coverage covenant are not required until the earlier of the first fiscal quarter following Stable Occupancy or the fiscal quarter ending March 31, 2018. Stable Occupancy, as defined in the Master Trust Indenture dated June 1, 2012, means the first full month following the first full fiscal year in which the aggregate average annual occupancy of the independent living units is equal to or greater than 85% and all the Series 2012B Bonds and Series 2012C Bonds have been paid in full.

In December 2017, the Corporation issued $71,730,000 of tax-exempt, fixed rate Revenue Refunding Bonds Series 2017A (“2017A Bonds”) and $6,015,000 of tax-exempt, fixed rate Revenue Bonds Series 2017B (“2017B Bonds”) through the Public Finance Authority of the State of Wisconsin (collectively, “2017 Bonds”). The proceeds of the 2017 Bonds were to be used to advance refund and defease the Series 2012A Bonds, to finance improvements and expansion of the facilities of the Community, to fund a Debt Service Reserve Fund, and to pay costs of issuance of the 2017 Bonds. The Series 2017 Bonds were issued at a discount of $1,166,175, which is being amortized as interest expense over the life of the bonds using the effective interest method. The Series 2017 Bonds are collateralized by all personal property and gross revenues of the Corporation.

The Corporation’s obligations associated with the Series 2016 Bonds are guaranteed by Sears Farm pursuant to an Amended and Restated Guaranty Agreement (the “Sears Farm Guaranty”). Performance by Sears Farm of its obligations pursuant to the Sears Farm Guaranty, and performance by the Corporation of the Corporation’s obligations associated with the Series 2016 Bonds, is secured by an Amended and Restated Deed of Trust encumbering certain of the Sears Farm property (the “Sears Farm Deed of Trust”). On March 1, 2018 Sears Farm (which is not affiliated with the Corporation) commenced a Chapter 11 bankruptcy case, in the United States Bankruptcy Court for the Eastern District of North Carolina (the “Sears Farm Bankruptcy”). The Sears Farm Bankruptcy is an event of default on the part of Sears Farm under the Sears Farm Guaranty and the Sears Farm Deed of Trust. The bond trustee under the Series 2016 Bonds and under the Series 2017 Bonds is of the view that the Sears Farm Bankruptcy is an event of default on the part of the Corporation under the Series 2016 Bonds, and that such default on the part of the Corporation under the Series 2016 Bonds is an event of default on the part of the Corporation under the Series 2017 Bonds (the “Alleged Defaults”), notwithstanding that the Corporation may be in compliance with all of its obligations under the Series 2016 Bonds and the Series 2017 Bonds. The Corporation disagrees with the bond trustee's view as to the effect of the Sears Farm Bankruptcy on the Series 2016 Bonds and the Series 2017 Bonds.

The Corporation is required to comply with certain financial covenants, which include debt service coverage and liquidity ratios. The Corporation was not in compliance with these covenants at December 31, 2018 (the "Covenant Default").

On March 4, 2019, the Corporation entered into a Forbearance Agreement with the bond trustee under the Series 2016 Bonds and under the Series 2017 Bonds, pursuant to which the bond trustee under the Series 2016 Bonds and under the Series 2017 Bonds agreed to forbear from the exercise of any rights or remedies under the documentation of the Series 2016 Bonds and under the documentation of the Series 2017 Bonds arising by reason of the Alleged Defaults or the Covenant Default or from otherwise taking action with respect to the Alleged Defaults or the Covenant Default, until the earlier of either (a) May 30, 2020, or (b) the occurrence of any of certain events defined in the Forbearance Agreement as "Forbearance Termination Events."

As of December 31, 2018, required principal payments of long-term debt for the next five years and thereafter are as follows:

Fiscal Year	2017A Bonds	2017B Bonds	2016 Bonds	Total
2019	$ -	$ 550,000	$ -	$ 550,000
2020	55,000	1,005,000	-	1,060,000
2021	55,000	1,050,000	-	1,105,000
2022	65,000	1,090,000	-	1,155,000
2023	65,000	1,135,000	-	1,200,000
Thereafter	71,490,000	1,185,000	8,000,000	80,675,000
	$ 71,730,000	$ 6,015,000	$ 8,000,000	$ 85,745,000

8. Subordinate Obligations

The Corporation obtained pre-finance capital from MatchCap and Sears Farm of $6,800,000 and $2,390,000, respectively. The subordinated obligations accrue interest at 6% per annum, with a maximum amount of interest to be paid on the obligations equal to the amount of the original obligation, $6,800,000 and $2,390,000 respectively.

Certain fees in completion of the Community construction project are recorded as deferred fees that are also subordinated obligations. The Corporation owes approximately $993,000 to Sears Farm, in connection with rezoning the Community site and other construction services at December 31, 2018 and 2017. The Corporation owes approximately $477,000 and $453,000 to SearStone – RLA, Inc. for management services at December 31, 2018 and 2017, respectively. The Corporation owes approximately $711,000 to Sears, Hackney, Keener & Williams, Incorporated ("SHKW") at December 31, 2018 and 2017 as disclosed in more detail in Note 10. The deferred fees to SearStone – RLA, Inc. accrue simple interest monthly at a 6% annual rate. The other deferred fees do not accrue interest.

The Corporation entered into a balance purchase money note with Sears Farm in December 2016 for $5,311,530 for the purchase of land. The note incurs simple interest payable quarterly at a 3% annual rate. The note is payable in full due on the earlier of the date of closing or the sale of bonds in a Phase II expansion bond financing or October 31, 2021. See subsequent event at Note 15.

A summary of the principal and accrued interest amounts owed related to the subordinate obligations at December 31, 2018 and 2017, respectively, follows:

	2018			
	Match Cap	**Sears Farm**	**Deferred Fees**	**Total**
Original obligation	**$ 6,800,000**	**$ 7,701,530**	**$ 3,304,074**	**$ 17,805,604**
Accrued interest	**2,669,000**	**938,075**	**76,998**	**3,684,073**
Total	**$ 9,469,000**	**$ 8,639,605**	**$ 3,381,072**	**$ 21,489,677**

	2017			
	Match Cap	**Sears Farm**	**Deferred Fees**	**Total**
Original obligation	$ 6,800,000	$ 7,701,530	$ 3,304,074	$ 17,805,604
Accrued interest	2,261,000	833,093	52,998	3,147,091
Total	$ 9,061,000	$ 8,534,623	$ 3,357,072	$ 20,952,695

9. Notes Payable

Notes payable outstanding consist of the following at December 31:

	2018	**2017**
Note payable in monthly installments of $464 including interest at 2.19%, paid October 2018, secured by a vehicle	**$ -**	$ 5,603
Note payable in monthly installments of $468 including interest at 2.19%, paid October 2018, secured by a vehicle	**-**	4,611
Note payable due in monthly installments of $982 including interest at 6.00%, due March 2020, secured by a vehicle	**14,737**	25,206
Note payable due in monthly installments of $698 including interest at 5.84%, paid July 2018, secured by a vehicle	**-**	4,794
Total notes payable	**14,737**	40,214
Less current portion	**(11,207)**	(25,552)
Notes payable, less current portion	**$ 3,530**	$ 14,662

Maturities for the years subsequent to December 31, 2018 are as follows:

2019	$ 11,207
2020	3,530
Total notes payable	$ 14,737

10. Development, Management, and Marketing Agreements and Other Receivables

Greenbrier Development, LLC

The Corporation and Greenbrier Development, LLC ("Greenbrier") entered into a Development Consulting Services Agreement (the "Agreement") pursuant to which Greenbrier provided development, consulting, marketing and pre-opening services. As compensation for services rendered pursuant to the Agreement, Greenbrier has earned a base development consulting fee and marketing fees as set forth in the following chart:

	Fees	Fees Deferred
Fees Earned Prior to Construction Commencement		
Base Development Consulting Fee	$ 210,000	$ -
Marketing Fee	270,000	-
Total Earned Paid Prior to Construction	480,000	-
Fees Earned Prior to Opening		
Upon closing Series 2012 Bonds	890,000	-
During construction period in 24 equal installments	720,000	-
Upon obtaining Certificate of Occupancy	600,000	-
Marketing Fee	310,000	-
Total Fees Earned Prior to Opening	2,520,000	-
Fees Earned After Opening		
Pro-rata over fill-up to 90% occupancy	200,000	-
Upon Stabilized Occupancy	-	500,000
Total Fees Earned After Opening	200,000	500,000
Total Greenbrier Development Fees	$ 3,200,000	$ 500,000

There were no fees paid to Greenbrier for the year ended December 31, 2018 and 2017. Greenbrier has performed all services to be performed by it pursuant to the Agreement, and no additional fees will be earned by Greenbrier pursuant to the Agreement.

Sears, Hackney, Keener & Williams

SHKW is a full-service architectural firm located in Cary, North Carolina. The Corporation has entered into development services and architectural services agreements with SHKW. Under the development services and architectural services agreements, SHKW provided consulting services related to permits and real estate approval and to provide support to Greenbrier for the design and construction, regulatory, financing and project management of the construction of the Community, as well as monitor the construction of the Community on behalf of the Corporation. SHKW has earned or will earn the fees set forth in the following chart:

	Development Services	Architectural Services	Total
Fees:			
Earned prior to closing of Series 2012 Bonds	$ 70,000	$ 130,000	$ 200,000
Earned upon closing of Series 2012 Bonds	296,667	1,040,971	1,337,638
Earned during construction period	400,000	504,935	904,935
Earned upon obtaining certificate of occupancy	673,333	37,741	711,074
Total fees	$ 1,440,000	$ 1,713,647	$ 3,153,647

There were no fees earned by SHKW for the years ended December 31, 2018 and 2017. Of the fees earned in prior years, approximately $711,000 has been earned but deferred and is included within subordinate obligations on the balance sheets. SHKW has performed all services to be performed by it pursuant to the development services and architectural services agreements, and no additional fees will be earned by SHKW pursuant to those agreements.

SearStone – RLA, Inc. and Retirement Living Associates, Inc.

SearStone – RLA, Inc. (the "Manager") is organized under the laws of the State of North Carolina as a for-profit corporation for the purpose of providing management services for retirement living options including retirement housing and community development. The Manager is affiliated with Retirement Living Associates, Inc., ("RLA") which provides professional management, marketing, development, consulting and advisory services to senior living communities throughout North Carolina. The Manager provided $50,000, included within liquidity support in the balance sheets at December 31, 2018 and 2017, of liquidity support to initial construction of the Community to be paid from initial entrance fees. See subsequent event at Note 15.

The Corporation entered into a management agreement with the Manager. Pursuant to the terms of the management agreement, the Manager is responsible for the management of the Community's Independent Living Units, Healthcare Center, and non-clinical aspects of the Community, including staffing, accounting and general administrative services. The Manager is paid a base monthly fee for the first eight years following completion of initial construction, plus a percentage of the previous year's billable income from the Independent Living Units. As compensation for services rendered pursuant to the management agreement, the Manager earned management fees of approximately $549,000 and $524,000 in fiscal year 2018 and 2017 respectively. Of the fees earned under the management agreement, approximately $400,000 and $400,000 at December 31, 2018 and 2017 respectively, are subordinate to the outstanding bonds and will be deferred until certain parameters are met.

The Corporation entered into a marketing consulting services agreement with RLA. Pursuant to the terms of the marketing consulting services agreement, RLA provided certain services to the Corporation including coordinating and managing the marketing staff of the Community, develop and supervise the implementation of a marketing and sales plan, assist the Corporation in training and monitoring of the Community's marketing and sales staff, provide and coordinate administrative support in the managing of admission criteria for residents to the Community, provide and coordinate administrative support for the Community's processing of applications including maintaining appropriate records, and attending resident presentations, meetings, and marketing events as RLA shall determine are needed and as reasonably requested by the Corporation. As compensation for the services provided under the marketing consulting services agreement, the Corporation agreed to pay RLA a fee of $700,000 and reimburse RLA for certain expenses. The fee is subordinate to the outstanding bonds and is deferred until the Community meets certain occupancy parameters. This fee was considered to be earned as of December 31, 2015. RLA has performed all services to be performed by it pursuant to the marketing consulting services agreement, and no additional fees will be earned by RLA pursuant to the marketing consulting services agreement.

Sears Farm, SHKW, and the Sears Family

Williams W. Sears and his son, J.D. Sears, are the only members and managers of Sears Farm. William W. Sears is an architect and serves as the President and Chief Operating Officer of Sears, Hackney, Keener & Williams, Incorporated, a North Carolina corporation that is an architectural firm ("SHKW").

Sears Farm was the owner of the entire approximately 75 acre SearStone Planned Development District, which includes the 24 acre site on which Phase I of the Community is located. In June 2012 Sears Farm sold to the Corporation that 24 acre site in the amount of $11,570,000.

In June 2012, at the time of the closing of the Series 2012 Bonds that financed the acquisition by the Corporation of the 24 acre site on which Phase I of the Community is located, as a condition to the purchase of the Series 2012 Bonds by the bond buyers, Sears Farm transferred to the Corporation the approximate sum of $779,000, to serve as additional construction contingency funds for the initial construction of the Community, to be repaid to the extent that upon completion of construction there remained construction contingency funds. At December 31, 2013, these funds were recorded on the balance sheets as due to a related party. Upon completion of construction of the Community there remained no construction contingency funds, and at December 31, 2014 these funds were removed as due to a related party and were recorded as a capital contribution.

In June 2012, at the time of the closing of the Series 2012 Bonds that financed the acquisition by the Corporation of the 24 acre site on which Phase I of the Community is located, Sears Farm transferred to the Corporation the approximate sum of $950,000, to fund a liquidity support reserve established by the Corporation. Also, in June 2012, William W. Sears' parents transferred to the Corporation approximately $1,000,000, to fund that same liquidity support reserve. Upon the fulfillment by the Corporation of certain conditions, the balance in the liquidity support reserve will be credited against the obligations of William W. Sears and William W. Sears' parents to pay to the Corporation initial entrance fees (in the amounts of $835,000 and $713,000, respectively, included in other receivables on the balance sheets), and any remaining amount that is not applied to other amounts due the Corporation from the contributors will be returned by the Corporation to the contributors. At December 31, 2018 and 2017, Williams W. Sears and William W. Sears' parents owed the Corporation the approximate amounts of $263,000 for the cost of personalization of their residences within the Community, included within Other Receivables on the balance sheets. At December 31, 2018 and 2017, William W. Sears and William W. Sears' parents did not owe the Corporation any monthly fees for residing within the Community. See subsequent event at Note 15.

