SEARSTONE
RETIREMENT COMMUNITY

Disclosure Statement

May 31, 2024

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

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

- **This Disclosure Statement may be delivered until revised, but not after May 30, 2025;**
- **Delivery of the Disclosure Statement to a contracting party is required before execution of a continuing care contract; and**
- **This Disclosure Statement has not been reviewed or approved by any government agency or representative to ensure accuracy or completeness of the information set out.**

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Exhibits:

I. PROVIDER INTRODUCTION AND INFORMATION

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

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

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

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

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

II. COMMUNITY INTRODUCTION AND INFORMATION

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

The Community opened for its first residents in the fall of 2013 as construction and licensing completed. The first phase of the Community ("**Phase I**") includes 131 Lorraine Plaza, Calais Terrace, Lakeside Flats, and Clubhouse residences, and 38 attached Estate Homes (referred to as "**Independent Living Units**"), located on 24 acres of land within the PDD owned by Provider. The Community opened with 8 adult care residences for assisted living (referred to as "**Assisted Living Units**") and 16 skilled nursing residences (referred to as "**Skilled Nursing Beds**"). The Assisted Living Units and Skilled Nursing Beds are provided in a health center within Searstone known as "**Brittany Place.**" The Community expanded the health care center in 2019 (the "**Brittany Place Expansion**"), adding additional Assisted Living Units and Skilled Nursing Beds, bringing the total number to 14 Assisted Living Units and 25 Skilled Nursing Beds. The Community plans a maximum of approximately 294 Members at full occupancy of Phase I, which includes double occupants of a single Residential Living Unit, a single Assisted Living Unit, or a single Skilled Nursing Unit. As of December 31, 2023, Phase I occupancy consisted of: 161 (of the available 168) Independent Living Units; 11 (of the available 14) Assisted Living Units; and 15 (of the available 25) Skilled Nursing Beds.

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

A. Board of Directors

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

Thomas A. Beebe, Director. 125 Hampton Pines Drive, Morrisville, NC 27560. Mr. Beebe is a long-time resident of the Cary area. He earned his A.B./L.L.B. (Pre-Law, emphasis in business) undergraduate degree and J.D. degree from the University of North Carolina at Chapel Hill. Mr. Beebe practiced real estate and business/estate planning law in private practice in Cary for nine

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

years and then was active in the real estate development business in the Wake County area until his retirement in June 2018.

Linda D. Coleman, Director. 201 Kirvin Court, Knightdale, NC 27545. Ms. Coleman has served as Chair of the Wake County Board of Commissioners, was elected three times to the North Carolina House of Representatives, and served as the Director of the North Carolina Office of State Human Resources from 2009 to 2012. Some of her past positions have included being a high school teacher and working for the State of North Carolina in the human resource field as the Human Resources Manager for the North Carolina Department of Community Colleges. Ms. Coleman is a native of Greenville, North Carolina and is a long-time resident of Knightdale, North Carolina. Ms. Coleman serves on a number of boards including Wake Technical Community College and the Methodist Home for Children.

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

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

Mack R. Leath, Jr., Director. 11 Spring Knob Circle, Beaufort, SC 29907. Mr. Leath received his B.S. Degree in Business Administration from the North Carolina State University in 1979. He has been in the petro-chemical business for 30 years, owned MRL Associates in Atlanta, Georgia for 17 of those years, and now works with Chemicals Etc., a Houston, Texas based firm. He is a founder of: Araicom Life Sciences, LLC, a literature search software start-up; Medsoftccs, LLC, a software solution focused on assisting HR functions with nursing compliance issues; and W6, a scheduling and estimating software solution for the petro-chemical industry. Mr. Leath has been the past president of Provider and has been a board member of Provider since its inception.

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

James B. Pierce, Director. 19001 Searstone Drive, Unit 421, Cary, North Carolina 27513. Mr. Pierce is a Certified Public Accountant and a retired partner at the accounting firm of Williams Overman Pierce, LLP. He graduated from the University of North Carolina, earning a Bachelor's Degree in Accounting in 1969. Mr. Pierce has always and continues to be an active community volunteer. He has served as an officer and board member of numerous non-profit organizations, including the American Lung Association of North Carolina, Wake Education Partnership, Wake County Estate Planning Council, and Crabtree Rotary Club.

B. Special Advisor

From time-to-time the Board has appointed a Special Advisor. While not a member of the Board, the Special Advisor attends meetings of the Board and participates in those meetings in a non-voting capacity. The current Special Advisor to the Board is:

Darryl F. Mills. 4000 Winston Hill Drive, Apt 108, Cary, North Carolina 27513. Mr. Mills has been a resident of the Community since November 2013. He was born and educated in South Africa, where he obtained a B.S. in Mechanical Engineering and an M.B.A. degree. He and his late wife relocated to the United States in 1977 and he became a US citizen in 1985. Prior to retiring in 2009, Mr. Mills was Vice President for Finance and then President of various international mining equipment manufacturing companies. He has been President of Cary Senior Technical Education, an organization with 50 volunteers that teaches seniors how to use technology.

C. Executive Officers

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

Stanley G. Brading, President and Director. 2977 Habersham Ct NW Atlanta, Georgia 30305. Mr. Brading has been a practicing attorney for 42 years, focusing on tax exempt bond financing for Code Section 501(c)(3) organizations like Provider, including the acquisition and construction of health care facilities with such bond proceeds. Mr. Brading represented Provider as its attorney from 2005 until July 1, 2011, when he accepted his current position as President. He received his B.A. degree from Duke University in 1974, his J.D. degree from the Washington and Lee University School of Law in 1979, and his Master of Laws in Taxation degree from Emory University in 1984. He has served as President of the national Duke University Alumni Association and on the Duke University Board of Trustees, and has been involved in a wide range of non-profit community organizations such as Chairman of the Board of the Atlanta Children's Shelter, President of Buckhead Little League Baseball, as President of the Buckhead Lions Club, and as a member of the Buckhead Rotary Club.

The Provider's other executive officers are as follows:

Derrick Moore, Executive Director. 1849 Wilshire Avenue, Raleigh NC 27608. Mr. Moore joined the Community in April 2018 as Executive Director. Mr. Moore is originally from Tennessee and has worked in the long-term care industry for over 35 years. He began his career straight out of college as the Development Director of Alexian Brothers, which was then developing one of the first CCRCs in the southern United States, Alexian Village of Tennessee. After eight years and seeing the first phase of Alexian Village completed, Mr. Moore moved to Greenville, South Carolina to become the executive director of a new CCRC. Mr. Moore then moved to Atlanta, Georgia, to Memphis, Tennessee, and then to Louisville, Kentucky where he was with a CCRC for over 19 years before moving to Scottsdale, Arizona. Coming back to the southern United States, Mr. Moore worked in Atlanta, Georgia before moving to North Carolina to join the Community. Mr. Moore is licensed as a nursing home administrator in four states.

Kenneth Bullock, Chief Financial Officer. 106 Trackers Road, Cary, NC 27513. Mr. Bullock joined the Community in February 2022 as Chief Financial Officer. Previously, Mr. Bullock served as Chief Financial Officer for Epworth Living (2018-2022), a continuing care retirement community in Oklahoma City, Oklahoma, as Senior Vice President and Chief Financial Officer for Edenwald Retirement Community, a continuing care retirement community in Towson, Maryland (2003-2018), Corporate Controller for Episcopal Ministries to the Aging (1998-2003), Director of Accounting for Adventist Home Health (1996-1998), and Accounting Manager for the Greater Baltimore Medical Center (1993-1996). Mr. Bullock holds a Bachelor of Science degree in Business Administration from Towson State University and an Accounting Certificate from the University of Baltimore and he received a Certified Public Accountant certification from the State of Maryland.

D. Development, Management, and Consulting Professionals

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

1. Management and Marketing

Searstone-RLA, Inc. (the "**Manager**") is serving as the manager of the Community. The Manager is a privately held North Carolina corporation which was organized to manage the Community. The sole shareholder of the Manager is Mr. David Ammons. Mr. Ammons and his affiliated companies, including Retirement Living Associates, Inc. ("**RLA**"), manage and operate existing assisted living communities and CCRCs. RLA and its affiliates provide professional management, marketing, development, consulting, and advisory services to senior living communities throughout the States of North Carolina and Florida. The following are the executive officers and key personnel of the Manager:

David Ammons, Owner and Principal of SearStone-RLA, Inc. David Ammons is SearStone-RLA's owner, principal, and project manager of the Community. Through Ammons-Springmoor Associates, Inc., Mr. Ammons and RLA also currently oversee the management and operations of Springmoor Life Care Retirement Community ("**Springmoor**") in Raleigh, North Carolina. Springmoor, which opened in 1984, has 388 independent living units, 18 assisted living units, and 173 skilled nursing beds, and is currently approximately 95% occupied. RLA is developing Legacy at Mills River, a full service Equity model continuing care retirement community that is planned to be developed in Mills River, North Carolina. RLA managed Methodist Manor of the Pee Dee, a 224-unit continuing care retirement community in Florence, South Carolina, from 2011 to 2018; Mars Hill Retirement Community, a 69 unit assisted living facility in Mars Hill, North Carolina, through Mars Hill Retirement Living, Inc. (developed in 1999 and managed through 2022); Ardenwoods Retirement Community in Arden, NC, through Ardenwoods-RLA, Inc.

(managed from 2017 to 2023); Plantation Oaks Assisted Living and Memory Care in High Springs, Florida, through Plantation Oaks-RLA, Inc.; Twin Creeks Assisted Living and Memory Care in Riverview, Florida, through Twin Creeks-RLA, Inc.; and Vintage Care Assisted Living and Memory Care in Palatka, Florida, through Vintage Care-RLA, Inc. Mr. Ammons founded RLA in 1992 as a consulting firm and has expanded to include the development and management of senior care facilities including CCRCs, assisted living facilities and a nursing/rehabilitation facility. Mr. Ammons is an active member of LeadingAge. Mr. Ammons was active with the Urban Land Institute for over 10 years, where he served on the Senior Housing Committee. Mr. Ammons is a graduate of Wake Forest University with a degree in business and accounting.

Kyle Dilday, Vice President of Management/Operations. Mr. Dilday has worked in the long term care industry since 1982. In 1987, he joined the management staff at Springmoor. Prior to joining Springmoor, Mr. Dilday served as a nursing home administrator in free-standing nursing facilities for five years. At Springmoor, Mr. Dilday served as an Associate Director and, for 12 years, he served as the Executive Director. In his capacity as Vice President of Management and Operations, Mr. Dilday works with the Executive Directors and Administrators of the RLA managed facilities in order to provide quality services to the RLA managed facilities. Mr. Dilday is an active member of LeadingAge, serving on the public policy committee and COVID Task Force.

2. Food Service

Pursuant to a Management Agreement with Morrison Management Specialists, Inc. ("**Morrison**"), a Georgia corporation, Morrison has been engaged as the dining services provider for the Community (the "**Dining Services Provider**"). Morrison is an affiliate of Compass Group PLC, and is the nation's only food service company exclusively dedicated to providing food, nutrition and dining services to the health care and senior living communities through its two operating divisions: Morrison Healthcare Food Services and Morrison Senior Dining. Morrison Serves over 800 hospitals, integrated health care systems, and senior living communities in the United States. Morrison employs numerous personnel for the purpose of acting as Dining Services Provider, including a General Manager, a Dining Room Manager, a Dietician, and a Chef for the dining services. Among the duties of Searstone - RLA as the Manager, as specified in the Management Agreement, is supervision of the Dining Services Provider.

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

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

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

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

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

- None -

2. A description of any matter in which any such person (a) has been convicted of a felony or pleaded nolo contendere to a felony charge, or been held liable or enjoined in a civil action by final judgment, if the felony or civil action involved fraud, embezzlement, fraudulent conversion, or misappropriation of property; or (b) is subject to a currently effective injunctive or restrictive court order, or within the past five years, had any state or federal license or permit suspended or revoked as a result of an action brought by a governmental agency or department, if the order or action arose out of or related to business activity of health care, including actions affecting a license to operate a foster care facility, nursing home, retirement home, home for aged, or facility subject to Article 64 of Chapter 58 of the North Carolina General Statutes or similar law in another state, is as follows.

-None-

F. Community Expansion

In December 2016, Provider acquired approximately 16.01 acres of land within the PDD and located adjacent to the Phase I property, for use in expanding the Community (“**Phase II**”). The acquisition of the Phase II land was financed with the proceeds of the sale of the 2016 Bonds described in Section VI.A of this Disclosure Statement, as well as the issuance of a Purchase Money Note which has been paid and satisfied in full. In 2019 Provider acquired an additional 0.78 lot which was surrounded by other property already owned by Provider, for use a part of the Phase II expansion.

The Phase II expansion project consists of (1) 149 additional Independent Living Units in new Highview North and Highview South buildings (the “**New Independent Living Units**”), together with multiple new dining venues, a multipurpose area with capacity for up to 350 people, and an underground parking garage, (2) 29 additional Assisted Living Units in Brittany Place, including 14 specialized memory care units (the “**New Assisted Living Units**”), (3) 24 additional Skilled Nursing Beds in Brittany Place (the “**New Skilled Nursing Beds**”), (4) new green spaces and landscaping improvements, and (5) renovations to the Winston Clubhouse to re-purpose common areas, all of which is owned and operated by Provider.

On December 23, 2023 Provider received from the North Carolina Department of Insurance, a Conditional Approval Letter conditionally approving Provider’s application for a Continuing Care Retirement Community License for the Phase II expansion project. On February 23, 2024, Provider received from the Town of Cary a Temporary Certificate of Occupancy for the Highview South building, and residents commenced occupancy of that building shortly thereafter. On April 1, 2024, Provider received from the Town of Cary a Temporary Certificate of Occupancy for the Highview North building, and residents commenced occupancy of that building shortly thereafter.

1. Phase II Professionals

Provider has engaged a development consultant to implement the expansion plan for Phase II, an architectural firm to develop plans for construction of the Phase II improvements, a construction manager to manage the construction of the Phase II improvements, and an owner's representative in connection with construction of the Phase II improvements. Information concerning those firms follows:

a. *Phase II Development Consultant*

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

The principals of the Development Consultant are Michael D. Gilliam, Thomas J. Navin, Cole S. Gray, Barry Johnson, and Adam P. Heffernan. Mr. Gilliam is President and Chief Executive Officer and Mr. Navin is the Executive Vice President and Chief Operating Officer.

The Development Consultant currently has a staff of approximately 35 persons, and senior leadership has more than 150 years of combined experience in senior housing development. The Development Consultant is currently responsible for the development and/or marketing of approximately 25 senior living community development and expansion projects around the country. The Development Consultant has provided strategic consulting services to more than 100 senior living communities and providers since 2006.

b. *Phase II Architects*

Stewart & Conners Architects, PLLC, of Charlotte, North Carolina (the "**Phase II Architect**"), serves as the architectural firm for Phase II. The development of existing, occupied, senior living campuses is the core of the Phase II Architect's experience.

The Phase II Architect and its principals have extensive experience in the development of senior living campuses, and in particular the expansion or redevelopment of existing, occupied campuses. The Phase II Architect and its principals have worked on numerous such projects located in the Eastern United States, including 16 such projects requiring approval by the North Carolina Department of Health and Human Services. Representative projects include: multiple expansion projects for Sharon Towers in Charlotte, North Carolina; and Presby's Inspired Life Rydal Park in Rydal, Pennsylvania, which included renovation of Presby's nursing, memory care, assisted living and dining components. The Phase II Architect's work on the Messiah Lifeways at Messiah

Village in Mechanicsburg, Pennsylvania included campus master planning, independent living and enhanced living, and skilled nursing additions.

c. *Phase II Construction Manager*

Clancy & Theys Construction Co., of Raleigh, North Carolina (the "**Construction Manager**"), serves as the Construction Manager for Phase II.

The Construction Manager is one of the largest vertical builders owned and headquartered in North Carolina. Originally founded in Raleigh in 1949, the Construction Manager is one of the largest privately owned entities in the state and one of the largest contractors in the southeast region of the United States and the nation according to Engineering News Record (170th in the nation, in 2019). The Construction Manager has branch offices in Wilmington and Charlotte, North Carolina; Newport News, Virginia; and Orlando, Florida. The following is a representative list of the Construction Manager's senior housing experience: The Tower at Cardinal North Hills; Transitions Life Care; Cambridge Senior Living Brier Creek; Carol Woods Retirement Community; Windsormeade of Williamsburg; The Crossings at Oakbrooke; The Crossings at Hanover; LaPosada Assisted Living Building Addition; and Westminster Baldwin Park – Phase II.

d. *Phase II Owner's Representative*

NEMA Management, LLC, of Raleigh, North Carolina (the "**Owner's Representative**"), serves as Provider's owner's representative for Phase II.

The Owner's Representative provides planning, design, construction, and development related advisory services. In connection with the Phase II Project, the Owner's Representative (a) coordinates the interaction and decision making of, and assist in the coordination of, the Provider, the Construction Manager, and all of the Provider's contracted professionals and consultants (including the Architect), and (b) acts as the day-to-day point of contact between the Corporation and the Construction Manager.

The Corporation's primary point of contact with the Owner's Representative is Mr. W. Robert Everett PE, MBA. Mr. Everett has 28 years of construction experience, and has worked on senior living, multi-family, schools, biotechnology manufacturing facilities with ISO class 10,000 clean rooms, class A office, commercial shopping centers, high end residential and mixed-use complexes, pharmaceutical labs, animal labs, college and university buildings, medical, industrial recreational and military projects.

2. Phase II Assumptions and Analysis

Following are descriptions of some of the key assumptions and analysis related to the Phase II expansion:

Project Budget. As of the time of the filing of this Disclosure Statement, the total anticipated cost of the Phase II expansion project is $212.1 million. The Phase II expansion project budget includes land costs of approximately $2.5 million, design costs of approximately $6.8 million, construction and development costs of approximately $142.4 million, marketing costs of approximately $4.7 million, funded interest costs of approximately $17.8 million, financing issuance costs of approximately $6.8 million, debt service reserves of approximately $7.8 million, and operating reserve and working capital funds (funded from Entrance Fees paid with respect to the New Independent Living Units) of approximately $16.2 million.

Finance Plan. Funding for the Phase II expansion project consists primarily of the proceeds from the issuance of the Series 2016 Bonds, the Series 2017 Bonds, the Series 2020 Bonds, and the Series 2021 Bonds, described in Section VI.A of this Disclosure Statement. There will be no equity contributions as part of the financing plan. Additional funds will be generated from current Community operations, and by the receipt of Entrance Fees paid with respect to the New Independent Living Units.

Key Operating Assumptions. The fill-up of the New Independent Living Units has been projected using a conservative understanding of Searstone management and the Development Consultant's experienced historical trends and industry knowledge. While stabilized occupancy of the New Independent Living Units was initially expected to occur in Q4 2028, stabilized occupancy of the New Independent Living Units is presently expected to occur in Q1 2025.

Future residents will pay a 10% deposit to reserve a New Independent Living Unit prior to its becoming available for occupancy. These 10% deposit funds are held in escrow and are not recognized as revenue until future events have occurred. Refer to the notes to Provider's audited financial statements attached as Exhibit 2 to this Disclosure Statement for the accounting policies used regarding the recognition of revenues and expected refunds of the associated Entrance Fees.

Operating expenses for the Phase II expansion are estimated by Provider's management and the Development Consultant based upon current operating requirements and experience. Operating expense increases are projected to increase by 3.00% annually. Salaries for the additional staff estimated to be required as a result of the Phase II expansion are based on operational experience. Employee benefits for such staff persons are assumed to be approximately 22.5% of salaries. Non-salary operating expenses associated with the Phase II expansion include ongoing marketing costs, raw food costs, utilities, supplies, maintenance, and security contracts, building and general liability insurance, legal and accounting fees, and other miscellaneous expenses, and such amounts are assumed to increase by 3.00% annually.

Actuarial Study. The Actuarial Study referenced at Section VI.E concludes that Brittany Place, as expanded to include the New Assisted Living Units and the New Skilled Nursing Beds, will have adequate capacity to meet Searstone's contractual obligations to its current and future residents. Further, the Actuarial Study concludes that Provider is in adequate financial condition to meet its obligations, including its obligations with respect to the refund of Entrance Fees received with respect to Independent Living Units and New Independent Living Units.

