



Pisgah Valley

Disclosure Statement

May 31, 2026

104 Holcombe Cove Road

Candler, North Carolina 28715

(828) 418-2333

Date of Disclosure Statement: 12/31/2025

Last Date for Delivery: 06/08/2027

- 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 Pisgah Valley Retirement Center, LLC and Pisgah Valley Retirement Center Properties, LLC. to penalties under Article 64A.

Financial Snapshot: Key Ratios for Pisgah Valley Retirement Community

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

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

Ratio	FY-2	FY-1	FY	FY+1	FY+2	FY+3	NC 25 th % ¹	NC 50 th % ¹	NC 75 th % ¹
DCOH	24	257	215	157	152	148	—	—	—
CUSH	0.80	5.03	4.62	3.84	3.84	3.84	—	—	—
OR	85%	87%	85%	86%	80%	79%	—	—	—
NOM	16.68%	18.05%	20.15%	17.52%	23.74%	24.23%	—	—	—
NOM-A	19.09%	19.77%	21.21%	19.51%	25.66%	26.23%	—	—	—
DSCR	2.58	1.68	2.13	2.03	2.90	3.06	—	—	—
CD	0.05	0.37	0.35	0.30	0.31	0.32	—	—	—
CED	1.10	1.87	2.45	2.18	2.96	2.42	—	—	—

Liquidity Ratios:

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

Profitability Ratios:

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

Capital Structure Ratios:

- **Debt Service Coverage (DSCR).** Measures the provider’s ability to pay annual debt service from operations and net entrance fee cash. Higher values indicate greater ability to pay debt service.
- **Unrestricted Cash & Investments to Long-Term Debt (CD).** Compares unrestricted cash and investments to long-term debt. Higher values indicate more unrestricted cash and investments relative to debt.

- **Capital Expenditures to Depreciation (CED).** Compares what the provider is spending on capital improvements to the amount its assets are wearing out. Values at or above 1.0x usually mean the provider is reinvesting enough to keep up.

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

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

Table of contents

1. Provider Identification	1
2. Organizational Structure	1
2.1. Multi-Entity Organization Status	2
2.2. Consolidation of Financial Statements	2
2.3. Controlling Person.....	3
2.4. Company Structure Chart.....	4
3. Key Persons and Management Personnel.....	6
3.1 Senior Officers of Pisgah Valley Retirement Center, LLC and Pisgah Valley Retirement Center Properties, LLC	6
3.2 Community Management - Pisgah Valley Retirement Community	7
3.3 Board of Directors - Pisgah Valley Retirement Center, LLC	7
3.4 Board of Directors - Pisgah Valley Retirement Center Properties, LLC	8
3.4 Management Entities	8
4. Governing Body and Oversight	8
5. Related Parties.....	8
6. Relationships with Religious, Charitable, or Other Organizations	9
7. Other Persons Responsible for Obligations	9
8. Obligated Groups.....	9
9. Debt Covenants and Compliance.....	9
10. Third-Party Management Arrangements	9
11. Real Property Leases	9
12. Endowment Funds	10
13. Description and Location of the Community	10
14. Living Units by Level of Care	10
15. Continuing Care at Home Program	11
16. Resident Population Served.....	11
17. Occupancy Rates	11
18. Semiannual Resident Meetings	12
19. Resident Property Rights.....	13
20. Services Provided Under the Contract	13
20.1 Healthcare Services.....	13
20.2 Continuing Care Retirement Community (CCRC) Contracts	14
20.2.1 Services Included in Monthly Fees	14
20.2.2 Services Available at an Additional Charge	14
20.3 Continuing Care at Home (CCaH) Contracts.....	14
20.4 Delivery of Care.....	14
21. Resident Fees.....	15
23. Financial Hardship Policies	20
24. Contract Cancellation and Refund Policies	20
24.1 Provider-Initiated Cancellation	20
25. Re-occupancy of Units	23

26. Resident Relocation	24
26.1 Resident Needs	24
26.2 Provider Needs	25
26.3 Process	25
26.4 Financial Obligations	26
27. Admission and Continuation Standards	26
27.1 Admission Requirements.....	26
28. Age and Insurance Requirements	27
29. Reserve Funding and Refund Security	28
29. Cash and Investments	28
30. Expansion and Renovation Plans	29
31. Audit Opinion and Timeliness	30
32. Audited Financial Statements	30
33. Five-Year Prospective Financial Statements.....	30
34. Variances from Prospective Financial Statements.....	31
35. Key Financial Metrics	32
35.1 Liquidity Ratios	32
35.2 Profitability Ratios	33
35.3 Capital Structure Ratios	34
35.4 Overall Summary	34
36. Actuarial Opinion and Balance	34
37. Most Recent Department Examination Report	35
38. Other Material Information	35
39. Contract Forms and Attachments.....	35
39.1 Continuing Care Contracts.....	35
39.1 Continuing Care at Home (CCaH) Contracts	35
Appendix A — Audited Financial Statements	37
Appendix B — Five-Year Prospective Financial Statements.....	38
Appendix C — Statement of Actuarial Opinion	39
Appendix D — Representative Contract(s).....	40
Appendix E — Examination Report.....	41
Appendix F — Statutory Ratio and Supporting Definitions	42

1. Provider Identification

Provider Name: Pisgah Valley Retirement Community

Legal Provider: Pisgah Valley Retirement Center, LLC (co-provider with Pisgah Valley Retirement Center Properties, LLC)

Address: 104 Holcombe Cove Road

Telephone: (828) 418-2333

Item	Information
Legal Provider Name:	Pisgah Valley Retirement Center, LLC and Pisgah Valley Retirement Center Properties, LLC (Co-Providers)
Doing Business As (DBA):	Pisgah Valley Retirement Community
Business Address:	104 Holcombe Cove Road, Candler, North Carolina, 28715
Telephone Number:	(828) 418-2333
Legal Entity Type:	For-profit limited liability companies organized under the laws of North Carolina
For-Profit / Nonprofit Status:	For-profit
Federal Tax Status:	Non-exempt
Ownership Type:	Privately owned and controlled for-profit 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
Ownership / Control:	Pisgah Valley Retirement Center, LLC and Pisgah Valley Retirement Center Properties, LLC are for-profit limited liability companies whose sole member is Liberty Senior Living, LLC a North Carolina for-profit corporation.

2. Organizational Structure

Organization, Ownership and Management

2.1. Multi-Entity Organization Status

Organization

The Pisgah Valley Retirement Center, LLC (“Pisgah Valley Center”) is a North Carolina for-profit limited liability company formed for the purpose of leasing and operating independent living units, assisted living, and skilled nursing beds. Pisgah Valley Center is owned by Liberty Senior Living, LLC (“Liberty Senior Living”), a North Carolina limited liability company. The business address of Liberty Senior Living is 2334 S. 41st Street; Wilmington, North Carolina 28403. Liberty Senior Living is owned by Liberty Healthcare Group, LLC (“Liberty Healthcare Group”), a North Carolina limited liability company.

Facility Ownership

The Pisgah Valley Retirement Center Properties, LLC (“Pisgah Valley Properties”) is a North Carolina for-profit limited liability company formed for the purpose of developing and owning real property and the buildings of the CCRC. Pisgah Valley Properties holds the certificate of need for one hundred eighteen (118) skilled nursing beds. Pisgah Valley Properties is owned by Liberty Real Properties VII, LLC, a North Carolina limited liability company.

Pisgah Valley Properties acquired the Site in February 2018, together with all of the improvements comprising the CCRC. Pisgah Valley Properties and Pisgah Valley Center have executed a lease agreement (the “Pisgah Valley Lease”) for Pisgah Valley Center’s use and operation of the Independent Living Buildings, the Community Center, the Healthcare Center, and the associated common areas. The Pisgah Valley Lease has a term of ten (10) years and Pisgah Valley Center has the option to renew the Pisgah Valley Lease for five (5) additional terms of five (5) years each. Rent under the lease is an amount sufficient to satisfy the debt service coverage ratio required by Pisgah Valley Properties’ lender. Pisgah Valley Properties is responsible for constructing, at Pisgah Valley Properties’ sole cost and expense, all of the improvements leased pursuant to the Pisgah Valley Lease.

In May 2018, the North Carolina Department of Insurance issued a Continuing Care Retirement Community License to Pisgah Valley Center and Pisgah Valley Properties (collectively the “Company”) as co-providers.

2.2. Consolidation of Financial Statements

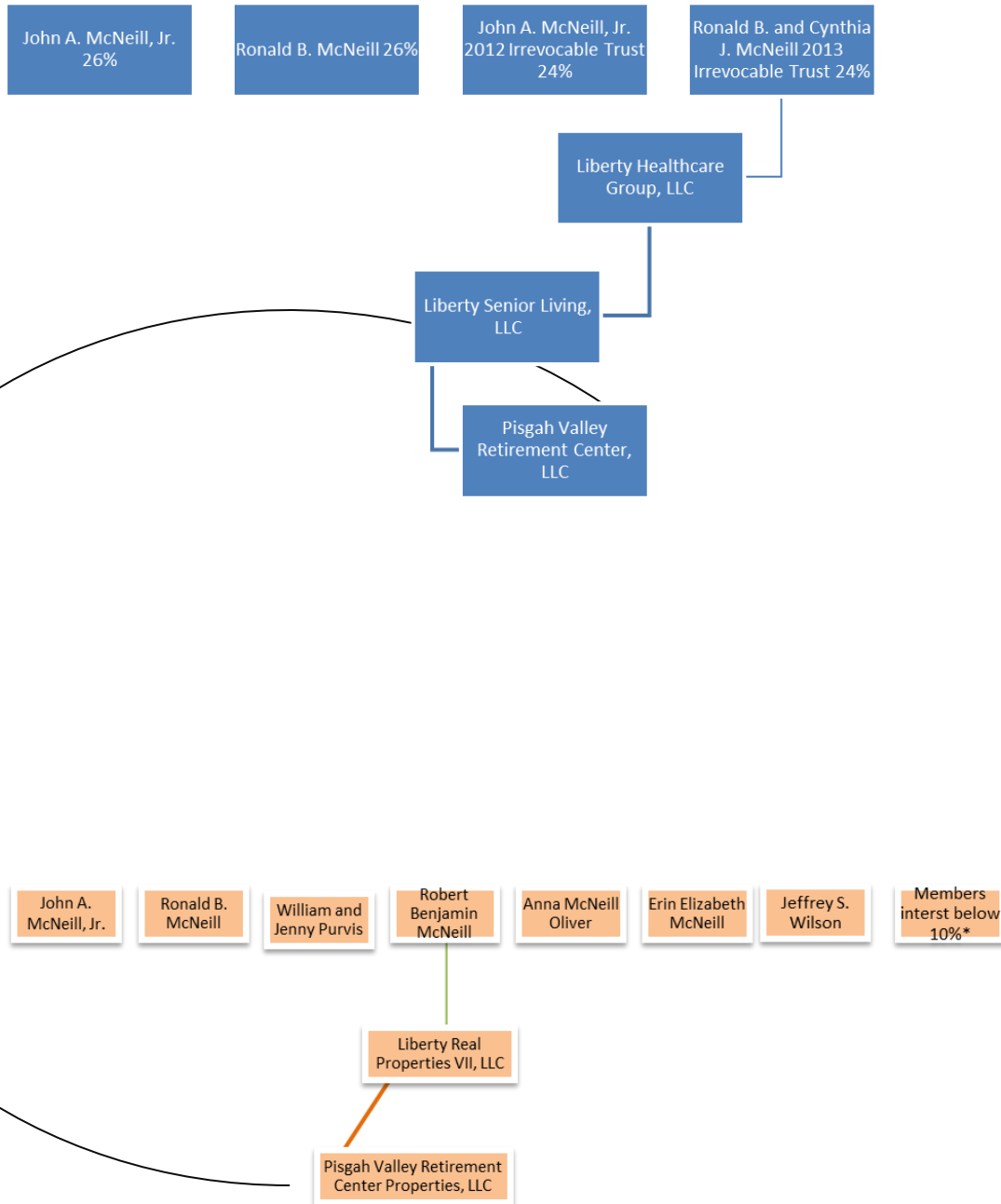
Audited financial statements are prepared on a consolidated basis for Pisgah Valley Retirement Center, LLC and Pisgah Valley Retirement Center Properties, LLC. Consolidating schedules within the audit present the financial position and results of each of the co-providers.

2.3. Controlling Person

Item	Information
Name:	Liberty Senior Living, LLC
Business Address:	2334 South 41 st St, Wilmington, North Carolina 28403
Telephone Number:	(910) 815-3111

2.4. Company Structure Chart

The organizational structure for Pisgah Valley Retirement Center, LLC and Pisgah Valley Retirement Center Properties, LLC is as follows:



*Organizational chart only reflects members having a ten percent (10%) or greater equity or beneficial interest in the Company.

Healthcare

The CCRC will provide the Resident temporary or permanent assisted housing with services and skilled nursing services in the beds located within the Healthcare Center. The Healthcare Center operates twenty-four (24) Multi-Unit Assisted Housing with Services beds (“Assisted Living Units”) and is licensed for one hundred eighteen (118) Skilled Nursing Beds. All Assisted Living Units and Skilled Nursing Beds (“Skilled Nursing Beds”) in the Healthcare Center are available to the public; however, Residents under Residency and Care Agreements are given priority access to the available Assisted Living Units and Skilled Nursing Beds.

Management

Pisgah Valley Center operates the CCRC. No other person or entity referred to herein has assumed any financial responsibility for the fulfillment of Pisgah Valley Center’s agreements or obligations, except as otherwise stated.

Pisgah Estates Unit Owners Association

Pisgah Estates Unit Owners Association (the “Unit Owners Association”) is a North Carolina not-for-profit company formed in accordance with the North Carolina Condominium Act for the purpose of owning and managing the commonly owned property of CCRC’s Independent Living Buildings. The Unit Owners Association began operations in 1975 and was incorporated in September 2008.

Pisgah Valley Properties has majority voting rights in the Unit Owners Association under the terms of a management agreement (the “Unit Owners Management Agreement”). Services are billed monthly and the Unit Owners Management Agreement is renewable each calendar year. The Unit Owners Association’s revenue is generated exclusively through maintenance fees from independent living unit owners.

Liberty Living Management, LLC

Liberty Living Management, LLC (“Liberty Living Management”) has executed a management agreement with Pisgah Valley Center in which Pisgah Valley Center pays Liberty Living Management a fee of five percent (5%) of total revenues derived from independent living units and six percent (6%) of total revenues derived from assisted living beds and skilled nursing beds paid to Pisgah Valley Center.

Liberty Living Management’s headquarters are at 2334 S. 41st St., Wilmington, NC 28403.

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.”
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3.1 Senior Officers of Pisgah Valley Retirement Center, LLC and Pisgah Valley Retirement Center Properties, LLC

Name / Role	Education	Experience	Length of Service
John “Sandy” A. McNeill Jr. – Manager of Liberty Senior Living, LLC and Liberty Living Management, LLC	PharmD, UNC	50 + years in senior-living and pharmacy operations	30 years at current position (since 10/01/1996)
Ronald “Ronnie” B. McNeill – Manager of Liberty Senior Living, LLC and Liberty Living Management, LLC	Registered Professional Engineer (NC State University), MBA	50 + years in senior-living and pharmacy operations	30 years at current position (since 10/01/1996)
William “Will” B. Purvis – Manager of Liberty Living Management and President of Liberty Senior Living	B.S. business management (NC State University), MBA (Wake Forest University)	Prior work with Grandbridge Real Estate, BOD for Cape Fear Council Boy Scouts of America, NHRMC Foundation, Wilmington Chamber of Commerce, NC Coastal Land Trust	Over 16 years (since 02/03/2010)

Name / Role	Education	Experience	Length of Service
Bob Goyette – Chief Operations Officer of Liberty Living Management	MBA with healthcare concentration (Lipscomb University)	33+ years in Senior Living administration. Past board member of Ohio, Kentucky and Virginia Health Care Administrations and adjunct professor at Western Kentucky University.	2 years at current position (since 09/30/2024)
Cindy Stancil – Vice President of Operations Support of Liberty Living Management	Licensed Administrator	41+ years in Senior Living administration. Served as board member of NC Assisted Living Association and in Task Force groups such as “The Star Rating program”	41+ years with Liberty Healthcare Group and Liberty Senior Living
Nicole Cook – VP of Operations of Liberty Living Management	Registered Nurse and Nursing Home Administrator	25+ years in Senior Living administration	7 years with Liberty Senior Living (since 5/30/2019)

3.2 Community Management - Pisgah Valley Retirement Community

Name / Role	Education	Experience	Length of Service
Michelle Iacono – Executive Director and Regional Director of Operations	Bachelor’s in Psychology (Southern Adventist University), Master’s in Management (Montreat College)	17 Years of healthcare and administration in Senior Living and Skilled Nursing	17 Years with Pisgah Valley (Since 08/03/2009)

3.3 Board of Directors - Pisgah Valley Retirement Center, LLC

Not applicable. Pisgah Valley Retirement Center, LLC does not have a board of directors.

3.4 Board of Directors - Pisgah Valley Retirement Center Properties, LLC

Not applicable. Pisgah Valley Retirement Center Properties, LLC does not have a board of directors.

3.5 Management Entities

Pisgah Valley Center operates the CCRC. No other person or entity referred to herein has assumed any financial responsibility for the fulfillment of Pisgah Valley Center's agreements or obligations, except as otherwise stated.

Pisgah Estates Unit Owners Association

Pisgah Estates Unit Owners Association (the "Unit Owners Association") is a North Carolina not-for-profit company formed in accordance with the North Carolina Condominium Act for the purpose of owning and managing the commonly owned property of CCRC's Independent Living Buildings. The Unit Owners Association began operations in 1975 and was incorporated in September 2008.

Pisgah Valley Properties has majority voting rights in the Unit Owners Association under the terms of a management agreement (the "Unit Owners Management Agreement"). Services are billed monthly and the Unit Owners Management Agreement is renewable each calendar year. The Unit Owners Association's revenue is generated exclusively through maintenance fees from independent living unit owners.

4. Governing Body and Oversight

Liberty Living Management, LLC

Liberty Living Management, LLC ("Liberty Living Management") has executed a management agreement with Pisgah Valley Center in which Pisgah Valley Center pays Liberty Living Management a fee of five percent (5%) of total revenues derived from independent living units and six percent (6%) of total revenues derived from assisted living beds and skilled nursing beds paid to Pisgah Valley Center.

Liberty Living Management's headquarters are at 2334 S. 41st St., Wilmington, NC 28403. The following individuals are the key managers or corporate executives:

5. Related Parties

Please see sections 2.1, 3.4 and 4 for related party information.

6. Relationships with Religious, Charitable, or Other Organizations

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

7. Other Persons Responsible for Obligations

No other person or entity is responsible for the financial or contractual obligations of Pisgah Valley Retirement Community.

8. Obligated Groups

Not Applicable Pisgah Valley Retirement Community does not have any obligate groups.

9. Debt Covenants and Compliance

Pisgah Valley Retirement Community is subject to covenants contained in debt agreements, including requirements for minimum debt service coverage, liquidity, and restrictions on additional borrowing.

As of December 31, 2025, Pisgah Valley Retirement Community is in full compliance with all covenants contained in debt agreements.

10. Third-Party Management Arrangements

Pisgah Valley Retirement Community, does not employ an unrelated third-party manager to operate the community. Day-to-day operations are carried out by the Executive Director and senior management employed by Liberty Senior Living, LLC, a related for-profit supporting organization.

11. Real Property Leases

Pisgah Valley Properties acquired the Site in February 2018, together with all of the improvements comprising the CCRC. Pisgah Valley Properties and Pisgah Valley Center have executed a lease agreement (the "Pisgah Valley Lease") for Pisgah Valley Center's use and operation of the Independent Living Buildings, the Community Center, the Healthcare Center, and the associated common areas. The Pisgah Valley Lease has a term of ten (10)

years and Pisgah Valley Center has the option to renew the Pisgah Valley Lease for five (5) additional terms of five (5) years each. Rent under the lease is an amount sufficient to satisfy the debt service coverage ratio required by Pisgah Valley Properties' lender. Pisgah Valley Properties is responsible for constructing, at Pisgah Valley Properties' sole cost and expense, all of the improvements leased pursuant to the Pisgah Valley Lease.

12. Endowment Funds

Not Applicable Pisgah Valley Retirement Community does not have any endowment funds.

13. Description and Location of the Community

Location. The Community is located on approximately 30 acres, having an address of 104 Holcombe Cove Road, Candler, North Carolina and is near the Smoky Mountains of western North Carolina, approximately 10 miles west of Asheville.

Layout and Types of Accommodations. The CCRC campus consists of seventy-two (72) Apartments located within thirty-six (36) Independent Living Buildings with two-bedroom and two-bedroom with den floor plans (all with single-car garages) that range from approximately 1,200 to 1,500 square feet. The CCRC can accommodate up to one hundred forty-four (144) Residents, all of whom will be provided services pursuant to their respective Unit Owner Contract or Residency and Care Agreement. Subject to the terms and conditions of the Residency and Care Agreement and the limits of the Company's license, a full continuum of healthcare services is to be provided in the Healthcare Center. In addition, Residents will be given priority access to the available Assisted Living Units and Skilled Nursing Beds.

Each Apartment owner holds title and deed to their individual Apartment and, except for Apartments owned by the Company, is subject to a "Contract of Sale" or a "Contract of Sale with Right of First Refusal on Subsequent Transfer" (collectively "Unit Owner Contracts") with the Company. Under the Unit Owner Contract, when the unit owner decides to sell the Apartment, the Company has the right of first refusal to purchase the Apartment from the owner based upon the current appraised value. Once the Company owns all seventy-two (72) Apartments, the Pisgah Estates Unit Owners Association will be dissolved. As of April 30, 2026, five (5) of the seventy-two (72) Apartments were owned by individuals under Unit Owner Contracts.

