



THE PINES
AT • DAVIDSON

Disclosure Statement

The Pines at Davidson

Provider: The Pines at Davidson, Inc.

Date of Disclosure Statement: 12/31/2025

Last Date for Delivery: 06/09/2027

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

Financial Snapshot: Key Ratios for The Pines at Davidson

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

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

Ratio	FY-2	FY-1	FY	FY+1	FY+2	FY+3	NC 25th % ¹	NC 50th% ¹	NC 75th % ¹
DCOH	603	572	630	613	617	625	—	—	—
CUSH	11.65x	11.84x	13.65x	13.42x	14.06x	14.80x	—	—	—
OR	93.88%	94.80%	86.34%	94.76%	92.93%	94.33%	—	—	—
NOM	11.19%	9.17%	8.47%	10.09%	10.87%	11.52%	—	—	—
NOM-A	29.58%	25.22%	28.01%	32.84%	34.02%	33.83%	—	—	—
DSCR	3.14x	2.68x	4.10x	3.82x	4.25x	4.42x	—	—	—
CD	0.76x	0.79x	0.94x	0.95x	1.03x	1.12x	—	—	—
CED	0.59x	0.94x	1.00x	1.93x	1.34x	1.31x	—	—	—

Liquidity Ratios:

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

Profitability Ratios:

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

Capital Structure Ratios:

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

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

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

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1. Provider Identification

Legal Responsibility for Continuing Care

The Pines at Davidson is the entity that enters into continuing care contracts and continuing care at home contracts with residents and is legally responsible for providing continuing care and performing all obligations under those contracts. No other person or entity is responsible for providing continuing care to residents except as expressly disclosed in this Disclosure Statement.

Doing Business As (DBA)

The Pines at Davidson, Inc. conducts business under the name “The Pines at Davidson.” The name “The Pines at Davidson” is a trade name only and does not represent a separate legal entity. The Pines at Davidson remains legally responsible for providing continuing care and performing all obligations under continuing care contracts and continuing care at home contracts.

The Pines at Davidson opened on July 18, 1988. The name of the corporation was changed from Davidson Retirement Community, Inc. to The Pines at Davidson, Inc., effective June 6, 2001.

Item	Information
Legal Provider Name:	The Pines at Davidson, Inc.
Doing Business As (DBA):	The Pines at Davidson
Business Address:	400 Avinger Lane, Davidson, NC 28036
Telephone Number:	(704) 896-1100
Legal Entity Type:	Nonprofit corporation organized under the laws of North Carolina
For-Profit / Nonprofit Status:	Nonprofit
Federal Tax Status:	Tax-exempt under Section 501(c)(3) of the Internal Revenue Code
Ownership Type:	Privately owned and controlled nonprofit organization. The provider is not part of any publicly held or publicly traded corporate system.
Tax Filing Status:	Current on all required federal and state tax filings

2. Organizational Structure

2.1 Multi-Entity Organization Status

The Pines at Davidson is not part of a multi-entity organization.

3. Key Persons and Management Personnel

Definitions (for purposes of this Section):

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

3.1 Senior Officers of The Pines at Davidson

Name / Role	Education	Experience	Length of Service
Vernon M. Baker – President & Chief Executive Officer	B.A., Virginia Polytechnic Institute and State University (Virginia Tech).	37 years in senior living operations; former Executive VP and COO of a nonprofit continuing care retirement community, and former Administrator of a senior living community, both in Virginia.	5 years 3 months (since 03/22/2021); as President / CEO of The Pines at Davidson.
David Gentry – Vice President & Chief Financial Officer	B.B.A. in Accounting, Georgia State University; CPA (GA)	12 years leading senior living finance in continuing care retirement communities; 22 years experience with large for-profit businesses.	3 years 6 months (since 12/05/2022); serves as Vice President / Chief Financial Officer of The Pines at Davidson.

Business Address: 400 Avinger Lane, Davidson, NC 28036

Disclosure: Neither officer has reported any Outside Interests or Adverse Disclosures.

3.2 Board of Directors — The Pines at Davidson, Inc.

Name / Role	Education	Experience	Length of Service
Mary Weeks Fountain – Chair	BA, Chemistry, University of North Carolina at Chapel Hill	Managing Director, Senior Portfolio Manager (CFA) of Registered Investment Advisor	7 years (since 12/10/19)
Linda Need – Vice Chair	BA, Mathematics and Economics, Williams College; MS, Financial Services, The American College	Insurance, Investment and Banking Management	9 years (since 12/05/17)
Dr. Joseph C. Konen – Secretary	AB, Hamilton College; MD, State University of New York Health Science Center at Syracuse; MSPH, University of Utah	Family Physician	8 years (since 12/04/18)
Amy Bezanson – Director	BS, Architecture, Georgia Tech; Master of Architecture, Clemson University	Architect/ Senior Director of Design	8 years (since 12/04/18)
Leamon Brice – Director	BA, Political Science, UNC Pembroke; MA Political Science, Appalachian State University	Town Manager	2 years (since 11/19/24)

Name / Role	Education	Experience	Length of Service
Cecil Clifton – Director	AB, Psychology and Economics, Davidson College; JD, University of Georgia School of Law	Lawyer	1 year (since 11/24/25)
Andrew Fulford – Director	BA, Davidson College; MA, Johns Hopkins University’s School of Advanced International Studies (SAIS); MBA, Northwestern University’s Kellogg School of Management	Founder and Managing Partner of a lower middle market private equity firm focused on control buyouts of industrial businesses	1 year (since 11/24/25)
John N. Gilbert III – Director	BA, History of Art, University of North Carolina at Chapel Hill	President of Engineering Company	14 years (since 12/06/11)
John Griffith – Director	BA, Dickinson College; M. Div., Harvard; PhD, Syracuse University	Minister, College President, Consultant: executive search, strategic planning, campaign design and execution	2 years (since 11/19/24)
Emmie Hancock – Director	BA, French and English, Queens College (now Queens University), MA, Speech Communication,	Management Consultant, Strategic Planning Facilitator	3 years (since 11/20/23)

Name / Role	Education	Experience	Length of Service
	Wake Forest University		
Tom Laymon – Director	BA, Accounting, Olivet Nazarene University	SVP of Operations Healthcare System, Managing Partner of Institutional Investors (BTR)	1 year (since 11/24/25)
Richard V. Lockridge – Director	BS, Davidson College; JD, University of Southern California Gould School of Law	Real Estate Attorney	6 years (since 12/08/20)
Carranza M. Pryor – Director	AB, Harvard University; JD, Yale Law School	Attorney	14 years (since 12/06/11)
Harold E. Rice, Jr. – Director	BSW, University of North Carolina at Pembroke; MBA, Pfeiffer University	CEO	1 year (since 11/24/25)
Jon Ridgway – Director	BS, Accounting, Clemson University	CPA	2 years (since 11/19/24)
Dr. Joseph L. Trask – Director	Davidson College; Medical University of South Carolina; University of Alabama at Birmingham	Cardiologist	10 years (since 12/06/16)
Peter Henry – Ex Officio	BA, English, University of Illinois; Master of Divinity, Master of Theology –	Minister	8 years (since 12/04/18)

Name / Role	Education	Experience	Length of Service
	Homiletics, Doctor of Philosophy in Practical Theology Homiletics, Princeton Theological Seminary		
Douglas A. Hicks – Ex Officio	BA, Davidson College; M. Div., Duke University, MA and PhD, Religion, Harvard University	College President	4 years (since 12/13/22)

Business Address: 400 Avinger Lane, Davidson, NC 28036

Disclosure: None of the directors of The Pines at Davidson, Inc. have reported any Outside Interests or Adverse Disclosures.

4. Governing Body and Oversight

4.1 Provider Governing Body

The Pines at Davidson is governed by a Board of Directors consisting of between nine and 27 members and which currently includes 16 members, including three residents of The Pines at Davidson who have voting privileges. The Board is responsible for the overall direction and oversight of The Pines at Davidson’s operations, financial condition, and resident welfare. Its duties include:

- Reviewing and approving budgets and financial reports.
- Ensuring compliance with applicable laws, regulations, and contractual obligations.
- Overseeing the quality of resident care and services, including safety and satisfaction.
- Monitoring risks to The Pines at Davidson’s solvency and operations.

4.1.1 Selection of Members

Board members are appointed by the Board of Directors. Board members serve three-year staggered terms and may be reappointed a maximum of three consecutive terms and one

additional term after at least a one-year sabbatical. Officers of the Board (Chair, Vice Chair, and Secretary) are elected annually by the Board from among its members. In addition to these Board members, two Board members serve as non-voting Ex-officio board members with terms associated with their executive roles in The Pines at Davidson's Residents' Association.

4.1.2 Oversight of Management and Operations

The Board delegates day-to-day operations of The Pines at Davidson to the President/CEO and senior management. The Board maintains oversight through:

- Regular review of financial and operating reports.
- Approval of major contracts, capital projects, and debt issuances.
- Quarterly Board meetings and review of committee reports.
- Evaluation of CEO performance.
- Approval of, and evaluation of progress toward, the strategic plan, annual goals, performance metrics, and resident and team member satisfaction surveys.

4.1.3 Committees

The Pines at Davidson Board maintains standing committees for:

- **Executive Committee:** Oversees progress toward the achievement of organizational goals and objectives; acts on matters that do not require full Board action; conducts an annual performance review of the CEO; and establishes the CEO's compensation, including salary and bonus.
- **Community Relations:** Advises management on community engagement strategies to foster relationships with local faith communities, nonprofit organizations, governmental entities, educational institutions, and neighbors; provides input on branding and marketing initiatives; and promotes diversity among residents.
- **Finance, Investment and Audit:** Reviews and recommends for Board approval the annual operating and capital budgets; oversees financial operations, key financial ratios, occupancy levels, and investment performance; establishes and monitors compliance with a Board-approved investment policy; and recommends the appointment and compensation of independent auditors.
- **Human Resources:** Oversees team member satisfaction initiatives; ensures management's continued commitment to workforce engagement and development; and promotes diversity among team members.
- **Nominating and Governance:** Evaluates Board performance; identifies and nominates candidates for Board and committee service; reviews committee charters; oversees compliance with the ethics policy and code of ethical conduct for senior executive staff; and reviews the bylaws of The Pines at Davidson.

- **Resident Life:** Improve resident satisfaction above benchmarks; ensure strong medical coverage and services; maintain high inspection/compliance scores; exceed state/national healthcare standards; deliver safe, high-quality care (no major deficiencies).
- **Strategic Affairs:** Reviews the strategic plan at least every five years; monitors progress toward strategic objectives; advises the Board on the acquisition and disposition of real property; and consults with management on information technology matters.

5. Related Parties

The Pines at Davidson has no relationships with related parties requiring disclosure.

6. Relationships with Religious, Charitable, or Other Organizations

The disclosures in this section address organizational relationships and are distinct from the related-party transactions reported in Section 5.

The Pines at Davidson has no relationship with a sponsoring religious denomination, faith-based community, charitable organization, educational institution, nor other nonprofit organization. However, members and friends of Davidson College Presbyterian Church in Davidson, North Carolina provided substantial leadership and support in the establishment of The Pines at Davidson but has no governance, financial, or substantive role over The Pines at Davidson.

The Pines at Davidson is a member of industry organizations LeadingAge National and LeadingAge North Carolina

7. Other Persons Responsible for Obligations

No other person or entity is responsible, directly or indirectly, for the financial or contractual obligations of The Pines at Davidson.

8. Obligated Groups

The Pines at Davidson is the sole member of an obligated group created under the terms of bond indentures and related financing agreements.

9. Debt Covenants and Compliance

The Pines at Davidson is subject to covenants contained in bond indentures and related debt agreements, including requirements for minimum debt service coverage, liquidity, and restrictions on additional borrowing.

As of December 31, 2025, The Pines at Davidson was in full compliance with all covenants contained in debt agreements.

10. Third-Party Management Arrangements

The Pines at Davidson does not employ a third-party manager to operate the continuing care retirement community.

11. Real Property Leases

The Pines at Davidson does not lease any of the real property that makes up The Pines at Davidson Continuing Care Retirement Community.

12. Endowment Funds

The Pines at Davidson does not maintain any legally restricted endowment funds and does not have access to endowment funds through a related party. The Pines at Davidson does maintain a Resident Support Fund, a discretionary assistance policy supported by a donor-restricted charitable fund. This Resident Support Fund is available only to residents who sign an on-campus continuing care contract.

Distributions from these funds are applied directly to resident accounts. The funds are restricted by donor intent and board policy to benevolent care and may not be used for general operating purposes of The Pines at Davidson. Availability of distributions is not guaranteed and remains subject to the discretion of The Pines at Davidson.

13. Description and Location of the Community

The Pines at Davidson is located at 400 Avinger Lane, Davidson, North Carolina 28036.

The community opened on July 18, 1988.

The main campus consists of residential units, common areas, and health care facilities situated on approximately 52 wooded acres.

The central facilities are interconnected and include residential apartment units, a health center, and a community center. The central building contains a total of 157 residential units comprised of studio, one-bedroom, and two-bedroom apartments in various configurations. An additional 133 residential accommodations include duplex cottages, standalone cottages, and detached apartment buildings containing villa-style units. The community also includes two adjacent properties, each consisting of a single residential unit.

Common areas and amenities available to residents include dining facilities, private dining space, living rooms, a library, salon services, multipurpose rooms, lounges, terraces,

porches, administrative offices, an art studio, game room, laundry facilities, resident storage areas, a wellness clinic, fitness center, therapy pool, whirlpool, dog park, courtyards, and outdoor garden areas.

The health care facility is designed to accommodate up to 105 residents and includes assisted living, memory care, and long-term nursing care.

In addition to the main campus, The Pines also owns:

- Approximately 64 acres of wooded land adjoining the main campus.
- Approximately 31 acres at 200 Avinger Lane, of which 2.276 acres contains a two-story residence, garage and driveway, which is made available as a living accommodation and is known as the Chartwell Estate residence.
- Approximately 2 acres located at 228 Avinger Lane and an additional 0.46 acres located at 220 Avinger Lane, which contains a two-story residence that is known as the Shaw Property residence.
- Approximately 2 acres located at 236 Avinger Lane at its intersection with Avinger Lane on campus.
- A parcel of land at the southwest corner of Pine Road and Avinger Lane of 0.174 acres being used for signage.

13.1 Construction and Renovation History of the Campus

- Construction began in January 1987, with initial facilities completed in 1988, including the central building, health center, and a portion of the duplex cottages.
- Remaining duplex cottages were completed between 1989 and 1997.
- In March 2008, a major expansion and renovation was completed, including:
 - Improvements and expansion of dining and common areas
 - Conversion and addition of health center beds
 - Construction of two apartment buildings known as the Villas at Laurel Ridge
- In 2014, approximately 31 additional acres were acquired, including Chartwell Estate, for residential use.
- In 2015, two additional apartment buildings were completed, known as the Villas at Hickory Crest.
- In November 2020, the nursing center was renovated and partially replaced, transitioning to a residential neighborhood model with private rooms and shared common spaces.
- In December 2020 and January 2021, two apartment buildings were completed, known as the Villas at Poplar Hill.
- In 2021, renovations to common areas included:

- Creation of new dining venues, including a café, pub, and marketplace-style option
- Expansion of fitness and wellness areas
- Addition of multipurpose space
- In January 2022:
 - Three single-family cottages were completed
 - Approximately 2.46 acres of adjoining property were acquired, known as the Shaw Property
- The community currently includes a total of 292 independent living units and 105 beds in the health center.

14. Living Units by Level of Care

As of December 31, 2025, The Pines at Davidson Continuing Care Retirement Community included:

- 292 independent living units (157 apartments, 44 duplex cottages, 3 stand-alone cottages, 86 villa apartments, and 2 single residential units.
- 30 assisted living beds
- 75 long-term nursing care beds, which includes memory care beds
- 7 long-term nursing care beds with a temporary license

15. Continuing Care at Home Program

In December of 2024, The Pines at Davidson became licensed to operate a Continuing Care at Home (CCaH) program under the name Early Advantage Program. The Pines at Davidson began making offers for membership in the program in October 2025. This program allows individuals to contract for continuing care services while continuing to reside in their own homes rather than relocating immediately to The Pines at Davidson campus.

15.1 Program Description

Members in the Early Advantage Program receive access to community-based amenities, programs, and services, as well as access to The Pines at Davidson’s assisted living, memory care, and long-term nursing care should a higher level of care be needed in the future. Members receive up to 14 days annually at no per diem charge for temporary stays in the Health Center. Members retain a position on the wait list while also being placed in a smaller Early Advantage group to receive on-campus offers. See also Section 20.

15.2 Geographic Areas Served

While there is no limit to the geographic reach of the Early Advantage Program, most Members will likely live in the Greater Lake Norman area.

15.3 Enrollment

As of December 31, 2025, the Early Advantage Program has 16 enrolled Members with maximum enrollment of 150 individuals.

15.4 Staffing and Resources

The program has not caused a need for any additional staffing or resources. The CCaH obligations are financially and actuarially integrated with the providers' campus-based continuing care obligations.

16. Resident Population Served

As of December 31, 2025, the resident population served by The Pines at Davidson under continuing care contracts was as follows:

- 370 residents in independent living
- 29 residents in assisted living
- 69 residents in long-term nursing care and memory care
- 16 Members in the Early Advantage Program

As of December 31, 2025, the community maintained a waitlist for admission to independent living consisting of 999 households. This waitlist includes both prospective applicants who are not residents of the community and have not executed a continuing care contract, as well as households who have become continuing care at home Members and have signed an Early Advantage Program contract, as these Members may seek to move into independent living in the future.

To be placed on the waitlist, which is called the Future Residency Program, prospective applicants are required to submit a \$1,000 waitlist deposit. The waitlist deposit is fully refundable and is not considered an entrance fee. If the applicant later enters into a continuing care contract for independent living or a continuing care at home contract, the waitlist deposit is applied toward the required entrance fee at that time.

Placement on the waitlist does not guarantee acceptance or admission to the community or priority for a specific unit and does not create contractual rights unless expressly provided in a continuing care contract.

17. Occupancy Rates

The 12-month daily average occupancy rates for The Pines at Davidson for the past five fiscal years were as follows:

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

Fiscal Year-End	Independent Living (%)	Assisted Living (%)	Skilled Nursing (%)
12/31/2025	94.70%	95.40%	97.20%
12/31/2024	96.30%	94.70%	94.80%
12/31/2023	97.00%	97.00%	98.00%
12/31/2022	97.70%	94.20%	96.20%
12/31/2021	90.10%	88.50%	82.30%

18. Semiannual Resident Meetings

The Pines at Davidson holds meetings with residents of The Pines at Davidson Continuing at least twice each year, as required by law.

Fiscal Year 2025 Meeting Dates

- October 31, 2025
- May 1, 2025

As required by law, an independent member of the provider’s board of directors was present at each of the meetings (Jon Ridgway on October 31, 2025 and Grace Mitchell on May 1, 2025).

19. Resident Property Rights

Residents do not hold ownership or property rights in the real estate of The Pines at Davidson. Residency and access to services are governed solely by the continuing care contracts.

20. Services Provided Under the Contract

The Pines at Davidson offers services under both the continuing care contract and under the continuing care at home contract. The following disclosures describe the services included in each contract type, as well as those available for additional charge.

20.1 Health Care Services

Residents of The Pines at Davidson, which includes Members in the continuing care at home program, have access to assisted living, memory care, and long-term nursing care on campus. Health services include 24-hour nursing, medication management, rehabilitative therapies, and comprehensive medical care provided by a licensed physician.

20.2 Continuing Care Retirement Community (CCRC) Contracts

Residents living on The Pines at Davidson Continuing Care Retirement Community campus receive the following services as part of their monthly fees, with additional services available at an extra charge.

20.2.1 Services Included in Monthly Fees

- Priority access to assisted living, memory care, and long-term nursing care for short and long-term stays at The Pines at Davidson upon a space-available basis.
- Up to 14 days each calendar year of no additional charge, except for meals, for stays in the Health Center.
- A monthly meal credit allotment for the community dining rooms for independent living residents plus six free meal deliveries; three daily meals in assisted living, memory care, and long-term nursing care starting on day 15 in the health center
- Weekly housekeeping and linen service in independent living; more frequently in assisted living, memory care, and long-term nursing care
- Scheduled local group transportation from campus
- Basic utilities, including electricity, water, heating, air conditioning
- Basic television, internet, and telephone service (The Pines at Davidson reserves the right to end or alter these services as technologies evolve.)
- Use of community amenities (dining venues, library, fitness center, pool, whirlpool, multi-purpose room, art studio, business center, lounges, meeting rooms, game room, laundry rooms, guest room, mail room, gardens, walking paths, gazebos, fenced dog park, courtyards)
- Social, educational, cultural, spiritual, and recreational programming
- Coordination for transitions between levels of care and from the hospital to campus
- Support services such as social worker, chaplain, life enrichment coordinator, fitness coordinator, transportation coordinator, and dietician
- Resident concierge services in independent living
- Notary services
- Use of The Pines at Davidson web portal

- Maintenance of living accommodation and appliances provided by The Pines at Davidson
- 24-hour security
- 24-hour monitoring of emergency call bells
- Property insurance coverage

20.2.2 Services Available at Additional Charge

- Additional meals beyond the meal plan, additional meal deliveries beyond six, catering
- Guest meals
- Additional housekeeping beyond standard schedule
- Laundry services in assisted living, memory care, and long-term nursing care
- Television and internet hookup
- Expanded television, internet, and telephone packages
- Salon and barber services
- IT support
- Personal training on campus
- Group transportation outside local routes
- Private transportation
- Private duty home care and home health care through third-party provider (scheduled by resident)
- Wellness Clinic services (billed to provider or to individual)
- Medical, therapeutic, and pharmacy services, and medical equipment (billed to provider or to individual)
- Medical equipment (billed to provider or to individual)
- Ancillary charges such as medical supplies
- Vaccine clinics (billed to provider or to individual)
- Visiting third-party providers for dermatology, audiology, podiatry, therapies, and wound care (billed to provider or to individual)
- Personal property and liability insurance (personal policies are required)

20.3 Continuing Care at Home (CCaH) Contracts

Members in the Early Advantage Program receive the following services on campus while continuing to reside in their own homes, with additional services available at an extra charge.

20.3.1 Services Included in Monthly Fees

- Priority access to assisted living, memory care, and long-term nursing care for short and long-term stays at The Pines at Davidson, upon a space-available basis.
- Up to 14 days each calendar year of no additional charge, except for meals, for stays in the Health Center.
- Some local group transportation from campus
- Use of community amenities (dining venues, library, fitness center, pool, whirlpool, multi-purpose room, art studio, business center, lounges, meeting rooms, game room, gardens, walking paths, gazebos, fenced dog park, courtyards)
- Social, educational, cultural, spiritual, and recreational programming on campus
- Coordination for transitions from the hospital to campus
- Support services such as social worker, chaplain, life enrichment coordinator, fitness coordinator, transportation coordinator, and dietician
- Resident concierge services
- Notary services
- Use of The Pines at Davidson web portal

20.3.2 Services Available at Additional Charge

- Resident rates for meals in the community dining rooms
- Guest meals
- Salon and barber services on campus
- IT support on campus
- Personal training on campus
- Group event transportation
- Private duty home care and home health care through third-party provider (scheduled by Member)
- Wellness Clinic services (billed to provider or to individual)
- Medical, therapeutic, and pharmacy services while staying in the Health Center (billed to provider or to individual)
- Medical equipment purchased while staying in the Health Center (billed to provider or to individual)
- Ancillary charges such as medical supplies while staying in the Health Center
- Vaccine clinics on campus (billed to provider or to individual)
- On-campus, visiting third-party providers for dermatology, audiology, podiatry, therapies, and wound care (billed to provider or to individual)

20.4 Delivery of Services

Core residential, assisted living, memory care, and long-term nursing care services are provided directly by The Pines at Davidson. Certain therapies (physical, occupational, and speech) are furnished under contract with independent third parties.

21. Resident Fees

Nonancillary fees at The Pines at Davidson (including both the campus-based community and the continuing care at home Members) consist of required, ongoing fees such as entrance fees, monthly service fees, and transfer fees. The following tables show The Pines at Davidson's current fee schedules, along with historical information on entrance fee and monthly fee increases over the past five fiscal years. Narrative explanations of household composition changes and transfer fees are also included.

21.1 CCRC Contracts

CCRC contracts represent continuing care contracts for residents who live at The Pines at Davidson campus.

Table 21.1: Current Monthly Fees (CCRC Contracts)

Unit Type	Single Occupant	Double Occupant
Studio	\$3,385	\$5,187
Deluxe Studio	\$3,550	\$5,349
1 Bedroom	\$4,218	\$6,194
2 Bedroom	\$4,631	\$6,801
2 Bedroom Suite	\$4,755	\$6,923
2 Bedroom Deluxe	\$4,992	\$7,164
Cottage	\$5,022	\$7,393
Large Cottage	\$5,420	\$7,795
Large Cottage with Sunroom	\$5,420	\$7,795
Large Cottage with Sunroom / Study / Garage	\$5,793	\$8,183
Chartwell Estate	\$8,183	\$8,183
Shaw Property	\$8,183	\$8,183
Villas (Laurel Ridge and Hickory Crest)		
2 Bedroom Villa (Unit A)	\$5,450	\$7,842
2 Bedroom Deluxe Villa (Unit B)	\$5,549	\$7,939
2 Bedroom with Den Villa (Unit C)	\$5,701	\$8,092
2 Bedroom with Den Deluxe Villa (Unit D)	\$5,777	\$8,143

Unit Type	Single Occupant	Double Occupant
Villas (Poplar Hill)		
1 Bedroom Deluxe Villa with Sunroom/Study (1.5 Bath) (Green)	\$4,754	\$6,927
2 Bedroom Villa with Porch or Balcony (2 Bath) (Blue)	\$5,436	\$7,828
2 Bedroom Villa with Sunroom/Study (2 Bath) (Red)	\$5,535	\$7,925
2 Bedroom Villa with Sunroom/Study and Balcony (2 Bath) (Yellow)	\$5,549	\$7,939
Assisted Living - private	\$246	
Long-term Nursing Care - private (Brown and Purcell)	\$367	
Long-term Nursing Care - private (Maulden and Wilson)	\$381	

Monthly fees are reviewed annually and from time-to-time and may be adjusted to reflect changes in operating costs, staffing, health care expenses, and capital needs. Adjustments are subject to board approval, with no contractual cap on increases. Increases may not be applied uniformly and may vary by unit type and level of care.

Table 21.2: Historical Increases in Monthly Fees (CCRC contracts)

Fiscal Year-End	Average % Increase	Weighted Average \$ Increase	Frequency
12/31/2025	4.00%	184.17	Annual
12/31/2024	5.00%	219.41	Annual
12/31/2023	7.50%	301.57	Annual
12/31/2022	5.90%	236.79	Annual
12/31/2021	3.50%	222.97	Annual

Annual increases to monthly service fees have historically generally tracked regional inflationary trends, typically with a lag of several months. In more recent years, pressure on annual increases has intensified due in part to competitive conditions within the local labor market.

Table 21.3: Current Entrance Fees (CCRC Contracts)

Unit Type	Entrance Fee (Single)	Entrance Fee (Double)
Studio	\$59,360	\$95,360
Deluxe Studio	\$81,760	\$117,760
One-Bedroom	\$191,535	\$227,535

Unit Type	Entrance Fee (Single)	Entrance Fee (Double)
Two-Bedroom	\$330,400	\$366,400
Two-Bedroom Suite	\$359,310	\$395,310
Two-Bedroom Deluxe	\$371,700	\$407,700
Cottage	\$427,200	\$463,200
Large Cottage	\$482,400	\$518,400
Large Cottage with Sunroom	\$519,600	\$555,600
Large Cottage with Sunroom / Study and Garage	\$679,140	\$715,140
Villas (Laurel Ridge and Hickory Crest)		
2 Bedroom Villa (Unit A)	\$610,000	\$646,000
2 Bedroom Deluxe Villa (Unit B)	\$660,000	\$696,000
2 Bedroom with Den Villa (Unit C)	\$732,500	\$768,500
2 Bedroom with Den Deluxe Villa (Unit D)	\$747,500	\$783,500
Villas (Poplar Hill)		
1 Bedroom Deluxe Villa with Sunroom/Study (1.5 Bath) (Green)	\$466,800	\$502,800
2 Bedroom Villa with Porch or Balcony (2 Bath) (Blue)	\$586,800	\$622,800
2 Bedroom Villa with Sunroom/Study (2 Bath) (Red)	\$661,200	\$697,200
2 Bedroom Villa with Sunroom/Study and Balcony (2 Bath) (Yellow)	\$682,800	\$718,800
Chartwell Estate	\$720,000	\$720,000
Shaw Property	\$1,150,000	\$1,150,000

Refundability terms vary by contract and are disclosed in Section 22.

Table 21.4: Historical Increases in Entrance Fees (CCRC contracts)

Fiscal Year-End	Weighted Average % Increase	Weighted Average \$ Increase	Min \$ Increase	Max \$ Increase	Frequency
12/31/2025	19.66%	\$64,292	\$6,600	\$150,000	Annual
12/31/2024	13.07%	\$37,799	\$0	\$110,000	Annual
12/31/2023	10.94%	\$28,413	\$0	\$103,048	Annual
12/31/2022	5.90%	\$14,324	\$2,820	\$31,851	Annual
12/31/2021	4.47%	\$9,541	\$0	\$13,920	Annual

In 2023, entrance fees were increased at levels above historical norms. These adjustments were made to better align with market demand, help capture the costs of modernizing and enhancing the units, remain competitive with comparable communities, and keep pace with the strength of the local real estate market. This trend continued in subsequent years.

21.2 CCaH Contracts

CCaH contracts represent continuing care at home contracts for Members who reside in their own homes and receive continuing-care access through the Early Advantage Program.

Table 21.5: Current Monthly Fees (CCaH Contracts)

CCaH Plan	Monthly Fee (Single)	Monthly Fee (Double)
Early Advantage	\$700	\$1,400

Monthly fees are subject to adjustment annually and from time-to-time to reflect health care costs and service delivery expenses.

Table 21.6: Historical increases in Monthly Fees (CCaH contracts)

Fiscal Year-End	Average % Increase	Average \$ Increase	Frequency
12/31/2025	n/a	n/a	n/a

Table 21.7: Current Entrance Fees (CCaH Contracts)

CCaH Plan	Entrance Fee (Single)	Entrance Fee (Double)
Early Advantage	\$40,000	\$80,000

Table 21.8 - Historical Increases in Entrance Fees (CCaH contracts)

Fiscal Year-End	Average % Increase	Average \$ Increase	Frequency
12/31/2025	n/a	n/a	n/a

21.3 Household Composition Changes

If a Resident, while occupying a Living Accommodation, marries or chooses to cohabitate with another person who is already a Resident occupying a separate Living Accommodation, both Residents may, with the prior written consent of The Pines, share either of their Living Accommodation. The unoccupied Living Accommodation would be surrendered and no refund will be payable with respect to the Living Accommodation surrendered except as described under “Contract Cancellation and Refund Policies.” The couple would then pay the Monthly Fee for double occupancy associated with the Living Accommodation they choose to occupy. If the couple elects to retain their two separate residences, then they will continue to pay the single monthly accommodation fees for their residences.

If a Resident marries or elects to share their Living Accommodation with a person who is not currently a Resident of The Pines, that person may become a Resident of The Pines if they meet all of the then-current requirements for admission, pay an Application Fee, enter into a current version of the Residence and Care Agreement, and pay an Entrance Fee equal to an amount determined by The Pines (not to exceed one-half of the then current Entrance Fee associated with the applicable Living Accommodation). In such cases, the Resident and newly admitted individual will be responsible for the Monthly Fee for double occupancy for the shared Living Accommodation. If the non-Resident second person does not meet admission requirements, the Resident may terminate the Residence and Care Agreement in accordance with the procedures outlined under “Contract Cancellation and Refund Policies.”

21.4 Transfer Fees and Resale Fees

The Resident may transfer from a Living Accommodation occupied by the Resident to a different Living Accommodation at The Pines which becomes available upon payment of such applicable fees, at the time of transfer, consent by the Corporation, and in compliance with such guidelines regarding transfers as may be adopted by the Corporation. Fees and guidelines may be changed from time to time by the Corporation. If the move is for medical reasons or a downsize, the fee may be waived. No resale fees are charged because residents do not hold ownership rights in their living units. The current transfer fee is \$500.

22. Refundable Entrance Fee Obligations

22.1 Conditions for Refunds

The continuing care contract at The Pines at Davidson include a 50% or 90% refund provision. Under this contracts, a portion of the original entrance fee is refundable when a resident permanently vacates their independent living unit, provided that (1) the unit has been resold to a new resident who has paid their entrance fee in full and (2) all other contractual conditions for a refund have been satisfied. Refunds are payable within 60 days after these conditions are met. For clarity, a refund is not considered due until the replacement entrance fee has been received and all contractual requirements have been fulfilled. The continuing care at home contract does not offer the 50% and 90% refund options.

In addition, The Pines at Davidson offer declining-balance continuing care contract and continuing care at home contract under which the refundable portion of the entrance fee amortizes to 0% after a 12-month period. Once the amortization period has elapsed, no refund is payable upon termination of the contract or the death of the resident. These contracts therefore do not create refundable entrance fee obligations beyond the initial amortization period.

22.2 Refund Obligations as of December 31, 2025

Table 22.1: Refund Obligations (as of December 31, 2025)

Category	Number of Contracts	Aggregate Amount
Refunds due once all contractual conditions are met	0	\$0
Refunds currently due (including amounts 30+ days past due)	1	\$275,022
Resident now in non-independent living unit – unit not resold	0	\$0
Resident now in non-independent living unit – unit resold	3	\$415,376

As of December 31, 2025, The Pines at Davidson had \$5,287,574 in total refundable entrance fee obligation. One refund totaling \$275,022 was contractually due for payment as of December 31, 2025 and payment was issued to the estate on January 6, 2026. Obligations will be satisfied in accordance with contract terms as independent living units

are resold and replacement entrance fees are received; however, the timing of refund payments depends on the pace of independent living unit turnover and resale activity.

23. Financial Hardship Policies

23.1 Policies for Residents Unable to Pay

In connection with its charitable mission, it is the desire of the Board of Directors of the Corporation to not terminate a continuing care contract solely because of a Resident's financial inability to continue to pay the Monthly Fee or other charges by reason of circumstances beyond the Resident's control. Any disposition of Resident's assets in any way other than for care at The Pines at Davidson or related living/medical expenses to the extent that Resident cannot adequately provide for Resident's expenses or care will nullify this desire on the part of the Corporation and entitle the Corporation to terminate Resident's right to reside in The Pines at Davidson.

The Corporation will make reasonable efforts to acquire the funds necessary to meet The Pines' fees for care. However, the resources of the Corporation to provide care for Residents are not unlimited, and the Corporation reserves the right to terminate the residency of any person who cannot pay the full cost of The Pines at Davidson's Monthly Charges, daily fees and other charges and expenses in connection with such person's stay at The Pines at Davidson.

In the event that we continue to provide the services under the terms of an Agreement despite financial inability to continue to pay the Monthly Charges, daily fees and other charges and expenses payable under the terms of this Agreement, the Corporation shall be entitled to require a move to a smaller or less costly Living Accommodation.

Any determination by the Corporation with regard to the granting or continuation of financial assistance shall be within the sole discretion of the Corporation. The Corporation has established a Resident Support Fund which will be used to assist Residents who would otherwise not be able to live at The Pines.

Continuing care at home Members who have an active Early Advantage Agreement do not have access to apply for the Resident Support Fund. If the continuing care at home Member subsequently signs a continuing care contract (Residence and Care Agreement) and thus terminates the continuing care at home contract (Early Advantage Agreement), the resident will be eligible to apply for the Resident Support Fund.

23.2 Sources of Financial Support

- **Resident Support Fund:** The Resident Support Fund at The Pines at Davidson is a benevolent assistance program funded primarily through resident donations.
- **Refundable Entrance Fees:** Residents contractually entitled to a refundable entrance fee may, subject to the approval of The Pines at Davidson, apply available

refundable amounts toward unpaid monthly fees. Such applications reduce the remaining refund obligation and do not accelerate contractual payment of refunds.

23.3 Conditions or Limitations

- Eligibility for benevolent assistance of fees is determined through a confidential financial review conducted by The Pines at Davidson.
- Assistance is subject to the availability of funds, and the reason the resident has depleted their fund, and is not guaranteed.
- Residents must annually recertify financial need to continue receiving assistance.

23.4 Narrative

In 2025, The Pines at Davidson distributed \$375,545 in benevolent care support to residents. As of December 31, 2025, the Fund maintained net assets of \$10.5 million designated for benevolent assistance, subject to donor restrictions and the discretion of The Pines at Davidson.