III. POLICIES

A. Membership & Residency Agreements

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

B. Nature of Relationship

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

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

C. Admission Procedure and Criteria

Individuals and couples deciding to apply for residency at Searstone are provided with a Financial and Health Disclosure, instructions for completion, and a copy of this Disclosure Statement. Prospective Members must complete the Financial and Health Disclosure, which includes disclosure of certain financial and medical information. An individual, or in the case of a couple at least one of the couple, must be capable of living independently in their chosen Independent Living Unit at the time of admission. Also, the individual or the couple must have the financial resources to pay the Entrance Fee and monthly Membership Fees. Members must be 62 years of age at the time of admission. In the case of married couples, one spouse may be younger than 62 but must be older than 55 years of age. Members are required to subscribe to Medicare Parts A and B and to maintain supplemental health insurance acceptable to Provider as part of Provider's Life Care Plan. In lieu of participating in Medicare Parts A and B and obtaining supplemental health insurance a Member may elect to participate in a Medicare Advantage Plan.

A residence may be chosen at such time as the prospective Member(s) is (are) ready to select an available unit, in which case the prospective Member(s) will sign a Reservation Agreement to reserve the residence selected. At the time the Reservation Agreement is signed by the prospective Member(s), the prospective Member(s) will pay a deposit equal to 10% of the Entrance Fee for the residence selected. The deposit is refundable as outlined in Section III.D of this Disclosure Statement.

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

Financial and Health Disclosures are subject to approval by the Residency Review Committee of Provider. The Residency Review Committee of Provider will determine if the prospective Member has assets sufficient to pay the Entrance Fee and sufficient income after the payment of the Entrance Fee to pay the monthly Membership Fees plus other personal expenses. Income must also be sufficient to meet anticipated increases in the cost of living. The Residency Review Committee of Provider will also determine if a prospective Member is able to live independently in their chosen Independent Living Unit. While these determinations may be made preliminarily (such as at the time of acceptance to the Wait List or entry into a Reservation Agreement), they are subject to review and redetermination by the Residency Review Committee of Provider at any time prior to the time a prospective Member has signed a Membership & Residency Agreement. Once a prospective Member has signed a Membership & Residency Agreement, regardless of changes in their health status between the signing of the Membership & Residency Agreement and the date of occupancy, admission to Searstone is guaranteed.

Individual Members whose health status changes prior to occupancy such that they require direct admission to adult care or skilled nursing care within Brittany Place are required to pay the Entrance Fee and the fees outlined in Article V of this Disclosure Statement. Members requiring direct admission to adult care or skilled nursing care within Brittany Place and who are a part of a couple are required to pay the Entrance Fee and a modified version of the fees outlined in Article V of this Disclosure Statement. As modified, if upon admission one Member of a couple moves into an Independent Living Unit and upon admission the other Member of a couple requires direct admission to adult care or skilled nursing care within Brittany Place, the Member moving into the Independent Living Unit will pay the Residential Fee component of the Entrance Fee, the Life Care Fee component of the Entrance Fee, and the applicable first person monthly Membership Fee, while the Member requiring direct admission to adult care or skilled nursing care within Brittany Place will pay the Life Care Fee component of the Entrance Fee, and 80% of the per diem Health Center (Brittany Place) fee.

Searstone complies with the Federal and State civil rights laws and does not discriminate in any of its activities on the basis of race, color, national origin, age, sexual orientation, or gender identity.

D. Entrance Fee

Provider's agreement requires that a prospective Member pay an Entrance Fee (GS § 58-64-1(2) defines the entrance fee as a payment that assures the resident a place in a facility for a term of years or for life as long as all terms and conditions are met), consisting of a Residential Fee and a Life Care Fee. The Residential Fee portion of the Entrance Fee is 100% refundable, except in certain cases Phase II members have selected 90%, 50%, or 0% refundable contracts. The Life Care portion of the Entrance Fee is refundable, with the refund reducing at a rate of 2% per month for 50 months starting in the month the balance of the Entrance Fee is paid. See Section III.E of this Disclosure Statement for additional information.

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

E. Rescission/ Cancellation/ Termination

1. Termination by Member Prior to Execution of a Membership & Residency Agreement: Sections 8 and 9 of the Reservation Agreement contain the following provisions regarding cancellation prior to execution of a Membership & Residency Agreement:

8. Termination. You may terminate the Reservation Agreement at any time prior to your execution of the Membership & Residency Agreement. If you wish to terminate this Agreement, send your notice of termination to: Searstone Retirement Community Re: Reservation Cancellation 17001 Searstone Drive Cary, NC 27513.

9. Refund of Reservation Deposit. Upon a termination of this Agreement, the Reservation Deposit will be refunded to you in full, less a $500 processing fee, within thirty (30) days after the termination of this Agreement. Notwithstanding the foregoing, there will be no processing fee deduction in the event this Agreement is terminated due to your death, or due to your serious illness or your incapacity that precludes you from living in the Residence for health reasons, as certified by a licensed physician. If we terminate this Agreement, your sole remedy is payment of the amounts described in this section.

2. Rescission, Cancellation, or Termination by Member After Execution of a Membership & Residency Agreement: Articles I, V, and XI of the Membership & Residency Agreement contain the following provisions regarding rescission, cancellation, or termination after execution of the Membership & Residency Agreement:

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

5.3(a) Rescission. If Member rescinds [the Membership & Residency] Agreement within the Rescission Period in accordance with Article I, Provider shall return to Member or Member's estate Member's Entrance Fee Deposit, less any nonstandard costs incurred by

Provider at the request of Member as set forth in Appendix A, such amount to be returned within thirty (30) days of receipt of Member's written rescission request.

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

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

5.3(d) Termination (balance paid). If [the Membership & Residency] Agreement is terminated by Member who dies after paying the balance of the Entrance Fee, or by Member who pays the balance of the Entrance Fee and who has not died but terminates for any reason other than a cancellation pursuant to Section 5.3(b) [of the Membership & Residency Agreement], Provider shall return to Member or Member's estate the amount determined below, on or before that date which is 30 days following Provider's receipt of the then applicable Entrance Fee for a residence of the same type as Member's residence (for this purpose, the residence type of a Member residing in Brittany Place at the time of termination shall be considered to be the Independent Living Unit residence type with respect to which that Member paid the Entrance Fee to be refunded). The amount to be so returned shall equal the sum of: (i) the applicable refund percentage of the Residential Fee portion of the Entrance Fee (as specified in the header to the second column in Section 5.2(a) [of the Membership & Residency Agreement]); **plus** (ii) the unamortized percentage of the Life Care portion of the Entrance Fee, with the Life Care portion of the Entrance Fee to amortize at the rate of 2% per month for 50 months commencing with the month in which the balance of the Entrance Fee is paid; **less** (iii) amounts due for unpaid Membership Fees applicable only to the period a living unit was actually occupied by Member and the accrued interest on those unpaid Membership Fees; **less** (iv) advances made by Provider pursuant to Section 5.4(g) [of the Membership & Residency Agreement]; **less** (v) costs specifically incurred by Provider at the request of Member as set forth in Appendix A [of the Membership & Residency Agreement]; **less** (vi) the cost of refurbishing Member's residence for re-occupancy as defined in Section 5.3(f) [of the Membership & Residency Agreement]; and **less** (vii) any other amounts due Provider from Member.

5.3(e) Multiple Persons. If two persons sign [the Membership & Residency] Agreement and only one of such persons elects to terminate [the Membership & Residency] Agreement, the refund amounts will be calculated using only the Second Person Life Care Fee. If at a later time the other of such persons elects to terminate this Agreement, the refund amounts will be calculated using the Entrance Fee less the Second Person Life Care Fee.

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

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

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

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

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

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

F. Moves and Transfers

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

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

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

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

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

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

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

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

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

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

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

In the event a Member asks to move to a different residence within the Community and Provider approves such move, such move will amend the Residency Agreement as to the old residence. In such event, (a) Member or Members will sign an amended Residency Agreement and pay the then applicable Residential Fee for the new residence, (b) Provider will refund to Member or to Member's estate 100% of the Residential Fee for the residence vacated, such refund to be determined and paid in accordance with Section III.E of this Disclosure Statement, and (c) Member or Members will be obligated to pay the Membership Fee.

G. New Double Occupants

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

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

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

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

- If, instead of moving into a new residence, one of the Members moves into the other Member's existing residence, the relocating Member will sign the Membership & Residency Agreement for the existing residence and will pay the Second Person Membership Fee for that residence. Provider will refund the Entrance Fee associated with the vacated residence in accordance with Section 5.3 of the Membership & Residency

Agreement once a new Entrance Fee is received from the Member moving into the other Member's existing residence.

H. Financial Hardship

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

I. Waiting List

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

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

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

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

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

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

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

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

8. Following the prospective resident's execution of a Reservation Agreement and payment to Provider of the balance of the Entrance Fee Deposit for the available Independent Living Unit, the prospective resident's eligibility for residency will be reviewed (or re- reviewed) in accordance with Section III.C of this Disclosure Statement.

J. Rules and Regulations

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

IV. SERVICES

A. Standard Services Available

Searstone is a full-service retirement community. Members pay an Entrance Fee and a Monthly Membership Fee. The fees are designed to cover most living expenses incurred by residents of Searstone. The Provider offers one service plan to members. The Monthly Membership Fee includes the following basic services:

- Scheduled dining in the dining venues. Effective July 1, 2024, a quarterly dining credit amount of $1,350 per person is included as part of the Membership Fee. Unused dining credits for a quarter do not carry forward to succeeding quarters.
- Housekeeping services will be performed every two weeks.
- Utilities included in the Membership Fee are heating, air conditioning, water, sewer, electricity, cable television services, wireless internet access in common areas and residence, and wiring for telephone.
- Driver services for local medical appointments, with proper scheduling by Member, as determined by Searstone.
- Interior and exterior maintenance of all residences, including all provided appliances, fixtures, systems, lawns, gutters, and windows. Appliances provided will include a range, microwave, refrigerator with icemaker, dishwasher, garbage disposal, washer, and dryer.
- Call system and response to calls for emergencies are available 24 hours per day.
- Recreational, social, and cultural events as scheduled and planned for those Members interested in participating. Searstone employs a Director of Resident Life & Wellness to plan and coordinate recreational, social, educational, and special events.
- Common areas for Members and their guests include a Clubhouse, restaurant, private dining for personal parties and special events, a bar and grill, lounge areas, a health and fitness club, an aquatic center, and administrative areas.
- Building and grounds maintenance and housekeeping of common areas.
- Additional storage for Lorraine Plaza, Calais Terrace, Lakeside Flats, Clubhouse, and Highview residences for Member's personal belongings.
- Smoke detection and sprinklers in all areas both common and multi-story residential. There are not sprinklers in Estate Homes. A generator is available to power the Clubhouse and a designated generator for Brittany Place is also available in case of emergency or power outage.

For Members who reside in Lakeside Flats or Estate Homes, covered parking is provided per residence. For Members who reside in Calais Terrace or The Highview and own and drive a vehicle, one under-building parking space is available at no extra cost and, subject to availability, a second under-building parking space may be available for an additional charge. For Members who reside in Lorraine Plaza and own and drive a vehicle, parking is provided adjacent to the Lorraine Plaza building at no extra cost and, subject to availability, one Calais under-building parking space may be available for an additional charge. For Members who reside in Winston Clubhouse and own and drive a vehicle, parking is provided adjacent to the Winston Clubhouse building at no extra cost and, subject to availability, one Calais under-building parking space may be available for an additional charge or Highview under building parking space may be available for an additional charge. Valet parking is provided for Members who reside in Winston Clubhouse. Only residents who own and drive a vehicle will be considered for an assigned parking space, whether it be at no extra cost or for an additional charge. Parking spaces cannot be reserved for family, friends, caregivers, or other visitors.

B. Services Available for an Additional Cost

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

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

Following are the fees for certain of these additional-cost items:

Mail Key	$10.00
Room Key	$25.00
Emergency Pendant	$190/$250
Neck Lanyard	$5.00
Pendant Wrist Holder	$10.00

Following are the fees for certain of these additional-cost housekeeping, transportation, and maintenance services:

Housekeeping Help* (Resident Handbook Part XIV, Part A)	$40.00 per hour per employee 1 hour minimum
Maintenance Help	$45.00 per hour per employee 1 hour minimum
Extra Carpet Cleaning	Fee based on size of residence
Transportation Personal Trips**	$45.00 per hour 1 hour minimum
Airport Transportation	$40.00 Flat Rate – one way

Wheel Chair Transportation by other than Searstone	$ vendor fees apply
Trip Charges	There may be times when scheduled bus trips and outings will carry a fee. These fees will be posted and communicated with specific trip information.
Calais Garage Parking Space and Highview Parking Space (Limited Space Available, subject to the limitations in Section IV.A)	$37.50 per month (See Resident Services Dept. to apply)

*Housekeeping help is periodic and as needed. It is not to be a set schedule of additional services.

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

Following are the fees for certain of these additional-cost Brittany Place services:

LifeCare Contract Dining Service Fee	$939.00 per month
Non-medical Meal Delivery	$5.00
Fee for Service Daily Rate – Skilled Nursing	$492.00 +/- per day
Fee for Service Daily Rate – Assisted Living	$262.00 +/- per day
Wheel Chair Transportation by other than Searstone.	$ vendor fees
Medical Equipment Used in Care	If your doctor orders special equipment for your care or rehabilitation, you will be responsible for costs not covered by Medicare or other insurances. Personal Medical Equipment for personal use is the financial responsibility of the resident.
Laundry Services	$40.00 per week per individual

C. Health Care Services Available

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

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

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

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

- The Member will be provided assistance with activities of daily living as typically provided by an assisted living establishment in the State of North Carolina. Such assisted living services will be provided by Provider at Brittany Place, but if the assisted living and skilled nursing units in Brittany Place are full Provider will provide home health services in the Member's Independent Living Unit at Provider's expense. In the event Provider provides to the Member home health services under such circumstances, the Member will relocate to Brittany Place once an assisted living or skilled nursing unit is available in Brittany Place, and if the Member declines a unit at Brittany Place under such circumstances the Member will be responsible for all home health service fees.

- In such case, Provider will provide access to prescription drugs, physical therapy, speech therapy, and occupational therapy, at an additional cost to the Member (possibly reimbursable to the Member by Medicare or other insurance procured by the Member). Also, in such case, the Member will be responsible for the cost of private duty nurses if determined to be medically necessary or when requested by the Member or the Member's representative.

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

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

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

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

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

The Type C – Fee-for-Service Plan is not available to new Members.

V. ENTRANCE FEES AND MEMBERSHIP FEES

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

The Type C – Fee-for-Service Plan is not available to new Members.

The fees detailed in this Article V will be modified as provided in Section III.C of this Disclosure Statement, in situations involving Members requiring direct admission to adult care or skilled nursing care within Brittany Place and who are a part of a couple.

Type A – Life Care Plan Fees

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

The Type A - Life Care Plan includes the monthly service package described in Section IV.A. There is a Second Person monthly Membership Fee for a second occupant within a residence.

Type C – Fee-for-Service Plan Fees

The entire Entrance Fee under the Fee-for-Service Plan is 100% refundable. There is a Second Person Entrance Fee under this plan.

The Type C – Fee-for-Service Plan includes the monthly service package described in Section IV.A. There is a Second Person monthly Membership Fee for a second occupant within a residence.

The Type C – Fee-for-Service Plan is not available to new Members.

Phase II – Additional Membership & Residency Agreement Contract Types

Provider has offered or currently offers the following Membership & Residency Agreement contract options for Members who will reside in the additional Independent Living Units developed as a part of the Phase II project:

- Type A – Life Care Plan with a 100% refundable Residential Fee, as described above for current Type A – Life Care Membership & Residency Agreement contracts;

- Type A – Life Care Plan with a 50% refundable Residential Fee amortizing at the rate of 2% per month commencing with the month in which the balance of the Entrance Fee is paid, such that it will amortize to be 50% refundable after 25 months from the month in which the Entrance Fee is Paid;

- Type A – Life Care Plan with a 0% refundable Residential Fee amortizing at the rate of 2% per month commencing with the month in which the balance of the Entrance Fee is paid, such that it will be fully amortized (and 0% refundable) after 50 months from the month in which the Entrance Fee is Paid; and

- Type C – Fee-for-Service Plan with a 90% refundable Residential Fee amortizing at the rate of 2% per month commencing with the month in which the balance of the Entrance Fee is paid, such that it will be 90% refundable after 5 months from the month in which the Entrance Fee is Paid. *This Plan was available only to those prospective Phase II residents who contracted prior to the commencement of construction of Phase II, and is not available to new Members.*

All Type A – Life Care Membership & Residency Agreement contracts will also require payment of a Life Care Fee, with amortization provisions as described above for current Type A – Life Care Membership & Residency Agreement contracts. The Type C – Fee-for-Service Plan Membership & Residency Agreement contract did not require payment of a Life Care Fee.

Refunds of the Entrance Fee for Phase II Membership & Residency Agreement contracts will be based on the particular refund plan selected by the Member and will be paid within 30 days following Provider's receipt of Entrance Fee proceeds (in the case of refunds with respect to Type C – Fee-for-Service Plan Membership & Residency Agreement contracts, the Residential Fee portion thereof) for any comparable residence in Phase II which is not occupied or reserved at the date of termination of the Membership & Residency Agreement, in an amount sufficient to fully satisfy the Entrance Fee refund amount due (with Entrance Fee proceeds for the comparable residences described above being allocated among refund claims with respect to such comparable residences in the order of the date of termination of the applicable Membership & Residency Agreements). Other than those specifically mentioned in this paragraph, all Phase II Membership & Residency Agreement contract provisions governing Entrance Fee refunds are consistent with those described in Section III.E of this Disclosure Statement.

The Type C – *Fee-for-Service Plan is not available to new Members.*

Prospective Phase II Members will not execute Membership & Residency Agreements until shortly prior to moving into their respective residence. Prospective Phase II Members will execute a binding Reservation Agreement and place a deposit in the amount of 10% of the Entrance Fee. The Entrance Fee deposit will be held in escrow until either (1) such time as the qualifications for release are met by Provider, (2) Provider determines that the prospective Phase II Member does not meet the health and financial conditions of acceptance into a Phase II residence, or (3) the prospective Phase II Member elects to terminate their Reservation Agreement, in which case the amount deposited, plus accrued interest, will be refunded within 30 days of termination of the Reservation Agreement. In the event the prospective Phase II Member elects to terminate their Reservation Agreement, a $500 processing fee will be deducted from the refund, unless such termination is due to the death of the prospective Phase II Member or is due to serious illness or incapacity of the prospective Phase II Member that preludes the prospective Phase II Member from living in the Phase II residence for health reasons, as certified by a licensed physician.

The following tables summarize Entrance Fees and monthly Membership Fees by type of Independent Living Unit and plan type:

SearStone Retirement Community
2024 Independent Living Fees Phase I

Floor Plan	Number Of Units	Square Footage	100% Refundable Residential Fee(1)(2)(3)	Monthly Membership Fee - Type A(1)(2)(3)
One Bedroom				
Asturian	14	931-1097	$427,000 - $443,000	$3,880-$4,140
Breton	4	1,039	$409,000	$4,090
Galacian	6	1,165	$427,000	$4,790
Finnhorse	4	1,280	$455,000	$4,910
Belgian	4	1,194-1,356	$466,000 - $483,000	$4,790-$5,040
Clydesdale	2	1,370	$489,000	$5,040
Danube	6	1,402	$489,000	$5,040
Two Bedroom				
Buckskin	16	1,204-1,760	$497,000-$619,000	$4,790-$6,970
Buckskin-Terrace	8	1,315	$472,000	$4,980
Hackney	5	1,478-1,500	$536,000-$546,000	$6,200-$6,210
Shetland	8	1,562	$608,000	$6,420
Dartmoor	12	1,765-1,793	$630,000-$649,000	$6,970
Highland	8	1,866-1,924	$660,000-$665,000	$7,080
Two Bedroom/Den				
Haflinger	5	1,578-1,636	$570,000-$575,000	$6,420-$6,450
Campolina	4	2,000	$786,000	$7,260
Highland II	8	1,945-2,006	$672,000-$693,000	$7,110-$7,310
Caspian	2	1,811-2,092	$786,000-$788,000	$7,030-$7,310
Pegasus	8	1,853	$659,000	$7,050
Appaloosa	1	2,085	$722,000	$7,310
Estonian	6	2,238-2,294	$774,000	$7,690
Estate Homes				
Under 2,500 Square Feet	30	1,766-2,394	$608,000-$922,000	$6,970-$7,950
Over 2,500 Square Feet	8	2,558-3,914	$864,000-$955,000	$7,950-$8,680
Total Units	169			
Weighted Average			$632,746	$5,689
Second Person - Monthly Membership Fees (1)(2)(3)(4)				$1,740
Life Care Entrance Fee(per person)(Type A contracts only)(3)			$70,000	

(1) Monthly Membership Fee pricing is effective as of January 1, 2024. Prices subject to change.