14. Living Units by Level of Care

As of December 31, 2025, Pisgah Valley Retirement Community included:

- 72 independent living units
- 24 assisted living units
- 118 skilled nursing beds

15. Continuing Care at Home Program

Not Applicable. Pisgah Valley Retirement Community does not provide continuing care at home.

16. Resident Population Served

As of December 31, 2025, the resident population served by Pisgah Valley Retirement Community was as follows:

- 71 independent living units with 93 total residents
- 23 assisted living units with 23 residents
- 99 skilled nursing residents

As of December 31, 2025, the community maintained a waitlist for admission to independent living consisting of 105 individuals. Individuals on the waitlist are prospective applicants and are not residents of the community unless and until they have executed a continuing care contract and commenced residency.

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

Placement on the waitlist does not guarantee 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 Pisgah Valley Retirement Community for the past five fiscal years were as follows.

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

Fiscal Year-End	Independent Living (%)	Assisted Living (%)	Skilled Nursing (%)
12/31/2025	97.8%	93.6%	86.6%
12/31/2024	96.8%	86.6%	82.9%
12/31/2023	96.2%	94.2%	82.1%
12/31/2022	91.9%	91.8%	83.3%
12/31/2021	97.2%	82.9%	75.9%

18. Semiannual Resident Meetings

Pisgah Valley Retirement Community holds meetings with residents twice each year, as required by law.

Fiscal Year 2025 Meeting Dates

- November 20, 2025
- May 22, 2025

Since Pisgah Valley Retirement Community does not have a board, the North Carolina Department of Insurance has granted the provider a waiver from the legal requirement that a member of the provider’s board be present at each meeting. This approval is contingent upon continued compliance with the following conditions:

1. Independence Expectations

The designated representative must continue to satisfy the independence expectations and functional independence standards applicable to designated representatives under the Department’s interpretive framework. Any change in financial interests, compensation structure, or organizational role that could affect independence or the ability to function in an independent capacity must be reported to the Department promptly, along with a proposed alternative representative.

2. Implementation of Safeguards

The Provider must ensure consistent in-person attendance by the designated representative at each required semiannual resident meeting, timely communication of resident concerns to the governing body, and adherence to all established meeting procedures.

3. Documentation Requirements

The Provider must maintain complete documentation of all resident concerns raised during required semiannual meetings and ensure these concerns are transmitted to the governing body. All records must be made available to the Department upon request.

4. Disclosure Obligations

The waiver and the approved alternative participation arrangement must be disclosed in Section 18 of the Provider’s Disclosure Statement and included in all updated and future Disclosure Statements.

5. Resident Association Engagement

The purpose of the waiver and the associated participation arrangement must be communicated to the resident association. The resident association must be given the opportunity to provide input. Documentation of this communication, including a summary of input received and the outcome, must be provided to the Department as verification of compliance. This communication shall occur on or before the first semiannual resident meeting of 2026.

6. Ongoing Compliance

All representations made in the waiver request must remain accurate for the duration of the waiver. Any material change in governance structure, operational oversight, meeting procedures, or other relevant factors must be reported promptly to the Department. The waiver will remain in effect unless modified or revoked by the Commissioner under Article 64A.

7. Role Limitation

The designated representative must maintain a role distinct from management's presentation of financial or operational performance during required resident meetings and shall not serve as the primary individual responsible for presenting, explaining, or defending management decisions, or otherwise acting in a management capacity while carrying out designated representative duties.

8. Verification of Independence and Qualifications

The Department may request, at any time, information or documentation necessary to evaluate the independence, role, and qualifications of the designated representative and the Provider's compliance with the conditions of this waiver.

19. Resident Property Rights

Residents do not hold ownership or property rights in the real estate of Pisgah Valley Retirement Community. Residency and access to services are governed solely by the continuing care contract.

20. Services Provided Under the Contract

Pisgah Valley Retirement Center, LLC and Pisgah Valley Retirement Center Properties, LLC offers services under continuing care contracts at Pisgah Valley Retirement Community. The following disclosures describe the services included in each contract type, as well as those available for additional charge.

20.1 Healthcare Services

Residents of Pisgah Valley Retirement Community have access to assisted living and skilled nursing on campus. Health services include 24-hour nursing, medication management, rehabilitative therapies, and coordination with residents' personal physicians.

20.2 Continuing Care Retirement Community (CCRC) Contracts

Residents living on the Pisgah Valley Retirement Center, LLC and Pisgah Valley Retirement Center Properties, LLC 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

- Three daily meals in assisted living and skilled nursing
- Weekly housekeeping in Independent Living, daily housekeeping and linen in assisted living and skilled nursing
- Scheduled local transportation
- Basic utilities, including electricity, water, heating, air conditioning, and basic cable
- Use of community amenities (wellness center, library, gardens, walking trails)
- Social, cultural, and recreational programming
- Care coordination for transitions between levels of care

20.2.2 Services Available at an Additional Charge

- Independent Living resident meals and guest meals
- Additional housekeeping or laundry services beyond standard schedule
- Expanded television, internet, and telephone packages
- Salon and barber services
- Special transportation outside scheduled routes

20.3 Continuing Care at Home (CCaH) Contracts

Not applicable. Pisgah Valley Retirement Community does not have a continuing care at home program.

20.4 Delivery of Care

Core residential, assisted living, and skilled nursing, physical therapy, occupational therapy and speech therapy services are provided directly by Pisgah Valley Retirement Community.

21. Resident Fees

Nonancillary fees at Pisgah Valley Retirement Community consist of required, ongoing fees such as entrance fees, monthly service fees, and transfer fees. The following tables show Pisgah Valley Retirement Community'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, transfer fees, and resale fees are also included.

21.1 CCRC Contracts

Unit Type	Single Occupant	Double Occupant
Independent Living - Patio Homes	\$2,426	\$3,069
Assisted Living	\$6,760	N/A
Skilled Nursing	\$10,533	N/A

Monthly fees are reviewed annually and may be adjusted to reflect changes in operating costs, staffing, health care expenses, and capital needs. Adjustments are subject to management approval, with no contractual cap on increases.

21.2 Historical Increases in Monthly Fees (CCRC Contracts)

Fiscal Year-End	Average % Increase	Average \$ Increase	Frequency
12/31/2025	8.0%	\$213	Annual
12/31/2024	10.9%	\$175	Annual
12/31/2023	8.7%	\$154	Annual
12/31/2022	5.0%	\$145	Annual
12/31/2021	4.0%	\$84	Annual

21.3 Current Entrance Fees (CCRC Contracts)

	Entrance Fee (Refund Option)	
<u>Patio Homes</u>	<u>0%</u>	<u>90%</u>
Independent Living - Two Bedroom	\$269,185	\$416,470
Independent Living - Two Bedroom w/ Den	\$282,690	\$436,645
Independent Living - Two Bedroom w/ Sunroom	\$301,240	\$467,080
Independent Living - Two Bedroom w/ Den + Sunroom	\$314,915	\$487,425

21.4 Historical Increases in Entrance Fees (CCRC Contracts)

Fiscal Year-End	Average % Increase 0%	Average \$ Increase 0%	Average % Increase 90%	Average \$ Increase 90%	Frequency
12/31/2025	12.00%	\$28,650	12.00%	\$44,338	Annual
12/31/2024	6.92%	\$15,446	5.50%	\$19,262	Annual
12/31/2023	8.54%	\$17,573	10.00%	\$31,839	Annual
12/31/2022	5.00%	\$9,797	5.00%	\$15,161	Annual
12/31/2021	4.00%	\$7,536	4.00%	\$11,662	Annual

21.5 Household Composition Changes

The Resident(s) named in the Residency and Care Agreement and no other person shall reside in or occupy the Apartment during the term of the Residency and Care Agreement, except with the express prior written approval of the Company. If a second occupant who is not a party to the Residency and Care Agreement is accepted for residency in the CCRC after the date of the Residency and Care Agreement, such acceptance shall be subject to the approval of the Company and adherence to policies then governing all other admissions and such second resident shall enter into a Residence and Care Agreement. If the second occupant does not meet the requirements for residency, or does not execute a Residency and Care Agreement, he or she shall not be permitted to occupy the Apartment.

If two residents of the Community under separate Residency and Care Agreements wish to occupy one apartment, the residents may occupy either apartment and shall surrender the apartment the residents will not occupy. If the Apartment in the Residency and Care Agreement is surrendered, the Residency and Care Agreement will terminate and a refund of the Entrance Fee will be paid to the Resident. If the Apartment in the Residency and Care Agreement is occupied, the Residency and Care Agreement will terminate, the residents will execute a new Residency and Care Agreement and the Entrance Fee paid under the original Residency and Care Agreement will be applied to the Entrance Fee under the new Residency and Care Agreement.

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

21.6 Transfer Fees

Should the Resident desire to transfer to another Apartment, the Resident must notify the Company in writing. Following receipt of this request, and subject to availability, the Company may grant the Resident an option to move to the next available Apartment of the size requested. Upon transfer to a new residence, the Monthly Service Fee for the month in which the move takes place shall be prorated to reflect the percentage of the month that the Resident spends in each type of residence. If the Entrance Fee the Resident paid for the original Apartment is less than the current Entrance Fee for the subsequent apartment, the Resident will pay an amount equal to the difference between the Entrance Fee of the original Apartment and the current Entrance Fee of the subsequent apartment. If the Entrance Fee paid by the Resident for the original Apartment is greater than the current Entrance Fee for the subsequent apartment, the Resident will not be entitled to a refund as a result of the difference between such Entrance Fees. With all transfers, there will be an up-fitting charge for the vacated residence based on the current rate established by the CCRC at the time of the transfer. The Resident will move all furnishings and belongings to the new residence within ten (10) days of the established occupancy date for the new residence. Any moving expense will be the responsibility of the Resident.

22. Refundable Entrance Fee Obligations

22.1 Conditions for Refunds

1. **Priority Deposit.** The Priority Deposit is fully refundable should the Resident choose not to proceed with the reservation process and not enter into the Residency and Care Agreement for any reason. The Priority Deposit will be fully applied toward the Entrance Fee should the Resident proceed with the reservation process and enter into the Residency and Care Agreement.
2. **Rescission Period.** If the Resident cancels during the Rescission Period (as defined in the Residency and Care Agreement), the Priority Deposit or Entrance Fee Monthly Service Fee (and any other fees paid by Resident) in accordance with this Residency and Care Agreement will be refunded to the Resident, without interest, less a service charge of One

Thousand Dollars (\$1,000.00) and less any charges specifically incurred by the Company at Resident's request and set forth in Exhibit C of the Residency and Care Agreement or in writing in a separate addendum to the Residency and Care Agreement, signed by the Resident and the Company. Any refund shall be paid within thirty (30) days after the Company's receipt of the Resident's written notice of rescission.

3. Permanent Transfers to the Healthcare Center. Upon termination of the Residency and Care Agreement, the Resident may draw against the refundable portion of the Entrance Fee, provided a new resident of the Apartment has paid an Entrance Fee, to supplement payment of charges in the Healthcare Center if the Resident's other assets from all available sources are insufficient to cover the charges in the Healthcare Center. The Company will require the Resident to demonstrate the unavailability of other resources to cover costs in the Healthcare Center.

4. Withdrawal from the Community. Upon termination of this Agreement, the refund due shall be the Entrance Fee paid multiplied by the percentage based on the declining balance table below (i.e., the refundable amount) less: (i) any amount due to the Company for monthly care or other unpaid services when this Agreement terminates, (ii) any costs we pay to restore the Apartment to its original condition (normal wear and tear and any fire or other casualty loss excepted), and (iii) any costs the Company pays to remove, store or dispose of personal property left in the Apartment. Any refundable amount shall be paid to the Resident who withdraws from Community only when the Apartment is reserved by a new resident and thirty (30) days after the Company collects the full Entrance Fee from the new resident or 24 months after termination of this Agreement (whichever occurs first). Any refund due shall be paid to the estate of the deceased Resident.

The portion of the Entrance Fee that is refundable to the Resident will decline over time, based on the amount of time that has elapsed since the Occupancy Date and the type of contract, as follows:

	% Refundable	
Month of Occupancy*	0%	90%
1st	90%	90%
2nd	90%	90%
3rd	90%	90%
4th	90%	90%
5th	90%	90%
6th	85%	90%
7th	80%	90%
8th	75%	90%
9th	70%	90%
10th	65%	90%
11th	60%	90%
12th	55%	90%
13th	50%	90%
14th	45%	90%
15th	40%	90%
16th	35%	90%
17th	30%	90%
18th	25%	90%
19th	20%	90%
20th	15%	90%
21st	10%	90%
22nd	5%	90%
23rd and beyond	0%	90%

*The percentages in the table do not apply during the rescission period as described above.

22.2 Refund Obligations as of December 31, 2025

Category	Number of Contracts	Aggregate Amount
Refunds due once all contractual conditions are met	71	\$11,513,823
Refunds currently due (including amounts 30+ days past due)	0	\$0
Resident now in non-independent living unit – unit not resold	0	\$0
Resident now in non-independent living unit – unit resold	0	\$0

23. Financial Hardship Policies

Not Applicable / Pisgah Valley Retirement Community does not have a formal policy regarding financial hardships.

24. Contract Cancellation and Refund Policies

24.1 Provider-Initiated Cancellation

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

Termination by the Company after the Occupancy Date. The Company may terminate the Residency and Care Agreement upon thirty (30) days' written notice to the Resident in the event of the following:

The Resident fails to make payments to the Company of any amounts when due and such failure is not cured within fifteen (15) days after notice is given to the Resident;

The Resident fails to comply with any term of the Residency and Care Agreement not involving the payment of money or any provisions of the Rules and Regulations and the

Resident fails to cure such non-compliance within seven (7) days after written notice from the Company; or

The Resident, the Resident's authorized representative makes a material misrepresentation or omission in the information provided to the Company for its consideration of the Resident for residency in the CCRC.

Immediate Termination. If the Company determines in its sole and absolute discretion that a Resident's behavior interferes with or threatens to interfere with the safety of the Resident or the quiet enjoyment or safety of other Residents, visitors and/or staff of the CCRC, or if the Resident's behavior is a detriment to other residents, visitors, and/or staff of the CCRC, the Company may immediately terminate the Residency and Care Agreement and the Resident shall promptly vacate the Apartment. In such event, the Resident shall pay the Company through the date of termination and shall continue to be liable for the Monthly Service Fee until all of the Resident's personal belongings are removed from the Apartment.

Effect of Termination by the Company after the Occupancy Date. In the event the Company terminates the Residency and Care Agreement after the Occupancy Date pursuant to the applicable subsections of the Residency and Care Agreement, the Resident shall promptly vacate the Apartment, but shall pay the Company for all Optional Services rendered by the Company through the date of termination and shall continue to be liable for the Monthly Service Fee until the date that all of the Resident's personal belongings are removed from the Apartment.

24.2 Resident-Initiated Cancellation

Termination by Resident. Upon the termination of the Residency and Care Agreement, the Resident shall have no further rights to reside in the CCRC. The Residency and Care Agreement may be terminated or cancelled by the Resident under the following terms and conditions:

Rescission During First Thirty (30) Days. The Resident may terminate the Residency and Care Agreement for any reason within thirty (30) days following the later of the execution of the Residency and Care Agreement or receipt by the Resident of the Disclosure Statement (the "Rescission Period"), and the Resident is not required to move into the facility before expiration of the Rescission Period. The Resident's termination of the Residency and Care Agreement during the Rescission Period is without penalty, and all payments made by the Resident before such rescission, less a service charge of One Thousand Dollars (\$1,000.00)

and less any charges specifically incurred by the Company at Resident's request and set forth in Exhibit C of the Residency and Care Agreement or in writing in a separate addendum to the Agreement, signed by the Resident and the Company. Any refund shall be paid within thirty (30) days after the Company receives written notice of the Resident's election to terminate the Residency and Care Agreement.

Termination After Rescission Period but Prior to the Occupancy Date. For Residents electing to reside in an Apartment, the Resident may terminate the Residency and Care Agreement for any reason after the Rescission Period but prior the Occupancy Date upon prior written notice to the Company. In the event of such termination, the Resident shall be entitled to a refund of all monies paid to the Company, except, as the case may be, any costs or other charges that the Resident and the Company agree in advance are nonrefundable.

General Termination Right. The Resident may terminate the Residency and Care Agreement at any time for any reason by giving the Company thirty (30) days' written notice signed by the Resident (or both of them if there are two Residents). In the event of such termination by a Resident for reasons other than those permitted in the Residency and Care Agreement, the Resident shall pay the Company for all Optional Services rendered by the Company to the Resident through the date of termination and shall continue to be liable for the Monthly Service Fee until the date that all of the Resident's personal belongings are removed from the Apartment. In addition, the Resident shall be responsible for payment of liquidated damage of one month's rental charge, calculated at the existing market rate.

24.3 Refunds Upon Cancellation

Refundable entrance fees are returned in accordance with Section 22, 24.1 and 24.2 – Refundable Entrance Fee Obligations.

Nonrefundable portions of entrance fees are retained by Pisgah Valley Retirement Community

24.4 Refunds Upon Death or Serious Illness

Termination by Death or Serious Illness Prior to the Occupancy Date. If prior to the Occupancy Date the Resident dies or is precluded from living in the CCRC under the terms of the Residency and Care Agreement as a result of serious illness, injury, non-qualification or incapacity, the Residency and Care Agreement will automatically terminate. In the event the Residency and Care Agreement is terminated provided for in the Residency and Care Agreement, the Resident or the Resident's estate shall be entitled to a refund of any amounts paid to the Company, except, as the case may be, a service charge of One-Thousand Dollars (\$1,000.00) and for costs or other charges that the Resident and the Company agree in advance are non-refundable. Such refund shall be paid by the Company within thirty (30)

days after the Residency and Care Agreement is terminated pursuant to the applicable subsection of the Residency and Care Agreement. The foregoing notwithstanding, if there is more than one Resident, the Residency and Care Agreement will continue to be binding on the surviving or eligible Resident unless and until the Residency and Care Agreement is terminated as to or by the surviving Resident as provided for in the Residency and Care Agreement.

Termination by Death or Serious Illness After the Occupancy Date. If the Resident dies after the Occupancy Date or the Resident is precluded from living in the CCRC under the terms of the Residency and Care Agreement as a result of serious illness, injury, or incapacity and the serious illness, injury or incapacity that is not otherwise addressed by the provision of the Residency and Care Agreement, the Residency and Care Agreement shall terminate. In the event, the Resident or the estate of the Resident shall pay for any Optional Services rendered to the Resident through the date of termination and shall continue to be liable for the Monthly Service Fee until the later of the date that all of the Resident's personal belongings are removed from the Apartment and the Apartment can be made ready for re-occupancy. The foregoing notwithstanding, if there is more than one Resident, the Residency and Care Agreement will continue to be binding on the surviving or eligible Resident until the Residency and Care Agreement is terminated as to or by the surviving Resident as provided for in the Residency and Care Agreement.

Death or Transfer of One Resident. If one of the Residents named in the Residency and Care Agreement dies, moves out or is permanently transferred to the Healthcare Center or any other nursing center, the remaining Resident will continue to be bound by the terms of the Residency and Care Agreement except that the Monthly Service Fee will be reduced to the single occupancy rate then in effect.

25. Re-occupancy of Units

A living unit at Pisgah Valley Retirement Center, LLC and Pisgah Valley Retirement Center Properties, LLC may be reassigned to a new resident under the following circumstances:

25.1 Resident-Initiated Vacating

Voluntary termination: When a resident cancels their continuing care contract and permanently vacates the living unit.

Transfer to a higher level of care: When a resident moves from independent living to assisted living or skilled nursing, and the contract permits the original living unit to be reassigned.

25.2 Provider-Initiated Vacating

Contract termination by provider: When a contract is terminated by the provider under the circumstances described in Section 24 – Contract Cancellation and Refund Policies.

Persistent nonpayment: When a resident fails to meet contractual payment obligations and the provider declares the contract terminated.

25.3 Temporary Absences

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

25.4 Refunds

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

26. Resident Relocation

Residents of Pisgah Valley Retirement Community 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

Transfers. Should the Resident desire to transfer to another Apartment, the Resident must notify the Company in writing. Following receipt of this request, and subject to availability, the Company may grant the Resident an option to move to the next available Apartment of the size requested. Upon transfer to a new residence, the Monthly Service Fee for the month in which the move takes place shall be prorated to reflect the percentage of the month that the Resident spends in each type of residence. If the Entrance Fee the Resident paid for the original Apartment is less than the current Entrance Fee for the subsequent apartment, the Resident will pay an amount equal to the difference between the Entrance Fee of the original Apartment and the current Entrance Fee of the subsequent apartment. If the Entrance Fee paid by the Resident for the original Apartment is greater than the current Entrance Fee for the subsequent apartment, the Resident will not be entitled to a refund as a result of the difference between such Entrance Fees. With all transfers, there will be an up-fitting charge for the vacated residence based on the current rate established by the CCRC at the time of the transfer. The Resident will move all furnishings and belongings to the new residence within ten (10) days of the established occupancy date for the new residence. Any moving expense will be the responsibility of the Resident.

Pisgah Valley will have accommodations, equipment, staffing, programs, services and supervision necessary for assisted living services at Pisgah Villa and licensed nursing care at Pisgah Manor (collectively, the "Health Care Residences"). The Health Care Residences and services are available to you either temporarily or permanently on a space available basis, if needed, as determined by Management. Charges will be in accordance with Paragraph V.H.. Residents of Pisgah Valley have priority access to all Health Care Residences and services before non-residents.

In the event that space for you, for any reason, is not available in a Health Care Residence upon determination that a permanent transfer is required, Pisgah Valley will arrange and pay for your care in your Residence or in another facility of Pisgah Valley's choice as deemed appropriate by Pisgah Valley and your medical services provider, if reasonably possible, until space becomes available in a Health Care Residence. Pisgah Valley will pay for care in another facility to the same extent as if the care were provided by Pisgah Valley. The Resident will pay monthly or daily service fees to Pisgah Valley as if the Resident were a Pisgah Valley Health Care Residence. If the cost of care at the other facility is higher than at Pisgah Valley, Pisgah Valley will pay the difference.