24. Contract Cancellation and Refund Policies

24.1 Provider-Initiated Cancellation

The Pines at Davidson may terminate a continuing care or continuing care at home contract for the reasons below:

24.2.1 Provider-Initiated Cancellation Prior to the Financial Responsibility Date, if:

- The applicant fails to meet eligibility requirements at the time of application;
- The applicant omitted or provided materially false or misleading information during the application process; or
- Admission would pose a direct threat to the health and safety of others.

24.2.2 Provider-Initiated Cancellation After Occupancy or Commencement of Services, if:

- During the 60-day trial period, The Pines determines that the Resident's physical or mental condition or emotional adjustment will not permit adaptation to the living environment at The Pines at Davidson;
- There has been an omission or material misrepresentation made by the Resident in the Resident's Application for Admission, Personal Health History, Confidential Financial Statement, or new resident interview.
- The resident fails to make payment of any fees or charges due The Pines at Davidson within 60 days of the date when due;

- The Resident does not abide by The Pines' policies, rules or regulations or breaches any of the terms and conditions of the Residence and Care Agreement.
- The Resident's or Resident's family's conduct is abusive toward Members of The Pines' staff or is disruptive or is detrimental to the health, safety or welfare of the Resident or other Residents or to other Residents' peaceful enjoyment of The Pines at Davidson;
- The continuing care at home Member has subsequently entered into a continuing care on campus contract or a direct admissions agreement, the continuing care at home contract is terminated.
- The resident refuses to receive adequate service in their home, in their independent living accommodation, or in the Health Center.

24.2 Resident-Initiated Cancellation

A resident may cancel a contract under the following circumstances:

24.2.1 Resident-Initiated Cancellation Prior to the Financial Responsibility Date

A Resident may terminate a continuing care contract for any reason by giving written notice to The Pines. The Resident will receive a refund of the Entrance Fee, less a non-refundable 5% fee. If the Resident terminates the Residence and Care Agreement due to death of the Resident's spouse or cohabitant, The Pines will refund the full Entrance Fee without deduction of the 5% fee. Payment for upgrades to the living accommodation will still be charged.

The continuing care contract will terminate automatically prior to the date that a Resident takes occupancy if (a) the Resident dies before occupying a living unit in The Pines (or, if there are two Residents, both Residents die before occupying a living unit in The Pines); or (b) if The Pines determines that the Resident does not meet the physical, mental or financial requirements for admission or (c) on account of physical injury, physical, mental or financial incapacity or physical or mental illness, the Resident is precluded from occupying a living unit at The Pines at Davidson under the terms of the Residence and Care Agreement. In such cases, the full Entrance Fee is refunded.

24.2.2 Resident-Initiated Cancellation After Occupancy or Commencement of Services

The first 60 days of occupancy are considered a trial period. During this period, the Resident may terminate the continuing care contract for any reason. Upon written notice of such termination by the Resident or in the event of the Resident's death during such 60-day period, The Pines at Davidson will refund to the Resident the Entrance Fee less a non-refundable fee equal to 5% of the total amount of the Entrance Fee paid by the Resident.

After the 60-day trial period, the Resident may terminate the continuing care contract by giving 30 days written notice of such termination. If such termination occurs within 12 months after the date of occupancy by the Resident, the Resident will receive a refund in the amount equal to the full Entrance Fee paid to The Pines less 5% thereof for each full calendar

month or portion thereof which has elapsed from the date of occupancy to the effective date of termination and less a non-refundable fee equal to 5% of the full Entrance Fee. However, a Resident who has elected the 50% Refund Entrance Fee Option will be entitled to a refund of no less than 50% of the Entrance Fee paid by such Resident, and a Resident who has elected the 90% Refund Entrance Fee Option will be entitled to a refund of no less than 90% of the Entrance Fee paid by such Resident. Unless a Resident has elected the 50% Refund Entrance Fee Option or the 90% Refund Entrance Fee Option, no refund of the Entrance Fee will be paid to the Resident after the first 12 months of occupancy. Any such refund due the Resident under the circumstances described in this paragraph will be made in accordance with Section 22, at such time as such Resident's Living Accommodation has been reserved by a prospective Resident and the prospective Resident has paid to The Pines at Davidson the full Entrance Fee for such Living Accommodation.

24.3 Refunds Upon Cancellation

- Refundable entrance fees are returned in accordance with Section 22 – Refundable Entrance Fee Obligations.
- Non-refundable portions of entrance fees are retained by The Pines at Davidson.
- In calculating amortization for purposes of this section, a period of more than fifteen (15) days will be considered as a full month; fifteen (15) days or less will be disregarded for purposes of this calculation.
- Subtracted from any refund owed to you, if any, will be any unpaid fees or charges incurred by you.
- You will not be entitled to receive any interest on any monies paid to The Pines at Davidson.
- Any charges for upgrades in the accommodation will not be refunded and become property of The Pines at Davidson.
- In cases where a resident signs a continuing care at home contract and subsequently signs a continuing care contract for on campus or a direct admissions contract, there will be no refund of the continuing care at home Entrance Fee. (Note: The continuing care at home Entrance Fee paid will be credited toward the on-campus move-in entrance fee.)
- Prepaid monthly fees are prorated to the date the living unit is completely vacated, and any remaining balance is refunded. In the case of continuing care at home contracts, the monthly fees are prorated to the date of death.

24.4 Refunds Upon Death

24.4.1 Refunds Upon Death Before the Financial Responsibility Date

If a resident dies before the financial responsibility date, the entrance fee is refunded in full, less the non-refundable \$300 application fee. In the case of a double occupancy where the surviving resident sharing the accommodation wishes to still move forward with

the contract, only the second person entrance fee will be refunded. Payment for upgrades to the living accommodation will still be charged.

24.4.2 Refunds Upon Death After Occupancy or Commencement of Services

If the Resident dies following expiration of the first 60 days of the Resident's occupancy at The Pines and such deceased Resident is not survived by a spouse or second resident residing at the Pines who has co-signed the Residence and Care Agreement, the Residence and Care Agreement shall terminate and, subject to the Resident's continuing obligations described therein, the portion, if any, of the Entrance Fee paid by the Resident to be refunded shall be determined in the same manner described in the preceding paragraph.

If the Resident dies following expiration of the first 60 days of the Resident's occupancy and such Resident is survived by a spouse or second resident residing at The Pines at Davidson who has co-signed the Residence and Care Agreement, then the Residence and Care Agreement shall not terminate and no refund will be payable thereunder.

Refunds are made according to the standard refundable entrance fee provisions described in Section 22, including resale and replacement entrance fee conditions. Prepaid monthly fees are prorated to the date of vacancy, of the date of death in cases of double occupancy where there is a surviving resident sharing the accommodation, and refunded.

25. Re-occupancy of Units

A living unit at The Pines at Davidson may be reassigned to a new resident under the following circumstances:

25.1 Resident-Initiated Vacating

- **Voluntary termination:** When a resident cancels their continuing care contract and permanently vacates the living unit.
- **Transfer to another living accommodation:** When a resident moves from one independent living accommodation to another independent living accommodation.
- **Transfer to a higher level of care:** When a resident permanently moves from independent living to assisted living, memory care, or long-term nursing care.

25.2 Provider-Initiated Vacating

- **Contract termination by provider:** When a contract is terminated by the provider under the circumstances described in Section 24 – Contract Cancellation and Refund Policies.
- **Nonpayment:** When a resident fails to meet contractual payment obligations for 60 days and the provider declares the contract terminated.

25.3 Temporary Absences

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

25.4 Refunds

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

26. Resident Relocation

Residents of The Pines at Davidson may be required to relocate from their current living unit to another living unit within the community under the following circumstances:

26.1 Resident Needs

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

26.2 Provider Needs

- **Renovation or Construction:** When construction, renovation, refurbishment, or repair work requires temporary or permanent relocation.
- **Combining accommodations:** When two Independent Living Accommodations (one of which is vacant) are combined. The Resident occupying one of the Independent Living Accommodations will have priority in reserving the newly combined Accommodation. If the Resident elects to move into the combined Living Accommodation, they will be required to pay any additional Entrance Fee at the time of occupancy, and thereafter will pay the Monthly Fee established for the combined unit.
- **Operational Necessity:** When the continued occupancy of a living unit materially interferes with the orderly operation of the community and no reasonable alternative exists. This provision is applied only in limited circumstances.
- **Financial assistance:** When the Resident is approved to receive financial assistance through the Resident Assistance Fund, resident may be required to relocate to a less expensive accommodation.

26.3 Process

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

26.4 Financial Obligations

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

27. Admission and Continuation Standards

27.1 Admission Requirements

Admission to The Pines at Davidson is subject to health and financial screenings and one or more interviews conducted by The Pines at Davidson or its representative at the time of application. The Pines does not unlawfully discriminate based on race, color, gender, disability, national origin, religion, or sexual orientation.

27.1.1 CCRC Contracts (Campus-Based)

- Completion of the application packet and interviews within 30 days after accepting an offer for accommodations. This includes a current medical history and health assessment completed by the applicant's physician are required. The Pines at Davidson may require additional medical exams by the Medical Director or a physician selected by The Pines at Davidson.
- **Financial Standards:** Applicants must demonstrate sufficient resources to reasonably cover the entrance fee and projected monthly fees for the chosen living accommodation, as well as future health care costs. The Pines may request updated financial information at any time.
- **Health Standards:** Applicants for independent living must be in good health, self-sufficient in residential living activities, and not present a significant risk of intensive or imminent care needs.

- Applicants requiring immediate assisted living, memory care, or long-term nursing care are not eligible for independent living admissions.

27.1.2 CCaH Contracts (Continuing Care at Home)

- Completion of the application packet and interviews within 30 days after accepting an offer for a continuing care at home contract. This includes a current medical history and health assessment completed by the applicant’s physician. The Pines at Davidson may require additional medical exams by the Medical Director or a physician selected by The Pines at Davidson.
- **Financial Standards:** Applicants must demonstrate sufficient resources to reasonably cover the entrance fee and projected monthly fees for living in their own home, as well as future on-campus living fees and health care costs. The Pines may request updated financial information at any time.
- **Health Standards:** Applicants for independent living must be able to live safely in their home environment at the time of entry, be in good health, self-sufficient in residential living activities, and not present a significant risk of intensive or imminent care needs. Applicants requiring immediate assisted living, memory care, or long-term nursing care are not eligible.

27.2 Continuation Requirements

- **CCRC Contracts:** Once admitted, Residents may remain at the community regardless of changes in health or financial status, subject to the hardship policies described in Section 23, provided they continue to comply with the terms of the contract. Residents may be required to relocate to a higher level of care (see Section 26 – Resident Relocation) if their health needs can no longer be met safely in their current living unit. In rare cases, Residents may be required to relocate to an outside facility if their health needs can no longer be met safely at The Pines at Davidson.
- **CCaH Contracts:** Members may continue in the program regardless of changes in health or financial status, provided they continue to comply with the terms of the contract.

27.3 Changes in Condition Before Occupancy or Commencement of Services

- **CCRC Contracts:** If a Resident’s health materially declines between signing a contract and the date of initial occupancy, the provider may re-evaluate eligibility for independent living and may require admission to a higher level of care, if available. If no suitable accommodation is available or if the applicant no longer meets entry requirements, the contract may be canceled and entrance fees refunded in accordance with Section 24 – Contract Cancellation and Refund Policies. If a material change in financial condition occurs before occupancy (such as loss of income or assets needed to pay monthly fees), the provider will re-evaluate

eligibility. If standards are no longer met, the contract may be canceled and entrance fees refunded.

- **CCaH Contracts:** If a Member experiences a material decline in health before commencement of services such that they require immediate assisted living, memory care, or long-term nursing care, they are not eligible to begin in the Early Advantage Program. In such cases, the contract may be canceled and entrance fees refunded in accordance with Section 24 – Contract Cancellation and Refund Policies. If a material change in financial condition occurs before services begin, The Pines at Davidson will re-evaluate eligibility and may cancel the contract if standards are not met, with entrance fees refunded.

28. Age and Insurance Requirements

28.1 Age Requirements

- The minimum age for admission to The Pines at Davidson under a continuing care contract is 65 years.
- A spouse, partner or co-applicant as young as 62 may also be admitted if the primary applicant meets the minimum age requirement.
- There is no maximum age limit for admission, provided the applicant meets the health and financial eligibility standards described in Section 27 - Admission and Continuation Standards.
- For Continuing Care at Home (CCaH) contracts, the minimum ages for acceptance are the same as above.

28.2 Insurance Requirements

Applicants for both CCRC and CCaH contracts must:

- Be enrolled in Medicare Parts A and B at the time of admission; and
- Maintain a Medicare supplement (Medigap) policy or equivalent health insurance to cover services not provided by Medicare.
- Maintain automobile liability insurance on any vehicle owned by the Resident and register such vehicle with The Pines at Davidson’s administrative office.
- Maintain property insurance on the Resident’s personal property located within the Resident’s Living Accommodation or elsewhere within the premises of The Pines at Davidson. For jewelry and items of personal property that are rare or have historic or artistic value, the Resident’s property insurance policy should include specific coverage for such items based on appraisals furnished to the property insurance carrier.
- Maintain personal liability insurance with a liability limit of at least \$100,000 per occurrence.

Long-term care insurance is not required but is factored into the financial screening process.

28.3 Special Conditions

- Waivers of the health insurance requirement may be granted only if the applicant demonstrates alternative coverage or financial capacity sufficient to meet anticipated health care expenses.

29. Reserve Funding and Refund Security

29.1 Cash and Investments

As of December 31, 2025, The Pines at Davidson held \$53,176,994 in unrestricted cash and investments. At year-end, unrestricted cash and investments supported a Days Cash on Hand of 630 days, representing approximately 21 months of projected operating expenses without new revenues.

29.2 Investment Management and Oversight

- **Oversight Body:** Finance, Audit, and Investment Committee of the Board of Directors of The Pines at Davidson.
- **Day-to-Day Management:** Chief Financial Officer (CFO).
- **Experience:** Finance Committee members average over 20 years of financial oversight and investment policy.
- **Policy and Controls:** Investments are managed under a Board-approved policy emphasizing liquidity, capital preservation, growth and income targets aligned with the risk tolerance of the organization. Permitted holdings include cash, cash equivalents, U.S. Treasury/agency securities, investment-grade bonds, and broadly diversified public funds/ETFs. The CFO executes within these limits through portfolio managers, reports quarterly to the Finance, Audit, and Investment Committee, and maintains controls over custody, counterparty limits, and rebalancing.

29.3 Statutory Operating Reserve Requirement

As of December 31, 2025, The Pines at Davidson Continuing Care Retirement Community's 12-month rolling average independent living unit occupancy was 95.4%. Based on this level of occupancy, the required statutory operating reserve was 25% of projected operating costs for the next 12 months.

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

Component	Amount
Total projected operating expenses	\$36,811,000
Add: Debt service (principal and interest)	\$1,430,000
Less: Principal and interest (covered by Debt Service Reserve Fund)	\$-
Less: Depreciation and amortization	(\$6,141,000)
Net projected operating costs	\$32,100,000
Applicable reserve percentage based on occupancy	25%
Required operating reserve	\$8,025,000
Unrestricted cash & investments on hand	\$53,176,994
Excess above required reserve	\$45,151,994

Summary: The required statutory operating reserve was \$8.0 million. The Pines at Davidson held \$47.8 million in unrestricted cash and investments, providing an excess cushion of \$39.8 million above the statutory minimum.

29.4 Refund Security (Entrance Fee Refunds)

Entrance fee refund obligations are supported by unrestricted liquidity, including:

- \$39,806,991 of unrestricted liquidity above the statutory operating reserve.

The statutory operating reserve cannot be used for any purpose, including refund payments, without prior regulatory approval.

The Pines at Davidson is not required by statute to escrow entrance fees and none are maintained in escrow.

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

Category	Amount	Notes
Total unrestricted cash & investments	\$47,831,991	All liquid balances (cash and investments)
Less: Required operating reserve	(\$8,025,000)	Must be maintained; release requires regulatory approval
Less: Board-designated for refunds	\$-	Internal designation; unrestricted under GAAP
Excess unrestricted cash and investments above operating reserve and board designated refund reserve	\$39,806,991	Available for operations and refund needs (outside of designated reserves)

30. Expansion and Renovation Plans

In February 2024, The Board of Directors approved a Strategic Plan that identifies internal areas of focus including:

- People: How the organization positions its team for success
- Operations: How services are delivered with an emphasis on efficiency and effectiveness
- Infrastructure: Addressing physical improvements identified in a recent Facilities Condition Assessment

As part of the infrastructure work, over the next two to three years, The Pines at Davidson expects to reinvest significant capital resources to improve existing infrastructure. This includes modernizing and refurbishing common areas, primarily in the main apartment building and community center, including the lobby. Infrastructure and exterior improvements are anticipated for villas and cottages as well.

There are currently no approved plans to expand any service or level of care that would require land development or new buildings. However, the Strategic Plan identifies areas of opportunity, including expansion of independent living, the creation of assisted living accommodations for couples, and the development of an assisted living level of memory care.

In 2025, and continuing into 2026, due diligence has been undertaken and is ongoing for a master site plan, including a market study and topographical study, in preparation for submitting a proposal to the Board regarding potential future expansion on the Chartwell property owned by The Pines at Davidson and located at 200 Avinger Lane, Davidson.

The potential project is contingent upon obtaining approval from the North Carolina Department of Insurance, permits, and securing financing on acceptable terms. If financing cannot be obtained on acceptable terms, the project may be deferred or canceled.

If approved by the Board of Directors, any potential expansion would likely increase the number of independent living accommodations available to future residents. It will not alter existing residents' contracts or current fee structures for existing accommodations. During any future construction, temporary activity may affect access and noise levels in nearby areas of the campus. Residents will be informed in advance of any significant disruptions.

31. Audit Opinion and Timeliness

The consolidated financial statements of The Pines at Davidson for the fiscal year ended December 31, 2025, were audited by CliftonLarsonAllen (Charlotte, NC).

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

32. Audited Financial Statements

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

33. Five-Year Prospective Financial Statements

The five-year prospective financial statements of The Pines at Davidson for the period 2026 through 2030 are attached hereto as Appendix B. These statements were prepared and compiled by CliftonLarsonAllen, and include a summary of significant assumptions and accounting policies.

34. Variances from Prospective Financial Statements

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

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

Category	Projected Amount	Actual Amount	Variance	Explanation
Investment income	\$735 thousand	\$1.58 million	\$847 thousand	A new investment policy was expected to be approved and executed in 2025 leading to a shift from a majority of fixed income investment vehicles to a more balanced portfolio mix. The execution of this changeover took longer than expected resulting in a continuation of income from income-generating investments.

Category	Projected Amount	Actual Amount	Variance	Explanation
Employee retention credit income	\$0	\$3.1 million	\$3.1 million	Due to the uncertainty surrounding the timing and approval methodology of ERC funds, no income was budgeted for 2025.
Capital expenditures	\$5.5 million	\$6.1 million	\$579 thousand	The ability to accelerate the pace of ongoing projects and the timing of planned future projects allowed for the opportunity to take advantage of current year pricing and availability of resources.
Cash & cash equivalents	\$7.6 million	\$5.3 million	-\$2.3 million	Cash held in excess of operating needs was transferred to more long-term income generating vehicles.
Investments	\$32.7 million	\$39.8 million	\$7.1 million	Receipt of ERC refund payments, a repositioning of cash on hand, unexpected continued investment earnings, and positive market growth fueled an increase to the overall investment balances.

35. Key Financial Metrics

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

For the tables below, FY = the most recent fiscal year end.

Full statutory text of definitions is provided in Appendix F.

35.1 Liquidity Ratios

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

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

Table 35.1: Liquidity Ratios

Ratio	FY-2	FY-1	FY	FY+1	FY+2	FY+3
DCOH	603	572	630	613	617	625
CUSH	11.65x	11.84x	13.65x	13.42x	14.06x	14.80x

Narrative:

Liquidity has remained relatively stable with modest improvement over the past three fiscal years and is expected to remain generally consistent with moderate growth over the forecast period. The current fiscal year reflects a one-time increase resulting from the receipt of ERC tax credits. Recent increases in entrance fees, the introduction of the Early Advantage Program, ongoing operating expense management, and disciplined investment portfolio management are expected to support continued moderate growth in liquidity.

35.2 Profitability Ratios

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

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

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

Table 35.2: Profitability Ratios

Ratio	FY-2	FY-1	FY	FY+1	FY+2	FY+3
OR	93.88%	94.80%	86.34%	94.76%	92.93%	94.33%
NOM	11.19%	9.17%	8.47%	10.09%	10.87%	11.52%
NOM-A	29.58%	25.22%	28.01%	32.84%	34.02%	33.83%

Narrative:

Profitability ratios have remained strong despite continued inflationary pressures affecting labor, supplies, and other operating costs. Sustained high occupancy levels, combined with ongoing operating expense management, have continued to support stable operating performance. The current fiscal year Operating Ratio benefited from a one-time increase in revenue associated with the receipt of ERC tax credits. Looking forward, the introduction of the Early Advantage program, which carries relatively low operating costs, is expected to

further support operating margins. In addition, recent increases in entrance fees are expected to continue strengthening Net Operating Margin Adjusted (NOM-A) over the forecast period.

35.3 Capital Structure Ratios

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

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

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

Table 35.3: Capital Structure Ratios

Ratio	FY-2	FY-1	FY	FY+1	FY+2	FY+3
DSCR	3.14x	2.68x	4.10x	3.82x	4.25x	4.42x
CD	0.76x	0.79x	0.94x	0.95x	1.03x	1.12x
CED	0.59x	0.94x	1.00x	1.93x	1.34x	1.31x

Narrative:

Capital structure ratios have remained strong throughout the historical period and are projected to continue improving over the forecast period, supported by stable operating performance, sustained liquidity growth, and continued disciplined financial management. Debt Service Coverage Ratio (DSCR) improved significantly in the current fiscal year, benefiting in part from the receipt of ERC tax credits and continued high occupancy levels, and is expected to remain at favorable levels going forward. The ratio of unrestricted cash and investments to long-term debt (CD) has continued to strengthen as liquidity levels increase and debt balances are reduced. Capital expenditures relative to depreciation (CED) are projected to increase over the forecast period due to planned capital investment activity intended to support the long-term quality and competitiveness of the community. Management does not expect these investments to have negative impacts on liquidity nor debt service coverage metrics as is evident by the ratios provided above.

35.4 Overall Summary

Overall financial performance and related ratios have remained strong throughout the historical period and are projected to continue demonstrating stability over the forecast

period despite ongoing inflationary pressures affecting labor and operating costs. Sustained high occupancy levels, continued demand for larger residential units, and disciplined operating and investment management have supported favorable liquidity, profitability, and capital structure metrics. Recent increases to entrance fees, particularly for highly demanded unit types, along with measured increases to monthly service fees, have been implemented to better align pricing with market conditions and rising operating costs.

The current fiscal year benefited from the receipt of ERC tax credits, which favorably impacted several operating and liquidity metrics on a one-time basis. Looking forward, management expects continued strength in liquidity and operating performance to be supported by ongoing expense management efforts, favorable local housing market conditions, and the introduction of the Early Advantage Program, which is expected to generate incremental revenues with relatively low associated operating costs. In addition, planned capital investments are expected to support the long-term quality and competitiveness of the community while maintaining solid debt service coverage and liquidity levels.

36. Actuarial Opinion and Balance

The opinion of Continuing Care Actuaries, a qualified independent actuary, is attached hereto as Appendix C. The actuarial report evaluates The Pines at Davidson's current and projected financial position and determines whether The Pines at Davidson is in satisfactory actuarial balance.

The actuary reviewed The Pines at Davidson, Inc.'s prospective financial statements for the next five years using standard actuarial methods and assumptions and concluded that The Pines at Davidson is in satisfactory actuarial balance as of December 31, 2025. Key assumptions included mortality, morbidity, resident entrance and withdrawal rates, fee increase patterns, and long-term investment return.

37. Most Recent Department Examination Report

The North Carolina Department of Insurance has not conducted an examination of The Pines at Davidson pursuant to Article 64A of the North Carolina General Statutes.

38. Other Material Information

Management has reviewed whether there are any additional facts, circumstances, risks, or events that could reasonably be expected to influence a prospective or current Resident's decision to contract with The Pines at Davidson. Other than the disclosures provided in prior sections of this Disclosure Statement, management has determined that the following are of importance:

38.1 Ancillary fees

Ancillary fees for items such as Beauty & Barber Shop services, IT support services for personal electronic devices, the guest room, and some transportation services are available upon request. The Pines at Davidson may change these fees at any time.

38.2 Property Tax

The Pines at Davidson is recognized as a charitable nonprofit corporation and, as such, is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is currently exempt from local property taxes under North Carolina law.

There can be no assurance that this exemption will continue. If The Pines at Davidson becomes subject to property taxes in the future, Entrance Fees, Monthly Fees, or other charges may be increased to offset such costs.

38.3 Tax Considerations

No information is provided herein with respect to the tax consequences of entering into a contract under applicable federal, state or local laws. The decision by a resident to enter into a contract may have material tax consequences to the resident. Each resident is urged to consult his or her own tax advisor with respect to any tax consequences of entering into a contract.

38.4 Credit Rating

The Pines holds a “BBB+” credit rating from Fitch Ratings. The rating reflects The Pines' consistently strong occupancy in all levels of care, sound balance sheet, and improved profitability metrics.

38.5 Controlling Effect of Contracts

To the extent that the text of this Disclosure Statement differs or conflicts with the terms of any agreement attached hereto, the terms of the agreement will control.

39 Contract Forms and Attachments

The Pines at Davidson offers both a continuing care contract and a continuing care at home contract. Each are attached hereto as Appendix D.

39.1 Continuing Care Contracts

The Pines at Davidson offers a continuing care contract called “The Residence and Care Agreement,” with three refundability options:

- **90% Refundable Contract** – Residents pay a higher entrance fee, and 90% of the fee is refundable after the unit is resold.

- **50% Refundable Contract** – Residents pay a moderate entrance fee, and 50% of the fee is refundable after the unit is resold.
- **Declining Balance Contract (0% Refundable)** – Residents pay the lowest entrance fee. The refundable portion of the entrance fee decreases monthly and amortizes to 0% after a one-year period. Once the amortization period has elapsed, no refund is payable upon termination or death of the Resident.

39.2 Continuing Care at Home (CCaH) Contract

The Pines at Davidson offers a CCaH contract called “The Early Advantage Agreement.”

Appendix Index

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

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Appendix A — Audited Financial Statements

THE PINES AT DAVIDSON, INC.
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024



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**THE PINES AT DAVIDSON, INC.
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YEARS ENDED DECEMBER 31, 2025 AND 2024**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Pines at Davidson, Inc.
Davidson, North Carolina

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of The Pines at Davidson, Inc. (The Pines), which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of revenue, expenses, and other changes in net assets without donor restrictions, changes in net assets, cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

Basis for Opinion

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

Management's Responsibility for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Board of Directors
The Pines at Davidson, Inc.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The information regarding property tax exemptions appearing on page 32, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Charlotte, North Carolina
March 26, 2026

**THE PINES AT DAVIDSON, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2025 AND 2024**

ASSETS	2025	2024
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,345,003	\$ 6,392,897
Cash held under bond agreement for payment of:		
Interest	1,219,097	1,239,986
Principal	1,470,002	1,431,809
Accounts receivable	590,304	142,045
Interest receivable	66,271	129,521
Prepaid expenses and other current assets	959,094	494,095
Total Current Assets	9,649,771	9,830,353
PROPERTY AND EQUIPMENT		
Land and land improvements	21,098,988	20,705,950
Buildings and building improvements	127,281,114	123,637,317
Equipment, furniture and fixtures	23,376,986	21,781,516
Construction in progress	3,828,866	3,175,910
Total property and equipment	175,585,954	169,300,693
Less: accumulated depreciation	(71,463,882)	(66,481,107)
Property and equipment, Net	104,122,072	102,819,586
OTHER ASSETS		
Investments	39,806,991	31,873,258
Cash and investments whose use is limited		
Operating reserve as required by North Carolina General Statutes	8,025,000	7,828,000
Restricted Donor Funds:		
Restricted pledge receivable	1,086,215	1,050,815
Donor-restricted cash and investments	18,237,439	16,254,908
Total Other Assets	67,155,645	57,006,981
 Total Assets	 \$ 180,927,488	 \$ 169,656,920

See accompanying Notes to Consolidated Financial Statements.

**THE PINES AT DAVIDSON, INC.
CONSOLIDATED BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2025 AND 2024**

	2025	2024
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 4,206,892	\$ 2,350,241
Interest payable	1,219,111	1,239,501
Current portion of long-term debt	1,470,000	1,430,000
Total Current Liabilities	6,896,003	5,019,742
 LONG-TERM DEBT, NET	 56,488,205	 58,030,062
 OTHER LONG-TERM LIABILITIES		
Deferred entrance fee revenue	49,801,925	49,463,373
Refundable entrance fee	5,287,574	4,715,154
Entrance fee deposits	990,640	904,193
Total Other Long-Term Liabilities	56,080,139	55,082,720
Total Liabilities	119,464,347	118,132,524
 NET ASSETS		
Without donor restrictions	42,139,487	34,218,673
With donor restrictions	19,323,654	17,305,723
Total Net Assets	61,463,141	51,524,396
Total Liabilities and Net Assets	\$ 180,927,488	\$ 169,656,920

See accompanying Notes to Consolidated Financial Statements.

THE PINES AT DAVIDSON, INC.
CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES, AND OTHER
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
OPERATING REVENUE AND SUPPORT		
Resident services:		
On campus	\$ 28,865,284	\$ 27,519,397
Early advantage	11,189	-
Amortization of deferred entrance fees:		
On campus	7,263,655	7,324,383
Early advantage	5,430	-
Employee retention credit income	3,073,707	-
Other operating revenue	1,105,930	1,017,115
Net assets released from donor restrictions for operations	1,159,591	1,317,944
Total Operating Revenue and Support	41,484,786	37,178,839
OPERATING EXPENSES		
Salaries and benefits	19,456,891	18,530,494
Depreciation	6,098,908	5,921,590
Other operating expenses	9,039,282	8,586,138
Early advantage	14,040	-
Interest and amortization expense	2,366,353	2,408,316
Total Operating Expenses	36,975,474	35,446,538
EXCESS OF REVENUE OVER EXPENSES FROM OPERATIONS AND BEFORE OTHER CHANGES	4,509,312	1,732,301
OTHER CHANGES		
Contributions without donor restrictions	17,873	53,901
Investment income	1,486,564	1,158,216
Realized gains (losses) on investments	115,941	(3,179)
Unrealized gains on investments	1,596,134	271,184
Total Other Changes	3,216,512	1,480,122
EXCESS OF REVENUE OVER EXPENSES AND OTHER CHANGES	7,725,824	3,212,423
NET ASSETS RELEASED FROM DONOR RESTRICTIONS FOR BUILDING AND EQUIPMENT	194,990	73,730
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	7,920,814	3,286,153
Net Assets Without Donor Restrictions - Beginning of Year	34,218,673	30,932,520
NET ASSETS WITHOUT DONOR RESTRICTIONS - END OF YEAR	\$ 42,139,487	\$ 34,218,673

See accompanying Notes to Consolidated Financial Statements.

THE PINES AT DAVIDSON, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Total unrestricted revenue and support	\$ 41,502,659	\$ 37,232,740
Total unrestricted expenses	(36,975,474)	(35,446,538)
Net assets released from donor restrictions for buildings and equipment	194,990	73,730
Net increase in investments	3,198,639	1,426,221
Increase in net assets without donor restrictions	7,920,814	3,286,153
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	929,575	1,150,685
Investment income	1,072,609	433,752
Realized gains on investments	2,317,103	-
Unrealized gains (losses) on investments	(982,175)	1,774,651
Net assets released from donor restrictions	(1,354,581)	(1,391,674)
Change in value of pledges with donor restrictions	35,400	60,403
Increase in net assets with donor restrictions	2,017,931	2,027,817
CHANGE IN NET ASSETS	9,938,745	5,313,970
Net Assets - Beginning of Year	51,524,396	46,210,426
NET ASSETS - END OF YEAR	\$ 61,463,141	\$ 51,524,396

See accompanying Notes to Consolidated Financial Statements.

THE PINES AT DAVIDSON, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 9,938,745	\$ 5,313,970
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	6,098,908	5,921,590
Amortization	47,384	47,592
Amortization of deferred entrance fees	(7,072,647)	(7,197,469)
Amortization of improvement deposits	(196,438)	(126,914)
Amortization of bond premium	(119,241)	(118,272)
Net change in fair value of investments	(4,628,788)	(1,962,656)
Change in value of long-term pledges	(35,400)	(60,403)
Restricted contributions	(929,575)	(700,685)
Restricted interest income	(1,072,609)	(433,752)
Changes in operating assets and liabilities - net	(610,832)	(539,233)
Net cash provided by operating activities	1,419,507	143,768
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(6,079,331)	(5,547,398)
Net change of investments	(5,484,476)	(1,362,103)
Net cash used by investing activities	(11,563,807)	(6,909,501)
CASH FLOWS FROM FINANCING ACTIVITIES		
Restricted contributions	929,575	700,685
Restricted interest income	1,072,609	433,752
Repayment of long-term debt	(1,430,000)	(1,385,000)
Net proceeds from entrance fees	8,252,113	6,219,506
Net proceeds from improvement deposits	202,966	188,870
Net entrance fee deposits	86,447	8,478
Net cash provided by financing activities	9,113,710	6,166,291
DECREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(1,030,590)	(599,442)
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	9,064,692	9,664,134
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	\$ 8,034,102	\$ 9,064,692

See accompanying Notes to Consolidated Financial Statements.

**THE PINES AT DAVIDSON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Mission Statement

The Pines at Davidson, Inc. (formerly known as Davidson Retirement Community, Inc.) (The Pines at Davidson) is a continuing care retirement community located on approximately 149 acres in Davidson, North Carolina, offering housing where residents aged 65 and older live independently in 292 residential apartments, cottages, and villas and are provided services that include meals, activities, and housekeeping. Residents use the Jetton Community Center, which features a central dining room, café, library, post office, private dining room, living room, game room, large meeting room, and chapel. There are also living accommodations and support services available in the Mariam Coltrane Schramm Health Center (Schramm Health Center) for residents who require assistance with the activities of daily living or who become ill and require long-term nursing care. The Schramm Health Center consists of the Workman Wellness Center, a 30-bed assisted living unit, and a 75-bed nursing unit. The Workman Wellness Center includes a wellness clinic supervised by a registered nurse serving residents within The Pines at Davidson, a hot-water whirlpool, a warm-water therapy pool, exercise equipment room oriented towards strength and endurance training, and separate locker rooms for men and women.

The Pines at Davidson is a nonstock, nonprofit corporation organized under the laws of the state of North Carolina to own and operate the residential apartments, cottages, and villas and Schramm Health Center. As a nonstock corporation, The Pines at Davidson has no shareholders, and any surplus remains within the corporation to build reserves for unforeseen financial needs and repairs and renovations to benefit residents. As a nonprofit corporation, The Pines at Davidson is oriented toward fulfilling its mission while maintaining financial security for its residents rather than earning profits to benefit shareholders. The Davidson College Presbyterian Church and Davidson College, two founding organizations, continue to have involvement in The Pines at Davidson but have no responsibility for any of The Pines at Davidson's obligations.

The Pines at Davidson is the sole member of Mecklenburg Real Estate Holdings, LLC (MREH), a single member limited liability company, formed April 22, 2014 for the purpose of holding and managing real property for the benefit of The Pines at Davidson.

The Pines at Davidson is the sole member of SDK Enterprises (SDK), a single member limited liability company, formed June 21, 2019 for the purpose of holding and managing real property for the benefit of The Pines at Davidson.

The Pines at Davidson's mission statement is as follows:

The mission of The Pines at Davidson is to empower older adults and those who care for them to live their best lives.

Principles of Consolidation

The consolidated financial statements include the accounts of The Pines at Davidson, MREH, and SDK (collectively, The Pines). All significant intercompany accounts and transactions have been eliminated in consolidation.

THE PINES AT DAVIDSON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Financial Assistance and Resident Support Fund

All residents have a contractual agreement with The Pines providing that in return for payment of an entrance fee and monthly fees, residents will have access to living arrangements and nursing care. It is The Pines' policy that a resident's agreement will not be terminated solely because of the resident's financial inability to continue to pay the monthly fee or other charges due under the agreement by reason of circumstances beyond the resident's control, such as outliving one's financial resources. This policy, however, shall not be construed as qualifying the right of The Pines to terminate a resident's agreement in accordance with the terms of the agreement. If a resident presents facts, which in the opinion of The Pines justify special financial consideration, The Pines will give careful consideration to subsidizing, in whole or in part, the monthly charge and other charges payable by a resident under the agreement so long as such subsidy can be made without impairing the ability of The Pines to attain its objectives while operating on a sound financial basis. Any determination by The Pines with regard to the granting of financial assistance is within the sole discretion of The Pines. Each resident's agreement with The Pines provides that the resident will not make any gift or other transfer of property for less than adequate consideration for the purpose of evading the resident's obligation under the agreement or if such gifts or transfer would render the resident unable to meet such obligations.