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

(3) Type A contracts require the payment of an additional LifeCare Entrance Fee per person of $70,000. This fee amortizes pro-rata at a rate of 2% per month. The Life Care Entrance Fee pricing is effective as of January 1, 2024.

SearStone Retirement Community
2024 Independent Living Fees Phase II

Floor Plan	Number Of Units	Square Footage	100% Refundable Residential Fee(1)(2)(3)	Monthly Membership Fee - Type A(1)(2)(3)
One Bedroom				
Meredith	1	937	$426,003	$3,595
Shaw	4	1,023-1,041	$464,937-$486,567	$3,795
Freelon	5	1,067	$485,485-$498,463	$3,995
Finley	10	1,139-1,156	$517,930-$538,479	$4,195
Merritt	4	1,178-1,196	$551,457-$573,087	$4,395
Frazier	1	1,235	$561,190	$4,495
Murray	4	1,248	$567,679	$4,595
McFadden	3	1,260	$600,377-$613,973	$4,595
Burke	4	1,295-1,313	$616,239-$638,899	$4,695
Two Bedroom				
Franklin	14	1,328-1,346	$651,362-$674,022	$4,895
Madison	4	1,398	$654,761-$734,071	$4,995
Demille	8	1,402-1,420	$678,554-$701,214	$5,095
Taylor	7	1,409-1,427	$634,732-$656,362	$5,095
Alston	4	1,487	$708,012-$721,608	$5,395
Gardner	16	1,508-1,526	$718,209-$739,736	$5,395
Simone	6	1,510-1,528	$686,644-$707,193	$5,495
Brinkley	8	1,561	$737,470-$743,135	$5,595
Two Bedroom/Den				
Walter	6	1,629-1,647	$775,992-$797,519	$5,795
Valvano	4	1,651	$786,189-$799,785	$5,895
Miller	1	1,656	$771,460	$5,795
Ogle	1	1,663	$791,854	$5,895
Wolfe	12	1,672-1,690	$864,366-$898,356	$5,895
Timberlake	4	1,705-1,723	$881,361-$916,484	$5,995
Bennett	4	1,743	$830,376-$843,972	$5,995
Page	4	1,743-1,779	$896,090-$927,814	$6,195
Coltrane	3	1,782-1,800	$848,504-$870,031	$6,195
Yates	4	1,943	$925,548-$1,030,917	$6,195
Two Bedroom/2.5 Bath/Den				
Finley IV	3	2,295	$1,285,345	$7,112
Total Units	149			
Weighted Average			$717,754	$5,252
Second Person - Monthly Membership Fees (1)(2)(3)(4)				$1,740
Life Care Entrance Fee(per person)(Type A contracts only)(3)			$70,000	

(1) Monthly Membership Fee pricing is effective as of January 1, 2024. Prices subject to change.

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

(3) Type A contracts require the payment of an additional LifeCare Entrance Fee per person of $70,000. This fee amortizes pro-rata at a rate of 2% per month. The Life Care Entrance Fee pricing is effective as of January 1, 2024.

Health Center (Brittany Place) Fees

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

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

Assisted Living Per Diem Fee in 2024 - $262.00

Skilled Nursing Per Diem Fee in 2024 - $492.00

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

Increases in Monthly Membership Fees

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

In most years since 2011 the annual increases in the monthly Membership Fee (have ranged between 4.0% to - 5.75%, and prospective Members should understand that similar percentage increases for all monthly Membership Fees are currently forecasted for future years. Prospective Members should also understand that actual percentage increases in monthly Membership Fees for future years may exceed the currently forecasted percentage increases. Since pre-marketing activities for the Community initiated in 2006, and began operations in October 2013, all increases in monthly Membership Fees are reflected in the following table:

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

	100% Refundable Residential Fee (Weighted Average Fees - All Independent Units)	Life Care Fees(2) Non-Refundable LifeCare Fee Per Person	Life Care Fees(2) Monthly 1st Person Fee - Gold	Life Care Fees(2) Monthly 2nd Person Fee - Gold	Life Care Fees(2) Monthly 1st Person Platinum Package(1)	Life Care Fees(2) Monthly 2nd Person Platinum Package(1)	Fee For Service(3) Monthly 1st Person Gold	Fee For Service(3) Monthly 2nd Person Gold	Fee For Service(3) Monthly Assisted Living(2)	Fee For Service(3) Daily Skilled Nursing(2)
Increases at 1/1 each year		Fee Schedule	Actual Weighted Average	Actual Weighted Average	Fee Schedule	Fee Schedule				
2012	$479,832	$45,427	$3,712 (3)	$841 (3)	$249	$144	$2,926	$658	$4,721	$268
2013	$479,832	$45,427	$3,141 (3)	$910 (3)	$268	$156	$2,926	$712	$5,008	$284
2014	$479,832	$45,427	$3,146 (3)	$770 (3)	$242	$125	$2,926	$712	$5,008	$284
2015	$489,357	$49,500	$3,571	$852	$256	$132	$3,094	$753	$5,296	$300
2016	$515,331	$52,225	$3,848	$921	$270	$150	$3,278	$796	$5,665	$317
2017	$529,810	$52,225	$4,140	$974	$300	$190	$3,426	$832	$5,920	$331
2018	$541,770	$60,000	$4,365	$1,026	$300	$200	$3,580	$869	$6,186	$346
2019	$547,196	$62,000	$4,599	$1,350	$300	$200	$3,741	$908	$6,480	$399
2020	$558,450	$65,000	$5,268	$1,470	$300	$200	$3,909	$949	$6,782	$417
2021	$579,240	$67,000	$5,489	$1,530	$320	$210	$4,075	$989	$7,070	$434
2022	$597,268	$68,000	$5,696	$1,590	$330	$218	$4,238	$1,029	$7,353	$451
2023	$609,163	$69,000	$5,968	$1,670	$345	$228	$4,439	$1,078	$7,665	$472
2024	$632,746	$70,000	$6,222	$1,740	$360	$238	$4,628	$1,124	$7,969	$492
	Resident % Increase	Resident % Increase	Resident % Increase	Resident % Increase	Resident % Increase	Resident % Increase	Average % Increase	Average % Increase	Average % Increase	Average % Increase
2012	0.00%	0.00%	4.01%	3.96%	4.18%	4.35%	3.98%	3.95%	0.00%	0.00%
2013	0.00%	0.00%	0.00%	8.20%	7.63%	8.33%	0.00%	8.21%	6.08%	5.97%
2014	0.00%	0.00%	0.00%	0.00%	-9.70%	-19.87%	0.00%	0.00%	0.00%	0.00%
2015	1.99%	8.97%	5.75%	5.75%	5.79%	5.60%	5.74%	5.75%	5.75%	5.75%
2016	5.31%	5.51%	5.50%	5.50%	5.47%	13.64%	5.95%	5.75%	6.97%	5.50%
2017	2.81%	0.00%	4.50%	4.50%	11.11%	26.67%	4.51%	4.49%	4.50%	4.47%
2018	2.26%	14.89%	4.50%	4.50%	0.00%	5.26%	4.50%	4.45%	4.49%	4.53%
2019	1.00%	4.50%	4.50%	4.50%	0.00%	0.00%	4.50%	4.49%	4.75%	15.32%
2020	2.06%	4.80%	4.50%	4.50%	0.00%	0.00%	4.49%	4.52%	4.66%	4.51%
2021	3.72%	3.08%	4.25%	4.25%	6.67%	4.76%	4.25%	4.21%	4.25%	4.08%
2022	3.11%	1.49%	4.00%	4.00%	3.13%	3.81%	4.00%	4.00%	4.00%	3.90%
2023	1.99%	1.49%	4.75%	4.75%	4.54%	4.59%	4.74%	4.76%	4.24%	4.65%
2024	3.87%	1.49%	4.25%	4.25%	4.35%	4.39%	4.25%	4.26%	4.00%	4.20%
	Average $ Increase	Average $ Increase	Weighted Average $ Increase	Weighted Average $ Increase	Average $ Increase	Average $ Increase	Average $ Increase	Average $ Increase	Average $ Increase	Average $ Increase
2012	$0	$0	$143	$32	$10	$6	$112	$25	$0	$0
2013	$0	$0	-$571	$69	$19	$12	$0	$54	$287	$16
2014	$0	$0	$5	-$140	-$26	-$31	$0	$0	$0	$0
2015	$9,525	$4,073	$425	$82	$14	$7	$168	$41	$288	$16
2016	$25,974	$2,725	$277	$69	$14	$18	$184	$43	$369	$17
2017	$14,479	$0	$292	$53	$30	$40	$148	$36	$255	$14
2018	$11,960	$7,775	$225	$52	$0	$10	$154	$37	$266	$15
2019	$5,426	$2,000	$234	$324	$0	$0	$161	$39	$294	$53
2020	$11,254	$3,000	$669	$120	$0	$0	$168	$41	$302	$18
2021	$20,790	$2,000	$221	$60	$20	$10	$166	$40	$288	$17
2022	$18,028	$1,000	$207	$60	$10	$8	$163	$40	$283	$17
2023	$11,895	$1,000	$272	$80	$15	$10	$201	$49	$312	$21
2024	$23,583	$1,000	$254	$70	$15	$10	$189	$46	$304	$20

(1) Platinum Package Fee is in addition to the Gold Package Fee shown for 1st and 2nd Person. Platinum Package is no longer being offered.
(2) Life Care residents pay the same monthly rate in Assisted Living and Skilled Nursing levels of care, as in independent. They also pay a monthly meal and services charge to cover the cost of extra meals eaten in the health care setting, as compared to the meals consumed in the independent setting. See the attached "SearStone Extra Cost List 2023".
(3) Pricing sheet - residents moved November 2013. Fill up in progress in FY2013 & FY2014.

Taxes

All fees and other charges payable to Provider by a Member are net of all applicable sales, excise, and similar taxes imposed by governmental authorities with respect to the goods and services for which such fees and other charges are payable, and Provider will collect from each Member any such applicable sales, excise, and similar taxes to the extent required by applicable law and regulations.

Due Date; Late Payment Charge

Membership Fees are billed in advance to Members at the beginning of each month, and are due by the 15th day of the month. Other charges, including charges for additional-cost items, are billed at the end of each month and are payable by the 15th day of the following month.

Each Member is expected to make payment of the Membership Fee and other charges when due. Each Member is encouraged to make arrangements with Provider if the Member will be unable to make payments when due. Although a Member will have no right to delay payment without Provider's prior written consent, if any amount due is not paid when due, the Member must pay on demand interest on delinquent Membership Fees and other charges, computed at the rate of 18% per annum from the date when due until the date when paid, and such fees and late fees may be charged against the refundable portion of the Member's Entrance Fee.

VI. FINANCIAL INFORMATION

A. Summary of Financing

The initial development of the Community was financed in part through the issuance by the Public Finance Authority of $117,450,000 of non-rated, tax-exempt, fixed rate, term bonds (the "**2012 Bonds**"), and the loan to Provider by the Public Finance Authority of the proceeds from the sale of the 2012 Bonds. The 2012 Bonds were comprised of $56,135,000 of non-rated, tax-exempt, fixed rate, term bonds (the "**Series 2012A Bonds**"), $60,375,000 of Series 2012B Bonds (the "**Series 2012 B Bonds**"), and $940,000 of Series 2012C Bonds (the "**Series 2012C Bonds**"). The proceeds from the Series 2012 Bonds were used by Provider for purposes including (1) to finance the cost of the development and construction of Phase I of the Community and (2) to fund certain reserves. The Series 2012 Bonds have been paid in full and retired.

In December 2016, the Public Finance Authority issued $8,000,000 of non-rated, tax-exempt, fixed rate, term bonds (the "**Series 2016 Bonds**"), and the Public Finance Authority loaned to Provider the proceeds from the sale of the Series 2016 Bonds. The proceeds from the Series 2016 Bonds were used by Provider (1) to finance a portion of the acquisition cost of the Phase II land, (2) to finance the $2,500,000 cost of the Brittany Place Expansion, (3) to fund certain reserves, and (4) for other Community projects. The Series 2016 Bonds have been paid in full and retired.

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

In June 2020, the Public Finance Authority issued $4,600,000 of non-rated, tax-exempt, fixed rate, term bonds (the "**Series 2020A Bonds**"), and $2,000,000 of non-rated, taxable, fixed rate, term bonds (the "**Series 2020B Bonds**" and collectively with the Series 2020A Bonds, the "**Series 2020 Bonds**"), and loaned to Provider the proceeds from the sale of the Series 2020 Bonds. The proceeds from the Series 2020 Bonds were and will be used by Provider to (1) to finance improvements and expansion of the facilities of the Community, (2) to fund certain reserves, and (3) to pay costs of issuance of the 2020 Bonds. The Series 2020 Bonds have been paid in full and retired.

In November 2021, the Public Finance Authority issued $106,180,000 of non-rated, tax-exempt fixed rate Revenue Bonds Series 2021A (the "**Series 2021A Bonds**"), $37,120,000 of non-rated, tax-exempt fixed rate Entrance Fee Principal Redemption Bonds Series 2021 B-1 (the "**Series 2021B-1 Bonds**"), $31,460,000 of non-rated, tax-exempt fixed rate Entrance Fee Principal Redemption Bonds Series 2021 B-2 (the "**Series 2021B-2 Bonds**"), and $5,295,000 non-rated, taxable fixed rate Entrance Fee Principal Redemption Bonds Series 2021C (the "**Series 2021C Bonds**" and collectively with the Series 2021A Bonds, the Series 2021B-1 Bonds, the Series

2021B-2 Bonds, the "**Series 2021 Bonds**"), and loaned to Provider the proceeds from the sale of the Series 2021 Bonds. The proceeds from the Series 2021 Bonds were and will be used by Provider to (1) to finance improvements and expansion of the facilities of the Community, (2) to refund the Series 2020 Bonds, (3) to fund certain reserves, and (4) to pay costs of issuance of the 2021 Bonds. As of June 1, 2024, $11,655,000 of the Series 2021B-1 Bonds, all of the Series 2021B-2 Bonds, and all of the Series 2021C Bonds have been called for payment and redeemed during fill-up of the New Independent Living Units developed as a part of the Phase II expansion project from Entrance Fees received with respect to such New Independent Living Units.

In March 2022, the Public Finance Authority issued $9,000,000 of non-rated, tax-exempt fixed rate Refunding Revenue Bonds Series 2022A (the "**Series 2022A Bonds**"), and loaned to Provider the proceeds from the sale of the Series 2022A Bonds. The proceeds from the Series 2022A Bonds were and will be used by Provider to (1) to advance refund and defease the Series 2016 Bonds, and (2) to pay costs of issuance of the 2022A Bonds.

In March 2023, the Public Finance Authority issued $75,550,000 of non-rated, tax-exempt fixed rate Refunding Revenue Bonds Series 2023A (the "**Series 2023A Bonds**"), and loaned to Provider the proceeds from the sale of the Series 2023A Bonds. The proceeds from the Series 2023A Bonds were and will be used by Provider (1) to advance refund and defease the Series 2017 Bonds, and (2) to pay costs of issuance of the 2023A Bonds.

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

The Series 2021 Bonds, the Series 2022A Bonds, and the Series 2023A Bonds are collateralized by substantially all of the assets of Provider, including the Community. Under the terms of a Third Amended and Restated Master Trust Indenture entered into by Provider in favor of the trustee for the Series 2021 Bonds, the Series 2022A Bonds, and the Series 2023A Bonds, Provider is required to comply with certain operating and financial covenants.

As of December 31, 2023, required principal payments of long-term debt for the next five years and thereafter are and will be as follows:

Fiscal Year	2021 Bonds	2022 Bonds	2023 Bonds	Total
2023	-	25,000	-	25,000
2024	73,875,000	25,000	1,315,000	75,215,000
2025	-	25,000	1,375,000	1,400,000
2026		30,000	1,450,000	1,480,000
2027	1,450,000	30,000	1,525,000	3,005,000
2028	1,510,000	30,000	1,605,000	3,145,000
Thereafter	103,220,000	8,835,000	68,280,000	180,335,000
Total	$ 180,055,000	$ 9,000,000	$ 75,550,000	$ 264,605,000

In addition to the Series 2021 Bonds, the Series 2022A Bonds, and the Series 2023A Bonds, Provider has issued subordinated debt, consisting of pre-finance capital provided by MatchCap - Sears Farm, LLC ($6,800,000) and by Sears Farm, LLC ($2,390,000), which accrues simple interest at the rate of 6% per annum. The principal of the subordinated debt is subordinated to the repayment in full of the Series 2021 Bonds, the Series 2022A Bonds, and the Series 2023A Bonds, and is payable only if the Community achieves certain occupancy milestones and Provider meets certain financial performance conditions.

Also subordinated to the Series 2021 Bonds, the Series 2022A Bonds, and the Series 2023A Bonds are certain fees payable by Provider to: Sears Farm, LLC; Searstone - RLA; Sears Hackney Keener Williams, Inc. (an architectural firm that provided services in connection with Phase I); the Development Consultant; and RLA, and in the total amount of $3,304,000.

B. Audited Financial Statements

Provider operates on a calendar year basis. Financial statements for Provider, which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations and changes in net deficit and cash flows for the years then ended, and the related notes to the financial statements, as audited by the independent accounting firm of Forvis LLP, are attached as Exhibit 2.

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

A comparison of the forecasted financial statements for Provider, and the actual financial statements for Provider, which comprise the balance sheet as of December 31, 2022, and the related statements of operations and changes in net deficit and cash flows for the year then ended, is attached as Exhibit 3. Variances greater than $200,000 are considered material. An explanation of each of the material differences is contained in the narrative on Exhibit 3.

D. Interim Financial Statements

Unaudited interim financial statements for Provider, consisting of the balance sheet as of March 31, 2024, and the related statement of profit and loss (with comparison to budget) and cash flow statement for the period from January 1, 2024 through March 31, 2024 are attached as Exhibit 4.

E. Financial Projections

Unaudited financial projections for Provider for each of the five years ending December 31, 2028, which comprise a projected statement of operations and changes in net assets, a projected statement of cash flows, and projected balance sheets, as compiled by the independent accounting firm of Dixon Hughes Goodman LLP, are attached as Exhibit 5. The financial projections are based in part on an actuarial study as of December 31, 2023 (the "**Actuarial Study**"), performed by Continuing Care Actuaries LLC (the "**Actuaries**"). A summary of the Actuarial Study is attached as Exhibit 6.

F. Operating Reserve

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

The following table reflects the calculation of the operating reserve required of Provider for each of the five years ending December 31, 2028:

Samaritan Housing Foundation, Inc. d/b/a SearStone
Operating Reserve Fund
Statutory Operating Reserve

Operating Reserve Fund	**2024**	**2025**	**2026**	**2027**	**2028**
IL Occupancy Projection	72.3%	88.5%	89.7%	90.3%	90.9%
For the Subsequent Fiscal Year Ending December 31					
Income statement expenses	$ 33,892	$ 35,323	$ 35,974	$ 36,524	$ 37,201
Plus: Capitalized interest	141	-	-	-	-
Total Expenses	$ 34,033	$ 35,323	$ 35,974	$ 36,524	$ 37,201
Plus: Bond principal redemptions, schedule required	75,215	1,400	1,480	3,005	3,145
Less: Depreciation	(6,742)	(6,836)	(6,949)	(7,087)	(7,250)
Less: Amortization	(496)	(360)	(360)	(360)	(360)
Less: Extraordinatry items approved by Commissioner	-	-	-	-	-
Less: Debt service portion, if provided for by way of a separate reserve account	(84,734)	(9,682)	(9,690)	(11,110)	(11,112)
Total Operating Costs	**$ 17,276**	**$ 19,845**	**$ 20,455**	**$ 20,972**	**$ 21,624**
Occupancy Factor	50%	50%	25%	25%	25%
Operating Reserve Requirement	$ 8,638	$ 9,923	$ 5,114	$ 5,243	$ 5,406
Inc(Dec) in Operating Reserve Fund Balance	$ 5,299	$ 1,285	$ (4,809)	$ 129	$ 163

Exhibit 1

Membership & Residency Agreement

[see attached]

SEARSTONE

Life Care (Type A)
Membership & Residency Agreement

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

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Searstone

Membership & Residency Agreement

Recitals:

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

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

Agreement:

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

I. MEMBER'S RIGHT OF RESCISSION

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

II. OBLIGATIONS OF PROVIDER

Subject to Member's performance of his or her duties and obligations under this Agreement, Provider shall provide the services described in this Agreement. Provider shall also make [address] ____, which is [description of residence] ____, available to Member for Member use for life or until permanent transfer to any other residence at Searstone including the Brittany Place Health Center (**"Brittany Place"** or the **"Health Center"**), or until termination of this Agreement in accordance with Articles XI or XII.