Permanent Transfers to the Healthcare Center. Upon termination of the Residency and Care Agreement, the Resident may draw against the refundable portion of the Entrance Fee, provided a new resident of the Apartment has paid an Entrance Fee, to supplement payment of charges in the Healthcare Center if the Resident's other assets from all available sources are insufficient to cover the charges in the Healthcare Center. The Company will require the Resident to demonstrate the unavailability of other resources to cover costs in the Healthcare Center.

26.2 Provider Needs

If Management reasonably determines that your Residence needs to be vacated to permit repairs or renovations thereto, or needs to be modified or reconfigured to accommodate a new or different use of the Residence, or as a result of any other circumstances reasonably determined Management to justify such transfer, Pisgah Valley may move you to a new Residence of a similar size provided that Pisgah Valley (i) advises you prior to undertaking any such move, (ii) gives you reasonable notice of and time to prepare for such move, (iii) incurs all the costs of such move, (iv) arranges for the prompt and convenient moving of your personal furnishings, and (v) either provides in such new residence optional custom improvements comparable to those provided in your original Residence or, at your option, reimburses you for the value of such improvements.

26.3 Process

Relocation decisions are made in consultation with the resident, the resident's family (if applicable), and appropriate health professionals.

The provider makes reasonable efforts to relocate the resident to a comparable living unit within the community, meaning one of similar size, type, and monthly fee level whenever possible.

If relocation is required for renovation or construction purposes, the provider will inform the resident in advance and clarify whether the move is temporary or permanent.

26.4 Financial Obligations

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

27. Admission and Continuation Standards

27.1 Admission Requirements

Admission to Pisgah Valley Retirement Community is subject to both health and financial screening at the time of application.

27.1.1 CCRC Contracts (Campus-Based)

Prior to taking occupancy of a selected Independent Living Unit, the Resident shall execute the Residency and Care Agreement. The terms of the Residency and Care Agreement require the Company accepts persons at least 62 years of age at the time of occupancy, who demonstrate the ability to live independently and meet the financial obligations as a Resident. A reservation requires a signed Residency and Care Agreement and a 10 percent Entrance Fee deposit. Upon occupancy, Residents are expected to pay the remaining Entrance Fee and an ongoing Monthly Fee.

27.1.1 CCaH Contracts (Continuing Care at Home)

Not applicable. Pisgah Valley Retirement Community does not have a continuing care at home program.

27.2 Continuation Requirements

Terms of Residency – The term of the Residency and Care Agreement shall be from the date of execution of the Residency and Care Agreement until termination in accordance with Section 8 of the Residency and Care Agreement (the “Term”).

27.3 Changes in Condition Before Occupancy or Commencement of Services

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

Termination by the Resident After Occupancy – The Resident may terminate the Residency and Care Agreement after moving into the Community by giving 30 days’ prior written notice of termination, which shall be effective and irrevocable upon delivery. The amount of refund due shall be determined according to the applicable Entrance Fee amortization schedule described below. After occupancy, all monies due to be refunded to the Resident are paid within 30 days after Management collects the full amount of a new Entrance Fee for the Independent Living Unit from a new Resident or 24 months after termination, whichever comes first.

28. Age and Insurance Requirements

28.1 Age Requirements

The terms of the Residency and Care Agreement require the Company accepts persons at least sixty-two (62) years of age or older. If resident is a couple, at least one member of the couple must be sixty-two (62) years of age at the time of Occupancy.

28.2 Insurance Requirements

Prior to the Occupancy Date, each Resident shall provide evidence of health insurance coverage to the Company at a level reasonably satisfactory to the Company.

28.3 Special Conditions

See 28.1 for exception to the minimum age requirement of at least sixty-two (62) years of age for couples.

29. Reserve Funding and Refund Security

29.1 Cash and Investments

As of December 31, 2025, Pisgah Valley Retirement Center, LLC and Pisgah Valley Retirement Center Properties, LLC held \$9,634,971 in unrestricted cash and investments.

At year-end, unrestricted cash and investments supported a Days Cash on Hand of 215 days, representing approximately seven months of projected operating expenses without new revenues.

29.2 Investment Management and Oversight

Oversight Body: Finance Department.

Day-to-Day Management: Chief Financial Officer (CFO) and Chief Accounting Officer (CAO).

Experience: CFO has over 18 years and Chief Accounting Officer has over 25 years of financial oversight and investment policy.

Policy and Controls: Investments are managed under a CFO and CAO guidelines emphasizing liquidity and capital preservation. Permitted holdings include cash, cash equivalents, U.S. Treasury/agency securities, investment-grade bonds.

29.3 Statutory Operating Reserve Requirement

As of December 31, 2025, Pisgah Valley Retirement Community's 12-month rolling average independent living unit occupancy was 98.3%. Based on this level of occupancy, the required statutory operating reserve was 12.5% 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	\$19,568,000
Add: Debt service (principal and interest)	\$2,083,896
Less: Principal and interest (covered by Debt Service Reserve Fund)	\$-
Less: Depreciation and amortization	\$(975,000)

Component	Amount
Net projected operating costs	\$20,676,896
Applicable reserve percentage based on occupancy	12.5%
Required operating reserve	\$2,584,612
Unrestricted cash & investments on hand	\$10,472,319
Excess above required reserve	\$7,887,707

Summary: The required statutory operating reserve is \$2.58 million. Pisgah Valley Retirement Community held \$10.4 million in unrestricted cash and investments, providing an excess cushion of \$7.9 million above the statutory minimum. The community will fund the full amount of the required operating reserve with an irrevocable letter of credit in the amount of \$2,584,612 to be payable to the North Carolina Department of Insurance.

29.4 Refund Security (Entrance Fee Refunds)

Entrance fee refund obligations are supported by unrestricted liquidity. Unrestricted liquidity above the statutory operating reserve is calculated as \$7.9 million.

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

Pisgah Valley Retirement Community 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	\$10,472,319	All liquid balances (cash and investments)
Less: Required operating reserve	(\$2,584,612)	Must be maintained; release requires regulatory approval
Excess unrestricted cash and investments above operating reserve and board designated refund reserve	\$7,887,707	Available for operations and refund needs (outside of designated reserves)

30. Expansion and Renovation Plans

Pisgah Valley Retirement Community plans to increase its licensed skilled nursing capacity from 118 (one hundred eighteen) to 168 (one hundred sixty-eight) beds as part of a renovation project within the existing facility footprint. In conjunction with this project, 42 (forty-two) beds will be designated as Special Care Unit beds to serve residents requiring memory care.

31. Audit Opinion and Timeliness

The consolidated financial statements of Pisgah Valley Retirement Center, LLC and Pisgah Valley Retirement Center Properties, LLC, for the fiscal year ended December 31, 2025, were audited by Cherry Bekaert, LLP (Charlotte, NC).

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

32. Audited Financial Statements

Because the financial statements are presented on a consolidated basis, supplemental consolidating schedules provide provider-level detail for Pisgah Valley Retirement Center, LLC and Pisgah Valley Retirement Center Properties, LLC.

The audited consolidated financial statements of Pisgah Valley Retirement Center, LLC and Pisgah Valley Retirement Center Properties, LLC, 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 Pisgah Valley Retirement Center, LLC and Pisgah Valley Retirement Center Properties, LLC for the period 2026 through 2030 are attached hereto as Appendix B. These statements were prepared and compiled by Forvis-Mazars LLP (Atlanta, GA) and include a summary of significant assumptions and accounting policies.

Because the prospective financial statements are presented on a consolidated basis, supplemental consolidating schedules provide prospective operating results for Pisgah Valley Retirement Community on a stand-alone basis.

34. Variances from Prospective Financial Statements

For the fiscal year ended December 31, 2025, management reviewed the results of operations for Pisgah Valley Retirement Center, LLC and Pisgah Valley Retirement Center Properties, LLC 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:

Category	Projected Amount	Actual Amount	Variance	Explanation
Cash Balance	\$3,000,000	\$8,419,000	180.63%	Amounts due from related parties \$5.6M less than expected due to less cash being used by related parties than anticipated.
Notes Receivable - Owners	\$2,539,000	\$3,633,000	43.09%	12/31/24 balance was \$3.5M. An additional \$100K was paid to owners in 2025.
Property and Equipment, Net of Depreciation	\$18,341,000	\$19,706,000	7.44%	\$1.5M in building improvements for 26 residences
Due From Related Parties	\$26,472,000	\$20,857,000	-21.21%	The forecast contemplated an upward trend in cash usage by related parties. This was much less than anticipated.
Accounts Payable - Related Parties	\$7,196,000	\$8,972,000	24.68%	The forecast contemplated a \$900K paydown of intercompany payables. This was an increase, mostly due to management fees in transit.

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 – Provider Only

Ratio	FY-2 2023	FY-2 2024	FY 2025	FY+1 2026	FY+2 2027	FY+3 2028
DCOH	24	257	215	157	152	148
CUSH	0.80	5.03	4.62	3.84	3.84	3.84

Narrative – Provider Only:

Liquidity declined modestly from 2024 to FY 2025 because of reinvestment in campus renovations and temporary use of cash for refund payments.

A gradual flattening of the liquidity is projected from FY 2026 through FY 2028.

35.2 Profitability Ratios

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

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

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

Table 35.2: Profitability Ratios – Provider Only

Ratio	FY-2 2023	FY-2 2024	FY 2025	FY+1 2026	FY+2 2027	FY+3 2028
OR	85%	87%	85%	86%	80%	79%
NOM	16.68%	18.05%	20.15%	17.52%	23.74%	24.23%
NOM-A	19.09%	19.77%	21.21%	19.51%	25.66%	26.23%

Margins strengthened from 2024 through 2025 as census remained steady, expenses related to turnover declined and agency staffing was reduced.

Management projects continued modest improvement through FY 2028 as operating efficiencies continue to evolve. The community also anticipates the elimination of agency staffing in mid-2026.

35.3 Capital Structure Ratios

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

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

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

Table 35.3: Capital Structure Ratios – Provider Only

Ratio	FY-2 2023	FY-2 2024	FY 2025	FY+1 2026	FY+2 2027	FY+3 2028
DSCR	2.58	1.68	2.13	2.03	2.90	3.06
CD	0.05	0.37	0.35	0.30	0.31	0.32
CED	1.10	1.87	2.45	2.18	2.96	2.42

The provider maintains healthy DSCR. The CD will continue to improve as the long-term debt amortizes.

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

35.4 Overall Summary

The provider demonstrates sound liquidity, improving profitability, and conservative leverage. Provider-level liquidity dipped during recent reinvestment cycles but remains comfortably above the required statutory level. Additionally, the provider has a standby letter of credit payable to the North Carolina Department of Insurance in the amount of the required statutory operating reserve level. Projected performance indicates stable or modestly improving results through FY 2029, with sufficient capacity to fund operations, service debt, and support ongoing capital renewal.

36. Actuarial Opinion and Balance

Not Applicable / Not Disclosed in the Pisgah source disclosure statement.

37. Most Recent Department Examination Report

The North Carolina Department of Insurance has not conducted an examination of Pisgah Valley Retirement Center, LLC and Pisgah Valley Retirement Center Properties, LLC 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 Pisgah Valley Retirement Center, LLC and Pisgah Valley Retirement Center Properties, LLC. Other than the disclosures provided in prior sections of this Disclosure Statement, management has determined that no additional material information requires disclosure at this time.

39. Contract Forms and Attachments

39.1 Continuing Care Contracts

Pisgah Valley Retirement Center, LLC and Pisgah Valley Retirement Center Properties, LLC offers two forms of continuing care contracts, which differ primarily in their entrance fee refund provisions.

- 90% Refundable Contract – Residents pay a higher entrance fee, and 90% of the fee (less applicable deductions) is refundable after the unit is resold.
- 0% Refundable Contract – Residents pay a moderate entrance fee, and 0% of the fee (less applicable deductions) is refundable after the unit is resold, provided the entrance fee has been fully amortized.

All other terms and conditions of the independent living contracts are substantially similar. A representative form of these contracts is included in Appendix D.

39.2 Continuing Care at Home (CCaH) Contracts

Not applicable. Pisgah Valley Retirement Community does not offer a continuing care at home program.

Appendix Index

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

Appendix A — Audited Financial Statements	37
Appendix B — Five-Year Prospective Financial Statements	38
Appendix C — Statement of Actuarial Opinion	39
Appendix D — Representative Contract(s)	40
Appendix E — Examination Report	41
Appendix F — Statutory Ratio and Supporting Definitions	42

Appendix A — Audited Financial Statements

PISGAH VALLEY

COMBINED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

As of and for the Year Ended December 31, 2025

And Report of Independent Auditor

PISGAH VALLEY
TABLE OF CONTENTS

REPORT OF INDEPENDENT AUDITOR..... 1-2

COMBINED FINANCIAL STATEMENTS

Combined Balance Sheet3
Combined Statement of Operations and Changes in Members' Equity4
Combined Statement of Cash Flows5
Notes to the Combined Financial Statements 6-16

SUPPLEMENTARY INFORMATION

Combining Balance Sheet 17-18
Combining Statement of Operations and Changes in Members' Equity 19
Combining Statement of Cash Flows..... 20-21

Report of Independent Auditor

To the Members
Pisgah Valley
Wilmington, North Carolina

Opinion

We have audited the accompanying combined financial statements of Pisgah Valley (the “Company”), a group of entities under common control, which comprise the combined balance sheet as of December 31, 2025, and the related combined statements of operations and changes in members’ equity and cash flows for the year then ended, and the related notes to the combined financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2025, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Combined Financial Statements

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

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

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

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

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

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

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

Supplementary Information

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

Cherry Bekaert LLP

Charlotte, North Carolina
April 30, 2026

PISGAH VALLEY
COMBINED BALANCE SHEET

DECEMBER 31, 2025

ASSETS

Current Assets:

Cash and cash equivalents	\$ 8,419,070
Restricted cash	21,707
Investments	1,215,901
Resident accounts receivable, net	1,344,220
Accounts receivable - other	559,254
Inventories	54,917
Prepaid expenses	238,751
Notes receivable - owners	3,632,968
Total Current Assets	<u>15,486,788</u>

Property and Equipment, Net	<u>19,705,584</u>
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Noncurrent Assets:

Intangible asset	2,915,451
Accounts receivable - related parties	20,857,249
Other assets	71,229
Total Noncurrent Assets	<u>23,843,929</u>

Total Assets	<u><u>\$ 59,036,301</u></u>
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LIABILITIES AND MEMBERS' EQUITY

Current Liabilities:

Accrued expenses and other payables	\$ 1,495,499
Current portion of resident refunds	1,134,582
Current portion of deferred revenue	214,497
Current portion of long-term debt	869,831
Total Current Liabilities	<u>3,714,409</u>

Noncurrent Liabilities:

Accounts payable - related parties	8,972,181
Resident refunds, net of current portion	10,520,421
Deferred revenue, net of current portion	4,421,086
Long-term debt, net of current portion	27,319,174
Total Noncurrent Liabilities	<u>51,232,862</u>

Total Liabilities	54,947,271
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Members' Equity	<u>4,089,030</u>
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Total Liabilities and Members' Equity	<u><u>\$ 59,036,301</u></u>
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The accompanying notes to the combined financial statements are an integral part of these statements.

PISGAH VALLEY**COMBINED STATEMENT OF OPERATIONS AND CHANGES IN MEMBERS' EQUITY**

YEAR ENDED DECEMBER 31, 2025

Revenue:	
Resident revenue - independent living	\$ 2,109,710
Resident revenue - assisted living	1,681,492
Resident revenue - skilled nursing	14,792,565
Rent revenue	4,200
Other revenue	273,879
Entrance fee revenue	520,898
Total Revenue	<u>19,382,744</u>
Expenses:	
Resident services - independent living	236,602
Resident services - assisted living	702,817
Resident services - skilled nursing	7,176,370
Dietary	1,302,673
Laundry	263,231
Housekeeping	569,089
Plant operations	1,756,839
Physical plant	186,728
General and administrative	1,696,850
Management fees	1,087,888
Interest	1,287,459
Depreciation and amortization	958,413
Other expense	64,938
Total Expenses	<u>17,289,897</u>
Net income	2,092,847
Members' equity, beginning of year	<u>1,996,183</u>
Members' equity, end of year	<u>\$ 4,089,030</u>

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

PISGAH VALLEY
COMBINED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2025

Cash flows from operating activities:	
Net income	\$ 2,092,847
Adjustments to reconcile net income to net cash flows from operating activities:	
Depreciation and amortization	958,413
Amortization of debt issuance costs	39,306
Amortization of entrance fees	(520,898)
Unrealized gain on investments, net	(44,539)
Changes in operating assets and liabilities:	
Resident accounts receivable, net	(513,485)
Accounts receivable - other	8,455
Inventories	(7,781)
Prepaid expenses	(160,196)
Accounts receivable - related parties	(1,385,672)
Other assets	3,457
Deferred revenue	(11,526)
Accrued expenses and other payables	(92,847)
Accrued interest on notes receivable - owners	(89,061)
Accounts payable - related parties	916,642
Net cash flows from operating activities	<u>1,193,115</u>
Cash flows from investing activities:	
Purchases of property and equipment	(2,350,832)
Purchases of investments	(71,819)
Proceeds from sale of investments	69,357
Net cash flows from investing activities	<u>(2,353,294)</u>
Cash flows from financing activities:	
Principal payments on long-term debt	(840,265)
Entrance fees received	1,123,384
Issuance of notes receivable - owners	(4,785)
Net cash flows from financing activities	<u>278,334</u>
Net change in cash, cash equivalents, and restricted cash	(881,845)
Cash, cash equivalents, and restricted cash beginning of year	9,322,622
Cash, cash equivalents, and restricted cash end of year	<u>\$ 8,440,777</u>
Supplemental disclosure of cash flow information:	
Cash paid during the year for interest	<u>\$ 1,248,153</u>
Reconciliation of cash and restricted cash to the combined balance sheet:	
Cash and cash equivalents per combined balance sheet	\$ 8,419,070
Restricted cash per combined balance sheet	21,707
	<u>\$ 8,440,777</u>

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

PISGAH VALLEY

NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2025

Note 1—Nature of operations

Nature of Operations – Pisgah Valley (the “Company”) is an economic entity comprised of three individual companies listed below. The Company provides senior living services in Candler, North Carolina. Services include providing and maintaining an independent living retirement community, assisted living services, skilled nursing care, and supporting services. The Company was acquired and began operations in February 2018.

Pisgah Valley Retirement Center Properties, LLC (“Pisgah Valley Properties”) is a North Carolina for-profit limited liability company formed for the purpose of developing and owning real property and the buildings of the Company. Pisgah Valley Properties, through acquisition, holds the certificate of need (“CON”) for 118 skilled nursing beds. The value of the CON is recorded as an intangible asset on Pisgah Valley Properties. Pisgah Valley Properties is owned by Liberty Real Properties VII, LLC, a North Carolina for-profit limited liability company.

Pisgah Valley Retirement Center, LLC (“Pisgah Valley Center”) is a North Carolina for-profit limited liability company formed for the purpose of leasing and operating independent living units, assisted living, and skilled nursing beds. Pisgah Valley is owned by Liberty Senior Living, LLC, a North Carolina for-profit limited liability company. Liberty Senior Living, LLC is owned by Liberty Healthcare Group, LLC, a North Carolina for-profit limited liability company.

Pisgah Valley Center and Pisgah Valley Properties collectively are co-providers of a continuing care retirement community (the “CCRC”) licensed by the state of North Carolina.

Pisgah Estates Unit Owners Association (the “Unit Owners Association”) is a North Carolina not-for-profit company formed in accordance with the North Carolina Condominium Act for the purpose of owning and managing the commonly owned property of the Company’s independent living units. The Unit Owners Association began operations in 1975 and was incorporated in September 2008. Pisgah Valley Properties has majority voting rights in the Unit Owners Association under the terms of a management agreement (the “Management Agreement”). Services are billed monthly, and the Management Agreement is renewable each calendar year. The Unit Owners Association’s revenue is generated exclusively through maintenance fees from independent living unit owners.

Note 2—Summary of significant accounting policies

Principles of Combination – The combined financial statements include the accounts of Pisgah Valley Center and Pisgah Valley Properties, both of which are owned and controlled by the members of the limited liability companies as well as the Unit Owners Association. All significant intercompany accounts and transactions have been eliminated, including right of use asset and right-of-use lease liability amounts. The combined financial statements do not and are not intended to represent the activity of a legal entity.

Basis of Accounting – The accompanying combined financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

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

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

PISGAH VALLEY
NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2025

Note 2—Summary of significant accounting policies (continued)

Cash and Cash Equivalents – Cash includes deposit accounts and investments purchased with an original maturity of three months or less. As of December 31, 2025, cash equivalents equaled \$7,703,456.

Restricted Cash – Restricted cash is comprised of patient trust funds.

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

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

Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets. Depreciation and amortization amounted to \$958,413 for the year ended December 31, 2025.

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

Buildings and improvements	5 to 40 years
Land improvements	5 to 15 years
Furniture and fixtures	5 to 20 years
Vehicles	10 years
Software	3 years
Leasehold improvements	Lesser of 40 years or the lease term
Equipment	3 to 20 years

Debt Issuance Costs – Financing costs associated with the notes payable have been deferred and are being amortized over the term of the related debt using the straight-line method, which approximates the effective interest method. Amortization of debt issuance costs is recognized as interest expense in the combined statement of operations and changes in members' equity. Unamortized debt issuance costs are included as a reduction related to debt liabilities.

Investments – Investments are comprised of fixed income securities. Unrealized and realized gains and losses related to investments are reported in other revenue.

Fair Value Measurements – The Company measures assets and liabilities required to be recorded at fair value in accordance with U.S. GAAP. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial assets and liabilities that are measured and reported at fair value on a recurring basis are classified into one of the following three categories:

Level 1 – Quoted market prices in active markets for identical assets or liabilities.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies, and similar techniques that use significant unobservable inputs.