The Pines has established the Resident Support Fund, which is used to assist residents who become unable to pay their monthly fees and other charges as described above.

Entrance Fees

Under the terms of the residence and care agreement, each resident member pays an entrance fee. The agreement requires a deposit of 10% of the entrance fee amount when a unit is reserved with the balance of the fee to be paid 10 days prior to occupancy. During the years ended December 31, 2025 and 2024, The Pines received net entrance fees of \$8,716,209 and \$6,219,506, respectively. Entrance fees received upon occupancy, along with monthly service fees, pay the cost of services provided to residents. Once a unit is occupied, entrance fees are recognized as income over the actuarially determined expected residency period of each of The Pines' residents. Entrance fees are partially refunded to residents vacating a unit in the first 12 months of occupancy, except as noted below. The refund is determined based on the number of months occupied, less an administrative fee, and is paid after occupancy of the unit by a new resident.

Deposits paid, less an administrative charge, are refundable to persons canceling their residency contract prior to occupying The Pines. No administrative charge is assessed for cancelation resulting from death or from physical or mental impairment.

THE PINES AT DAVIDSON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Entrance Fees (Continued)

Residents may elect to pay additional incremental entrance fees based on the resident's age at his or her nearest birthday on the date of occupancy. Under this option, 90% or 50% of the original entrance fees are refundable dependent on the contract option elected. The contract provides for payment of the refundable fees after the unit is vacated and a new resident occupies the unit and pays the entrance fee in effect at the time of occupancy. Prospective residents may reserve priority on The Pines' waiting list to occupy a unit to become available in the future by making a \$1,000 refundable deposit for a unit. Total deposits, including the 10% and \$1,000 deposits held, were \$990,640 and \$904,193 at December 31, 2025 and 2024, respectively. The refundable portion of entrance fees paid under the refund option contracts and deposits paid to reserve priority for a future unit are classified on the accompanying consolidated balance sheets as refundable entrance fees.

The Pines also allows its tenants to pay improvement deposits to fund the construction of improvements to their independent living units. During the years ended December 31, 2025 and 2024, the Pines received approximately \$203,000 and \$189,000, respectively, of such improvement deposits.

Early Advantage Program

In 2025, the Pines received approval from the North Carolina Department of Insurance to offer a "continuing care without lodging" contract for persons to become residents of the Pines while not taking residence at the Pines initially. Under the Early Advantage contract, residents who are living off-campus receive the same access to the Pines' campus amenities and the same health care services and future benefits that are afforded to residents who are living on campus. North Carolina General Assembly Statute, § 58-64-7(c) stipulates that the Pines must account for the revenue and expenses related to the Early Advantage program separate from revenue and expenses for on-campus services on financial statements and five-year forecasts. The Pines had 16 residents under contract in the Early Advantage program as of December 31, 2025.

Use of Estimates

The preparation of consolidated 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 consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Significant estimates include the useful lives of property and equipment and the expected residency period. Actual results could differ from these estimates.

THE PINES AT DAVIDSON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Cash and Cash Equivalents

All liquid investments with a maturity of three months or less are considered to be cash equivalents, unless designated as a cash position within long-term investments or restricted as to use by the donor. These investments are recorded at cost in the accompanying consolidated balance sheets.

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

	2025	2024
Cash and Cash Equivalents	\$ 5,345,003	\$ 6,392,897
Cash held under bond agreement for payment of:		
Interest	1,219,097	1,239,986
Principal	1,470,002	1,431,809
Total	\$ 8,034,102	\$ 9,064,692

Accounts Receivable

Resident accounts receivable consists of resident monthly service fees. The Pines provides an allowance for credit losses using management’s estimate about the collectability of any past due accounts based on historical collections experience, adjusted for management expectations about current and future economic conditions. Residents are not required to provide collateral for services rendered. Payment for services is required upon receipt of invoice or claim submitted. At both December 31, 2025 and 2024 the Pines did not have an allowance for credit losses.

Fair Value of Financial Instruments

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures*, establishes a three-level valuation hierarchy based upon observable and unobservable inputs for fair value measurement of financial instruments that is discussed below in Note 3.

Property and Equipment

Purchased property and equipment are recorded at cost. Expenditures that materially increase values, change capacities, or extend estimated useful lives are capitalized. All fixed assets are depreciated using the straight-line method using the following estimated useful lives:

Land Improvements	5 to 40 Years
Buildings and Building Improvements	3 to 40 Years
Equipment, Furniture, and Fixtures	3 to 30 Years

THE PINES AT DAVIDSON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Property and Equipment (Continued)

Depreciation expense for 2025 and 2024 was \$6,098,908 and \$5,921,590, respectively. No interest was capitalized during the years ended December 31, 2025 and 2024.

Construction in progress at December 31, 2025 and 2024 is related to general renovations.

The Pines capitalizes all property and equipment expenditures which have a cost in excess of \$500 and an expected life greater than or equal to three years.

The Pines periodically assesses the realizability of its long-lived assets and evaluates such assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Impairment is determined to exist for asset to be held and used if estimated future cash flows, undiscounted and without interest charges, are less than the carrying amount. Impairment is determined to exist for assets to be disposed of if estimated net realizable value is less than the carrying amount. Management has determined that no such impairments exist as of December 31, 2025 and 2024.

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets is comprised primarily of amounts paid in advance for property and liability insurance.

Cash and Investments Whose Use is Limited

Cash and investments whose use is limited consist of funds held pursuant to the requirements of The Pines' revenue bond agreement (see Note 2), funds held to maintain an operating reserve as required by North Carolina General Statutes (see Note 11).

Debt Issuance Costs

During 2013, The Pines completed a bond offering of its Series 2013 North Carolina Medical Care Commission Health Care Facilities Revenue Bonds. The Pines deferred the bond issuance costs associated with the bond offering totaling approximately \$213,000. The Pines used the proceeds from the bond offering to expand The Pines' existing continuing care retirement community, including the construction of two new multi-story apartment buildings.

During 2015, The Pines completed a refinance of its Series 2006 Bonds with Series 2015 Bonds (both defined hereinafter). The Pines deferred the bond issuance costs associated with the bond offering totaling approximately \$154,000.

During 2018, The Pines began the process for a bond offering of two Series 2019 bonds. The Pines deferred the bond issuance costs associated with such bond offering totaling approximately \$46,000.

THE PINES AT DAVIDSON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Debt Issuance Costs (Continued)

During 2019, The Pines completed a bond offering of two Series 2019 North Carolina Medical Care Commission Retirement Facilities First Mortgage Revenue Bonds (Series 2019A Bonds and Series 2019B Bonds). The Pines deferred the bond issuance costs associated with the bond offerings totaling approximately \$1,016,000, including the portion deferred in 2018. The Pines used the proceeds from the bond offering to expand The Pines' existing continuing care retirement community, including the construction of two new multi-story apartment buildings.

Deferred debt issuance costs are presented as a reduction of the carrying amount of the related debt and amortized using the effective interest method over the life of the debt as a component of interest expense.

Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows using discount rates, which are calculated annually. The Pines anticipates long-term pledges outstanding as of December 31, 2025, will be collected in entirety over a period of approximately 5 years. Conditional promises to give are not included as support until the conditions are substantially met. Pledges receivable with restrictions are included in net assets with donor restrictions in the accompanying consolidated balance sheets (see Note 7).

Revenue Recognition

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases to net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expiration of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Advertising

Advertising costs are expensed as incurred. Advertising expenses were approximately \$75,000 and \$126,000 for the years ended December 31, 2025 and 2024.

Net Assets Without Donor Restrictions

Net assets without donor restrictions consist of all resources of The Pines that do not have donor-imposed restrictions.

THE PINES AT DAVIDSON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Net Assets With Donor Restrictions

The Pines reports gifts of cash and other assets as restricted support if they are received or pledged with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying consolidated statements of revenue, expenses, and other changes in net assets without donor restrictions as other operating revenue.

The Pines reports gifts of land, buildings, and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, The Pines reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Operating Revenue and Support and Expenses

All revenue, support, and expenses directly related to the operation of the continuing care community are included in operating revenue and support and expenses in the accompanying consolidated statements of revenue, expenses, and other changes in net assets without donor restrictions.

Excess of Revenue Over Expenses and Other Changes

The consolidated statements of revenue, expenses, and other changes in net assets without donor restrictions include excess of revenues over expenses and other changes. Changes in net assets without donor restrictions that are excluded from excess of revenue over expenses and other changes, consistent with industry practice, include net assets released from restrictions used for the purpose of purchases of property and equipment.

Income Tax Status

The Pines is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Pines qualifies for the charitable contribution deduction under Section 170 and has been classified as an organization that is not a private foundation under Section 509(a)(2).

The Pines files as a tax-exempt organization. Management is not aware of any activities that would jeopardize tax-exempt status of the organization. Management is not aware of any significant activities that are subject to tax on unrelated business income or excise or other taxes for the organization.

The Pines follows guidance on the income tax standard regarding the recognition and measurement of uncertain tax positions. The implementation has had no impact on The Pines' consolidated financial statements.

**THE PINES AT DAVIDSON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Concentration of Credit Risk

Financial institutions, which potentially subject The Pines to concentrations of credit risk, consist principally of cash and cash equivalents. The Pines places its cash and cash equivalents with federally insured institutions, the balances of which exceed the federally insured limits from time to time. Management believes the risk of loss associated with these excess funds to be remote.

Obligation to Provide Future Services

The Pines calculates the present value of the estimated cost of future services and use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from entrance fees and the present value of estimated periodic service fees. If the present value of the cost of future services and use of facilities exceeds the deferred revenue from entrance fees and the present value of periodic fees, a liability is recorded (obligation to provide future services). No liability has been recorded for the years ended December 31, 2025 and 2024, because the estimated present value of the cost of future services and use of facilities is less than deferred revenue from entrance fees and the present value of estimated periodic service fees.

Reclassifications

Certain amounts in the 2024 consolidated financial statements were reclassified for comparison purposes with the 2025 consolidated financial statements. The reclassifications did not result in a change in net assets as previously reported.

Subsequent Events

In preparing these consolidated financial statements, The Pines has evaluated events and transactions for potential recognition or disclosure through March 26, 2026, the date the consolidated financial statements were available to be issued.

NOTE 2 CASH AND INVESTMENTS HELD UNDER BOND AGREEMENT

Cash and investments held under bond agreement are carried at fair value based on quoted market prices.

A summary of cash and investments held under bond agreement at December 31 is as follows:

	2025	2024
Investments held by trustee under bond agreement:		
Money market accounts	\$ 2,689,099	\$ 2,671,795
Less: current portion held under bond agreement for interest and principal	(2,689,099)	(2,671,795)
Total	\$ -	\$ -

THE PINES AT DAVIDSON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 3 INVESTMENTS

The Pines' investments include cash and investments held by bond trustee, long-term unrestricted investments, and restricted funds. The Pines maintains investments for the purpose of providing income and growth of capital to support operations, fund strategic initiatives, and comply with donor restrictions and statutory requirements.

The Pines adheres to ASC Topic 958-320, *Not-For-Profit Entities - Investments - Debt and Equity Securities*, which requires all investments in debt securities (such as U.S. Treasury notes and corporate and municipal bonds) and investments in equity securities (stocks and stock/bond mutual funds) with readily determinable fair values to be reflected at fair value in the accompanying consolidated balance sheets. The Pines' investments are carried at fair value based on quoted market prices. Realized and unrealized gains and losses are included in the consolidated statements of revenue, expenses, and other changes in net assets in the appropriate net asset classification based on the existence of donor restrictions.

On the Pines unrestricted investment portfolio, the net realized gains were \$115,941 and the realized losses were \$3,179 in 2025 and 2024, respectively.

Managed Investments

During 2025, The Pines adopted a revised Investment Policy Statement ("IPS"), approved by the Board of Directors, which governs the investment and management of all investment portfolios, including unrestricted investments, donor-restricted investments, and designated unrestricted cash reserves.

Investment portfolios with a long-term investment horizon, including donor-restricted investments and long-term unrestricted investments, are managed using a total return approach and are intended to achieve a real rate of return that preserves or enhances purchasing power over time while assuming a reasonable level of market volatility. Investment portfolios with a short-term investment horizon, including unrestricted cash reserves, emphasize preservation of principal, liquidity, and low volatility.

- The investment goals for the Managed Investments are to (a) preserve the long-term purchasing power of assets through prudent risk management and diversification and (b) provide liquidity and distributions to support operations, strategic initiatives, and donor-restricted purposes, as applicable.
- Eligible securities include equity securities, fixed income securities, cash and cash equivalents, and other investment strategies permitted under the IPS. Investments are diversified across asset classes, issuers, sectors, and investment styles to reduce concentration and market risk.
- The performance and characteristics of the Managed Investments are evaluated relative to benchmarks approved by the Finance, Investment, and Audit Committee of the Board of Directors.

THE PINES AT DAVIDSON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 3 INVESTMENTS (CONTINUED)

Managed Investments (Continued)

- The IPS establishes limits on exposure to individual issuers and other risk management parameters, except for obligations of the United States government or its agencies. As of December 31, 2025, all investments were in compliance with the applicable provisions of the investment policy.

Prior to the 2025 adoption of the new investment policy, The Pines invested its unrestricted, noncurrent funds primarily in U.S. Treasury notes, which were held until maturity and then typically reinvested or in money market funds that were invested in U.S. Treasury Securities and repurchase agreements collateralized by such obligations and assigned the highest credit ratings by Moody's, Standard & Poor's, and Fitch. The Pines had adopted conservative investment goals for its unrestricted noncurrent investments, which can be summarized as follows: The Pines sought to a) preserve principal and maximize the safety of its unrestricted investments and b) reduce interest rate risk, since its primary mission is to operate a continuing care retirement community as opposed to buying and selling debt or equity securities. The Pines chose to invest its internally managed investments mainly in U.S. Treasury notes in order to help achieve its goal of preserving principal.

- The investment goals for the Managed Investments were to a) preserve principal and maximize the safety of The Pines investments and b) to minimize interest rate risk.
- Eligible securities were limited to high-quality money market funds and debt securities, primarily obligations issued or guaranteed by the U.S. Treasury, federal agencies, or government-sponsored corporations or agencies, municipal obligations, corporate obligations, mortgage-backed securities (MBS), asset-backed securities (ABS), sovereign securities, and foreign quasi- and government-related securities.

The performance and characteristics of the Externally Managed Investments were measured against the Bloomberg Intermediate Government/Credit Total Risk Index, which is a high-quality moderate duration benchmark (Benchmark).

- The maximum allocation to any single obligor, at time of purchase, was limited to the greater of 10% of the Managed Investments' market value or \$1 million par value, except there is no limit for obligations of the United States of America or any agency thereof. The percentage of assets in the separate account portfolios, which were obligations of the United States of America or agency thereof, or which were collateralized by obligations of the U.S. or any agency thereof, shall not be limited.
- All investments had a minimum credit quality rating by at least two of the nationally recognized statistical rating organizations (NRSRO) of "A2" or equivalent by Moody's, "A" or equivalent by S&P or "A" or equivalent by Fitch Ratings at the time of purchase and thereafter. Such ratings were the sixth highest among the 10 investment grade rating categories used by such rating agencies. As of December 31 2024, all investments were in compliance with this aspect of the investment policy.

THE PINES AT DAVIDSON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 3 INVESTMENTS (CONTINUED)

Equity Securities

As referred to in Note 1, The Pines has established a Resident Support Fund, which will be used to assist residents who become unable to pay their monthly fees and other charges for reasons beyond their control. The Pines receives charitable contributions restricted for this purpose.

Equity investments held in donor-restricted funds and certain long-term unrestricted investment portfolios are managed in accordance with the IPS and are invested with a long-term investment horizon. These investments are intended to provide long-term growth of capital and income consistent with donor restrictions and the overall investment objectives of The Pines.

Equity securities consist primarily of mutual funds and other commingled investment vehicles with readily determinable fair values. These investments are recorded at fair value based on quoted market prices and are classified within Level 1 of the fair value hierarchy.

Investment return related to equity securities, including dividends and realized and unrealized gains and losses, is included in the consolidated statements of revenue, expenses, and other changes in net assets in the appropriate net asset classification based on the existence of donor restrictions.

Investments as of December 31, 2025 and 2024 are composed of the following:

	December 31, 2025	2025 Fair Value Measurement at Reporting Date		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 7,702,224	\$ 7,702,224	\$ -	\$ -
Externally managed funds:				
Money market funds	7,424,576	7,424,576	-	-
U.S. government obligations	8,962,533	8,962,533	-	-
Corporate bonds	671,511	671,511	-	-
U.S. municipal bonds	2,070,355	2,070,355	-	-
Equity Securities	26,552,221	26,552,221	-	-
Mutual Funds	15,375,109	15,375,109	-	-
Total investments	<u>\$ 68,758,529</u>	<u>\$ 68,758,529</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and cash equivalents	<u>\$ 5,345,003</u>			
Total investments cash and cash equivalents	<u>\$ 74,103,532</u>			

THE PINES AT DAVIDSON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 3 INVESTMENTS (CONTINUED)

Equity Securities (Continued)

	December 31, 2024	2024		
		Fair Value Measurement at Reporting Date		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(Level 1)	(Level 2)	(Level 3)
Money market funds	\$ 18,759,697	\$ 18,759,697	\$ -	\$ -
Externally managed funds:				
U.S. treasury notes	9,971,094	9,971,094	-	-
U.S. government obligations	915,969	915,969	-	-
Corporate bonds	7,926,191	7,926,191	-	-
U.S. municipal bonds	2,709,437	2,709,437	-	-
Mortgage backed securities	1,422,386	-	1,422,386	-
Asset backed securities	955,956	-	955,956	-
Equity securities - mutual funds	15,967,231	15,967,231	-	-
Total investments	<u>\$ 58,627,961</u>	<u>\$ 56,249,619</u>	<u>\$ 2,378,342</u>	<u>\$ -</u>
Cash and cash equivalents	<u>\$ 6,392,897</u>			
Total investments cash and cash equivalents	<u>\$ 65,020,858</u>			

The Pines is required to use inputs for measuring fair value according to the three-level hierarchy established in ASC 820, using the lowest level possible (i.e., Level 1) if such inputs are available, and if not, going to the next highest level. The three levels for measuring fair value are listed below. The three-level hierarchy established in ASC 820 does not in and of itself reflect the credit quality or liquidity of any investment.

Level 1 inputs are quoted prices unadjusted in active markets for identical assets or liabilities that the reporting entity has the ability to assess at the measurement date. The Pines accounted for its Level 1 investments through the use of quoted market prices for those identical investments in debt and equity securities with readily determinable market values in active markets.

Level 2 inputs are inputs other than quoted prices including within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 permits use of a variety of different inputs. The inputs used by The Pines in classifying its investments as Level 2 were quoted prices for similar assets in active markets.

There were no Level 2 securities as of December 31, 2025. As of December 31, 2024, The Pines' Level 2 investments consist of mortgage-backed securities and asset backed securities. The mortgage-backed securities (MBS) classified as Level 2 in The Pines' portfolio as of December 31, 2024 contributed to sector diversification.

The value and income payments of the ABS classified as Level 2 in The Pines' portfolio as of December 31, 2024, are derived from and collateralized by a specific pool of underlying assets for a finite time period, plus any rights or other assets designed to assure the servicing or timely distribution or proceeds to security holders.

THE PINES AT DAVIDSON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 3 INVESTMENTS (CONTINUED)

Equity Securities (Continued)

All such Level 2 investments were classified as Level 2 because identical investments with the same Committee on Uniform Security Identification Procedures (CUSIP) numbers did not trade at or near December 31, 2024. Therefore, The Pines had to value such investments based upon quoted prices for similar assets in active markets.

Level 3 inputs are unobservable inputs that are supported by little or no market activity and are significant to the fair value of the asset or liability. Unobservable inputs reflect management's own judgment about the assumptions that market participants would use in pricing the assets or liabilities. Level 3 assets and liabilities include financial instruments whose values are determined using pricing models, discounted cash flow methodologies or similar techniques, or for which the determination of fair value requires significant management judgment or estimation. None of The Pines' investments are classified as Level 3 as of December 31, 2025 and 2024.

Investment revenue is reported net of related investment expenses in the consolidated statements of revenue, expenses, and other changes in net assets without donor restrictions. The amounts of expenses netted with revenues were approximately \$95,000 and \$80,000 for the years ended December 31, 2025 and 2024, respectively.

NOTE 4 LIQUIDITY

The Pines' financial assets available within one year of the consolidated balance sheet date for general expenditures are as follows:

	<u>2025</u>	<u>2024</u>
Cash and Cash Equivalents	\$ 5,345,003	\$ 6,392,897
Money market funds	15,126,800	18,759,697
U.S. treasury notes	-	9,971,094
U.S. government obligations	8,962,533	915,969
Corporate bonds	671,511	7,926,191
U.S. municipal bonds	2,070,355	2,709,437
Mortgage-backed securities	-	1,422,386
Asset backed securities	-	955,956
Equity securities	26,552,221	-
Mutual funds	15,375,109	15,967,231
Subtotal	<u>74,103,532</u>	<u>65,020,858</u>
Less: Donor-Restricted Assets	(18,237,439)	(16,254,908)
Less: Operating Reserve	(8,025,000)	(7,828,000)
Less: Funds Held Under Bond Agreement	<u>(2,689,099)</u>	<u>(2,671,795)</u>
Total Unrestricted Cash and Investments	45,151,994	38,266,155
Accounts Receivable	590,304	142,045
Interest Receivable	66,271	129,521
Total Assets Available to Meet Liquidity Needs	<u><u>\$ 45,808,569</u></u>	<u><u>\$ 38,537,721</u></u>

THE PINES AT DAVIDSON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 5 LONG-TERM DEBT

In September 2013, The Pines issued \$14,645,000 Health Care Facilities Revenue Bonds (Series 2013 Bonds). The Series 2013 Bonds were issued through the North Carolina Medical Care Commission in order to fund construction of the 24 villa apartments that comprise the Hickory Crest Villas. The Series 2013 Bonds bear interest at fixed rate of 2.8% through January 1, 2029. Interest on Series 2013 Bonds was payable monthly through January 1, 2015 and then semiannually beginning July 1, 2015. The aggregate entrance fees derived from the Hickory Crest Villas totaled approximately \$6,895,300. Pursuant to the provisions of Supplemental Indenture No. 4 to the Master Indenture (Supplement #4), The Pines was required to use \$6,500,000 of those entrance fees to redeem either 2013 Bonds or 2006 Bonds, which were subject to redemption at par beginning on January 1, 2016.

During 2015, The Pines paid down \$6,500,000 (pursuant to Supplement #4 as described above) of the Series 2006 Bonds and subsequently refunded the Series 2006 Bonds through the issuance of \$11,125,000 of Health Care Facilities Refunding Revenue Bonds (Series 2015 Bonds). The proceeds from the Series 2015 Bonds along with \$6,500,000 of entrance fees associated with the 24 villa expansion pay down and \$1,495,000 of additional funds were used to legally defease the Series 2006 Bonds as of October 2015. The Series 2015 Bonds bear interest at a fixed rate of 2.87% through maturity with semi-annual interest payments. The Series 2015 Bonds have annual principal payments with a final maturity of January 2030.

In March 2019, The Pines issued \$42,725,000 Retirement Facilities First Mortgage Revenue Bonds Series 2019A (Series 2019A Bonds) and \$11,905,000 Retirement Facilities First Mortgage Revenue Bonds Series 2019B (Series 2019B Bonds) (collectively the Series 2019 Bonds). The Series 2019 Bonds were issued through the North Carolina Medical Care Commission in order to fund the expansion and renovation of the existing facility. The issuance of the Series 2019 Bonds involved an original issue premium of \$2,945,241 for total original par amount plus premium of \$57,575,241. The Series 2019A Bonds bear interest at a varying rate between 3.0% and 5.0% through maturity with semi-annual interest payments. The Series 2019A Bonds have annual principal payments beginning January 1, 2021 with a final maturity of January 2049. The Series 2019B Bonds were paid in full during the year ended December 31, 2021.

THE PINES AT DAVIDSON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 5 LONG-TERM DEBT (CONTINUED)

The future debt service requirements of The Pines' long-term debt as of December 31, 2025 are as follows:

<u>Years Ending December 31.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 1,470,000	\$ 2,429,003	\$ 3,899,003
2027	1,515,000	2,386,332	3,901,332
2028	1,560,000	2,342,347	3,902,347
2029	1,605,000	2,297,050	3,902,050
2030	1,650,000	2,250,441	3,900,441
Thereafter	48,910,000	24,958,851	73,868,851
Subtotal	56,710,000	36,664,024	93,374,024
Less: unamortized deferred financing costs	(897,729)	-	(897,729)
Plus: unamortized bond premium	2,145,934	-	2,145,934
Less: current portion of long-term debt	(1,470,000)	-	(1,470,000)
Total	<u>\$ 56,488,205</u>	<u>\$ 36,664,024</u>	<u>\$ 93,152,229</u>

The terms of the Series 2013 Bonds require, among other provisions, the maintenance of various trustee-held funds including: a) a Series 2013 Bond fund, in which there is established an interest account, a sinking fund account, and a credit facility account, b) a redemption fund, c) a bond purchase fund, and d) a construction fund. Under the terms of the Series 2013 Bonds' covenants, The Pines must set rates to maintain a minimum debt service coverage ratio as defined by the bond agreements and maintain certain other financial ratios at minimum levels as described in the bond agreements. Management is unaware of any instances of non-compliance with these covenants as of December 31, 2025.

The terms of the Series 2015 Bonds require, among other provisions, the maintenance of various trustee-held funds including: a) a Series 2015 Bond fund, in which there is established an interest account, a sinking fund account, and a credit facility account, b) a redemption fund, and c) a bond purchase fund. Under the terms of the Series 2015 Bonds' covenants, The Pines must set rates to maintain a minimum debt service coverage ratio as defined by the bond agreements and maintain certain other financial ratios at minimum levels as described in the bond agreements. Management is unaware of any instances of non-compliance with these covenants as of December 31, 2025.

THE PINES AT DAVIDSON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 5 LONG-TERM DEBT (CONTINUED)

The terms of the Series 2019 Bonds require, among other provisions, the maintenance of various trustee-held funds including: a) Series 2019 Bond funds, in which there is established an interest account, a sinking fund account, and a credit facility account, b) a redemption fund, c) a bond purchase fund, and d) construction funds. Under the terms of the Series 2019 Bonds' covenants, The Pines must set rates to maintain a minimum debt service coverage ratio as defined by the bond agreements and maintain certain other financial ratios at minimum levels as described in the bond agreements. Management is unaware of any instances of non-compliance with these covenants as of December 31, 2025.

All outstanding revenue bonds are secured by the real property owned by The Pines that is necessary for the operation of the existing facilities. The mortgaged property does not include unimproved land owned by The Pines that is contiguous or adjacent to the mortgaged property.

Interest payments relating to the Series 2013 Bonds totaling \$297,524 and \$300,930, were made during the years ended December 31, 2025 and 2024, respectively. Interest payments relating to the Series 2015 Bonds totaling \$162,086 and \$161,725 were made during the years ended December 31, 2025 and 2024, respectively. Interest payments relating to the Series 2019 Bonds totaling \$1,885,326 and \$1,917,809 were made during the years ended December 31, 2025 and 2024, respectively.

Interest and amortization expense, excluding amounts capitalized, in the amount of \$2,319,937 and \$2,408,316 for the years ended December 31, 2025 and 2024 included \$47,384 and \$47,592 of amortization expense, respectively.

NOTE 6 DEFINED CONTRIBUTION PLAN

The Pines maintains a defined contribution retirement savings plan governed by Section 403(b) of the Internal Revenue Code. The plan covers all employees and provides for discretionary employer contributions on behalf of eligible employees who meet certain service requirements. Employer contributions to the plan were \$279,206 and \$255,502 for the years ended December 31, 2025 and 2024, respectively.

THE PINES AT DAVIDSON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are contributions, which are designated for a specific use by the donor. Net assets with donor restrictions as of December 31, 2025 and 2024 consist of assets to be used to finance the Resident Support Fund, to fund the operation of a warm-water therapy pool and hot-water whirlpool, and to fund certain other needs. The Resident Support Fund will be used to assist residents who become unable to pay their monthly charges after admission to The Pines for reasons beyond their control (see Note 1). Contributions of investment securities for restricted purposes are recorded at fair market value at the date of the gift.

Net assets with donor restrictions at December 31, 2025 were composed of the following:

	Total Net Assets
Resident Support Fund	\$ 10,456,477
Warm Water Therapy Pool Fund	4,944,314
Preserve and Progress strategic plan objectives	2,203,254
Other net assets with donor restrictions	1,719,609
Total Net Assets With Donor Restrictions	<u>\$ 19,323,654</u>

Activity within net assets with donor restrictions balances during the year ended December 31, 2025 was composed of the following:

	Total Net Assets
Balance — beginning of year	\$ 17,305,723
Change in Investments	2,407,537
Contributions	929,575
Other changes:	
Net asset released	(1,354,581)
Change in pledge receivable	35,400
Total Net Assets With Donor Restrictions	<u>\$ 19,323,654</u>

THE PINES AT DAVIDSON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets with donor restrictions balances at December 31, 2024 were composed of the following:

	Total Net Assets
Resident Support Fund	\$ 9,283,156
Warm Water Therapy Pool Fund	4,567,819
Preserve and Progress strategic plan objectives	3,144,448
Other net assets with donor restrictions	310,300
Total Net Assets With Donor Restrictions	<u>\$ 17,305,723</u>

Activity within net assets with donor restrictions balances during the year ended December 31, 2024 was composed of the following:

	Total Net Assets
Balance — beginning of year	\$ 15,277,906
Change in Investments	2,208,403
Contributions	1,150,685
Other changes:	
Net asset released	(1,391,674)
Change in pledge receivable	60,403
Total Net Assets With Donor Restrictions	<u>\$ 17,305,723</u>

The Pines has been designated as the beneficiary of certain charitable gifts upon the death of individual donors and these amounts have been recorded as irrevocable gifts receivable in accordance with ASC Topic 958-605, *Not-For-Profit Entities — Revenue Recognition — Recognition*.

NOTE 8 NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets, which were released from donor restrictions upon satisfaction of the donors' restricted purpose or upon occurrence of other events specified by donors at December 31 are as follows:

	2025	2024
Released for operations	\$ 1,159,591	\$ 1,317,944
Released for building and equipment	194,990	73,730
Purpose restrictions accomplished	<u>\$ 1,354,581</u>	<u>\$ 1,391,674</u>

THE PINES AT DAVIDSON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 9 FUNCTIONAL EXPENSES

The Pines provides services to the residents of its facility that include independent living, assisted living, and healthcare nursing services. Certain categories are attributable to more than one program or supporting function, therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits and other operating expenses, which are allocated on a time and effort basis, and depreciation and interest, which are allocated on a square footage basis

Program and management expenses for the years ended December 31 are summarized in the tables below:

	2025		
	Program Services	Management and General	Total
Salaries and benefits	\$ 17,324,368	\$ 2,132,523	\$ 19,456,891
Depreciation	6,062,775	36,133	6,098,908
Other operating expenses	8,044,960	994,322	9,039,282
Early advantage	4,761	9,279	14,040
Interest and amortization	2,352,333	14,020	2,366,353
Total	<u>\$ 33,789,197</u>	<u>\$ 3,186,277</u>	<u>\$ 36,975,474</u>
	2024		
	Program Services	Management and General	Total
Salaries and benefits	\$ 16,492,140	\$ 2,038,354	\$ 18,530,494
Depreciation	5,886,552	35,038	5,921,590
Other operating expenses	7,641,663	944,475	8,586,138
Interest and amortization	2,394,066	14,250	2,408,316
Total	<u>\$ 32,414,421</u>	<u>\$ 3,032,117</u>	<u>\$ 35,446,538</u>

NOTE 10 RESIDENT SERVICE REVENUE

Resident revenue is reported at the amount that reflects the consideration to which The Pines expects to be entitled in exchange for providing resident care. These amounts are due from residents. Monthly service fees paid by residents for maintenance, meals, and other services are assessed monthly and are recognized as revenue in the period services are rendered. Revenue is recognized as performance obligations are satisfied.

THE PINES AT DAVIDSON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 10 RESIDENT SERVICE REVENUE (CONTINUED)

Performance obligations are determined based on the nature of the services provided by The Pines. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Pines believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents living at The Pines receiving independent living or healthcare services. The Pines considers daily services provided to residents of the health center, and monthly rent charged to residents living in independent living, as a separate performance obligation measured on a monthly basis or upon move-out within the month, whichever is shorter. Nonrefundable entrance fees are considered to contain a material right associated with access to future services, which is the related performance obligation. Revenue from nonrefundable entrance fees is recognized ratably in future periods covering a resident's life expectancy using a time-based measurement similar to the output method.

Other operating revenue includes revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to residents in a retail setting (for example guest rooms) and The Pines does not believe it is required to provide additional goods or services related to that sale.

The Pines determines the transaction price based on standard charges for goods and services provided, assistance provided to residents in accordance with The Pines' practice, and/or implicit price concessions provided to residents. The Pines determines its estimate of implicit price concessions based on its historical collection experience.

The Pines has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors: service line, method of payment, and timing of when revenue is recognized.

All resident revenue is private pay for the years ended December 31, 2025 and 2024.

THE PINES AT DAVIDSON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 10 RESIDENT SERVICE REVENUE (CONTINUED)

The composition of resident revenue based on the organization's lines of business, method of reimbursement, and timing of revenue recognition for the years ended December 31 are as follows:

	<u>2025</u>	<u>2024</u>
Service Lines:		
Independent Living	\$ 18,142,087	\$ 17,486,579
Healthcare	10,734,386	10,032,818
Amortization of Deferred Entrance Fees	<u>7,269,085</u>	<u>7,324,383</u>
Total	<u>\$ 36,145,558</u>	<u>\$ 34,843,780</u>
Method of Reimbursement:		
Monthly Fees and Other Services	\$ 28,876,473	\$ 27,519,397
Amortization of Deferred Entrance Fees	<u>7,269,085</u>	<u>7,324,383</u>
Total	<u>\$ 36,145,558</u>	<u>\$ 34,843,780</u>
Timing of Revenue and Recognition:		
Services Transferred Over Time	<u>\$ 36,145,558</u>	<u>\$ 34,843,780</u>

The opening and closing contract balances were as follows:

	<u>Accounts Receivable</u>	<u>Deferred Entrance Fee Revenue</u>
Account Balance as of January 1, 2024	\$ 103,253	\$ 51,393,215
Account Balance as of December 31, 2024	142,045	49,463,373
Account Balance as of December 31, 2025	590,304	49,801,925

NOTE 11 STATUTORY OPERATING RESERVE

Under Section 58-64-33 of the North Carolina General Statutes, which is administered by the North Carolina Department of Insurance, continuing care retirement communities are required to maintain an operating reserve equal to 25% of the total operating costs, as defined, projected for the 12-month period following the period covered by the most recent annual statement filed with the North Carolina Department of Insurance, if occupancy levels are in excess of 90%. If occupancy levels are less than 90%, the operating reserve requirement is 50% of total operating costs, as defined. The Pines has historically maintained an occupancy level in excess of 90%. The statutory operating reserve for 2025 and 2024 was \$8,025,000 and \$7,828,000, respectively. Use of the operating reserve by The Pines is restricted under Section 58-64-33 of the North Carolina General Statutes. The North Carolina General Statutes do not require The Pines to maintain such operating reserve in a separate escrow account.

THE PINES AT DAVIDSON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 12 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Pines' financial instruments consist primarily of cash and cash equivalents, receivables, investments, accounts payable, accrued expenses, and short-term and long-term debt. The carrying value of these items, excluding investments and long-term debt, approximates fair value due to their short maturity. Investments are recorded at fair value, determined using fair market value in accordance with guidance regarding accounting for certain investments held by not-for-profit organizations.

NOTE 13 COMMITMENTS AND CONTINGENCIES

The Pines continually evaluates contingencies based upon the best available evidence and provides loss allowance where necessary. Principal contingencies include professional liability risks and compliance with applicable federal, state, and local government laws and regulations. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, property and sales taxation, and The Pines' not-for-profit tax status. Management believes that allowances for loss have been provided to the extent necessary and that The Pines is in compliance with applicable government laws and regulations. Management believes that resolution of contingencies will not materially affect The Pines' consolidated financial position, results of operations, and cash flows. The Pines had no outstanding construction commitments as of the year ended December 31, 2025 and 2024.