☐ Notwithstanding the foregoing, if the box preceding this sentence is checked, Member and Provider acknowledge that ____, who is one of the Members, will initially reside at Brittany Place, as such person's residence, for life or until permanent transfer to any other residence at Searstone.

III. DESCRIPTION OF SERVICES

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

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

(b) U Aa dining dollar credit amount of $1,350 per quarter per person will be included as part of the Membership Fee. Members may also use their own monthly dining dollar credits for their guests and for private functions. Members who incur monthly dining charges, for themselves or guests, in excess of the monthly credit amount will either pay for such excess at the time such dining charges are incurred, or will be billed for such excess dining charges quarterly. Unused dining credits for a quarter do not carry forward to succeeding quarters. The Membership Fee will not be reduced for dining dollar credits not used unless Member is away from Searstone for more than thirty (30) consecutive days, with prior notification. If such prior notification is given, Member will be credited with a prorated dining dollar credit based upon raw food costs commencing with the thirty-first (31st) day of absence.

(c) Housekeeping will be provided biweekly. More frequent housekeeping services will be available at an extra charge.

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

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

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

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

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

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

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

(k) Additional storage for residents of Lorraine Plaza, Calais Terrace, Lakeside Flats, Winston Clubhouse, or The Highview residences for Member's personal belongings.

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

(m) For Members who reside in Lakeside Flats or Estate Homes, covered parking is provided per residence. For Members who reside in Calais Terrace or The Highview and own and drive a vehicle, one under-building parking space is available at no extra cost and, subject to availability, a second under-building parking space may be available for an additional charge. For Members who reside in Lorraine Plaza and own and drive a vehicle, parking is provided adjacent to the Lorraine Plaza building at no extra cost and, subject to availability, one Calais under-building parking space may be available for an additional charge. For Members who reside in Winston Clubhouse and own and drive a vehicle, parking is provided adjacent to the Winston Clubhouse building at no extra cost and, subject to availability, one Calais under-building parking space may be available for an additional charge. Valet parking is provided for Members who reside in Winston Clubhouse. These parking arrangements may require changes to accommodate construction within the Community. Only residents who own and drive a vehicle will be considered for an assigned parking space, whether it be at no extra cost or for an additional charge. Parking spaces cannot be reserved for family, friends, caregivers, or other visitors.

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

(a) Additional dining.

(b) Additional housekeeping.

(c) Additional maintenance.

(d) Personal transportation beyond that scheduled by Provider.

(e) Linen services.

(f) Non-emergency response calls to residences.

(g) Other concierge services.

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

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

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

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

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

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

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

IV. MEMBER PARTICIPATION

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

(a) The right to engage in group activities;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

V. FEES AND ENTRANCE FEE REFUNDS

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

5.2 Entrance Fee:

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

	____% Refundable Residential Fee	Amortizable Life Care Fee	Total Combined Fee
First Person	$	$	$
Second Person	$ 0.00	$	$
Total	$	$	$

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

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

5.3 Refunds:

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

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

(c) *Termination (balance not paid).* If, after the expiration of the Rescission Period but before paying the balance of the Entrance Fee, Member terminates this

Agreement for any reason other than a cancellation pursuant to Section 5.3(b), Provider shall return to Member or Member's estate Member's Entrance Fee Deposit, including interest earned thereon less any nonstandard costs incurred by Provider at the request of Member as set forth in Appendix A, on or before the first to occur of (i) that date which is thirty (30) days following Provider's receipt of the then applicable Entrance Fee Deposit for a residence of the same type as Member's residence, or (ii) that date which is two (2) years from the date in which Member's written termination request is received.

(d) *Termination (balance paid).* If this Agreement is terminated by Member who dies after paying the balance of the Entrance Fee, or by Member who pays the balance of the Entrance Fee and who has not died but terminates for any reason other than a cancellation pursuant to Section 5.3(b), Provider shall return to Member or Member's estate the amount determined below, on or before that date which is thirty (30) days following Provider's receipt of the then applicable Entrance Fee for a residence of the same type as Member's residence that is not already allocated to a prior resident awaiting a refund (for this purpose, the residence type of a Member residing in Brittany Place at the time of termination shall be considered to be the Independent Living Unit residence type with respect to which that Member paid the Entrance Fee to be refunded). The amount to be so returned shall equal the sum of: (i) applicable refund percentage of the Residential Fee portion of the Entrance Fee (as specified in the header to the second column of the table in Section 5.2(a)); **plus** (ii) the unamortized percentage of the Life Care Fee portion of the Entrance Fee, with the Life Care Fee portion of the Entrance Fee to amortize at the rate of two percent (2%) per month for fifty (50) months commencing with the month in which the balance of the Entrance Fee is paid; **less** (iii) amounts due for unpaid Membership Fees applicable only to the period a living unit was actually occupied by Member and the accrued interest on those unpaid Membership Fees; **less** (iv) advances made by Provider pursuant to Section 5.4(h); **less** (v) costs specifically incurred by Provider at the request of Member as set forth in Appendix A; **less** (vi) the cost of refurbishing Member's residence for re-occupancy as defined in Section 5.3(f); and **less** (vii) any other amounts due Provider from Member.

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

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

5.4 Monthly Membership Fee:

(a) *Amount*. The monthly Membership Fee (the "**Membership Fee**") for Member's Searstone residence shall be the sum of the First Person Membership Fee and, if applicable, the Second Person Membership Fee. The "**First Person Membership Fee**" in effect through December 31, 20__ is $______________. The "**Second Person Membership Fee**" in effect through December 31, 20__ is $______________, which shall be applicable only if two persons reside in the same Searstone residence. Member shall pay the Membership Fee beginning on the earlier of the date Member assumes residency at Searstone or sixty (60) days after the residence is available for residency, and continuing until this Agreement is terminated. Provider will accept cash via wire transfer or a check as payment. Provider will not accept securities, goods, services, or any other form of payment. The Membership Fee shall be billed in advance to Member at the beginning of each month and is due by the fifteenth (15th) day of the month.

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

Provider notes that a table in Part V of Provider's Disclosure Statement provides detail concerning increases in the Membership Fee for the years since 2011. Provider notes that the Financial Projections attached to Provider's Disclosure Statement as Exhibit 5 assume the Membership Fee will increase: for Independent Living Units other than those located in The Highview, 3.5% on January 1, 2024, 3.25% on January 1, 2025, 3.0% percent on January 1, 2026, and annually thereafter; and for Independent Living Units located in The Highview, 3.5% on January 1, 2024, 3.25% on January 1, 2025, 3.0% on January l, 2026, and annually thereafter. Actual future Membership Fee increases could be greater or lesser than these amounts.

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

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

(e) *Other Charges.* Member may voluntarily select optional services, such as guest dining, extra dining, or other optional services. The charges for such optional services ("**Other Charges**") shall be published by Provider and shall be the same for all Members. The Other Charges shall be billed to Member by Provider at the end of each month and are payable to Provider by Member by the fifteenth (15th) day of the following month. Such right to select optional services may be restricted by Provider if Member is in default of payment of the Membership Fees or Other Charges, unless Provider has approved the incurrence of Other Charges in advance.

(f) *Taxes.* All fees and other charges payable to Provider by a Member are net of all applicable sales, excise, and similar taxes imposed by governmental authorities with respect to the goods and services for which such fees and other charges are payable, and Provider will collect from the Member any such applicable sales, excise, and similar taxes to the extent required by applicable law and regulations.

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

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

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

5.5 Direct Admission to Brittany Place. Notwithstanding the foregoing provisions of this Article V, where upon admission one Member of a couple moves into an Independent Living Unit and upon admission the other Member of a couple requires direct admission to adult care or skilled nursing care within Brittany Place, the Member moving into the Independent Living Unit will pay the Residential Fee component of the Entrance Fee, the Life Care Fee component of the Entrance Fee, and the applicable First Person Membership Fee, while the Member requiring direct admission to adult home care or skilled nursing care within Brittany Place will pay the Life Care Fee component of the Entrance Fee, 80% of the per diem Health Center (Brittany Place) fee, plus the cost of additional meals and services.

VI. TERMS OF MEMBERSHIP

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

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

6.3 No person other than Member may reside in the residence except for occasional visits or with the express written approval of Provider. In the event Member's spouse does not qualify or does not wish to qualify for entry into the Searstone community as a "Member": (a) such non-Member spouse will be allowed to occupy Member's residence without payment of an Entrance Fee for a second person; (b) the Second Person

Membership Fee shall be payable with respect to such non-Member spouse; (c) such non-Member spouse will not be entitled to the approved home care services, assisted living services, and skilled nursing services described in Section 3.3(c); and (d) such non-Member spouse will be required to vacate Member's residence upon Member's termination of the Residency Agreement, death, or permanent move to Brittany Place or for care outside the Searstone community.

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

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

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

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

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

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

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

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

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

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

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

(a) Member will be provided assistance with activities of daily living as typically provided by an assisted living establishment in the State of North Carolina. Such assisted living services will be provided by Provider at Brittany Place, but if the assisted living and skilled nursing units in Brittany Place are full Provider will provide home health services in Member's Independent Living Unit at Provider's expense. In the event Provider provides to Member home health services under such circumstances, Member will relocate to Brittany Place once an assisted living or skilled nursing unit is available in Brittany Place, and if Member declines a unit at Brittany Place under such circumstances Member will be responsible for all home health service fees.

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

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

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

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

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

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

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

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

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

VII. REPRESENTATIONS OF MEMBER

7.1 Member represents to Provider that:

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

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

VIII. COVENANTS OF PROVIDER

8.1 Provider covenants and agrees with Member that:

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

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

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

IX. COVENANTS OF MEMBER

9.1 Member covenants and agrees with Provider that Member will:

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

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

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

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

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

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

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

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

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

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

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

X. TRANSFER OF MEMBER TO ANOTHER ESTABLISHMENT

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

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

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

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

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

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

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

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

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

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

XI. TERMINATION OR AMENDMENT BY MEMBER

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

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

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

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

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

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

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

(b) *One Member decides to leave Searstone.* In such case, (i) the remaining Member will pay the then applicable First Person Membership Fee, (ii) the terminating Member shall provide to Provider written notice of the termination, and

(iii) Member may be entitled to a refund of part of the Entrance Fee in accordance with Section 5.3.

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

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

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

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

XII. TERMINATION BY PROVIDER

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

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

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

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

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

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

XIII. DISPUTES

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

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

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

(ii) Within Brittany Place;

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

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

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

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

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

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

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

XIV. MISCELLANEOUS

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

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

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

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

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

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

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

XV. SIGNATURES

In witness of this Agreement, the parties noted below have signed this Agreement on this ______ day of _____________, _______. By their signatures, the Members acknowledge receipt of a Disclosure Statement dated May 30, 2023.

______________________________	______________________________
Member	Member
______________________________	______________________________
Member's Representative	Member's Representative
______________________________	______________________________
Witness	Witness

Samaritan Housing Foundation, Inc.

By: _________________________________
Print name:
Title:

Exhibit 2

Audited Financial Statements

[see attached]

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

Independent Auditor's Report and Financial Statements

December 31, 2023 and 2022

Contents

FORV/S

2501 Blue Ridge Road, Suite 500 / Raleigh, NC 27607
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Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of Samaritan Housing Foundation, Inc., d/b/a Searstone Retirement Community (the "Corporation"), which comprise the balance sheets as of December 31, 2023 and 2022 and the related statements of operations and changes in net deficit and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

FORVIS, LLP

Raleigh, North Carolina
April 25, 2024

Samaritan Housing Foundation, Inc.
d/b/a Searstone Retirement Community
Balance Sheets
December 31, 2023 and 2022

	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents	$ 809,979	$ 2,742,145
Assets limited as to use, current portion	12,421,598	11,898,835
Accounts receivable	192,237	94,589
Other accounts receivable	144,706	-
Sales tax receivable	621,449	852,261
Prepaid expenses	236,526	281,472
Short-term investments	6,134,436	2,863,405
Total current assets	20,560,931	18,732,707
Non-Current Assets		
Assets limited as to use, less current portion	52,723,198	120,970,822
Property and equipment, net	238,688,778	171,746,896
Deferred marketing costs, net	136,080	138,475
Total non-current assets	291,548,056	292,856,193
Total assets	$ 312,108,987	$ 311,588,900
LIABILITIES AND NET DEFICIT		
Current Liabilities		
Bonds payable, current portion	$ 29,605,000	$ 1,225,000
Accounts payable	12,033,661	9,973,920
Accrued interest payable	862,564	876,679
Resident refunds payable	2,791,101	60,941
Resident deposits	11,559,034	11,022,156
Other liabilities	241,135	184,255
Total current liabilities	57,092,495	23,342,951
Long-Term Liabilities		
Bonds payable, less current portion, net	228,927,541	253,115,683
Subordinated obligations	19,055,147	18,479,747
Refundable entrance fees	91,660,161	92,973,200
Deferred revenue from advance fees	10,160,981	10,182,763
Total long-term liabilities	349,803,830	374,751,393
Total liabilities	406,896,325	398,094,344
Net Assets (Deficit)		
Without donor restrictions	(95,268,260)	(86,912,485)
With donor restrictions	480,922	407,041
Total net deficit	(94,787,338)	(86,505,444)
Total liabilities and net deficit	$ 312,108,987	$ 311,588,900

Samaritan Housing Foundation, Inc.
d/b/a Searstone Retirement Community
Statements of Operations and Changes in Net Deficit
Years Ended December 31, 2023 and 2022

	2023	2022
Revenues, Gains and Other Support		
Net residential service fees, including amortization of advance fees of approximately $1,737,000 and $1,231,000 in 2023 and 2022, respectively	$ 14,658,666	$ 13,439,129
Interest income	2,355,322	1,152,366
Other	1,460,409	1,282,670
Total revenues, gains, and other support	18,474,397	15,874,165
Expenses		
General operating and administrative	5,308,916	4,106,356
Depreciation and amortization	3,364,512	3,276,372
Dining services	2,497,958	2,137,546
Marketing	919,048	839,551
Healthcare services	2,035,459	2,171,006
Transportation and security services	623,722	596,105
Building and grounds maintenance	1,015,645	924,752
Housekeeping	415,411	377,079
Resident Life	242,924	256,213
Other	268,807	234,952
Interest	5,890,579	5,403,722
Total expenses	22,582,981	20,323,654
Loss from operations	(4,108,584)	(4,449,489)
Non-Operating gains (losses)		
Net unrealized and realized gains (losses) on short-term investments	444,101	(881,629)
Loss on early extinguishment of bonds	(4,691,292)	(1,415,522)
Net non-operating gains (losses)	(4,247,191)	(2,297,151)
Increase in net deficit without donor restrictions	(8,355,775)	(6,746,640)
Change in net assets with donor restrictions:		
Contributions	73,881	74,004
Increase in net deficit	(8,281,894)	(6,672,636)
Net deficit, beginning of year	(86,505,444)	(79,832,808)
Net deficit, end of year	$ (94,787,338)	$ (86,505,444)

Samaritan Housing Foundation, Inc.
d/b/a Searstone Retirement Community
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Operating Activities		
Increase in net deficit	$ (8,281,894)	$ (6,672,636)
Adjustments to reconcile increase in net deficit to net cash provided by operating activities:		
Net unrealized (gains) losses on short-term investments	(526,640)	839,962
Net realized (gains) losses on short-term investments	82,539	41,667
Proceeds from non-refundable advance fees	1,653,000	2,029,000
Depreciation	3,337,617	3,249,957
Amortization of debt issuance costs and bond discount	229,245	290,938
Loss on early extinguishment of debt	4,691,292	1,415,522
Amortization of marketing costs	26,895	26,415
Amortization of advance fees	(1,737,367)	(1,230,998)
Interest and fee accrued - subordinate obligations	575,400	575,400
Net change in:		
Accounts receivable	(97,648)	(59,639)
Sales tax receivable	230,812	(803,862)
Accounts receivable - other	(144,706)	-
Prepaid expenses	44,946	3,522
Deferred marketing costs	(24,500)	(30,550)
Accounts payable	2,059,741	8,784,576
Accrued interest payable	(14,115)	(373,372)
Other liabilities	56,880	47,696
Net cash provided by operating activities	2,161,497	8,133,598
Investing Activities		
Purchase of property and equipment	(70,279,499)	(58,451,759)
Net change in assets limited as to use and short-term investments	(2,998,571)	3,363,912
Net cash used by investing activities	(73,278,070)	(55,087,847)
Financing Activities		
Proceeds from bond issuance, net	75,550,000	9,000,000
Deferred financing costs, net	(2,408,679)	(1,125,477)
Payment on bonds payable	(73,870,000)	(9,165,000)
Refunds of entrance fees	(6,904,865)	(9,984,325)
Refundable entrance fees received	8,384,571	13,794,154
Resident deposits received	536,878	1,236,315
Net cash provided by financing activities	1,287,905	3,755,667
Net Change in Cash	(69,828,668)	(43,198,582)
Cash and Restricted Cash, Beginning of Year	132,800,802	175,999,384
Cash and Restricted Cash, End of Year	$ 62,972,134	$ 132,800,802

Samaritan Housing Foundation, Inc.
d/b/a Searstone Retirement Community
Statements of Cash Flows
Years Ended December 31, 2023 and 2022 **(Continued)**

	2023	2022
Supplemental cash flow information:		
Cash paid during the year for interest	$ 9,385,902	$ 10,936,493
Non cash investing and financing activities:		
Refunds of entrance fees included in resident refunds payable	$ 2,791,101	$ 60,491

Note 1. Summary of Significant Accounting Policies

Community

Samaritan Housing Foundation, Inc. (the "Corporation") d/b/a Searstone Retirement Community, is a not-for-profit corporation that acquired real property to develop, market, and operate as a continuing care retirement community in Cary, North Carolina (the "Community"). The Community consists of 131 apartments, 38 estate homes, 14 assisted living beds, and 25 skilled nursing beds. The Community also features common areas, as well as, a clubhouse, a spa/wellness center with an indoor pool, a library/business center, an arts and crafts studio, living areas, a club room and other spaces as appropriate. The first units in the Community were available for occupancy in November 2013.

Basis of Accounting and Presentation

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

Cash and Cash Equivalents

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

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

	2023	2022
Cash and cash equivalents	$ 809,979	$ 2,742,145
Investments	356,359	148,000
Assets whose use is limited		
Held by trustee	51,202,797	119,674,645
Resident deposits	10,532,434	10,165,256
Other	70,565	70,756
Total cash, cash equivalents and restricted cash shown in statements of cash flows	$ 62,972,134	$ 132,800,802

Assets Limited as to Use

Assets limited as to use include amounts held by a trustee which are limited as to use in accordance with certain bond documents to which the Corporation is a party, deposits of entrance fees paid by residents, and assets designated by the Board.

Reserves required by state statute represent an amount set aside to meet the requirements of North Carolina General Statute Chapter 58, Article 64. Under this legislation, the Corporation is required to maintain an operating reserve at least equal to 25% (50% if occupancy is less than 90%) of the year's total forecasted operating costs as defined by the statute. The Corporation's Board of Directors has designated approximately $3,339,000 and $2,959,000 at December 31, 2023 and 2022, respectively, as reserves required by state statute.

Debt Issuance Costs

Debt issuance costs include the costs incurred in relation to the issuance of debt and presented net of the respective debt. The debt issuance costs are being amortized over the life of the debt using the straight-line method which approximates the effective interest method.