PISGAH VALLEY
NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2025

Note 2—Summary of significant accounting policies (continued)

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Fixed income securities are public investment vehicles providing a return in the form of fixed periodic payments and eventual return of principal at maturity. The market value of the security is a quoted price for similar assets in an active market and classified within Level 2 of the valuation hierarchy. There were no Level 1 or Level 3 investments during 2025.

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

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

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

The Company collects a \$1,000 refundable deposit paid by prospective residents in order to be placed on a priority list for available patio homes. Once a prospective resident has been approved for admission and has selected an available patio home to occupy, the resident(s) signs a residence and services agreement (the “Residency Agreement”) and provides the CCRC with a deposit of 10% of the total entrance fees on the specific patio home, less this initial \$1,000 priority deposit.

The CCRC offers two entrance fee refund options – nonrefundable (“Nonrefundable Option”) or 90% refundable (“Refundable Option”). Partial refunds for the Nonrefundable Option are computed on a declining balance basis. Commencing on the date of occupancy, the refundable portion of the Nonrefundable Option is reduced to 90% for months one through five and five basis points for every month thereafter until month 23 when the refundable portion is reduced to zero. The refundable portion of the entrance fee will be refunded within 30 days from when the Residency Agreement is terminated and the full amount of a new entrance fee for the patio home has been collected from a new resident. Estimates of entrance fee refunds are computed annually based on historical annual refunds and reclassified to current liabilities in the accompanying combined balance sheet.

PISGAH VALLEY
NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2025

Note 2—Summary of significant accounting policies (continued)

Deferred Revenue from Entrance Fees – One hundred percent of the entrance fees paid under the Nonrefundable Option and 10% of the entrance fees paid under the Refundable Option by a resident upon entering into a Residency Agreement are nonrefundable after 24 months. In accordance with the Residency Agreement beginning with the date of occupancy, entrance fees that are expected to be nonrefundable to the resident are recorded as deferred revenue and are amortized into revenue using the straight-line method over the estimated remaining life expectancy of the resident. When a resident terminates their Residency Agreement, the amount of unamortized nonrefundable deferred revenue from entrance fees is recognized as revenue.

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

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

The Company receives revenue from independent living residents containing a lease component that would fall under the guidance of ASC 842, *Leases*. The amount of revenue recorded under this guidance was approximately \$2,110,000 and there would be no difference in how the revenue would be recognized under ASC 606 or ASC 842.

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

Contract Balances – Timing differences among revenue recognition may result in contract assets or liabilities. At December 31, 2025 contract liabilities on the accompanying combined balance sheet consisted of contractual refund obligations under existing contracts (that is if all residents with a refundable balance were to have withdrawn) and nonrefundable entrance fees totaling approximately \$11,655,000 and \$4,636,000, respectively. At December 31, 2024 contract liabilities on the accompanying combined balance sheet consisted of contractual refund obligations under existing contracts and nonrefundable entrance fees totaling approximately \$11,420,000 and \$4,279,000, respectively. There were no contract assets as of December 31, 2025. Contract terms related to entrance fees collected are described above.

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

PISGAH VALLEY
NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2025

Note 2—Summary of significant accounting policies (continued)

Changes in the allowance for credit losses related to patient accounts receivable for the year ended December 31, 2025 were as follows:

Balance, beginning of year	\$ 3,294
Change in provision	161,780
Write-offs, net of recoveries	(46,439)
Balance, end of year	<u>\$ 118,635</u>

Income Taxes – The Company, with the consent of its members, has elected under the Internal Revenue Code to be taxed essentially as a partnership. In lieu of corporate federal income taxes, the members of a limited liability company are taxed on their proportionate share of the Company's taxable income. Management has evaluated the effect of the guidance provided by U.S. GAAP on Accounting for Uncertainty in Income Taxes. Management has evaluated all other tax positions that could have a significant effect on the combined financial statements and determined the Company had no uncertain income tax positions at December 31, 2025.

The Unit Owners Association, as a homeowner's association, may be taxed either as a homeowner's association or as a regular corporation. For the year ended December 31, 2025, the Unit Owners Association was taxed as a homeowner's association. As a homeowner's association, membership income is exempt from taxation if certain elections are made, and the homeowners association is taxed only on its non-membership income, such as interest earnings, at regular federal and state corporate rates.

Intangible Asset – In accordance with U.S. GAAP, goodwill and intangible assets that have indefinite useful lives are not amortized but rather are tested at least annually for impairment. For the Company, this asset includes a CON. Intangible assets with indefinite useful lives are reviewed for impairment in accordance with ASC 350, *Intangibles – Goodwill and Other*, which requires the Company to evaluate the recoverability of long-lived assets annually and whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The Company continually evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of its CON may warrant revision or that the remaining carrying value may not be recoverable. As permitted by ASC 350, the Company will perform a qualitative assessment of impairment to determine whether the value of the CON was impaired. Based on the results of this qualitative assessment, the CON was not impaired as of December 31, 2025.

Impairment of Long-Lived Assets – The Company reviews the carrying value of its long-lived assets such as property and equipment, whether held for use or disposal when events and circumstances indicate that the carrying amount of an asset may not be recoverable based on expected undiscounted cash flows attributable to that asset. The amount of any impairment is measured as the difference between the carrying value and the fair value of the impaired asset. Based on results of this review, property and equipment were not impaired as of December 31, 2025.

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

PISGAH VALLEY
NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2025

Note 2—Summary of significant accounting policies (continued)

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

In order to meet the North Carolina General Statute operating reserve requirement for 2025, the Company maintained an irrevocable standby letter of credit throughout the year. At December 31, 2025, the amount of the letter of credit was \$4,297,000.

Credit Concentrations – The Company places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts. During the year ended December 31, 2025, the Company from time to time may have had amounts on deposit in excess of the insured limits.

The Company grants credit without collateral to its patients and residents, most of who are insured by third party payors. The mix of receivables from patients and third party payors at December 31, 2025 are as follows:

Medicare	65%
Medicaid	21%
Commercial insurance/private pay/other	14%
	<u>100%</u>

The Company's mix of revenue sources for the year ended December 31, 2025 are as follows:

Medicare	17%
Medicaid	34%
Commercial insurance/private pay/other	49%
	<u>100%</u>

Advertising Costs – Advertising costs are expensed in the year incurred and totaled approximately \$216,000 for the year ended December 31, 2025.

Obligation to Provide Future Services – The CCRC enters into continuing care contracts with various residents. A continuing care contract is an agreement between a resident and the Company specifying the services and facilities to be provided to a resident over his or her remaining life. Under the contracts, the CCRC has the ability to increase fees as deemed necessary.

At the end of each fiscal year, the CCRC calculates the present value of estimated net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from entrance fees at that date. If the present value of the net cost of future services and the use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded (obligation to provide future services) with a corresponding charge to income. No liability was recorded at December 31, 2025, because the present value of the estimated net costs of future services and use of facilities was less than deferred revenue from entrance fees. The obligation was discounted at 5.00%, based on the average life expectancy and expected annual inflationary increase of 3.00%.

PISGAH VALLEY
NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2025

Note 2—Summary of significant accounting policies (continued)

Resident Refunds – Resident refunds payable include refunds due to residents or third party payors for overpayments, waiting list deposits by prospective residents, and estimated entrance fee refunds due to residents in the subsequent year.

Note 3—Investments

The following table sets forth by level within the fair value hierarchy the Company's financial assets accounted for at fair value on a recurring basis as of December 31, 2025. Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

Assets at fair value as of December 31, 2025 consist of the following:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Fixed income:				
U.S. treasuries	\$ -	\$ 19,583	\$ -	\$ 19,583
Foreign obligations	-	159,038	-	159,038
Non-government obligations	-	1,037,280	-	1,037,280
Total investments at fair value	<u>\$ -</u>	<u>\$ 1,215,901</u>	<u>\$ -</u>	<u>\$ 1,215,901</u>

Note 4—Property and equipment, net

Property and equipment, net at December 31, 2025 consists of the following:

Buildings and improvements	\$ 20,293,853
Land and land improvements	2,855,261
Furniture and fixtures	449,296
Leasehold improvements	1,841,091
Vehicles	138,635
Equipment	<u>1,140,559</u>
	26,718,695
Less accumulated depreciation	<u>(7,371,784)</u>
	19,346,911
Construction in progress	<u>358,673</u>
Property and equipment, net	<u>\$ 19,705,584</u>

Note 5—Intangible asset

Intangible asset (indefinite-lived) consisted of the following at December 31, 2025:

Certificate of need	<u>\$ 2,915,451</u>
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PISGAH VALLEY
NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2025

Note 6—Long-term debt

Long-term debt for the Company consists of the following at December 31, 2025:

Note payable for \$20,025,000 at 2.93%, payable in 84 monthly installments of \$94,675, unpaid principal balance due in August 2027. The note is guaranteed by the Company and Liberty Healthcare Group, LLC and secured by all real property and the furniture, fixtures, and equipment included in the asset purchase agreement.	\$ 16,796,267
Note payable for \$11,872,230 at 6.25%, payable in 60 monthly installments of \$78,983, unpaid principal balance due in January 2029. The note is guaranteed by the Company and Liberty Healthcare Group, LLC and secured by all real property and the furniture, fixtures, and equipment included in the asset purchase agreement.	11,475,832
Total debt	28,272,099
Less unamortized debt issuance costs	(83,094)
Less current installments of long-term debt	(869,831)
Long-term debt	<u>\$ 27,319,174</u>

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

Years Ending December 31,

2026	\$ 869,831
2027	16,395,572
2028	255,768
2029	10,750,928
	<u>\$ 28,272,099</u>

Interest expense amounted to \$1,287,459 for the year ended December 31, 2025, including \$39,306 of amortization of debt issuance costs.

Future amortization of debt issuance costs at December 31, 2025 is as follows:

Years Ending December 31,

2026	\$ 39,306
2027	29,064
2028	14,724
	<u>\$ 83,094</u>

Certain loan agreements contain customary negative covenants. Management is not aware of any violations of its covenants at December 31, 2025.

PISGAH VALLEY
NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2025

Note 7—Related party transactions

Other entities owned by Liberty Healthcare provide other benefits to the Company. These transactions are also considered related party transactions and are settled through related party cash accounts and payments to the other entities. As of December 31, 2025, total receivables and payables to related parties were \$20,856,013 and \$8,787,941, respectively.

Pisgah Valley Center has entered into a management agreement in which Pisgah Valley Center pays a management fee of 5% and 6% of net revenues related to independent living and healthcare (assisted living and skilled nursing), respectively, to Liberty Living Management, LLC, a related party who provides management services to the Company. These fees totaled \$1,081,888 for the year ended December 31, 2025.

Pisgah Valley Properties has entered into a professional services agreement in which Pisgah Valley Properties pays a professional service fee per resident per month to Liberty Private Care, LLC, a related party who provides professional services to the Company. Pisgah Valley Center also entered into a sub-lease agreement effective September 1, 2019, in which Liberty Private Care, LLC pays a sub-lease fee monthly to Pisgah Valley Center. The professional service and sub-lease fees totaled \$497,163 and \$4,200, respectively, for the year ended December 31, 2025 and are included in general and administrative expense in the combined statement of operations and changes in members' equity.

Amounts previously advanced to owners of Liberty Healthcare by Pisgah Valley Properties were outstanding at December 31, 2025 in the amount of \$3,632,968. Such advances were pursuant to a note agreement, bearing interest at 2% per annum and were due and unpaid at December 31, 2025. Final payment was due December 31, 2025. These advances along with accrued interest are included in current assets at December 31, 2025.

Note 8—Leases

Pisgah Valley Properties leases real estate which includes office space, nursing homes, and long-term care centers to Pisgah Valley Center (the "Lessee") under the terms of the Operating Lease Agreement (the "Operating Lease") effective February 1, 2018. The Operating Lease expires on January 31, 2027, and the Lessee has the option to renew for five additional terms of five years each. Renewal and termination clauses are factored into the determination of the lease term if it is reasonably certain that these options would be exercised by the Lessees.

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

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

The cost basis of land, buildings, and improvements and office furniture and equipment held under the terms of the lease agreement was \$22,037,461 and related accumulated depreciation was \$5,151,306 at December 31, 2025.

PISGAH VALLEY
NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2025

Note 8—Leases (continued)

Pisgah Valley Properties receives rent payments directly from the Lessee. For the year ended December 31, 2025, the monthly payment was \$124,252 for Pisgah Valley Center. According to the terms of the operating lease, the annual rent to be paid by the lessees will be increased by the same percentage increase, if any, to the state-wide fair value component of the state of North Carolina Skilled Nursing Facility Medicaid Reimbursement rates. The lease payments must be in the annual amount equal to 1.05 times the sum of the Company's: a) annual principal and interest payments; (b) annual mortgage insurance premium; (c) annual deposit for reserve replacements; (d) annual property insurance; and (e) annual property taxes.

Total rental income for the year ended December 31, 2025 was \$1,491,029 for Pisgah Valley Properties and has been eliminated in the combined financial statements.

Minimum future cash rentals due on a straight-line basis to Pisgah Valley Properties under the terms of the operating lease agreement plus the percentage increase, if any, to the state-wide Fair Value component of the state of North Carolina Skilled Nursing Facility Medicaid Reimbursement rates are as follows:

Years Ending December 31,

2026	\$ 1,491,029
2027	1,491,029
2028	1,491,029
2029	1,491,029
2030	1,491,029
Thereafter	<u>31,435,862</u>
	<u>\$ 38,891,007</u>

Total rent expense incurred by Pisgah Valley Center to Pisgah Valley Properties was \$1,491,029 for the year ended December 31, 2025, including amortization of the right-of-use asset of \$115,724. These amounts have been eliminated in the combined financial statements.

Note 9—Contingencies

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

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

PISGAH VALLEY
NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2025

Note 10—Retirement plan

The Company sponsors a defined contribution plan to eligible employees as defined by the plan. The Company matches employee contributions at the discretion of management. The Company contributed approximately \$41,000 for the year ended December 31, 2025.

Note 11—Litigation

Litigation is subject to uncertainties and the outcome of individual litigated matters is not predictable with assurance. Various legal actions, claims, or proceedings are pending against the Company having arisen in the ordinary course of business. When appropriate, the Company establishes loss provisions for matters in which losses are probable and can be reasonably estimated.

Note 12—Subsequent events

The Company has evaluated subsequent events through April 30, 2026, in connection with the preparation of these combined financial statements, which is the date the combined financial statements were available to be issued. The Company is unaware of any subsequent events that should be recognized or disclosed in the combined financial statements.

SUPPLEMENTARY INFORMATION

PISGAH VALLEY
COMBINING BALANCE SHEET

DECEMBER 31, 2025

	<u>Pisgah Valley Center</u>	<u>Unit Owners Association</u>	<u>Pisgah Valley Properties</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 708,229	\$ -	\$ 7,710,841	\$ -	\$ 8,419,070
Restricted cash	21,707	-	-	-	21,707
Investments	-	-	1,215,901	-	1,215,901
Resident accounts receivable, net	1,344,220	-	-	-	1,344,220
Accounts receivable - Pisgah Valley	4,589,794	202,495	4,200,790	(8,993,079)	-
Accounts receivable - other	559,254	-	-	-	559,254
Inventories	54,917	-	-	-	54,917
Prepaid expenses	238,101	150	500	-	238,751
Notes receivable - owners	-	-	3,632,968	-	3,632,968
Total Current Assets	<u>7,516,222</u>	<u>202,645</u>	<u>16,761,000</u>	<u>(8,993,079)</u>	<u>15,486,788</u>
Property and Equipment, Net	<u>1,858,689</u>	<u>726,500</u>	<u>17,120,395</u>	<u>-</u>	<u>19,705,584</u>
Noncurrent Assets:					
Intangible asset	-	-	2,915,451	-	2,915,451
Accounts receivable - related parties	11,962,594	-	8,894,655	-	20,857,249
Right-of-use asset	14,249,201	-	-	(14,249,201)	-
Other assets	71,229	-	-	-	71,229
Total Noncurrent Assets	<u>26,283,024</u>	<u>-</u>	<u>11,810,106</u>	<u>(14,249,201)</u>	<u>23,843,929</u>
Total Assets	<u>\$ 35,657,935</u>	<u>\$ 929,145</u>	<u>\$ 45,691,501</u>	<u>\$ (23,242,280)</u>	<u>\$ 59,036,301</u>

PISGAH VALLEY
COMBINING BALANCE SHEET (CONTINUED)

DECEMBER 31, 2025

	<u>Pisgah Valley Center</u>	<u>Unit Owners Association</u>	<u>Pisgah Valley Properties</u>	<u>Eliminations</u>	<u>Total</u>
LIABILITIES AND MEMBERS' EQUITY (DEFICIT)					
Current Liabilities:					
Accrued expenses and other payables	\$ 1,495,499	\$ -	\$ -	\$ -	\$ 1,495,499
Current portion of resident refunds	34,582	-	1,100,000	-	1,134,582
Current portion of deferred revenue	131,497	-	83,000	-	214,497
Current portion of right of use lease liability	127,452	-	-	(127,452)	-
Current portion of long-term debt	-	-	869,831	-	869,831
Accounts payable - Pisgah Valley	4,403,285	172,462	4,417,332	(8,993,079)	-
Total Current Liabilities	<u>6,192,315</u>	<u>172,462</u>	<u>6,470,163</u>	<u>(9,120,531)</u>	<u>3,714,409</u>
Noncurrent Liabilities:					
Accounts payable - related parties	8,671,652	708	299,821	-	8,972,181
Resident refunds, net of current portion	1,598	-	10,518,823	-	10,520,421
Deferred revenue, net of current portion	-	-	4,421,086	-	4,421,086
Right of use lease liability, net of current portion	14,121,749	-	-	(14,121,749)	-
Long-term debt, net of current portion	-	-	27,319,174	-	27,319,174
Total Noncurrent Liabilities	<u>22,794,999</u>	<u>708</u>	<u>42,558,904</u>	<u>(14,121,749)</u>	<u>51,232,862</u>
Total Liabilities	28,987,314	173,170	49,029,067	(23,242,280)	54,947,271
Members' Equity (Deficit)	<u>6,670,621</u>	<u>755,975</u>	<u>(3,337,566)</u>	<u>-</u>	<u>4,089,030</u>
Total Liabilities and Members' Equity (Deficit)	<u>\$ 35,657,935</u>	<u>\$ 929,145</u>	<u>\$ 45,691,501</u>	<u>\$ (23,242,280)</u>	<u>\$ 59,036,301</u>

PISGAH VALLEY**COMBINING STATEMENT OF OPERATIONS AND CHANGES IN MEMBERS' EQUITY**

YEAR ENDED DECEMBER 31, 2025

	Pisgah Valley Center	Unit Owners Association	Pisgah Valley Properties	Eliminations	Total
Revenue:					
Resident revenue - independent living	\$ 1,790,351	\$ 319,359	\$ -	\$ -	\$ 2,109,710
Resident revenue - assisted living	1,681,492	-	-	-	1,681,492
Resident revenue - skilled nursing	14,792,565	-	-	-	14,792,565
Rent revenue	4,200	-	1,491,029	(1,491,029)	4,200
Other revenue	578,968	-	12,631	(317,720)	273,879
Entrance fee revenue	-	-	520,898	-	520,898
Total Revenue	<u>18,847,576</u>	<u>319,359</u>	<u>2,024,558</u>	<u>(1,808,749)</u>	<u>19,382,744</u>
Expenses:					
Resident services - independent living	236,602	-	-	-	236,602
Resident services - assisted living	702,817	-	-	-	702,817
Resident services - skilled nursing	7,176,370	-	-	-	7,176,370
Dietary	1,302,673	-	-	-	1,302,673
Laundry	263,231	-	-	-	263,231
Housekeeping	569,089	-	-	-	569,089
Plant operations	1,756,839	-	-	-	1,756,839
Physical plant	1,562,033	-	-	(1,375,305)	186,728
General and administrative	1,667,154	1,084	28,612	-	1,696,850
Management fees	1,081,888	317,720	6,000	(317,720)	1,087,888
Interest	4,516	-	1,282,943	-	1,287,459
Depreciation and amortization	377,241	-	696,896	(115,724)	958,413
Other expense	64,938	-	-	-	64,938
Total Expenses	<u>16,765,391</u>	<u>318,804</u>	<u>2,014,451</u>	<u>(1,808,749)</u>	<u>17,289,897</u>
Net income	2,082,185	555	10,107	-	2,092,847
Members' equity (deficit), beginning of year	4,588,436	755,420	(3,347,673)	-	1,996,183
Members' equity (deficit), end of year	<u>\$ 6,670,621</u>	<u>\$ 755,975</u>	<u>\$ (3,337,566)</u>	<u>\$ -</u>	<u>\$ 4,089,030</u>

PISGAH VALLEY
COMBINING STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2025

	Pisgah Valley Center	Unit Owners Association	Pisgah Valley Properties	Eliminations	Total
Cash flows from operating activities:					
Net income	\$ 2,082,185	\$ 555	\$ 10,107	\$ -	\$ 2,092,847
Adjustments to reconcile net income to net cash flows from operating activities:					
Depreciation and amortization	377,241	-	696,896	(115,724)	958,413
Amortization of debt issuance costs	-	-	39,306	-	39,306
Amortization of entrance fees	-	-	(520,898)	-	(520,898)
Unrealized gain on investments, net	-	-	(44,539)	-	(44,539)
Changes in operating assets and liabilities:					
Resident accounts receivable, net	(513,515)	30	-	-	(513,485)
Accounts receivable - other	8,455	-	2,112,291	(2,112,291)	8,455
Inventories	(7,781)	-	-	-	(7,781)
Prepaid expenses	(160,196)	-	-	-	(160,196)
Accounts receivable - related parties	(1,200,671)	-	(185,001)	-	(1,385,672)
Accounts receivable - Pisgah Valley	(2,163,348)	(25,546)	(2,657,332)	4,846,226	-
Other assets	3,457	-	-	-	3,457
Deferred revenue	(11,526)	-	-	-	(11,526)
Accrued expenses and other payables	(2,205,138)	-	-	2,112,291	(92,847)
Lease liabilities	(115,724)	-	-	115,724	-
Accrued interest on notes receivable - owners	-	-	(89,061)	-	(89,061)
Accounts payable - related parties	915,934	708	-	-	916,642
Accounts payable - Pisgah Valley	2,682,878	24,253	2,139,095	(4,846,226)	-
Net cash flows from operating activities	<u>(307,749)</u>	<u>-</u>	<u>1,500,864</u>	<u>-</u>	<u>1,193,115</u>