In March 2014 the Corporation loaned to Sears Farm the sum of $500,000, from the balance within the above-described liquidity support reserve, with the understanding that the loan proceeds would be used by Sears Farm to pay for the cost of construction of a parking lot located on land owned by Sears Farm, to be used by Community residents. The unpaid principal balance of the note bears interest at 6% per annum. Accrued interest on the note totaled approximately $145,000 and $115,000 at December 31, 2018 and 2017, respectively. The principal amount of this note will be discharged in full in the event certain conditions are satisfied including the release of the liquidity support reserve. See subsequent event at Note 15.

In June 2012, at the time of the closing of the Series 2012 Bonds that financed the acquisition by the Corporation of the 24 acre site on which Phase I of the Community is located, Sears Farm agreed to defer fees payable by the Corporation and related to rezoning and construction in the amount of $993,000. Also, in June 2012, at the time of the closing of the Series 2012 Bonds that financed the acquisition by the Corporation of the 24 acre site on which the Community is located, SHKW agreed to defer fees payable by the Corporation and related to architectural services in the amount of $711,000. For additional detail, see Note 8.

Sears Farm held subordinated debt due from the Corporation in the approximate sums of $8,640,000 and $8,535,000 at December 31, 2018 and 2017, respectively. For additional detail, see Note 8.

SHKW did not provide to the Corporation any architectural and management services during the year ended December 31, 2018 and 2017.

11. Operating Lease

The Corporation has entered into an agreement with an unrelated third party to lease office equipment. Total lease expense for the years ended December 31 2018 and 2017 was approximately $39,000 and $28,000, respectively.

At December 31, 2018, future minimum lease payments under the non-cancelable operating lease were as follows:

Year Ending December 31,		
2019	$	10,207
2020		10,207
2021		10,207
2022		10,207
2023		9,357
Total future minimum lease payments	$	50,185

12. Fair Value Measurements on a Recurring Basis

Fair value, as defined under generally accepted accounting principles is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Generally accepted accounting principles establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

- Level 1: Observable inputs such as quoted prices in active markets.
- Level 2: Inputs other than quoted prices in active markets that are either directly or indirectly observable.
- Level 3: Unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Corporation'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.

Assets Measured at Fair Value on a Recurring Basis

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 stocks, 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.

The Corporation 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 year ended December 31, 2018.

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

	December 31, 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Corporate Bonds	$ -	$ 1,157,556	$ -	$ 1,157,556
US Treasury/Agency Securities	-	960,923	-	960,923
Mutual funds – fixed income	1,216,250	-	-	1,216,250
Equity	1,379,618	-	-	1,379,618
Exchange-traded funds	22,122	-	-	22,122
Money market funds	-	214,021	-	214,021
Total	$ 2,617,990	$ 2,332,500	$ -	$ 4,950,490

The Corporation had $13,159 of accrued interest included within investments which was not included in the fair value hierarchy. In addition, at December 31, 2018, $4,555,190 of the total investments of $4,963,649 is restricted as assets limited for use.

13. Net Assets with Donor Restrictions

Net assets with donor restrictions that are temporary in nature consist of the following at December 31, 2018 and 2017:

	2018	**2017**
Financial assistance	**$ 43,792**	$ -

14. Liquidity and Availability

As part of its liquidity management, the Corporation has a policy to structure its financial assets to be available as its general expenses, liabilities, and other obligations come due. In addition, the Corporation 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 Corporation'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 Corporation seeks to maintain sufficient liquid assets to cover three months' operating and capital expenses.

Asset Categories	**2018**
Cash and cash equivalents	$ 3,413,536
Accounts receivable	57,943
Investments and assets limited as to use	16,995,880
Less: Held by trustee	(11,946,910)
Less: Reserves required by state statute	(2,516,755)
Less: Resident deposits and other restrictions	(85,321)
	$ 5,918,373

15. Subsequent event

On May 13, 2019, the Bankruptcy Court entered an Order confirming a Plan of Reorganization of Sears Farm (the "Plan of Reorganization"). Pursuant to the Plan of Reorganization and a Mediated Settlement Agreement among Sears Farm, William W. Sears, the trustee under the Series 2016 Bonds and under the Series 2017 bonds, and the Corporation, which had been approved by the Bankruptcy Court on March 27, 2019 (the "Mediated Settlement Agreement"), on April 26, 2019:

- Sears Farm conveyed to the Corporation a 0.77 acre tract of land surrounded by other land already owned by the Corporation (thereby eliminating the ownership by others of any land within the "core" site for Phase I and Phase II of the Community);
- The Corporation paid to Sears Farm the sum of $1,000,000;
- The balance purchase money note referenced in note 8 was modified so as to (a) reduce from $5,311,530 to $2,000,000 the principal balance thereof, (b) extend the date for the maturity thereof to the earlier of October 31, 2022 or the date on which the Corporation obtains construction funding for Phase II of the Community in an amount sufficient to construct approximately 152 independent living units, and (c) eliminate the accrual of interest and any obligation to pay accrued interest;
- All obligations on the part of the Corporation to repay amounts with respect to the liquidity support deposits were either satisfied or eliminated; and
- The Corporation paid the Estate of John Sears the sum of $629,000, in full satisfaction of all obligations of the Corporation to the Estates of John and Maggie Sears pursuant to their Membership & Residency Agreement, or with respect to the liquidity support fund.

Additionally, pursuant to the Plan of Reorganization and the Mediated Settlement Agreement:

- The current fees owed by William W. Sears or his wife for residing in the Community will be offset against any amount otherwise payable to William W. Sears, his wife, or either of their respective estates, as a repayment of entrance fees with respect to their residence within the Community;
- Effective as of a "Plan Consummation Date" which will be a date mutually acceptable to the bond trustee under the Series 2016 Bonds and the Series 2017 Bonds, the Corporation, and Sears Farm, that is not later than June 12, 2019 (the "Plan Consummation Date"), the Sears Farm Deed of Trust will be modified to release certain property, and to modify the release provisions for the remaining property encumbered thereby (among the release provision modifications will be a provision requiring that $500,000 of the proceeds of the first sale of property encumbered by the Sears Farm Deed of Trust to be paid into a "Series 2016 Additional Reserve Fund," which will serve as additional collateral for the Series 2016 Bonds and which will be applied to the payment of the Series 2016 Bonds upon their stated maturity or earlier acceleration or redemption); and
- Effective as of the Plan Consummation Date, (a) the Corporation will increase the interest rate due on the Series 2016 and 2017 bonds by 0.3125% per annum, and (b) the Corporation will establish a new interest reserve fund, in lieu of the prior liquidity support fund, into which the Corporation will deposit $1,500,000.

16. Schedule of Expenses by Natural Classification and Function

The following is a schedule of expenses by both natural classification and function for the year ended December 31, 2018:

	Program Services				Administrative		
	Independent	Assisted Living	Skilled Nursing	Total	and General	Marketing	Total
General and administrative	$ -	$ -	$ -	$ -	$ 781,596	$ -	$ 781,596
Marketing and advertising	-	-	-	-	-	258,668	258,668
Payroll and related expense	653,118	517,979	1,035,957	2,207,054	2,510,750	188,952	4,906,756
Utilities and facilities	73,499	16,549	174,725	264,773	1,141,083	566	1,406,422
Operating and maintenance	78,692	264,229	47,082	390,003	1,546,866	13,954	1,950,823
Taxes and insurance	-	-	-	-	160,796	-	160,796
Interest expense	-	-	-	-	4,366,589	-	4,366,589
Depreciation	2,669,888	121,359	242,717	3,033,964	-	-	3,033,964
Amortization	-	-	-	-	118,246	-	118,246
Total expenses included in the expenses section on the statement of operations and changes in net deficit	$ 3,475,197	$ 920,116	$ 1,500,481	$ 5,895,794	$ 10,625,926	$ 462,140	$ 16,983,860

Exhibit 3

Comparison between Forecasted Financial Statements and Actual Financial Statements

[see attached]

Samaritan Housing Foundation, Inc. d/b/a SearStone Retirement Community
Comparison of Audit to Forecast Statements
Year Ending December 31, 2018

Balance Sheet	**Audit 2018**	**Forecast 2018**	**Variance +(-)**	
Assets				
Current assets:				
Cash and cash equivalents				
Unrestricted Cash	$ 3,413,536	$ 1,530,000	$ 1,883,536	a
Assets limited as to use, current portion	802,467	365,000	437,467	a
Accounts receivable	57,943	74,000	(16,057)	
Sales tax receivable	77,015	34,000	43,015	
Prepaid expenses	215,128	157,000	58,128	
Short-term investments	408,459	-	408,459	a
Total current assets	4,974,548	2,160,000	2,814,548	
Non-current assets:				
Assets limited as to use, less current portion	15,784,954	21,951,000	(6,166,046)	a
Property, Plant and equipment, net	107,094,903	107,020,000	74,903	
Other Receivables	1,721,818	1,711,000	10,818	
Note Receivable	645,151	615,000	30,151	
Deferred marketing costs, net	160,528	6,416,000	(6,255,472)	b
Total non-current assets	125,407,354	137,713,000	(12,305,646)	
Total assets	$ 130,381,902	$ 139,873,000	$ (9,491,098)	
Liabilities and Net Deficits				
Current liabilities:				
Accounts payable	$ 807,363	$ 634,000	173,363	c
Accrued interest payable	426,329	95,000	331,329	d
Bonds payable, current portion	550,000	550,000	-	
Resident refunds payable	1,226,667		1,226,667	e
Resident deposits	376,138	4,118,000	(3,741,862)	a
Current portion of notes payable	11,207	11,000	207	
Other liabilities	228,234	202,000	26,234	
Total current liabilities	3,625,938	5,610,000	(1,984,062)	
Long-term liabilities:			-	
Bonds Payable, less current portion	82,357,947	82,346,000	11,947	
Notes payable, less current portion	3,530	5,000	(1,470)	
Subordinate Obligations	21,489,677	21,529,000	(39,323)	
Liquidity support deposits	2,000,000	2,000,000	-	
Deferred Revenue - Refundable Entrance Fees	83,020,600	83,973,000	(952,400)	e
Deferred revenue from advance fees	7,875,617	7,953,000	(77,383)	
Total long-term liabilities	196,747,371	197,806,000	(1,058,629)	
Total liabilities	200,373,309	203,416,000	(3,042,691)	
Net Assets (deficits)			-	
Without donor restrictions	(70,035,199)	(63,543,000)	(6,492,199)	b
With donor restrictions	43,792	-	43,792	
Net deficits	(69,991,407)	(63,543,000)	(6,448,407)	
Total liabilities and net deficit	$ 130,381,902	$ 139,873,000	$ (9,491,098)	

Samaritan Housing Foundation, Inc. d/b/a SearStone Retirement Community
Comparison of Audit to Forecast Statements
Year Ending December 31, 2018

Statements of Operations	**Audit 2018**	**Forecast 2018**	**Variance +(-)**	
Revenues:				
Monthly Service Fees:				
Independent Living	$ 8,533,376	$ 9,086,000	$ (552,624)	f
Assisted Living	432,298	365,000	67,298	
Skilled Nursing Services	814,600	1,138,000	(323,400)	f
Advance fee amortization	1,103,678	1,040,000	63,678	
Interest Income	273,004	113,000	160,004	g
Contributions	20,562	-	20,562	
Other	1,024,314	266,000	758,314	f
Total Revenues	12,201,832	12,008,000	193,832	
Expenses:				
General and administrative	3,363,015	3,129,000	234,015	h
Depreciation & amortization	3,065,377	4,000,000	(934,623)	i
Dining Services	1,787,875	1,862,000	(74,125)	
Marketing	475,552	514,000	(38,448)	
Health Care Services	2,215,206	2,150,000	65,206	
Transportation & security services	369,974	425,000	(55,026)	
Building & grounds maintenance	738,430	663,000	75,430	
Housekeeping	299,923	275,000	24,923	
Resident Life & wellness	184,088	238,000	(53,912)	
Other	31,000	33,000	(2,000)	
Interest	4,453,420	4,273,000	180,420	j
Total Operating Expenses	16,983,860	17,562,000	(578,140)	
Net Loss from Operations	(4,782,028)	(5,554,000)	771,972	
Non-Operating gains (losses)				
Net unrealized & realized loss on short-term			-	
investments	(124,147)		(124,147)	g
Net Non Operating losses	(124,147)	-	(124,147)	
Increase in unrestricted net deficit	(4,906,175)	(5,554,000)	647,825	
Change in net assets with donor restrictions	43,792		43,792	
Increase in net deficit	(4,862,383)	(5,554,000)	691,617	
Net deficit, beginning of year	(65,129,024)	(57,989,000)	(7,140,024)	
Net Deficit, end of year	$ (69,991,407)	$ (63,543,000)	$ (6,448,407)	

Samaritan Housing Foundation, Inc. d/b/a SearStone Retirement Community
Comparison of Audit to Forecast Statements
Year Ending December 31, 2018

Statements of Cash Flows	**Audit 2018**	**Forecast 2018**	**Variance +(-)**	
Operating activities:				
Change in unrestricted net deficit	$ (4,862,383)	$ (5,554,000)	$ 691,617	
Net unrealized and realized loss on short-term investments	124,147	0	124,147	
Proceeds from non-refundable advance fees	1,550,905	1,011,000	539,905	e
Depreciation	3,033,964	3,084,000	(50,036)	
Amortization of debt issuance costs & bond discount	109,113	98,000	11,113	
Amortization of marketing cost	31,413	916,000	(884,587)	b
Amortization of advance fees	(1,103,678)	(1,040,000)	(63,678)	
Interest accrued - net receivable	(30,000)	0	(30,000)	
Interest and fee accrued - subordinate obligations	536,982	575,000	(38,018)	
Net change in:				
Accounts receivable	52,300	36,000	16,300	
Entrance fees receivable	(11,196)	0	(11,196)	
Sales tax receivable	(42,805)	0	(42,805)	
Prepaid expenses	(85,872)	(28,000)	(57,872)	
Accounts payable	171,602	(2,000)	173,602	c
Accrued interest payable	331,581	0	331,581	d
Other liabilities	25,762	0	25,762	
Net cash provided by operating activities	(168,165)	(904,000)	735,835	
Investing activities:				
Purchase of property and equipment	(3,267,359)	(3,393,000)	125,641	
Capitalized Interest & Routine Capital Additions	(887,464)	(737,000)	(150,464)	
Net change in assets limited as to use	8,976,709	3,134,000	5,842,709	a
Purchase of Investments	(5,060,000)	(7,048,000)	1,988,000	a
Net cash used by investing activities	(238,114)	(8,044,000)	7,805,886	
Financing activities:				
Payments on Notes Payable	(25,477)	(25,000)	(477)	
Refunds of entrance fees	(8,485,776)	(6,473,000)	(2,012,776)	k
Refundable entrance fees received	7,089,882	9,099,000	(2,009,118)	l
Net cash provided by financing activities	(1,421,371)	2,601,000	(4,022,371)	
Net change in cash	$ (1,827,650)	$ (6,347,000)	$ 4,519,350	
Cash and cash equivalents, beginning of year	5,241,186	7,877,000	(2,635,814)	
Cash and cash equivalents, end of year	$ 3,413,536	$ 1,530,000	$ 1,883,536	

Explanation of Material Differences between the
Forecast Financial Statements and Actual Audited Financial Statements

The following is a comparison of the forecast financial statements for Samaritan Housing Foundation d/b/a SearStone Retirement Community (SearStone), and the actual financial statements for SearStone, which comprise the balance sheet as of December 31, 2018, and the related statements of operations and changes in net deficit and cash flows for the year ending December 31, 2018.