NOTE 14 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Supplemental disclosures of cash flow information as of December 31 are as follows:

	2025	2024
Cash paid for interest during the year	<u>\$ 2,344,936</u>	<u>\$ 2,380,464</u>
Supplemental disclosures of noncash investing and finance information are as follows - accrued capital expenditures	<u>\$ 1,335,673</u>	<u>\$ 13,610</u>

NOTE 15 EMPLOYEE RETENTION CREDIT INCOME

The CARES Act allows a credit (Employee Retention Credit or ERC) against applicable employment taxes for eligible employers. Employers, including tax-exempt organizations, are eligible for the ERC, if they operated a trade or business during calendar year 2020 and 2021 and experienced either the full or partial suspension of the operations of their businesses during any calendar quarter due to a significant decline in gross receipts or because of governmental orders limiting commerce, travel or group meetings due to COVID-19. The credit applies to qualified wages (including certain health plan expenses) paid during this period or any calendar quarter in which eligibility requirements were met.

THE PINES AT DAVIDSON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 15 EMPLOYEE RETENTION CREDIT INCOME (CONTINUED)

Grants from the government are recognized when all conditions of such grants are fulfilled or there is reasonable assurance that they will be fulfilled. During the year ended December 31, 2025, The Pines determined it met the compliance requirements and conditions of the ERC program. The Pines recognized ERC credits totaling approximately \$3,074,000 during the year ended December 31, 2025. The Pines recognized these credits as a component of operating income on the consolidated statement of operations.

There is a possibility that upon subsequent review, the Internal Revenue Service could reach a different conclusion regarding The Pines' eligibility to retain the ERC received that could result in repayment of the credits, interest, and potential penalties. The amount of liability, if any, from potential ineligibility cannot be determined with certainty.

NOTE 16 RELATED PARTY TRANSACTIONS

In the ordinary course of business, The Pines has an ongoing business relationship with one firm in which one member of the board of directors were related parties in 2025. The Pines had an ongoing business relationship with two firms in which three members of the board of directors were related parties in 2024. The expenditures paid to the firms during the years ended December 31, in 2025 and 2024 were not material to the consolidated financial statements as a whole.



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Appendix B — Five-Year Prospective Financial Statements

THE PINES AT DAVIDSON, INC.
COMPILATION OF FINANCIAL PROJECTION
FOR THE YEARS ENDING
DECEMBER 31, 2026 THROUGH DECEMBER 31, 2030



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INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Board of Directors
The Pines at Davidson, Inc.
Davidson, North Carolina

Management is responsible for the accompanying projected consolidated financial statements of The Pines at Davidson, Inc. ("The Pines" or the "Corporation"), which comprise the projected consolidated balance sheets as of December 31, 2026, 2027, 2028, 2029 and 2030, and the related projected consolidated statements of revenue, expenses and other changes in net assets without donor restrictions, consolidated changes in net assets, and consolidated cash flows for the years then ending, and the related summaries of significant assumptions and accounting policies in accordance with the guidelines for presentation of a financial projection established by the American Institute of Certified Public Accountants ("AICPA"). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the projected consolidated financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these projected consolidated financial statements or the assumptions. Furthermore, even if the hypothetical assumptions as noted in Management's Summary of Significant Projection Assumptions and Accounting Policies on page 6 (the "Hypothetical Assumptions") occur as projected, the projected results may not be achieved, as there will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Charlotte, North Carolina
May 28, 2026

THE PINES AT DAVIDSON, INC.
PROJECTED CONSOLIDATED STATEMENTS OF REVENUE, EXPENSES, AND OTHER
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS
ASSUMING THE HYPOTHETICAL ASSUMPTIONS LISTED ON PAGE 6
FOR THE YEARS ENDING DECEMBER 31,

	2026	2027	2028	2029	2030
OPERATING REVENUE AND SUPPORT:					
Resident services:					
On campus	\$ 29,956,131	\$ 31,154,376	\$ 32,400,552	\$ 33,696,574	\$ 35,044,436
Early advantage	311,500	760,760	1,196,060	1,416,600	1,472,400
Amortization of deferred entrance fees:					
On campus	6,877,707	7,846,777	8,432,823	8,621,483	8,997,480
Early advantage	74,167	194,167	290,433	720,000	720,000
Other operating revenue	853,815	879,127	914,292	950,864	988,898
Net assets released from donor restrictions for operations	992,769	1,022,552	1,053,229	1,084,825	1,117,370
Total operating revenue and support	39,066,089	41,857,759	44,287,389	46,490,346	48,340,584
OPERATING EXPENSES:					
Salaries and benefits	19,625,785	20,607,079	21,637,434	22,719,307	23,855,275
Depreciation	6,468,836	7,685,061	8,037,925	8,473,622	8,825,724
Other operating expenses	9,221,847	9,507,462	9,801,962	10,105,618	10,418,725
Early advantage	25,000	26,250	27,563	28,941	30,388
Interest and amortization expense	2,322,774	2,277,842	2,231,562	2,183,934	2,134,956
Total operating expenses	37,664,242	40,103,694	41,736,446	43,511,422	45,265,068
EXCESS OF REVENUE OVER EXPENSES					
FROM OPERATIONS AND BEFORE OTHER CHANGES	1,401,847	1,754,065	2,550,943	2,978,924	3,075,516
OTHER CHANGES:					
Investment income	758,864	1,020,805	1,113,183	1,216,152	1,368,534
EXCESS OF REVENUE OVER EXPENSES AND OTHER CHANGES AND					
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	2,160,711	2,774,870	3,664,126	4,195,076	4,444,050
NET ASSETS WITHOUT DONOR RESTRICTIONS:					
Beginning of Year	42,139,487	44,300,198	47,075,068	50,739,194	54,934,270
End of Year	\$ 44,300,198	\$ 47,075,068	\$ 50,739,194	\$ 54,934,270	\$ 59,378,320

**See Accompanying Summary of Significant Projection Assumptions and Accounting Policies and
Independent Accountants' Compilation Report**

THE PINES AT DAVIDSON, INC.
PROJECTED CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
ASSUMING THE HYPOTHETICAL ASSUMPTIONS LISTED ON PAGE 6
FOR THE YEARS ENDING DECEMBER 31,

	2026	2027	2028	2029	2030
NET ASSETS WITHOUT DONOR RESTRICTIONS					
Total unrestricted revenue and support	\$ 39,066,089	\$ 41,857,759	\$ 44,287,389	\$ 46,490,346	\$ 48,340,584
Total unrestricted expenses	(37,664,242)	(40,103,694)	(41,736,446)	(43,511,422)	(45,265,068)
Investment income	758,864	1,020,805	1,113,183	1,216,152	1,368,534
Increase in net assets without donor restrictions	\$ 2,160,711	\$ 2,774,870	\$ 3,664,126	\$ 4,195,076	\$ 4,444,050
NET ASSETS WITH DONOR RESTRICTIONS					
Investment income	\$ 547,123	\$ 563,537	\$ 580,443	\$ 597,856	\$ 615,792
Contributions	992,769	1,022,552	1,053,229	1,084,825	1,117,370
Release from restrictions	(992,769)	(1,022,552)	(1,053,229)	(1,084,825)	(1,117,370)
Increase in net assets with donor restrictions	\$ 547,123	\$ 563,537	\$ 580,443	\$ 597,856	\$ 615,792
CHANGE IN NET ASSETS	\$ 2,707,834	\$ 3,338,407	\$ 4,244,569	\$ 4,792,932	\$ 5,059,842
NET ASSETS:					
Beginning of year	61,463,141	64,170,975	67,509,382	71,753,951	76,546,883
End of year	\$ 64,170,975	\$ 67,509,382	\$ 71,753,951	\$ 76,546,883	\$ 81,606,725

**See Accompanying Summary of Significant Projection Assumptions and Accounting Policies and
Independent Accountants' Compilation Report**

THE PINES AT DAVIDSON, INC.
PROJECTED CONSOLIDATED STATEMENTS OF CASH FLOWS
ASSUMING THE HYPOTHETICAL ASSUMPTIONS LISTED ON PAGE 6
FOR THE YEARS ENDING DECEMBER 31,

	2026	2027	2028	2029	2030
CASH FLOWS FROM OPERATING ACTIVITIES:					
Change in net assets	\$ 2,707,834	\$ 3,338,407	\$ 4,244,569	\$ 4,792,932	\$ 5,059,842
Adjustments to reconcile change in net assets to net cash provided by operating activities:					
Depreciation	6,468,836	7,685,061	8,037,925	8,473,622	8,825,724
Amortization of debt issuance costs	45,207	43,963	42,682	41,365	40,012
Amortization of bond premium	(118,268)	(118,268)	(118,268)	(118,268)	(118,268)
Increase in prepaids and receivables	433,960	(34,739)	(35,832)	(36,960)	(38,124)
Decrease in current liabilities	141,119	146,595	152,859	159,428	166,306
Amortization of deferred entrance fees	(6,951,874)	(8,040,944)	(8,723,256)	(9,341,483)	(9,717,480)
Net cash provided by operating activities	2,726,814	3,020,075	3,600,679	3,970,636	4,218,012
CASH FLOWS FROM INVESTING ACTIVITIES:					
Decrease (increase) in investments	2,689,312	(2,743,276)	(3,129,476)	(4,922,830)	(4,799,606)
Purchase and construction of property and equipment	(12,464,595)	(10,305,026)	(10,563,672)	(7,821,471)	(8,050,742)
Net cash used by investing activities	(9,775,283)	(13,048,302)	(13,693,148)	(12,744,301)	(12,850,348)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Entrance fees and deposits received, net of refunds	10,878,156	11,868,307	11,990,874	10,707,491	10,688,020
Principal payments on indebtedness	(1,470,000)	(1,515,000)	(1,560,000)	(1,605,000)	(1,650,000)
Net cash provided by financing activities	9,408,156	10,353,307	10,430,874	9,102,491	9,038,020
INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	2,359,687	325,080	338,405	328,826	405,684
BEGINNING BALANCE OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	8,034,102	10,393,789	10,718,869	11,057,274	11,386,100
ENDING BALANCE OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	\$ 10,393,789	\$ 10,718,869	\$ 11,057,274	\$ 11,386,100	\$ 11,791,784
RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH					
Cash and cash equivalents	\$ 7,680,871	\$ 7,982,795	\$ 8,298,700	\$ 8,605,681	\$ 8,975,178
Restricted cash in assets limited as to use	2,712,918	2,736,074	2,758,574	2,780,419	2,816,606
Total cash, cash equivalents and restricted cash	\$ 10,393,789	\$ 10,718,869	\$ 11,057,274	\$ 11,386,100	\$ 11,791,784
Supplementary Disclosure: Projected interest to be paid during the year	\$ 2,343,967	\$ 2,299,686	\$ 2,254,062	\$ 2,207,089	\$ 2,158,769

See Accompanying Summary of Significant Projection Assumptions and Accounting Policies and Independent Accountants' Compilation Report

THE PINES AT DAVIDSON, INC.
PROJECTED CONSOLIDATED BALANCE SHEETS
ASSUMING THE HYPOTHETICAL ASSUMPTIONS LISTED ON PAGE 6
AT DECEMBER 31,

	2026	2027	2028	2029	2030
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	\$ 7,680,871	\$ 7,982,795	\$ 8,298,700	\$ 8,605,681	\$ 8,975,178
Cash held under bond agreement for payment of:					
Interest	1,197,918	1,176,074	1,153,574	1,130,419	1,106,606
Principal	1,515,000	1,560,000	1,605,000	1,650,000	1,710,000
Accounts receivable	127,571	132,674	137,981	143,500	149,240
Interest receivable	66,271	66,271	66,271	66,271	66,271
Prepaid expenses and other current assets	987,867	1,017,503	1,048,028	1,079,469	1,111,853
Total current assets	11,575,498	11,935,317	12,309,554	12,675,340	13,119,148
PROPERTY AND EQUIPMENT	188,050,549	198,355,575	208,919,247	216,740,718	224,791,460
less accumulated depreciation	(77,932,718)	(85,617,779)	(93,655,704)	(102,129,326)	(110,955,050)
Property and equipment, net	110,117,831	112,737,796	115,263,543	114,611,392	113,836,410
OTHER ASSETS:					
Investments	40,518,031	42,539,086	44,922,348	49,074,123	53,076,949
Cash and investments whose use is limited:					
Operating reserve as required by North Carolina General Statutes	4,077,525	4,236,209	4,401,980	4,575,179	4,756,167
Under bond agreements	2,712,918	2,736,074	2,758,574	2,780,419	2,816,606
Subtotal - Cash and investments whose use it limited	6,790,443	6,972,283	7,160,554	7,355,598	7,572,773
Less current portion	(2,712,918)	(2,736,074)	(2,758,574)	(2,780,419)	(2,816,606)
Cash and investments whose use is limited, net of current portion	4,077,525	4,236,209	4,401,980	4,575,179	4,756,167
Donor restricted cash and investments	18,784,562	19,348,099	19,928,542	20,526,398	21,142,190
Restricted pledges receivable	1,086,215	1,086,215	1,086,215	1,086,215	1,086,215
TOTAL ASSETS	\$ 186,159,662	\$ 191,882,722	\$ 197,912,182	\$ 202,548,647	\$ 207,017,079
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES:					
Accounts payable and accrued expenses	\$ 4,369,204	\$ 4,537,643	\$ 4,713,002	\$ 4,895,585	\$ 5,085,704
Interest payable	1,197,918	1,176,074	1,153,574	1,130,419	1,106,606
Current portion of long-term debt	1,515,000	1,560,000	1,605,000	1,650,000	1,710,000
Total current liabilities	7,082,122	7,273,717	7,471,576	7,676,004	7,902,310
LONG-TERM DEBT, NET OF CURRENT PORTION	54,900,144	53,265,839	51,585,253	49,858,350	48,070,094
OTHER LONG-TERM LIABILITIES:					
Applicant deposit liability	990,640	990,640	990,640	990,640	990,640
Deferred entrance fee revenue - nonrefundable	53,728,207	57,555,570	60,823,188	62,189,196	63,159,736
Refundable entrance fees	5,287,574	5,287,574	5,287,574	5,287,574	5,287,574
Total liabilities	121,988,687	124,373,340	126,158,231	126,001,764	125,410,354
NET ASSETS:					
Without donor restrictions	44,300,198	47,075,068	50,739,194	54,934,270	59,378,320
With donor restrictions	19,870,777	20,434,314	21,014,757	21,612,613	22,228,405
Total net assets	64,170,975	67,509,382	71,753,951	76,546,883	81,606,725
TOTAL LIABILITIES AND NET ASSETS	\$ 186,159,662	\$ 191,882,722	\$ 197,912,182	\$ 202,548,647	\$ 207,017,079

See Accompanying Summary of Significant Projection Assumptions and Accounting Policies and Independent Accountants' Compilation Report

Summary of Significant Projection Assumptions and Accounting Policies

Introduction and Background Information

Basis of Presentation

The accompanying financial projection presents, to the best of the knowledge and belief of management (“Management”) of The Pines at Davidson, Inc., which includes Mecklenburg Real Estate Holdings, LLC (“MREH”) and SDK Enterprises (“SDK”) (“The Pines” or the “Corporation”), the Corporation’s expected consolidated financial position, consolidated results of operations and changes in net assets and consolidated cash flows (the “Projection”) as of and for each of the years in the five years ending December 31, 2030 (the “Projection Period”).

A projection is a presentation of prospective financial information that is subject to one or more hypothetical assumptions. Management has included assumptions that are considered to be a “Hypothetical Assumption” as defined by the American Institute of Certified Public Accountants’ *Guide for Prospective Financial Information*. A Hypothetical Assumption is defined as follows: “An assumption used in a financial projection or in a partial presentation of projected information to present a condition or course of action that is not necessarily expected to occur, but is consistent with the purpose of the presentation.”

Management’s hypothetical assumptions (the “Hypothetical Assumptions”) are as follows:

- Management is able to market and achieve the projected fill-up and occupancy levels of the early advantage program (the “Early Advantage Program” or “EAP”), as projected;
- The EAP is able to achieve the pricing, entrance fee plan selection, and service plan selection mix, as projected; and
- Management operates the EAP as projected.

Accordingly, the financial projection reflects Management’s judgment as of May 28, 2026, the date of this projection, of the expected conditions and its expected course of action. The assumptions disclosed herein are the assumptions which Management believes are significant to the financial projection. However, the projected results may not be achieved as there will usually be differences between the projected and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

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

Summary of Significant Projection Assumptions and Accounting Policies

Introduction and Background Information (continued)

Background of the Corporation

The Pines at Davidson, Inc. owns and operates a continuing care retirement center (also referred to herein as a “life plan community”) and is the sole member of MREH, a single member limited liability company, formed April 22, 2014 for the purpose of holding and managing real property for the benefit of the Corporation, and SDK Enterprises, formed June 21, 2019, also for the purpose of holding and managing real property for the benefit of the Corporation. The Pines is licensed by the North Carolina Department of Insurance. The Pines is located in Davidson, North Carolina (the “Community”). Within this compilation, continuing care retirement community and life plan community are used interchangeably.

The Corporation is a nonprofit, non-stock corporation organized under the laws of the State of North Carolina in February 1983, to construct and operate a continuing care retirement community. The name of the Corporation was changed from Davidson Retirement Community, Inc. to The Pines at Davidson, Inc., in June 2001.

The Corporation has received a determination that it is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. As a nonprofit, non-stock corporation, the Corporation pays no dividends and all of its earnings, if any, are used to further the purposes of the Corporation.

The Pines is not a legal entity separate from the Corporation. The Pines is the name under which the Corporation manages and operates the Community. The management staff, under the direction of the “Board of Directors” of the Corporation, manages and operates The Pines.

Under the Articles of Incorporation of the Corporation, the members of the Board of Directors are elected by the Board of Directors. In addition, there are two non-voting ex-officio members. The Corporation is not affiliated with any religious, charitable, or other nonprofit organization.

The Pines is an entrance fee, modified lifecare community designed for senior citizens, making available to them housing, residential services, an integrated wellness program, and long-term care. The Pines is designed to provide housing and services, including health care, to people of retirement age and consists of independent living units, common areas and health care facilities.

The “Facilities” include (1) a central building complex, containing 157 residential units and common areas and facilities known as the Jetton Community Center and the Schramm Health Center, (2) 47 detached cottages and (3) four detached apartment buildings each with 12 villa apartments, (4) two detached apartment buildings each with 19 villa apartments, the Chartwell Residence, and the Shaw Property. The Pines’ Facilities include 292 independent living units, 30 assisted living units, and 75 nursing beds in the Schramm Health Center.

The Schramm Health Center is currently licensed by the North Carolina Department of Health and Human Services, Division of Health Service Regulation, to operate 75 beds offering intermediate and nursing care for residents who are temporarily ill or who require long term nursing care (the “Nursing Facility Beds” or “Nursing Units”) and 30 beds to provide support services for residents who require assistance with the activities of daily living (the “Assisted Living Units”) (collectively, the Nursing Units and Assisted Living Units are referred to as the “Health Center Units”). None of the Nursing Facility Beds or Assisted Living Units are certified or licensed as Medicaid or Medicare beds. Under North Carolina statutes, The

See Accompanying Independent Accountants’ Compilation Report

Summary of Significant Projection Assumptions and Accounting Policies

Introduction and Background Information (continued)

Pines can exceed its licensed nursing bed capacity by the lesser of 10 beds or 10 percent of its licensed nursing beds (up to 7 beds for The Pines) provided the space meets licensure requirements for a licensed nursing bed.

The Workman Wellness Center is located in the Schramm Health Center and includes fitness facilities. The facility includes a 24 ft. x 50 ft. warm water therapy pool, a hot water whirlpool, outdoor courtyards, locker rooms, and an exercise therapy room containing exercise therapy equipment.

The following common areas and amenities are also provided: a central dining room, a private dining room, a marketplace style café, a pub, a coffee and gelato kiosk, a central kitchen, a central living room, a library, a chapel, a beauty parlor/barber shop, multi-purpose rooms, lobbies, lounges, terraces, porches, administration areas, craft and activity areas, laundry facilities, a post office, resident storage areas, wellness clinic, health club and an outdoor garden.

The following table shows the unit configuration of The Pines:

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Projection Assumptions and Accounting Policies

Introduction and Background Information (continued)

Unit Type	Number of Units	Size
<i>Independent Living Units:</i>		
Studio	7	418
Deluxe Studio	30	527
1 Bedroom	79	722
2 Bedroom/2 Bath	28	975
2 Bedroom Suite	10	1,140
2 Bedroom Deluxe	3	1,249
2 Bedroom Villa (Plan A)	24	1,429
2 Bedroom Deluxe Villa (Plan B)	8	1,619
2 Bedroom with Den Villa (Plan C)	8	1,809
2 Bedroom with Den Deluxe Villa (Plan D)	8	1,870
1 Bedroom/1 and 1/2 Bath Villa (Green)	6	1,164
2 Bedroom Villa with Porch or Balcony (Blue)	2	1,515
2 Bedroom Villa with Sunroom/Study (Red)	14	1,667
2 Bedroom Villa with Sunroom/Study and Balcony (Yellow)	16	1,681
Cottage	4	1,200
Large Cottage	1	1,440
Large Cottage/Sunroom	39	1,565
Large Cottage/Sunroom and Two-Car Garage	3	1,656
Chartwell ⁽¹⁾	1	N/A
Shaw ⁽¹⁾	1	N/A
Total Independent Living Units	292	1,129
<i>Assisted Living Units:</i>		
Private	30	
Total Assisted Living Units	30	274
<i>Nursing Facility Beds:</i>		
Private	75	203 - 402
Total Nursing Facility Beds	75	
Total Units/Beds	397	

Source: Management

Notes: (1) Square footage for the Chartwell Residence and the Shaw Property, both stand-alone homes are excluded.

Management has included its admission policies, as well as full copies of its Residence and Care Agreements, in its Disclosure Statement.

Residence and Care Agreement

For entrance fees, The Pines offers a standard refundable plan (the “Standard Entrance Fee Option Plan”), a 50 percent refundable plan (the “50% Refund Entrance Fee Option”) and a 90 percent refundable plan (the “90% Refund Entrance Fee Option”).

Standard Entrance Fee Option Plan—This plan offers a prorated refund of the entrance fee over the first 12 months of residency, after which point no further refund is to be paid. If during this 12-month period, a resident leaves the community for any reason, including death, the resident or his estate will receive a

See Accompanying Independent Accountants’ Compilation Report

Summary of Significant Projection Assumptions and Accounting Policies

Introduction and Background Information (continued)

declining refund amount based upon a five percent non-refundable fee (of the total entrance fee amount) and five percent per month occupancy charge for each full or partial month of residency thereafter.

50% Refund Entrance Fee Option—This plan refunds to the resident or his or her estate an amount equal to no less than 50 percent of the entrance fee paid; the remaining 50 percent is amortized consistent with the amortization provisions of the Standard Entrance Fee Option Plan. Entrance fees paid under the 50% Refund Entrance Fee Option are based on a pricing schedule that is determined by actuarial life expectancies (the greater the age of a prospective resident, the higher the entrance fee pricing).

90% Refund Entrance Fee Option—This plan refunds to the resident or his or her estate an amount equal to no less than 90 percent of the entrance fee paid; the remaining 10 percent is amortized consistent with the amortization provisions of the Standard Entrance Fee Option Plan. Entrance fees payable under the 90% Refund Entrance Fee Option are based on a pricing schedule that is determined by actuarial life expectancies (the greater the age of a prospective resident, the higher the entrance fee pricing).

Based on The Pines' historical experience, most of its residents have chosen the Standard Entrance Fee Option.

Health Care Services

The Pines offers assisted living and nursing services to its residents. The health care facilities house their own dining facilities, lounges, and recreational areas. Emergency nursing response is available to residents of the health care facilities and the independent living apartments on a 24-hour-a-day basis. In general, the operations of the health care units are supervised by a Director of Nursing ("DON") in consultation with the Medical Director ("MD"), who is a licensed physician providing consulting services pursuant to a contract with The Pines, and a licensed nursing home administrator. They are responsible for developing and implementing health care policies and coordinating the medical services in accordance with relevant state and federal regulations and generally accepted medical practices. Residents may continue under the care of their own physician who has admission privileges at a local hospital, or they may choose the MD as their primary care physician.

The DON is charged with the day-to-day operation of the health care services. Registered nurses, together with licensed practical nurses and certified nursing assistants, offer residents professional care, immediate attention, and emergency consultations 24 hours per day. When a resident's medical condition requires assisted living or nursing services, the resident moves from an independent living unit to either an assisted living or nursing unit on a permanent or temporary basis. The MD, the nursing home administrator, together with the DON and social worker, determine if a resident should be transferred into a different level of care, but only after consulting with the resident and the resident's physician and any appropriate family member or responsible party.

In addition to services similar to those received when in the independent living units, residents of the assisted living or nursing units also receive housekeeping service and a total of three meals per day. Certain additional ancillary health care services are not included in the per diem fees and will be charged to the resident. Examples of additional ancillary health care charges include, but are not limited to, the cost of prescription and non-prescription medications, physical examinations, laboratory tests, physical therapy, occupational therapy, speech therapy, rehabilitative treatments, wheelchairs, other medical equipment and supplies, and any other medical services beyond those available at The Pines. Also, additional professional services (medical or otherwise) contracted by the resident or on the resident's behalf will be charged to the resident.

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Projection Assumptions and Accounting Policies

Introduction and Background Information (continued)

For independent living residents, The Pines contracts with a third party medical provider for onsite primary care services. Such care is provided by a nurse practitioner and a supervising physician. The nurse practitioner will see residents in the wellness clinic and will make home visits, as necessary. On Call Services are also available 24-7 providing independent living residents access to a geriatric healthcare specialist outside of normal clinical hours.

The Pines also contracts with a third party medical provider for attending physician services, physical therapy, occupational therapy, and speech therapy for residents in assisted living and nursing.

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Projection Assumptions and Accounting Policies

Summary of Significant Accounting Policies

Basis of Accounting

The Corporation maintains its accounting and financial records according to the accrual basis of accounting. Management's consolidated financial projection has been presented in conformity with guidelines for presentation of a projection established by the American Institute of Certified Public Accountants.

Principles of Consolidation

The consolidated financial statements include the accounts of The Pines at Davidson, MREH, and SDK. All significant intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

All liquid investments with a maturity of three months or less are considered to be cash equivalents unless held under bond agreement, designated by the Board of Directors or restricted as to use by the donor.

Restricted cash is included with cash and cash equivalents and assets limited as to use and is reflected in the projected consolidated statements of cash flows.

Bond Issuance Costs/Original Issue Premium

Issuance premiums and acquisition expense of indebtedness incurred are deferred and amortized based on the effective yield method over the terms of the related bond issue. Debt issuance costs consist of costs incurred from the issuance of revenue bonds benefiting the Corporation and include underwriter's fees, legal and accounting fees, and printing costs. These costs are being amortized over the term of the related bonds using the effective interest method.

Debt issuance costs are presented on the consolidated balance sheets as a deduction from the carrying amount of the related liability. In addition, amortization expense associated with the debt issuance costs is shown as a component of interest expense. The bond premium is presented on the consolidated balance sheets as an addition to the carrying amount of the related liability. Amortization expense associated with the bond premium is shown as a component of interest expense.

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Projection Assumptions and Accounting Policies

Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment is stated at cost. Assets contributed to the Corporation are recorded at their fair market value at the date of receipt. Routine maintenance and repairs are charged to expense. Expenditures which materially increase the value, change the capacities, or extend the useful lives of existing assets are capitalized. Interest costs incurred during the construction period of significant construction projects are capitalized as a cost of the constructed asset and amortized over the useful life of the asset.

All fixed assets are depreciated on the straight-line method using the following estimated useful lives:

Land improvements	5 – 40 years
Buildings and building improvements	3 – 40 years
Equipment, furniture, and fixtures	3 – 30 years

Net Assets

Net assets without donor restrictions consist of resources with no donor imposed restrictions.

Net assets with donor restrictions are those whose use by the Corporation has been limited by donors to a specific time period or purpose. The Corporation reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the projected consolidated statements of unrestricted revenue, expenses, and other changes in net assets without donor restrictions and the projected consolidated statements of net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period as received are reflected as unrestricted contributions in the accompanying projected consolidated financial statements. The Corporation reports contributions of property and equipment (or other long-lived assets) as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and contributions of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long these assets must be maintained, the Corporation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

The Corporation's net assets with donor restrictions are comprised of net assets that are restricted in nature either due to a time or purpose restriction. The Corporation does not project any donor restricted net assets that are permanent in nature. Donor restricted investments are related to contributions, which are designated for a specific use by the donor. These restricted assets and investments consist of amounts to be used to finance the "Resident Support Fund," to fund the operation of a warm water therapy pool and a hot-water whirlpool, and to fund certain other needs, including those identified in the Corporation's strategic plan entitled Exceeding Expectations.

Cash and Investments Whose Use is Limited

Cash and investments whose use is limited consists of operating reserves pursuant to the requirements of the North Carolina Department of Insurance, funds held pursuant to the requirements of the Corporation's revenue bond agreements, and refundable deposits. The operating reserves are based upon certain

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Projection Assumptions and Accounting Policies

Summary of Significant Accounting Policies (continued)

expected operating costs maintained under regulations that became effective in 1997. Amounts held under the bond agreements are projected at the levels needed to continue to meet the requirements of the Corporation's bond agreements. Operating reserves and funds held under the Corporation's bond agreements are projected to be invested primarily in U.S. Treasury notes and money market accounts collateralized by U.S. government securities. Any portion of cash and investments whose use is limited that is estimated to be utilized in the following period is shown as current on the projected balance sheets.

Accounts Receivable

Resident accounts receivable consists of resident monthly service fees. The Pines provides an allowance for credit losses using management's estimate about the collectability of any past due accounts based on historical collections experience, adjusted for management expectations about current and future economic conditions. Residents are not required to provide collateral for services rendered. Payment for services is required upon receipt of invoice or claim submitted. Management does not project Pines an allowance for credit losses.

Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows using discount rates, which are calculated annually. Conditional promises to give are not included as support until the conditions are substantially met. Pledges receivable with restrictions are included in net assets with donor restrictions in the accompanying projected consolidated balance sheets.

Long-Term Investments

Investments in equity and debt securities are measured at fair value in the accompanying projected financial statements. Investment income (including realized gains and losses on investments, interest, and dividends) is included in operating income unless the income is restricted by donor or law. Unrealized gains and losses on investments, if any, are excluded from operating income.

Unrealized Gains or Losses on Investments

Management does not assume any changes in the underlying values of investments during the Projection Period that would result in unrealized gains or losses.

Deferred Revenue from Entrance Fees

Entrance fees paid by a resident upon entering a Residence and Care Agreement are recorded as deferred revenue from entrance fees. Deferred revenue from entrance fees, net of the portion thereof that is refundable to the resident are amortized to income using the straight-line method over the estimated remaining life expectancy of the resident. All continuing care contracts provide that the refundable portion of advance fees may be refunded only if the resident's unit is reoccupied. The refundable portion of entrances fees are presented as refundable entrance fees and are not amortized into income.

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Projection Assumptions and Accounting Policies

Summary of Significant Accounting Policies (continued)

Obligation to Provide Future Services

The Pines calculates the present value of estimated net cost of future services and use of facilities to be provided to current residents and compares that amount with the amount of deferred revenue from advance fees. If the present value of the net cost of future services and use of facilities amount exceeds the deferred revenue amount from advance fees, a liability is recorded (obligation to provide future services and use of facilities) and a corresponding charge to operations. Management does not project a liability during the Projection Period.

Revenue Recognition

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases to net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expiration of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Resident Revenues

Resident revenue is reported at the amount that reflects the consideration to which The Pines expects to be entitled in exchange for providing resident care. These amounts are due from residents. Monthly service fees paid by residents for maintenance, meals, and other services are assessed monthly and are recognized as revenue in the period services are rendered. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by The Pines. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Pines believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents living at The Pines receiving independent living or healthcare services. The Pines considers daily services provided to residents of the health center, and monthly rent charged to residents living in independent living, as a separate performance obligation measured on a monthly basis or upon move-out within the month, whichever is shorter. Nonrefundable entrance fees are considered to contain a material right associated with access to future services, which is the related performance obligation. Revenue from nonrefundable entrance fees is recognized ratably in future periods covering a resident's life expectancy using a time-based measurement similar to the output method.

Other operating revenue includes revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to residents in a retail setting (for example guest rooms) and The Pines does not believe it is required to provide additional goods or services related to that sale.

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Projection Assumptions and Accounting Policies

Summary of Significant Accounting Policies (continued)

The Pines determines the transaction price based on standard charges for goods and services provided, assistance provided to residents in accordance with The Pines' practice, and/or implicit price concessions provided to residents. The Pines determines its estimate of implicit price concessions based on its historical collection experience.

The Pines has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors: service line, method of payment, and timing of when revenue is recognized.

All resident revenue is projected to be private pay.

Excess of Revenue Over Expenses and Other Changes

The projected consolidated statements of revenue, expenses, and other changes in net assets without donor restrictions include excess (deficit) of revenues over (under) expenses. Changes in net assets without donor restrictions that are excluded from excess (deficit) of revenue over (under) expenses and other changes, consistent with industry practice, include net assets released from restrictions used for the purpose of purchases of property and equipment.

Income Taxes

The Corporation is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Corporation is also exempt from state income taxes and files for, and receives, reimbursement for paid sales taxes. The Corporation is also currently exempt from property taxes. Management has projected that they will continue to be exempt from property taxes during the Projection Period.

The Corporation adopted guidance in the income tax standard regarding recognition and measurement of uncertain tax positions. The implementation has had no impact on the Corporation's projected consolidated financial statements.

Marketing and Other Costs

Marketing costs are projected to be expensed when incurred.

Use of Estimates

The preparation of projected consolidated financial statements in conformity with U.S. generally accepted accounting principles 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 projected consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Projection Assumptions and Accounting Policies

Management's Basis for Projection of Revenue (continued)

Revenue for The Pines is primarily generated from monthly service fees for the Independent Living Units, amortization of entrance fees and monthly service fees and per diem charges from the assisted living and nursing residents.

Revenue for the Independent Living Units is based on the monthly service fees assumed by Management to be charged to the residents and the assumed utilization of the Independent Living Units. Health care revenues consist of funds generated from services provided to residents transferring from the Independent Living Units and those entering directly from the community at large. Upon permanent transfer from their Independent Living Unit to a Nursing or Assisted Living Unit, or after temporarily residing in Nursing or Assisted Living Unit for 14 days in a calendar year before permanently transferring to a Nursing or Assisted Living Unit, residents who executed a Residence and Care Agreement on or after July 1, 2018 and those entering directly from the community at large will pay the published assisted living or nursing rate, plus supplies and services not covered by the monthly service fee or per diem rate. Residents who executed a Residence and Care Agreement prior to June 30, 2018, will pay a discounted daily rate for assisted living or nursing, plus supplies and services not covered by the monthly service fee or per diem rate.

Projected Occupancy Levels

Projected occupancy for The Pines' Independent Living Units is based upon the historical experience of The Pines.

Occupancy of the Assisted Living Units is projected to be primarily from transfers from Independent Living Units. Nursing bed occupancy is based primarily on internal transfers from both Independent Living Units and Assisted Living Units and those entering directly from the community at large. Projected resident transfers from independent living to assisted living or nursing have been provided by Management and is based on historical experience of The Pines.

For residents under a Residence and Care Agreement, transfers to the Assisted Living Units or Nursing Units are classified as either temporary or permanent. Residents under the Residence and Care Agreement who transfer to Assisted Living Units or Nursing Units pay the following depending on the transfer classification and the date the residents executed the Residence and Care Agreement:

Temporary Transfer – Residents continue to pay the regular monthly fee in effect for their Independent Living Unit, plus a charge for three meals per day (with credit for meals included in the resident's monthly service fee) for the first 14 days annually. Subsequently those classified as temporary and who executed a Residence and Care Agreement on or after July 1, 2018, will pay the published assisted living or nursing per diem, whereas temporary residents who executed a Residence and Care Agreement prior to June 30, 2018, will pay a discounted daily rate for assisted living or nursing. In addition, the resident will be responsible for any costs associated with care, drugs, and supplies, as defined in their Residence and Care Agreement. If the resident shall occupy a Nursing Unit more than 30 days within a 90-day period following the use of the last of such 14 days, the resident has the option of surrendering the Independent Living Unit or continuing to pay the monthly independent living service fee in addition to the per diem charge for the nursing unit in accordance with their Residence and Care Agreement.

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Projection Assumptions and Accounting Policies

Management's Basis for Projection of Revenue (continued)

Permanent Transfer – Upon permanent transfer, the resident must give up his/her Independent Living Unit and if he or she executed a Residence and Care Agreement on or after July 1, 2018, the resident must pay the published per diem rate, or if he or she executed a Residence and Care Agreement prior to July 1, 2018, the resident will pay a discounted rate for assisted living or nursing, plus supplies and services not covered by the monthly service fee or per diem rate. If the Independent Living Unit is jointly occupied and one resident transfers to assisted living or nursing, the transferring resident will pay the per diem rate for either assisted living or nursing in accordance with their Residence and Care Agreement, while the resident remaining in the Independent Living Unit will pay the single occupancy Independent Living Unit rate.