PISGAH VALLEY
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)

YEAR ENDED DECEMBER 31, 2025

	<u>Pisgah Valley Center</u>	<u>Unit Owners Association</u>	<u>Pisgah Valley Properties</u>	<u>Eliminations</u>	<u>Total</u>
Cash flows from investing activities:					
Purchases of property and equipment	\$ (688,130)	\$ -	\$ (1,662,702)	\$ -	\$ (2,350,832)
Purchases of investments	-	-	(71,819)	-	(71,819)
Proceeds from sale of investments	-	-	69,357	-	69,357
Net cash flows from investing activities	<u>(688,130)</u>	<u>-</u>	<u>(1,665,164)</u>	<u>-</u>	<u>(2,353,294)</u>
Cash flows from financing activities:					
Principal payments on long-term debt	-	-	(840,265)	-	(840,265)
Entrance fees received	36,180	-	1,087,204	-	1,123,384
Issuance of notes receivable - owners	-	-	(4,785)	-	(4,785)
Net cash flows from financing activities	<u>36,180</u>	<u>-</u>	<u>242,154</u>	<u>-</u>	<u>278,334</u>
Net change in cash, cash equivalents, and restricted cash	(959,699)	-	77,854	-	(881,845)
Cash, cash equivalents, and restricted cash, beginning of year	<u>1,689,635</u>	<u>-</u>	<u>7,632,987</u>	<u>-</u>	<u>9,322,622</u>
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 729,936</u>	<u>\$ -</u>	<u>\$ 7,710,841</u>	<u>\$ -</u>	<u>\$ 8,440,777</u>
Supplemental disclosure of cash flow information:					
Cash paid during the year for interest	<u>\$ 4,516</u>	<u>\$ -</u>	<u>\$ 1,243,637</u>	<u>\$ -</u>	<u>\$ 1,248,153</u>
Reconciliation of cash and restricted cash to the combining balance sheet:					
Cash and cash equivalents per combining balance sheet	\$ 708,229	\$ -	\$ 7,710,841	\$ -	\$ 8,419,070
Restricted cash per combining balance sheet	<u>21,707</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,707</u>
	<u>\$ 729,936</u>	<u>\$ -</u>	<u>\$ 7,710,841</u>	<u>\$ -</u>	<u>\$ 8,440,777</u>

Appendix B — Five-Year Prospective Financial Statements

Pisgah Valley

Compilation of a Financial Projection

Five Years Ending December 31, 2030

(with Accountant's Compilation Report thereon)

Pisgah Valley

Compilation of a Financial Projection

Five Years Ending December 31, 2030

TABLE OF CONTENTS

Accountant’s Compilation Report	1
Projected Combined Financial Statements:	
Projected Combined Statements of Operations and Changes in Members’ Equity.....	2
Projected Combined Statements of Cash Flows	3
Projected Combined Balance Sheets	4
Summary of Significant Projection Assumptions and Rationale.....	5

Accountant's Compilation Report

Pisgah Valley
Wilmington, North Carolina

Management of Pisgah Valley, a group of entities under common control (the "Company"), and the day-to-day operating manager, Liberty Living Management, LLC (collectively "Management") is responsible for the accompanying financial projection of the Company, which comprises the projected combined balance sheets as of and for each of the five years ending December 31, 2030, the related projected combined statements of operations, changes in members' equity, and cash flows for each of the years then ending, and the related summaries of significant assumptions and rationale in accordance with guidelines for the presentation of a financial projection established by the American Institute of Certified Public Accountants ("AICPA").

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

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

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

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

Forvis Mazars, LLP

Atlanta, Georgia
May 27, 2026

Pisgah Valley

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

	2026	2027	2028	2029	2030
Revenue:					
Resident revenue - independent living	\$ 1,856	\$ 1,996	\$ 2,053	\$ 2,113	\$ 2,177
Resident revenue - assisted living	1,827	1,882	1,938	1,996	2,056
Resident revenue - skilled nursing	17,340	19,585	20,343	20,953	21,579
Rent revenue	4	4	4	4	4
Other revenue	552	479	486	494	504
Entrance fee revenue	520	606	661	685	700
Total Revenue	22,099	24,552	25,485	26,245	27,020
Expense:					
Resident services - independent living	398	410	422	435	448
Resident services - assisted living	738	760	783	806	830
Resident services - skilled nursing	8,914	9,181	9,456	9,740	10,032
Dietary	1,340	1,380	1,421	1,464	1,508
Laundry	297	306	315	324	334
Housekeeping	702	723	745	767	790
Plant operations	1,657	1,707	1,758	1,811	1,865
Physical plant	104	108	111	114	117
General and administrative	1,936	1,994	2,054	2,116	2,179
Management fees	1,188	1,258	1,305	1,344	1,384
Interest	1,254	1,299	1,271	1,443	1,592
Depreciation and amortization	975	1,029	1,116	1,211	1,295
Other expense	65	67	69	71	73
Total Expenses	19,568	20,222	20,826	21,646	22,447
Net income	2,531	4,330	4,659	4,599	4,573
Members' equity, beginning of year	4,089	6,620	10,950	15,609	20,208
Members' equity, end of year	\$ 6,620	\$ 10,950	\$ 15,609	\$ 20,208	\$ 24,781

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

Pisgah Valley

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

	2026	2027	2028	2029	2030
Cash flows from operating activities:					
Net income	\$ 2,531	\$ 4,330	\$ 4,659	\$ 4,599	\$ 4,573
Adjustments to reconcile net income to net cash flows from operating activities:					
Depreciation and amortization	975	1,029	1,116	1,211	1,295
Amortization of debt issuance costs	39	55	60	67	67
Amortization of entrance fees	(520)	(606)	(661)	(685)	(700)
Changes in operating assets and liabilities:					
Resident accounts receivable, net	(317)	(49)	(52)	(48)	(59)
Inventories	(40)	(3)	(3)	(2)	(4)
Prepaid expenses	(45)	(9)	(9)	(8)	(10)
Accounts receivable - related parties	531	(1,490)	(2,458)	(2,015)	(1,436)
Deferred revenue	(19)	5	(11)	(13)	(9)
Accrued expenses and other payables	114	52	50	46	59
Accounts payable - related parties	(1,972)	(1,000)	(1,000)	(1,000)	(1,000)
Net cash flows from operating activities	1,276	2,314	1,691	2,152	2,776
Cash flows from investing activities:					
Purchases of property and equipment	(2,127)	(3,043)	(2,696)	(2,324)	(2,394)
Net cash flows from investing activities	(2,127)	(3,043)	(2,696)	(2,324)	(2,394)
Cash flows from financing activities:					
Proceeds from long-term debt	-	15,763	-	11,689	-
Refinance of permanent loans	-	(15,763)	-	(11,689)	-
Deferred financing costs	-	(158)	-	(117)	-
Principal payment on long-term debt	(873)	(754)	(574)	(527)	(575)
Entrance fees received	305	641	579	183	193
Receipts / (issuance) of notes receivable - owners	1,000	1,000	1,000	633	-
Net cash flows from financing activities	432	729	1,005	172	(382)
Net change in cash, cash equivalents, and restricted cash	(419)	-	-	-	-
Cash, cash equivalents, and restricted cash beginning of year	8,441	8,022	8,022	8,022	8,022
Cash, cash equivalents, and restricted cash end of year	\$ 8,022	\$ 8,022	\$ 8,022	\$ 8,022	\$ 8,022
Supplemental disclosure of cash flow information:					
Cash paid during the year for interest	\$ 1,211	\$ 1,376	\$ 1,525	\$ 1,485	\$ 1,452
Reconciliation of cash and restricted cash to the projected combined balance sheet:					
Cash and cash equivalents per projected combined balance sheet	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000
Restricted cash per projected combined balance sheet	22	22	22	22	22
Total cash, cash equivalents, and restricted cash	\$ 8,022	\$ 8,022	\$ 8,022	\$ 8,022	\$ 8,022

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

Pisgah Valley

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

Assets	2026	2027	2028	2029	2030
Current Assets:					
Cash and cash equivalents	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000
Restricted cash	22	22	22	22	22
Investments	1,216	1,216	1,216	1,216	1,216
Resident accounts receivable, net	1,661	1,710	1,762	1,810	1,869
Accounts receivable - other	559	559	559	559	559
Inventories	95	98	101	103	107
Prepaid expenses	284	293	302	310	320
Notes receivable - owners	2,633	1,633	633	-	-
Total Current Assets	\$ 14,470	\$ 13,531	\$ 12,595	\$ 12,020	\$ 12,093
Property and Equipment, Net	20,858	22,872	24,452	25,565	26,664
Noncurrent Assets:					
Intangible asset	2,915	2,915	2,915	2,915	2,915
Accounts receivable - related parties	20,324	21,814	24,272	26,287	27,723
Other assets	72	72	72	72	72
Total Noncurrent Assets	23,311	24,801	27,259	29,274	30,710
Total Assets	58,639	61,204	64,306	66,859	69,467
Liabilities and Members' Equity					
Current Liabilities:					
Accrued expenses and other payables	\$ 1,609	\$ 1,661	\$ 1,711	\$ 1,757	\$ 1,816
Current portion of resident refunds	938	728	654	674	694
Current portion of deferred revenue	195	200	189	176	167
Current portion of long-term debt	754	574	527	575	607
Total Current Liabilities	\$ 3,496	\$ 3,163	\$ 3,081	\$ 3,182	\$ 3,284
Noncurrent Liabilities:					
Accounts payable - related parties	7,000	6,000	5,000	4,000	3,000
Resident refunds, net of current portion	10,675	10,810	11,045	10,829	10,611
Deferred revenue, net of current portion	4,471	4,581	4,338	4,032	3,723
Long-term debt, net of current portion	26,377	25,700	25,233	24,608	24,068
Total Noncurrent Liabilities	48,523	47,091	45,616	43,469	41,402
Total Liabilities	52,019	50,254	48,697	46,651	44,686
Members' Equity	6,620	10,950	15,609	20,208	24,781
Total Liabilities and Members' Equity	\$ 58,639	\$ 61,204	\$ 64,306	\$ 66,859	\$ 69,467

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

Pisgah Valley

Summary of Significant Projection Assumptions and Rationale

General

The accompanying financial projection presents, to the best of the knowledge and belief of the management of Pisgah Valley, a group of entities under common control (the “Company”), and the day-to-day operating manager, Liberty Living Management, LLC (the “Operating Manager”) (collectively, “Management”), the expected financial position, results of operations and changes in members’ equity, and cash flows of the Company as of and for the each of the five years ending December 31, 2030. Accordingly, the accompanying financial projection reflects Management’s judgment as of May 27, 2026, the date of this projection, of the expected conditions and its expected course of action during the projection period. However, even if the hypothetical assumptions stated below were to occur, there will usually be differences between the prospective and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

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

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

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

Background

Pisgah Valley is an economic entity comprised of three individual companies listed below. Management provides senior living services in Candler, North Carolina. Services include providing and maintaining an independent retirement community, assisted living services, skilled nursing care, and supporting services.

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Pisgah Valley Retirement Center Properties, LLC (“Pisgah Valley Properties”) is a North Carolina for-profit limited liability company formed for the purpose of developing and owning real property and the buildings of the Company. Pisgah Valley Properties is owned by Liberty Real Properties VII, LLC, a North Carolina for-profit limited liability company. Pisgah Valley Properties, through acquisition, holds the certificate of need (“CON”) for 118 skilled nursing beds. The value of the CON is recorded as an intangible asset on the balance sheet of Pisgah Valley Properties.

Pisgah Valley Retirement Center, LLC (“Pisgah Valley Center”) is a North Carolina for-profit limited liability company formed for the purpose of leasing and operating independent living units, assisted living, and skilled nursing beds. Pisgah Valley Center is owned by Liberty Senior Living, LLC (“Liberty Senior Living”), a North Carolina limited liability company. Liberty Senior Living is owned by Liberty Healthcare Group, LLC, (the “Liberty Healthcare Group”), a North Carolina for-profit limited liability company.

Pisgah Valley Center and Pisgah Valley Properties are co-providers of a continuing care retirement community known as Pisgah Valley Retirement Community, licensed by the State of North Carolina.

Pisgah Estates Unit Owners Association (the “Unit Owners Association”) is a North Carolina not-for-profit company formed in accordance with the North Carolina Condominium Act for the purpose of owning and managing the commonly owned property of the Company’s independent living units. The Unit Owners Association began operations in 1975 and was incorporated in September 2008. Pisgah Valley Properties has majority voting rights in the Unit Owners Association under the terms of a management agreement (the “Management Agreement”). Services are billed monthly, and the Management Agreement is renewable each calendar year. The Unit Owners Association’s revenue is generated exclusively through maintenance fees from independent living unit owners.

The activities of Pisgah Valley Properties, Pisgah Valley Center, and the Unit Owners Association (collectively referred to as the “Company,” the “Community” or “CCRC”) are included in Management’s projection.

The Community consists of 72 independent living units (the “Independent Living Units”), 24 multi-unit assisted housing with services units (the “Assisted Living Units”), and nursing beds.

In 2026, the Community increased its licensed skilled nursing capacity from 118 to 168 beds as part of a renovation project within the existing Community footprint. Of the 50 licensed bed increase, 42 beds are designated as Special Care Unit beds (the “Special Care Units”) to serve residents requiring memory care, and 8 beds are designated as skilled nursing beds for a total of 126 skilled nursing beds (the “Skilled Nursing Beds”). The Assisted Living Units, Special Care Units, and the Skilled Nursing Beds are collectively referred to as the “Healthcare Center.”

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Related Parties

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

The Company has entered into a management agreement with the Operating Manager in which the Company pays a management fee of 5.0 percent of total revenues derived from the Independent Living Units and 6.0 percent of total revenues derived from the Assisted Living Units and Skilled Nursing Beds (the "Management Fee") to the Operating Manager, a related party to the Company.

The Company entered into a professional services agreement effective September 1, 2019 (the "Professional Services Agreement"), in which the Company pays a professional service fee per resident per month to Liberty Private Care, LLC ("Liberty Private Care"), a related party that provides nurse aide services to the Company. The Company entered into a sub-lease agreement effective September 1, 2019, in which Liberty Private Care pays a sub-lease fee monthly to the Company.

Amounts previously advanced to the owners of the Liberty Healthcare Group by Pisgah Valley Properties were outstanding at December 31, 2025 of approximately \$3,633,000. Such advances are pursuant to a note agreement ("Notes Receivable – Owners"), bearing interest at 2.0 percent per annum. These advances, along with accrued interest, are included in non-current assets. Assumed advances associated with the Notes Receivable – Owners are estimated to be at the same rates and terms during the projection period. Management has assumed payments are to be received from Liberty Healthcare Group during the projection period.

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The Community

The Community is located in Candler, North Carolina on approximately 30 acres of land owned by Pisgah Valley Properties or the Unit Owners Association and consists of the Independent Living Units, the Assisted Living Units, the Skilled Nursing Beds, and related common spaces. The following table summarizes the types of units, approximate square footage, current entrance fees (“Entrance Fees”), and current monthly fee (“Monthly Fee”) or daily fees (“Daily Fee”) of the Community:

Table 1
Community Configuration and Fees

Unit Type	Units	Square Footage	Entrance Fees		Monthly Fee		
			Non-Refundable ⁽¹⁾	90% Refundable ⁽¹⁾	CCRC Contract Prior to 2/1/2019 ⁽¹⁾⁽²⁾	CCRC Contract After 2/1/2019 ⁽¹⁾⁽²⁾	Homeowner Contract ⁽³⁾
<i>Independent Living Units:</i>							
Two-bedroom	3	1,174	\$ 269,185	\$ 416,470	\$ 2,125	\$ 2,426	\$ 387
Two-bedroom/den	25	1,240	282,690	436,645	2,125	2,426	387
Two-bedroom/sunroom	5	1,474	301,240	467,080	2,125	2,426	387
Two-bedroom/den/sunroom	39	1,540	314,915	487,425	2,125	2,426	387
Total / Weighted Average	72	1,416	\$ 300,871	\$ 465,424	\$ 2,125	\$ 2,426	\$ 387
<i>Assisted Living Units:</i>							
Small studio	18	154					Monthly Fee⁽¹⁾ \$ 6,341
Expanded studio	6	209					6,978
Total / Weighted Average	24	168					\$ 6,500
<i>Special Care Units⁽⁴⁾:</i>							
Medicaid	42	288					Daily Fee \$343
<i>Skilled Nursing Beds:</i>							
Private	32	288					Daily Fee \$ 352
Medicare	15	288					708
Medicare – Managed Care	16	288					486
Medicaid	54	288					343
Hospice	9	288					343
Total / Weighted Average	126	288					\$ 407
Total Units/Beds	264						

Source: Management

- (1) Entrance Fees and Monthly Fees shown are effective January 1, 2026. The second person Monthly Fee for the Independent Living Units is \$675 effective January 1, 2026.
- (2) Residents’ contracts commencing prior to February 1, 2019 receive an approximately 14 percent discount compared to market rates for the term of those Resident contracts.
- (3) All unit owners, regardless of occupancy, pay a Monthly Fee to the Unit Owners Association. Total fees paid by Pisgah Valley Center and the related fees received by the Unit Owners Association are eliminated in the projected combined financial statements.
- (4) In 2026, 42 new special care units were added to the Community. Effective upon opening of the special care units, the private pay daily rate is \$388.

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Unit Owner Contracts

Services – Prior to November 2006, the Independent Living Units were sold to residents (the “Unit Owner”) through a contract of sale (the “Unit Owner Contract”) and the individual Unit Owner obtained the deed to the Independent Living Unit. According to the Unit Owner Contract, Pisgah Valley Properties has the right to purchase the Independent Living Unit from the Unit Owner at the Independent Living Unit’s appraised value. Under the Management Agreement with the Unit Owners Association, Pisgah Valley Center is to provide services to the Unit Owners as follows:

- Water and sewer;
- Routine pest control, guaranteed termite treatment, and trash removal;
- Landscaping/lawn care;
- Snow and ice removal;
- Use of the community center, community gardens and other common areas (e.g., streets, streetlights, etc.);
- Access to on-campus medical clinic;
- Activities programming;
- Weekly transportation to shopping and on-campus transportation; and
- Real property insurance.

Right of First Refusal – Through a right of first refusal, it is Pisgah Valley Properties’ intent to purchase the Independent Living Units from the Unit Owners through attrition until Pisgah Valley Properties owns all 72 Independent Living Units. As of the date of this report, Pisgah Valley Properties owns 67 Independent Living Units. Two Independent Living Units are assumed to be purchased in 2027 and one Independent Living Unit is assumed to be purchased in 2028, upon which 70 Independent Living Units would be owned by Pisgah Valley Properties and operated by Pisgah Valley Center.

Residency and Care Agreements

Independent Living Services – The Company has been remarketing the Independent Living Units to residents (the “Resident” or “Residents”) under a Residency and Care Agreement (the “Residency and Care Agreement”). In addition to the services provided to the Unit Owners, the Company provides additional services to Residents of the Independent Living Unit as follows:

- Electricity;
- Propane;
- Cable-ready wiring;
- Bi-weekly housekeeping;
- Annual carpet cleaning;
- Membership to the Wellness Center;
- 24-hour emergency response system;
- Priority access to the Assisted Living Units and the Skilled Nursing Beds; and
- Interior unit and appliance maintenance/replacement.

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Optional services, including additional transportation, dining, and housekeeping services, are available for an extra charge as well as home care services through a related home care service provider, Liberty Private Care.

Admittance Standards – Prior to taking occupancy of a selected Independent Living Unit, the Resident shall execute the Residency and Care Agreement. The terms of the Residency and Care Agreement require the Company accepts persons at least 62 years of age at the time of occupancy, who demonstrate the ability to live independently and meet the financial obligations as a Resident. A reservation requires a signed Residency and Care Agreement and a 10 percent Entrance Fee deposit. Upon occupancy, Residents are expected to pay the remaining Entrance Fee and an ongoing Monthly Fee.

Terms of Residency – The term of the Residency and Care Agreement shall be from the date of execution of the Residency and Care Agreement until termination in accordance with Section 8 of the Residency and Care Agreement (the “Term”).

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

Termination by the Resident After Occupancy – The Resident may terminate the Residency and Care Agreement after moving into the Community by giving 30 days’ prior written notice of termination, which shall be effective and irrevocable upon delivery. The amount of refund due shall be determined according to the applicable Entrance Fee amortization schedule described below. After occupancy, all monies due to be refunded to the Resident are paid within 30 days after Management collects the full amount of a new Entrance Fee for the Independent Living Unit from a new Resident or 24 months after termination, whichever comes first.

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Refunds of the Entrance Fee are as follows:

Refund Options	Amortization Schedule
90% Refundable Plan	Upon termination of the Residency and Care Agreement, the Resident's potential refund would equal the original Entrance Fee paid less a 10 percent reduction. After occupancy, the refund is fixed at 90 percent.
Non-Refundable Plan	Upon termination of the Residency and Care Agreement, the Resident's potential refund would equal the original Entrance Fee paid less a 10 percent cancellation fee and five basis point reduction for each month of occupancy beginning in month 6 through month 22. No refund is available after 23 months of occupancy.