Variances greater than $150,000 are considered material, and are explained in the following narrative.

Balance Sheet - Comparison

(a) Cash and Cash Equivalents/Investments (under Assets limited as to use), in the aggregate, were less than forecast by $305,000. Net loss from operations was less than forecast, (see notes from material differences for the statements of operations).

	2018 Audit	2017 Forecast	Difference
Cash and cash equivalents	3,413,536.00	1,530,000.00	1,883,536.00
Assets limited as to use, current portion	802,467.00	365,000.00	437,467.00
Short-term investments	408,459.00	-	408,459.00
Assets limited as to use, less current portion	15,784,954.00	21,951,000.00	(6,166,046.00)
Resident deposits	(376,138.00)	(4,118,000.00)	3,741,862.00
	20,033,278.00	19,728,000.00	305,278.00

(b) Deferred marketing (asset) and net assets decrease by more than six million each. The new revenue recognition accounting standard required general marketing of a new product be expensed. Deferred marketing was written off directly to Net Assets. Deferred Revenue from specific unit sales such as commissions, remains on the balance sheet.

Statement of Operations – Comparison

(c) Accounts payable was higher than forecast by $173,000. Construction retainage for the health center addition was $184,000.

(d) Accrued interest was lower than forecast. Accrued interest on subordinated debt was not in the forecast.

(e) Resident Refunds payable, combined with Deferred Revenue Refundable Deposits, were higher than forecast by $274,000. This is a natural increase in the cumulative deposits. Entrance Fees typically increase each year.

	2018 Audit	2017 Forecast	Difference
Resident refunds payable	1,226,667.00		1,226,667.00
Deferred Revenue - Refundable Entrance Fees	83,020,600.00	83,973,000.00	(952,400.00)
	84,247,267.00	83,973,000.00	274,267.00

(f) The Independent Living (IL) revenue is under forecast by $553,000. The forecast for IL revenue includes $585,000 of dining revenue. The skilled nursing revenue is under forecast by $323,000. The forecast for skilled revenue includes $258,000 of dining revenue and $108,000 for additional revenue due to additional 15 beds. The beds did not open till May of 2019. Other revenue is over forecast by $758,000 due to the dining revenue that is in the IL and skilled revenue lines.

(g) Funds were transferred into an investment account in 2018. Interest income was over forecast by $160,000. However, unrealized and realized losses were under forecast by $124,000.

(h) General and Administrative expenses were over by $234,000. Several line items were each slightly over. The largest items were:

Legal expense - $80,000 due to several items issues, all within the normal course of operations.

Additional bond expenses - $15,000 with the 2017 bonds

Utility overage of $10,000

Copier Lease end – buyout fee not in forecast - $15,000

(i) Amortization of the deferred revenue was estimated on the old accounting standard. With the six million dollar decrease in deferred marketing cost, the amortization expense decreased. See note b on the deferred marketing cost.

(j) Interest expense was estimated higher than actual. The actual amount capitalized for the future project was less.

Cash Flows – Comparison

(k) Actual refunds of entrance fees were over forecast. The forecast was based on the actuarial study. However, in addition to the expected refunds, in January and additional $2.5 million of refunds were done for entrance fees that came in December of 2017.

(l) Actual Refundable entrance fees received was below forecast. In 2018, there were less new residents than forecasted.

Exhibit 4

Interim Financial Statements

[see attached]

Samaritan Housing Foundation, Inc
Balance Sheet - YTD and Prior YTD
Detail

	Month Ending 03/31/2019	Month Ending 03/31/2018
Assets		
Current Assets		
Cash and Cash Equivalents		
10100 - Cash (Petty Cash)	500	500
10115 - BB&T - Operating - Samaritan Housing dba SearStone	177,644	357,335
10125 - BB&T - Payroll - SearStone-RLA, Inc.	62,843	135,073
10135 - BB&T - Samaritan Housing Endowment Fund	10,812	14,932
10136 - Morgan Stanley - SHF Endowment Fund	0	11,720
10155 - BB&T - Money Market	2,870,377	8,958,228
Total Cash and Cash Equivalents	3,122,176	9,477,788
Accounts Receivable, Net		
Accounts Receivable		
13005 - Accounts Receivable - MSF	51,384	80,443
13010 - Accounts Receivable - Trade	50	0
13015 - Accounts Receivable - Sears Family	1,710,623	1,710,622
13016 - Accounts Receivable - Sears Parking	396,200	323,200
13017 - Allowance for Doubtful Accounts - Sears Parking	(396,200)	(323,200)
13020 - Liquidity Support Note & Interest - Sears Farm	652,795	622,548
13070 - Sales Tax Receivable	59,829	17,098
Total Accounts Receivable	2,474,681	2,430,711
Total Accounts Receivable, Net	2,474,681	2,430,711
Other Current Assets		
13040 - Prepaid Insurance	87,034	46,819
13060 - Prepaid Expenses	73,065	41,777
Total Other Current Assets	160,099	88,596
Total Current Assets	5,756,956	11,997,095
Fixed Assets, Net		
Fixed Assets		
11180 - Capitalized Interest	13,886,978	13,886,978
11260 - Brittany Place Debt Financing	96,569	400,506
11270 - Phase II Exploration Debt Financing	123,653	172,817
16000 - Land - Phase 1	12,285,856	12,285,856
16001 - Land - Phase 2	8,550,000	8,550,000
16005 - Land - Phase 1 Improvements	174,708	174,708
16006 - Land - Phase 2 Improvements and BP Expansion	198,844	198,844
16007 - Buildings - Phase II & BP Expansion - CIP	4,828,898	1,090,312
16020 - Buildings: Winston Clubhouse	16,450,932	16,450,932
16025 - Buildings: Winston Clubhouse - Modifications	127,415	83,753
16030 - Buildings: Brittany Place	3,368,898	3,368,898
16040 - Buildings: Lorraine Plaza	6,539,893	6,539,893
16045 - Buildings: Lorraine Plaza - Modifications	60,962	29,756
16050 - Buildings: Calais Terrace	11,974,332	11,970,890
16055 - Buildings: Calais Terrace - Modifications	170,320	158,871
16060 - Buildings: Estate Homes	8,931,889	8,931,889
16065 - Buildings - Estate Homes - Modifications	512,197	412,493
16070 - Buildings: LakeSide Flats	4,280,430	4,280,430
16075 - Buildings: Lakeside Flats - Modifications	154,387	63,051
16110 - Grading and Sitework	8,014,468	8,003,269
16120 - Planning, Design, Engineering & Other Costs	19,148,197	19,148,196
17000 - Furniture And Equipment	1,874,056	1,807,762
17300 - Vehicles	176,265	176,266
Total Fixed Assets	121,930,147	118,186,370
Accumulated Depreciation		
18000 - Allowance For Depreciation	16,108,461	13,049,496
Total Accumulated Depreciation	16,108,461	13,049,496
Total Fixed Assets, Net	105,821,686	105,136,874

Samaritan Housing Foundation, Inc
Balance Sheet - YTD and Prior YTD
Detail

	Month Ending 03/31/2019	Month Ending 03/31/2018
Investments		
Long Term Investments		
10101 - Board Restricted - Held in MM - Limited Use	(4,555,191)	(4,978,278)
10310 - Fidelity Investment Account - Primary	5,067,828	0
10311 - Fidelity Investment Account - Secondary	36,273	0
10312 - Fidelity Account MKT - Primary	166,182	0
10313 - Fidelity Account MKT - Secondary	233	0
11237 - Cash - Board Restricted	4,555,190	4,978,278
Total Long Term Investments	5,270,515	0
Total Investments	5,270,515	0
Other Assets		
Deposits and Prepayments		
11130 - Limited Use - Deposits (ie: Utilities)	80,115	71,115
11140 - Limited Use - Resident Deposits - Reservation - Binding	269,259	185,198
Total Deposits and Prepayments	349,374	256,313
Escrows and Reserves		
11200 - Limited Use - 2016 Construction Fund	337,691	2,092,048
11205 - Limited Use - 2016 Construction Income	0	298
11210 - Limited Use - 2016 Debt Service Reserve Fund	485,629	480,924
11215 - Limited Use - 2016 Admin Expense Fund	1,233	1,206
11220 - Limited Use - 2016 Bond Fund Interest Account	186,704	206,081
11232 - Limited Use - 20017 - Bond Fd Interest	1,617,311	1,026,341
11233 - Limited Use - 2017 - Bond Fn Principal	183,715	0
11234 - Limited Use - 2017 - Project Fund	4,212,003	5,502,361
11235 - Limited Use - 2017 - Cost of Inssuance	0	113
11236 - Limited Use - 2017 - Reserve Fd	5,063,518	5,018,365
Total Escrows and Reserves	12,087,804	14,327,737
Other Assets		
11160 - Deferred Marketing Costs	265,075	10,080,876
11165 - Accumulated Amortization - Deferred Marketing Costs	(108,565)	(2,978,440)
11170 - Deferred 2012 Bond Financing Costs	3,228,327	3,228,327
11175 - Accumulated Amortization - Deferred Financing Costs	(3,228,327)	(3,228,327)
11250 - Deferred Financing Costs - Cost of Issuance - Series 2016	504,672	504,673
11255 - Accumulated Amortization - Deferred Financing Costs - COI - Series 2016	(34,403)	(19,115)
11257 - Deferred Financing Costs - COI - Series 2017	525,869	525,868
11258 - Accumulatd Amortization - Deferred Financing Costs - Cost of Issuance - Series	(18,780)	(3,756)
11265 - Accumulated Amortization - Deferred Financing Costs - BP Expansion	(3,012)	0
11275 - Accumulated Amortization - Deferred Financing Costs - Phase II Exploration	(3,864)	0
11280 - Capitalized Interest 2016 Bonds	1,124,000	604,000
11281 - Capitalized Interest 2017B Phase II Bond	330,825	62,030
11285 - Capitalized Interest - Sears Farm Note Payable	373,262	200,383
16010 - Buildings: Construction in Progress	0	85,032
16031 - Buildings: Brittany Place Expansion	18,916	18,916
Total Other Assets	2,973,995	9,080,467
Total Other Assets	15,411,173	23,664,517
Total Assets	**$ 132,260,330**	**$ 140,798,486**
Liabilities and Net Assets		
Liabilities		
Current Liabilities		
Accounts Payable		
20005 - Accounts Payable	141,658	148,015
23010 - Disability (Short Term)	(1,876)	229
23030 - Section 125/Cancer	1,309	(165)
23040 - Section 125/Dental Insurance	(1,821)	283
23050 - Section 125/Health Insurance	0	(148)

Samaritan Housing Foundation, Inc
Balance Sheet - YTD and Prior YTD
Detail

	Month Ending 03/31/2019	Month Ending 03/31/2018
23051 - Section 125/HSA EE Contributions	118	0
23060 - Life Insurance	(4,521)	0
23061 - EE Supplemental Life Insurance - After Tax	1,236	2,975
23100 - 401K Retirement Withholding	39	944
23190 - Accrued Vacation	58,154	73,577
24000 - Payroll Clearing Account	(29,642)	(29,997)
24050 - Accrued Payroll	84,830	75,041
26110 - Refundable Entrance Fees - Overpayment	424	162
Total Accounts Payable	249,908	270,916
Accrued Liabilities		
20010 - Accounts Payable - Accrued Expenses	231,452	294,756
25045 - Series 2016 - Accrued Interest	200,000	160,000
25046 - Series 2017 - Accrued Interest	1,352,871	1,053,894
25055 - Sears Farm Note Payable - Accrued Interest	13,533	11,787
Total Accrued Liabilities	1,797,856	1,520,437
Sales & Use Tax Payable		
21010 - Sales Tax Payable	144	173
Total Sales & Use Tax Payable	144	173
Other Current Liabilities		
20220 - Resident Deposits - Reservations - Binding	269,258	185,198
20225 - Resident Deposits - Wait List	340,000	310,000
20230 - Construction - Contractor Retainage	196,057	0
Total Other Current Liabilities	805,315	495,198
Total Current Liabilities	2,853,223	2,286,724
Long Term Liabilities		
Loans		
20520 - Bank Loans - Vehicles	0	31,957
Total Loans	0	31,957
Long Term Debts		
20600 - Resident Refund Payable	1,155,223	(758,337)
25025 - Series 2016	8,000,000	8,000,000
25026 - Series 2017A	71,730,000	71,730,000
25027 - Notes Payable - Sears Farm	5,311,530	5,311,530
25028 - Series 2017B	6,015,000	6,015,000
25700 - Original Issue Discount	(49,483)	(49,483)
25710 - Original Issue Discount - Amortization	49,483	49,483
25720 - Series 2016 Original Issue Discount	(538,560)	(538,560)
25721 - Series 2017 Original Issue Discount	(1,166,175)	(1,166,175)
25725 - Series 2016 Original Issue Discount - Amortization	36,720	20,400
25726 - Series 2017 Original Issue Discount - Amortization	41,655	8,331
26100 - Refundable Entrance Fees - Initial	74,237,856	73,592,157
26120 - Refundable Entrance Fees - Turnover	30,915,275	24,642,554
26128 - Loan Against Refundable EF	(2,773)	0
26130 - Refundable Entrance Fees - Refunds	(22,300,333)	(14,606,829)
Total Long Term Debts	173,435,418	172,250,071
Total Long Term Liabilities	173,435,418	172,282,028
Other Liabilities		
Deferred Revenue		
20200 - Personalizations Deposits	1,108,725	1,067,092
20205 - Accumulated Amortization - Personalization Deposits	(244,217)	(159,436)
26000 - Deferred Revenue - Life Care Fees - Initial	7,340,298	7,340,298
26010 - Deferred Revenue - Life Care Fees - Turnover	5,524,975	3,865,225
26020 - Deferred Revenue - Life Care Fees - Refunds	(1,064,848)	(754,166)
26050 - LIfe Care Fees - Accumulated Amortization	(4,414,104)	(3,317,974)
Total Deferred Revenue	8,250,829	8,041,039
Other Liabilities		