The following tables reflect projected occupancies for the Community, as projected by Management.

Table 2
The Pines at Davidson
Projected Utilization of the Independent Living Units

For the Years Ending December 31,	Average number of available Independent Living Units	Average number of occupied Independent Living Units	Average occupancy percent
2026	292.0	282.0	96.6%
2027	292.0	282.0	96.6%
2028	292.0	282.0	96.6%
2029	292.0	282.0	96.6%
2030	292.0	282.0	96.6%

Source: Management

The projected double occupancy percentages in the Independent Living Units are based upon assumptions provided by Management, and are as follows for the existing Independent Living Units:

Table 3
Projected Second Person Occupancy of the Independent Living Units

Fiscal Year	Independent Living Unit Double Occupancy Percent
2026	27%
2027	26%
2028	25%
2029	24%
2030	24%

Source: Management

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Projection Assumptions and Accounting Policies

Management’s Basis for Projection of Revenue (continued)

The projected Health Center Units’ occupancy is as follows:

Table 4
Projected Health Center Units - Occupancy Levels

For the Years Ending December 31,	Average Number of Available Health Center Units	Average Number of Health Center Units Occupied	Average Percent Occupancy
2026	105	100	95.2%
2027	105	100	95.2%
2028	105	100	95.2%
2029	105	100	95.2%
2030	105	100	95.2%

Source: Management

Projected Entrance and Monthly Service Fees

The following tables summarize the entrance fees for the Standard Plan, monthly service fees and daily rates for The Pines, and provide the basis for formulation of revenue assumptions by Management.

Note that the facility fees in the table that follows were effective through June 30, 2026. The following table summarizes the current rates in effect at The Pines for new entrants to the Existing Facilities.

Summary of Significant Projection Assumptions and Accounting Policies

Management's Basis for Projection of Revenue (continued)

Table 5
Projected Pricing
Monthly Service Fees, Daily Assisted Living and Nursing Fees, and Entrance Fees
(Effective through June 30, 2026)

Unit Type	FROM PRICE SHEET:		
	Rates Effective 7/1/2025 - 6/30/2026		
	Monthly Service Fee (Single)	Monthly Service Fee (Couples)	Standard Entrance Fee
<i>Independent Living:</i>			
Apartments			
Studio	\$ 3,385	\$ 5,187	\$ 59,360
Deluxe Studio	3,550	5,349	81,760
1 Bedroom	4,218	6,194	191,535
2 Bedroom	4,631	6,801	330,400
2 Bedroom Suite	4,755	6,923	359,310
2 Bedroom Deluxe	4,992	7,164	371,700
Cottages			
Cottage	5,022	7,393	427,200
Large Cottage	5,420	7,795	482,400
Large Cottage/Sunroom	5,420	7,795	519,600
Large Cottage/Sunroom and Two-Car Garage	5,793	8,183	679,140
Villas			
Villa A	5,450	7,842	610,000
Villa B	5,549	7,939	660,000
Villa C	5,701	8,092	732,500
Villa D	5,777	8,143	747,500
Villas at Poplar Hill			
Villa Green	4,754	6,927	466,800
Villa Blue	5,436	7,828	586,800
Villa Red	5,535	7,925	661,200
Villa Yellow	5,549	7,939	682,800
Other			
Chartwell Residence	8,183	8,183	720,000
Shaw Property	8,183	8,183	1,150,000
			36,000
Second Person Fees (Entrance Fees)			
Assisted Living:			
Private Room Daily Fee	\$246.00	N/A	
Existing Nursing Facility Beds:			
Brown and Purcell Neighborhoods (Private Room Daily Fee)	\$367.00	N/A	
Maulden and Wilson Neighborhoods (Private Room Daily Fee)	\$381.00	N/A	

Source: Management

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Projection Assumptions and Accounting Policies

Management's Basis for Projection of Revenue (continued)

The following table reflects projected rate increases. Increases in fees are generally anticipated to approximate increases in operating expenses during the Projection Period, and are subject to modification on an annual basis.

Table 6
Projected Rate Increases ⁽¹⁾
For the Years Ending December 31,

Unit Type	2026	2027	2028	2029	2030
Independent Living Entrance Fee Increases	6.0%	6.0%	6.0%	6.0%	6.0%
Independent Living Monthly Fee Increases	4.0%	4.0%	4.0%	4.0%	4.0%
Assisted Living Fee Increases	4.0%	4.0%	4.0%	4.0%	4.0%
Nursing Rate Increases	4.0%	4.0%	4.0%	4.0%	4.0%

Source: Management

Notes:

- (1) Pricing increases are generally effective on July 1 of each fiscal year. Table 5 reflects the rates in effect through June 30, 2026. Increases noted above are projected to occur July 1 of each year.

Legislation and regulations at all levels of government have affected and may continue to affect the operations of life plan communities, including revenues and expenses of facilities such as The Pines. The financial projection is based upon legislation and regulations currently in effect. If future legislation or regulations related to The Pines' operations are subsequently enacted, such legislation or regulations could have a material effect on future operations.

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Projection Assumptions and Accounting Policies

Management's Basis for Projection of Revenue (continued)

The Pines at Davidson: Early Advantage Program

In 2010, the North Carolina General Assembly enacted a new statute (§ 58-67-7) that permits Continuing Care Retirement Communities (CCRCs) licensed in the State to offer "Continuing care services without lodging." The Pines at Davidson is seeking approval from the North Carolina Department of Insurance to offer its early advantage program" (the "Early Advantage Program" or "EAP") that will offer such services, as more fully described hereinafter.

See the disclosure statement for more information regarding the contractual components of EAP and the actual contract for such services.

The Pines at Davidson project offering a residency option to those already on the wait list for The Pines at Davidson who may not want to physically reside on our campus. This program will be called the Early Advantage Program. The Early Advantage Program resident can continue to live in his/her current home but have access to The Pines at Davidson's amenities, assisted living, skilled nursing and other wellness programs. The Early Advantage Program will be offered to The Pines at Davidson's Future Residency List in North Carolina and other states.

The Early Advantage Program residency status will allow members to become a resident of The Pines at Davidson with access to campus amenities and ensures access to future health care services as needed, while remaining in his or her current home and creating a high priority position for a potential future move onto The Pines at Davidson campus at a later date. The Early Advantage Program resident may also move into The Pines at Davidson if he or she so chooses. Once one becomes a resident of The Pines at Davidson, whether living on campus or through The Early Advantage Program, he or she will have equal access to all common areas of campus and equal access to The Pines at Davidson's health care facilities. This equal standing will provide Early Advantage Program residents with priority over wait list members for contracts for continuing care; Early Advantage Program residents who wish to occupy an independent living unit in the community under the terms of the contract for continuing care will need to apply for, and upon acceptance, sign an on-campus Resident's Agreement.

Early Advantage Program Policies

Additional information related to the Early Advantage Program can be found in section 20.3 of the Continuing Care at Home (CCAH) contracts.

Early Advantage Fees

The Early Advantage Program Entry Fee: It is projected that the entire amount of the entry fee paid may be applied to the amount of any future entry fee payable to The Pines at Davidson in the event the Early Advantage Program resident elects to physically move to The Pines at Davidson campus.

The Early Advantage Program Monthly Fee: This monthly fee is assumed to cover costs associated with utilization of programs, services, facilities and amenities, support staff and dining. It is projected to not include the cost of any meals.

The following table summarizes the monthly service fees and membership fees for the Early Advantage Program in 2026 dollars, the opening year of the Early Advantage Program.

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Projection Assumptions and Accounting Policies

Management's Basis for Projection of Revenue (continued)

Table 7
The Early Advantage Program
Fee Schedule (2026 Dollars)

	Advance Fee	Monthly Fee
Early Advantage Member - Per Person	\$ 40,000	\$ 700
Early Advantage Member - Assisted Living		\$ 7,209
Early Advantage Member - Skilled Nursing		Per Diem \$ 366

Source: Management

Projected usage of the Early Advantage Program is based upon Management's assumed fill schedule for the program. Management has assumed that the average Early Advantage Program during the Projection Period would be as follows:

Table 8
The Early Advantage Program Projected Utilization

For the Years Ending December 31,	2026	2027	2028	2029	2030
Average Early Advantage Occupant	80	130	150	150	150

Source: Management

Management has projected a 4.0 percent inflationary increase on monthly fees and entrance fees for the Early Advantage residents during the Projection Period, beginning in fiscal year 2027.

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Projection Assumptions and Accounting Policies

Management's Basis for Projection of Revenue (continued)

Entrance Fee Receipts

Entrance fee receipts and refunds are based on information provided by Management based on historical experience, as well as Management's assumptions relating to occupancy during the Projection Period as well as the Eardly Advantage Program. The following table reflects entrance fees received and refunds paid during the Projection Period, as projected by Management.

Table 9
Projected Entrance Fee and Deposit Receipts, Net of Refunds
Independent Living Units
For the Years Ending December 31,

	2026	2027	2028	2029	2030
Projected Unit Turnover	25	26	27	28	28
Entrance fee receipts - Early Advantage Program	2,000,000	2,000,000	1,360,000	-	-
Entrance fee receipts - turnover	9,043,764	10,295,046	11,088,492	11,197,716	11,211,912
Entrance fee refunds	(165,608)	(426,739)	(457,618)	(490,225)	(523,892)
Net Entrance Fee Receipts	10,878,156	11,868,307	11,990,874	10,707,491	10,688,020

Source: Management

Investment Income

As it relates to unrestricted assets and assets whose use is limited, as well as board designated funds, the investment goals of The Pines are to a) preserve principal and maximize the safety of The Pines investments and b) to minimize interest rate risk, which limits investments to high quality bond portfolios and accounts collateralized by treasury and government agency debt securities, but not equity securities.

Donor restricted funds have slightly different investment goals that emphasize a balance between preserving principal and achieving a higher interest rate and permit investment in equity securities.

Investment income consists of interest earned on available cash, board designated funds, investments, and assets limited as to use. Management has estimated that its annual investment income yield on all investment producing assets would increase from 1.85 percent in 2026 to 2.72 percent by 2030.

Other Revenue Items

Other revenue items include food service income from additional meals, guest meals, etc., and have been projected based on historical experience.

Contributions- Net Assets With Donor Restrictions

Management has projected annual contributions with donor restrictions of approximately \$1,055,000 annually throughout the Projection Period based on historical experience.

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Projection Assumptions and Accounting Policies

Management's Basis for Projection of Expenses

Operating Expenses

Operating expenses have been projected to be recognized during the month incurred. Management has projected operating expenses based upon Management's operating plans for The Pines, as well as historical operations. In general, operating expenses are projected to increase approximately 5 percent for labor, 3.5 percent for dining, and 3 percent for other costs each year of the Projection Period.

Management has projected operating expenses for the Early Advantage Program based upon Management's operating plans and has increased these expenses in part based on inflationary increases as well as increases from increased occupancy levels.

The specific basis for major expense items were formulated by Management and are discussed below.

Salaries and Benefits

Management has projected its salaries and benefits based on its historical experience and based on its anticipated staffing plan and assumptions relating to benefit levels and wages, which have also been based on historical experience. Salaries and benefits are included in the departments that follow.

Benefit costs include payroll taxes and employee benefits including FICA, unemployment taxes, workers' compensation, health insurance, 403(b) employer contribution expense, incentives and other miscellaneous benefits for the entire facility. These benefit costs are assumed to approximately 25.0% of wages during the Projection Period based on Management's historical experience.

Management has projected that it will operate with approximately 259 full time equivalents during the Projection Period.

Administrative

Non-salary related costs of general and administrative include costs for supplies, professional fees, insurance, property taxes, and other miscellaneous costs. The Corporation has projected that it is exempt from property taxes for the land and building used in operating its retirement community, while it does project property taxes on undeveloped land that is not used in operating its retirement community. Management has also projected various voluntary contributions to governmental entities. These costs are included in administrative costs.

Marketing and Development

Non-salary related costs of marketing and development include costs for supplies, marketing collateral, advertising, and other miscellaneous costs.

Dining

Non-salary related costs of dining include costs for raw food and dietary supplies and other such costs and are based on the historical operating experience of Management.

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Projection Assumptions and Accounting Policies

Management's Basis for Projection of Expenses

Nursing

Non-salary healthcare costs include the costs of operating the assisted living and nursing units. These non-salary costs include costs for supplies, stock drugs, supplements, medical director and other required contract fees, and other miscellaneous costs incurred in the provision of healthcare services. The healthcare costs are based upon Management's historical operating experience.

Laundry

Non-salary related costs of laundry services include costs for supplies, chemicals and other miscellaneous costs associated with providing laundry services to residents. Laundry costs are based on Management's historical operating experience.

Housekeeping

Non-salary related costs of housekeeping services include costs for supplies, chemicals and other miscellaneous costs associated with providing housekeeping services to residents. Housekeeping costs are based on Management's historical operating experience.

Facility Services

Non-salary related costs in this department include electricity, water and sewer, gas, sanitation, and cable television. Management assumes that these costs would vary with changes in occupancy levels. In addition, these costs include the costs of maintaining the campus and grounds keeping as well as security costs. Costs are based on Management's historical operating experience.

Resident Services

Non-salary related costs include costs for items such as resident entertainment, functions, transportation, and other such costs and are based on the historical operating experience of Management.

Depreciation

Property and equipment are projected to be depreciated over their estimated useful lives using the straight-line method.

Interest Expense

Interest expense is assumed to be related to the debt service requirements of the existing long-term indebtedness and the amortization of original issue premium and deferred financing costs.

Summary of Significant Projection Assumptions and Accounting Policies

Management's Basis for Projected of Other Items (continued)

Cash and Cash Equivalents

Cash and cash equivalent balances for the Projection Period are based on the results of the projected consolidated statements of cash flows.

Accounts Receivable

Accounts receivable, net of current expected credit losses, are projected based on historical levels.

Interest Receivable

Interest receivable is projected to remain at historical levels throughout the Projection Period.

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets are projected to approximate historical levels throughout the Projection Period.

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses are projected based on historical levels.

Interest Payable

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

Cash and Investments Whose Use is Limited

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

Held by Trustee pursuant to the trust agreements:

Bond Funds — The Bond Funds represent amounts held by the trustee reflecting payments of bond principal and interest made by the Corporation to the trustee relating to the Series 2013 Bonds, Series 2015 Bonds, and Series 2019 Bonds, each further defined hereinafter. The funds held in the Bond Funds will be used by the trustee to make the annual principal payments and the semi-annual or monthly, as applicable, interest payments to the owners of the outstanding bonds when due.

Statutory Operating Reserve – North Carolina Statutory Operating Reserve – Section 58-64A-245 of the General Statutes of North Carolina, as amended, requires that all continuing care facilities maintain operating reserves equal to 50 percent of the total operating costs (as defined in Section 58-64A-245) for the 12-month period related to the calculation. Once a continuing care facility achieves a 12-month daily average independent living unit occupancy rate of ninety percent (90% or higher) a provide shall only be required to maintain an operating reserve in an amount calculated using the table below, unless otherwise instructed by the Commission.

Summary of Significant Projection Assumptions and Accounting Policies

Management's Basis for Projected of Other Items (continued)

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

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

As of the Community's most recent fiscal year-end, the debt service ratio of the Obligated Group was in excess of 2.00 and Management has projected the average independent living occupancy to be in excess of ninety-three percent (93%). As such, Management has projected an operating reserve of 12.5% of the total operating costs of the continuing care retirement community during the Projection Period.

Table 10
Projected Operating Reserve Calculation
Occupancy at December 31, Financial Information For the Years Ending December 31,

	2026	2027	2028	2029	2030
Statutory Operating Reserve Calculation:					
Available Units:					
Independent living units, less guest unit	292.00	292.00	292.00	292.00	292.00
Occupied Units:					
Independent living units, less guest unit	282.00	282.00	282.00	282.00	282.00
Occupancy at Year End	96.6%	96.6%	96.6%	96.6%	96.6%
	2026	2027	2028	2029	2030
Operating Expenses	\$ 37,664,242	\$ 40,103,694	\$ 41,736,446	\$ 43,511,422	\$ 45,265,068
Add: Principal Payments	1,470,000	1,515,000	1,560,000	1,605,000	1,650,000
Total Operating Expenses	39,134,242	41,618,694	43,296,446	45,116,422	46,915,068
Less:					
Depreciation & Amortization Expense	(6,514,043)	(7,729,024)	(8,080,607)	(8,514,987)	(8,865,736)
Total Adjusted Expenses	\$ 32,620,199	\$ 33,889,670	\$ 35,215,839	\$ 36,601,435	\$ 38,049,332
Required Reserve	12.5%	12.5%	12.5%	12.5%	12.5%
Required Operating Reserve at December 31	\$ 4,077,525	\$ 4,236,209	\$ 4,401,980	\$ 4,575,179	\$ 4,756,167
Source: Management					

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Projection Assumptions and Accounting Policies

Management's Basis for Projected of Other Items (continued)

Such operating reserves may only be released upon approval of the North Carolina Commissioner of Insurance. Management has projected, based on its projected occupancies, meeting the 12.5 percent operating reserve requirement for all years of the Projection Period.

Property and Equipment

Property and equipment balances, net of accumulated depreciation, are projected based on costs of routine property and equipment during the Projection Period, reduced by estimated annual depreciation.

The following table presents capital expenditures during the Projection Period:

Table 11
Capital Expenditures
For the Years Ending December 31,

	2026	2027	2028	2029	2030
Property and Equipment, Beginning	\$ 175,585,954	\$ 188,050,549	\$ 198,355,575	\$ 208,919,247	\$ 216,740,718
Routine Additions	12,464,595	10,305,026	10,563,672	7,821,471	8,050,742
Accumulated Depreciation	(77,932,718)	(85,617,779)	(93,655,704)	(102,129,326)	(110,955,050)
Projected Property and Equipment, Net	\$ 110,117,831	\$ 112,737,796	\$ 115,263,543	\$ 114,611,392	\$ 113,836,410

Source: Management

The following table presents the major categories of property and equipment throughout the Projection Period:

Table 12
Property and Equipment
For the Years Ending December 31,

	2026	2027	2028	2029	2030
Land and Land Improvements	\$ 21,239,248	\$ 22,056,756	\$ 22,894,782	\$ 23,515,267	\$ 24,153,940
Buildings and Building Improvements	131,349,980	132,822,118	134,331,206	135,448,553	136,598,653
Equipment, Furniture and Fixtures	35,461,321	43,476,701	51,693,259	57,776,898	64,038,867
Projected Property, Plant, and Equipment, Gross	188,050,549	198,355,575	208,919,247	216,740,718	224,791,460
Accumulated Depreciation	(77,932,718)	(85,617,779)	(93,655,704)	(102,129,326)	(110,955,050)
Projected Property, Plant, and Equipment, Net	110,117,831	112,737,796	115,263,543	114,611,392	113,836,410

Source: Management

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Projection Assumptions and Accounting Policies

Management's Basis for Projected of Other Items (continued)

Long-Term Debt and Interest Expense

On September 1, 2013, the North Carolina Medical Care Commission issued \$14,645,000 Health Care Facilities Revenue Bonds ("Series 2013 Bonds") for the benefit of the Corporation. The Series 2013 Bonds were issued in order to fund construction of the 24 villa apartments that comprise the Hickory Crest Villas. The Series 2013 Bonds bear interest at a fixed rate of 2.8% through January 1, 2029 and mature on January 1, 2040. Interest on the Series 2013 Bonds is payable semiannually.

During 2015, the Corporation refinanced the previously issued Series 2006 Bonds through the issuance of \$11,125,000 of North Carolina Medical Care Commission Health Care Facilities Refunding Revenue Bonds ("Series 2015 Bonds"). The Series 2015 Bonds bear interest at a fixed rate of 2.87% through maturity with semi-annual interest payments. The Series 2015 Bonds have annual principal payments with a final maturity of January 1, 2030.

During 2019, the Corporation issued par value bond proceeds of \$54,630,000 with a net bond premium of \$2,945,241, which were generated from the issuance of the Series 2019 Bonds ("Series 2019 Bonds"). The Series 2019 Bonds were issued in order to fund construction of a capital expansion.

The Series 2019 Bonds consists of:

Series 2019A Bonds ("Series 2019A Bonds"):

- \$900,000 of tax-exempt fixed rate serial bonds (the "2021-2030 Serial Bonds") issued with varying fixed rates ranging from 3.00% to 3.50%, maturing annually beginning January 1, 2021 and ending January 1, 2030. Interest on the 2021-2030 Serial Bonds is payable January 1 and July 1 beginning July 1, 2019.
- \$4,700,000 of tax-exempt fixed rate term bonds (the "2034 Term Bonds") issued with a fixed interest rate of 5.00%, maturing January 1, 2034. Interest on the 2034 Term Bonds is payable January 1 and July 1 beginning July 1, 2019 and principal is payable pursuant to mandatory annual sinking fund requirements beginning January 1, 2031.
- \$1,325,000 of tax-exempt fixed rate serial bond (the "2035 Serial Bond") issued with a fixed interest rate of 3.625%, maturing January 1, 2035. Interest on the 2035 Serial Bond is payable January 1 and July 1 beginning July 1, 2019.
- \$4,370,000 of tax-exempt fixed rate term bonds (the "2038 Term Bonds") issued with a fixed interest rate of 5.00%, maturing January 1, 2038. Interest on the 2038 Term Bonds is payable January 1 and July 1 beginning July 1, 2019, and principal is payable pursuant to mandatory annual sinking fund requirements beginning January 1, 2036.
- \$5,820,000 of tax-exempt fixed rate term bonds (the "2041 Term Bonds") issued with a fixed interest rate of 4.00%, maturing January 1, 2041. Interest on the 2041 Term Bonds is payable January 1 and July 1 beginning July 1, 2019, and principal is payable pursuant to mandatory annual sinking fund requirements beginning January 1, 2039.
- \$25,610,000 of tax-exempt fixed rate term bonds (the "2049 Term Bonds") issued with a fixed interest rate of 5.00%, maturing January 1, 2049. Interest on the 2049 Term Bonds is payable January 1 and July 1 beginning July 1, 2019, and principal is payable pursuant to mandatory annual sinking fund requirements beginning January 1, 2042.

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Projection Assumptions and Accounting Policies

Management's Basis for Projected of Other Items (continued)

Projected principal payments on the Corporation's debt are as follows.

Fiscal Year	Series 2013 Bonds	Series 2015 Bonds	Series 2019A Bonds	Total
2026	\$ 545,000	\$ 835,000	\$ 90,000	\$ 1,470,000
2027	560,000	860,000	95,000	1,515,000
2028	575,000	885,000	100,000	1,560,000
2029	590,000	910,000	105,000	1,605,000
2030	605,000	935,000	110,000	1,650,000
Thereafter	7,085,000	-	41,825,000	48,910,000
Totals	\$ 9,960,000	\$ 4,425,000	\$ 42,325,000	\$ 56,710,000

Source: Management

Note:

(1) This schedule does not include any bond premiums, discounts or issuance costs that have been netted with debt in Management's projected consolidated balance sheets.

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CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See CLAGlobal.com/disclaimer. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.

Appendix C — Statement of Actuarial Opinion



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May 27, 2026

David A. Gentry
Vice President/CFO
The Pines at Davidson
400 Avinger Ln
Davidson, NC 28036

Dear David:

Continuing Care Actuaries was retained by the management of The Pines at Davidson to conduct a comprehensive actuarial study for the community located in Davidson, North Carolina.

The Pines at Davidson is a retirement community that consists of 292 independent living units (ILU), 30 assisted living (ALU) and 75 licensed beds in skilled nursing facility (SNF).

Residents of the independent living units pay a stated 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 and skilled nursing units may be occupied by individuals who are direct admission residents and pay on a per-diem basis. However, independent living residents have priority access to assisted living and the skilled nursing facility over any such direct admissions.

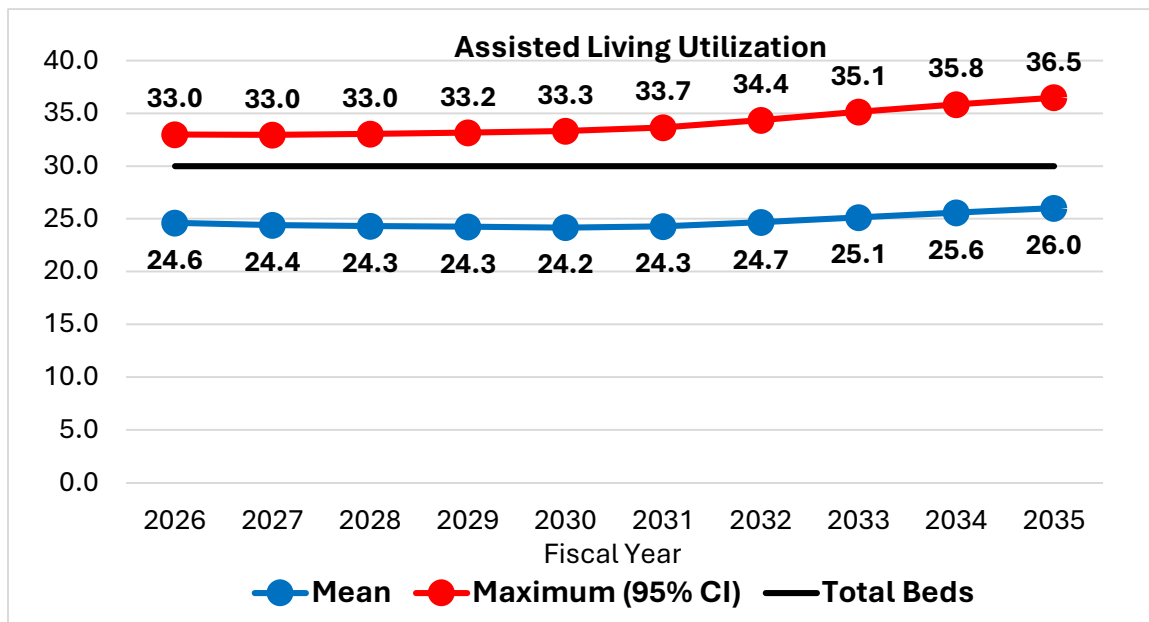
Residents will pay monthly fees related to their occupancy of an independent living unit, assisted living unit, or skilled nursing unit. Residents requiring permanent or temporary health care are able to transfer to the needed level of care as determined appropriate by The Pines at Davidson's medical 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 The Pines at Davidson 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 The Pines at Davidson; (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."

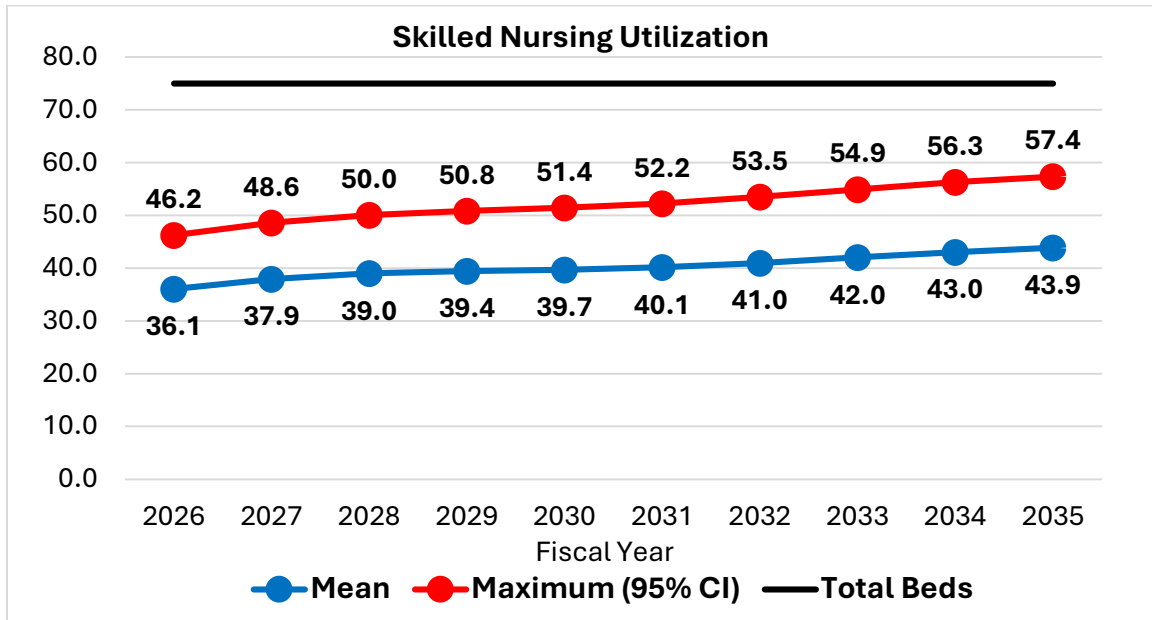
In order to perform the actuarial analysis, we projected first generation residents and subsequent residents through various levels of care until move-out or death. The rates using permanent and temporary nursing transfers, deaths and withdrawals were developed Continuing Care Actuaries' demographic database for Continuing Care Retirement Community (CCRC) residents. This database comprises over 800,000 CCRC residential life-years of demographic experience. The database assumptions used in this analysis reflect experience of communities similar to The Pines at Davidson. 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 2026 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, 2025.

Summary of Findings and Notes

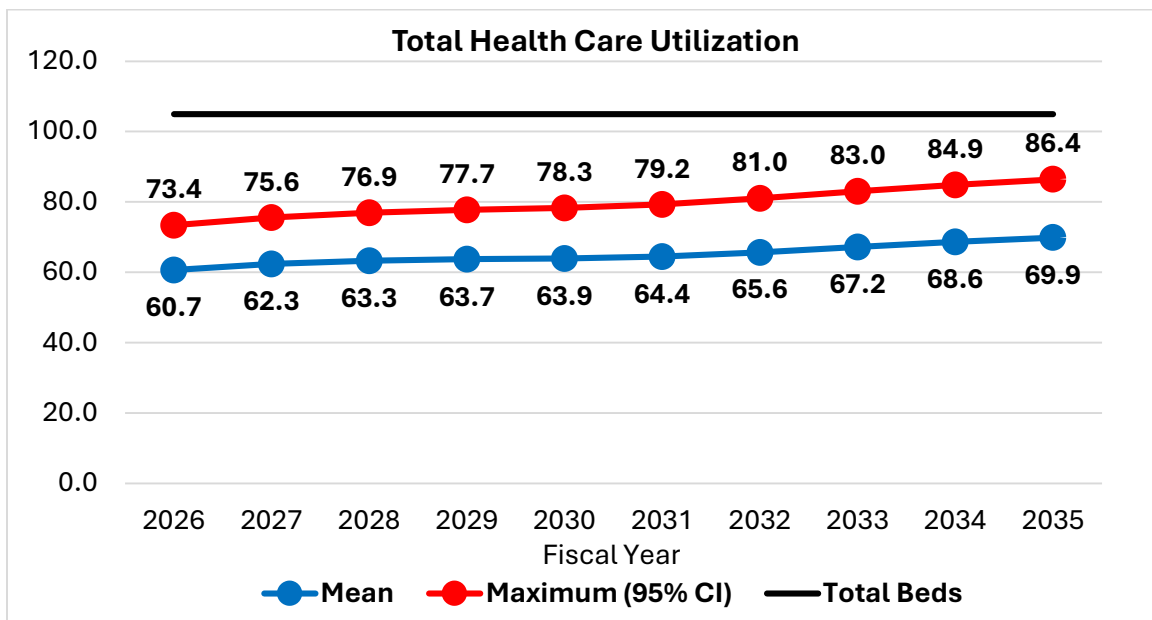
- 1) The data and assumptions used for the population and financial projections in this report form a reasonable basis for the projections. The methods used to produce the projections are consistent with sound actuarial principles and practices as prescribed by the Society of Actuaries and the American 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 The Pines at Davidson will generate positive annual cash flow throughout the projection period.
- 6) The actuarial pricing analysis for the 0% Refundable Contract indicated that this contract is expected to produce an average surplus of \$247,378 at entry for new residents, which represents a margin of 20.8% of the present value of contractual liabilities.

The actuarial pricing analysis for the 50% Refundable Contract indicated that this contract is expected to produce an average surplus of \$320,602 at entry for new residents, which represents a margin of 24.1% of the present value of contractual liabilities.

The actuarial pricing analysis for the 90% Refundable Contract indicated that this contract is expected to produce an average surplus of \$430,334 at entry for new residents, which represents a margin of 27.5% of the present value of contractual liabilities.

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

- 7) Based on the result of the actuarial balance sheet as of December 31, 2025, our analysis concluded that The Pines at Davidson will have current and future assets of \$458,825,000 with current and future liabilities of \$259,319,000. Based on these projected assets and liabilities, The Pines at Davidson's funded status is 176.9%, 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, 2025. This measure is important in that it represents The Pines at Davidson's ability to deal with adverse experience. This ratio was calculated at 100.4%.

- 8) In conclusion, The Pines at Davidson 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. The Pines at Davidson 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, F.S.A., M.A.A.A.
Managing Partner
dbond@continuingcareactuaries.com

Appendix D — Representative Contracts



THE PINES AT • DAVIDSON

THE PINES AT DAVIDSON RESIDENCE AND CARE AGREEMENT

THIS RESIDENCE AND CARE AGREEMENT (the “Agreement”) is made this ____ day of _____, 20__ (the “Effective Date”), by and between The Pines at Davidson, Inc., a North Carolina nonprofit corporation, hereinafter called the “Corporation”, “we”, “us”, “our” or “The Pines” and _____, hereinafter called “Resident”, “you” or “your” (if husband and wife or two other persons enter into this Agreement, the word “Resident”, “you” or “your” shall apply to them both jointly and severally unless the context otherwise requires).

WHEREAS, the Corporation has developed a continuing care retirement community located at 400 Avinger Lane in Davidson, North Carolina, known as “The Pines at Davidson”, hereinafter referred to as “The Pines”; and

WHEREAS, Resident is desirous of becoming a resident of The Pines and to use and enjoy the facilities, programs and services provided by the Corporation subject to the terms and conditions of this Agreement.

NOW, THEREFORE, subject to the terms and conditions set forth in this Agreement, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Resident and the Corporation agree as follows:

I. ACCOMMODATIONS AND SERVICES

Subject to the terms and conditions set forth in this Agreement, the Corporation agrees to provide the Resident the living accommodations, services and programs at The Pines described as follows:

A. Living Accommodation. Unit number _____, a _____ type of living accommodation, located _____ in The Pines (hereinafter referred to as the “Living Accommodation”). Resident has the exclusive right to occupy and use the Living Accommodation, subject to the terms and conditions set forth in this Agreement. Resident, with the prior

written consent of the Corporation and subject to the terms and conditions of this Agreement, may from time to time transfer from one Living Accommodation in The Pines to another. In the event of such a transfer, the reference to the “Living Accommodation” designated above will be automatically amended to reflect such a transfer.

- B. Utilities.** We will provide basic local telephone service, basic television and internet service, heating, air conditioning, lights, water, sewer, electricity and trash removal. The Resident is responsible for any telephone, internet, and television installation charges and for charges associated with any additional telephone expenses, such as international calls and directory assistance. We reserve the right to discontinue providing telephone service.
- C. Furnishings and Appliances.** We will provide emergency signal equipment and other fixtures and appliances as described in the literature published by the Corporation regarding The Pines. All other furniture and furnishings for the Living Accommodation shall be provided by the Resident and shall be maintained by you at your risk.
- D. Meals.** We will make meals available to the Resident as follows:
1. Independent Living Residents. We will make available three (3) meals most days to Independent Living Residents (i.e., Residents not residing in the Schramm Health Center (defined below)) and which will be served in communal dining areas, which can be selected by the Resident pursuant to the terms of the Corporation’s Choice Meal Plan (the “Choice Plan”). The cost of the Choice Plan is included in the Monthly Charge. The Choice Plan provides each Resident with a pre-set balance each quarter (or, at the discretion of The Pines, for a period of time not greater than a quarter of a calendar year) to purchase à la carte meals at the current meal prices published to Residents. The Choice Plan does not apply to the purchase of alcohol, catering, guest meals, or non-food sundry items (e.g., tissues, batteries), even though such items may be available for purchase at The Pines. Due to inventory limitations, the volume of purchases of pre-packaged products such as bottled drinks, pre-packaged crackers, candy bars, and the like may be restricted. The pre-set balance may be used at any time during the quarter (or other period) but may not be carried over from one quarter (or other period) to another. Any purchases over the pre-set balance in the period, unless paid for separately, will be charged to the Resident’s account and billed the following month. The Choice Plan is subject to change from time to time (including but not limited to the amount of the pre-set balance, à la carte pricing and whether to continue the Choice Plan or implement an alternative meal plan) and will be published to those participating.