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

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

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Summary of Significant Accounting Policies

- (a) Basis of Accounting and Presentation – The Company is assumed to maintain its accounting and financial records according to the accrual basis of accounting.
- (b) Principles of Combination – The projected combined financial statements include the accounts of Pisgah Valley Center and Pisgah Valley Properties, both of which are owned and controlled by the members of the limited liability companies as well as the Unit Owners Association. All significant inter-company accounts and transactions have been eliminated, including right of use asset and right of use lease liability amounts. The projected combined financial statements do not and are not intended to represent the activity of a legal entity.
- (c) Cash – Cash includes cash on hand and cash on deposit held by one financial institution.
- (d) Restricted Cash – Restricted cash is comprised of patient trust funds.
- (e) Investments – Investments are comprised of fixed income securities. Unrealized and realized gains and losses related to investments are reported in other revenue and other expenses, respectively. Management assumes no changes in fair values that result in material net realized or unrealized gains or losses during the projection period.
- (f) Related-Party Transactions – The principal members of the Company and other entities, which they own or with which they are associated, are considered related parties. Management monitors cash flow at each related party entity and transfers cash on an as-needed basis.
- (g) Statutory Operating Reserve – North Carolina General Statute Section 58-64A-245 requires CCRCs maintain an operating reserve (the “Statutory Operating Reserve”) as a percentage of the total operating costs in a given year, based on occupancy levels of the independent units. This law provides security to residents so that the Company is able to meet its contractual obligations to provide continuing care. In order to meet the North Carolina General Statutes operating reserve requirements, the Company maintains an irrevocable standby letter of credit from a financial institution. At December 31, 2025, the amount of the letter of credit was \$4,297,000.
- (h) Deferred Revenue from Entrance Fees – Ten percent of the Entrance Fees paid under the 90% refundable Residency and Care Agreement and all of the Entrance Fee paid under the non-refundable Residency and Care Agreement are non-refundable based on a declining balance formula outlined in the Residency and Care Agreement. In accordance with the Residency and Care Agreement and beginning with the date of occupancy, Entrance Fees that are expected to be non-refundable to the Resident are recorded as deferred revenue and are amortized into revenue using the straight-line method over the estimated remaining life expectancy of the Resident. When a Resident terminates their Residency and Care Agreement, the amount of unamortized non-refundable deferred revenue from Entrance Fees is recognized as revenue.

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- (i) Lease Accounting – The Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-02, Lease Accounting Standard in February 2016. ASU 2016-02 requires all leases with lease terms over twelve months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases are to be classified as either finance or operating. This distinction shall be relevant for the pattern of expense recognition in the statement of operations. Upon the combining of the Company’s projected financial statements, all material related party lease transactions occurring during the projection period are recognized as internal lease transfers and eliminated from the financial presentation. The Company currently has a lease with an unrelated party to rent space within a maintenance building. Management considers this lease to be immaterial.
- (j) Property and Equipment – Property and equipment are stated at cost. Depreciation is computed on the straight-line method over the estimated useful lives of depreciable assets. Maintenance and repairs are charged to expense as incurred, and renewals and betterments are capitalized. Gains or losses on disposals are credited or charged to operations.
- (k) Intangible Asset – In accordance with accounting standards generally accepted in the United States of America, goodwill and intangible assets that have indefinite useful lives are not amortized but rather are tested at least annually for impairment. For the Company, this asset includes a CON. Intangible assets with indefinite useful lives are reviewed for impairment in accordance with ASC 350, Intangibles – Goodwill and Other, which requires the Company to evaluate the recoverability of long-lived assets annually and whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The Company continually evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of its CON may warrant revision or that the remaining carrying value may not be recoverable. As permitted by ASC 350, the Company performs a qualitative assessment of impairment to determine whether the value of the CON was impaired. Management has not assumed an impairment to intangible assets during the projection period.
- (l) Debt Financing Cost – Cost associated with the issuance of debt is capitalized and is being amortized over the term of the related debt using the straight-line method, which approximates the effective interest method. Debt issuance costs are netted against the related debt on the projected combined balance sheet, and the amortization is included on the statement of projected combined operations and changes in members’ equity.
- (m) Income Taxes – The Company has elected to be treated as a partnership for income tax purposes. The Company’s taxable income, its losses, and other pass-through items are reported on the members’ tax returns. Accordingly, no provision for income taxes has been included in the projection.

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Summary of Operating Revenue Assumptions

The following table summarizes the assumed average utilization of the Independent Living Units, the Assisted Living Units, and the Skilled Nursing Beds during the projection period.

Year Ending December 31,	Units Available	Average Units Occupied		Total Units	Occupied Percentage
		CCRC Contracts ⁽¹⁾	Homeowner Contracts ⁽¹⁾		
<i>Independent Living Units:</i>					
2026	72	67	–	67	93%
2027	72	67	2	69	96%
2028	72	69	1	70	97%
2029	72	70	–	70	97%
2030	72	70	–	70	97%
<i>Assisted Living Units:</i>					
2026 – 2030	24			23	96%
<i>Special Care Units/Skilled Nursing Units: ⁽²⁾</i>					
2026 ⁽³⁾	156			115	74%
2027	168			128	76%
2028– 2030	168			129	77%

Source: Management

- (1) Some Independent Living Units are owned by individuals through a Unit Owner Contract, Pisgah Valley Properties has the right of first refusal to purchase upon the sale of the unit.
- (2) The payor mix for the Skilled Nursing Beds is assumed to be 25 percent, 12 percent, 13 percent, 43 percent, and 7 percent for private pay, Medicare-traditional, Medicare-managed care, Medicaid, and Hospice, respectively.
- (3) In 2026, skilled nursing capacity increased from 118 to 126 beds. The special care units were also completed during that time and became fully available with 42 units.

Independent Living Revenue

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

Assisted Living Revenue

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

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Skilled Nursing Revenue

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

Other Revenue

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

Summary of Entrance Fees Assumptions*Move-in / Contract Types*

The number of Independent Living Unit's move-ins due to attrition are assumed to be 2, 4, 3, 2 and 2 for fiscal years 2026, 2027, 2028, 2029, and 2030, respectively. Contract utilization associated with move-ins is assumed to be 44 percent on the non-refundable plan and 56 percent on the 90 percent refundable plan.

Entrance Fee Refunds

Under the terms of the Residency and Care Agreement, refunds of Entrance Fees are generated as a result of death or withdrawal from the Community, subject to the re-occupancy of the vacated Independent Living Unit or 24 months, whichever is earlier. In some cases, Entrance Fees may be generated from re-occupancy of the Independent Living Units without a corresponding refund because the Resident has not withdrawn from the Community but has permanently transferred to an Assisted Living Unit or a Skilled Nursing Bed. The number of refunds is assumed to be equal to the number of move-ins annually throughout the projection period.

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

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

Non-Salary Expenses

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

Management Fee Expense

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

Statutory Operating Reserve

North Carolina General Statute § 58-64A-245 requires CCRC's to maintain an operating reserve (the "Statutory Operating Reserve") subject to the certain guidelines.

- A provider shall maintain after the opening of a CCRC an operating reserve equal to fifty percent of the total operating costs of the CCRC forecasted for the 12-month period following the period covered by the most recent disclosure statement filed with the North Carolina Department of Insurance ("NCDOI").
- Once a CCRC achieves a 12-month daily average independent living unit occupancy rate of 90 percent or higher, a provider shall be required to maintain an operating reserve in an amount calculated using the table below, unless otherwise instructed by NCDOI.
- A provider who has a 12-month daily average independent living unit occupancy rate equal to or in excess of ninety-three percent and has no long-term debt or a debt service coverage ratio in excess of 2.00x as of the provider's most recent fiscal year-end shall be required to maintain an operating reserve equal to 12.5 percent of total operating costs of the CCRC.

12-Month Average Occupancy Rate	Operating Reserve Requirement as a Percentage of Independent Living Unit Occupancy Rate
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%

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

Table 3
Operating Reserve Requirement
(in Thousands)

	2026	2027	2028	2029	2030
Projected expenses	\$ 19,568	\$ 20,222	\$ 20,826	\$ 21,646	\$ 22,447
Add: principal payments on long-term debt	873	754	574	557	575
Subtract: depreciation and amortization	(1,014)	(1,084)	(1,176)	(1,278)	(1,362)
Projected expenses-adjusted	19,427	19,892	20,224	20,895	21,660
Operating reserve % required	12.5%	12.5%	12.5%	12.5%	12.5%
Operating reserve ⁽¹⁾	\$ 2,428	\$ 2,487	\$ 2,528	\$ 2,612	\$ 2,708
Independent Living and Assisted Living Units:					
Available, beginning of year	96	96	96	96	96
Occupied, beginning of year	90	93	93	93	93
Occupancy percentage	94%	97%	97%	97%	97%

Source: Management

(1) Management satisfies the statutory operating reserve requirement through an irrevocable standby letter of credit with a financial institution.

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Property and Equipment

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

	2026	2027	2028	2029	2030
Beginning balance	\$ 27,078	\$ 29,205	\$ 32,248	\$ 34,944	\$ 37,268
Routine capital additions	2,127	2,191	2,257	2,324	2,394
Purchases and renovations ⁽¹⁾	–	852	439	–	–
Property and equipment, cost	29,205	32,248	34,944	37,268	39,662
Accumulated depreciation	(8,347)	(9,376)	(10,492)	(11,703)	(12,998)
Property and equipment, net	\$ 20,858	\$ 22,872	\$ 24,452	\$ 25,565	\$ 26,664

Source: Management

(1) Independent Living Units owned by individuals through a Unit Owner Contract are assumed to be purchased by Pisgah Valley Properties through December 31, 2028. Management assumes an average purchase price equal to the appraised value of the unit.

Long-Term Debt*Note Payable I*

The Company has a note payable ("Note Payable I") with a financial institution bearing interest at a fixed rate of 2.93 percent per annum due in 84 monthly installments of principal and interest of approximately \$95,000 through July 2027. The final payment of approximately \$15,763,000 is due upon the maturity date of August 25, 2027. The outstanding balance of Note Payable I was approximately \$16,796,000 on December 31, 2025.

The Company anticipates refinancing Note Payable I upon the maturity date of August 25, 2027. Management assumes approximately \$15,763,000 of Note Payable I to be refinanced at a fixed interest rate of 5.2 percent per annum with a 25-year maturity. Management anticipates monthly principal and interest payments would commence on September 1, 2027, with a final maturity date of August 25, 2052.

See Accountant's Compilation Report

Note Payable II

The Company entered into a note payable (the “Note Payable II”) of approximately \$11,872,000 with a financial institute in January 2024. Note Payable II bears interest at a nominal rate of 6.25 percent per annum due in monthly installments of principal and interest of approximately \$79,000 through January 2029. The final payment of approximately \$10,751,000 is due upon the maturity date of January 18, 2029. The outstanding balance of Note Payable II was approximately \$11,476,000 on December 31, 2025.

The Company anticipates refinancing Note Payable II upon the maturity date of January 18, 2029. Management assumes approximately \$11,689,000 of Note Payable II to be refinanced at a fixed interest rate of 6.25 percent per annum with a 5-year maturity. Management anticipates monthly principal and interest payments would commence on February 1, 2029, with a final maturity date of January 18, 2034.

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

Table 5
Principal and Interest Payments
(in Thousands)

Years Ended December 31,	Note Payable I		Note Payable II		Total Debt Service
	Principal Payment	Interest Payment	Principal Payment	Interest Payment	
2026	\$ 646	\$ 490	\$ 227	\$ 721	\$ 2,084
2027	512	670	242	706	2,130
2028	318	833	256	692	2,099
2029	335	816	192	669	2,012
2030	353	798	222	654	2,027
Thereafter	14,632	2,757	10,337	1,921	29,647
Total	\$ 16,796	\$ 6,364	\$ 11,476	\$ 5,363	\$ 39,999

Source: Management

See Accountant’s Compilation Report

Current Assets and Current Liabilities

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

Working Capital – Days on Hand	
Resident accounts receivables, net	68 days of skilled nursing revenues
Inventories	2 days of operating expenses
Prepaid expenses	6 days of operating expenses
Accounts payable and accrued expenses	22 days of operating expenses
Accrued payroll and related withholdings	12 days of operating expenses

Source: Management

See Accountant's Compilation Report

Appendix C — Statement of Actuarial Opinion

Not applicable. The provider does not have a new actuarial opinion.

Appendix D — Representative Contract(s)



Residency and Care Agreement

**104 Holcombe Cove Road
Candler, North Carolina 28715
(828) 418 – 2333**

5/30/2024

Term of Agreement Begins: _____

Table of Contents

I.	RESIDENCE	3
II.	COMMON AREAS AND AMENITIES	4
III.	SERVICES AND PROGRAMS	4
IV.	DATE OF OCCUPANCY AND OCCUPANCY	6
V.	FINANCIAL ARRANGEMENTS	7
VI.	ADMISSION REQUIREMENTS AND PROCEDURES	10
VII.	TERMS OF RESIDENCY	12
VIII.	TRANSFERS OR CHANGES IN LEVELS OF CARE	15
IX.	TERMINATION AND REFUND PROVISIONS	16
X.	FINANCIAL ASSISTANCE	23
XI.	GENERAL	23
	ACKNOWLEDGEMENT OF RECEIPT OF DISCLOSURE STATEMENT	26
	SCHEDULE I	27

**PISGAH VALLEY RETIREMENT COMMUNITY
PISGAH ESTATES
RESIDENCY AND CARE AGREEMENT**

THIS RESIDENCY AND CARE AGREEMENT (this “Agreement”) is made and entered into this _____ day of _____, 20____ between _____ (“you”) and **PISGAH VALLEY RETIREMENT CENTER, LLC and PISGAH VALLEY RETIREMENT CENTER PROPERTIES, LLC**, for-profit North Carolina limited liability companies (which may hereinafter be collectively referred to as “we” or “us”) for occupancy of the residence located at _____ (the “Residence”).

We operate a continuing care retirement community in Candler, Buncombe County, North Carolina, known as Pisgah Valley Retirement Community, (“Pisgah Valley”), which includes independent living residences (collectively “Pisgah Estates Residence(s)”). Pisgah Estates Residences consist of patio homes (“Pisgah Estates Patio Home Residence(s)”).

You desire to live in one of our Pisgah Estates Residences. You (or “each of you,” if joint) have submitted an application to us for admission to a Pisgah Estates Residence. In consideration of the promises we are making to each other that are set forth below, you and we agree as follows:

I. RESIDENCE

- A. Your Residence.** You shall have the exclusive right to occupy, use, and enjoy the Residence described above and in Schedule I, attached, subject to the terms of this Agreement, during the term of this Agreement.
- B. Furnishings.** Your Residence without options (see below) includes the following furnishings: carpeting and tile flooring, emergency call system, refrigerator with icemaker, stove, oven, dishwasher, microwave, garbage disposal, blinds, washer, dryer, fireplace, and other features and fixtures as outlined in Pisgah Valley’s current literature. All other furniture, furnishings, decorations, bed/bath linens, and other personal property will be provided by you.
- C. Options and Custom Features in Your Residence.** You may select certain options and custom features for your Residence for an additional charge. Any such options and custom features selected and paid for by you will become part of the Pisgah Estates Residence and the property of Pisgah Valley upon occupancy or reoccupancy. The value of such improvements will not be considered in computing Entrance Fee refunds. All options and custom features must be approved by the management of Pisgah Valley (“Management”) in advance of the changes made.

II. COMMON AREAS AND AMENITIES

- A. **Common Areas and Amenities.** You will have the right to use all common areas at Pisgah Valley equally with other residents of Pisgah Valley. These common areas and amenities include living room/ sunroom, casual/formal dining venues, multi-purpose rooms, activity/game rooms, access to wi-fi in common areas, convenience store, chapel, on-site healthcare clinic, green space, walking areas, private streets, resident vegetable/flower garden areas, on-site assisted living/skilled nursing centers.
- B. **Parking.** In addition to designated surface parking areas, Pisgah Estates Patio Home Residences provide a single-car garage. This is included in your Monthly Fee.
- C. **Wellness.** Wellness is a foundational aspect of Pisgah Valley. As such, your Monthly Fee will include access to our wellness/fitness facilities, which include an indoor pool, hot tub, sauna, strength-training equipment, and exercise/aerobics rooms.

III. SERVICES AND PROGRAMS

- A. **Utilities.** We will furnish the following utilities for your Residence: heating, air conditioning, propane/natural gas log fireplace, electric, water/sewer service, and trash removal. You are responsible for any costs for services beyond that provided by Pisgah Valley.
- B. **Housekeeping Services.** We will provide basic housekeeping services for your Residence that include vacuuming, light dusting, cleaning of baths and kitchens, and changing of bed linens. The amount of time allotted for each residence is determined by the size of your Residence. We will provide one thorough annual cleaning that includes carpet cleaning. Basic bi-weekly (i.e., once every two weeks) housekeeping services are included in the Monthly Fee for the Pisgah Estates Patio Home residents. You may obtain additional housekeeping services for an additional charge as outlined in Pisgah Valley's current literature. You are responsible for purchasing your own bed linens.
- C. **Groundskeeping.** We will maintain the common areas at Pisgah Valley, including lawn, tree and shrubbery care plus snow and ice removal. You may be permitted to plant and maintain certain areas with Management approval.
- D. **Activities.** We will provide planned and scheduled social, recreational, spiritual, educational and cultural activities, including arts and crafts classes and other special activities. Some activities may require an additional charge and all participation is voluntary.
- E. **Wellness Programs.** In addition to access to our wellness/fitness facilities, your Monthly Fee will include participation in group fitness classes (e.g., Tai Chi, yoga,

water aerobics, etc.). Personal trainers will be available for an additional charge as outlined in Pisgah Valley's current literature.

- F. Transportation.** We will provide local group transportation for residents on a regular, scheduled basis for shopping and activities and provide scheduled personal medical transportation during regular business hours within a limited radius. These services are included in your Monthly Fee. We will provide other scheduled local transportation for residents for an additional fee as outlined in Pisgah Valley's current literature. An additional charge may be made for transportation for special, personal or private group trips.
- G. Maintenance and Repairs.** We will maintain and repair your Residence, including the furnishings, appliances and equipment we have supplied with your Residence. You agree to pay, or reimburse us for paying, the cost of repairing any damage to your Residence, the common areas or any of our other property caused by you or any of your guests, except for ordinary wear and tear. Your Residence has received a guaranteed termite treatment and we will provide routine pest control.
- H. Security.** We will arrange for twenty-four (24) hour monitoring for intrusion protection, fire, smoke and medical emergencies and on-site security. We reserve the right to change the provider of these monitoring services in our sole discretion.
- I. Dining.** We will make available to you meals served daily in the Pisgah Valley dining areas during regularly scheduled operating hours. The Monthly Service Fee does not include meals.
- J. Other Services and Programs at Additional Charge.** Other services and programs will be available to you at your expense, including, but not limited to those previously mentioned, beauty and barber services, personal laundry, special transportation, catering, guest dining, tray service/take-out, and other special services performed for you beyond the normal scope of services offered by Pisgah Valley. The availability and charges for additional services are outlined in Pisgah Valley's current literature.
- K. Notice of Change in Scope of Services.** Except for changes required by law, Pisgah Valley will notify you of any proposed change in the scope of services provided in this Agreement at least thirty (30) days before such change is effective. No change relating to a service included in the Monthly Fee under the terms of this Agreement shall be effective unless (a) consented to by you or (b) a reasonable adjustment is made in the Monthly Fee.
- L. Health Care Accommodations and Services.** Pisgah Valley will make available health care accommodations and services as follows:
- 1. Two Levels of Care in Health Care Residences.** Pisgah Valley will have accommodations, equipment, staffing, programs, services and supervision necessary for assisted living services at Pisgah Villa and licensed nursing care at Pisgah Manor (collectively, the "Health Care Residences"). The Health Care

Residences and services are available to you either temporarily or permanently on a space available basis, if needed, as determined by Management. Charges will be in accordance with Paragraph V.H.. Residents of Pisgah Valley have priority access to all Health Care Residences and services before non-residents.

In the event that space for you, for any reason, is not available in a Health Care Residence upon determination that a permanent transfer is required, Pisgah Valley will arrange and pay for your care in your Residence or in another facility of Pisgah Valley's choice as deemed appropriate by Pisgah Valley and your medical services provider, if reasonably possible, until space becomes available in a Health Care Residence. Pisgah Valley will pay for care in another facility to the same extent as if the care were provided by Pisgah Valley. The Resident will pay monthly or daily service fees to Pisgah Valley as if the Resident were a Pisgah Valley Health Care Residence. If the cost of care at the other facility is higher than at Pisgah Valley, Pisgah Valley will pay the difference.

2. **Respite Care.** Respite care is available to you in a Health Care Residence based on availability.
3. **Healthcare Clinic.** A healthcare clinic for certain consultations, screenings, and appointments is available to you as scheduled and provided by Pisgah Valley.
4. **Staffing.** Nursing care appropriate for your needs will be provided by Pisgah Valley.
5. **Medical Director.** The overall coordination and supervision of health care services within Pisgah Valley will be provided by a Medical Director, who will be a licensed physician selected by Pisgah Valley.
6. **Charges.** Charges for the Health Care Residences and services described in paragraphs 1 and 2 above shall be as set forth in Paragraph V.H, as well as charges for ancillary health care services.
7. **Personal Physician.** You will choose a personal physician who has admission privileges at a local hospital, in the event that you need to be hospitalized. You are responsible for the cost of physician services and all related medical and non-medical expenses.

IV. DATE OF OCCUPANCY AND OCCUPANCY

- A. **Date of Occupancy.** The Date of Occupancy, as indicated on Schedule I to this Agreement, is the date established by us based on when your Residence is available for occupancy, you make your ten percent (10%) reservation, and you sign this Agreement. If your Residence is ready for occupancy when you make your ten percent (10%) reservation and sign this Agreement, the occupancy date will be no later than sixty (60) days from the date you sign this Agreement. If your Residence

is not ready for occupancy when you make your ten percent (10%) reservation and sign this Agreement, then the occupancy date will be no later than thirty (30) days from the date the Residence is ready for occupancy. You will be expected to take occupancy of the Residence and begin paying the Monthly Fee pursuant to Paragraph V.D. as of the Date of Occupancy. The balance of the Entrance Fee is due on or prior to the Date of Occupancy.