Samaritan Housing Foundation, Inc
Balance Sheet - YTD and Prior YTD
Detail

	Month Ending 03/31/2019	Month Ending 03/31/2018
25220 - Subordinated Debt - Matchcap	6,800,000	6,800,000
25230 - Subordinated Debt - Matchcap - Accrued Interest	2,771,000	2,363,000
25240 - Subordinated Debt - Sears Farm	2,390,000	2,390,000
25250 - Subordinated Debt - Sears Farm - Accrued Interest	973,925	830,525
25500 - Liquidity Support - Sears Farm	950,000	950,000
25510 - Liquidity Support - Parents of William W Sears	1,000,000	1,000,000
25515 - Liquidity Support - SearStone - Accrued Interest	53,280	0
25520 - Liquidity Support - SearStone - RLA Inc	50,000	50,000
25610 - Deferred Fees - SearStone - RLA Inc	400,000	400,000
25620 - Deferred Fees - SearStone RLA Inc - Accrued Interest	82,998	58,999
25640 - Deferred Fees - SHKW	711,074	711,074
25650 - Deferred Fees - Sears Farm	993,000	993,000
25675 - Deferred Fees - Development Service Fee - Greenbrier	500,000	500,000
25676 - Deferred Fees - Marketing Consulting Fee - RLA Inc	700,000	700,000
Total Other Liabilities	18,375,277	17,746,598
Total Other Liabilities	26,626,106	25,787,637
Total Liabilities	202,914,747	200,356,389
Net Assets		
Retained Earnings		
30000 - Net Assets	(70,411,194)	(59,002,552)
30100 - Temporarily Restricted Net Assets	43,792	0
Total Retained Earnings	(70,367,402)	(59,002,552)
Net Income (Loss)	(287,015)	(555,351)
Total Net Assets	(70,654,417)	(59,557,903)
Total Liabilities and Net Assets	**$ 132,260,330**	**$ 140,798,486**

Samaritan Housing Foundation, Inc
Profit and Loss - Actual vs. Budget - MTD and YTD
Summary

	Month Ending 03/31/2019			Year To Date 03/31/2019			
	Actual	Budget 2019	Variance FAV/(UNFAV)	Actual	Budget 2019	Variance FAV(UNFAV)	Variance %
Operating Net Income							
Gross Profit							
Revenue							
Revenue - Resident Monthly Fees	958,917	901,691	57,225	2,867,217	2,692,268	174,949	6
Revenue - Other Resident Services	77,414	72,854	4,561	226,445	213,460	12,985	6
Revenue - Other Non-Resident	5,933	4,973	960	20,393	10,318	10,074	98
Total Revenue	1,042,264	979,518	62,746	3,114,055	2,916,046	198,009	7
Gross Profit	1,042,264	979,518	62,746	3,114,055	2,916,046	198,009	7
Operating Expenses							
General and Administrative Expenses							
Charitable Contributions	46,012	48,838	2,826	137,922	145,755	7,832	5
Computer Processing Expenses	11,806	13,128	1,321	37,843	36,995	(847)	(2)
Debt Service	(1,200)	0	1,200	15,723	0	(15,724)	0
Finance Charges	237	571	334	1,369	1,714	345	20
Travel, Meals and Entertainment	312	504	193	1,287	1,512	225	15
Office Equipment,Supplies & Printing	2,502	3,455	952	11,366	10,389	(977)	(9)
Total General and Administrative Expenses	59,669	66,496	6,826	205,510	196,365	(9,145)	(5)
Marketing and Advertising Expenses	21,078	13,962	(7,115)	53,225	41,888	(11,337)	(27)
Payroll and Related Expenses							
Benefits	19,219	40,532	21,314	88,620	125,138	36,519	29
Compensations	347,533	365,156	17,622	976,973	1,071,136	94,163	9
Payroll Expenses	33,140	33,503	363	90,978	97,697	6,719	7
Total Payroll and Related Expense	399,892	439,191	39,299	1,156,571	1,293,971	137,401	11
Utilities and Facilities							
Facilities	28,000	26,106	(1,894)	69,863	79,984	10,121	13
Repairs and Maintenance	29,727	30,704	978	92,655	91,514	(1,141)	(1)
Utilities	57,420	58,681	1,261	178,156	164,382	(13,774)	(8)
Total Utilities and Facilities	115,147	115,491	344	340,674	335,880	(4,794)	(1)
Operating and Maintenance Expenses							
Automobile Expenses	824	2,108	1,284	2,438	6,324	3,886	61
Interdepartmental Transactions	0	0	0	0	0	0	100
Professional Services	91,113	64,882	(26,232)	213,130	194,645	(18,485)	(9)
Other Operating Expense	79,950	84,628	4,679	237,524	256,478	18,952	7
Reimbursed Resident Services	(2,513)	(7,681)	(5,169)	(12,503)	(23,044)	(10,540)	46
Total Operating and Maintenance Expenses	169,374	143,937	(25,437)	440,589	434,403	(6,186)	(1)
Taxes and Insurance	14,506	14,637	131	41,892	43,911	2,018	5
Total Operating Expenses	779,666	793,714	14,048	2,238,461	2,346,418	107,957	5
Total Operating Net Income	**262,598**	**185,804**	**76,794**	**875,594**	**569,628**	**305,966**	**54**
Other Income (Expense)							
Other Income							
Interest Income	84,639	16,040	68,599	364,251	48,120	316,131	657
Total Other Income	84,639	16,040	68,599	364,251	48,120	316,131	657
Other Expense							
Interest Expenses	(360,322)	(380,412)	20,090	(1,081,067)	(1,141,236)	60,169	5
Total Other Expense	(360,322)	(380,412)	20,090	(1,081,067)	(1,141,236)	60,169	5
Depreciation and Amortization Expense							
Depreciation	(265,361)	(265,360)	0	(796,081)	(796,081)	0	0
Amortization	(8,569)	(83,033)	74,464	(25,707)	(249,099)	223,392	90
Total Depreciation and Amortization Expense	(273,930)	(348,393)	74,464	(821,788)	(1,045,180)	223,392	21
Total Other Income (Expense) Net	**(549,613)**	**(712,765)**	**163,153**	**(1,538,604)**	**(2,138,296)**	**599,692**	**28**
Net Income (Loss)	**(287,015)**	**(526,961)**	**239,947**	**(663,010)**	**(1,568,668)**	**905,658**	**58**

Samaritan Housing Foundation, Inc
Statement of Cash Flows - MTD and YTD
Detail

	Month Ending 03/31/2019	01/01/2019 Through 03/31/2019
Cash Flows from Operating Activities:		
Net Income (Loss)	(287,015)	(663,010)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	265,361	796,081
Changes in Operating Assets and Liabilities:		
Changes in Net Accounts Receivable	24,003	27,247
Changes in Prepaid Expenses and Other Assets		
Prepaid Insurance	14,506	43,517
Prepaid Expenses	(19,464)	11,512
Limited Use - Resident Deposits - Reservation - Binding	(109,598)	(193,120)
Limited Use - 2016 Construction Fund	87,877	394,990
Limited Use - 2016 Debt Service Reserve Fund	(669)	(2,121)
Limited Use - 2016 Admin Expense Fund	(2)	1,192
Limited Use - 2016 Bond Fund Interest Account	(29,327)	(88,783)
Limited Use - 20017 - Bond Fd Interest	(332,199)	(995,518)
Limited Use - 2017 - Bond Fn Principal	(46,025)	(137,882)
Limited Use - 2017 - Project Fund	194,545	613,039
Limited Use - 2017 - Reserve Fd	(1,879)	(5,927)
Changes in Prepaid Expenses and Other Assets	(242,235)	(359,101)
Changes to Accounts Payable		
Accounts Payable	38,941	(145,845)
Disability (Short Term)	(3,991)	(4,496)
Section 125/Cancer	106	832
Section 125/Dental Insurance	(1,233)	(1,822)
Section 125/Health Insurance	0	21
Section 125/HSA EE Contributions	0	(21)
Life Insurance	(1,907)	(4,521)
EE Supplemental Life Insurance - After Tax	450	1,236
401K Retirement Withholding	(6,506)	(7,238)
Accrued Vacation	(18,686)	(11,598)
Payroll Clearing Account	(142)	(138,240)
Accrued Payroll	36,643	45,439
Refundable Entrance Fees - Overpayment	29	287
Changes to Accounts Payable	43,704	(265,966)
Changes to Sales and Used Tax Payable		
Sales Tax Payable	(608)	144
Changes to Sales and Used Tax Payable	(608)	144
Changes to Accrued Liabilites and Other Liabilities		
Accounts Payable - Accrued Expenses	50,770	(104,116)
Series 2016 - Accrued Interest	80,000	160,000
Series 2017 - Accrued Interest	353,725	1,019,823
Sears Farm Note Payable - Accrued Interest	(13,533)	13,533
Resident Deposits - Reservations - Binding	109,597	193,120
Resident Deposits - Wait List	15,000	40,000
Construction - Contractor Retainage	0	11,763
Subordinated Debt - Matchcap - Accrued Interest	34,000	102,000
Subordinated Debt - Sears Farm - Accrued Interest	11,950	35,850
Deferred Fees - SearStone RLA Inc - Accrued Interest	2,000	6,000
Changes to Accrued Liabilites and Other Liabilities	643,509	1,477,973
Changes to Deferred Revenue		
Personalizations Deposits	5,765	5,764
Accumulated Amortization - Personalization Deposits	(6,947)	(20,843)
Deferred Revenue - Life Care Fees - Turnover	65,300	751,975
Deferred Revenue - Life Care Fees - Refunds	0	(51,648)
LIfe Care Fees - Accumulated Amortization	(99,444)	(310,036)
Net cash provided by operating Activities	411,393	1,388,580
Cash Flows from Investing Activities		
Capital Expenditures		

Samaritan Housing Foundation, Inc
Statement of Cash Flows - MTD and YTD
Detail

	Month Ending 03/31/2019	01/01/2019 Through 03/31/2019
Buildings - Phase II & BP Expansion - CIP	(300,474)	(828,972)
Buildings: Winston Clubhouse - Modifications	0	(2,125)
Buildings: Lorraine Plaza - Modifications	(6,257)	(9,932)
Buildings: Lakeside Flats - Modifications	(2,675)	(13,025)
Furniture And Equipment	(60)	(60)
Capital Expenditures	(309,466)	(854,114)
Purchase of long term investments and other assets		
Fidelity Investment Account - Primary	(12,397)	17,506
Fidelity Investment Account - Secondary	(101)	(36,272)
Fidelity Account MKT - Primary	(53,151)	(287,867)
Fidelity Account MKT - Secondary	(232)	(233)
Deferred Marketing Costs	0	(1,700)
Accumulated Amortization - Deferred Marketing Costs	1,906	5,718
Accumulated Amortization - Deferred Financing Costs - COI - Series 2016	1,274	3,822
Accumulatd Amortization - Deferred Financing Costs - Cost of Issuance - Series	1,252	3,756
Capitalized Interest 2016 Bonds	(80,000)	(160,000)
Capitalized Interest 2017B Phase II Bond	(41,353)	(82,706)
Capitalized Interest - Sears Farm Note Payable	(25,758)	(52,825)
Purchase of long term investments and other assets	(208,560)	(590,801)
Net cash provided by investing activities	(518,026)	(1,444,915)
Cash Flows from Financing Activities		
Changes in Debt Proceeds		
Bank Loans - Vehicles	0	(14,737)
Resident Refund Payable	0	(71,444)
Series 2016 Original Issue Discount - Amortization	1,360	4,080
Series 2017 Original Issue Discount - Amortization	2,777	8,331
Refundable Entrance Fees - Initial	0	645,700
Refundable Entrance Fees - Turnover	0	341,152
Loan Against Refundable EF	(713)	(2,772)
Refundable Entrance Fees - Refunds	0	(1,154,519)
Net cash provided by financing activities	3,424	(244,209)
Net increase (decrease) in cash	**(103,209)**	**(300,544)**
Cash - Beginning of Period	**3,225,385**	**3,422,720**
Cash - End of Period	**3,122,176**	**3,122,176**

Exhibit 5

<u>Financial Projections</u>

[see attached]

Samaritan Housing Foundation, Inc.
d/b/a SearStone

Financial Forecast

For each of the Five Years Ending December 31, 2023

(with Independent Accountants' Compilation Report thereon)

Samaritan Housing Foundation, Inc. d/b/a SearStone

Compilation of a Forecast

Five Years Ending December 31, 2023

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INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Board of Directors
Samaritan Housing Foundation, Inc. d/b/a SearStone
Cary, North Carolina

Management of Samaritan Housing Foundation, Inc. d/b/a SearStone (the "Corporation") is responsible for the accompanying financial forecast of the Corporation, which comprises forecasted balance sheets as of and for each of the five years ending December 31, 2023, the related forecasted statements of operations and changes in net deficit, and cash flows for each of the years then ending, and the related summaries of significant assumptions and accounting policies in accordance with guidelines for the presentation of a financial forecast established by the American Institute of Certified Public Accountants ("AICPA").