2. Residents Residing in the Schramm Health Center. The Corporation will make available three (3) nutritionally well-balanced meals each day to Residents residing in the Schramm Health Center. The cost of these meals is included in the published per diem rate as described in Paragraph II F. (For Residents who are within their first 14 days of occupancy in the Schramm Health Center (as such 14 days are described in Paragraph II F), the cost of the three (3) meals is included in the Monthly Charge and will be charged against the pre-set points from the Choice Plan). The cost of additional meals taken by the Resident will be paid for by the Resident and billed on a monthly basis.
- E. Housekeeping Services.** We agree to maintain the Living Accommodation by providing regular housekeeping services including vacuum cleaning, dusting, cleaning of baths and kitchens, and trash removal.
- F. Laundry.** We will provide, change and launder any bed and bath linens provided by The Pines (if any) on a regular basis. Convenient laundry facilities will be provided free of charge for personal laundry.
- G. Maintenance and Repairs.** We will maintain and keep in repair the improvements, furnishings and equipment owned by the Corporation. The Resident will be responsible for the cost of repairing any damage to property of the Corporation caused by the Resident or any guest of the Resident, ordinary wear and tear excepted. Any structural or physical change or redecoration of any kind within the Living Accommodation will require the prior written approval of the Corporation. The cost of any change, including any subsequent cost to return the living unit to its original condition in the event of such change, or cost of redecoration, will be paid by the Resident. Any such improvement or change will be owned by the Corporation and will not be considered in determining the amount of any refund to the Resident upon termination of this Agreement.
- H. Groundskeeping.** We will furnish basic grounds keeping service for the grounds of The Pines, including lawn, tree and shrubbery care. Subject to written approval by us, Residents may plant and maintain certain areas designated for such purpose by us in accordance with our policies and procedures. The cost of these plantings and maintenance of such plantings will be at your expense.
- I. Parking.** We will provide parking areas for the Resident's personal vehicle (limited to one vehicle for each individual Resident) and parking for guests.
- J. Common Facilities.** Resident shall have access to certain common facilities which may include dining rooms, a mail room, a multi-purpose room, lounges, sitting areas, wellness center, primary care medical clinic, indoor warm water therapy pool and hot whirlpool, library, craft and art studio, woodworking shop, resident computer room, on-site beauty and barber salon, outdoor

venues and other common facilities as described in the then current literature, any of which such common facilities may be subject to change from time to time at the sole discretion of The Pines. Use of the common facilities will be available for use by Resident, and such use shall be subject to change or restriction from time to time at the sole discretion of The Pines. Resident will be responsible for dining and applicable activity charges.

- K. Transportation.** We will provide a base package of local group transportation for Residents on a regular, scheduled basis without additional charge. An additional charge may be made for transportation for special, personal or group trips or transportation for residents that require staff accompaniment.
- L. Activities.** Social, recreational, spiritual, educational and cultural activities will be provided for the Residents. Additional charges may be incurred for some activities.
- M. Health Center Access.** Should you require assisted living, memory care or long-term care services that are provided at The Pines, you may access these services on the following basis:
1. The Mariam Coltrane Schramm Health Center or any other health center at The Pines (the "Schramm Health Center") is available for the benefit of Residents and Early Advantage Members. The Corporation is currently licensed by the North Carolina Department of Health and Human Services, Division of Services Regulation to operate 75 health care beds under a nursing home license for Residents who are temporarily ill or who require long term care or memory care and 30 beds to provide support services for Residents who require assistance with activities of daily living. Private or semi-private accommodations are available in all levels of care in the Schramm Health Center. The Corporation will establish and publish per diem rates and charges, which are subject to change from time-to-time, for the accommodations and services in the Schramm Health Center.
 2. A twenty-four (24) hour nursing staff will be maintained in the Schramm Health Center.
 3. The overall coordination and provision of health care services by the Corporation will be provided by a Medical Director who will be a licensed physician selected by the Corporation.
 4. Charges for the Health Care accommodations and services described above in this Paragraph I M shall be as set forth in Paragraph II F.
 5. Residents will choose their own personal physicians and will be responsible for charges for services by such physicians and any consultants. Other health care services may be made available to the Resident at The Pines' sole discretion and at the Resident's expense,

including, but not limited to: pharmacy services; surgical, dental and optical services; laboratory tests; physical therapy; occupational therapy, including therapeutic activities; rehabilitative treatments; audiology services; podiatry services; dermatology services; and wheelchairs and other medical equipment and supplies. The cost of such services shall not be covered by the charges described in Paragraph II F.

6. The Resident acknowledges that the services provided by the Corporation cannot protect the Resident from the effects of the natural aging process or the everyday, normal risks of living. In addition, the Resident acknowledges that the Resident's particular health condition may cause the Resident to be particularly susceptible to certain risks and dangers. The Resident further acknowledges that the services provided by us do not include 24 hour, one-on-one monitoring of each Resident. If a Resident desires to have a dedicated caregiver at all times, the Resident may wish to consider engaging a companion, sitter or private duty nurse, or certified nursing assistant in accordance with subparagraph 9 of this Paragraph I M.
7. We will make good faith efforts to provide our routine services to the Resident, including those prescribed by the Resident's attending physician. A Resident has a right to refuse treatment. However, should a Resident refuse to comply with recommended treatments or with physician's orders, the Resident assumes the risk of any adverse outcomes associated with such refusal. We shall not be expected to coerce or intimidate the Resident into accepting such services or complying with physician orders. Residents and their families or legal representatives are strongly encouraged to participate in the planning of the Residents' care, both with the attending physician and the Corporation.
8. Resident authorizes The Pines to provide those health care-related services that are specifically set forth in this Agreement. Resident also authorizes The Pines to obtain all necessary clinical and/or financial information from Resident's attending physician, and any other health care providers treating Resident, including, but not limited to, any hospital or nursing facility from which Resident may be transferring or may transfer in the future and hereby authorizes such health care provider(s) to provide such health care information to The Pines.
9. The Resident shall not employ any companion, sitter, private duty nurse or certified nursing assistant without prior notification to the Corporation. We shall have no responsibility to review, approve or otherwise opine as to the qualifications or abilities of any service providers engaged by the Resident.

All companions, sitters, private duty nurses and certified nursing assistants engaged by the Resident, as well as the Resident's visitors, are subject to the rules and regulations in effect at The Pines. All companions, sitters, private duty nurses, and certified nursing assistants will act in accordance with the Resident's plan of care for any resident in the Health Care Center. We may expel or refuse admission to any such individual who, in our judgment, poses a threat to the health, safety, welfare or peace of The Pines, its residents or its staff.

The Resident shall pay all expenses (including for meals) of the individuals engaged by the Resident. Resident acknowledges that the Corporation is not responsible for any losses, damages, costs, claims, liabilities and expenses suffered by the Resident, the Corporation, other residents or other persons, including attorney fees and court costs, arising from the services, actions, inactions, or statements of any sitters, companions, private duty nurses, and certified nursing assistants engaged by the Resident.

10. We will notify your physician when emergency medical care is necessary. If acute medical care is necessary or upon physician's or your request, you will be transferred to a local hospital emergency room. In the event of an emergency, The Pines' staff will summon emergency medical services to assist you by calling "911" or otherwise summoning appropriate medical personnel from outside The Pines. You authorize The Pines to provide to you any care and assistance deemed by The Pines to be in your best interests under the circumstances and to take any such action that is reasonably prudent in the event of an emergency, subject to any advance directives contained in a document that you have furnished to the Corporation.
11. The Pines shall maintain a health record for Resident that contains health and other personal information that is pertinent to the services which The Pines is providing. All information and records regarding Resident are confidential and are only disclosed in accordance with applicable law, including the HIPAA Privacy Rule. Resident may review Resident's health record and authorize others to review the Resident's health record.

N. Other Services. Other services may be available at an additional charge or cost. With respect to services not listed, consult The Pines' schedule of charges or the Finance Office.

O. Limitations to Services. You hereby acknowledge and agree that the Corporation is prohibited by law from furnishing certain types of services, based upon applicable statutes, administrative regulations, and interpretations of statutes and regulations. You agree that if you need services

that the Corporation is not legally authorized or does not otherwise provide, you may be discharged from The Pines. Except as otherwise expressly stated in this Agreement, you are responsible to arrange and pay for health and medical care services not provided by the Corporation, including, without limitation, hospital services, physicians' services, private duty personnel, medications, vitamins, eye glasses, eye examinations, hearing aids, ear examinations, dental work, dental examinations, orthopedic appliances, laboratory tests, x-ray services or any rehabilitative therapies.

- O. **Professional Management of The Pines and its Facilities.** We will employ management and staff and/or agents to manage the operations of The Pines and its facilities.

II. FINANCIAL ARRANGEMENTS

A. Entrance Fee.

- 1. Resident agrees to pay us an Entrance Fee as a condition of becoming a resident of The Pines. The Resident shall choose one of the following options as to the Entrance Fee to be paid:

<u>Option</u>	<u>Amount of Entrance Fee</u>
Standard Entrance Fee Option:	\$ _____
50% Refund Entrance Fee Option:	\$ _____ (estimated)
90% Refund Entrance Fee Option:	\$ _____ (estimated)

The amounts shown above for the 50% Refund Entrance Fee Option and the 90% Refund Entrance Fee Option are estimates, based on the age of the Resident at the date of the execution of this Agreement by the Resident. The exact amount of the Entrance Fee payable in the event that the Resident shall elect either of these options will be determined actuarially based on the life expectancy of the Resident at the time of occupancy (or the life expectancy of the older Resident in the case of double occupancy). If the Resident desires the 50% or 90% Entrance Fee option, the Resident must notify the Corporation in writing of the choice on or before the date that the balance of the Entrance Fee is due as provided in Subparagraph II A 2 below. Without written approval by the Corporation, the Resident may not change the option chosen after the date that the balance of the Entrance Fee is due.

- 2. It is agreed that a deposit of 10% of the Entrance Fee ("10% Deposit") payable under the Standard Entrance Fee Option together with \$300 as a non-refundable application fee, will be due and payable upon execution of this Agreement by the Resident. The balance of the Entrance Fee, depending on whether you choose the Standard

Entrance Fee Option, the 50% Refund Entrance Fee Option or the 90% Refund Entrance Fee Option, will be due and payable 10 days prior to the projected date of occupancy. We will give reasonable notice prior to the Resident's projected date of occupancy. Your Future Residency Deposit will be credited at this time of reservation. The calculation is below:

\$ _____ 10% Deposit
\$ _____ Plus Non-refundable Application Fee
\$ (_____) Less Future Residency Deposit Credit
\$ _____ Total due upon execution of this Agreement

For Early Advantage Program Members moving to an Independent Living Accommodation on campus at The Pines, there is no additional application fee and no Future Residency Deposit Credit, as these were previously calculated as part of the Early Acceptance Program application process. The 10% Deposit is calculated based on the current Entrance Fee for the accommodation, minus the Early Advantage Membership Fee previously paid, if any. The 50% and 90% Refund Entrance Fee Options will be calculated based on the current Entrance Fee of the accommodation.

The balance of the Entrance Fee, depending on whether you choose the Standard Entrance Fee Option, the 50% Refund Entrance Fee Option or the 90% Refund Entrance Fee Option, will be due and payable 10 days prior to the projected date of occupancy. We will give reasonable notice prior to the Resident's projected date of occupancy. Unless we agree in writing to other arrangements, the Resident must take occupancy within 60 days after notice to the Resident that the Admissions Committee has determined that the Resident meets the admission requirements. If the Resident does not take occupancy by such time, the Resident shall be deemed to have taken occupancy and shall accept financial responsibility for the Living Accommodation at such time. Customized modification requests, selection delays and requested estimates may delay your move-in date but will not delay your financial responsibility date.

3. In the event this Agreement is being entered into following Resident's execution and delivery of an Early Advantage Agreement, your Membership Fee under such Early Advantage Agreement will be credited towards your Entrance Fee under this Agreement at the time the remaining final balance is due.

B. Monthly Charge. In addition to the Entrance Fee and any other charges or expenses under this Agreement, Resident agrees to pay a Monthly Charge

during the term of this Agreement, which shall be payable in advance by the 10th day of each month. As of the date of this Agreement, the Corporation projects that the Monthly Charge associated with the Living Accommodation will be approximately \$_____ per month, and an additional \$_____ per month if a second Resident occupies the Living Accommodation. The Monthly Charge may be adjusted by the Corporation during the term of this Agreement as described in Paragraph II C below.

- C. Adjustments in the Monthly Charge.** The Monthly Charge is made to provide the facilities, programs and services described in this Agreement and is intended to meet the cost of debt service, insurance, maintenance, administration, staffing and other expenses associated with the establishment, operation and management of The Pines. The Corporation shall have the authority to adjust the Monthly Charge from time to time during the term of this Agreement as we in our discretion deem necessary in order to reflect changes in the costs of providing the facilities, programs and services described herein consistent with operating on a sound financial basis and maintaining the quality of services called for herein. In the event that it should be determined that the Corporation is required to pay ad valorem taxes upon its property, the Monthly Charge may be adjusted to reflect the amount of such taxes. Any increases in the Monthly Charge or other charges or expenses may be made by the Corporation upon thirty (30) days written notice to the Resident.
- D. Charges for Other Services.** You will be billed for other services selected either at the time they are rendered or with the next billing cycle. The payment procedures for other service charges, including the imposition of late fees and interest, are the same as for the Monthly Fee. By signing this Agreement, you hereby acknowledge receipt of a copy of The Pines' schedule of current fees for other services. The Pines may, in its sole discretion, adjust the fees, charges or expenses for other services for any reason upon providing thirty (30) days advance written notice to Residents.
- E. Monthly Statements.** We will furnish you with monthly statements showing the total amount of fees and other charges and expenses owed by you, which shall be payable by the 10th of the month. Late payments are subject to an interest charge of one and one-half percent (1.5%) per month from the first of the month. You, and your current and future responsible parties (i.e., power(s) of attorney, executor(s)) on your behalf, from your assets and income, agree to pay all costs, expenses, and reasonable attorneys' fees, in the event the same must be expended in the collection of any sums due and owed by you to the Corporation.

The Corporation may terminate this Agreement if you have a past due amount upon thirty (30) days written notice. Termination of this Agreement does not

end the obligation of you or your estate to pay all amounts due, no matter when incurred.

The Corporation reserves the right, with thirty (30) days' notice, to change the billing date and the payment due date. For a partial first month, the Monthly Fee is pro-rated on a per diem basis. Thereafter, Monthly Fees are paid in advance and are pro-rated at termination.

You will, from time to time, upon the request of The Pines, authorize any provider of medical and health services, including The Pines, to receive reimbursement as provided under any or all Federal, State, and local benefits for which you may be eligible or entitled, and any supplementary insurance programs. If requested by The Pines, you will, from time to time, make assignments to the provider of medical and other health services of all benefits otherwise accruing to you under any or all Federal, State, and local benefits for which you may be eligible or entitled, and any supplementary insurance programs to compensate for services rendered. Resident irrevocably authorizes The Pines to make claims and to take other actions to secure receipt by The Pines of all payments from a third-party payor to reimburse The Pines for its charges and expenses for the stay and care of Resident. You shall be responsible for paying any and all deductibles, co-payments and costs for any non-covered service.

F. Health Center Fees and Charges.

1. We will establish and publish per diem rates and charges for the accommodations and services in the Schramm Health Center described in Paragraph I M.
2. If a Resident is transferred to the Schramm Health Center and such transfer has not been determined by the Corporation to be permanent in nature, the Resident shall continue to pay the Monthly Charge equal to the same Monthly Charge associated with the type of Living Accommodation described in Paragraph I A of this Agreement for the first 14 days' occupancy (whether or not consecutive) in the Schramm Health Center each calendar year. For such 14 days, the Resident will not be required to pay a per diem charge for occupancy in the Schramm Health Center but shall pay for additional meals or other services not normally covered by the Monthly Charge or by the per diem charge for occupants of the Schramm Health Center. Credit for any unused portion of the 14 days may not be carried forward to successive years.
3. In the event that a Resident occupies an accommodation in the Schramm Health Center for more than 14 days in any calendar year,

then upon the expiration of such 14 days, the Resident shall thereafter in such year and in any year thereafter pay the amount of the published per diem rate for the Schramm Health Center accommodation occupied by the Resident, plus charges and expenses for other services not included in such per diem rate.

4. If the Resident shall continue to occupy an accommodation in the Schramm Health Center for more than 30 days within any 90 day period following the use of the last of such 14 days, the Resident shall have the option of surrendering the Living Accommodation of such Resident described in Paragraph I A of this Agreement (if formerly occupied by the Resident as single occupant) or paying the Monthly Charge associated with such Living Accommodation in addition to the per diem charge for the Schramm Health Center accommodation occupied by the Resident.
5. The Pines is a private-pay community, does not participate in Medicaid, and does not accept Medicare Part A, Medicare Part B, or Medicare Advantage Plans as payment for room and board in assisted living, memory care, or long-term care.

G. Financial Assistance.

Subsidy. In connection with its charitable mission, it is the desire of the Board of Directors of the Corporation to not terminate a Residence and Care Agreement solely because of a Resident's financial inability to continue to pay the Monthly Fee or other charges by reason of circumstances beyond the Resident's control. Any disposition of Resident's assets in any way other than for care at The Pines or related living/medical expenses to the extent that Resident cannot adequately provide for Resident's expenses or care will nullify this desire on the part of the Corporation and entitle the Corporation to terminate Resident's right to reside in The Pines.

The Corporation will make reasonable efforts to acquire the funds necessary to meet The Pines' fees for care. However, the resources of the Corporation to provide care for Residents are not unlimited, and the Corporation reserves the right to terminate the residency of any person, including Resident, who cannot pay the full cost of The Pines' Monthly Charges, daily fees and other charges and expenses in connection with such person's stay at The Pines.

In the event that a Resident presents facts which in the opinion of the Corporation justify special financial consideration, the Corporation will give careful consideration to subsidizing in whole or in part the Monthly Charges, daily fees and other charges and expenses payable by the Resident hereunder so long as such subsidy can be made without impairing the ability of the Corporation to attain its objectives while operating on a sound financial basis.

In the event that the Corporation may subsidize in whole or in part the Monthly

Charges, daily fees and other charges and expenses payable by the Resident hereunder, the Resident will be required to execute a separate Financial Assistance Agreement with the Corporation.

In the event that we continue to provide the services to you under the terms of this Agreement despite your financial inability to continue to pay the Monthly Charges, daily fees and other charges and expenses payable under the terms of this Agreement, the Corporation shall be entitled to require you to move to a smaller or less costly Living Accommodation.

Any determination by the Corporation with regard to the granting or continuation of financial assistance shall be within the sole discretion of the Corporation.

Resident Support Fund. The Corporation has established a fund which will be used to assist Residents who would otherwise not be able to live at The Pines. Such Fund may be used for the purposes of providing financial assistance in accordance with this Agreement.

Recovery of Subsidies Provided by the Corporation. When a Resident dies or moves out of The Pines, if the Resident's fees and expenses have been subsidized wholly or partly by the Corporation, the Resident or Resident's estate, if any, will be liable to the Corporation for the full amount of the subsidy the Resident received for the entire time of residency. This paragraph will apply whether or not the Resident is in residence at The Pines at the time of death. This Agreement will operate as a lifetime assignment, transfer, and conveyance to the Corporation of so much of Resident's property as is necessary to cover such liability. Any amount due the Corporation under this paragraph may be deducted from any refund payable to Resident or to the Resident's estate, if any.

III. **ADMISSION REQUIREMENTS**

The requirements for admission to The Pines include the following:

- A. **Age.** The Pines does not unlawfully discriminate in admission decisions or with respect to residents on the basis of race, color, gender, disability, national origin, religion or sexual orientation. Admission is restricted to persons 65 years of age or older, except that in the case of double occupancy one person must be at least 65 years of age and the second resident shall be at least 62 years of age.
- B. **Application, Health History and Financial Statement.** The Resident shall submit for review by the Admissions Review Committee appointed by the Corporation an Application for Admission, a Personal Health History, a Medical Certificate and a Confidential Financial Statement, all on forms furnished by us, within 30 days of execution of this Agreement by the Resident.

- C. Personal Interview.** The Resident shall have an interview with a representative from The Pines prior to taking residency at The Pines. Upon review of all information required to be furnished herein, additional personal interviews may be requested by us.
- D. Notification.** We will review the Application for Admission, the Personal Health History, the Medical Certificate, the Confidential Financial Statement and the results of the Personal Interview and will notify the Resident whether the Resident meets the admissions requirements. We will also notify the Resident as early as possible of the date on which the Living Accommodation is expected to be available for occupancy. Until the Corporation accepts an Application for Admission in writing, the Corporation reserves the right to accept or reject an Application for Admission in the sole discretion of the Corporation for any reason other than unlawful discrimination.
- E. Health Requirements.** Prior to admission for residency at The Pines, the Resident shall submit a report of a physical examination of the Resident made by a physician selected by the Resident. Such report shall include a statement by such physician that the Resident is in good health, is able to take care of himself or herself in residential living activities and the Resident's health profile does not present a significant risk of intensive or imminent increased health care needs. We may require the Resident to have another physical examination by the Medical Director or by another physician approved by us. The Resident shall be responsible for the costs of all physical examinations. If the health of the Resident as disclosed by such physical examination differs materially from that disclosed in the Resident's Application for Admission and Personal Health History, we will have the right to decline admission of the Resident and to terminate this Agreement, or in our discretion, to permit the Resident to take occupancy of accommodations at The Pines suitable to the needs of the Resident.
- F. Financial Requirements.** The Resident must have assets and income which will be sufficient under foreseeable circumstances to pay the financial obligations of the Resident under this Agreement and to meet ordinary living expenses of the Resident. We may require the Resident to furnish current financial information and copies of state and federal tax returns at any time prior to and subsequent to occupancy. You, your current and future responsible parties (i.e., power(s) of attorney, executor(s), trustee(s)), will abide by any and all financial arrangements made with us for the purpose of securing your ability to pay any and all charges and expenses for residing at The Pines. You agree not to make any gift or other transfer of assets for the purpose of evading your obligations under this Agreement, or if such gift or transfer would render you unable to meet such obligations under this Agreement. Gifts or transfers of assets in this manner, which result in your inability to meet your financial obligations in accordance with this Agreement, will entitle The Pines to

terminate this Agreement with thirty (30) days' notice, and you or your responsible parties, as applicable, will be liable for any unpaid amounts.

- G. Representations.** The Resident affirms that the representations made in the Application for Admission, Personal Health History and Confidential Financial Statement are true and correct and may be relied upon by the Corporation as a basis for entering into this Agreement. The Pines has accepted Resident based on the information contained in Resident's Application for Admission, Personal Health History and Confidential Financial Statement and has agreed to enter this Agreement based on such information. Resident hereby affirms that all the information provided in the Resident's Application is true and correct to the best of the knowledge of each person who signs the Agreement, and each also acknowledges that any material misrepresentation or omission in Resident's Application for Admission, Personal Health History and Confidential Financial Statement shall render this Agreement voidable at the option of The Pines. Resident agrees to submit updated copies of the information requested in the Resident's Application for Admission, Personal Health History and Confidential Financial Statement, when requested by The Pines from time to time during the term of this Agreement.
- H. Mental Illness, Dangerous Communicable Disease, Drug or Alcohol Abuse.** The Pines is not designed to care for persons who have an active mental illness, a dangerous communicable disease, or who require treatment for drug or alcohol abuse. Should The Pines, in consultation with the Medical Director, determine that your physical or mental illness, or that your condition as a result of drug or alcohol abuse, is such that your continued presence is either dangerous or detrimental to your life, health or safety, or the life, health, peace or safety of others in the community, then The Pines may transfer you to another facility of your choosing and/or require you to terminate your residency at The Pines.
- I. Sex Offender Registry.** Resident hereby acknowledges that it is the policy of the Corporation to conduct sex offender screening for every prospective resident, regardless of independent status or level of care, at the time of application for admission to The Pines and again prior to entering into a Residence and Care Agreement. If the screening shows that the prospective resident is identified as a sex offender, the Corporation will deny admission of the prospective resident on that basis and not execute a Residence and Care Agreement. In addition, Resident hereby acknowledges and agrees that if, after the Corporation and Resident have entered into this Agreement, The Pines becomes aware that Resident is listed on any sex offender registry, the Corporation may terminate this Agreement with Resident and remove Resident from The Pines. If there is more than one Resident who is a party to this Agreement, the termination of this Agreement in such instance shall only apply to the Resident listed on the sex offender registry.

IV. TERMS OF RESIDENCY

- A. Rights of Resident.** Subject to the terms and conditions of this Agreement, the Resident has the right to occupy and enjoy the Living Accommodation described in Paragraph I A of this Agreement during the Resident's lifetime unless this Agreement shall be terminated as provided herein. It is understood that this Agreement does not transfer or grant any interest in the real or personal property owned by the Corporation other than the right to the use or occupancy of the Living Accommodation subject to and in accordance with the terms hereof. The Resident agrees that the rights of the Resident under this Agreement are subject to and subordinate and junior to the rights of a lender under any mortgage or deed of trust now or hereafter executed by the Corporation creating a lien on any property of the Corporation at The Pines. Upon request, you agree to execute, acknowledge and deliver to such lender or lenders such further written evidence of such subordination as such lenders may reasonably require.
- B. Policies, Rules and Regulations.** You understand and agree that: (i) in order for The Pines to operate in the best interests of the entire community, it is essential that we have the cooperation of and compliance with applicable policies, rules, and regulations by you, your family, guests, responsible party and others who may intervene, speak or act or purport to intervene, speak or act, for or on behalf of you or who may come on the premises of The Pines in any capacity or for any purpose in connection with or as a result of your residency at The Pines; (ii) a continuing or repeated failure or refusal by any such persons to so cooperate and comply may result in a determination by The Pines that it is impracticable or impossible for The Pines to continue to accommodate you as a Resident; and (iii) upon such determination by The Pines, we shall have the right to terminate this Agreement. We reserve the right to amend or change our policies, rules, and regulations, including, without limitation, those pertaining to The Pines, from time to time at its sole discretion. By signing this Agreement, you or your responsible party acknowledges access to the Resident Handbook on Pines Central or have requested it via email or print.
- C. Changes in Living Accommodations.** You understand that you acquire no ownership in any property at The Pines under this Agreement; also, that no particular room or unit in the Schramm Health Center is subject to reservation or permanent assignment, and that we may change your room or unit assignment in the Schramm Health Center. Though we retain the right to change your room or unit assignment, we agree that we will make changes only as we find such changes to be necessary or advisable. In addition to our right, in our sole discretion, to move you from one unit in the Schramm Health Center to another, we have the right to change the Living Accommodation to meet requirements of any applicable statutes, laws, or regulations. We also reserve the right to relocate you to another accommodation when deemed necessary in order for the Corporation to fulfill its strategic, financial or other

obligations. In such instance, we will use reasonable efforts to relocate you to an accommodation of the same or similar type as your accommodation, and we will pay all required packing and moving costs, and all reasonable refurbishing costs necessary to achieve substantial comparability between your accommodation and any new accommodation to which you may be relocated. The Living Accommodation may not be used for commercial purposes. The Living Accommodation may not be occupied or used in any manner in violation of any ordinance, law, or regulation.

- D. **Guests and Visitors.** Except for short term visitors or guests residing in the Living Accommodation for a period of two weeks or less, no person other than the Resident may reside in the Living Accommodation without our written approval. Visitors and guests may not reside in the Living Accommodation if the Resident is out of town, on vacation or otherwise not physically present at The Pines. At all times, you shall be responsible for any injury to yourself or to others or damage to your property or the property of others or The Pines caused by you or your guest(s). The Pines reserves the right and authority to limit or terminate the stay of any guest at any time and for any reason.
- E. **Loss or Damage of Property.** The Pines shall not be responsible for the loss of any property belonging to you due to theft, fire, water damage, or any cause beyond the control of The Pines. You shall also be responsible for any loss or damage that you or your guests cause to property at The Pines, excluding ordinary wear and tear. You hereby agree to indemnify and reimburse The Pines for any loss or damage suffered by The Pines because of your or your guests' or invitees' acts or omissions.
- F. **Relationship Between Residents and Staff.** The Pines is built on mutual respect and instructs its staff to be cordial and helpful to Residents. The relationship is to remain professional. Staff must not be delayed or deterred by Residents in the performance of their duties. Management is solely responsible for the supervision of staff. Complaints or requests for special assistance must be made to the appropriate supervisor. Giving gratuities or bequests to staff or staff's families is not permitted. Residents will not employ the Corporation's staff nor hire former Corporation's staff without the prior written consent of the Corporation.
- G. **Right of Entry.** The Pines recognizes your right to privacy and shall limit entry to your Living Accommodation to legitimate emergencies and to scheduled work, including housekeeping, repairs, maintenance, and inspections. You hereby authorize our staff or agents to enter your Living Accommodation upon reasonable notice (except in the case of an emergency where notice shall not be required) for all such purposes.

1. **Condition of Living Accommodation.** Resident agrees to maintain the Living Accommodation, including any balcony or patio, in a clean, safe, and sanitary condition consistent with applicable health, fire, and

safety standards. Excessive accumulation of personal property, materials, or debris that creates a risk of fire, impedes safe ingress or egress, promotes unsanitary conditions, attracts pests, or otherwise poses a risk to the health or safety of the Resident, other residents, staff, or the community may require corrective action.

If The Pines determines that conditions in the Living Accommodation present such risks, Resident agrees to cooperate in remedying the condition within a reasonable period of time. If Resident fails to do so, The Pines may take appropriate action consistent with this Agreement, including arranging for necessary remediation at the Resident's expense and/or pursuing remedies available under this Agreement. Persistent failure to maintain the Living Accommodation in a safe condition may be deemed a violation of this Agreement and may constitute grounds for termination pursuant to Article VI.

- H. Changes in Occupancy Involving Two Residents.** If two Residents share an on-campus Living Accommodation and one of them permanently transfers to the Schramm Health Center, one of them dies, or the Residence and Care Agreement is terminated with respect to one of them, the remaining or surviving Resident has the option to remain in the same Living Accommodation or move to a smaller Living Accommodation, in which latter event, the Resident may be entitled to receive a partial refund of the Entrance Fee. Following any such change, the remaining Resident will be responsible for the Monthly Charge applicable to a single Resident in the occupied Living Accommodation.
- I. Health Insurance.** The Pines is a private pay community only. The Pines does not accept Medicare Part A, Part B, Medicare Advantage Plans or Medicaid in assisted living, memory care or long-term care. The Pines recommends that Residents shall maintain Medicare Part A, Medicare Part B and one supplemental health insurance policy or equivalent insurance coverage and shall furnish us with evidence of such coverage upon request. It is the Resident's responsibility to confirm that the primary and supplemental health insurance policies recognize us as a health care provider, or you will assume the financial responsibility for services provided that otherwise could be covered. You will be responsible for a lapse in health insurance coverage. If you do not have insurance coverage, we will charge you for any costs of medical and other health care services provided that otherwise would have been

covered by insurance. You are responsible for the payment of all deductibles, co-insurance payments and costs for any non-covered service.

J. Other Insurance Requirements. The Resident agrees to maintain the following insurance coverages:

- (a) property insurance on the Resident's personal property located within the Resident's Living Accommodation or elsewhere within the premises of The Pines;
- (b) personal liability insurance with a liability limit of at least \$100,000 per occurrence; and
- (c) automobile liability insurance with limits required by state law on any vehicle owned by the Resident.

The Resident agrees to furnish us upon request certificates of insurance from the insurance companies providing the insurance coverages required.

K. Marriage/Addition of a Second Resident While a Resident. If a Resident, while occupying a Living Accommodation, marries or chooses to cohabitate with another person who is already a Resident occupying a separate Living Accommodation, both Residents may, with the prior written consent of The Pines, share either of their Living Accommodation. The unoccupied Living Accommodation would be surrendered and no refund will be payable with respect to the Living Accommodation surrendered except as described below in Article VI Termination and Refund Policies. The couple would then pay the Monthly Fee for double occupancy associated with the Living Accommodation they choose to occupy. If the couple elects to retain their two separate residences, then they will continue to pay the single monthly accommodation fees for their residences.

If a Resident marries or elects to share their Living Accommodation with a person who is not currently a Resident of The Pines, that person may become a Resident of The Pines if they meet all of the then-current requirements for admission, pay an Application Fee, enter into a current version of the Residence and Care Agreement, and pay an Entrance Fee equal to an amount determined by The Pines (not to exceed one-half of the then current Entrance Fee associated with the applicable Living Accommodation). In such cases, the Resident and newly admitted individual will be responsible for the Monthly Fee for double occupancy for the shared Living Accommodation. If the non-Resident second person does not meet admission requirements, the Resident may terminate the Residence and Care Agreement in accordance with the procedures outlined below Article VI Termination and Refund Policies—Voluntary Termination.

L. Combination of Living Accommodations. From time to time, The Pines may determine that it is desirable to combine a one-bedroom, studio, or deluxe

studio Living Accommodation with an adjoining unit to create a single, larger combined Living Accommodation. This decision may be based on various operational, design, or occupancy considerations.

If The Pines makes such a determination and the Resident occupies one of the units designated for combination, the Resident will be required to vacate their current Living Accommodation within a reasonable time following written notice from The Pines.

Upon receiving such notice, the Resident will have the option to:

1. Transfer into the newly combined Living Accommodation once it is ready for occupancy, or
2. Transfer to a Living Accommodation of the similar type as the one previously occupied, when one becomes available.

If the Resident elects to move into the combined Living Accommodation, he or she will be required to pay any additional Entrance Fee at the time of occupancy, and thereafter will pay the Monthly Fee established for the combined unit.

If the Resident chooses instead to transfer to a unit of the similar type as previously occupied, The Pines will, if needed, repaint the unit at its own expense prior to the Resident's occupancy.

M. Transfer to Another Living Accommodation. The Resident may transfer from a Living Accommodation occupied by the Resident to a different Living Accommodation at The Pines which becomes available upon payment of such applicable fees at the time of transfer, consent by the Corporation and compliance with such guidelines regarding transfers as may be adopted by the Corporation, which fees and guidelines may be changed from time to time by the Corporation. The right to reserve Independent Living Accommodations becoming available for occupancy at The Pines, including without limitation, priority among current Residents and Future Residents, including Early Advantage Program Members, will be subject to and in accordance with the Corporation's then current guidelines and fees, which may be subject to change from time to time in the Corporation's sole discretion.

N. Renovations or Reconstruction of Living Accommodations. The Pines is dedicated to maintaining the Living Accommodations and all other facilities of The Pines in a good state of repair. It recognizes the possibility that at some time in the future it may be necessary to make major renovations to, or reconstruction of one or more of, the residential Living Accommodations or Schramm Health Care Center Accommodations at The Pines requiring that a Resident vacate a unit affected by the construction work. In such event, The

Pines would continue to provide to the Resident affected the same services customarily provided to Residents and would bear the costs incurred by the Resident in any such move. The Pines would under such circumstances provide to the Resident other accommodations which would be comparable to the extent practicable to the Resident's Living Accommodation being renovated or reconstructed although an accommodation may be larger or smaller or of a different type.

- O. Moving Costs.** Except as otherwise set forth in this Agreement, you are responsible for arranging and paying for all packing and moving costs for moves into, within, and out of The Pines. At our sole discretion, assistance may be provided by The Pines at an additional cost.
- P. Power of Attorney.** You agree to execute and maintain in effect a durable power of attorney that is valid under North Carolina law and will survive your incapacity or disability. This durable power of attorney will designate an attorney-in-fact and an alternate attorney-in-fact who will act for you in managing your financial affairs and in filing for insurance or other benefits under private and public assistance programs as full and complete a manner as you could do if acting personally for yourself. You will deliver a copy of a fully executed power of attorney to us prior to occupancy. You will not revoke or amend this durable power of attorney except upon execution of a replacement durable power of attorney, a fully executed copy of which will be delivered to us. This document also may address at your option, other affairs, such as decisions concerning medical care.
- Q. Will.** You agree to execute a Will, and to provide to us a copy of such sections of the Will and any revisions, as applicable during the term of this Agreement, to document the name(s) of the person(s) to be contacted in the event of your death (i.e., executor(s)). In the event of your death, while you are a resident of The Pines under this Agreement, only the executor(s) named in your Will (or such person or entity designated by such executor(s)) will be allowed to remove or dispose of your furnishings and belongings in your Living Accommodation and any related storage areas at The Pines. Members of your family or those to whom you have granted power of attorney will not be allowed access to your personal property after your death unless they are the executor(s) named in your Will or the executor(s) designee.
- R. Funeral and Burial.** We will not be responsible for making funeral or burial arrangements, and we are not responsible for any related expenses.
- S. Advance Directives.** You are required to execute a Living Will and a Health Care Power of Attorney and to deliver a fully executed copy thereof to The Pines, as well as any revisions as applicable, during the term of this Agreement.
- T. Appointment of Guardian.** If you become unable to care for your business and financial affairs, we reserve the right to institute action for the determination

of your incompetence and the appointment of a guardian to fulfill the terms of this Agreement; unless such needed arrangements have already been made. The cost of the legal proceedings, including attorneys' fees, shall be paid by you or your estate.