- B. Occupancy.** As used in this Agreement, “Occupancy” will have occurred when you have signed this Agreement, have paid the Entrance Fee in full as described in Paragraph V.C., and have paid a full month Monthly Fee as described in Paragraph V.D. Upon Occupancy, we will be obligated to provide you with the services outlined in this Agreement.

V. FINANCIAL ARRANGEMENTS

- A. Entrance Fee.** You agree to pay us an Entrance Fee, as indicated on Schedule I of this Agreement. The Entrance Fee provides you with a right to occupy the Residence unless terminated as provided in this Agreement. Nothing contained in this Agreement shall be construed or is intended to require that the Company care for the Resident after expiration or termination of this Agreement.

The Entrance Fee is non-transferable, non-interest bearing and shall be the property of Pisgah Valley for use in accordance with the terms of this Agreement, and shall not be subject to the claims of your creditors. Any refundable portion of the Entrance Fee shall be governed by Section IX of this Agreement.

- B. Entrance Fee Refund Options.** You will choose from two Entrance Fee refund options--a 0% or a 90% Entrance Fee refund. Refunds will be computed on a declining balance basis as outlined in Section IX.D. The Entrance Fee refund is subject to the provisions set forth in Sections V and IX of this Agreement. Once this Agreement is executed, the Entrance Fee refund option selected cannot be changed. Pisgah Valley may, for any lawful reason, limit availability of any of these Entrance Fee refund options.

C. Terms of Payment of the Entrance Fee.

- 1. Initial \$1,000 Priority Reservation Deposit.** Upon entering into a Priority Partner Agreement (the “Priority Partner Agreement”) and prior to entering into this Agreement, you agree to pay One Thousand Dollars (\$1,000.00) as a priority deposit (the “Priority Deposit”). Such Priority Deposit is fully refundable should you choose not to proceed with the reservation process and not enter into this Agreement for any reason. The Priority Deposit fully applies toward the Entrance Fee should you proceed with the reservation process and enter into this Agreement.
- 2. Initial Ten Percent (10%) Reservation Fee.** To reserve your Residence, you will make application to the Pisgah Valley Admissions Committee. You will receive notice of your approval or denial by the Pisgah Valley Admissions

Committee within fourteen (14) days of submitting your application. An amount equal to ten percent (10%) of the Entrance Fee, less any Priority Deposit previously paid, is paid upon entering into this Agreement.

3. **Amounts for Options and Custom Features.** Pisgah Valley will present you with a written quote specific to your options and custom feature request detailing the prices. The cost of options and custom features selected will be invoiced by Pisgah Valley for the selected options or custom features and is due by you upon receipt of such invoice. The amounts for options and custom features will not be considered part of the Entrance Fee when calculating the refund.
 4. **Balance of the Entrance Fee.** The balance of the total Entrance Fee for the Residence will be due and payable prior to the Date of Occupancy, unless otherwise agreed to in writing by Management.
- D. Monthly Fee.** In addition to the Entrance Fee, you agree to pay us a Monthly Fee, as indicated on Schedule I of this Agreement, upon Occupancy for the term of this Agreement, which includes a fee for one resident and, if applicable, an additional fee for the second resident. The Monthly Fee will be payable in advance by the fifth (5th) business day of each month. You agree to pay the first Monthly Fee with the balance of the Entrance Fee (prorated, as applicable, for the number of days remaining in the calendar month that such payment is due). Your initial Monthly Fee will be as indicated on Schedule I of this Agreement.
- E. Additional Charges.** In addition to the Entrance Fee and Monthly Fee, you agree to pay us for additional charges for (1) housekeeping not included in your Monthly Fee, (2) meals not included in your Monthly Fee, (3) certain activities, and (4) special/personal/private group transportation. We will include these charges on the monthly statement described in the "Payment of Monthly Fees" below.
- F. Payment of Monthly Fees.** We will provide you with a monthly statement specifying the Monthly Fee you owe for the month in advance, along with any additional charges from the previous month, payable by the fifth (5th) business day of the current month. We reserve the right to charge interest at a rate of one and one-half percent (1½%) per month on any unpaid balance owed by you thirty (30) days after the monthly statement is dated. If you fail to pay your Monthly Fees, you agree that we may deduct the unpaid Monthly Fees (plus any accrued interest and our reasonable attorneys' fees) from any refund of your Entrance Fee due when this Agreement terminates. You agree to pay your Monthly Fees even if you are voluntarily absent (e.g., on vacation, temporary stays in a Health Care Residence) from your Residence.
- G. Adjustments in the Monthly Fee.** The Monthly Fee is paid to provide the facilities, programs, and services described in this Agreement and are intended to cover costs of the expenses associated with the operation and management of Pisgah Valley. Pisgah Valley, with the approval of its Board of Directors, may increase the Monthly Fee from time to time during the term of this Agreement.

Monthly Fees will be adjusted as required, consistent with operating on a sound financial basis and maintaining quality service. We will notify you of any increase in the Monthly Fee at least thirty (30) days before the increase takes effect. You should expect that we will increase the Monthly Fee at least once a year, regardless of your Date of Occupancy, generally in October.

H. Health Care Charges.

1. **Fee for Services.** In exchange for payment of your applicable Monthly Fee, Pisgah Valley will provide assisted living services or nursing care to the extent that it is not covered by your insurance, Medicare, or any other governmental programs or entitlements which you are required to maintain under this Agreement, subject to the following:
 - a. **Temporary Transfers.** A transfer is considered temporary when the condition that requires your transfer has the potential to be resolved in a manner which may allow you to return to your Pisgah Estates Residence. Your Residence will be held for your return.
 - i. **Single Occupancy.** Should you have a temporary need for services provided in a Health Care Residence while you are still occupying your Pisgah Estates Residence, you will pay both the then-current Monthly Fee for your Pisgah Estates Residence and the then-current rate applicable to the Health Care Residence.
 - ii. **Double Occupancy.** Should one or both residents have a temporary need for services provided in a Health Care Residence while still occupying the Pisgah Estates Residence, the resident remaining in the Residence or the last resident to occupy the Residence (in the case of both residents simultaneously requiring temporary care provided in a Health Care Residence) will continue to pay the then-current Monthly Fee less the then-current second person Monthly Fee for the Pisgah Estates Residence. Additionally, each resident requiring temporary care provided in a Health Care Residence will be required to pay the applicable then-current rate applicable to the Health Care Residence.
 - iii. **Temporary Utilization.** Temporary utilization of a Health Care Residence services does not constitute a change of accommodations subject to the provisions of Paragraph VII.H.
 - b. **Permanent Transfers.** A transfer is considered permanent when the condition that requires your transfer will not allow you to return to your Pisgah Estates Residence and the Residence has been vacated.
 - i. **Single Occupancy.** Should you have a permanent need for services provided in a Health Care Residence, you will be required to release your Pisgah Valley Estates Residence as outlined in Paragraph VIII.A.

Your Monthly Fee will be adjusted to the then-current Monthly Fee for the Health Care Residence.

- ii. **Double Occupancy.** Should one Resident have a permanent need for services provided in a Health Care Residence, the Monthly Fee will be equal to the then-current Monthly Fee for your Pisgah Estates Residence for one person plus the then-current rate applicable to the Health Care Residence. Should both residents have a permanent need for services provided in a Health Care Residence, residents will be required to release the Residence as provided under Section VIII.A. Your Monthly Fee will be adjusted to the then-current Monthly Fee for the Health Care Residence for each resident.
2. **Additional Charges for Respite Care.** You will be responsible for prompt payment of additional charges for respite care as outlined in Pisgah Valley's current literature.
 3. **Additional Charges for Ancillary Health Care Services.** You will be responsible for prompt payment of all additional charges for ancillary health care services provided at Pisgah Valley. Ancillary services will include all services not provided by the staff of Pisgah Valley and not included in the per diem or monthly fee. Examples of additional charges include, but are not limited to, the cost of prescription and non-prescription medications, physical examinations, laboratory tests, physical therapy, home health care, occupational therapy, rehabilitative treatments, wheelchairs and other medical equipment and supplies. In the event of a temporary or permanent transfer, you will be responsible for all costs of relocation.
 4. **Use of Refundable Portion of the Entrance Fee.** See Paragraph IX.H. for use of the refundable portion of the Entrance Fee to pay for health care costs at Pisgah Valley.
 5. **Care in Another Facility.** Should you need a level of care or health services beyond that provided at Pisgah Valley, as determined by Pisgah Valley, and require transfer to another facility, you will be responsible for all expenses of such transfer and services.

VI. **ADMISSION REQUIREMENTS AND PROCEDURES**

- A. **Age.** Residents shall be sixty-two (62) years of age or older. If resident is a couple, at least one member of the couple must be sixty-two (62) years of age at the time of Occupancy.
- B. **Application Forms.** You will provide an Application for Residency, a Personal Health Information and Personal Financial Information (collectively, the "Application Forms"), all on forms furnished by Pisgah Valley, for initial approval by the Pisgah Valley Admissions Committee.

- C. **Personal Interview.** You shall have an interview with a Marketing Representative from Pisgah Valley prior to occupancy. Upon review of all information required to be furnished herein, additional personal interviews may be requested by you or Pisgah Valley.
- D. **Approval Process.** Upon receipt of the completed Application Forms, the Pisgah Valley Admissions Committee will review your Application Forms as a basis for initial acceptance. The Admissions Committee will approve or deny the application within fourteen (14) days after receipt of the completed Application Forms and will provide you with a written decision thereafter.
- E. **Health Requirements.** Within ninety (90) days before the Date of Occupancy, you will provide Pisgah Valley with a physician's report completed by your personal physician. Such report shall include a statement by the physician that you are able to live independently and undertake ongoing activities of daily living. Pisgah Valley may now or in the future additionally require a history and physical from your physician to include physician progress notes. Pisgah Valley may require you to have another physical examination by a physician approved by Pisgah Valley if additional information is necessary. You shall be responsible for the cost of such physical examinations. If you do not meet the criteria for independent living established by Pisgah Valley, you may move to other accommodations within Pisgah Valley more suitable to your needs, or terminate this Agreement.
- F. **Financial Requirements.** You must have assets and income sufficient to pay your financial obligations under this Agreement and to meet your ordinary living expenses. Pisgah Valley may require you to furnish additional or updated financial information prior to Occupancy and on a periodic basis as requested subsequent to Occupancy. Supplemental financial assistance may be available to residents who qualify, as determined by Management, as outlined in Section X.
- G. **Disclosure Statement.** You acknowledge that we have delivered a copy of our current Disclosure Statement as of the date of this Agreement to you at the same time that you signed this Agreement. We agree to make all revised versions of the Pisgah Valley Disclosure Statement available to you.
- H. **Representations.** You affirm that the representations made in all information furnished by you to Pisgah Valley, including the Application for Residency, Personal Health Information, Personal Financial Information, and Physician's Examination Report, are true and correct and may be relied upon by Pisgah Valley as a basis for entering into this Agreement.
- I. **Statement as to Non-Discrimination.** Pisgah Valley shall not limit residency to persons on the basis gender, race, color, religion, national origin, or disability.

VII. TERMS OF RESIDENCY

- A. **Sale, Lease, Sublease or Assignment.** This Agreement is and shall be construed only as a revocable license. This Agreement does not give you ownership of or title to your Residence. This Agreement does not constitute a sale of your Residence to you, and does not transfer or grant any interest in the real or personal property we own that is part of your Residence other than the right to its occupancy, use and enjoyment in accordance with and subject to the terms of this Agreement. Your rights and privileges under this Agreement are personal to you and will not inure to the benefit of your heirs, assigns or representatives. You may not lease, sublease or assign the right to occupy the Residence. We may sell or mortgage your Residence and assign this Agreement without your consent and, if we do so, you will continue to be bound by the terms of this Agreement.
- B. **Policies and Procedures.** You agree to abide by our policies and procedures, including such amendments, modifications, and changes to the Resident Handbook as may be adopted by Pisgah Valley. By signing this Agreement, you acknowledge that you have received a copy of the Resident Handbook. Such Resident Handbook shall be made readily available to you.
- C. **Use of Your Residence.** You agree not to use your Residence in any manner that violates any zoning law or any other law or regulation. You agree to keep your Residence in a clean, safe and sanitary condition, and to use in a proper and reasonable manner all electrical, plumbing, sanitary, heating, ventilating, air conditioning and other systems and appliances furnished as part of your Residence. You agree not to destroy, deface, damage or remove any part of your Residence (including all furnishings and appliances) and not to permit your guests or visitors to do so. You agree to occupy your Residence in a quiet and peaceful manner and not to carry on any loud, obnoxious or offensive activity or noise.
- D. **Changes in the Residence and the Agreement.** Pisgah Valley has the right to change the Residence and/or the Agreement when and to the limited extent required to comply with the requirements of any applicable statutes, laws or regulations.
- E. **Visitors.** You agree that no person other than you will reside in your Residence, except for short-term (meaning two weeks or less) visitors or guests without the approval of Management as described in Paragraph VII.M. You will inform Management promptly of any home health/care services being provided in the Residence and the scheduled hours of individuals providing care. Management will evaluate such situations on a case by case basis.
- F. **Pets.** You agree to have and keep pets in your Residence only in accordance with our policies and procedures as described in the Resident Handbook. There will be an additional nonrefundable fee for pets as indicated on Schedule I of this Agreement.

G. Occupancy by Two Residents. In the event that more than two residents sign this Agreement, each of you is jointly and severally liable for the payment and performance of all of your obligations under this Agreement. If one of you permanently moves to a Health Care Residence, dies, or abandons the Residence, this Agreement shall continue in effect as to the surviving or remaining resident who shall be obligated to pay only the first person monthly fee associated with the Residence. Should the remaining or surviving Pisgah Estates Resident wish to move to another Pisgah Estates Residence, the policies of Pisgah Valley governing said Residence change of accommodation will prevail. The resident moving to a Health Care Residence will pay the published rates for the applicable level of care as described in Paragraph III.M. of this Agreement. No Entrance Fee refunds shall be paid to the remaining resident until the Residence is vacated as described in Paragraph IX.E.

H. Change in Residence

1. **Request by You for Change in Residence.** You may request a change in residence at any time. Management carefully considers such requests, including but not limited to such factors as your health, finances, availability of requested type of residence and waiting lists. Resident must agree to pay the difference in the Entrance Fee and Monthly Fee between the requested residence and the current Residence. Management may require you to enter into a new or amended Residence and Services Agreement for the new residence. The Entrance Fee refund percentage selected at initial occupancy remains in effect during a change in residence and is applicable to any additional amounts paid as a result of the change.
2. **Move to Another Residence.** Should you be approved by Management to move to a subsequent residence, You will pay the Monthly Fee associated with the subsequent residence. Even if the Entrance Fee for the original Residence, when you began to occupy it, was greater than the current Entrance Fee for the subsequent residence, you will not be entitled to a refund as a result of the difference between such Entrance Fees. If, however, the Entrance Fee for the original Residence, when you began to occupy it, was less than the current Entrance Fee for the subsequent residence, you will pay an amount equal to the difference between the Entrance Fee of the original Residence that you paid and the current Entrance Fee of the subsequent residence.
3. **At the Option of Pisgah Valley.** If Management reasonably determines that your Residence needs to be vacated to permit repairs or renovations thereto, or needs to be modified or reconfigured to accommodate a new or different use of the Residence, or as a result of any other circumstances reasonably determined Management to justify such transfer, Pisgah Valley may move you to a new Residence of a similar size provided that Pisgah Valley (i) advises you prior to undertaking any such move, (ii) gives you reasonable notice of and time to prepare for such move, (iii) incurs all the costs of such move, (iv) arranges for the prompt and convenient moving of your personal furnishings, and (v) either provides in such new residence optional custom improvements comparable to

those provided in your original Residence or, at your option, reimburses you for the value of such improvements.

- I. **Casualty or Condemnation.** We will be entitled to all proceeds from any insurance maintained by us against a fire or any other casualty affecting your Residence or the building in which it is located and from any condemnation by a governmental authority of all or any part of your Residence or the building in which it is located. If your Residence or the building in which it is located is substantially damaged or destroyed by fire or other casualty, or condemned or sold in lieu of condemnation, we may, at our option, take any of the following actions: (i) within a reasonable time, restore your Residence to its original condition, (ii) within a reasonable time, substitute substantially similar accommodations for your Residence to the extent available, or (iii) terminate this Agreement if the options described in items (i) and (ii) above are uneconomical for us. You shall immediately notify us of any fire or other casualty affecting your Residence. If we substitute substantially similar accommodations for your Residence, then this Agreement shall continue in full force and effect and the term "Residence" as used in this Agreement shall be deemed to refer to such substitute accommodations.
- J. **Loss or Damage of Your Personal Property.** We are not responsible for the loss or damage of any personal property belonging to you due to theft, disappearance, fire or any other cause. You agree to carry insurance to cover such losses. We shall insure the real property (e.g., unit and common areas) and any personal property (e.g., furnishings, fixtures and equipment) owned by us.
- K. **Medical Insurance.** You shall maintain Medicare Part A, Medicare Part B, and one supplemental health insurance policy or equivalent insurance coverage acceptable to Pisgah Valley and shall furnish Pisgah Valley with evidence of such coverage annually or whenever a change in insurance occurs.

Should the resident or the resident's legally-authorized representative apply for assistance under the Medicaid program, or any successor program of a similar nature, the resident's contract will be terminated.

- L. **Marriage During the Term of This Agreement.** If you marry a person who is also a resident of Pisgah Estates pursuant to a similar agreement with us, you may occupy either Pisgah Estates Residence and shall surrender the Pisgah Estates Residence that you will not occupy. If you surrender the Residence described in this Agreement, refund of the Entrance Fee will be paid pursuant to the terms in Paragraph IX.E. of this Agreement. If you and your spouse occupy the Residence described in this Agreement, you will pay the current Entrance Fee and Monthly Fee for double occupancy of this Residence at the time your spouse moves into this Residence.

If you marry a person who is not a resident of a Pisgah Estates Residence pursuant to a similar agreement with us, your spouse may become a resident of the Residence described in this Agreement if your spouse (i) meets all the current requirements for admission to a Pisgah Estates Residence, (ii) signs this Agreement and any

amendments necessary to reflect double occupancy, and (iii) you and your spouse pay the current Entrance Fee and Monthly Fee for double occupancy of this Residence at the time your spouse moves into this Residence. If your spouse does not meet our requirements for admission, you may terminate this Agreement.

- M. Added Resident.** Should you desire to invite an individual to join you in sharing a Pisgah Estates Residence for which you paid the entire Entrance Fee and in which you are living alone, such person may become a resident of the Residence described in this Agreement if the individual (i) meets all the current requirements for admission to a Pisgah Estates Residence, (ii) signs this Agreement and any amendments necessary to reflect double occupancy, and (iii) you and the co-resident pay the current Monthly Fee for double occupancy of this Residence at the time the co-resident moves into this Residence.
- N. Right of Entry.** You hereby authorize our employees or agents to enter your Residence for the purposes of housekeeping, repairs, maintenance, inspection, fire drills, and in the event of an emergency. Pisgah Valley will always endeavor to maintain your privacy and the privacy of the Residence. For your safety, you agree not to replace or add any locks to the Residence.
- O. Residents' Organizations.** Residents of Pisgah Valley are members of a Residents' Council that is open to all residents. Such organization elects representatives, officers, and other positions to engage in activities of interest to all residents.

VIII. TRANSFERS OR CHANGES IN LEVELS OF CARE

- A. Transfer to a Pisgah Valley Health Care Residence.** Pisgah Valley recognizes the right of self-determination and will attempt to involve you or your representative in all decisions related to transfers and changes in level of care. Pisgah Valley shall have authority to determine whether you should be transferred from your Residence to a Health Care Residence or from one level of care to another within Pisgah Valley, in cases of potential harm to yourself or others, to assure the health and wellbeing of you and others or to provide for the highest quality of life possible. Such determination shall be based on the opinion of Management and/or the Pisgah Valley Medical Director and shall be made after consultation with you and your representative and your attending physician. Such decisions shall be made only in your best interest and in the best interest of the larger community as determined by Management. You have the right to be admitted to the first such Health Care Residence that becomes available for occupancy after the date of such determination, subject to any obligations we may have under the Medicaid program or another Residence and Services Agreement with a Pisgah Estates resident to make such Health Care Residence available to someone else. A Resident transferring to a higher level of care does not constitute a change of accommodation for the purpose of calculating an Entrance Fee refund.

In the event of a permanent transfer, you shall release your Pisgah Estates Residence in order for Pisgah Valley to make your Residence available to a new

resident. In such event, Pisgah Valley may enter into a new Agreement for occupancy of the Residence with a new resident. If your Residence is reassigned and should you subsequently recover sufficiently to maintain yourself independently in a residence, you shall be offered the next available residence similar to the one relinquished. While you are in a Health Care Residence, the Monthly Fee will continue to be due and payable as described in Paragraph V.D.

If the Residence is occupied by two (2) residents, the permanent transfer of one (1) resident does not affect the rights and privileges under this Agreement of the remaining resident.

- B. Transfer to Hospital or Other Facility.** If it is determined by Management that you need care beyond that which can be provided by Pisgah Valley, you may be transferred to a hospital or institution equipped to give such care at your expense. Such transfer will be made only after consultation with you and/or your representative and attending physician.
- C. Surrender of Residence.** If a reasonable determination is made by Pisgah Valley that any transfer described in Paragraph VIII.A. is or is highly likely to be permanent; you agree to surrender your Residence. You will have priority to move to such Health Care Residence, determined to best meet your needs, as soon as such is available. If the interdisciplinary team, including you, to the extent practical, or your legally-authorized representative, in conjunction with appropriate staff members and in consultation with your attending physician, subsequently determines that you can resume occupancy in a Residence or accommodation comparable to that occupied by you prior to such transfer, you shall have priority to such residence as soon as it becomes available.