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

We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services Committee of the AICPA. We did not examine or review the financial forecast nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by Management. Accordingly, we do not express and opinion, a conclusion, or provide any form of assurance on the financial forecast.

There will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

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

Dixon Hughes Goodman LLP

Atlanta, Georgia
May 29, 2019

SAMARITAN HOUSING FOUNDATION, INC. D/B/A SEARSTONE

Forecasted Statements of Operations and Changes in Net Deficit
For the Years Ending December 31,
(In Thousands)

	2019	2020	2021	2022	2023
Revenues:					
Service Fees:					
Independent living	$ 8,642	$ 9,013	$ 9,400	$ 9,780	$ 10,151
Assisted living	409	464	528	555	579
Skilled nursing	834	921	1,013	1,078	1,141
Other revenues	948	997	1,049	1,094	1,138
Advance fee amortization	1,076	1,110	1,145	1,182	1,226
Investment income	192	372	397	408	430
Total Revenues	12,101	12,877	13,532	14,097	14,665
Expenses:					
General operating	2,436	2,249	2,315	2,378	2,443
Administration	578	596	614	632	651
Health care	1,653	1,710	1,770	1,825	1,881
Clinic	109	112	115	119	122
Dietary	1,933	1,989	2,047	2,102	2,159
Marketing	405	467	481	496	511
Maintenance	649	668	687	705	723
Grounds	149	153	158	162	167
Housekeeping and laundry	309	318	327	337	347
Resident life	206	213	219	226	233
Security	534	550	566	583	601
Percentage Management Fee	84	111	112	113	114
Base Management Fee	420	420	420	420	420
Total Operating Expenses	9,465	9,556	9,831	10,098	10,372
Interest Expense	4,562	4,839	5,211	5,160	5,108
Depreciation	3,115	3,169	3,156	3,147	3,141
Amortization-deferred marketing costs	31	31	31	31	31
Total Expenses	17,173	17,595	18,229	18,436	18,652
Net operating gains (losses)	(5,072)	(4,718)	(4,697)	(4,339)	(3,987)
Gain on Mediated Settlement Agreement	2,445	-	-	-	-
Change in unrestricted net deficit	(2,627)	(4,718)	(4,697)	(4,339)	(3,987)
Unrestricted net deficit, beginning of year	(69,991)	(72,618)	(77,335)	(82,032)	(86,371)
Unrestricted net deficit, end of year	$ (72,618)	$ (77,335)	$ (82,032)	$ (86,371)	$ (90,358)

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

SAMARITAN HOUSING FOUNDATION, INC. D/B/A SEARSTONE

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

	2019	2020	2021	2022	2023
Operating activities:					
Change in unrestricted net deficit	$ (2,627)	$ (4,718)	$ (4,697)	$ (4,339)	$ (3,987)
Proceeds from nonrefundable advance fees-turnover	1,038	977	986	1,001	1,005
Depreciation	3,115	3,169	3,156	3,147	3,141
Amortization of deferred marketing costs	31	31	31	31	31
Amortization of deferred financing fees	97	97	97	97	97
Amortization of advance fees	(1,076)	(1,110)	(1,145)	(1,182)	(1,226)
Net change in:					
Accounts receivable	(16)	(4)	(4)	(4)	(3)
Prepaid expenses	38	(2)	(5)	(5)	(5)
Accounts payable	(62)	8	21	21	22
Accrued interest payable	(13)	-	-	-	-
Net cash used by operating activities	**525**	**(1,552)**	**(1,560)**	**(1,233)**	**(925)**
Investing activities:					
Purchase of property and equipment	(3,185)	(2,376)	-	-	-
Capitalized interest	(628)	(419)	-	-	-
Routine capital additions	(440)	(450)	(473)	(496)	(521)
Net change in assets limited as to use	4,117	2,644	(67)	(68)	(70)
Purchase of investments	(2,893)	(481)	(104)	(329)	(371)
Net cash used by investing activities	**(3,029)**	**(1,082)**	**(644)**	**(893)**	**(962)**
Financing activities:					
Change in Subordinate Obligations	575	575	575	575	575
Payment on Purchase Money Note	(1,000)	-	-	-	-
Gain on Mediated Settlement Agreement	(2,445)	-	-	-	-
Settlement payments	(629)	-	-	-	-
Payment on Notes Payable	(11)	(4)	-	-	-
Payment of Series 2017A Bonds	-	(55)	(55)	(65)	(65)
Payment of Series 2017B Bonds	(550)	(1,005)	(1,050)	(1,090)	(1,135)
Refundable entrance fees received-turnover	9,339	8,794	8,876	9,012	9,045
Entrance fee refunds	(4,631)	(5,656)	(6,096)	(6,262)	(6,488)
Net cash provided by financing activities	**648**	**2,649**	**2,250**	**2,170**	**1,932**
Net change in cash	**$ (1,856)**	**$ 15**	**$ 46**	**$ 44**	**$ 45**
Cash and cash equivalents, beginning of year	3,414	1,558	1,573	1,619	1,663
Cash and cash equivalents, end of year	**$ 1,558**	**$ 1,573**	**$ 1,619**	**$ 1,663**	**$ 1,708**

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

SAMARITAN HOUSING FOUNDATION, INC. D/B/A SEARSTONE

Forecasted Balance Sheets
For the Years Ending December 31,
(In Thousands)

	2019	2020	2021	2022	2023
Assets					
Current assets:					
Cash and cash equivalents	1,558	1,573	1,619	1,663	1,708
Assets limited as to use, current portion	378	42	42	42	42
Accounts receivable	74	78	82	86	89
Sales tax receivable	77	77	77	77	77
Prepaid expenses	177	179	184	189	194
Total current assets	**2,264**	**1,949**	**2,004**	**2,057**	**2,110**
Investments	3,301	3,782	3,886	4,215	4,586
Assets limited as to use:					
Resident Deposits	156	156	156	156	156
Project Fund - Series 2017 Bonds	2,376	-	-	-	-
Debt Service Reserve Fund - Series 2016 Bonds	484	484	484	484	484
Debt Service Reserve Fund - Series 2017 Bonds	5,058	5,058	5,058	5,058	5,058
Statutory Operating Reserve Fund	2,520	2,588	2,655	2,723	2,793
Interest Reserve	1,500	1,500	1,500	1,500	1,500
Bond Fund	378	42	42	42	42
Total assets limited as to use	12,472	9,828	9,895	9,963	10,033
Less: current portion	(378)	(42)	(42)	(42)	(42)
Assets limited as to use, less current portion	**12,094**	**9,786**	**9,853**	**9,921**	**9,991**
Other receivables	500	500	500	500	500
Property and equipment, net	108,233	108,308	105,625	102,974	100,354
Deferred marketing costs, net	130	99	68	37	6
Total non-current assets	120,956	118,693	116,046	113,432	110,851
Total assets	**$ 126,521**	**$ 124,424**	**$ 121,936**	**$ 119,704**	**$ 117,547**

SAMARITAN HOUSING FOUNDATION, INC. D/B/A SEARSTONE

Forecasted Balance Sheets (continued)
For the Years Ending December 31,
(In Thousands)

	2019	2020	2021	2022	2023
Liabilities and Net Deficit					
Current liabilities:					
Accounts payable	$ 745	$ 753	$ 774	$ 795	$ 817
Accrued interest payable	413	413	413	413	413
Resident deposits	1,603	1,603	1,603	1,603	1,603
Current portion of Notes Payable	4	-	-	-	-
Current portion of long-term debt	1,060	1,105	1,155	1,200	1,255
Other liabilities	228	228	228	228	228
Total current liabilities	**4,053**	**4,102**	**4,173**	**4,239**	**4,316**
Long-term liabilities:					
Purchase Money Note, less current portion	2,000	2,000	2,000	2,000	2,000
Subordinate Obligations	16,754	17,329	17,904	18,479	19,054
Long-term debt, less current portion - Series 2016 Bonds	8,000	8,000	8,000	8,000	8,000
Long-term debt, less current portion - Series 2017A Bonds	71,675	71,620	71,555	71,490	71,420
Long-term debt, less current portion - Series 2017B Bonds	4,460	3,410	2,320	1,185	-
Deferred financing costs	(1,156)	(1,115)	(1,073)	(1,031)	(989)
Long-term debt payable, net	101,733	101,244	100,706	100,123	99,485
Original issue discount	(1,584)	(1,529)	(1,474)	(1,419)	(1,364)
Settlement - MF Reserve	751	751	751	751	751
Refundable entrance fees	86,349	89,487	92,267	95,017	97,574
Deferred revenue from advance fees	7,837	7,704	7,545	7,364	7,143
Total long-term liabilities	195,086	197,657	199,795	201,836	203,589
Total liabilities	**199,139**	**201,759**	**203,968**	**206,075**	**207,905**
Net deficit					
Unrestricted	(72,618)	(77,335)	(82,032)	(86,371)	(90,358)
Net deficit	(72,618)	(77,335)	(82,032)	(86,371)	(90,358)
Total liabilities and net deficit	**$ 126,521**	**$ 124,424**	**$ 121,936**	**$ 119,704**	**$ 117,547**

Samaritan Housing Foundation, Inc. d/b/a SearStone

Summary of Significant Forecast Assumptions and Accounting Policies

Basis of Presentation

The accompanying financial forecast presents, to the best of the knowledge and belief of management of Samaritan Housing Foundation, Inc. (the "Corporation") and SearStone - RLA, Inc. (collectively, "Management"), the expected financial position, results of operations, and cash flows of the Corporation as of and for each of the five years ending December 31, 2023. Accordingly, the accompanying financial forecast reflects Management's judgment as of May 29, 2019, the date of this forecast, of the expected conditions and its expected course of action during the forecast period. However, there will usually be differences between the forecast and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

Management's purpose in releasing this financial forecast is for inclusion in the Corporation's disclosure statement in accordance with Chapter 58, Article 64, of the North Carolina General Statutes. Accordingly, this report should not be used for any other purpose.

Background of the Corporation

The Corporation was incorporated in 1999 as a non-profit corporation under the laws of Georgia, and is qualified to do business in North Carolina. The Corporation was formed to acquire real property and to develop, market and operate the property as a continuing care retirement community in Cary, North Carolina, known as SearStone Retirement Community ("SearStone" or, the "Community").

The Corporation is governed by a 6-member Board of Directors (the "Directors"). None of the Directors have an ownership interest or an equitable or beneficial interest in SearStone or its assets.

Description of the Community

SearStone is located in Cary, North Carolina on approximately 41 acres near High House Road at Davis Drive. The first residential units were available for occupancy in November 2013. The Community is open to people age 62 and older, and originally consisted of 131 apartments (the "Independent Living Apartments"), 38 estate homes (the "Independent Living Homes") (collectively, the "Independent Living Units"), 8 assisted living units (the "Assisted Living Units") and a nursing facility which includes 16 skilled nursing beds (the "Nursing Beds"). The adult care home and skilled nursing accommodations are provided in the health center called "Brittany Place". The Community also features common areas as well as a clubhouse, a spa/wellness center with an indoor pool, a library/business center, an arts and crafts studio, living areas, a club room and other administrative spaces.

In December 2016, the Corporation issued $8,000,000 of tax-exempt, fixed rate Revenue Bonds Series 2016 (the "Series 2016 Bonds") through the Public Finance Authority of the State of Wisconsin. The proceeds of the Series 2016 Bonds were used to fund the cost of an expansion of Brittany Place (the "Project"). The Project included six additional assisted living units (the "New Assisted Living Units") and nine additional skilled nursing beds (the "New Nursing Beds") and opened in May 2019.

In addition, in December 2017, the Corporation issued $71,730,000 of non-rated tax-exempt fixed rate revenue refunding bonds (the "Series 2017A Bonds"), and $6,015,000 of non-rated tax-exempt revenue bonds (the "Series 2017B Bonds" and collectively with the Series 2017A Bonds the "Series 2017 Bonds"), to refund existing debt and pay for the initial development costs associated with a future expansion at the Community ("Phase II").

The following table summarizes the types of units, approximate square footage, monthly fees ("Monthly Fees") and entrance fees ("Entrance Fees") for the Independent Living Apartments.

Table 1
Independent Living Apartment Configuration

Type of Unit Unit Configuration	Number of Units	Square Footage	Entrance Fee(1)(2)	Monthly Fee(1)(3)
One Bedroom, with one bath				
Asturian	14	931 – 1,097	\$441,000 - \$456,000	\$3,130 - \$3,340
Breton	4	1,039	\$426,000	\$3,300
Galacian	6	1,165	\$441,000	\$3,870
One Bedroom, with 1 ½ bath				
Finnhorse	4	1,280	\$466,000	\$3,970
Belgian	4	1,194 - 1,356	\$476,000 - \$491,000	\$3,870 - \$4,070
Clydesdale	2	1,370	\$496,000	\$4,070
Danube	6	1,402	\$496,000	\$4,070
Two Bedroom, 2 bath				
Buckskin	22	1,204 - 1,415	\$481,000 - \$504,000	\$3,870 - \$4,020
Buckskin Terrace	2	1,750 – 1,760	\$612,000	\$5,640
Hackney	5	1,478 – 1,500	\$537,000 - \$547,000	\$5,010 - \$5,020
Shetland	8	1,562	\$601,000	\$5,190
Dartmoor	12	1,765 - 1,793	\$623,000 - \$638,000	\$5,640
Highland	8	1,866 - 1,924	\$648,000 - \$653,000	\$5,720
Two Bedroom, 2 bath, Den				
Haflinger	5	1,578 - 1,636	\$568,000 - \$573,000	\$5,190 - \$5,220
Campolina	4	2,000	\$760,000	\$5,860
Highland II	8	1,945 - 2,006	\$658,000 - \$678,000	\$5,740 - \$5,900
Caspian	2	1,811 - 2,092	\$760,000 - \$762,000	\$5,670 - \$5,900
Pegasus	8	1,853	\$647,000	\$5,690
Appaloosa	1	2,085	\$703,000	\$5,900
Estonian	6	2,238 - 2,294	\$749,000	\$6,220
Total/weighted average	**131**	**1,700**	**\$564,565**	**\$4,735**
Second person fees				\$1,411

Source: Management

(1) The Entrance Fee and Monthly Fee pricing is effective as of January 1, 2019.