U. Emergency Notifications. You agree to provide The Pines with the following information prior to the date of occupancy as well as updates of this information during the term of this Agreement:

- Names, addresses, and phone numbers of persons to notify in an emergency (minimum of two are required);
- Names of persons having the right of entry into your residence;
- Name, address, and phone number of funeral home (prior arrangements are encouraged);
- Names, addresses, and phone numbers of lawyer and executor;
- Names, addresses, and phone numbers for powers of attorney; and
- Names, addresses, and phone numbers for emergency pet contacts, if applicable.

V. TRANSFERS OR CHANGES IN LEVELS OF CARE

A. Transfer to Schramm Health Center. The Resident agrees that the Corporation shall have authority to determine that the Resident should be transferred from the Resident's Living Accommodation to the Schramm Health Center for assisted living, memory care or long-term care, or from one level of care to another level of care within the Schramm Health Center and whether such transfer shall be temporary or permanent in nature. Such determinations shall be based on the professional opinion of the Medical Director and the opinion of the Executive Director of The Pines and shall be made only after consultation to the extent practical with the Resident, a representative of the Resident's family or the health care power of attorney of the Resident and the Resident's attending physician. In the event of a permanent transfer to the Schramm Health Center, your Entrance Fee will not be subject to refund at the time of the transfer. Entrance Fees are subject to refund when a resident leaves the community in accordance with Article VI of this Agreement.

B. Transfer to Hospital or Other Facility. If it is determined by the Medical Director and the Executive Director that the Resident needs care beyond that which can be provided by the facility and personnel of The Pines, the Resident may be transferred to a hospital, center or institution equipped to give such care, which care will be at the expense of the Resident. Such transfer of the Resident will be made only after consultation to the extent possible with the

Resident, a representative of the Resident's family or the health care power of attorney of the Resident and the Resident's attending physician.

In the event it becomes necessary for you to be transferred to a hospital, The Pines will provide any information available to meet the provisions of any hospital admissions agreement, and you agree that The Pines has the right to provide such information, which may include part or all of your records.

- C. Surrender of Living Accommodation.** If a determination is made by the Corporation that any transfer described in this Article V is permanent in nature, the Resident agrees to surrender the Living Accommodation or the accommodation in the Schramm Health Center occupied by the Resident prior to such transfer.

You are responsible for the costs of transfer and moving as well as the Monthly Charges or daily fee through the last day of occupancy for the Living Accommodation being vacated. For the purposes of this Section V. C., occupancy is defined as the later of the last day that a Resident either resides in the Living Accommodation or the last day that the Resident's furnishings or belongings occupy the Living Accommodation or a storage area at The Pines.

If the Corporation subsequently determines upon the opinion of the Medical Director and the Executive Director that the Resident can resume occupancy in accommodations comparable to those occupied by the Resident prior to such transfer, the Resident shall have priority to such accommodations as soon as they become available, and you will be responsible for applicable fees, charges and expenses as determined by the Corporation.

VI. TERMINATION AND REFUND PROVISIONS

- A. Prior to Occupancy.** This Agreement may be terminated by the Resident at any time prior to taking occupancy at The Pines for any reason by giving written notice to the Corporation. In the event that the Resident terminates this Agreement after the Rescission Period (defined below) and prior to occupancy, the Resident will receive a refund of the Entrance Fee paid by the Resident, less a non-refundable fee equal to 5% of the total amount of the Entrance Fee as described in Paragraph II A, provided, however, that no fee or charge will be made if such termination is due to the death of the Resident's spouse, less any non-standard or other costs and expenses incurred by the Resident that are unpaid.

This Agreement will terminate automatically at any time prior to the date that the Resident takes occupancy if: (a) the Resident dies before occupying a living unit in The Pines (or, if there are two Residents, both Residents die before occupying a living unit in The Pines); or (b) on account of physical injury; physical, mental or financial incapacity; or physical or mental illness, the Resident is precluded from occupying a living unit at The Pines under the terms of this Agreement. In the event of such automatic termination, the

Resident shall receive a refund of the full Entrance Fee paid by the Resident less any non-standard or other costs and expenses incurred by the Resident that are unpaid. Any such refund shall be paid by the Corporation within sixty (60) days following termination pursuant to this paragraph.

- B. Trial Period.** The first sixty (60) days of occupancy at The Pines will be considered a trial period. During such sixty (60) day period, the Resident shall have the right to terminate this Agreement by giving the Corporation written notice of such termination. In the event of such termination, or in the event of the death of the Resident during such sixty (60) day period, the Resident (or the Resident's estate) shall receive a full refund of the Entrance Fee paid, less a non-refundable fee equal to five percent (5%) of the total Entrance Fee as described in Paragraph II A.

If two persons have executed this Agreement, the death of one Resident during the sixty (60) day period shall not automatically terminate this Agreement, and the surviving Resident may elect either to continue occupancy under this Agreement or terminate this Agreement as provided herein.

During the sixty (60) day period, the Corporation shall have the right to terminate this Agreement based on the Corporation's determination that the Resident's physical or mental condition or emotional adjustment will not permit adaptation to the living environment at The Pines. In the event of such termination, the Corporation shall refund the full Entrance Fee paid to the Corporation. Any refund due the Resident under this paragraph shall be paid within sixty (60) days after the Living Accommodation has been vacated.

- C. Voluntary Termination.** At any time after the expiration of the first sixty (60) days of occupancy at The Pines, the Resident may terminate this Agreement by giving the Corporation thirty (30) days prior written notice of such termination. If such termination shall occur within twelve (12) months after the date of occupancy by the Resident, the Resident shall receive a refund in an amount equal to the full Entrance Fee paid to the Corporation less 5% thereof for each full calendar month or portion thereof which has elapsed from the date of occupancy to the effective date of termination, less a non-refundable fee equal to 5% of the full Entrance Fee and less any non-standard or other costs and expenses incurred by the Resident that are unpaid; provided that in no event shall a Resident who has elected the 50% Refund Entrance Fee Option be entitled to a refund of less than 50% of the Entrance Fee paid by such Resident, except for any unpaid non-standard costs and accrued expenses that will be deducted, and in no event shall a Resident who has elected the 90% Refund Entrance Fee Option be entitled to a refund of less than 90% of the Entrance Fee paid by such Resident, except for any unpaid non-standard costs and accrued expenses that will be deducted. Unless the Resident has elected the 50% Refund Entrance Fee Option or the

90% Refund Entrance Fee Option, no refund of the Entrance Fee shall be paid to the Resident after the first twelve (12) months of occupancy. Any refund due the Resident under this paragraph will be made at such time as such Resident's Living Accommodation shall have been reserved by a prospective Resident and such prospective Resident shall have paid to the Corporation such prospective Resident's full Entrance Fee.

D. Termination Upon Death. In the event of the death of the Resident at any time after the expiration of the first sixty (60) days of the Resident's occupancy at The Pines, and such deceased Resident is not survived by a second occupant residing at the Pines who has signed this Agreement, this Agreement shall terminate and, subject to the Resident's continuing obligations described herein below, the portion, if any, of the Entrance Fee paid by the Resident to be refunded shall be determined in the same manner described in Paragraph VI C above. In the event of the death of the Resident at any time after the after the expiration of the first sixty (60) days of the Resident's occupancy at The Pines, and such Resident is survived by a second occupant residing at The Pines who has signed this Agreement, then this Agreement shall not terminate and no refund will be payable hereunder. In the event a refund becomes due under this Paragraph VI D, the date of the Resident's death shall determine the termination date. Any refund due the Resident's estate under this paragraph will be made at such time as such Resident's Living Accommodation shall have been reserved by a prospective Resident and such prospective Resident shall have paid to the Corporation such prospective Resident's full Entrance Fee; provided, however, that the Resident's estate shall continue to be obligated to pay the applicable Monthly Charge for such Resident's Living Accommodation until such Resident's Living Accommodation is vacated and left in good condition except for normal wear and tear. Resident's Living Accommodation is considered vacated on the later of the last day that a Resident either resides in the Living Accommodation or the last day that the Resident's furnishings or belongings occupy the Living Accommodation or a storage area at The Pines.

E. Termination by the Corporation. We may terminate the Residence and Care Agreement at any time: (i) if there has been a material misrepresentation or omission made by the Resident in the Resident's Application for Admission, Personal Health History or Confidential Financial Statement; (ii) your failure to perform any of your obligations under this Agreement, including your obligation to pay your Monthly Fee and other fees, charges or expenses; (iii) if the Resident's conduct is abusive or disruptive toward members of the Corporation's staff or is disruptive or is detrimental to the health, safety or welfare of the Resident or other Residents or to other Residents' peaceful enjoyment of The Pines; (iv) you, your guests, or your personal service providers fail to abide by the rules, regulations, policies and procedures of The Pines, as described in the Resident Handbook or in such other documents or

publications as may be provided from time-to-time, as they now exist or as they may later be amended by The Pines in its sole discretion; (v) the discharge is necessary for your welfare and your needs cannot be met by the Corporation; (vi) if you refuse to relocate as may be required by the Corporation in accordance with this Agreement; or (vii) if, after The Pines and Resident have entered into this Agreement, The Pines becomes aware that Resident is listed on any sex offender registry. In the event of termination for any of such causes, the portion, if any, of the Entrance Fee paid by the Resident to be refunded shall be determined in the same manner as in the case of voluntary termination by the Resident after the Rescission Period, and such refund will be made at such time as such Resident's Living Accommodation shall have been reserved by a prospective Resident and such prospective Resident shall have paid to the Corporation such prospective Resident's full Entrance Fee.

Following termination of this Agreement pursuant to this Section VI.E., you will be responsible for paying the Monthly Charge and/or daily fee for the applicable Living Accommodation for the full notice period and for each day of occupancy.

Except in cases of emergency, you will receive a notice of the termination by the Corporation at least thirty (30) days prior to the effective date of termination.

- F. Termination By Residents Previously in the Early Advantage Program.** With respect to any termination of this Agreement, if the Resident was previously a Member of the Early Advantage Program, the Resident will not receive any refund of any portion of the Early Advantage Program Membership Fee paid to the Corporation, even if such Membership Fee is credited towards the Entrance Fee under this Agreement.
- G. Condition of Living Accommodation.** At the effective date of termination of this Agreement, the Resident shall vacate the Living Accommodation and shall leave it in good condition except for normal wear and tear. You or your estate shall be liable to the Corporation for any cost incurred in restoring the Living Accommodation to good condition except for normal wear and tear. Such costs may be deducted from any refundable portion of the Entrance Fee due to you or your estate, if any.
- H. Abandoned Living Accommodation.** You may be deemed to have abandoned the Living Accommodation and terminated this Agreement if you do not occupy a residence at The Pines for a period of one continuous year.
- I. Temporary Absence.** Temporary absence because of illness, trips or otherwise will not affect your rights to retain occupancy of a Living Accommodation, as long as applicable Monthly Charges are paid.
- J. Removal of Personal Property.** In the event of termination of this Agreement, you agree to surrender the Living Accommodation and any storage areas, which were occupied by you within thirty (30) days of the notice of termination.

We reserve the right to remove your belongings from the Living Accommodation and any storage areas. You will pay a reasonable storage fee or the actual cost of external storage, whichever is applicable. We are not responsible for any damages incurred to your property if storage becomes necessary. Unclaimed property will become the property of the Corporation after thirty (30) days following the termination of this Agreement and will be disposed of at the sole discretion of the Corporation.

In the event of your death, while you are a Resident of The Pines under this Agreement, only the executor(s) named in your Will (or such person or entity designated by such executor(s)) will be allowed to remove or dispose of your furnishings and belongings in your Living Accommodation and any related storage areas at The Pines. Members of your family or those to whom you have granted Power of Attorney will not be allowed access to your personal property after your death, unless they are the executor(s) named in your Will or a designee of the executor(s).

- K. Release from Obligations from Termination.** Upon termination of this Agreement, The Pines is released from any further obligations to you except for the payment of any refund which may be due under this Agreement, if any.

VII. RIGHT OF RESCISSION

Notwithstanding anything herein to the contrary, this Agreement may be rescinded by the Resident giving written notice of such rescission to the Corporation within thirty (30) days following the later of the execution of this Agreement or the receipt of a disclosure statement that meets the requirements of Section 58-64-1, et seq. of the North Carolina General Statutes (“Rescission Period”). In the event of such rescission, the Resident shall receive a full refund of the Entrance Fee paid by the Resident less any Monthly Charges or portion thereof applicable to any period a Living Accommodation was actually occupied by the Resident and less any unpaid non-standard costs or other unpaid expenses incurred by the Resident. The Resident shall not be required to move into The Pines before the expiration of such 30-day period. Any such refund shall be paid by the Corporation within sixty (60) days following receipt of written notice of rescission pursuant to this paragraph.

VIII. GENERAL

- A. Assignment.** This Agreement and the rights and privileges of the Resident under this Agreement to the facilities, services and programs of the Corporation are personal to the Resident and may not be transferred or assigned by the Resident or otherwise.
- B. Management of the Corporation.** The absolute rights of management are reserved by the Corporation, its Board of Directors and its administrators as delegated by said Board of Directors. The Corporation reserves the right to accept or reject any person for residency. Residents do not have the right to determine admissions or terms of admission of any other Resident. Resident acknowledges the right of the Corporation to contract for the various services

as provided by this Agreement, including, but not limited to, management services for the Corporation.

Subject to the terms and conditions of this Agreement, this Agreement gives Resident the right to live in The Pines and to receive or have access to the services and amenities described in the Agreement. However, it does not give Resident the rights of a “tenant” as that term is defined by North Carolina state law. The Corporation retains the exclusive authority to make all management decisions with regard to the management of the Corporation and The Pines, including decisions about admission and discharges, setting charges, the Corporation’s and The Pines’ policies and procedures, and the scope of services offered by the Corporation, consistent with law.

- C. Entire Agreement; Counterparts.** This Agreement, together with any schedules, attachments, exhibits or addenda thereto, constitutes the entire contract between the Corporation and the Resident. The Corporation shall not be liable or bound in any manner by any statements, representations or promises made by any person representing or assuming to represent the Corporation, unless such statements, representations or promises are set forth in this Agreement or in an amendment to this Agreement signed by the Corporation and by you. This Agreement may be executed in counterparts, each of which shall be deemed an original and together shall constitute one and the same agreement. This Agreement and any amendments hereto, to the extent signed and/or delivered by means of a facsimile machine, electronic mail or other electronic means, shall be treated in all manners and respects and for all purposes as an original agreement or instrument and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person.
- D. Successors and Assigns.** Except as set forth herein, this Agreement shall bind and inure to the benefit of the successors and assigns of the Corporation and shall bind the heirs, executors, trustees, responsible parties, powers of attorney, and administrators of you.
- E. Transfer of Property.** The Resident agrees not to make any gift or other transfer of property for the purpose of evading the Resident’s obligations under this Agreement or if such gift or transfer would render such Resident unable to meet such obligations.
- F. Governing Law.** This Agreement shall be governed by the laws of the State of North Carolina without regard to conflict of laws principles. Except to the extent that the parties have agreed to an alternative mechanism for the resolution of a dispute, to the full extent permitted by law, any action, suit, or proceeding arising out of or relating to this Agreement shall be brought and enforced in the courts of the State of North Carolina located in Mecklenburg County or of the United States District Court for the Western District of North Carolina, and the parties hereby irrevocably submit to the exclusive

jurisdiction of such courts and irrevocably waive any objection that they may now or hereafter have to the laying of venue of any such action or proceeding in such courts.

- G. Uncontrollable Interruption of Service.** No breach of the Corporation's obligations under this Agreement and no liability for injury to you shall result from an interruption of, or failure to provide, the contracted services under this Agreement due to an act of God or other cause beyond the reasonable control of the Corporation, specifically including, but not limited to, strikes or other forms of labor disturbances, government regulations and/or embargoes, shortages of labor or materials, fire, flood, earthquake, inclement weather, epidemic or pandemic, or acts of the Resident.
- H. Indemnity.** You accept full responsibility for any injury or damage caused to others, or suffered by you, as a result of your own acts or omissions, and those of your guests or invitees. You agree to indemnify, defend and hold The Pines and its respective directors, officers, agents, representatives, and employees (also referred to as team members) harmless from claims, damages, or expenses, including attorneys' fees and court costs, resulting from any injury or death to persons and any damages to property caused by, resulting from, attributable to or in any way connected with your acts or omissions or those of your guests, including, but not limited to, private duty nurses, companions, or others.
- I. Limitation on Liability.** You understand and agree that the services provided by the Corporation and others within The Pines are not designed to protect you from the everyday, normal risks and responsibilities of living, including, but not limited to, such general accidents and situations such as falling, choking on food, and weight loss and/or dehydration resulting from your failure to partake of food and drink. Additionally, you understand and agree that the services provided by the Corporation do not include one-on-one monitoring of you and that your expectations will be consistent with this understanding. The Corporation shall exercise reasonable care toward you based on your known condition. However, you agree that the Corporation is not an insurer of your welfare and safety. You agree that you will exercise due care to protect yourself from harm.
- J. Severability.** The invalidity of any restriction, condition or other provision of this Agreement, or any part of the same, shall not impair or affect in any way the validity or enforceability of the rest of this Agreement.
- K. Tax Considerations.** You should consult with your tax advisor regarding the tax considerations associated with this Agreement.
- L. Amendments and Partial Invalidation.** Generally, this Agreement can be changed only by mutual written consent. However, the Corporation reserves the right, upon thirty (30) days prior written notice to Resident, to modify or

amend this Agreement whenever doing so is necessary to correct errors, omissions, or inconsistencies, to provide clarification of intent, or to conform the documents to the requirements of local, state, or federal laws and regulations applicable to the Corporation, in particular, or to residential life care communities, in general, or whenever doing so is deemed by the Corporation to be in the best interest of the Corporation and the residents in light of changes in health insurance laws and coverages and/or local, state or federal tax laws or regulations.

M. Behavior Deemed Harmful to The Pines. If Resident is deemed competent and capable of controlling his or her behaviors and engages in behaviors deemed by the Executive Director of the Corporation to be disruptive, hostile, illegal, or otherwise harmful to others or to The Pines, the Corporation reserves the right to terminate this Agreement. If such a circumstance arises, the Corporation will discuss the matter thoroughly with Resident to provide Resident with knowledge of the behaviors deemed intolerable by the Corporation. The Corporation will provide Resident a written warning to desist from the behavior or any similarly disruptive, hostile, illegal, or harmful behavior. Upon determination that Resident is continuing to engage in the behaviors against which Resident has been warned, the Corporation will have the right to terminate this Agreement.

N. Waivers. Neither the failure nor any delay on the part of any party to exercise any right, remedy, power, or privilege ("Right") under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any Right preclude any other or further exercise of the same or of any Right, nor shall any waiver of any Right with respect to any other occurrence. No waiver shall be effective unless it is in writing and is signed by the party asserted to have granted such waiver.

O. Notice Provisions. Any notices, consents, or other communications to the Corporation hereunder (collectively "notices") shall be in writing and addressed as follows:

Attn: Sales and Marketing Department
The Pines at Davidson
400 Avinger Lane
Davidson, NC 28036

The address of the Resident for the purpose of giving notice is the address appearing after the signature of the Resident below.

P. Survival. Those rights and obligations that have accrued as a result of the operation of this Agreement shall survive its termination, as shall those rights and obligations that by their terms survive termination and any provisions that

must survive to give effect to their terms, as shall any obligation of Resident to pay costs or expenses of his or her stay at The Pines that remain unpaid as of such termination.

- Q. Early Advantage Program Agreement.** If Resident is entering into this Agreement following the execution and delivery of an Early Advantage Program Agreement with the Corporation, the Resident's Early Advantage Program Agreement is hereby terminated, and this Agreement supersedes and replaces such Early Advantage Program Agreement in all respects.
- R. Capacity.** This Agreement has been executed on our behalf by our duly authorized representative, and no officer, trustee, agent, or employee of ours shall have any personal liability hereunder to you under any circumstances. If Resident is, or becomes, unable to understand or communicate his or her health care or financial decision, and is determined by Resident's attending physician to be incapacitated, then in the absence of Resident's prior designation of an authorized legal representative, or upon the unwillingness or inability of a designated legal representative to act, The Pines shall have the right to commence a legal proceeding to adjudicate Resident incapacitated and to have a court appoint a guardian for Resident. The cost of the legal proceedings, including attorneys' fees, shall be paid by Resident or Resident's estate.
- S. Gender.** Throughout this Agreement, the use of the masculine gender shall include the feminine, and the use of the singular shall include the plural.
- T. Interpretation.** Headings are for convenience and reference purposes only and shall not affect the interpretation of any provision of this Agreement.

IX. MANDATORY ARBITRATION

Introduction

Arbitration is a process of dispute resolution that can be used in place of the traditional state or federal court system. Instead of a judge and/or jury determining the outcome of a dispute, a neutral third party or parties (known as the arbitrators) are selected by the parties to the dispute to make a decision, which is binding on both sides. Typically, the decision of the arbitrators is final and not subject to appeal. Arbitration is a private process, protecting the confidentiality interests of all parties. In addition, because there are no long court dockets to deal with, disputes are usually resolved much more quickly in arbitration. The arbitrator or arbitrators will hear both sides of the dispute and render a decision based on law, fairness, common sense and the rules established by the parties' agreement.

Terms

The parties have selected Mandatory Arbitration for inclusion in this Agreement in order to resolve health care-related and personal injury claims and disputes, with the goal of reducing the time, formalities and costs of resolving them for both parties. The normal

judicial process is available for all other claims and disputes. The terms of the Mandatory Arbitration provision follow.

IN ACCORDANCE WITH THE TERMS OF THE FEDERAL ARBITRATION ACT, THE PARTIES HEREBY AGREE THAT ANY CLAIM OR DISPUTE ARISING OUT OF OR RELATED TO THE PROVISION OF MEDICAL OR MENTAL HEALTH CARE SERVICES TO THE RESIDENT BY THE CORPORATION AND ANY CLAIM OR DISPUTE ARISING OUT OF OR RELATED TO ANY PHYSICAL, PSYCHOLOGICAL OR EMOTIONAL INJURY EXPERIENCED BY THE RESIDENT WHICH THE RESIDENT CLAIMS WAS THE RESULT IN WHOLE OR IN PART OF ANY SERVICE PROVIDED BY, OR ACT OR OMISSION OF, THE CORPORATION UNDER THE TERMS OF THIS AGREEMENT, REGARDLESS OF HOW ANY SUCH CLAIM OR DISPUTE MAY BE CHARACTERIZED AND WHETHER ANY SUCH CLAIM OR DISPUTE SOUNDS IN CONTRACT OR TORT OR IS BASED UPON STATUTORY RIGHT, SHALL BE SUBJECT TO FINAL AND BINDING ARBITRATION AS PROVIDED HEREIN AND SHALL NOT BE THE SUBJECT OF A LAWSUIT OR RESORT TO JUDICIAL PROCESS EXCEPT TO THE EXTENT THAT APPLICABLE LAW PROVIDES FOR JUDICIAL REVIEW OF ARBITRATION PROCEEDINGS OR THE JUDICIAL ENFORCEMENT OF ARBITRATION AGREEMENTS AND AWARDS.

The agreement to arbitrate in this Article IX shall not limit the Resident's right to file a grievance or complaint, formal or informal, with the Corporation or any appropriate state or federal agency. The parties agree that any claim or dispute arising between them that is not subject to the agreement to arbitrate in this Article IX shall be brought exclusively before a court of competent jurisdiction in Mecklenburg County, North Carolina.

The arbitration required by this Article IX shall occur at a place agreed upon by the parties, or in the absence of such agreement, at The Pines. Except as otherwise provided herein or agreed upon by the parties, the arbitration shall be administered by Judicial Arbitration and Mediation Services, Inc. ("JAMS"), 555 13th Street, N.W., Washington, D.C. 20004, 202-942-9180, <http://www.jamsadr.com>, and shall be conducted pursuant to the JAMS Comprehensive Arbitration Rules and Procedures or, if unavailable, the comparable JAMS Arbitration Rules then in effect. In the event that JAMS is unavailable to administer the arbitration, the parties shall endeavor in good faith to choose an alternative arbitration service provider by mutual agreement. In the absence of such mutual agreement, the parties shall each select one (1) arbitrator, who shall in turn select a third, neutral arbitrator, and the parties shall proceed to arbitrate their dispute in an arbitration proceeding conducted by these three arbitrators under the JAMS Comprehensive Arbitration Rules and Procedures or, if unavailable, the comparable JAMS Arbitration Rules in effect at the time that the dispute between the parties arises. Those tasks or services that otherwise would have been performed or provided by JAMS under the JAMS Arbitration Rules shall be determined by agreement of the parties and, absent such agreement, by a majority vote of the three arbitrators.

The parties agree that damages awarded, if any, in an arbitration conducted pursuant to this Article IX shall be determined in accordance with the provisions of the state or federal law applicable to a comparable civil action, including any prerequisites to, credit against or limitations on, such damages. The arbitrator's award will consist of a written statement

stating the disposition of each claim. The award will also provide a concise written statement of the essential findings and conclusions on which the award is based.

It is the intention of the parties to this Agreement that the provisions of this Article IX shall inure to the benefit of and bind the parties, their representatives, successors and assigns, including the agents, employees and servants of the Corporation, and all persons whose claims are derived through or on behalf of the Resident, including that of any parent, spouse, child, guardian, executor, administrator, legal representative, or heir of the Resident.

All claims based in whole or in part on the same incident, transaction, or related course of care or services provided by the Corporation to the Resident, shall be arbitrated in one proceeding. A claim shall be waived and forever barred if it arose prior to the date upon which notice of arbitration is given to the Corporation or received by the Resident, and is not presented in the arbitration proceeding.

THE PARTIES UNDERSTAND AND AGREE THAT BY ENTERING INTO THIS AGREEMENT THEY ARE GIVING UP AND WAIVING THEIR CONSTITUTIONAL RIGHT TO HAVE ANY CLAIM DECIDED IN A COURT OF LAW BEFORE A JUDGE AND A JURY.

The parties understand and agree that any issue or dispute relating to the agreement to arbitrate in this Article IX shall be governed by the Federal Arbitration Act. The parties further understand and agree that the Agreement evidences a transaction in interstate commerce within the meaning of, and is subject to, the Federal Arbitration Act.

The Resident understands that he or she has the right to seek legal counsel concerning the agreement to arbitrate in this Article IX specifically and this Agreement in general. The Resident also has the right to receive an explanation or clarification of the agreement to arbitrate in this Article IX specifically and this Agreement in general. The Resident enters into this Agreement and all of its provisions, including the arbitration provision contained in this Article IX, voluntarily.

The provisions of this Article IX shall survive termination of this Agreement by either party for any reason and shall remain in effect for all care and services subsequently rendered at The Pines, even if such services are rendered following the Resident's discharge and readmission to The Pines.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed this Agreement effective as of the Effective Date.

NOTICE

BECAUSE THE AUTHORITY TO ENTER INTO CONTINUING CARE CONTRACTS GRANTED BY THE NORTH CAROLINA DEPARTMENT OF INSURANCE IN NEITHER A GUARANTEE OF PERFORMANCE BY THE PROVIDER NOR AN ENDORSEMENT OF ANY CONTINUING CARE CONTRACT PROVISIONS, PROSPECTIVE RESIDENTS MUST CAREFULLY CONSIDER THE RISKS, BENEFITS AND COSTS BEFORE SIGNING A CONTINUING CARE CONTRACT AND ARE STRONGLY ENCOURAGED TO SEEK FINANCIAL AND LEGAL ADVICE BEFORE DOING SO.

THE UNDERSIGNED RESIDENT ACKNOWLEDGES RECEIPT OF A COPY OF THE PINES' CURRENT DISCLOSURE STATEMENT (AND IF RECEIVED IN ELECTRONIC FORM, RESIDENT ACKNOWLEDGES RESIDENT AUTHORIZED RECEIPT OF THE DISCLOSURE STATEMENT IN ELECTRONIC FORM). THE DISCLOSURE STATEMENT WAS RECEIVED PRIOR TO THE EXECUTION OF THIS AGREEMENT OR PRIOR TO OR AT THE TIME OF THE TRANSFER OF ANY MONEY OR OTHER PROPERTY TO THE PINES, WHICHEVER OCCURRED FIRST. DISCLOSURE STATEMENT VERSION: _____

THE PINES AT DAVIDSON, INC. _____ (SEAL)

By: _____ Resident

Name: _____ (SEAL)

Resident

Title: _____

Current Address: Street

City, State, Zip Code

Telephone



THE PINES

AT • DAVIDSON

THE PINES AT DAVIDSON Early Advantage Program Agreement

This Early Advantage Program Agreement (the “Agreement”) is made this ____ day of _____, 20__ (the “Effective Date”) by and between THE PINES AT DAVIDSON, INC., a North Carolina nonprofit corporation (hereinafter the “Corporation”, “The Pines”, “we”, us” or “our”), and _____ (hereinafter “Early Advantage Member”, “Member”, “member”, “you”, “your”).

WHEREAS, the Corporation owns and operates a Life Plan Community licensed as a continuing care retirement community organized to provide housing, recreation, health care and other services to people after they reach retirement age or older known as “The Pines”. The Pines is located at 400 Avinger Lane, Davidson, North Carolina 28036; and

WHEREAS, The Pines (also referred to as the "Community") consists of independent living homes, villas, and apartments, common areas and amenities, and certain on-campus facilities, including assisted living, memory care and long-term care; and

WHEREAS, the Corporation has established a continuing care without lodging program known as the Early Advantage Program (the “Early Advantage Program” or “Program”) which allows for its members to remain in their private residences not on the campus of The Pines while enjoying some of the traditional benefits of a continuing care retirement community; and

WHEREAS, you desire to become a Member of the Program and to use and enjoy certain services, programs and facilities provided by the Program which does not include independent living lodging at The Pines, subject to the terms and conditions of this Agreement; and

WHEREAS, during the time that you are a Member of the Program, but not yet residing on campus, if any needs develop that may require in-home services, The Pines staff will refer you to our preferred provider.

NOW THEREFORE, subject to the terms and conditions set forth in this Agreement, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Member and the Corporation agree as follows:

I. **ACCEPTANCE OF THE PINES MEMBER WITHOUT LODGING**

- A. **General.** You have gone through the admission process, and The Pines has accepted you as a Member of its Early Advantage Program in order for you to access some of the services provided by The Pines while remaining in your home outside the campus of The Pines and not residing at the Community. As an Early Advantage Program Member of The Pines, you will continue to reside in your own home and not at the Community, and you are hereby entitled to the services specifically set forth in this Agreement, subject to the terms and conditions of this Agreement. If there is a fee related to particular services provided to you as a Member, you will be charged the then prevailing fee.

As an Early Advantage Member under this Agreement, you are already on our Future Residency wait list for residency on our campus ("Future Residency List"), and you will remain on our Future Residency List. Your priority for an independent living unit offer will be based on the date this Agreement is executed or on the date of your Future Residency Agreement, whichever provides you the earliest opportunity to receive an offer for an independent living accommodation at the Community.

At the time you choose to accept an accommodation on The Pines campus, you will be subject to, and shall comply with, the entry requirements of the Community and applicable payment of fees including, but not limited to, providing The Pines updated medical and financial information in order to determine your ability to live independently and to afford the additional entry fee and higher monthly service fees required for residency in the particular reserved unit. We reserve the right to decline your admission to The Pines for residency if your medical and financial circumstances have changed so that you are not able to live independently or are not able to afford the additional entry fee and higher monthly service fees required for residency in the particular reserved unit. Your acceptance as a member of The Pines Early Advantage Program, however, will continue to remain in effect, and you shall have the right to continue or terminate this Agreement.

- B. **Execution of the Residence Agreement Following Acceptance.**

Prior to taking occupancy and financial responsibility for a particular independent living residential unit on The Pines' campus, you agree to execute The Pines' Residence and Care Agreement then in effect, or for a unit in the Schramm Health Center on the Pines' campus, you agree to execute a Direct Admissions Residence and Care Agreement (in either case, the "Residence Agreement"). Your occupancy of a residence shall be expressly conditioned upon your execution of such Residence Agreement, as applicable. The executed Residence Agreement shall supersede and replace this Agreement in its entirety.

If the Residence Agreement is subsequently terminated, as outlined in that Residence Agreement, this Agreement may be re-executed upon mutual agreement of the parties, as long as the reason for termination of the Residence Agreement does not preclude the continuation of a contractual relationship with The Pines as determined by The Pines in its sole discretion.

II. SERVICES

Subject to the terms and conditions of this Agreement, The Pines agrees to provide the following services to you as a Member from and after the Effective Date until the termination of this Agreement, pursuant to Section V of this Agreement:

- A. **Common Facilities.** Member shall have access to certain common facilities which may include dining rooms, a multi-purpose room, lounges, sitting areas, wellness center, primary care medical clinic, indoor warm water therapy pool and hot whirlpool, library, craft and art studio, woodworking shop, resident computer room, on-site beauty and barber salon, outdoor venues and other common facilities as described in the then current literature, any of which such common facilities may be subject to change from time to time at the sole discretion of The Pines. Use of the common facilities will be available for use by Member, and such use shall be subject to change or restriction from time to time at the sole discretion of The Pines. Member will be responsible for dining and applicable activity charges.

- B. **Lifestyle and Wellness Programs.** The Pines, from time to time, may offer scheduled social, recreational, educational, cultural or spiritual events or activities designed to meet the needs of Members. Members will have access to the schedules, whether advance reservation is required, and the cost of these programs on an as-offered basis. Member will be responsible for any additional fees, if any.

- C. **Other Services Included in the Monthly Fee.** Other services offered to Members include wireless internet availability in designated areas throughout The Pines' campus, notary services, basic information technology support services, social services and support provided by The Pines' Independent Living Resident Services Team and access to Pines Central, the resident engagement portal, and such other services offered by The Pines from time to time at the sole discretion of The Pines. Member will be responsible for any additional fees, if any.
- D. **Home Care.** The Pines has identified preferred care agencies to provide in-home assistance to Members. The Program can assist you in contacting our preferred agencies to arrange for in-home assistance. These agencies offer a range of options for in-home assistance, from light housekeeping and companionship to assistance with activities of daily living. The rates for in-home assistance are set by the agencies, and Members who choose to take advantage of this in-home assistance program will enter into a separate agreement with the agencies. You shall be responsible for all fees and costs for services provided by the agencies.
- E. **Healthcare Access.** Should you require assisted living, memory care or long-term care services that are provided at The Pines, you may access these services on the following basis:
1. **Schramm Health Center Fees and Charges.** The Mariam Coltrane Schramm Health Center (the "Schramm Health Center") at The Pines is available for the benefit of Members and Early Advantage Members. The Corporation is currently licensed by the North Carolina Department of Health and Human Services, Division of Services Regulation to operate 75 health care beds under a nursing home license for Residents who are temporarily ill or who require long term care or memory care and 30 beds to provide support services for Residents who require assistance with activities of daily living. Private or semi-private accommodations are available in all levels of care in the Schramm Health Center. The Corporation will establish and publish per diem rates and charges, which are subject to change from time-to-time, for the accommodations and services in the Schramm Health Center.

If an Early Advantage Program Member has a temporary stay in the Schramm Health Center, the Member shall continue to pay the Monthly Fee for the first 14 days' occupancy (whether or not consecutive) in the Schramm Health Center. For such 14 days, the Member will not be required to pay a per diem charge for

occupancy in the Schramm Health Center but shall pay for additional meals or other services not normally covered by the Monthly Fee or by the per diem charge for occupants of the Schramm Health Center. Credit for any unused portion of the 14 days per year may not be carried forward to successive years.

In the event that an Early Advantage Member shall occupy an accommodation in the Schramm Health Center for more than 14 days in any calendar year, then upon the expiration of such 14 days, the Member shall thereafter in such year pay the amount of the published per diem rate for the Schramm Health Center accommodation occupied by the Member, plus charges for other services not included in such per diem rate, and shall stop paying the Early Advantage Program Monthly Fee. Any pre-paid Monthly Fee will be credited against the per diem charges for the Schramm Health Center. If the Member vacates the Schramm Health Center, the Monthly Fee will resume, and any partial month will be calculated and will be prorated. Upon permanent transfer to the Schramm Health Center, the Member will convert to direct admission to the Schramm Health Center and will sign a Direct Admission Residence and Care Agreement with the Corporation.

2. **Priority Access.** Members shall receive priority access on a non-exclusive basis to available beds/units in The Pines' Schramm Health Center ahead of persons who are not residents living at the Community and are not in the Early Advantage Program should a change in the Member's health status require a move onto campus.

F. **Other Services Excluded from the Monthly Fee.** You may purchase the following on-campus additional services on an *a la carte basis*, separate from the Monthly Fee. These additional services are not included in the benefits covered by the Monthly Fee, and you shall be responsible for all fees, charges and expenses of such additional services. The specific charge for each of these additional benefits may be changed by us from time to time as deemed appropriate in our discretion:

(i). Priority access to partner providers, including home care agencies.