IX. TERMINATION AND REFUND PROVISIONS

A. Termination Prior to Occupancy.

- 1. Right of Rescission.** You have the right required under Section 58-64-25(a)(1) of the North Carolina General Statutes to rescind this Agreement within thirty (30) days following the later of the execution of the Agreement or the receipt of a Disclosure Statement that meets the requirements of North Carolina General Statutes Section 58; Article 64. Under the terms of this Agreement, you are not required to move into your Residence during this thirty-day rescission period (that is, you are permitted to select a move-in date that is 31 days or more after the date of this Agreement). To exercise this statutory right to rescind this Agreement, you must notify us in writing within thirty (30) days after the later of the execution of this Agreement or the receipt of a Disclosure Statement that meets the requirements of North Carolina General Statute Section 58; Article 64. If you exercise this statutory right to rescind this Agreement, we will refund all amounts you have paid to us pursuant to this Agreement less any non-standard costs specifically incurred by Pisgah Valley at your request and described in this Agreement or an amendment to this Agreement signed by you. Any such

refund shall be paid by Pisgah Valley within thirty (30) days following receipt of written notification of such termination by the resident. Written notice should be sent to:

**Director of Marketing
Pisgah Valley Retirement Community
6 Rhododendron Way
Candler, NC 28715**

2. **Due to Death, Illness, Injury, or Incapacity.** If you die or are rendered incapable of independent living on account of illness, injury, or incapacity before occupying the Residence, this Agreement will automatically be cancelled to comply with NCGS 58-64-25(a)(2). Any monies paid by the resident shall be refunded in full less any non-standard costs specifically incurred by us at your request and described in the Agreement or an amendment to this Agreement signed by you, within thirty (30) days after our receipt of the written notice from you (or your heirs, as applicable) that any such event has occurred. Written notice should be sent to the address noted in Paragraph IX.A.1.
3. **Other Reasons.** You have the right to terminate this Agreement for any reason before occupying the Residence by giving us written notice signed by you to the address in Paragraph IX.A.1. In the event of such termination, we will refund your entire ten percent (10%) Reservation Fee to you, without interest, less a nonrefundable fee of One Thousand Dollars (\$1,000) and any non-standard costs specifically incurred by us at your request and described in the Agreement or an amendment to this Agreement signed by you, within thirty (30) days after our receipt of the written notice of termination. Written notice should be sent to the address noted in Paragraph IX.A.1.
4. **Our Right to Terminate this Agreement and Refund Your Deposit.** If we do not accept you for residency, the full amount of the ten percent (10%) deposit you have paid will be promptly refunded to you, without interest. We may terminate this Agreement and refund your entire ten percent (10%) deposit without interest and any non-standard costs specifically incurred by us at your request at any time prior to the time you move into your Residence for the following reasons: (i) a material misrepresentation or omission made by you in your application for admission or (ii) you fail to pay the balance of the Entrance Fee and the first monthly fee when due. We will pay the refund to you within thirty (30) days after we deliver written notice to you that we are terminating this Agreement for one of the reasons specified in this paragraph.

B. Termination After Occupancy.

1. **Right of Rescission.** You have the right required under Section 58-64-25(a)(1) of the North Carolina General Statutes to rescind this Agreement

within thirty (30) days following the later of the execution of the Agreement or the receipt of a Disclosure Statement that meets the requirements of North Carolina General Statutes Section 58; Article 64. Under the terms of this Agreement, you are not required to move into your Residence during this thirty-day rescission period (that is, you are permitted to select a move-in date that is 31 days or more after the date of this Agreement). However, if you choose to rescind this Agreement as described in Paragraph IX.A.1. and have elected to move into the Residence during this 30-day rescission period, you agree to remove all of your personal property from the Residence and vacate the Residence, leaving the Residence in the same condition as when you first occupied it, except for normal wear and tear and any damage by fire or other casualty. To exercise this statutory right to rescind this Agreement, you must notify us in writing within thirty (30) days after the later of the execution of this Agreement or the receipt of a Disclosure Statement that meets the requirements of North Carolina General Statute Section 58; Article 64. If you exercise this statutory right to rescind this Agreement, we will refund all amounts you have paid to us pursuant to this Agreement less (i) periodic charges specified in this Agreement and applicable only to the period the Residence was actually occupied by the resident; (ii) those non-standard costs specifically incurred by Pisgah Valley at request of you and described in the Agreement or any amendment to this Agreement signed by you; and (iii) a nonrefundable fee of One Thousand Dollars (\$1,000). Any such refund shall be paid by Pisgah Valley within thirty (30) days following receipt of written notification of such termination by the resident. Written notice should be sent to the address noted in Paragraph IX.A.1.

2. **Termination By You Upon Thirty Days' Notice.** After you have paid the entire Entrance Fee as described in Paragraph V.C., you have the right to terminate this Agreement for any reason by giving us written notice signed by you to the address in Paragraph IX.A.1., which will be effective and irrevocable upon delivery. Termination will occur thirty (30) days after written notice is delivered and you must vacate your Residence within the thirty (30) days. You or your legal representative shall receive a refund less (i) periodic charges specified in the Agreement and applicable only to the period the Residence was actually occupied by you; (ii) those non-standard costs specifically incurred by Pisgah Valley at your request and described in the Agreement or any amendment to this Agreement signed by you; and (iii) nonrefundable fees as set out in Paragraph IX.E. of this Agreement. Written notice should be sent to the address noted in Paragraph IX.A.1. Refund of the Entrance Fee will be as outlined in Paragraph IX.E.
3. **Automatic Termination Upon Your Death or Abandonment of Your Home.** After you have paid the entire Entrance Fee as described in Paragraph V.C., this Agreement will automatically terminate thirty (30) days after your death (or the death of the surviving resident in the case of joint residents) or thirty (30) days after you abandon your Residence. After such automatic termination, your personal representative will have thirty (30) days from the

date of your death to remove your personal property from your Residence. Refund of the Entrance Fee will be as outlined in Paragraph IX.E.

4. **Termination By Us.** We may terminate this Agreement after you have paid the entire Entrance Fee at any time for the following reasons: (i) a material misrepresentation or omission made by you in your application for admission; (ii) restoring your Residence or the building in which it is located or providing substitute accommodations after casualty or condemnation of your Residence or the building in which it is located is uneconomical for us; or (iii) we determine, using standard evaluation procedures conducted by a physician of our choosing (and you agree to submit to such evaluation procedures upon our request and at our expense), that your mental or physical health is detrimental to your own health and safety, the health and safety of other residents of Pisgah Valley or the general and economic welfare of the residents of Pisgah Valley. We also may terminate this Agreement upon thirty (30) days prior written notice to you if you fail to comply with the terms of this Agreement, including but not limited to the failure to pay your monthly fee, unless you cure such violations within the thirty-day period specified in our notice to you.

- C. **Your Obligations Upon Termination of this Agreement.** If this Agreement terminates for any of the reasons described in Paragraphs (A) or (B) above, you agree to remove all of your personal property from the Residence and vacate the Residence, leaving the Residence in the same condition as when you first occupied it, except for normal wear and tear and any damage by fire or other casualty. We may remove and either store or dispose of any personal property left in your Residence that appear to us to have been abandoned by you. You agree that we may deduct from any refund of your Entrance Fee any costs paid by us to restore your Residence to its original condition (normal wear and tear and any fire or other casualty loss excepted), and to remove, store or dispose of personal property left in your Residence.

- D. Declining Balance of the Entrance Fee.** Your Entrance Fee may be partially refundable as outlined in Paragraph V.B.. The portion of the Entrance Fee that is refundable to you will decline over time, based on the amount of time that has elapsed since the Date of Occupancy, as follows:

<u>Month of Occupancy*</u>	<u>% Refundable</u>	
	<u>0%</u>	<u>90%</u>
1 st	90%	90%
2 nd	90%	90%
3 rd	90%	90%
4 th	90%	90%
5 th	90%	90%
6 th	85%	90%
7 th	80%	90%
8 th	75%	90%
9 th	70%	90%
10 th	65%	90%
11 th	60%	90%
12 th	55%	90%
13 th	50%	90%
14 th	45%	90%
15 th	40%	90%
16 th	35%	90%
17 th	30%	90%
18 th	25%	90%
19 th	20%	90%
20 th	15%	90%
21 st	10%	90%
22 nd	5%	90%
23 rd and beyond	0%	90%

*The percentages in the table do not apply during the rescission period as described in Paragraph IX.B.1.

- E. Refund Upon Termination and Withdrawal from Pisgah Valley Campus.** The refund due shall be the Entrance Fee paid multiplied by the percentage based on the declining balance table in Paragraph IX.D (i.e., the refundable amount) less: (i) any amount due to Pisgah Valley for monthly care or other unpaid services when this Agreement terminates, (ii) any costs we pay to restore the Residence to its original condition (normal wear and tear and any fire or other casualty loss excepted), and (iii) any costs we pay to remove, store or dispose of personal property left in the Residence. Any refundable amount shall be paid to the resident who withdraws from Pisgah Valley campus (see Paragraph IX.H. for the use of a refundable Entrance Fee in the case of on-campus transfers) only when the Residence is reserved by a new resident and thirty (30) days after we collect full Entrance Fee from the new resident or 24 months after termination of this Agreement (whichever occurs first).

Any refund due shall be paid to the estate of the deceased Resident.

- F. Condition of Residence.** Upon vacating the Residence, you shall leave it in good condition except for normal wear and tear. You or your estate shall be liable to Pisgah Valley for costs required to restore the Residence to good condition or standard condition, except for normal wear and tear, and for the removal and disposition of abandoned personal belongings. Such costs will be deducted from the refundable portion of the Entrance Fee due to you.
- G. Changes to Residence.** After the Date of Occupancy, any structural or physical changes to the Residence directed by you (including alterations such as construction of bookshelves or redecoration such as painting or wallpapering) will require the prior approval of Management and will be made only under Pisgah Valley's supervision and direction. The cost of any change requested by you shall be at your expense. Pisgah Valley may require, as a condition of approval of a requested change, that you either (i) agree to bear the cost of restoring the Residence to its original condition upon termination of your occupancy of the Residence or (ii) prepay the estimated cost of restoring the Residence to its original condition. All structural improvements shall belong to Pisgah Valley.
- H. Use of a Refundable Entrance Fee Option for Health Care Expenses at Pisgah Valley.**
1. Single Occupancy. Should you permanently vacate your Pisgah Estates Residence by transferring to a Health Care Residence, you may then draw against the refundable portion of the Entrance Fee to supplement payment of your health care costs at Pisgah Valley but if, and only if, your other assets from all available sources are insufficient to cover your health care costs at Pisgah Valley. Pisgah Valley will require you to demonstrate the unavailability of other resources to cover health care costs at Pisgah Valley. The refundable portion of the Entrance Fee can be accessed exclusively for healthcare services at Pisgah Valley as a supplement to any income you receive from all available sources. You may access the refund for health care purposes only when the vacated Residence is reserved by a new resident and the new resident has paid their Entrance Fee.
 2. Double Occupancy. The following conditions apply when the residents to this contract are two married individuals in a Pisgah Estates Residence:
 - a. Single Transfer to Health Care Residence. The Entrance Fee relates to the resident identified in this Agreement, not to either individual resident alone. As such, as long as one of the residents remains at Pisgah Valley, no refund of the Entrance Fee is due to either resident, even if one resident vacates Pisgah Valley for any reason.
 - b. Dual Transfer to Health Care Residence. Should both residents vacate their Pisgah Estates Residence by transferring to a Health Care Residence, either

or both resident(s) may then draw against the refundable portion of the Entrance Fee to supplement payment of their health care costs at Pisgah Valley but if, and only if, the residents' other assets from all available sources are insufficient to cover the residents' health care costs at Pisgah Valley. Pisgah Valley will require the residents to demonstrate the unavailability of other resources to cover health care costs at Pisgah Valley. The remaining refundable portion of the Entrance Fee can be accessed exclusively for healthcare services at Pisgah Valley as a supplement to any income the residents receive from all available sources. The residents may access the refund for health care purposes only when the vacated Residence is reserved by a new resident and the new resident has paid their Entrance Fee.

- c. Single Transfer to Health Care Residences and Change in Residence. Should one resident vacate their Residence by transferring to a Health Care Residence, and the other resident vacates the Residence by transferring to an Pisgah Estates Residence that carries a lesser Entrance Fee, the resident who has transferred to the Health Care Residence may then draw against the remaining refundable portion of the Entrance Fee to supplement payment of their health care costs at Pisgah Valley, up to the difference between the original Entrance Fee, and the then current Entrance Fee ("Revised Entrance Fee") for the new Pisgah Estates Residence, but if, and only if, the resident's other assets from all available sources are insufficient to cover the resident's health care costs at Pisgah Valley. Pisgah Valley will require the resident to demonstrate the unavailability of other resources to cover health care costs at Pisgah Valley.

Should the resident residing in a Pisgah Estates Residence vacate said accommodation by transferring to a Health Care Residence at Pisgah Valley, that resident may then draw upon the remaining refundable portion of the Revised Entrance Fee to supplement payment of their health care costs at Pisgah Valley, but if, and only if, the resident's other assets from all available sources are insufficient to cover the resident's health care costs at Pisgah Valley. Pisgah Valley will require the resident to demonstrate the unavailability of other resources to cover health care costs at Pisgah Valley. The remaining refundable portion of the Entrance Fee can be accessed exclusively for health care services at Pisgah Valley as a supplement to any income the resident receives from all available sources. The Resident may access the refund for health care purposes only when the vacated Residence is reserved by a new resident and the new resident has paid their Entrance Fee.

- d. Utilization of the remaining refundable portion of the Entrance Fee may be made to supplement payment of health care costs at Pisgah Valley only. Contingent upon a financial review of the resident's income and assets, Pisgah Valley reserves the right to determine the amount of the refundable portion of the Entrance Fee that may be used to supplement the resident's health care fees at Pisgah Valley.

X. FINANCIAL ASSISTANCE

The policies relating to financial assistance are determined by Management. The amount of assistance is determined on an individual basis and there is no guarantee of assistance to any individual resident.

XI. GENERAL

- A. Assignment.** Your rights and privileges under this Agreement to the Residence, common areas and amenities, services and programs of Pisgah Valley are personal to you and may not be transferred or assigned by you.
- B. Management of Pisgah Valley.** The absolute rights of management are reserved by Pisgah Valley, its officers, and its administrators as delegated by Pisgah Valley's officers. Pisgah Valley reserves the right to accept or reject any person for residency. You do not have the right to determine admission or terms of admission for any other resident.
- C. Enforcement Costs.** You agree to pay, or reimburse for paying, our reasonable attorneys' fees and expenses and any other costs we incur for the collection of any past due monthly fees or other amounts due under this Agreement or to enforce any other provision of this Agreement.
- D. Notice Provisions.** Any written notice we give to you under this Agreement shall be mailed or delivered to your unit. Any written notice you give to us under this Agreement shall be mailed or delivered to us at the following address: 95 Holcombe Cove Road, Candler, North Carolina 28715 Attention: Director of Marketing/Programming.
- E. Entire Agreement.** This Agreement constitutes the entire contract between you and us. Pisgah Valley shall not be liable or bound in any manner by any statements, representations, or promises made by any person representing or purporting to represent Pisgah Valley, unless such statements, representations, or promises are set forth in the Agreement or its duly executed Schedules and Addenda.
- F. Successors and Assigns.** Except as otherwise provided herein, this Agreement shall be binding upon and inure to the benefit of the successors and assigns of Pisgah Valley and your heirs, executors, administrators, and assigns.
- G. Subordination to Financing.** Your rights under this Agreement shall at all times be subordinate to the rights of any bona fide lender under any mortgage, deed of trust or other security interest, now existing or hereafter created, on any of the property of Pisgah Valley and to all amendments, modifications, replacements or refinancing thereof. You shall execute and deliver any documents reasonably required by Pisgah Valley or by the holder of any mortgage, deed of trust or other security agreement to evidence or effect such subordination.

- H. Transfer of Property.** You agree not to make any gift or other transfer of property for the purpose of evading your obligations under this Agreement or if such gift or transfer would render you unable to meet such obligations.
- I. Governing Law; Severability.** This Agreement shall be governed by the laws of the State of North Carolina. If any provision of this Agreement is invalid or unenforceable, the remainder of this Agreement shall continue in full force and effect.
- J. Ad Valorem Taxes.** Should Pisgah Valley ever be required to pay ad valorem property taxes that may be assessed in the future, the applicable pro rata amount of such taxes will be added to the Monthly Fee for your Residence.
- K. Rights of the Resident.** Rights of you under this Agreement are the rights and privileges herein expressly granted and do not include any proprietary interest in the properties or assets of Pisgah Valley Retirement Center, LLC, Pisgah Valley Retirement Center Properties, LLC, or any membership in Pisgah Valley .
- L. Pisgah Estates Unit Owners Association; 95 Holcombe Cove Road, Candler, North Carolina 28715.** The Pisgah Estates Unit Owners Association (the “Unit Owners Association”) was created in accordance with the North Carolina Condominium Act to own and manage the commonly owned property of Pisgah Valley’s independent living campus. The Unit Owners Association began operations in 1975 as an unincorporated non-profit association and became a not-for-profit corporation under the laws of the State of North Carolina in September 2008. Under the terms of a management agreement (“Management Agreement”), Pisgah Valley has majority voting rights in the Unit Owners Association and performs program, maintenance, and administrative services to the Unit Owners Association. Services are billed monthly and the Management Agreement is renewable each calendar year. The Unit Owners Association’s revenue is generated primarily through maintenance fees from Pisgah Estates unit owners. Cindy Stancil is a member and chairman of the Unit Owners Association Board of Directors. The Unit Owners Association is not responsible for the financial and contractual obligations of Pisgah Valley.

[Signatures begin on following page]

IN WITNESS HEREOF, you and we have signed this Agreement and you have received a copy of the current Pisgah Valley Disclosure Statement on the day and year shown on the first page of this Agreement and you have paid the 10 Percent (10%) Deposit.

Addenda Attached:

Acknowledgement of Receipt of Disclosure Statement
Schedule I

Resident Signature

Date

Resident Signature

Date

**PISGAH VALLEY RETIREMENT CENTER,
LLC and PISGAH VALLEY RETIREMENT
CENTER PROPERTIES, LLC**

By: _____
Authorized Representative

Date

ACKNOWLEDGEMENT OF RECEIPT OF DISCLOSURE STATEMENT

**Pisgah Valley Retirement Community
95 Holcombe Cove Road
Candler, North Carolina 28715**

As of the day and year above written in this Residency and Care Agreement, the undersigned Resident(s) acknowledges receipt of the Disclosure Statement of Pisgah Valley Retirement Center, LLC and Pisgah Valley Retirement Center Properties, LLC d/b/a Pisgah Valley Retirement Community dated _____. The Disclosure Statement was received prior to the execution of this Residency and Care Agreement or prior to or at the time of the transfer of any money or other property to the facility, whichever occurred first.

As a prospective resident, PVRC and PVRC representatives have encouraged me to read the Disclosure Statement in its entirety before entering into any contract or written agreement or paying any fee.

I understand Pisgah Valley, like all other continuing care retirement communities in the State of North Carolina, is subject to an act concerning registration and disclosure by continuing care retirement communities (the "Act"). Registration under the Act does not constitute approval, recommendation, or endorsement of the continuing care retirement community by the Department of Insurance or the State of North Carolina, nor does such registration evidence the accuracy or completeness of the information in the Disclosure Statement.

I understand this matter involves a financial commitment and associated risk as well as a legally binding contract. In evaluating the Disclosure Statement and the financial statements prior to any commitment, I was encouraged to consult with an attorney and/or financial advisor who could review these documents with me, if any matters contained herein are not clear, including an understanding of solvency and deficit fund balance levels for this and other continuing care retirement communities.

Resident Signature

Date

Resident Signature

Date

**PISGAH VALLEY RETIREMENT CENTER,
LLC AND PISGAH VALLEY RETIREMENT
CENTER PROPERTIES, LLC**

By: _____
Authorized Representative
Date

**RESIDENCY AND CARE AGREEMENT
PISGAH VALLEY RETIREMENT CENTER
SCHEDULE I
PAGE 1 OF 2**

1st Resident Name _____

2nd Resident Name (if applicable) _____

Pisgah Estates Residence Number _____

Pisgah Estates Residence Address _____

Type of Unit (select one):

Patio Home:

- Unit A 2 bedroom (1,210 sf)
- Unit B 2 bedroom den (1,260 sf)
- Unit C 2 bedroom sunroom (1,510 sf)
- Unit D 2 bedroom den sunroom (1,560 sf)

Scheduled Date of Occupancy: _____

ENTRANCE FEE AND OPTIONS: _____ **0%** _____ **90%**

Entrance Fee (based on Home selected): \$ _____

Second Person Entrance Fee (if applicable): \$ _____

Options and Custom Features (if applicable); \$ _____

Total Entrance Fee and Options \$

Priority Reservation Deposit \$ _____

10% Reservation Fee less Waiting List Deposit \$ _____

Options and Custom Features (if applicable); \$ _____

Entrance Fee Due at Date of Occupancy \$ _____

Total Entrance Fee and Options
(equal to Total Entrance Fee and Options above) \$

**RESIDENCY AND CARE AGREEMENT
PISGAH VALLEY RETIREMENT CENTER
SCHEDULE I
PAGE 2 OF 2**

MONTHLY FEE:

Monthly fee at Date of Occupancy:

1st person	\$ _____
2 nd person	\$ _____
Optional service package (describe) _____	\$ _____
Total Monthly Fee	\$ <u> </u>

PARKING SPACE FEE (NONREFUNDABLE):

Parking space fee due at Date of Occupancy

Limited to one parking space per Residence \$ _____

PET FEE (NONREFUNDABLE):

Pet fee due at Date of Occupancy

1 st pet	\$ _____
2 nd pet	\$ _____
Total Nonrefundable Pet Fee	\$ <u> </u>

1st Resident Signature Date

2nd Resident Signature Date

Appendix E — Examination Report

Not applicable. At the time of submission, the North Carolina Department of Insurance has not completed a new examination of the provider.

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.