(2) Management initially offered two Entrance Fee plans: the Fee for Service Plan ("Type C Plan") and the LifeCare Plan ("Type A Plan"). The Type A Plan is the only plan currently offered to new residents and pricing is shown in the table above (including the LifeCare fee of \$62,000 per person).

(3) Management offers two resident service packages: The "Gold Package" and the "Platinum Package."
   a. The Monthly Fees shown in the table above reflect the Gold Package. The Gold Package provides for 15 meals per month and monthly housekeeping.
   b. The Monthly Fees for the Platinum Package are an additional \$300 per month (the "Platinum Monthly Fee") and provides for one meal per day and weekly housekeeping.

The following table summarizes the types of units, approximate square footage, current Monthly fees and Entrance Fees for the Independent Living Homes. The Independent Living Homes have one, two and three story options.

Table 2
Independent Living Homes Configuration

Type of Unit Unit Configuration	Number of Units	Square Footage	Entrance Fee(1)(2)	Monthly Fee(1)(3)
Two Bedroom, 2 bath				
Jutland	10	1,766 – 1,926	$632,000	$5,700
Murgese	10	1,902	$739,000 - 884,000	$5,720 - 6,790
Lipizzan	2	2,082	$739,000	$5,900
Selle	2	1,991	$852,000	$6,130
Nordland	6	2,406	$884,000	$6,790
Morgan	2	1,999	$717,000	$5,850
Shire	2	2,394	$852,000	$6,130
Percheron	2	2,558	$830,000	$6,530
Murgese III	2	3,914	$911,000	$7,010
Total/weighted average	**38**	**2,179**	**$758,316**	**$6,054**
Second person fees				$1,411

Source: Management

(1) The Entrance Fee and Monthly Fee pricing is effective as of January 1, 2019.

(2) Management initially offered two Entrance Fee plans: the Fee for Service Plan (“Type C Plan”) and the LifeCare Plan (“Type A Plan”). The Type A Plan is the only plan currently offered to new residents and pricing is shown in the table above (including the LifeCare fee of $62,000 per person).

(3) Management offers two resident service packages: The “Gold Package” and the “Platinum Package.”
   a. The Monthly Fees shown in the table above reflect the Gold Package. The Gold Package provides for 15 meals per month and monthly housekeeping.
   b. The Monthly Fees for the Platinum Package are an additional $300 per month (the “Platinum Monthly Fee”) and provides for one meal per day and weekly housekeeping.

The Healthcare Center

Admittance to the Assisted Living Units and the Nursing Beds (collectively, the "Healthcare Center") is restricted to those residents who have signed a Membership and Residency Agreement (the "Residency Agreement") and are transferring from the Independent Living Units.

The following table summarizes the type, number, approximate square footage, and the Monthly Fees for the Healthcare Center:

Table 3
Healthcare Center Configuration

	Number of Units	Square Footage	Entrance Fee	Monthly Fee (1)(2)(3)
Assisted Living Units (4)	14	527	Not applicable	$6,483
Nursing Beds (4)	25	291	Not applicable	$12,145
Total	39			

Source: Management

(1) Pricing is effective as of January 1, 2019.

(2) Assisted Living rate reflects the Gold Package for the Fee for Service option.

(3) Residents who have selected the Type A Plan and are temporarily or permanently transferred to the Healthcare Center will continue to pay their Independent Living Unit Monthly Fee. Under the Platinum Package, Residents will receive 30 meal credits per month and pay an additional $600 per month for 60 meals. Under the Gold Package, Residents will receive 15 meal credits per month and pay an additional $750 per month for 75 meals. Residents who selected the Type C Plan and are temporarily or permanently transferred to the Healthcare Center would pay the then current Monthly Fee for assisted living or nursing care services.

(4) Six New Assisted Living Units and nine New Nursing Beds related to the Project opened in May 2019.

Management Agreement

SearStone – RLA, Inc. (the "Manager") is affiliated with Retirement Living Associates, Inc. which provides professional management, marketing, development, consulting and advisory services to senior living communities throughout the State of North Carolina.

The Manager is responsible for the management of the Community's Independent Living Units, Healthcare Center, and non-clinical aspects of the Community, including staffing, accounting and general administrative services. As compensation for services rendered, the Corporation is expected to pay the Manager a Base Management Fee (the "Base Management Fee" and a Percentage Fee (the "Percentage Fee"). Pursuant to the Management Agreement, the Base Management Fee is paid in the amount of $35,000 per month. For purposes of the forecast, the Base Management Fee is assumed to increase thereafter at a rate of 3.0 percent annually.

The Percentage Fee is equal to 1.5 percent of the previous year's billable income from the Independent Living Units, not to exceed 20 percent of the total fees paid to the Manager for any calendar year. As of December 31, 2018, the Manager has deferred $400,000 of its Base Management Fee and Percentage Fee (the "Deferred Management Fees"). Pursuant the Management Agreement, $400,000 is the maximum level of Deferred Management Fees allowed. Management assumes no change to the Deferred Management Fee balance during the forecast period.

The Deferred Management Fees accrue interest at 6.0 percent, the payment of which will also be deferred ("Interest Payable – Deferred Management Fees").

Residency Agreement

The Residency Agreement is a contract under which the Corporation is obligated, upon payment by the resident of an Entrance Fee and ongoing payments of the Monthly Fee to the Corporation, to provide certain services for life to the resident.

Admittance Standards

To be accepted for admission to the Independent Living Units, a prospective resident must be at least 62 years of age (or if a couple, one spouse is at least 62 years of age) at the time residency is established, 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 Residency Agreement.

In order to reserve an Independent Living Unit at the Community, a prospective resident must provide a signed Residency Agreement and the payment of an initial Entrance Fee deposit equal to 10 percent of the applicable Entrance Fee pricing for the selected Independent Living Unit (the "Entrance Fee Deposit"). The prospective resident (the "Depositor") must also complete a confidential data application, submit a confidential personal health history questionnaire and a lifestyle review survey, and be certified by the Community's physician to be physically able to live independently at the Community.

Services and Amenities

Under the Residency Agreement, payment of the Entrance Fee and Monthly Fee entitles all residents of the Independent Living Units ("Residents") to receive the following services and amenities:

- Security and 24 hour emergency call systems;
- Maintenance of both the unit and the grounds and equipment;
- Scheduled local transportation;
- Valet parking for Residents of The Winston Clubhouse;
- Planned social, educational, cultural and recreational activities;
- Additional storage space for the Independent Living Units;
- Use of the community areas, private dining and meeting rooms, lounges, lobbies, library, social and recreational rooms, and other common activity facilities; and
- Priority access and services in the Healthcare Center.

Management offers two resident service packages: the "Gold Package" and the "Platinum Package." Dining and housekeeping service are based on the selected resident service package and are as follows:

Service	The Gold Package	The Platinum Package
Dining	15 meals per month	1 meal per day
Housekeeping	monthly	weekly

Residents have the opportunity to change their selected service package on a monthly basis, given 30 days' notice. For the purpose of this forecast, Management has assumed that approximately 98 percent of the Residents will select the Gold Package and 2 percent would select the Platinum Package in 2019 and thereafter.

Additional services are available to Residents for an extra charge including, but not limited to: additional meals, additional housekeeping and linen services, traveler's services, extra underground parking, and other concierge services.

Health Care Benefit

Under the Residency Agreement, the Community provides assisted living and nursing care services in the Healthcare Center. The Monthly Fee for Residents who transfer to the Healthcare Center are based on the Entrance Fee plan selected: Type A Plan or Type C Plan.

Residents who select the Type A Plan and are transferred to the Healthcare Center would continue to pay their Monthly Fee plus the cost of three meals per day. In the event the Assisted Living Units are full, Residents are temporarily moved to an outside facility at no additional Monthly Fee. If a Resident requires nursing services and the Skilled Nursing Beds are full, Management arranges for nursing care to be provided at SearStone's expense in an appropriate nursing establishment until available occupancy in the Skilled Nursing Beds is available.

Residents who selected the Type C Plan and are temporarily or permanently transferred to the Healthcare Center would pay the then current Monthly Fee for assisted living or daily fee for nursing care services. In addition, in the event the Assisted Living Units are full, Residents are temporarily moved to an outside facility at an additional charge. In the event that the Skilled Nursing Beds are full, Residents are provided access to outside nursing services at the expense of the Resident.

The Community offered Type A and Type C contracts to the initial residents of the Community. Management assumes that only the Type A contract will be offered to turnover residents during the forecast period.

Summary of Significant Accounting Policies

(a) Basis of Accounting

The Corporation maintains its accounting and financial records according to the accrual basis of accounting.

(b) Use of Estimates

The preparation of prospective financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the prospective financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(c) Gain on Mediated Settlement Agreement

Based on the terms of the Mediated Settlement Agreement (hereinafter defined), Management has reflected related transactions that result in a non-cash operating gain totaling approximately $2,445,000.

(d) Deferred Costs

Management has implemented ASU No. 2014-09 "Revenue from Contracts with Customers", and adjusted the treatment of deferred marketing costs. Previously, all marketing costs incurred by the Corporation in acquiring initial Resident contracts were capitalized and amortized on a straight-line basis over a period of the approximate average life expectancy of the initial Residents. Under the new Standard, only incremental marketing expenditures incurred specifically to obtain the Resident contract can be capitalized. Management assumes that future incremental marketing costs incurred specifically to obtain incremental Resident contracts are to be capitalized. Prior to implantation of ASU No. 2014-09, amortization of deferred marketing costs was budgeted to reflect an operating expense of approximately $916,000 for the fiscal year ending December 31, 2019. Subsequent to implantation of ASU No. 2014-09, amortization of deferred marketing costs is budgeted to reflect an operating expense of approximately $31,000 for the fiscal year ending December 31, 2019.

Costs associated with the issuance of the Series 2016 Bonds and the Series 2017 Bonds are assumed to be capitalized and amortized over the expected life of the Series 2016 Bonds and the Series 2017 Bonds using the effective interest method. Debt issuance costs are netted against the related debt on the balance sheet and the amortization is included in interest expense on the statements of operations.

(e) Property, Equipment and Depreciation Expense

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

(f) Assets Limited as to Use

Assets limited as to use are assumed to be carried at fair value, which, based on the nature of the underlying securities (assumed to be high-grade debt securities), is assumed to approximate historical cost. Management assumes no material changes in fair values that result in material net realized or unrealized gains or losses during the forecast period.

(g) Investment Income

Investment income, other than that capitalized as part of project costs, is reported as operating revenue unless restricted by donor or law. Management does not project any unrealized gains or losses on investments.

(h) Costs of Borrowing

Net interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

(i) Deferred Revenue from Advance Fees

The non-refundable advance fees received are recorded as deferred revenue and are recognized as operating income using the straight-line method over the estimated remaining life expectancy of the residents in the Independent Living Units, adjusted annually as determined by actuarial life expectancy tables.

(j) Refundable Entrance Fees

The refundable portion of the Entrance Fee is maintained as a liability, reflecting the Corporation's future obligation for repayment.

(k) Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid securities with an original maturity of three months or less when purchased.

(l) Income Taxes

The Corporation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes.

Summary of Revenue and Entrance Fee Assumptions

Independent Living Revenue

Resident service revenue is based upon charges for services provided to Residents of the Independent Living Units. Resident service revenue for independent living Residents is based upon the assumed occupancy and the Monthly Fees of the respective units. Management assumes the Independent Living Unit's Monthly Fees will increase 4.5 percent on January 1, 2020 and annually thereafter.

Assumed Independent Living Utilization

The Independent Living Units are assumed to maintain approximately a 95 percent occupancy level throughout the forecast period. The following table summarizes the assumed utilization of the Independent Living Units.

Table 4
Utilization of the Independent Living Units

Years ended December 31,	Average Units Occupied	Average Units Available	Average Occupancy
Forecasted:			
2019	161.0	169.0	95.3%
2020	161.0	169.0	95.3%
2021	161.0	169.0	95.3%
2022	161.0	169.0	95.3%
2023	161.0	169.0	95.3%

Source: Management

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 provided by Management.

Refunds of Entrance Fees are generated upon termination of the Residency Agreement and withdrawal from the Community.

The following table presents the assumed turnover Entrance Fees received and the total Entrance Fee refunds.

Table 5
Turnover Entrance Fee Receipts and Total Entrance Fee Refunds
Independent Living Units
(In Thousands)

Fiscal Year Ending December 31,	2019	2020	2021	2022	2023
Turnover					
Number of Entrance Fees Received	16.0	15.0	15.0	15.0	15.0
Entrance Fees Received	$10,377	$9,771	$9,862	$10,013	$10,050
Refunded					
Number of Entrance Fees Refunded	13.1	15.0	15.0	15.0	15.0
Entrance Fees Refunded	($4,631)	($5,656)	($6,096)	($6,262)	($6,488)
Entrance Fees Received, Net of Refunds	$5,746	$4,115	$3,766	$3,751	$3,562

Source: Management

The double occupancy percentage in the Independent Living Units is assumed to be 48.8 percent in fiscal year 2019 declining to 44.8 percent in fiscal year 2023.

Healthcare Center Revenue

Healthcare Center fees are assumed to be generated from services provided to Residents transferring from the Independent Living Units.

Residents who selected the Type A Plan and are transferred to the Healthcare Center continue to pay their Monthly Fee plus the cost of additional meals. In the event the Assisted Living Units or the Skilled Nursing Beds are full, Residents are temporarily moved to an outside facility at no additional Monthly Fee. If a Resident requires additional nursing services, Management arranges for nursing care to be provided in an appropriate nursing establishment until available occupancy in the Skilled Nursing Beds is available.