(ii). Medical treatment in the on-site primary care medical practice. Medical specialty services (podiatry, dermatology, audiology, and dentistry) provided by independent licensed

practitioners.

(iii). Meals and beverages for you at the established Resident/Member rate and for your guest at the guest rate.

(iv) Group transportation to some events.

(v) Beauty and salon services.

(vi) Information Technology (IT) support.

G. Transfer to the Schramm Health Center or Outside Facilities.

Staff members may assist with the following services: (i) scheduling annual check-ins with you on The Pines' campus or in your home if The Pines requests to conduct a visit in your home; (ii) scheduling home visits between annual check-ins if The Pines determines there is a need to assess the adequacy of support in your home environment; (iii) scheduling on-campus or home visits at a frequency determined by The Pines' staff to assess safety and functional abilities; (iv) assessing your needs; (v) identifying services and resources potentially available through The Pines that may meet Your needs; (vi) helping identify reputable providers in the area outside of The Pines to whom you can be referred for services to meet those needs; and (vii) following up to ensure that those services are meeting your needs.

You are responsible for participating in annual check-ins with The Pines' staff or other periodic visits deemed necessary by The Pines whether on The Pines' campus or in your home to enable The Pines to assess your needs, and for cooperating with The Pines' staff in the provision of these services to you.

You hereby acknowledge and agree that The Pines is not responsible for furnishing you or causing to be furnished to you care management, care arrangement, care coordination, and medical or other personal care services. You hereby acknowledge and agree that The Pines is not responsible for providing medical or other personal care services in your home. All decisions regarding services to you, including the prospect of your need for support services in your home, temporary or permanent transfer to The Schramm Health Center, or transfer to outside facilities, will be made after consultation with you and, when appropriate, with your family or designee. Any support services in your home, and any care management, care arrangement, care coordination, and medical or other personal care services would be your financial responsibility.

If it is determined by The Pines' team that your needs require temporary or permanent transfer to the Schramm Health Center, and if you choose not to move to those facilities, then you agree to accept sufficient services to provide appropriate care and safety in your home. You will be financially responsible for these additional services. If, in our sole judgment, the services you elect to receive are insufficient for appropriate care and safety in your home, you must move to an appropriate level of care at The Pines or other location acceptable to The Pines, or we will have the right to terminate this Agreement. The Pines' decision will be binding.

The Pines is a private-pay community, does not participate in Medicaid, and does not accept Medicare Part A, Medicare Part B, or Medicare Advantage Plans as payment for room and board in assisted living, memory care, or long-term care.

III. FEES

- A. **Membership Fee.** Upon execution of this Agreement, Member agrees to pay the Corporation a \$300 non-refundable Application Fee. If two members of a couple or two co-applicants are applying, the Application Fee will be equally split with each person responsible for \$150. If accepted, the Member agrees to pay, within three (3) days after acceptance, a one-time nontransferable, non-interest bearing Membership Fee ("Membership Fee") as a condition of becoming a Member in the Program. The Member's Future Residency Program Deposit will be applied toward this Membership Fee. If two members of a couple or two co-applicants are joining the Early Advantage Program, the credit of the Future Residency Program deposit will be equally split with each person receiving credit for half of the deposit.

The Membership Fee is \$_____.

Less previous deposits of \$_____.

Plus Application Fee of \$_____.

Remaining balance due \$_____.

The Membership Fee amortizes over 12 months after which no refund will be made. However, upon moving to The Pines' campus, your Membership Fee will be credited towards your independent living accommodation entry fee; however, your Membership Fee will be considered fully amortized and will be non-refundable and only your entry fee under the Residence and Care Agreement will amortize in

accordance with the provisions therein. If you move directly to the Schramm Health Center on campus without paying an independent living entry fee first and within the first 12 months of being a Member, your Membership Fee will continue to amortize in accordance with this Agreement and no additional entry fee will be required.

- B. **Monthly Fee.** In addition to the Membership Fee, Member agrees to pay a monthly fee (“Monthly Fee”) for the term of this Agreement, which shall be payable in advance by the tenth (10th) day of each month, even when you are away, regardless of the reason. As of the date of this Agreement, the initial Monthly Fee will be \$_____ per month. After paying the Membership Fee, Member will commence paying the Monthly Fee. The Monthly Fee may be adjusted by the Corporation during the term of this Agreement as described in Paragraph II C below.
- C. **Adjustments in Monthly Fee.** The Corporation usually sets fees annually but shall have the authority to adjust the Monthly Fee and any and all other fees, charges and expenses from time to time during the term of this Agreement as it, in its discretion, deems necessary. Any such increase in the Monthly Fee or other fees, charges or expenses may be made by the Corporation upon thirty (30) days written notice to the Member.

In the event The Pines is assessed sales or use tax on Monthly Fees and/or other fees, charges and expenses, You agree to pay the Corporation the amount of such taxes.

- D. **Charges for Other Services.** You will be billed for other services selected either at the time they are rendered or with the next billing cycle. The payment procedures for other service charges, including the imposition of late fees and interest, are the same as for the Monthly Fee. By signing this Agreement, you hereby acknowledge receipt of a copy of The Pines’ schedule of current fees for other services. The Pines may, in its sole discretion, adjust the fees, charges or expenses for other services for any reason upon providing thirty (30) days advance written notice to Members.
- E. **Monthly Statements.** We will furnish you with monthly statements showing the total amount of fees and other charges and expenses owed by you, which shall be payable by the 10th of the month. Late payments are subject to an interest charge of one and one-half percent (1.5%) per month from the first of the month. You, and your current and future responsible parties (i.e., power(s) of attorney, executor(s)) on your behalf, from your assets and income, agree to pay all costs, expenses,

and reasonable attorneys' fees, in the event the same must be expended in the collection of any sums due and owed by you to the Corporation.

The Corporation may terminate this Agreement if you have a past due amount upon thirty (30) days written notice. Termination of this Agreement does not end the obligation of you or your estate to pay all amounts due, no matter when incurred.

The Corporation reserves the right, with thirty (30) days' notice, to change the billing date and the payment due date. For a partial first month, the Monthly Fee is pro-rated on a per diem basis. Thereafter, Monthly Fees are paid in advance and are pro-rated at termination.

IV. ENTRY AND MEMBERSHIP REQUIREMENTS

- A. **Age.** The Pines does not unlawfully discriminate in admission decisions or with respect to residents on the basis of race, color, gender, disability, national origin, religion or sexual orientation. Admission is restricted to persons 65 years of age or older, except that in the case of double occupancy one person must be at least 65 years of age and the second resident shall be at least 62 years of age.
- B. **Application, Health History and Financial Statement.** The Resident shall have submitted for review by the Admissions Review Committee appointed by the Corporation an Application for Admission, a Personal Health History, a Medical Certificate and a Confidential Financial Statement, all on forms furnished by us, within 30 days of the date you are offered to apply for a slot in the Early Advantage Program.
- C. **Personal Interview.** The Resident shall have had an interview with a representative from The Pines prior to taking residency at The Pines. Upon review of all information required to be furnished herein, additional personal interviews may be requested by us.
- D. **Notification.** We will have reviewed the Application for Admission, the Personal Health History, the Medical Certificate, the Confidential Financial Statement and the results of the Personal Interview and will have notified the Member whether the Member meets the admissions requirements for the Early Advantage Program. Until the Corporation accepts an Application for Admission in writing, the Corporation reserves the right to accept or reject an Application for Admission in the sole discretion of the Corporation for any reason other than

unlawful discrimination.

- E. **Financial Requirements.** The Member must have assets and income which will be sufficient under foreseeable circumstances to pay the financial obligations of the Member under this Agreement and to meet ordinary living expenses of the Member. We may require the Member to furnish current financial information and copies of state and federal tax returns at any time prior to and subsequent to occupancy. You, your current and future responsible parties (i.e., power(s) of attorney, executor(s), trustee(s)), will abide by any and all financial arrangements made with us for the purpose of securing your ability to pay any and all charges and expenses for the services provided under this Agreement. You agree not to make any gift or other transfer of assets for the purpose of evading your obligations under this Agreement, or if such gift or transfer would render you unable to meet such obligations under this Agreement. Gifts or transfers of assets in this manner, which result in your inability to meet your financial obligations in accordance with this Agreement, will entitle The Pines to terminate this Agreement with thirty (30) days' notice, and you or your responsible parties, as applicable, will be liable for any unpaid amounts.
- F. **Representations.** The Member affirms that the representations made in the Application for Admission, Personal Health History and Confidential Financial Statement are true and correct and may be relied upon by the Corporation as a basis for entering into this Agreement. The Pines has accepted Member based on the information contained in Resident's Application for Admission, Personal Health History and Confidential Financial Statement and has agreed to enter this Agreement based on such information. The Member hereby affirms that all the information provided in the Member's Application is true and correct to the best of the knowledge of each person who signs the Agreement, and each also acknowledges that any material misrepresentation or omission in Member's Application for Admission, Personal Health History and Confidential Financial Statement shall render this Agreement voidable at the option of The Pines. Member agrees to submit updated copies of the information requested in the Member's Application for Admission, Personal Health History and Confidential Financial Statement, when requested by The Pines from time to time during the term of this Agreement
- G. **Health Requirements.** Prior to admission to the Early Advantage Program, the Member shall submit a report of a physical

examination of the Member made by a physician selected by the Member. Such report shall include a statement by such physician that the Member is in good health, is able to take care of himself or herself in residential living activities and the Member's health profile does not present a significant risk of intensive or imminent increased health care needs. We may require you to have another physical examination by the Medical Director or by another physician approved by us. The Member shall be responsible for the costs of all physical examinations. If the health of the Member as disclosed by such physical examination differs materially from that disclosed in the Member's Application for Admission and Personal Health History, we will have the right to decline admission of the Member and to terminate this Agreement, or in our discretion, to permit the Member to take occupancy of accommodations at The Pines suitable to the needs of the Member.

- H. **Move-In Priority.** This Agreement allows you to continue residing at your residence outside of The Pines' campus, and also gives you the opportunity to convert to occupancy of an independent living unit on The Pines campus upon qualifying for, and executing, a Residence and Care Agreement with The Pines.

The right to reserve Independent Living Accommodations becoming available for occupancy at The Pines, including without limitation, priority among current Residents and Future Residents, including Early Advantage Program Members, will be subject to and in accordance with the Corporation's then current guidelines and fees, which may be subject to change from time to time in the Corporation's sole discretion.

If the unit type becomes available and the Corporation offers the available unit type to the Early Advantage Program Agreement Member ("Unit Offer") and the Early Advantage Program Agreement Member wishes to accept the Unit Offer and convert to the Residence and Care Agreement, the Member must accept the Unit Offer on or before the third (3rd) business day after The Pines makes the Unit Offer. To accept a Unit Offer, the Member must execute a Residence and Care Agreement. If the Member does not timely accept the Unit Offer, the Unit Offer will be deemed declined and the available unit type will be offered to someone else.

The Member's right to the order of priority does not lock in or freeze the entry fee or monthly fee that is associated with the unit type

under a Residence and Care Agreement. If the Member converts, the entry fee in effect with the unit type at the time of conversion will apply.

At the time you choose to accept an accommodation on The Pines' campus, you may be required to go through our admissions process for residing at the Community, including, but not limited to, providing the Corporation updated medical and financial information in order to determine your ability to live independently and to afford the additional entry fee and higher monthly service fees required for residency in the particular reserved unit. The Pines reserves the right to decline your admission to The Pines for Independent Living residency if your medical and financial circumstances have changed so that you are not able to live independently or are not able to afford the additional entry fee and higher monthly service fees required for residency in the particular reserved unit. The living units available at The Pines are described in the attached Exhibit A.

- I. **Health Insurance.** The Pines is a private pay community only. The Pines does not accept Medicare Part A, Part B, Medicare Advantage Plans or Medicaid in assisted living, memory care or long-term care. The Pines recommends that Residents shall maintain Medicare Part A, Medicare Part B and one supplemental health insurance policy or equivalent insurance coverage and shall furnish us with evidence of such coverage upon request. It is the Resident's responsibility to confirm that the primary and supplemental health insurance policies recognize us as a health care provider, or you will assume the financial responsibility for services provided that otherwise could be covered. You will be responsible for a lapse in health insurance coverage. If you do not have insurance coverage, we will charge you for any costs of medical and other health care services provided that otherwise would have been covered by insurance. You are responsible for the payment of all deductibles, co-insurance payments and costs for any non-covered service.

- J. **Mental Illness, Dangerous Communicable Disease, Drug or Alcohol Abuse.** The Pines is not designed to care for persons who have an active mental illness, a dangerous communicable disease, or who require treatment for drug or alcohol abuse. Should The Pines, in consultation with the Medical Director, determine that your physical or mental illness, or that your condition as a result of drug or alcohol abuse, is such that your continued presence is either dangerous or detrimental to your life, health or safety, or the life, health, peace or safety of others in the community, then The

Pines may transfer you to another facility of your choosing and/or terminate this Agreement.

- K. **Power of Attorney.** You agree to execute and maintain in effect a durable power of attorney that is valid under North Carolina law and will survive your incapacity or disability. This durable power of attorney will designate an attorney-in-fact and an alternate attorney-in-fact who will act for you in managing your financial affairs and in filing for insurance or other benefits under private and public assistance programs as full and complete a manner as you could do if acting personally for yourself. You will deliver a copy of a fully executed power of attorney to The Pines within thirty (30) days after the Effective Date of this Agreement. You will not revoke or amend this durable power of attorney except upon execution of a replacement durable power of attorney, a fully executed copy of which will be delivered to The Pines. This document also may address at your option, other affairs, such as decisions concerning medical care.
- L. **Will.** You agree to execute a Will, and to provide to us a copy of such sections of the Will and any revisions, as applicable during the term of this Agreement, to document the name(s) of the person(s) to be contacted in the event of your death (i.e., executor(s)). In the event of your death, while you are living on campus as a resident of The Pines under this Agreement, only the executor(s) named in your Will (or such person or entity designated by such executor(s)) will be allowed to remove or dispose of your furnishings and belongings in your living accommodation and any related storage areas at The Pines, if any. Members of your family or those to whom you have granted power of attorney will not be allowed access to your personal property after your death unless they are the executor(s) named in your Will or designated by the executor.
- M. **Funeral and Burial.** We will not be responsible for making funeral or burial arrangements, and we are not responsible for any related expenses.
- N. **Advance Directives.** You are required to execute a Living Will and a Health Care Power of Attorney and deliver a fully executed copy thereof to The Pines, as well as any revisions as applicable, during the term of this Agreement.
- O. **Appointment of Guardian.** If you become unable to care for your business and financial affairs, Corporation reserves the right to institute action for the determination of your incompetence and the appointment of a guardian to fulfill the terms of this Agreement;

unless such needed arrangements have already been made. The cost of the legal proceedings, including attorneys' fees, shall be paid by you or your estate.

- P. **Rules, Regulations, Policies and Procedures.** You understand and agree that: (i) in order for The Pines to operate in the best interests of the entire community, it is essential that we have the cooperation of and compliance with applicable policies, rules, and regulations by you, your family, guests, responsible party and others who may intervene, speak or act or purport to intervene, speak or act, for or on behalf of you or who may come on the premises of The Pines in any capacity or for any purpose in connection with or as a result of your residency at The Pines; (ii) a continuing or repeated failure or refusal by any such persons to so cooperate and comply may result in a determination by The Pines that it is impracticable or impossible for The Pines to continue to accommodate you as a Member; and (iii) upon such determination by The Pines, we shall have the right to terminate this Agreement. We reserve the right to amend or change our policies, rules, and regulations, including, without limitation, those pertaining to The Pines, from time to time at its sole discretion.
- Q. **Relationships Between Members and Staff.** The Pines is built on mutual respect and instructs its staff to be cordial and helpful to residents and Members. The relationship is to remain professional. Staff must not be delayed or deterred by residents or Members in the performance of their duties. Management is solely responsible for the supervision of staff. Complaints or requests for special assistance must be made to the appropriate supervisor. Giving gratuities or bequests to staff or staff's families is not permitted. Member will not employ The Pines staff nor hire former The Pines staff without the prior written consent of The Pines Management.
- R. **Liability in General.** You accept full responsibility for any injury or damage caused to others, or suffered by you, as a result of your own acts or omissions, and those of your guests or invitees, and you shall indemnify and hold harmless The Pines and its respective directors, officers, agents, representatives, and employees (also referred to as team members) from any and all liability for such injury or damage, including attorneys' fees. We recommend that you maintain general liability insurance in an amount and form sufficient to cover such liability. You may be required to maintain additional insurance for personal service providers hired by you, including worker's compensation insurance, if and to the extent set forth in The Pines' rules, policies and procedures.

- S. **Property Damage.** The Pines shall not be responsible for the loss of any property belonging to you due to theft, fire, water damage, or any cause beyond the control of The Pines. You shall also be responsible for any loss or damage that you or your guests cause to property in your home or at The Pines, excluding ordinary wear and tear. You hereby agree to indemnify and reimburse The Pines for any loss or damage suffered by The Pines because of your or your guests' or invitees' acts or omissions.
- T. **Sex Offender Registry.** Member hereby acknowledges that it is the policy of The Pines to conduct sex offender screening for every prospective Member, regardless of independent status or level of care, at the time of application for admission to the Early Advantage Program and again prior to entering into a Residence Agreement. If the screening shows that the prospective Member is identified as a sex offender, The Pines will deny admission of Member on that basis and not execute an Early Advantage Program Agreement or Residence Agreement. In addition, Member hereby acknowledges and agrees that if, after The Pines and Member have entered into this Agreement, The Pines becomes aware that Member is listed on any sex offender registry, The Pines may terminate this Agreement with Member.
- U. **Emergency Notifications.** Member agrees to provide the Corporation with the following information prior to the Effective Date of this Agreement, as well as any changes during the term of this Agreement:
- Names, addresses, and phone numbers of persons to notify in an emergency(a minimum of two are required)
 - Names, addresses, and phone numbers of physician, lawyer and executor
 - Names, addresses, and phone numbers of Powers of Attorney
 - Names, addresses, and phone numbers for pet emergency contacts, if applicable

V. TERMINATION AND REFUND PROVISIONS

- A. **By Member.** You may terminate this Agreement by giving written notice to The Pines of your decision to terminate at least thirty (30) days in advance of the termination date. The ability to convert back to The Pines at Davidson's Future Residency

Program will be at the discretion of The Corporation. In the case of your death, this Agreement shall terminate automatically effective as of the date of your death.

- B. **By The Pines.** The Pines may terminate this Agreement at any time for good cause, upon giving you thirty (30) days written notice. Good cause shall include, but not be limited to, the following:
1. Your failure to perform any of your obligations under this Agreement, including your obligation to pay your Monthly Fee and other charges or expenses;
 2. You, your guests, or your personal service providers fail to abide by the rules, regulations, policies and procedures of The Pines, as described in the Member Handbook or in such other documents or publications as may be provided from time-to-time, as they now exist or as they may later be amended by The Pines in its sole discretion;
 3. Any material omission or misstatement in your Application and any and all other documents filed with The Pines by you or on your behalf;
 4. Your financial status changes such that you no longer meet the financial requirements for membership;
 5. Your conduct is abusive or disruptive toward members of the Corporation's staff or is disruptive or is detrimental to your health, safety or welfare or that of residents of The Pines or to residents' peaceful enjoyment of The Pines;
 6. You no longer qualify for independent living and fail to follow recommendations of The Pines including moving to a higher level of care or obtaining sufficient support in the home; or
 7. If, after The Pines and Member have entered into this Agreement, The Pines becomes aware that Member is listed on any sex offender registry.
- C. **Refunds.** Your Membership Fee refund, if applicable, shall be equal to the Membership Fee less a non-refundable fee of five percent (5%) of the Membership Fee; the remaining balance is subject to

amortization of five percent (5%) for each month of membership, as defined herein, for up to twelve (12) months. In calculating amortization for purposes of this section, a period of more than fifteen (15) days will be considered as a full month; fifteen (15) days or less will be disregarded for purposes of this calculation. Subtracted from any refund owed to you, if any, will be any unpaid fees or charges incurred by you. You will not be entitled to receive any interest on any monies paid to The Pines. Any refund to which you are entitled shall be paid to your estate unless you execute a designation and name a trust revocable by you at the time of your death to receive applicable refunds. Should you execute a revocable trust subsequent to signing this Agreement, you or your estate's executor may submit a written beneficiary designation form designating a trust, revocable by you at the time of your death, to receive applicable refunds. Any refund due shall be refunded within 60 days of the date of termination of this Agreement. No refund of the Membership Fee shall be paid after twelve (12) months of membership.

VI. RIGHT OF RESCISSION

Notwithstanding anything herein to the contrary, this Agreement may be rescinded by you giving written notice of such rescission to Corporation within thirty (30) days following the later of the execution of this Agreement or the receipt of a disclosure statement that meets the requirements of Section 58-64-1, et seq. of the North Carolina General Statutes. In the event of such rescission, you shall receive a refund in an amount equal to the Membership Fee less a non-refundable fee of five percent 5% of the Membership Fee less any accrued expenses. Notwithstanding anything to the contrary in this Agreement, any such refund shall be paid by Corporation within sixty (60) days following receipt of written notice of rescission pursuant to this paragraph.

VII. GENERAL

- A. **Assignment.** This Agreement and the rights and privileges of the Resident under this Agreement to the facilities, services and programs of the Corporation are personal to the Resident and may not be transferred or assigned by the Resident or otherwise.
- B. **Management of the Corporation.** The absolute rights of management are reserved by the Corporation, its Board of Directors, and its administrators as delegated by said Board of Directors. The Corporation reserves the right to accept or deny any person for the Early Advantage Program or for residency. Members do not have the

right to determine entry or terms of entry of any other Member. The Pines reserves the right to amend, implement or terminate policies and/or guidelines related to the operation of the Community at its sole discretion.

Subject to the terms and conditions of this Agreement, this Agreement gives Member the right to receive or have access to the services and amenities described in the Agreement. The Pines retains the exclusive authority to make all management decisions with regard to the management of The Pines, including decisions about admission and discharges, setting charges, The Pines' policies and procedures, and the scope of services offered by The Pines.

- C. **Entire Agreement; Counterparts.** This Agreement constitutes the entire contract between Corporation and Member. Corporation shall not be liable or bound in any manner by any statements, representations, or promises made by any person representing or assuming to represent Corporation, unless such statements, representations, or promises are set forth in this Agreement or in an amendment to this Agreement signed by The Pines' authorized representative and by you. This Agreement may be executed in counterparts, each of which shall be deemed an original and together shall constitute one and the same agreement. This Agreement and any amendments hereto, to the extent signed and/or delivered by means of a facsimile machine, electronic mail or other electronic means, shall be treated in all manners and respects and for all purposes as an original agreement or instrument and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person.
- D. **Successors and Assigns.** Except as set forth herein, this Agreement shall bind and inure to the benefit of the successors and assigns of Corporation and shall bind the heirs, executors, trustees, responsible parties, powers of attorney, and administrators of you.
- E. **Transfer of Property.** The Resident agrees not to make any gift or other transfer of property for the purpose of evading the Resident's obligations under this Agreement or if such gift or transfer would render such Resident unable to meet such obligations.
- F. **Governing Law.** This Agreement shall be governed by the laws of the State of North Carolina without regard to conflict of laws principles. Except to the extent that the parties have agreed to an alternative mechanism for the resolution of a dispute, to the full extent permitted by law, any action, suit, or proceeding arising out of or relating to this

Agreement shall be brought and enforced in the courts of the State of North Carolina located in Mecklenburg County or of the United States District Court for the Western District of North Carolina, and the parties hereby irrevocably submit to the exclusive jurisdiction of such courts and irrevocably waive any objection that they may now or hereafter have to the laying of venue of any such action or proceeding in such courts.

- G. **Uncontrollable Interruption of Service.** No breach of the Corporation's obligations under this Agreement and no liability for injury to you shall result from an interruption of, or failure to provide, the contracted services under this Agreement due to an act of God or other cause beyond the reasonable control of the Corporation, specifically including, but not limited to, strikes or other forms of labor disturbances, government regulations and/or embargoes, shortages of labor or materials, fire, flood, earthquake, inclement weather, epidemic or pandemic, or acts of the Member.
- H. **Indemnity.** You agree to indemnify, defend and hold us harmless from claims, damages, or expenses, including attorneys' fees and court costs, resulting from any injury or death to persons and any damages to property caused by, resulting from, attributable to or in any way connected with your acts or omissions or those of your guests, including private duty nurses, companions, or others.
- I. **Limitation on Liability.** You understand and agree that the services provided by Corporation and others within The Pines are not designed to protect you from the everyday, normal risks and responsibilities of living, including, but not limited to, such general accidents and situations such as falling, choking on food, and weight loss and/or dehydration resulting from your failure to partake of food and drink. Additionally, you understand and agree that the services provided by Corporation do not include one-on-one monitoring of you and that your expectations will be consistent with this understanding. Corporation shall exercise reasonable care toward you based on your known condition. However, you agree that Corporation is not an insurer of your welfare and safety. You agree that you will exercise due care to protect yourself from harm.
- J. **Severability.** The invalidity of any restriction, condition or other provision of this Agreement, or any part of the same, shall not impair or affect in any way the validity or enforceability of the rest of this Agreement.
- K. **Tax Considerations.** You should consult with your tax advisor regarding

the tax considerations associated with this Agreement.

- L. **Amendments and Partial Invalidation.** Generally, this Agreement can be changed only by mutual written consent. However, the Corporation reserves the right, upon thirty (30) days prior written notice to Member, to modify or amend this Agreement whenever doing so is necessary to correct errors, omissions, or inconsistencies, to provide clarification of intent, or to conform the documents to the requirements of local, state, or federal laws and regulations applicable to the Corporation, in particular, or to residential life care communities, in general, or whenever doing so is deemed by the Corporation to be in the best interest of the Corporation and the Members in light of changes in health insurance laws and coverages and/or local, state or federal tax or other laws or regulations.

- M. **Behavior Deemed Harmful to The Pines.** If Member is deemed competent and capable of controlling his or her behaviors and engages in behaviors deemed by the Executive Director of The Pines to be disruptive, hostile, illegal, or otherwise harmful to others or to The Pines, The Pines reserves the right to terminate this Agreement. If such a circumstance arises, The Pines will discuss the matter thoroughly with Member to provide Member with knowledge of the behaviors deemed intolerable by The Pines. The Pines will provide Member a written warning to desist from the behavior or any similarly disruptive, hostile, illegal, or harmful behavior. Upon determination that Member is continuing to engage in the behaviors against which Member has been warned, The Pines will have the right to terminate this Agreement.

- N. **Waivers.** Neither the failure nor any delay on the part of any party to exercise any right, remedy, power, or privilege (“Right”) under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any Right preclude any other or further exercise of the same or of any Right, nor shall any waiver of any Right with respect to any other occurrence. No waiver shall be effective unless it is in writing and is signed by the party asserted to have granted such waiver.

- O. **Notice Provisions.** Any notices, consents, or other communications to the Corporation hereunder (collectively “notices”) will be in writing and addressed as follows:

The Pines:

Attn: Sales and Marketing Department

The Pines at Davidson
400 Avinger Lane
Davidson, NC 28036

The address of the Member for the purpose of giving notice is the address appearing after the signature of the Member below.

- P. **Survival.** Those rights and obligations that have accrued as a result of the operation of this Agreement shall survive its termination, as shall those rights and obligations that by their terms survive termination and any provisions that must survive to give effect to their terms, as shall any obligation of Member to pay costs or expenses of his or her stay at The Pines that remain unpaid as of such termination.
- Q. **Capacity.** This Agreement has been executed on our behalf by our duly authorized representative, and no officer, trustee, agent, or employee of ours shall have any personal liability hereunder to you under any circumstances. If Member is, or becomes, unable to understand or communicate his or her health care or financial decision, and is determined by Member's attending physician to be incapacitated, then in the absence of Member's prior designation of an authorized legal representative, or upon the unwillingness or inability of a designated legal representative to act, The Pines shall have the right to commence a legal proceeding to adjudicate Member incapacitated and to have a court appoint a guardian for Member. The cost of the legal proceedings, including attorneys' fees, shall be paid by Member or Member's estate.
- R. **Gender.** Throughout this Agreement, the use of the masculine gender shall include the feminine, and the use of the singular shall include the plural.
- S. **Interpretation.** Headings are for convenience and reference purposes only and shall not affect the interpretation of any provision of this Agreement.

VIII. **MANDATORY ARBITRATION**

Introduction

Arbitration is a process of dispute resolution that can be used in place of the traditional state or federal court system. Instead of a judge and/or jury determining the outcome of a dispute, a neutral third party or parties (known as the arbitrators) are selected by the parties to the dispute to make a decision, which is binding on both sides. Typically, the decision of the arbitrators is final and not subject to appeal. Arbitration is a private process, protecting the confidentiality interests of all parties. In addition, because there are no long court dockets to deal with, disputes are usually resolved much more quickly in arbitration. The arbitrator or arbitrators will hear both sides of the dispute and render a decision based on law, fairness, common sense and the rules established by the parties' agreement.

Terms

The parties have selected Mandatory Arbitration for inclusion in this Agreement in order to resolve health care-related and personal injury claims and disputes, with the goal of reducing the time, formalities and costs of resolving them for both parties. The normal judicial process is available for all other claims and disputes. The terms of the Mandatory Arbitration provision follow.

IN ACCORDANCE WITH THE TERMS OF THE FEDERAL ARBITRATION ACT, THE PARTIES HEREBY AGREE THAT ANY CLAIM OR DISPUTE ARISING OUT OF OR RELATED TO THE PROVISION OF MEDICAL OR MENTAL HEALTH CARE SERVICES TO THE RESIDENT BY THE CORPORATION AND ANY CLAIM OR DISPUTE ARISING OUT OF OR RELATED TO ANY PHYSICAL, PSYCHOLOGICAL OR EMOTIONAL INJURY EXPERIENCED BY THE RESIDENT WHICH THE RESIDENT CLAIMS WAS THE RESULT IN WHOLE OR IN PART OF ANY SERVICE PROVIDED BY, OR ACT OR OMISSION OF, THE CORPORATION UNDER THE TERMS OF THIS AGREEMENT, REGARDLESS OF HOW ANY SUCH CLAIM OR DISPUTE MAY BE CHARACTERIZED AND WHETHER ANY SUCH CLAIM OR DISPUTE SOUNDS IN CONTRACT OR TORT OR IS BASED UPON STATUTORY RIGHT, SHALL BE SUBJECT TO FINAL AND BINDING ARBITRATION AS PROVIDED HEREIN AND SHALL NOT BE THE SUBJECT OF A LAWSUIT OR RESORT TO JUDICIAL PROCESS EXCEPT TO THE EXTENT THAT APPLICABLE LAW PROVIDES FOR JUDICIAL REVIEW OF ARBITRATION PROCEEDINGS OR THE JUDICIAL ENFORCEMENT OF ARBITRATION AGREEMENTS AND AWARDS.

The agreement to arbitrate in this Article VIII shall not limit the Resident's right to file a grievance or complaint, formal or informal, with the Corporation or any appropriate state or federal agency. The parties agree that any claim or dispute arising between them that is not subject to the agreement to arbitrate in this Article VIII shall be brought exclusively before a court of competent jurisdiction

in Mecklenburg County, North Carolina.

The arbitration required by this Article VIII shall occur at a place agreed upon by the parties, or in the absence of such agreement, at The Pines. Except as otherwise provided herein or agreed upon by the parties, the arbitration shall be administered by Judicial Arbitration and Mediation Services, Inc. (“JAMS”), 555 13th Street, N.W., Washington, D.C. 20004, 202-942-9180, <http://www.jamsadr.com>, and shall be conducted pursuant to the JAMS Comprehensive Arbitration Rules and Procedures or, if unavailable, the comparable JAMS Arbitration Rules then in effect. In the event that JAMS is unavailable to administer the arbitration, the parties shall endeavor in good faith to choose an alternative arbitration service provider by mutual agreement. In the absence of such mutual agreement, the parties shall each select one (1) arbitrator, who shall in turn select a third, neutral arbitrator, and the parties shall proceed to arbitrate their dispute in an arbitration proceeding conducted by these three arbitrators under the JAMS Comprehensive Arbitration Rules and Procedures or, if unavailable, the comparable JAMS Arbitration Rules in effect at the time that the dispute between the parties arises. Those tasks or services that otherwise would have been performed or provided by JAMS under the JAMS Arbitration Rules shall be determined by agreement of the parties and, absent such agreement, by a majority vote of the three arbitrators.

The parties agree that damages awarded, if any, in an arbitration conducted pursuant to this Article VIII shall be determined in accordance with the provisions of the state or federal law applicable to a comparable civil action, including any prerequisites to, credit against or limitations on, such damages. The arbitrator’s award will consist of a written statement stating the disposition of each claim. The award will also provide a concise written statement of the essential findings and conclusions on which the award is based.

It is the intention of the parties to this Agreement that the provisions of this Article VIII shall inure to the benefit of and bind the parties, their representatives, successors and assigns, including the agents, employees and servants of the Corporation, and all persons whose claims are derived through or on behalf of the Resident, including that of any parent, spouse, child, guardian, executor, administrator, legal representative, or heir of the Resident.

All claims based in whole or in part on the same incident, transaction, or related course of care or services provided by the Corporation to the Resident, shall be arbitrated in one proceeding. A claim shall be waived and forever barred if it arose prior to the date upon which notice of arbitration is given to the Corporation or received by the Resident, and is not presented in the arbitration proceeding.

THE PARTIES UNDERSTAND AND AGREE THAT BY ENTERING INTO THIS AGREEMENT THEY ARE GIVING UP AND WAIVING THEIR CONSTITUTIONAL RIGHT TO HAVE ANY CLAIM DECIDED IN A COURT OF LAW BEFORE A JUDGE AND A JURY.

The parties understand and agree that any issue or dispute relating to the agreement to arbitrate in this Article VIII shall be governed by the Federal Arbitration Act. The parties further understand and agree that the Agreement evidences a transaction in interstate commerce within the meaning of, and is subject to, the Federal Arbitration Act.

The Resident understands that he or she has the right to seek legal counsel concerning the agreement to arbitrate in this Article VIII specifically and this Agreement in general. The Resident also has the right to receive an explanation or clarification of the agreement to arbitrate in this Article VIII specifically and this Agreement in general. The Resident enters into this Agreement and all of its provisions, including the arbitration provision contained in this Article VIII, voluntarily.

The provisions of this Article VIII shall survive termination of this Agreement by either party for any reason and shall remain in effect for all care and services subsequently rendered at The Pines, even if such services are rendered following the Resident's discharge and readmission to The Pines.

[Signatures Follow on Next Pages]

IN WITNESS WHEREOF, the parties have executed this Agreement effective as of the Effective Date.

NOTICE

BECAUSE THE AUTHORITY TO ENTER INTO CONTINUING CARE CONTRACTS GRANTED BY THE NORTH CAROLINA DEPARTMENT OF INSURANCE IS NEITHER A GUARANTEE OF PERFORMANCE BY THE PROVIDER NOR AN ENDORSEMENT OF ANY CONTINUING CARE CONTRACT PROVISION, PROSPECTIVE RESIDENTS AND MEMBERS MUST CAREFULLY CONSIDER THE RISKS, BENEFITS, AND COSTS BEFORE SIGNING A CONTINUING CARE CONTRACT AND ARE STRONGLY ENCOURAGED TO SEEK FINANCIAL AND LEGAL ADVICE BEFORE DOING SO.

THE UNDERSIGNED MEMBER ACKNOWLEDGES RECEIPT OF A COPY OF THE PINES' CURRENT DISCLOSURE STATEMENT (AND IF RECEIVED IN ELECTRONIC FORM, MEMBER ACKNOWLEDGES MEMBER AUTHORIZED RECEIPT OF THE DISCLOSURE STATEMENT IN ELECTRONIC FORM). THE DISCLOSURE STATEMENT WAS RECEIVED PRIOR TO THE EXECUTION OF THIS AGREEMENT OR PRIOR TO OR AT THE TIME OF THE TRANSFER OF ANY MONEY OR OTHER PROPERTY TO THE PINES, WHICHEVER OCCURRED FIRST. DISCLOSURE STATEMENT VERSION: _____

THE PINES AT DAVIDSON, INC.	MEMBER (or Member's Attorney in Fact) (*)
_____ By (signature)	_____ (signature) (SEAL)
_____ Printed Name	_____
_____ Title	_____ Current Address: Street
	_____ City, State, Zip Code
	_____ Telephone

(*) If Attorney-in-Fact signs on behalf of the Member, a Filed Power of Attorney document must be attached to this Agreement.

Appendix E — Examination Report

Not applicable to The Pines at Davidson.

Appendix F — Statutory Ratio and Supporting Definitions

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

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

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

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

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

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

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

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

indebtedness shall be excluded from the net proceeds from entrance fees up to an amount equal to the aggregate of the principal amount of the indebtedness.” (G.S. 58-64A-5(17))

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

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

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

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

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

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

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

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

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