Deferred Marketing Costs

The Corporation defers the costs incurred in acquiring initial continuing-care contracts that are expected to be recovered from future revenues. These costs include salaries and commissions paid to sales office personnel located at the Community. The costs are amortized on a straight-line basis over the expected lives of the residents under the contract. Amortization expense related to deferred marketing costs were approximately $27,000 and $26,000 for the years ended December 31, 2023 and 2022, respectively.

Property and Equipment

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

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

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

Leases

The Corporation's operating leases which are greater than 12 months, if any, are immaterial to the financial statements as a whole, and management has not recorded a right-of-use asset and related lease liability. Therefore, ASU 842: *Leases* has not significantly impacted the Corporation's balance sheets and statement of operations and changes in net deficit, and cash flows.

Net Assets

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

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

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

Statement of Operations and Changes in Net Deficit

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

Resident Deposits

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

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

Deposits on Unoccupied Units

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

Deferred Revenue from Advance Fees

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

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

Continuing Care Contracts

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

Future Service Obligation

At the end of the year, the Corporation calculates the present value of the estimated net cost of future services to be provided, including the cost of the facilities to current residents, and compares the amount with the deferred revenue from advance fees at that date. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from advance fees, a future service obligation is recorded. No liability has been recorded as of December 31, 2023 and 2022, because the present value of the estimated net costs of future services and use of facilities was less than deferred revenues from advance fees. The present value of the net cost of future services and use of facilities was discounted at 5.5% in 2023 and 2022.

Net Deficit

The Corporation has a significant net deficit as of December 31, 2023. Several factors contribute to that deficit, including:

- While the Corporation was initially conceived as being developed and operated in a single phase, it was necessary to split development of the Corporation into two phases due to circumstances then existing prior to approval, financing and development of the community in the aftermath of the 2008 recession. Because of the need to construct and operate much of the infrastructure for the entire Corporation in connection with the development of Phase I of the Corporation (which opened in 2013), and because when the Phase II units now under construction are occupied (which will almost double the number of independent living units and the number of assisted living / skilled nursing units in the healthcare center, with occupancy anticipated to commence during 2024) many of the operating costs of the entire Corporation are projected to increase less than proportionately to the increase in Corporation units, the Corporation has always anticipated that the Corporation's financial performance would be handicapped during Phase I-only operations and would improve after the Phase II units become occupied.

- As noted in Note 2, *Entrance Fees*, the Corporation is a "high refundable" entrance fee community offering full refunds of the residential fee component of most residents' initial entrance fees after their exit. This entrance fee refund obligation creates a large balance sheet liability. While those refund obligations and associated liabilities do in fact exist, pursuant to each resident's membership agreement with the Corporation a refund obligation does not become payable to a former resident until that date which is 30 days following the Corporation's receipt of the then-applicable entrance fee for a residence of the same type as the former resident's residence. This provides assurance that the funds will be available to fulfill those entrance fee refund obligations. To the extent that entrance fee amounts increase over time, the entrance fee refund payable to a former resident will be less than the entrance fee received for a residence of the same type as the former resident's residence, with the result that each entrance fee refund cycle will be positive to the Corporation's financial position. Because the Corporation is a relatively new community, initially filled by a relatively young population, in the early years there were not as many of these entrance fee refund cycles as are projected to occur in future years.
- Initial development and construction of Phase I and Phase II of the Corporation was financed through the issuance of bonds carrying a relatively high interest rate, in part due to prevailing interest rates at the time and in part due to the start-up nature of the Corporation. Those high interests costs contributed to the cumulative deficit.

Through careful management and the additional units, the Corporation's goal is to be in a net asset position.

Net Resident Service Revenue

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

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations of Credit Risk

The Community is located in Cary, North Carolina and substantially all of its residents are local residents. Throughout the year the Corporation has bank balances which exceeded federal depository limit.

Income Taxes

The Corporation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. The Corporation has determined that it does not have any material unrecognized tax benefits or obligations as of 2023 or 2022.

Investments

Investments in mutual funds, exchange-traded funds, money market funds, common stocks, corporate bonds, and U.S. Treasury and agency securities are measured at fair value based on quoted market prices. Net investment gains (losses) are reported in the statement of operations and changes in net deficit and consists of interest and investment income, realized and unrealized gains and losses, less external investment expenses. See Note 10 for further discussion of fair value measurements.

Financial Assistance

The Corporation currently maintains a financial assistance program and policy for Corporation residents holding continuing care residency agreements in the event the resident(s) should become unable to pay for services. The Corporation reserves the right to change the program and policy and does not guarantee future financial assistance. Since the Corporation does not expect to collect the normal charges for services provided for those residents who meet the financial assistance provisions, estimated charges for such assistance are not included in revenue. The cost of the charity care provided by the Corporation is based on the financial assistance that is disclosed in Note 11. No financial assistance was provided during the years ended December 31, 2023 or 2022.

Recently Adopted Accounting Guidance – Allowance for Credit Losses

In June 2016, the FASB issued guidance (FASB ASC 326) which changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through increase in net deficit. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the company that are subject to the guidance in FASB ASC 326 were trade accounts receivable and other-than-trading investments.

The Company adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.

Subsequent Events

The Community evaluated the effect subsequent events would have on the financial statements through April 25, 2024, which is the date the financial statements were issued.

Note 2. Fair Value of Financial Instruments

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

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

	2023		2022	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Bonds payable	$216,953,697	$264,580,000	$224,977,587	$266,800,000

Note 3. Revenue

The Corporation generates revenues, primarily by providing housing and health services to Community residents. The following streams of revenue are recognized as follows:

Monthly service fees:

The life care contracts that residents select require an advanced fee and monthly fees based upon the type of space they are applying for. Resident fee revenue for recurring and routine monthly services is generally billed monthly in advance. Payment terms are usually due within 30 days. The services provided encompass social, recreational, dining along with assisted living and nursing care and these performance obligations are earned each month. Resident fee revenue for non-routine or additional services are billed monthly in arrears and recognized when the service is provided.

Entrance fees:

The nonrefundable entrance fees are recognized as deferred revenue upon receipt of the payment and included in liabilities in the balance sheets until the performance obligations are satisfied. The refundable portion of entrance fees is not considered part of the transaction price and as such are recorded as a liabilities in the balance sheets. Additionally, management has determined the contracts do not contain significant financing components as the advanced payments assures residents the access to health care in the future. These deferred amounts are then amortized on a straight-line basis into revenue on a monthly basis over the life of the resident as the performance obligation is the material right associated with access to future services as described in FASB ASC 606-10-55 paragraph 42 and 51.

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

	2023	2022
Independent living	$ 14,566,903	$ 13,195,178
Assisted living	535,623	474,168
Skilled nursing	1,016,549	1,052,453
Total residential revenue	$ 16,119,075	$ 14,721,799

The Corporation provides a fully refundable residential fee upon termination of the agreement in the event of move-out, death or termination by the Corporation. The fully refundable residential fee is in conjunction with the continuing care contracts, and the Corporation has both Life Care (Type A) and Fee for Service (Type C) contracts. The refundable amount will be equal to one hundred percent of the residential fee less any amounts due to the Corporation from the resident. The total amount of contractual refund obligations under existing contracts totaled approximately $95,733,000 and $96,279,000 at December 31, 2023 and 2022, respectively. There were no entrance fees receivable at December 31, 2023 and 2022, respectively. Refundable entrance fees become currently payable when the contract terminates, and the Corporation has received the then-applicable entrance fee for a residence of the same type as the former resident's residence. Resident refunds payable were approximately $2,791,000 and $61,000 at December 31, 2023 and 2022, respectively.

Note 4. Short-term investments and Assets Limited As To Use

The composition of short-term investments are as follows:

	2023	2022
Money market funds	$ 379,985	$ 472,996
Mutual funds – equities	257,807	257,698
Mutual funds – fixed income	796,544	998,303
Exchange-traded funds	86,627	25,595
Common stocks	2,417,923	2,005,300
Corporate bonds	1,529,200	1,212,841
U.S. Treasury and agency securities	4,005,350	849,672
	9,473,436	5,822,405
Less amount for statutory reserve	(3,339,000)	(2,959,000)
Short-term investments	$ 6,134,436	$ 2,863,405

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

	2023	2022
Held by trustee	$ 51,202,797	$ 119,674,645
Reserves required by state statute	3,339,000	2,959,000
Resident deposits	10,532,434	10,165,256
Other	70,565	70,756
Total assets limited as to use	$ 65,144,796	$ 132,869,657

Note 5. Property and Equipment

Property and equipment at December 31 consists of:

	2023	2022
Land	$ 21,089,426	$ 21,089,426
Land improvements	1,380,794	1,380,794
Buildings	84,940,005	84,478,415
Furniture and fixtures	2,396,695	2,326,573
Vehicles	261,096	307,414
Construction in progress	128,873,365	65,477,738
Capitalized interest	30,963,951	24,693,558
Total property and equipment	269,905,332	199,753,918
Accumulated depreciation	(31,216,554)	(28,007,022)
Property and equipment, net	$ 238,688,778	$ 171,746,896

Construction in progress includes various projects, the largest of which is a campus expansion project. The Company had depreciation expense of approximately $3,338,000 and $3,250,000 for the years ended December 31, 2023 and 2022, respectively. The Company capitalized approximately $6,270,000 and $3,250,000 of interest for the years ended December 31, 2023 and 2022, respectively. At September 30, 2023, the Company had approximately $18,339,000 in future construction commitments.

Note 6. Resident Deposits

Resident deposits consist of the following at December 31:

	2023	2022
Resident deposits – reservations	$ 123,600	$ 193,900
Resident priority – Highview	10,532,434	10,165,256
Resident deposits – waiting list	903,000	663,000
Total resident deposits	$ 11,559,034	$ 11,022,156

Note 7. Bonds Payable

Bonds payable consist of the following at December 31:

	2023	2022
Series 2017A:		
Term bonds due 2027, interest rate of 4.562%	$ -	$ 4,225,000
Term bonds due 2037, interest rate of 5.512%	-	19,055,000
Term bonds due 2047, interest rate of 5.612%	-	32,235,000
Term bonds due 2052, interest rate of 5.687%	-	16,010,000
Series 2017B:		
Term bonds due 2024, interest rate of 4.437%	-	2,320,000
Series 2021A:		
Term bonds due 2031, interest rate of 4.000%	7,880,000	7,880,000
Term bonds due 2036, interest rate of 4.000%	9,630,000	9,630,000
Term bonds due 2041, interest rate of 4.000%	11,755,000	11,755,000
Term bonds due 2056, interest rate of 4.000%	76,915,000	76,915,000
Series 2021B-1:		
Term bonds due 2025, interest rate of 3.000%	37,120,000	37,120,000
Series 2021B-2:		
Term bonds due 2024, interest rate of 2.250%	22,970,000	22,970,000
Term bonds due 2025, interest rate of 2.250%	8,490,000	8,490,000
Series 2021C:		
Term bonds due 2024, interest rate of 2.750%	5,295,000	5,295,000
Series 2022A:		
Term bonds due 2049, interest rate of 4.000%	8,975,000	9,000,000
Series 2023A:		
Term bonds due 2052, interest rate of 5.000%	75,550,000	-
Total bonds payable	264,580,000	262,900,000
Less: current portion	(29,605,000)	(1,225,000)
Less: unamortized debt issuance costs	(5,753,633)	(5,000,134)
Less: unamortized original issue discount	(293,826)	(3,559,183)
Total bonds payable, net	$ 228,927,541	$ 253,115,683

Bond Issuances

In December 2017, the Corporation issued $71,730,000 of tax-exempt, fixed rate Revenue Refunding Bonds Series 2017A ("2017A Bonds") and $6,015,000 of tax-exempt, fixed rate Revenue Bonds Series 2017B ("2017B Bonds") through the Public Finance Authority of the State of Wisconsin (collectively, "2017 Bonds"). The proceeds of the

2017 Bonds were to be used to advance refund and defease the Series 2012A Bonds, previously issued by the Corporation through the Public Finance Authority of the State of Wisconsin, to finance improvements and expansion of the facilities of the Community, to fund a Debt Service Reserve Fund, and to pay costs of issuance of the 2017 Bonds. The Series 2017 Bonds were issued at a discount of $1,166,175, which was being amortized as interest expense over the life of the bonds using the effective interest method.

In November 2021, the Corporation issued $106,180,000 of tax-exempt, fixed rate Revenue Bonds Series 2021A, $37,120,000 of tax-exempt, fixed rate Entrance Fee Principal Redemption Bonds Series 2021B-1, $31,460,000 of tax-exempt, fixed rate Entrance Fee Principal Redemption Bonds Series 2021B-2, and $5,295,000 of taxable, fixed rate Entrance Fee Principal Redemption Bonds Series 2021C through the Public Finance Authority of the State of Wisconsin (collectively, "2021 Bonds"). The proceeds of the 2021 Bonds were to be used to finance costs relating to the Phase II Expansion of the Community and to refund the Series 2020 Bonds, previously issued by the Corporation through the Public Finance Authority of the State of Wisconsin. The Series 2021 Bonds were issued at a discount of $2,152,933, which is being amortized as interest expense over the life of the bonds using the effective interest method.

In March 2022, the Corporation issued $9,000,000 of tax-exempt, fixed rate Refunding Revenue Bonds Series 2022A Forward Delivery ("2022 Bonds") through the Public Finance Authority of the State of Wisconsin. The proceeds of the 2022 Bonds were used to refund the Series 2016 Bonds, previously issued by the Corporation through the Public Finance Authority of the State of Wisconsin. The Series 2022 Bonds were issued at a discount of $500,490, which is being amortized as interest expense over the life of the bonds using the effective interest method.

In March 2023, the Corporation issued $75,500,000 of tax-exempt, fixed rate Refunding Revenue Bonds Series 2023A Forward Delivery ("2023 Bonds") through the Public Finance Authority of the State of Wisconsin. The proceeds of the 2023 Bonds were used to refund the Series 2017 Bonds. The Series 2023 Bonds were issued at a premium of $2,247,207, which is being amortized as interest expense over the life of the bonds using the effective interest method.

Bond Terms

Interest on the 2021 Bonds, 2022 Bonds, and 2023 Bonds is due semi-annually, on each June 1 and December 1. The Series 2021 Bonds, 2022 Bonds, and 2023 Bonds are collateralized by substantially all of the assets of the Corporation, including all real property, personal property, and gross revenues of the Corporation.

As of December 31, 2023, required principal payments of long-term debt for the next five years and thereafter are as follows:

2024	$ 29,605,000
2025	47,010,000
2026	1,480,000
2027	3,005,000
2028	3,145,000
Thereafter	180,335,000
	$ 264,580,000

The Corporation is required to comply with certain financial covenants, which include debt service coverage and liquidity ratios. The Corporation was in compliance with these covenants at December 31, 2023.

The Corporation incurred deferred financing costs in the amount of approximately $6,076,000 in association with the issuance of the above Series Bonds at December 31, 2023. Amortization expense of approximately $229,000 and $291,000 was recognized during 2023 and 2022, respectively, to the interest expense line item on the statements of operations and changes in net deficit. Accumulated amortization was $313,000 and $323,000 for the years ended December 31, 2023 and 2022, respectively. During year ended December 31, 2023, approximately $774,000 of deferred financing costs, net were written off associated with the Series 2017 Bond refunding.

Note 8. Subordinate Obligations

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

Certain fees in completion of the Community construction project are recorded as deferred fees that are also subordinated obligations. The Corporation owes approximately $993,000 to Sears Farm, in connection with rezoning the Community site and other construction services at December 31, 2023 and 2022. The Corporation owes approximately $597,000 and $573,000 to Searstone – RLA, Inc. for management services at December 31, 2023 and 2022, respectively. The deferred fees to Searstone – RLA, Inc. accrue simple interest monthly at a 6% annual rate. The other deferred fees do not accrue interest.

A summary of the principal and accrued interest amounts owed related to the subordinate obligations at December 31, 2023 and 2022, respectively, follows:

	2023			
	Match Cap	Sears Farm	Deferred Fees	Total
Original obligation	$ 6,800,000	$ 7,701,530	$ 3,304,074	$ 17,805,604
Less payment from debt settlement	-	(1,000,000)	-	(1,000,000)
Less forgone debt from debt settlement	-	(2,311,530)	-	(2,311,530)
Less payment from 2021 bond issuance	-	(2,000,000)	-	(2,000,000)
Accrued interest	4,709,000	1,655,075	196,998	6,561,073
Total	$ 11,509,000	$ 4,045,075	$ 3,501,072	$ 19,055,147

	2022			
	Match Cap	Sears Farm	Deferred Fees	Total
Original obligation	$ 6,800,000	$ 7,701,530	$ 3,304,074	$ 17,805,604
Less payment from debt settlement	-	(1,000,000)	-	(1,000,000)
Less forgone debt from debt settlement	-	(2,311,530)	-	(2,311,530)
Less payment from 2021 bond issuance	-	(2,000,000)	-	(2,000,000)
Accrued interest	4,301,000	1,511,675	172,998	5,985,673
Total	$ 11,101,000	$ 3,901,675	$ 3,477,072	$ 18,479,747

Note 9. Development, Management, and Marketing Agreements and Other Receivables

Greenbrier Development, LLC

The Corporation and Greenbrier Development, LLC ("Greenbrier") entered into a development consulting services agreement, pursuant to which Greenbrier provided development, consulting, marketing and pre-opening services in connection with the development of Phase I of the Community (the "Phase I Development Consulting Services Agreement"). Of the fees earned in prior years, approximately $500,000 has been earned but deferred and is included within subordinate obligations on the balance sheets and payment thereof will be deferred until certain parameters are met. Greenbrier has performed all services to be performed by it pursuant to the Phase I Development Consulting Services Agreement, and no additional fees will be earned by Greenbrier pursuant to the Phase I Development Consulting Services Agreement.

The Corporation and Greenbrier are parties to a development consulting services agreement entered into during 2019, pursuant to which Greenbrier provides development, consulting, marketing and pre-opening services in connection with the Phase II Development. There were approximately $953,000 and $1,243,000 in fees paid to Greenbrier for the year ended December 31, 2023 and 2022, respectively.

Sears, Hackney, Keener & Williams

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

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

There were no fees earned by SHKW for the years ended December 31, 2023 and 2022. Of the fees earned in prior years, approximately $711,000 has been earned but deferred and is included within subordinate obligations on the balance sheets. SHKW has performed all services to be performed by it pursuant to the development services and architectural services agreements, and no additional fees will be earned by SHKW pursuant to those agreements.

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

Searstone – RLA, Inc. (the "Manager") is organized under the laws of the State of North Carolina as a for-profit corporation for the purpose of providing management services for retirement living options including retirement housing and community development. The Manager is affiliated with Retirement Living Associates, Inc., ("RLA") which provides professional management, marketing, development, consulting and advisory services to senior living communities throughout North Carolina.

In 2011, the Corporation entered into a management agreement with the Manager (the "Initial Management Agreement"). Pursuant to the terms of the Initial Management Agreement, the Manager was responsible for the management of the Community's Independent Living Units, Healthcare Center, and non-clinical aspects of the Community, including staffing, accounting and general administrative services. Pursuant to the terms of the Initial Management Agreement, the Manager was paid a base monthly fee for the first eight years following completion of initial construction, plus a percentage of the previous year's billable income from the Independent Living Units.

The Initial Management Agreement terminated September 30, 2020, and the Corporation entered into a new management agreement with the Manager for a term which commenced on October 1, 2020 (the "2020 Management Agreement"). Pursuant to the terms of the 2020 Management Agreement, the Manager is responsible for the management of the Community's Independent Living Units, Healthcare Center, and non-clinical aspects of the Community, including staffing, accounting and general administrative services. As compensation for services rendered pursuant to the 2020 Management Agreement, the Corporation is paying the Manager a Base Management Fee (the "Base Management Fee") and will pay the Manager an Incentive Fee (the "Incentive Fee" and collectively with the Base Management Fee, the "Management Fee").

The Base Management Fee is paid in the amount of $27,500 per month during months 1- 60 of the term of the 2020 Management Agreement, and $31,000 per month during months 61-123 of the term of the 2020 Management Agreement. Upon issuance by the Town of Cary of a permanent certificate of occupancy for Phase II of the Community the amounts described above will increase to $36,575 per month for during the months 1- 60 of the term of the 2020 Management Agreement, and will increase to $41,230 per month for months 61-123 of the term of the 2020 Management Agreement. The Incentive Fee is equal to the lesser of 1.00% of the Independent Living Monthly Fee Revenues collected with respect to the Community or 20% of the then applicable Base Management Fee.