Residents who selected the Type C Plan and are temporarily or permanently transferred to the Healthcare Center pay the then-current Monthly Fee for assisted living or daily fee for nursing care services. In addition, in the event the Assisted Living Units are full, Residents are temporarily moved to an outside facility at an additional charge.

The Skilled Nursing Beds are assumed to provide services to private-pay Residents only. Management assumes Healthcare Center fees to increase 4.5 percent January 1, 2020 and annually thereafter.

Assumed Healthcare Center Utilization

The Community has accommodations, equipment, staffing, programs, services, and supervision necessary for the Healthcare Center to be available to Residents on a priority basis. However, Management cannot guarantee access to these areas. Management assumes the Healthcare Center to be restricted to those Residents who have signed a Residency Agreement and are transferring from an Independent Living Unit. In the event that space is not available in the Healthcare Center, Management will arrange for temporary care in another facility that can provide the same care that may have otherwise been provided at the Community. The following table summarizes the assumed utilization of the Assisted Living Units.

Table 6
Utilization of the Assisted Living Units

Years ended December 31,	Average Number of Units Occupied	Average Number of Units Available	Average Occupancy	Residents at Outside Assisted Living Facilities
Forecasted:				
2019 (1)	9.3	11.0	84.5%	2.0
2020	12.3	14.0	87.9%	-
2021	13.4	14.0	95.7%	-
2022	13.5	14.0	96.4%	-
2023	13.5	14.0	96.4%	-

Source: Management
(1) The New Assisted Living Units were available for occupancy in May 2019.

The Skilled Nursing Beds are assumed to be filled solely through internal transfer of residents from the Independent Living Units and the Assisted Living Units, as provided by Management. The following table summarizes the assumed utilization of the Skilled Nursing Beds.

Table 7
Utilization of the Skilled Nursing Beds

Years ended December 31,	Average Number of Beds Occupied	Average Number of Beds Available	Average Occupancy	Residents at Outside Nursing Facilities
Forecasted:				
2019 (1)	19.3	20.5	94.1%	1.0
2020	21.4	25.0	85.6%	-
2021	22.6	25.0	90.4%	-
2022	23.0	25.0	92.0%	-
2023	23.3	25.0	93.2%	-

Source: Management
(1) The New Nursing Beds were available for occupancy in May 2019.

Advance Fee Amortization

Advance fee amortization is based on the non-refundable portion of the entrance fees received each year amortized over the life expectancy of each Resident in the Independent Living Units throughout the forecast period.

Turnover of the Independent Living Units has been based on information provided by Management. Management assumes the Entrance Fees and LifeCare Entrance Fees would increase by 1.0 percent annually beginning January 1, 2020.

Investment Income

Management's assumption for average annual rate of return on cash and investments is assumed to approximate 5.00 percent per annum.

Other Income

Other revenue consists of revenues from additional Resident meals and snacks, guest meals, guest apartment rentals, barber and beauty fees, and other miscellaneous sources. These revenues are assumed to increase 4.5 percent beginning January 2019 and annually throughout the forecast period.

Summary of Operating Expense Assumptions

Operating expenses are estimated by Management based on its experience at the Community and with the development and operation of similar retirement communities. Salaries, wages and employee benefits are assumed to increase 3.0 percent beginning January 1, 2020 and annually thereafter. For the purpose of this forecast, Management assumes employee benefits will approximate 17.1 percent of salaries during the forecast period.

Other non-salary operating expenses are assumed to include ongoing marketing costs, raw food costs, utilities, supplies, maintenance and security contracts, building and general liability insurance, legal and accounting fees, and other miscellaneous expenses and are assumed to increase 3.0 percent beginning January 1, 2020 and annually throughout the forecast period.

Assets Limited as to Use

The trustee (the "Trustee") for the Series 2016 Bonds and the Series 2017 Bonds is assumed to maintain the following funds and accounts under the terms of the bond documents related to the Series 2016 Bonds and the Series 2017 Bonds:

(1) Project Fund, funded at closing from Series 2017 Bonds proceeds, to be used to pay development costs associated with Phase II.

(2) The Debt Service Reserve Funds, funded with proceeds at closing of the Series 2016 Bonds and with proceeds at closing of the Series 2017 Bonds.

(3) Bond Fund, which is to contain the bond principal and interest payments due on the Series 2016 Bonds and the Series 2017 Bonds.

(4) Interest Reserve, established within 30 days of the approval of the Mediated Settlement Agreement (hereinafter defined).

Operating Reserve Requirement

North Carolina General Statute § 58-64-33 requires CCRC's to maintain an operating reserve (the "Statutory Operating Reserve") equal to 50 percent of the total operating costs in a given year, or 25 percent of such total operating costs if occupancy as of a certain date exceeds 90 percent of the Independent Living Unit capacity. In addition to total operating expenses, total operating costs will include debt service, consisting of principal and interest payments along with taxes and insurance on any mortgage loan or other long term financing, but will exclude depreciation, amortized expenses, and extraordinary items as approved by the Department. If the debt service portion is accounted for by way of another reserve account, the debt service portion may be excluded. The Operating Reserve Fund shall only be released upon the submittal of a detailed request and must be approved by the Department. Such requests must be submitted in writing for the Department to review at least 10 business days prior to the date of withdrawal. This law provides security to Residents that the Community is able to meet its contractual obligations to provide continuing care. Management's forecast shows sufficient cash and investment balances to comply with the Statutory Operating Reserve requirement throughout the forecast period.

Property and Equipment and Depreciation Expense

The Community 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.

Table 8
Schedule of Property and Equipment
(In Thousands)

Years Ending December 31,	**2019**	**2020**	**2021**	**2022**	**2023**
Property and equipment, gross Beginning balance	$ 119,373	$ 123,626	$ 126,870	$ 127,343	$ 127,839
Project expenditures	735	-	-	-	-
Phase II development	2,450	2,376	-		
Capitalized interest	628	419	-	-	-
Routine capital additions	440	450	473	496	521
Property and equipment, gross	$ 123,626	$ 126,870	$ 127,343	$ 127,839	$ 128,360
Accumulated depreciation	(15,393)	(18,562)	(21,718)	(24,865)	(28,006)
Property and equipment, net ending balance	$ 108,233	$ 108,308	$ 105,625	$ 102,974	$ 100,354

Source: Management

Mediated Settlement Agreement

On May 13, 2019 the United States Bankruptcy Court for the Eastern District of North Carolina entered an Order confirming a Plan of Reorganization of Sears Farm, LLC ("Sears Farm") (the "Plan of Reorganization"). Pursuant to the Plan of Reorganization and a mediated settlement agreement among Sears Farm, William W. Sears, the Trustee, and the Corporation, which had been approved by the bankruptcy court on March 27, 2019 (the "Mediated Settlement Agreement"), on April 26, 2019:

- Sears Farm conveyed to the Corporation a 0.77 acre tract of land surrounded by other land already owned by the Corporation;
- The Corporation paid to Sears Farm the sum of $1,000,000;
- The balance of the Purchase Money Note (hereinafter defined) was modified so as to (a) reduce from $5,311,530 to $2,000,000 the principal balance thereof, (b) extend the date for the maturity thereof to the earlier of October 31, 2022 or the date on which the Corporation obtains construction funding for a future phase of the Community ("Phase II") in an amount sufficient to construct approximately 152 independent living units, and (c) eliminate the accrual of interest and any obligation to pay accrued interest;
- All obligations on the part of the Corporation to repay amounts with respect to the liquidity support deposits were either satisfied or eliminated; and
- The Corporation paid the estate of John Sears the sum of $629,000, in full satisfaction of all obligations of the Corporation to the estates of John and Maggie Sears pursuant to their Residency Agreement, or with respect to the liquidity support fund.

Additionally, pursuant to the Plan of Reorganization and the Mediated Settlement Agreement:

- The current fees owed by William W. Sears or his wife for residing in the Community will be offset against any amount otherwise payable to William W. Sears, his wife, or either of their respective estates, as a repayment of Entrance Fees with respect to their residence within the Community;
- Effective as of a "Plan Consummation Date" which will be a date mutually acceptable to the Trustee, the Corporation, and Sears Farm, that is not later than June 12, 2019 (the "Plan Consummation Date"), the Sears Farm Deed of Trust will be modified to release certain property, and to modify the release provisions for the remaining property encumbered thereby (among the release provision modifications will be a provision requiring that $500,000 of the proceeds of the first sale of property encumbered by the Sears Farm Deed of Trust to be paid into a "Series 2016 Additional Reserve Fund," which will serve as additional collateral for the Series 2016 Bonds and which will be applied to the payment of the Series 2016 Bonds upon their stated maturity or earlier acceleration or redemption); and
- Effective as of the Plan Consummation Date (a) the Corporation will increase the interest rate due on the Series 2016 Bonds and Series 2017 Bonds by 0.3125 percent per annum, and (b) the Corporation will establish a new interest reserve fund, in lieu of the prior liquidity support fund, into which the Corporation will deposit $1,500,000.

Long-Term Debt and Interest Expense

Series 2016 Bonds

The Series 2016 Bonds consist of $8,000,000 of non-rated tax-exempt fixed rate term bonds, assumed be issued at a discount, with assumed coupon rate of 6.0 percent per annum. Interest on the Series 2016 Bonds is assumed to be payable semi-annually on June 1 and December 1 of each year. Principal on the Series 2016 Bonds is assumed to be payable annually commencing June 1, 2048 with a final maturity on June 1, 2049. In accordance with the terms of the Mediated Settlement Agreement, Management has assumed an increase in the interest rate on the Series 2016 Bonds of 0.3125 percent per annum beginning in June 2019.

Series 2017 Bonds

The Series 2017A Bonds consist of $71,730,000 of non-rated tax-exempt fixed rate term bonds with assumed coupon rates ranging from 4.250 percent to 5.375 percent per annum. Interest on the Series 2017A Bonds is assumed to be payable semi-annually on June 1 and December 1 of each year. Principal on the Series 2017 Bonds is assumed to be payable annually commencing June 1, 2020 with a final maturity on June 1, 2052. In accordance with the terms of the Mediated Settlement Agreement, Management has assumed an increase in the interest rate on the Series 2017A Bonds of 0.3125 percent per annum beginning in June 2019.

The Series 2017B Bonds consist of $6,015,000 of non-rated tax-exempt fixed rate term bonds with an assumed coupon rate of 4.150 percent per annum. Interest on the Series 2017B Bonds is assumed to be payable semi-annually on June 1 and December 1 of each year. Principal on the Series 2017B Bonds is assumed to be payable annually commencing June 1, 2019 with a final maturity on June 1, 2024. In accordance with the terms of the Mediated Settlement Agreement, Management has assumed an increase in the interest rate on the Series 2017B Bonds of 0.3125 percent per annum beginning in June 2019.

The Corporation is required to comply with certain financial covenants, which include debt service coverage and liquidity ratios. The Corporation was not in compliance with these covenants at December 31, 2018 (the “Covenant Default”).

On March 4, 2019, the Corporation entered into a Forbearance Agreement with the Trustee, pursuant to which the Trustee agreed to forbear from the exercise of any rights or remedies under the documentation of the Series 2016 Bonds and under the documentation of the Series 2017 Bonds arising by reason of the Covenant Default or from otherwise taking action with respect to the Covenant Default, until the earlier of either (a) May 30, 2020, or (b) the occurrence of any of certain events defined in the Forbearance Agreement as “Forbearance Termination Events.”

Purchase Money Note

In December 2016, Sears Farm and the Corporation entered into a balance purchase money note (the “Purchase Money Note”) of approximately $5,312,000 the fund a portion of the purchase of 16 acres of adjacent land for future development (the “Land Acquisition”). In accordance with the terms of the Mediated Settlement Agreement, Management has assumed that (1) a principal payment of $1,000,000 would be made during the fiscal year ending December 31, 2019; (2) approximately $2,312,000 of the Purchase Money Note would be forgiven during the fiscal year ending December 31, 2019; and (3) no interest would accrue on the Purchase Money Note from its inception. For the purpose of Management’s forecast, no additional principal payments on the Purchase Money Note have been assumed during the forecast period.

The following table presents the assumed annual debt service during the forecast period and thereafter.

Table 9
Annual Debt Service
(In Thousands)

Year Ending	Series 2016 Bonds		Series 2017 Bonds		Purchase Money Note		Total
December 31,	Principal	Interest	Principal	Interest	Principal	Interest	Debt Service[1]
2019	$ -	$ 493	$ 550	$ 4,106	$ 1,000	$ -	$ 5,149
2020	-	505	1,060	4,191	-	-	5,756
2021	-	505	1,105	4,144	-	-	5,754
2022	-	505	1,155	4,093	-	-	5,753
2023	-	505	1,200	4,041	-	-	5,746

Source: Management and the Underwriters

(1) The Maximum Annual Debt Service is assumed to be approximately $5,496,000 beginning fiscal year ending December 31, 2020, and excludes additional interest related to the Mediated Settlement Agreement.

Notes Payable

The Corporation has financed four vehicles through four separate notes payable ("Notes Payable"). Payments on the Notes Payable are due in monthly installments ranging from $464 per month to $982 per month, which include interest at rates ranging from 2.2 percent to 6.0 percent. As of December 31, 2018 approximately $15,000 of the Notes Payable was outstanding. The following table presents the assumed payments on the Notes Payable during the forecast period.

Table 12
Assumed Payments on Notes Payable
(In Thousands)

Years Ending December 31,	2019	2020	2021	2022	2023
Annual Payment	$ 11	$ 4	$ -	$ -	$ -

Source: Management

Subordinate Obligations

The Organization obtained pre-finance capital from MatchCapSM -Sears Farm, LLC ("MatchCap") and Sears Farm, LLC ("Sears Farm") of $6,800,000 and $2,390,000, respectively. The subordinated obligations accrue interest at 6 percent per annum, with a maximum amount of interest to be paid on the obligations equal to the amount of the original obligation, $6,800,000 and $2,390,000 respectively.

Certain fees in completion of the Community are recorded as deferred fees that are also subordinated obligations. The Corporation owes approximately $993,000 to Sears Farm, in connection with rezoning the Community site and other construction services. The Corporation owes approximately $400,000 to SearStone RLA for management services. The Corporation owes approximately $711,000 to Sears, Hackney, Keener & Williams, Incorporated ("SHKW") for architectural services related to the construction of the Community. The Corporation owes approximately $500,000 to Greenbrier Development LLC ("Greenbrier") for development services related to the development of the community. The Corporation owes approximately $700,000 to Retirement Living Associates, Inc. ("RLA") for marketing services related to the opening of the Community. The deferred fees to SearStone RLA accrue simple interest at 6 percent per annum. The other deferred fees do not accrue interest.

As of December 31, 2018 approximately $3,684,000 of interest has accrued on subordinated obligations related to MatchCap, Sears Farm, and SearStone RLA. The table below summarizes the subordinated obligations for the forecast period:

Table 13
Summary of Subordinated Obligations (In Thousands)

Years Ending December 31,	**2019**	**2020**	**2021**	**2022**	**2023**
Beginning balance	$ 16,178	$ 16,754	$ 16,329	$ 17,904	$ 18,479
Interest on SearsFarm Subordinated Debt	143	143	143	143	143
Interest on MatchCap Subordinated Debt	408	408	408	408	408
Interest on SearStone RLA Debt	24	24	24	24	24
Ending balance	**$ 16,754**	**$ 17,329**	**$ 17,904**	**$ 18,479**	**$ 19,054**

Source: Management

There are various restrictions on payment of the subordinated obligations including a stipulation that the Series 2017 Bonds must have been paid in full. For purposes of Management's forecast, Management has assumed that no payment of principal or interest on the Subordinated Obligations is made during the forecast period. Under the provisions of the Master Trust Indenture, no payment of interest on the Subordinated Obligations shall be made unless the Series 2017 Bonds have been paid in full. Repayment of the obligation for the Subordinated Obligations principal is subject to the provisions of the Master Indenture.

Current Assets and Current Liabilities

Operating expenses exclude amortization, depreciation, other non-cash expenses and interest expense. Operating revenues include Independent Living Unit Monthly Fees and Healthcare Center service fees. Working capital components have been estimated based on industry standards and Management's historical experience as follows:

Table 14
Working Capital – Days on Hand

Cash	60	days operating expenses
Accounts receivable	2.5	days operating revenues
Prepaid expenses	6	days operating expenses
Accounts payable	25	days operating expenses

Source: Management

Exhibit 6

Summary of Actuarial Study

[see attached]

CONTINUING CARE ACTUARIES

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410-833-4220
410-833-4229 (fax)
www.continuingcareactuaries.com

May 20, 2019

Mary P. Clements
Chief Financial Officer
SearStone Retirement Community
17001 SearStone Drive
Cary, North Carolina 27513

Dear Mary:

Continuing Care Actuaries was retained by the management of SearStone to conduct a comprehensive actuarial study for the community located in Cary, North Carolina.

SearStone is a retirement community consisting of 169 independent living units (ILU), 8 assisted living and memory care units (ALU) and 16 licensed beds in skilled nursing facility (SNF). After the Brittany Place expansion completed in December 2018, contract residents will have access to SearStone's healthcare center which contains a total of 14 ALU and 25 SNF.

Residents of the independent living units pay an up-front entrance fee and enter into a contract under which they have the right to occupy an independent living unit for the remainder of their life, or until such time as they need to be transferred to assisted living or to the skilled nursing Facility. The assisted living units may be occupied by individuals who are not residents with life plan contracts, but who pay on a per-diem basis. However, life plan residents would in all cases have priority access to assisted living and the skilled nursing facility.

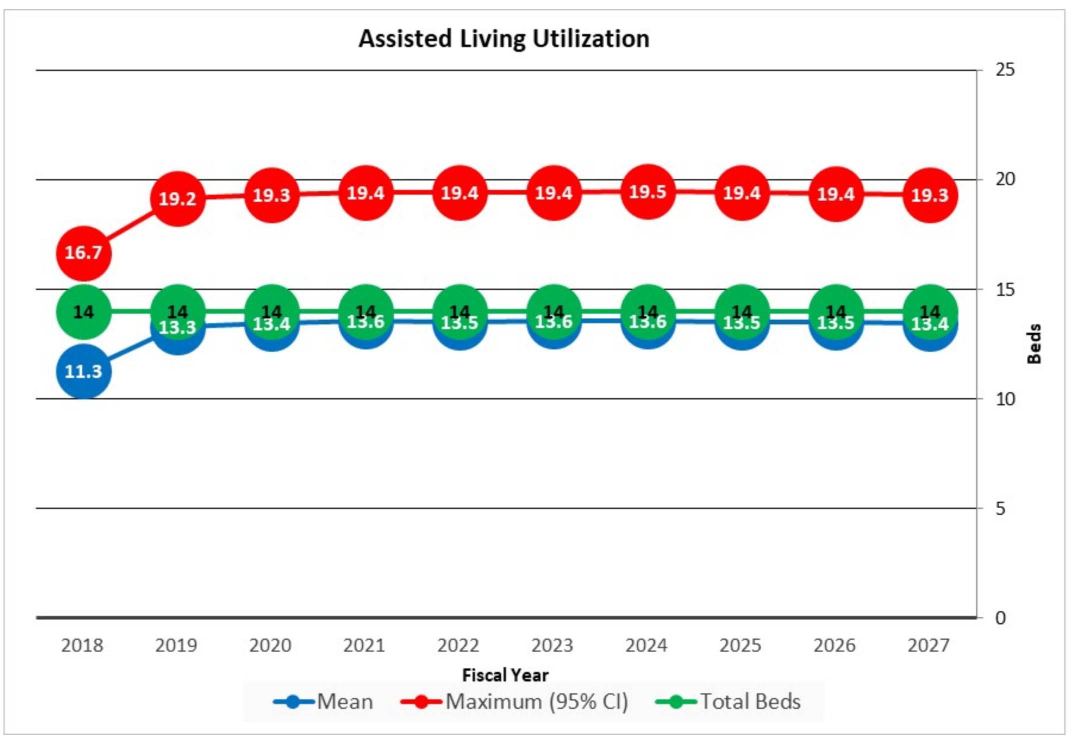
Residents will pay monthly fees related to their occupancy of an independent living unit, assisted living unit, or skilled nursing unit. Residents requiring permanent or temporary health care are able to transfer to the needed level of care as determined appropriate by SearStone's medical and management 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 SearStone 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 SearStone; (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 Life plan Retirement Communities."

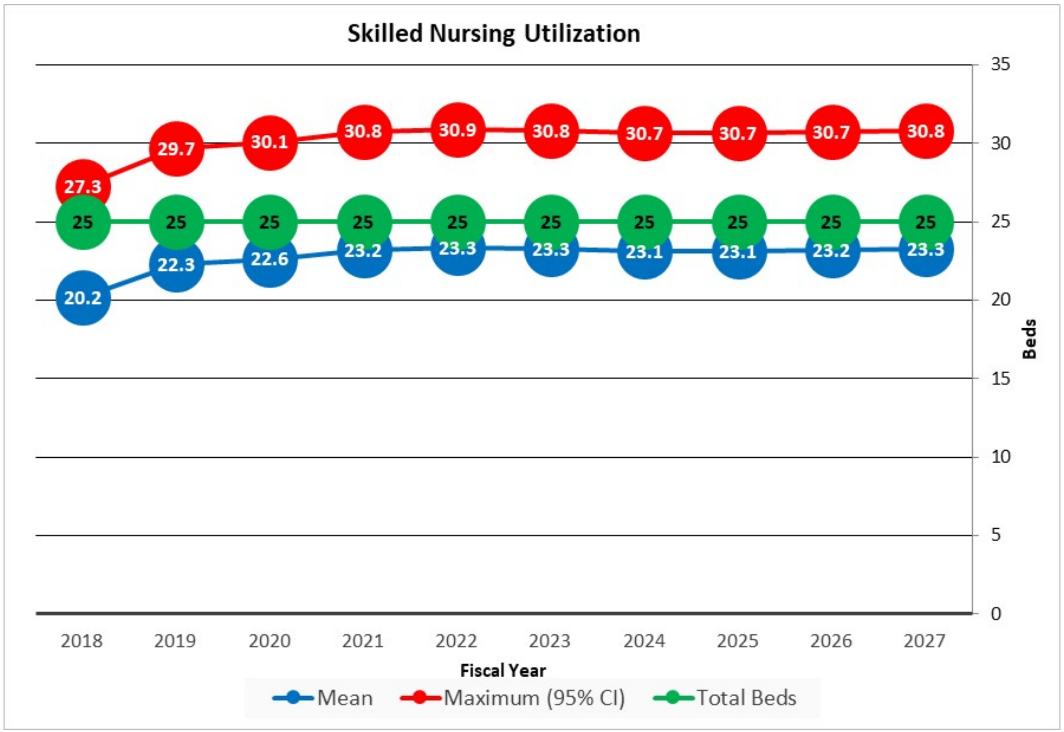
In order to perform the actuarial analysis, we projected first generation residents and subsequent residents through various levels of care until move-out or death. The rates using permanent and temporary nursing transfers, deaths and withdrawals were developed Continuing Care Actuaries' demographic database for CCRC residents. This database comprises over 600,000 CCRC residential life-years of demographic experience. The database assumptions used in this analysis reflect experience of communities similar to SearStone. The population projections were combined with expense and revenue assumptions to develop projected cash flows and contingent assets and liabilities. A by-product of these cash flow projections is the actuarial pricing analysis that examines the financial adequacy of the fiscal year 2019 residential fee structures and the actuarial balance sheet which is used as an indicator of the adequacy of historical residential fee structures as of December 31, 2018.

Summary of Findings and Notes

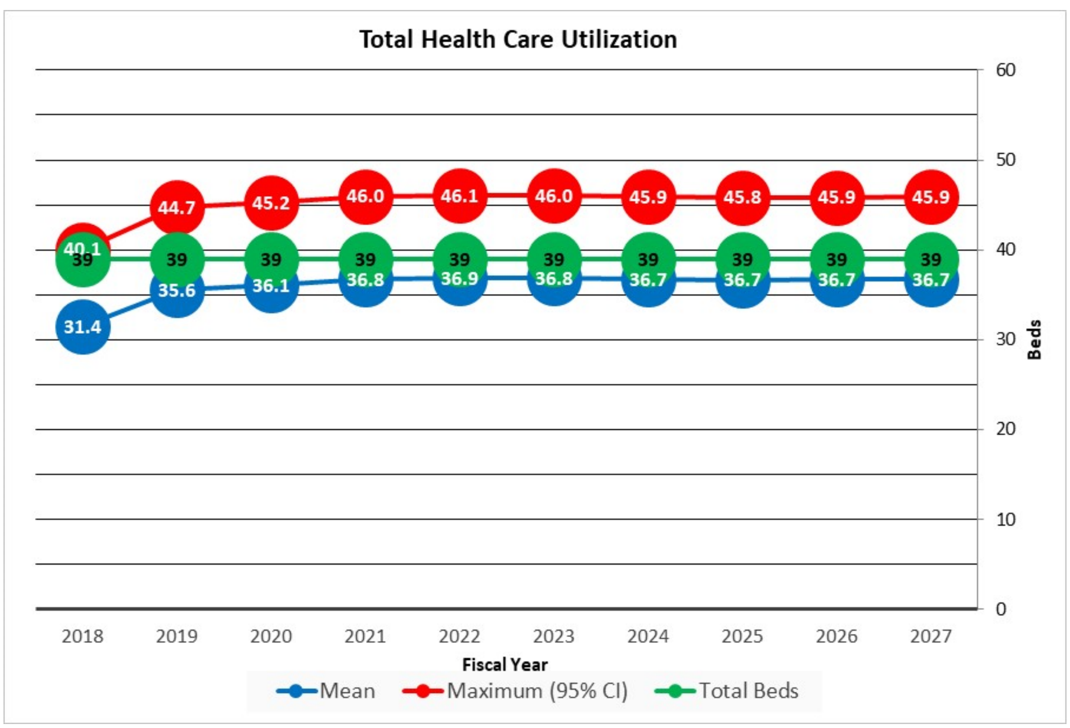
1) The data and assumptions used for the population and financial projections in this report form a reasonable basis for the projections. The methods used to produce the projections are consistent with sound actuarial principles and practices as prescribed by the Society of Actuaries and the American Academy of Actuaries.
2) The projected occupancy of assisted living units by residents who originated in independent living units with the 95% confidence interval is displayed below.



3) The projected occupancy of the skilled nursing facility by residents who originated in independent living units with 95% confidence interval is displayed below.



4) The projected occupancy of the combined assisted living units and skilled nursing facility by residents who originated in independent living units with 95% confidence interval is detailed below.



5) The financial projection indicates that SearStone will generate positive annual cash flow throughout the projection period.

6) Based on the result of the actuarial balance sheet as of December 31, 2018, our analysis concluded that SearStone will have current and future assets of $171,359,000 with current and future liabilities of $150,191,000. Based on these projected assets and liabilities, SearStone's funded status is 114.1%, which is above our recommended target of 110% for a mature community. We expect this number to increase as contracts with positive pricing margins are sold.

   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, 2018. This measure is important in that it represents SearStone's ability to deal with adverse experience. This ratio was calculated at 113.3%.

7) In conclusion, SearStone is in an ***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. SearStone meets the actuarial cash flow, actuarial balance sheet and actuarial pricing requirements.

The results of our study are based on estimates of the demographic and economic assumptions of the most likely outcome. Considerable uncertainty and variability are inherent in such estimates. Accordingly, the subsequent emergence of actual residential movements and of actual revenues and expenses may not conform to the assumptions used in our analysis. Consequently, the subsequent development of these items may vary considerably from expected results.

Management should scrutinize future developments that may have a negative impact on these projections. These developments include lower independent living occupancy than assumed, higher apartment vacancy rates, higher expense inflation, higher health care utilization and longer life expectancies than assumed in the current projection.

Respectfully,

Dave Bond

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