The Management Fee is paid on a monthly basis. Commencing with the calendar year beginning on January 1, 2022, and for all subsequent calendar years, any increase in the Base Management Fee payable with respect to such calendar year over the Base Management Fee payable with respect to the prior calendar year may not exceed $68,500, and the amount of the Base Management Fee with respect to such calendar year in excess of such maximum is a "Deferred Management Fee." In the event (1) the term of the Management Agreement is terminated effective on or before December 31, 2027, and (2) such termination is by reason of a Termination With Cause by Manager or is by reason of a Termination Without Cause by the Corporation, all Deferred Management Fees will be payable within 30 days of the effective date of such termination.

As compensation for services rendered pursuant to the Initial Management Agreement and the 2020 Management Agreement, the Manager earned management fees of approximately $396,000 in fiscal year 2023 and 2022. Of the fees earned under the Initial Management Agreement, approximately $400,000 at December 31, 2023 and 2022, are subordinate to the outstanding bonds and will be deferred until certain parameters are met.

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

Note 10. Fair Value Measurements on a Recurring Basis

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

Level 1: Observable inputs such as quoted prices in active markets.

Level 2: Inputs other than quoted prices in active markets that are either directly or indirectly observable.

Level 3: Unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

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

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

The Corporation does not have any financial assets or liabilities measured on a recurring basis categorized as Level 3, and there were no transfers in or out of Level 3 for year ended December 31, 2023 and 2022.

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

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Money market funds	$ 51,559,153	$ -	$ -	$ 51,559,153
Common stocks	2,417,923	-	-	2,417,923
Corporate bonds	-	1,529,200	-	1,529,200
U.S. Treasury and agency securities	4,005,350	-	-	4,005,350
Mutual funds – fixed income	796,544	-	-	796,544
Mutual funds – equities	257,807	-	-	257,807
Exchange-traded funds	86,627	-	-	86,627
Total	$ 59,123,404	$ 1,529,200	$ -	$ 60,652,604

The Corporation had $23,629 of accrued interest and $10,602,999 in cash included within investments and assets limited as to use which are not included in the fair value hierarchy.

Marketable equity securities have a market value of $9,093,451 with a cost of $8,463,716 in 2023. This resulted in a net unrealized gain on marketable equity securities of $629,738.

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Money market funds	$120,147,645	$ -	$ -	$ 120,147,645
Common stocks	2,005,301	-	-	2,005,301
Corporate bonds	-	1,196,058	-	1,196,058
US Treasury/Agency securities	849,670	-	-	849,670
Mutual funds – fixed income	998,303	-	-	998,303
Mutual funds – equities	257,698	-	-	257,698
Exchange-traded funds	25,592	-	-	25,592
Total	$124,284,209	$ 1,196,058	$ -	$ 125,480,267

The Corporation had $16,783 of accrued interest and $10,236,012 in cash included within investments and assets limited as to use which are not included in the fair value hierarchy.

Marketable equity securities have a market value of $5,332,622 with a cost of $5,233,708 in 2022. This resulted in a net unrealized gain on marketable equity securities of $98,914.

Note 11. Net Assets with Donor Restrictions

Net assets with donor restrictions that are temporary in nature consist of the following at December 31, 2023 and 2022:

	2023	2022
Financial assistance	$ 480,922	$ 407,041

Note 12. Liquidity and Availability

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

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

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

Asset Categories	2023	2022
Cash and cash equivalents	$ 809,979	$ 2,742,145
Accounts receivable	192,237	94,589
Other accounts receivable	144,706	-
Sales tax receivable	621,449	852,261
Investments and assets limited as to use	71,279,232	135,733,062
Less: Held by trustee	(51,202,797)	(119,674,645)
Less: Reserves required by state statute	(3,339,000)	(2,959,000)
Less: Resident deposits	(10,532,434)	(10,165,256)
Less: Other	(70,565)	(70,756)
	$ 7,902,807	$ 6,552,400

Note 13. Schedule of Expenses by Natural Classification and Function

The following is a schedule of expenses by both natural classification and function for the years ended December 31, 2023 and 2022:

	2023							
	Program Services							
	Independent	Assisted Living	Skilled Nursing	Total	Administrative and General	Marketing	Highview	Total
General and administrative	$ -	$ -	$ -	$ -	$ 1,021,404	$ 11,624	$ 9,069	$ 1,042,097
Marketing and advertising	-	-	-	-	150	17,528	542,100	559,778
Payroll and related expense	-	712,514	1,138,173	1,850,687	4,339,735	242,648	80,935	6,514,005
Utilities and facilities	-	13,171	21,040	34,211	1,838,298	637	2,846	1,875,992
Operating and maintenance	-	23,000	36,740	59,740	2,549,177	7,530	4,131	2,620,578
Taxes and insurance	357,720	-	-	357,720	357,720	-	-	715,440
Interest expense	-	-	-	-	5,661,333	-	-	5,661,333
Depreciation	2,936,710	200,230	200,230	3,337,170	-	-	-	3,337,170
Amortization	-	-	-	-	256,588	-	-	256,588
Total expenses	$ 3,294,430	$ 948,915	$ 1,396,183	$ 5,639,528	$ 16,024,405	$ 279,967	$ 639,081	$ 22,582,981

	2022							
	Program Services							
	Independent	Assisted Living	Skilled Nursing	Total	Administrative and General	Marketing	Highview	Total
General and administrative	$ -	$ -	$ -	$ -	$ 1,274,941	$ 11,303	$ 60,538	$ 1,346,782
Marketing and advertising	-	-	-	-	-	22,735	390,949	413,684
Payroll and related expense	63,326	733,261	1,389,662	2,186,249	3,758,119	228,322	111,672	6,284,362
Utilities and facilities	100,593	18,453	18,453	137,499	1,523,637	662	-	1,661,798
Operating and maintenance	3,038	71,288	52,010	126,336	1,445,726	12,111	1,259	1,585,432
Taxes and insurance	166	-	-	166	351,336	-	-	351,502
Interest expense	-	-	-	-	5,095,163	-	-	5,095,163
Depreciation	2,859,963	194,997	194,997	3,249,957	-	-	-	3,249,957
Amortization	-	-	-	-	334,974	-	-	334,974
Total expenses	$ 3,027,086	$ 1,017,999	$ 1,655,122	$ 5,700,207	$ 13,783,896	$ 275,133	$ 564,418	$ 20,323,654

FORVIS

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

We have audited the balance sheets of Samaritan Housing Foundation, Inc., d/b/a Searstone Retirement Community (the "Obligated Group"), as of December 31, 2023, and the related statements of operations and changes in net deficit and cash flows for the year then ended in accordance with auditing standards generally accepted in the United States of America and have issued our report thereon dated April 25, 2024.

In the course of our audit, we reviewed the Obligated Group's compliance with various covenants contained in the Second Amended and Restated Master Trust Indenture dated July 31, 2019 as previously supplemented by Amended and Restated Supplemental Indenture Number 1, dated as of July 31, 2019, Amended and Restated Supplemental Indenture Number 2, dated as of July 31, 2019, Amended and Restated Supplemental Indenture Number 3, dated as of July 31, 2019, Supplemental Indenture Number 4 and Supplemental Indenture Number 5 dated as of October 1, 2021, relating to the Public Finance Authority Revenue Bonds and Entrance Fee Principal Redemption Bonds (SearStone CCRC Project) Series 2016, Series 2017, Series 2021, Series 2022, and Series 2023.

In accordance with Section 4.14(b)(ii) of the Second Amended and Restated Master Trust Indenture dated July 31, 2019, we have attached a calculation of the "Obligated Group's Debt Service Coverage Ratio", and a calculation of the "Days' Cash on Hand of the Obligated Group" in respect of the fiscal year ended December 31, 2023, to determine compliance with Section 4.14(b)(ii) of the Second Amended and Restated Master Trust Indenture, and state that, to the best of our knowledge, based on the audit procedures performed, during the fiscal year ended December 31, 2023, nothing came to our attention that caused us to believe that the Obligated Group was not in compliance with the provisions of the Second Amended and Restated Master Trust Indenture for the Series 2016, Series 2017, Series 2021, Series 2022, and Series 2023 bond issuances as far as it relates to accounting matters.

This report is intended solely for the information and use of Samaritan Housing Foundation, Inc., d/b/a Searstone Retirement Community and UMB Bank, National Association, as Master Trustee, and is not intended to be and should not be used by anyone other than these specified parties.

FORVIS, LLP

Raleigh, NC
April 25, 2024

Samaritan Housing Foundation, Inc., d/b/a SearStone Retirement Community
Calculation of Long-Term Debt Service Coverage Ratio
Year Ended December 31, 2023

Increase in net deficit without donor restrictions	$ (8,355,775)
Deduct:	
Amortization of advance fees	1,737,367
Unrealized (gain) loss on short-term investments	526,640
Add:	
Depreciation and amortization	3,364,512
Interest	5,890,579
Highview marketing costs	639,081
Loss on extinguishment of debt	4,691,292
Entrance fees received on resident turnover	10,131,000
Refunds of entrance fees	(6,927,834)
Income available for debt service	$ 7,168,848
Maximum annual debt service	$ 5,444,675
Long-term debt service coverage ratio	1.32
Long-term debt service coverage ratio requirement per Section 4.16 of the Second Amended and Restated Master Trust Indenture dated July 31, 2019 as previously supplemented by Amended and Restated Supplemental Indenture Number 1, dated as of July 31, 2019, Amended and Restated Supplemental Indenture Number 2, dated as of July 31, 2019, Amended and Restated Supplemental Indenture Number 3, dated as of July 31, 2019, Supplemental Indenture Number 4 and Supplemental Indenture Number 5 dated as of October 1, 2021, relating to the Public Finance Authority Revenue Bonds and Entrance Fee Principal Redemption Bonds (SearStone CCRC Project) Series 2016, Series 2017, Series 2021, Series 2022, and Series 2023.	Not less than 1.10

Samaritan Housing Foundation, Inc., d/b/a SearStone Retirement Community
Calculation of Days Cash on Hand Ratio
Year Ended December 31, 2023

Cash and Investments:	
Cash and cash equivalents	$ 809,979
Assets limited as to use	65,144,796
Short-term investments	6,134,436
Less:	
Resident deposits	(10,532,434)
Trustee-held funds other than those in the interest reserve fund	(51,202,797)
Total	$ 10,353,980

Total operating expenses	$ 16,921,647
Plus:	
Interest expense	5,661,334
Less:	
Depreciation expense	(3,364,512)
Amortization of debt issuance costs and bond discount	(229,245)
	$ 18,989,224
Operating expenses per day	$ 52,025
Days cash on hand ratio	199.02

Long-term debt service coverage ratio requirement per Section 4.18 of the Second Amended and Restated Master Trust Indenture dated July 31, 2019 as previously supplemented by Amended and Restated Supplemental Indenture Number 1, dated as of July 31, 2019, Amended and Restated Supplemental Indenture Number 2, dated as of July 31, 2019, Amended and Restated Supplemental Indenture Number 3, dated as of July 31, 2019, Supplemental Indenture Number 4 and Supplemental Indenture Number 5 dated as of October 1, 2021, relating to the Public Finance Authority Revenue Bonds and Entrance Fee Principal Redemption Bonds (SearStone CCRC Project) Series 2016, Series 2017, Series 2021, Series 2022, and Series 2023.	Not less than 150 days

Exhibit 3

<u>Comparison between Forecasted Financial Statements and Actual Financial Statements</u>

[see attached]

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

The following is a comparison of the forecast financial statements for Samaritan Housing Foundation d/b/a Searstone Retirement Community (Searstone), and the actual financial statements for Searstone, which comprise the balance sheet as of December 31, 2023, and the related statements of operations and changes in net deficit and cash flows for the year ending December 31, 2023.

Variances greater than $200,000 are considered material and are explained in the following narrative.

A. Cash and Cash Equivalents/Investments (under Assets limited as to use), in the aggregate, were less than forecast by $11.1 million. During 2023, disbursements in the Construction and Interest Fund was $3.0 million greater than forecasted, due to faster than expected construction draws. Phase II was projected to open in December 2023, and it did not open until late February 2024. Entrance Fees of $8.8 million were forecasted to be received in 2023, Phase II did not begin receiving Entrance Fees until February 2024. The delayed occupancy of the project also caused Resident Deposits and Deferred Revenue to be $12.2 million less than forecasted.

	2023 Audit	2023 Forecast	Difference		
Cash and cash equivalents	809,979	1,406,000	(596,021)	Balance Sheet Assets	A
Assets limited as to use, current portion	12,421,598	1,795,000	10,626,598	Balance Sheet Assets	A
Short Term Investments	6,134,436	5,849,000	285,436	Balance Sheet Assets	A
Assets limited as to use, less current portion	52,723,198	74,162,000	(21,438,802)	Balance Sheet Assets	A
	72,089,211	83,212,000	(11,122,789)		

	2023 Audit	2023 Forecast	Difference		
Resident Deposits	11,559,034	10,080,000	1,479,034	Balance Sheet—Liabilities	A
Deferred Revenue—Refundable Entrance Fees	91,660,161	103,880,000	(12,219,839)	Balance Sheet—Liabilities	A
Deferred revenue from advance fees	10,160,981	11,675,000	(1,514,019)	Balance Sheet—Liabilities	A
	113,380,176	125,635,000	(12,254,824)		

B. Accounts Receivable was $239,943 mainly due to 3rd party receivables that were not forecast. These receivables have since been collected.

	2023 Audit	2023 Forecast	Difference		
Accounts Receivable	336,943	97,000	239,943	Balance Sheet Assets	B

C. Property, Plant and equipment, net was $3,436,778 greater than forecasted due to faster than expected construction draws.

	2023 Audit	2023 Forecast	Difference		
Property, Plant and Equipment, net	238,688,778	235,252,000	3,436,778	Balance Sheet Assets	C

D. Accounts payable, accrued interest payable and other liabilities are $474,360 greater than forecasted due mainly to a greater construction requisition in December and increased retainage for Phase II.

	2023 Audit	2023 Forecast	Difference		
Accounts payable	12,033,661	11,288,000	745,661	Balance Sheet—Liabilities	D
Accrued interest payable	862,564	1,191,000	(328,436)	Balance Sheet—Liabilities	D
Other liabilities	241,135	184,000	57,135	Balance Sheet—Liabilities	D
	13,137,360	12,663,000	474,360		

E. Bonds Payable, less current portion are $378,312 less than forecasted due mainly to Deferred Financing Costs being greater than forecasted.

	2023 Audit	2023 Forecast	Difference		
Bonds Payable, less current Portion	228,927,541	229,305,853	(378,312)	Balance Sheet Liabilities	E

F. Prepaid Expenses are $260,474 less than forecasted due to an incorrect forecast assumption.

	2023 Audit	2023 Forecast	Difference		
Prepaid Expenses	236,526	497,000	(260,474)	Statement of Operations	F

G. Other Revenues are $262,410 over budget due to greater than forecasted ancillary revenues also unanticipated revenues of approximately $105,000.

	2023 Audit	2023 Forecast	Difference		
Other	1,460,410	1,198,000	262,410	Statement of Operations	G

H. Interest and Depreciation and Amortization expenses were $1,014,909 less than forecasted due to the timing of the opening of the Phase II expansion.

	2023 Audit	2023 Forecast	Difference		
Depreciation and Amortization	3,364,512	3,933,000	(568,488)	Statement of Operations	H
Interest Expense	5,890,579	6,364,000	(473,421)	Statement of Operations	H
	9,255,091	10,297,000	(1,041,909)		

I. General and Administrative expenses were $952,916 greater than forecasted due mainly to litigation costs that were not forecast.

	2023 Audit	2023 Forecast	Difference		
General and Administrative	5,308,916	4,356,000	952,916	Statement of Operations	I

J. Advance fee amortization was $634,367 greater than forecasted due to increased termination amortization.

	2023 Audit	2023 Forecast	Difference		
Advance fee amortization	1,737,367	1,103,000	634,367	Statement of Operations	J

K. Marketing expenses were $235,048 greater than forecasted due to the timing of the opening of Phase II.

	2023 Audit	2023 Forecast	Difference		
Marketing	919,048	684,000	235,048	Statement of Operations	K

L. Healthcare Services were $300,541 lower than forecasted due mainly to lower staffing costs.

	2023 Audit	2023 Forecast	Difference		
Healthcare Service	2,035,459	2,336,000	(300,541)	Statement of Operations	L

M. Other Expenses are $257,529 greater than forecasted due mainly to unanticipated expenses.

	2023 Audit	2023 Forecast	Difference		
Other	892,529	635,000	257,529	Statement of Operations	M

N. Interest Income was $563,322 greater than forecasted due to greater interest rates on investments than forecasted.

	2023 Audit	2023 Forecast	Difference		
Interest Income	2,355,322	1,792,000	563,322	Statement of Operations	N

Samaritan Housing Foundation, Inc. d/b/a Searstone Retirement Community
Comparison of Audit to Forecast Statements
Year Ending December 31, 2023

Balance Sheet	**Audit 2023**	**Forecast 2023**	**Variance +(-)**	
Assets				
Current assets:				
Cash and cash equivalents				
Unrestricted Cash	$ 809,979	$ 1,406,000	$ (596,021)	A
Assets limited as to use, current portion	12,421,598	1,795,000	10,626,598	A
Accounts receivable	336,943	97,000	239,943	B
Sales tax receivable	621,449	600,000	21,449	
Prepaid expenses	236,526	497,000	(260,474)	F
Short-term investments	6,134,436	5,849,000	285,436	A
Total current assets	20,560,931	10,244,000	10,316,931	
Non-current assets:				
Assets limited as to use, less current portion	52,723,198	74,162,000	(21,438,802)	A
Property, Plant and equipment, net	238,688,778	235,252,000	3,436,778	C
Other Receivables	-	-	-	
Note Receivable	-	-	-	
Deferred marketing costs, net	136,080	90,000	46,080	
Total non-current assets	291,548,056	309,504,000	(17,955,944)	
Total assets	$ 312,108,987	$ 319,748,000	$ (7,639,013)	
Liabilities and Net Deficits				
Current liabilities:				
Bonds payable, current portion	$ 29,605,000	$ 29,605,000	$ -	
Accounts payable	12,033,661	11,288,000	745,661	D
Accrued interest payable	862,564	1,191,000	(328,436)	D
Resident refunds payable	2,791,101	-	2,791,101	
Resident deposits	11,559,034	10,080,000	1,479,034	A
Other liabilities	241,135	184,000	57,135	D
Total current liabilities	57,092,495	52,348,000	4,744,495	
Long-term liabilities:				
Bonds Payable, less current portion	228,927,541	229,305,853	(378,312)	E
PPP note payable, less curent portion, net	-	-	-	
Subordinate Obligations	19,055,147	19,055,147	-	
Deferred Revenue - Refundable Entrance Fees	91,660,161	103,880,000	(12,219,839)	A
Deferred revenue from advance fees	10,160,981	11,675,000	(1,514,019)	A
Total long-term liabilities	349,803,830	363,916,000	(14,112,170)	
Total liabilities	406,896,325	416,264,000	(9,367,675)	
Net Assets (deficits)				
Without donor restrictions	(95,268,260)	(96,973,000)	1,704,740	
With donor restrictions	480,922	457,000	23,922	
Net deficits	(94,787,338)	(96,516,000)	1,728,662	G,H.
Total liabilities and net deficit	$ 312,108,987	$ 319,748,000	$ (7,639,013)	

Samaritan Housing Foundation, Inc. d/b/a Searstone Retirement Community
Comparison of Audit to Forecast Statements
Year Ending December 31, 2023

Statements of Operations	**Audit 2023**	**Forecast 2023**	**Variance +(-)**	
Revenues:				
Monthly Service Fees:				
Independent Living	$ 11,369,127	$ 11,123,000	$ 246,127	
Assisted Living	535,623	667,000	(131,377)	
Skilled Nursing Services	1,016,548	1,147,000	(130,452)	
Advance fee amortization	1,737,367	1,103,000	634,367	J
Interest Income	2,355,322	1,792,000	563,322	N
Contributions	-	-	-	
Other	1,460,410	1,198,000	262,410	G
Total Revenues	18,474,397	17,030,000	1,444,397	
Expenses:				
General and administrative	5,308,916	4,356,000	952,916	I
Depreciation and amortization	3,364,512	3,933,000	(568,488)	H
Dining services	2,497,958	2,332,000	165,958	
Marketing	919,048	684,000	235,048	K
Healthcare Services	2,035,459	2,336,000	(300,541)	L
Buildings and grounds maintenance	1,015,645	965,000	50,645	
Houskeeping	415,411	439,000	(23,589)	
Resident Life	242,924	357,000	(114,076)	
Other	892,529	635,000	257,529	M
Interest	5,890,579	6,364,000	(473,421)	H
Total Operating Expenses	22,582,981	22,401,000	181,981	
Net Loss from Operations	(4,108,584)	(5,371,000)	1,262,416	
Non-Operating gains (losses)				
Net unrealized & realized loss on short-term investments	444,101	-	444,101	
Loss on early extinguishment of bonds	(4,691,292)	(4,640,000)	(51,292)	
Net Non Operating losses	(4,247,191)	(4,640,000)	392,809	
Increase in unrestricted net deficit	(8,355,775)	(10,011,000)	1,655,225	
Change in net assets with donor restrictions	73,881	-	73,881	
Increase in net deficit	(8,281,894)	(10,011,000)	1,729,106	
Net deficit, beginning of year	(86,505,444)	(86,505,444)	-	
Net Deficit, end of year	$ (94,787,338)	$ (96,516,444)	$ 1,729,106	

Samaritan Housing Foundation, Inc. d/b/a Searstone Retirement Community
Comparison of Audit to Forecast Statements
Year Ending December 31, 2023

Statements of Cash Flows	Audit 2023	Forecast 2023	Variance +(-)	
Cash flows from Operating activities:				
Change in net deficit	$ (8,281,894)	$ (10,011,000)	$ 1,729,106	G,H
Adjustments to reconcile increase in net deficit to net cash provided (used) by operating activities				
Net unrealized and realized gains on short-term investments	(444,101)	0	(444,101)	
Proceeds from non-refundable advance fees	1,653,000	2,596,000	(943,000)	A
Depreciation	3,337,617	3,885,000	(547,383)	H
Amortization of debt issuance costs & bond discount	229,245	334,000	(104,755)	
Loss on early extinquishment of debt	4,691,292	4,640,000	51,292	
Amortization of marketing cost	26,895	48,000	(21,105)	
Amortization of advance fees	(1,737,367)	(1,103,000)	(634,367)	J
Forgiveness of Paycheck protection program note payable	0	0	-	
Interest and fee accrued - subordinate obligations	575,400	575,000	400	
Contribution of investments	0	0	-	
Net change in:				
Accounts receivable	(242,354)	(2,000)	(240,354)	B
Entrance fees receivable	0	0	-	
Sales tax receivable	230,812	252,000	(21,188)	
Prepaid expenses	44,946	(216,000)	260,946	F
Deferred marketing cost	(24,500)	0	(24,500)	
Accounts payable	2,059,741	1,314,000	745,741	D
Accrued interest payable	(14,115)	314,000	(328,115)	D
Other liabilities	56,880	(61,000)	117,880	
Net cash provided by operating activities	2,161,497	2,565,000	(403,503)	
Investing activities:				
Purchase of property and equipment	(70,279,499)	(67,390,000)	(2,889,499)	C
Net change in assets limited as to use	(2,998,571)	(3,275,000)	276,429	A
Receipt of note payable	-			
Purchase of Investments	-	-	-	
Net cash used by investing activities	(73,278,070)	(70,665,000)	(2,613,070)	
Financing activities:				
Proceeds from bond issuance, net	75,550,000	75,550,000	-	
Payment of Deferred Financing Cost	(2,408,679)	(2,081,000)	(327,679)	E
Payment on subordinated obligations	-	-	-	
Payment on Bonds Payable	(73,870,000)	(73,870,000)	-	
Refunds on entrance fees	(6,904,865)	(7,332,000)	427,135	A
Refundable entrance fees received	8,384,571	18,238,000	(9,853,429)	A
Resident Deposits received	536,878	(942,000)	1,478,878	A
Net cash provided by financing activities	1,287,905	9,563,000	(8,275,095)	
Net change in cash	$ (69,828,668)	$ (58,537,000)	$ (11,291,668)	
Cash and cash equivalents, beginning of year	132,800,802	132,652,000	148,802	
Cash and cash equivalents, end of year	$ 62,972,134	$ 74,115,000	$ (11,142,866)	

Exhibit 4

Interim Financial Statements

[see attached]

Samaritan Housing Foundation, Inc
Balance Sheet - As EOM & EOM Prior Year

	Month Ending 3/31/2024	Month Ending 3/31/2023
Assets		
Current Assets		
Cash and Cash Equivalents	$15,892,990	$12,932,477
Accounts Receivable, Net	110,930	558,652
Other Current Assets	179,318	228,211
Total Current Assets	16,183,238	13,719,340
Fixed Assets, Net		
Fixed Assets	261,334,972	205,328,065
Accumulated Depreciation	32,282,902	28,839,023
Total Fixed Assets, Net	229,052,070	176,489,042
Investments		
Long Term Investments	9,319,265	8,699,583
Total Investments	9,319,265	8,699,583
Other Assets		
Deposits and Prepayments	70,565	70,756
Escrows and Reserves	64,069,894	179,580,502
Other Assets	24,008,190	19,138,587
Total Assets	**$342,703,222**	**$397,697,810**

Samaritan Housing Foundation, Inc
Balance Sheet - As EOM & EOM Prior Year

	Month Ending 3/31/2024	Month Ending 3/31/2023
Liabilities and Net Assets		
Liabilities		
Current Liabilities		
Accounts Payable	$3,340,352	$4,578,253
Accrued Liabilities	10,946,543	9,498,160
Sales & Use Tax Payable	(348)	378
Other Current Liabilities	9,017,400	11,794,566
Total Current Liabilities	23,303,947	25,871,357
Long Term Liabilities		
Long Term Debts	381,959,598	431,262,196
Total Long Term Liabilities	381,959,598	431,262,196
Other Liabilities		
Deferred Revenue	14,272,762	9,982,384
Other Liabilities	19,198,997	18,623,597
Total Other Liabilities	33,471,759	28,605,981
Total Liabilities	438,735,304	485,739,534
Net Assets		
Retained Earnings	(95,158,985)	(87,416,802)
Net Income (Loss)	(873,097)	(624,922)
Total Net Assets	(96,032,082)	(88,041,724)
Total Liabilities and Net Assets	**$342,703,222**	**$397,697,810**

Samaritan Housing Foundation, Inc.
Statement of Operations
For the three months ended March 31, 2024

March Actual	March Budget	Variance		YTD Actual	YTD Budget	Variance
			Operating Revenue			
$ 1,092,724	$ 1,084,920	$ 7,804	Independent Living	$ 3,190,933	$ 3,193,275	$ (2,342)
189,734	171,785	17,949	Brittany Place	561,812	515,186	46,626
59,769	11,500	48,269	Miscellaneous	83,717	33,514	50,203
$ 1,342,227	$ 1,268,205	$ 74,022	**Total Operating Revenue**	$ 3,836,462	$ 3,741,975	$ 94,487
			Operating Expenses			
487,150	508,508	21,358	General and Administrative	1,381,954	1,417,528	35,574
190,514	182,200	(8,314)	Brittany Place	547,381	535,498	(11,883)
6,743	8,314	1,571	Clinic	20,618	24,408	3,790
282,439	269,727	(12,712)	Dining Services	691,888	710,321	18,433
20,416	27,388	6,972	Marketing	83,101	80,712	(2,389)
6,534	66,069	59,535	Marketing Phase II	121,717	181,119	59,402
101,777	99,133	(2,644)	Building Maintenance	254,287	263,224	8,937
43,894	48,701	4,807	Housekeeping	120,967	142,657	21,690
12,615	26,605	13,990	Grounds	38,989	99,506	60,517
61,195	56,473	(4,722)	Resident Services	173,215	162,959	(10,256)
23,220	34,051	10,831	Resident Life and Wellness	76,832	99,572	22,740
1,236,497	1,327,169	90,672	**Total Operating Expenses**	3,510,949	3,717,504	206,555
$ 105,730	$ (58,964)	$ 164,694	**Net Operating Income (Loss)**	$ 325,513	$ 24,471	$ 301,042
			Other Revenue			
2,970	3,366	(396)	Contributions	25,463	6,861	18,602
72,072	-	72,072	Realized Gains (Losses)	80,415	-	80,415
160,019	151,417	8,602	Interest Income	602,220	253,997	348,223
235,061	154,783	80,278	**Total Other Revenue**	708,098	260,858	447,240

Samaritan Housing Foundation, Inc.
Statement of Operations
For the three months ended March 31, 2024

March Actual	March Budget	Variance		YTD Actual	YTD Budget	Variance
			Other Expenses			
910,514	910,514	-	Interest Expense	1,695,830	1,695,831	1
910,514	910,514	-	**Total Other Expenses**	1,695,830	1,695,831	1
			Non-Cash Income			
113,950	100,891	13,059	Life Care Fees - Amortized	285,217	271,973	13,244
11,839	7,500	4,339	Life Care Fees - Termination Income	25,376	22,500	2,876
43,012	7,860	35,152	Personalization Deposits - Amortized	54,625	22,333	32,292
168,801	116,251	52,550	**Total Non Cash Income**	365,218	316,806	48,412
			Non-Cash Expenses			
526,632	558,780	(32,148)	Depreciation & Amortization	1,112,481	1,147,448	(34,967)
526,632	558,780	(32,148)	**Total Non Cash Expenses**	1,112,481	1,147,448	(34,967)
			Unrealized Gain/(Loss) on Investment			
54,459	-	54,459	Unrealized Gain (Losses)	164,734	-	164,734
54,459	-	54,459	**Total Unrealized Gain/(Loss) on Investment**	164,734	-	164,734
-	-	-	**Loss on early extinguishment of bonds**	-	-	-
$ (873,095)	$ (1,257,224)	$ 384,129	**Net Income (Loss)**	$ (1,244,748)	$ (2,241,144)	$ 996,396

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

	Month Ending 3/31/2024	01/01/2024 Through 3/31/2024
Cash Flows from Operating Activities:		
Net Income (Loss)	($873,097)	($1,244,748)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	510,975	1,066,348
Changes in Operating Assets and Liabilities:		
Changes in Net Accounts Receivable	834,796	847,462
Changes in Prepaid Expenses and Other Assets	(18,586,670)	(12,809,888)
Changes to Accounts Payable	(637,329)	(1,436,308)
Changes to Sales and Used Tax Payable	(510)	(914)
Changes to Accrued Liabilites and Other Liabilities	(1,972,756)	188,627
Changes to Deferred Revenue	2,838,199	4,111,782
Net cash provided by operating Activities	(17,886,392)	(9,277,639)
Cash Flows from Investing Activities		
Capital Expenditures	(2,456,366)	(8,506,613)
Purchase of long term investments and other assets	(210,510)	(887,333)
Net cash provided by investing activities	(2,666,876)	(9,393,946)
Cash Flows from Financing Activities		
Changes in Debt Proceeds	16,198,431	23,222,162
Net cash provided by financing activities	16,198,431	23,222,162
Net increase (decrease) in cash	**(4,354,837)**	**4,550,577**
Cash - Beginning of Period	**20,247,827**	**11,342,413**
Cash - End of Period	**$15,892,990**	**$15,892,990**

Exhibit 5

Financial Projections

[see attached]

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

Compilation of a Financial Projection

For each of the Five Years Ending December 31, 2028

(with Accountant's Compilation Report thereon)

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

Compilation of a Projection

Five Years Ending December 31, 2028

CONTENTS

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ACCOUNTANT'S COMPILATION REPORT

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

Management of Samaritan Housing Foundation, Inc. d/b/a Searstone Retirement Community (the "Corporation") is responsible for the accompanying financial projection of the Corporation, which comprises projected balance sheets as of and for each of the five years ending December 31, 2028, the related projected statements of operations and changes in net deficit and cash flows for each of the years then ending, and the related summaries of significant assumptions and rationale in accordance with guidelines for the presentation of a financial projection established by the American Institute of Certified Public Accountants ("AICPA").

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

We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services 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 the 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 following hypothetical assumptions occur during the projection period:

- The new independent living units and the expansion of the health center are successfully marketed and occupied at assumed occupancy levels and that adequate demand for services exists to support the assumed utilization;
- Residents of the new independent living units select the entrance fee refundability and health care benefit options at the contract mix assumed; and,
- Construction, development, marketing and other related costs for the project in the assumed timeline and at the assumed costs.

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
July 10, 2024

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

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

	2024	2025	2026	2027	2028
Revenues:					
Independent living	$ 18,220	$ 24,684	$ 25,294	$ 25,929	$ 26,590
Healthcare	2,042	2,787	3,457	3,954	4,445
Other revenues	171	232	242	251	260
Amortization of advance fees	2,105	2,797	2,879	2,945	3,015
Investment income	2,909	2,010	932	983	1,075
Total revenues	25,447	32,510	32,804	34,062	35,385
Expenses:					
General operating and administrative	6,005	6,185	6,370	6,561	6,758
Dining services	3,701	4,848	4,996	5,142	5,292
Marketing	1,373	1,669	1,720	1,769	1,820
Healthcare services	2,421	2,705	2,834	2,968	3,108
Building and grounds maintenance	1,497	1,735	1,789	1,841	1,894
Housekeeping	770	793	817	841	866
Resident life	1,289	1,328	1,368	1,409	1,451
Interest expense	9,958	9,211	9,115	8,889	8,745
Depreciation	6,742	6,836	6,949	7,087	7,250
Amortization-deferred marketing costs	136	-	-	-	-
Total operating expenses	33,892	35,310	35,958	36,507	37,184
Increase in net deficit	(8,445)	(2,800)	(3,154)	(2,445)	(1,799)
Net deficit, beginning of year	(94,787)	(103,232)	(106,032)	(109,186)	(111,631)
Net deficit, end of year	$ (103,232)	$ (106,032)	$ (109,186)	$ (111,631)	$ (113,430)

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

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

	2024	2025	2026	2027	2028
Operating activities:					
Change in net deficit	$ (8,445)	$ (2,800)	$ (3,154)	$ (2,445)	$ (1,799)
Adjustments to reconcile change in net deficit					
to net cash provided by (used in) operating activities:					
Proceeds from nonrefundable advance fees-turnover	-	220	292	314	332
Depreciation	6,742	6,836	6,949	7,087	7,250
Amortization of deferred marketing costs	136	-	-	-	-
Amortization of original issue discount/premium	25	25	25	25	25
Amortization of deferred financing costs	335	335	335	335	335
Amortization of advance fees	(2,105)	(2,797)	(2,879)	(2,945)	(3,015)
Net change in:					
Accounts receivable	24	(60)	(10)	(10)	(9)
Other accounts receivable	33	(40)	(7)	(6)	(6)
Sales tax receivable	61	(199)	(35)	(32)	(31)
Prepaid expenses	(464)	(91)	(26)	50	(103)
Accounts payable	(11,333)	91	26	(50)	103
Other liabilities	39	37	10	(20)	41
Accrued interest payable	(355)	(6)	(6)	(127)	(133)
Deferred Management Fees	30	(30)	-	-	-
Resident refund payable	(2,791)	-	-	-	-
Net cash provided by (used in) operating activities	**(18,068)**	**1,521**	**1,520**	**2,176**	**2,990**
Investing activities:					
Purchase of property and equipment - Project	(20,674)	-	-	-	-
Capitalized interest	(141)	-	-	-	-
Routine capital additions	(755)	(1,005)	(1,255)	(1,505)	(1,755)
(Increase) decrease in unrestricted assets limited to use	570	(7,147)	4,806	(129)	(163)
Purchase (sale) of investments	(9,131)	(11,923)	(9,410)	(5,749)	(6,068)
Net cash used in investing activities	**(30,131)**	**(20,075)**	**(5,859)**	**(7,383)**	**(7,986)**
Financing activities:					
Payment of Series 2022 Bonds	(25)	(25)	(30)	(30)	(30)
Payment of Series 2021A Bonds	-	-	-	(1,450)	(1,510)
Payment of Series 2021B Bonds	(68,580)	-	-	-	-
Payment of Series 2021C Bonds	(5,295)	-	-	-	-
Payment of Series 2023 Bonds	(1,315)	(1,375)	(1,450)	(1,525)	(1,605)
Change in resident deposits	(10,532)	-	-	-	-
Payment of Subordinate Obligations	-	(7,000)	-	-	-
Change in Subordinate Obligations	575	575	551	551	551
Entrance fees received-initial	104,546	3,256	-	-	-
Refundable entrance fees received-turnover	4,124	17,388	19,169	20,667	21,928
Entrance fee refunds	(3,224)	(12,771)	(13,034)	(13,162)	(13,835)
Net cash provided by financing activities	**20,274**	**48**	**5,206**	**5,051**	**5,499**
Net change in cash, cash equivalents, and restricted cash	**$ (27,925)**	**$ (18,506)**	**$ 867**	**$ (156)**	**$ 503**
Cash, cash equivalents, and restricted cash, beginning of year	62,972	35,047	16,541	17,408	17,252
Cash, cash equivalents, and restricted cash, end of year	**$ 35,047**	**$ 16,541**	**$ 17,408**	**$ 17,252**	**$ 17,755**
Reconciliation of cash, cash equivalents, and restricted cash:					
Cash and cash equivalents	2,287	3,430	3,543	3,328	3,773
Assets whose use is limited					
Resident Deposits	71	71	71	71	71
Held by trustee	32,689	13,040	13,794	13,853	13,911
Cash, cash equivalents, and restricted cash, end of year	**35,047**	**16,541**	**17,408**	**17,252**	**17,755**

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

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

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

	2024	2025	2026	2027	2028
Assets					
Current assets:					
Cash and cash equivalents	2,287	3,430	3,543	3,328	3,773
Assets limited as to use, current portion	646	1,425	2,179	2,238	2,296
Accounts receivable	168	228	238	248	257
Other accounts receivable	112	152	159	165	171
Sales tax receivable	560	759	794	826	857
Prepaid expenses	701	792	818	768	871
Total current assets	**4,474**	**6,786**	**7,731**	**7,573**	**8,225**
Investments	15,265	27,188	36,598	42,347	48,415
Assets limited as to use:					
Resident Deposits	71	71	71	71	71
Entrance Fee Fund	7,000	-	-	-	-
Working Capital Fund	7,559	-	-	-	-
Parity Debt Service Reserve Fund	11,259	11,259	11,259	11,259	11,259
Statutory Operating Reserve Fund - Trustee Held	5,869	-	-	-	-
Statutory Operating Reserve Fund	2,769	9,916	5,110	5,239	5,402
Bond Fund	646	1,425	2,179	2,238	2,296
Total assets limited as to use	35,173	22,671	18,619	18,807	19,028
Less: current portion	(646)	(1,425)	(2,179)	(2,238)	(2,296)
Assets limited as to use, less current portion	**34,527**	**21,246**	**16,440**	**16,569**	**16,732**
Property and equipment, net	253,517	247,686	241,992	236,410	230,915
Total non-current assets	288,044	268,932	258,432	252,979	247,647
Total assets	**$ 307,783**	**$ 302,906**	**$ 302,761**	**$ 302,899**	**$ 304,287**

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

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

	2024	2025	2026	2027	2028
Liabilities and Net Deficit					
Current liabilities:					
Accounts payable	$ 701	$ 792	$ 818	$ 768	$ 871
Accrued interest payable	508	502	496	369	236
Resident deposits	1,027	1,027	1,027	1,027	1,027
Current portion of long-term debt	1,400	1,480	3,005	3,145	3,290
Other liabilities	280	317	327	307	348
Total current liabilities	**3,916**	**4,118**	**5,673**	**5,616**	**5,772**
Long-term liabilities:					
Deferred Management Fees	30	-	-	-	-
Subordinate Obligations	19,630	13,205	13,756	14,307	14,858
Long-term debt, less current portion - Series 2021A Bonds	106,180	106,180	104,730	103,220	101,640
Long-term debt, less current portion - Series 2022 Bonds	8,925	8,895	8,865	8,835	8,805
Long-term debt, less current portion - Series 2023 Bonds	72,860	71,410	69,885	68,280	66,600
Deferred financing costs	(5,419)	(5,084)	(4,749)	(4,414)	(4,079)
Original issue discount	(2,329)	(2,176)	(2,023)	(1,870)	(1,717)
Original issue premium	2,060	1,932	1,804	1,676	1,548
Long-term debt payable, net	201,937	194,362	192,268	190,034	187,655
Refundable entrance fees	190,351	198,014	204,149	211,654	219,747
Deferred revenue from advance fees	14,811	12,444	9,857	7,226	4,543
Total long-term liabilities	407,099	404,820	406,274	408,914	411,945
Total liabilities	**411,015**	**408,938**	**411,947**	**414,530**	**417,717**
Net deficit					
Without donor restrictions	(103,713)	(106,513)	(109,667)	(112,112)	(113,911)
With donor restrictions	481	481	481	481	481
Net deficit	(103,232)	(106,032)	(109,186)	(111,631)	(113,430)
Total liabilities and net deficit	**$ 307,783**	**$ 302,906**	**$ 302,761**	**$ 302,899**	**$ 304,287**

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

Summary of Significant Projection Assumptions and Rationale

Basis of Presentation

The accompanying financial projection presents, to the best of the knowledge and belief of management of Samaritan Housing Foundation, Inc. (the "Corporation") and Searstone - RLA, Inc. (the "Manager" and collectively with the Corporation, "Management"), the expected financial position, results of operations, and cash flows of the Corporation as of and for each of the five years ending December 31, 2028. Accordingly, the accompanying financial projection reflects Management's judgment as of [DATE], 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 described below occur, there will usually be differences between the projection and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

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

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.

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:

- The New Independent Living Units and the Health Center Expansion (defined later in this report) are successfully marketed and occupied at assumed occupancy levels and that adequate demand for services exists to support the assumed utilization;
- Residents of the New Independent Living Units select the entrance fee refundability and health care benefit options at the contract mix assumed; and,
- Construction, development, marketing and other related costs for the Phase II project (defined later in this report) occur in the assumed timeline and at the assumed costs.

Background of the Corporation

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

The Corporation is governed by an eight-member Board of Directors (the "Directors"). None of the Directors have an ownership interest or an equitable or beneficial interest in the Corporation or its assets. Directors serve one-year terms, with no limit on the number of terms that may be served and are elected annually by the then Directors at its annual meeting.

Description of the Community

Searstone is located in Cary, North Carolina on approximately 77 acres near High House Road at Davis Drive. The Community is open to people age 62 and older. The first phase of the Community ("Phase I") opened in November 2013, and consists of 131 apartments (the "Existing Independent Living Apartments"), 38 estate homes (the "Existing Independent Living Homes" and collectively with the Existing Independent Living Apartments, the "Existing Independent Living Units"), 14 assisted living units (the "Existing Assisted Living Units") and a nursing facility which includes 25 skilled nursing beds (the "Existing Skilled Nursing Beds"). The Existing Assisted Living Units and the Existing Skilled Nursing Beds are in a health center known as "Brittany Place" and are collectively referred to as the "Existing Healthcare Center."

The Community also features common areas including multiple dining options, clubhouse, a spa/wellness center with an indoor pool, a library/business center, an arts and crafts studio, living areas, a club room, gardens, walking trails, and other spaces.

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

Table 1
Existing Independent Living Unit Configuration

Unit Configuration	Number of Units	Square Footage	Entrance Fee(1)(2)(3)(4)	Monthly Fee(1)(5)
Apartments				
One Bedroom, with One Bath				
Asturian	14	931 – 1,097	$427,000 – 443,000	$3,880 – 4,140
Breton	4	1,039	$409,000	$4,090
Galacian	6	1,165	$427,000	$4,790
One Bedroom, with One & ½ Bath				
Finnhorse	4	1,280	$455,000	$4,910
Belgian	4	1,194 – 1,356	$466,000 – 483,000	$4,790 – 5,040
Clydesdale/Danube	8	1,370 – 1,402	$489,000	$5,040
Two Bedroom, Two Bath				
Buckskin	16	1,204 – 1,760	$497,000 - 619,000	$4,790 – 6,970
Buckskin Terrace	8	1,315	$472,000	$4,980
Hackney	5	1,478 – 1,500	$536,000 – 546,000	$6,200 – $6,210
Shetland	8	1,562	$608,000	$6,420
Dartmoor	12	1,765 – 1,793	$630,000 – 649,000	$6,970
Highland	8	1,866 – 1,924	$660,000 – 665,000	$7,080
Two Bedroom, Two Bath, Den				
Haflinger	5	1,578 – 1,636	$570,000 – 575,000	$6,420 – 6,450
Campolina	4	2,000	$786,000	$7,260
Highland II	8	1,945 – 2,006	$672,000 – 693,000	$7,110 – 7,310
Caspian	2	1,811 – 2,092	$786,000 – 788,000	$7,030 – 7,310
Pegasus	8	1,853	$659,000	$7,050
Appaloosa	1	2,085	$722,000	$7,310
Estonian	6	2,238 – 2,294	$774,000	$7,690
Estate Homes				
Under 2,500 Square Feet	30	1,766 – 2,394	$608,000 – 922,000	$6,970 – 7,950
Over 2,500 Square Feet	8	2,558 – 3,914	$864,000 – 955,000	$7,950 – 8,680
TOTAL/AVERAGES	**169**	**1,708**	**$632,746**	**$5,689**
Second person fees				$1,740

Source: Management

Notes to the Table:

(1) The Entrance Fee and Monthly Fee pricing is effective as of January 1, 2024.
(2) Management initially offered two 100 percent refundable Entrance Fee plans: a lifecare plan ("Type A Plan") and a fee for service plan ("Type C Plan"). Pricing for the Type A Plan, shown in the table above, is the only plan currently offered to new residents.
(3) Type A contracts require the payment of an additional non-refundable $70,000 life care entrance fee (the "Life Care Fee"). The Life Care Fee amortizes pro-rata at a rate of 2.0 percent per month and pricing is effective as of January 1, 2024.
(4) Second persons are also required to pay the Life Care Fee for the Type A Plan.
(5) Management offers a resident service package which provides residents with a $1,350 meal credit per person per quarter, with no rollover, and twice a month housekeeping.

The Healthcare Center

Admittance to the Assisted Living Units (defined later in this report) and the Skilled Nursing Beds (defined later in this report) is restricted to those residents who have signed a Residency Agreement (hereinafter defined) and are transferring from an Independent Living Unit (defined later in this report).

The following table summarizes the type, number, approximate square footage, and the Monthly Fees and daily fees (the "Daily Fees") for the Existing Healthcare Center:

Table 2
Existing Healthcare Center Configuration

	Number of Units	Square Footage	Entrance Fee	Monthly/Daily Fee (1)(2)
Existing Assisted Living Units	14	527	Not applicable	$7,965
Existing Skilled Nursing Beds	25	291	Not applicable	$492 / day
Total	39			

Source: Management

(1) Pricing is effective as of January 1, 2024.
(2) Residents who have selected the Type A Plan and are temporarily or permanently transferred to the Existing Healthcare Center will continue to pay their Independent Living Unit Monthly Fee. Residents receive three meals per day for an additional $939 per month. Residents who selected the Type C Plan and are temporarily or permanently transferred to the Healthcare Center would pay the then current Monthly Fee for assisted living or Daily Fee for nursing care services which includes three meals per day.

Phase II Expansion

A second phase expansion of the Community known as "The Highview at Searstone" ("Phase II") is currently under construction. Management engaged Greenbrier Development, LLC of Dallas, Texas (the "Development Consultant"), as the Corporation's development consultant for Phase II.

Upon completion, Phase II will include 149 additional independent living units (the "New Independent Living Units") located in a new Highview North building, which opened in April 2024, and in a new Highview South building, which opened in February 2024, 29 additional assisted living units (the "New Assisted Living Units") located in the Brittany Place health center, of which there will be 14 memory care assisted living units (the "Memory Care Units"), and 24 additional skilled nursing beds (the "New Skilled Nursing Beds") located in the Brittany Place health center. The New Assisted Living Units, the Memory Care Units, and the New Skilled Nursing Beds are an expansion of the Existing Healthcare Center and are collectively referred to as the "Healthcare Center Expansion." The Healthcare Center Expansion is expected to be complete in July 2024. In addition, the Phase II is to include multiple new dining venues, a multi-purpose area with capacity for up to 350 people, an underground parking garage, new green spaces and landscaping improvements and renovation to the current clubhouse to repurpose the common areas, which are expected to be completed by October 2024.

The following table summarizes the unit types, approximate square footage, Entrance Fees and Monthly Fees for the New Independent Living Units.

Table 3
New Independent Living Unit Configuration

Unit Configuration	Number of Units	Square Footage	Entrance Fee(1)(2)(3)(4)(5)	Monthly Fee(1)
One Bedroom				
Meredith	1	937	$426,003	$3,595
Shaw	4	1,032 – 1,041	$464,937 – 486,567	$3,795
Freelon	5	1,067	$485,485 – 498,463	$3,995
Finley	10	1,139 – 1,156	$517,930 – 538,479	$4,195
Merritt	4	1,178 – 1,196	$551,457 – 573,087	$4,395
Frazier	1	1,235	$561,190	$4,495
Murray	4	1,248	$567,679	$4,595
McFadden	3	1,260	$600,377 – 613,973	$4,595
Burke	4	1,295 – 1,313	$616,239 – 638,899	$4,695
Two Bedroom				
Franklin	14	1,328 – 1,346	$651,362 – 674,022	$4,895
Madison	4	1,398	$654,761 – 734,071	$4,995
Demille	8	1,402 – 1,420	$678,554 – 701,214	$5,095
Taylor	7	1,409 – 1,427	$634,732 – 656,362	$5,095
Alston	4	1,487	$708,012 – 721,608	$5,395
Gardner	16	1,508 – 1,526	$718,209 – 739,736	$5,395
Simone	6	1,510 – 1,528	$686,644 – 707,193	$5,495
Brinkley	8	1,561	$737,470 – 743,135	$5,595
Two Bedroom, Den				
Walter	6	1,629 – 1,647	$775,992 – 797,519	$5,795
Valvano	4	1,651	$786,189 – 799,785	$5,895
Miller	1	1,656	$771,460	$5,795
Ogle	1	1,663	$791,854	$5,895
Wolfe	12	1,672 – 1,690	$864,366 – 898,356	$5,895
Timberlake	4	1,705 – 1,723	$881,361 – 916,484	$5,995
Bennett	4	1,743	$830,376 – 843,972	$5,995
Page	4	1,743 – 1,779	$896,090 – 927,814	$6,195
Coltrane	3	$1,782 – 1,800	$848,504 – 870,031	$6,195
Yates	4	1,943	$825,548 – 1,030,917	$6,195
Two Bedroom, 2.5 Bath, Den				
Finley IV	3	2.295	$1,285,345	$7,112
TOTAL/AVERAGES	**149**		**$717,754**	**$5,252**
Second Person Fees				$1,740

Source: Management and the Development Consultant

Notes to the Table:

(1) The Entrance Fee and Monthly Fee is effective as of January 1, 2024.
(2) Entrance Fees shown are for the 100 percent refundable Type A Plan.
(3) Type A Plans require the payment of an additional non-refundable $70,000 Life Care Fee. Second persons are also required to pay the Life Care Fee for a Type A Plan.
(4) In addition to the 100 percent refundable Type A Plan shown above, Management also offered a limited 50 percent refundable and zero percent refundable Type A Plan with Entrance Fees approximately 25 percent and 40 percent lower, respectively, than the 100 percent refundable Type A Plan.
(5) In addition to the Type A Plans, Management also offered a limited 100 percent refundable Type C Plan. The Entrance Fees for the Type C Plan are expected to range from $414,000 to $606,000 for one-bedroom apartments and $639,000 to $950,000 for two-bedroom apartments.

The Existing Independent Living Units and the New Independent Living Units are collectively referred to as the "Independent Living Units".

Healthcare Center Expansion

The following table summarizes the type, number, approximate square footage, and the Monthly/Daily Fees for the New Assisted Living Units, Memory Care Units and New Skilled Nursing Beds (collectively, the "Healthcare Center Expansion"):

Table 4
Healthcare Center Expansion Configuration

	Number of Units	Square Footage	Entrance Fee	Monthly/Daily Fee(1)
New Assisted Living Units (non-Memory Care)	15	550	Not applicable	$7,965/month
Memory Care Units	14	391	Not applicable	$8,284/month
New Skilled Nursing Beds	24	410	Not applicable	$492/day
Total	53			

Source: Management and the Development Consultant
(1) Monthly/Daily Fees are shown in 2024 dollars.

The Existing Assisted Living Units and the New Assisted Living Units are collectively referred to as the "Assisted Living Units." The Existing Skilled Nursing Beds and New Skilled Nursing Beds are collectively referred to as the "Skilled Nursing Beds." The Assisted Living Units, Memory Care Units, and Skilled Nursing Beds are collectively referred to as the "Healthcare Center".

The following table illustrates the timeline for financing, construction completion and fill-up of Phase II.

Table 5
Development Timeline

Obtained financing of the Series 2021 Bonds	November 2021
Construction on the Phase II project commenced	November 2021
Residents began to move into the New Independent Living Units	February 2024
Units/beds related the Health Center Expansion receive certification of occupancy	July 2024
New Independent Living Units achieve stabilized occupancy of 95%	December 2024

Source: Management and the Development Consultant

The following table summarizes the number of units by level of care before and after the completion of Phase II.

Table 6
Number of Units/Beds Before and After Phase II

Unit Type	Existing	Added	Upon Completion
Independent Living Apartments	131	149	280
Independent Living Estate Homes	38	–	38
Assisted Living Units (non-Memory Care)	14	15	29
Memory Care Units	–	14	14
Skilled Nursing Beds	25	24	49
Total	**208**	**202**	**410**

Source: Management and the Development Consultant

Significant Agreements

Management Agreement

The Manager is affiliated with Retirement Living Associates, Inc. which provides professional management, marketing, development, consulting and advisory services to senior living communities in North Carolina, South Carolina, and Florida.

In 2011, the Corporation entered into a management agreement with the Manager (the "Initial Management Agreement"). The Initial Management Agreement terminated September 30, 2020. As of December 31, 2020, the Manager has deferred $400,000 of prior management fees and incentive fee (the "Deferred Management Fees") related to the Initial Management Agreement. Pursuant to the Initial Management Agreement, $400,000 is the maximum level of Deferred Management Fees allowed. Management assumes no change to the Deferred Management Fee balance related to the Initial Management Agreement during the projection period. The Deferred Management Fees accrue interest at 6.0 percent, the payment of which is also to be deferred ("Interest Payable – Deferred Management Fees").

The Corporation entered into a new management agreement with the Manager for a term which commenced on October 1, 2020 (the "2020 Management Agreement') and terminates on December 31, 2030. Pursuant to the terms of the 2020 Management Agreement, the Manager is responsible for the management of the Independent Living Units, Healthcare Center, and non-clinical aspects of the Community, including staffing, accounting, and general administrative services. As compensation for services rendered, the Corporation is to pay the Manager a base management fee (the "Base Management Fee") and an incentive fee (the "Incentive Fee" and collectively with the Base Management Fee, the "Management Fee").

Pursuant to the Management Agreement, the Base Management Fee is paid in the amount of approximately $27,500 per month during months 1-60 of the term of the 2020 Management Agreement and $31,000 per month during months 61-123 of the term of the 2020 Management Agreement. Upon issuance by the Town of Cary of a permanent certificate of occupancy for the New Independent Living Units, the amounts described above are to increase to $36,575 per month for the months of 1 to 60 of the term of the 2020 Management Agreement and to $41,230 per month for months 61 to 123 of the term of the 2020 Management Agreement.

The Incentive Fee is to be equal to the lesser of 1.00% of the Independent Living Monthly Fee Revenues collected with respect to the Community or 20.0% of the then applicable Base Management Fee.

Commencing with the calendar year beginning on January 1, 2022, and for all subsequent calendar years, any increase in the Base Management Fee payable with respect to such calendar year over the Base Management Fee payable with respect to the prior calendar year may not exceed $68,500, and the amount of the Base Management Fee with respect to such calendar year in excess of such maximum is a Deferred Management Fee. In the event of termination of the 2020 Management Agreement on or before December 31, 2027, and such termination is by reason of a termination with cause by the Manager or is by reason of a termination without cause by the Corporation, all Deferred Management Fees will be payable within 30 days of the effective date of such termination.

The Management Fee assumed to be paid to the Manager in association with the Management Agreement is summarized in the following table.

Table 7
Management Fees
(In Thousands)

Years Ending December 31,	2024	2025	2026	2027	2028
Base Management Fee	$ 412	$ 453	$ 495	$ 495	$ 495
Incentive Management Fee	82	91	99	99	99
Total Management Fees	494	544	594	594	594
Deferred Management Fees	$ 30	$ –	$ –	$ –	$ –

Source: Management

Development Consulting Agreement

The Corporation and the Development Consultant entered into a development consulting services agreement, dated May 3, 2019 (the "Development Consulting Agreement"), whereby the Development Consultant is required to provide certain development and consulting services in connection with planning, financing, construction, marketing and opening of the Phase II project.

The Development Consultant is also to be responsible for the marketing and initial occupancy of the Phase II project until the New Independent Living Units achieve occupancy of 95.0 percent ("Phase II Stabilized Occupancy"). As compensation for services rendered pursuant to the Development Consulting Agreement, the Development Consultant earns a development consulting fee consisting of a base development consulting fee (the "Base Development Fee") and a marketing fee (the "Marketing Fee") (collectively referred to as the "Development Consulting Fee"). Based on the Phase II project budget as provided by Management and the Development Consultant, the total Development Consulting Fees paid would approximate $9,228,000, which includes a Base Development Fee of approximately $7,582,000, and a Marketing Fee of approximately $1,646,000.

The Corporation is also to pay an administrative fee and reimburse the Development Consultant for all reasonable out-of-pocket travel expenses for personnel employed by the Development Consultant and costs of employing the Phase II project's marketing and sales staff.

Reservation Agreement and Residency Agreement

To be accepted for admission to an Independent Living Unit, a prospective resident must be at least 62 years of age (or if a couple, one person is at least 62 years of age and the other person must be at least 55 years of age) at the time residency is established and exhibit the ability to live independently and meet their financial obligations as residents of the selected Independent Living Unit.

Member couples or siblings may be admitted where one of the members of the couple or one of the siblings may need direct admission to the assisted living, memory care, or skilled nursing care within Brittany Place as long as the other member of the couple or sibling exhibits the ability to live independently at the time of admission.

Members requiring direct admission to Brittany Place are required to pay the Entrance Fee and a modified version of the fees outlined in Article V of the Disclosure Statement. As modified, where upon admission one member of a couple moves into an Independent Living Unit and upon admission the other member of the couple requires direct admission to Brittany Place, the member moving into the Independent Living Unit will pay the Residential Fee component of the Entrance Fee, and the applicable first person month Membership Fee, while the Member requiring direct admission to Brittany Place will pay the Life Care Fee component of the Entrance Fee, 80 percent of the per diem Health Center fee.

Reservation Agreement

To reserve an Independent Living Unit, a prospective resident is required to execute a reservation agreement (the "Reservation Agreement"), provide self-disclosure of his or her health and finances, and place a deposit equal to 10 percent of the Entrance Fee (the "Entrance Fee Deposit") on the selected Independent Living Unit (the "Depositor"). The remaining 90 percent of the Entrance Fee is due prior to the occupancy date (the "Occupancy Date") of the Independent Living Unit, but in no event later than 60 days following the date upon with the resident (hereinafter defined) received notice from the Corporation that the selected residence is available for residency. The Reservation Agreement reserves the right of the prospective resident to choose the selected Independent Living Unit and indicate his or her intent to execute a residency agreement (the "Residency Agreement").

Residency Agreement

The Residency Agreement is a contract under which the Corporation is obligated, upon payment by the resident of an Entrance Fee and ongoing payments of the Monthly Fee to the Corporation, to provide certain services for life to the resident. Under the Residency Agreement, payment of the Entrance Fee and Monthly Fee entitles all residents of the Independent Living Units ("Residents") to receive the following services and amenities:

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

Management offers a resident service package which provides residents with a $1,350 meal credit per person per quarter, with no rollover, and twice a month housekeeping. Residents may also use their own monthly dining dollar credits for their guests. Residents who incur monthly dining charges, for themselves or guests, in excess of the monthly credit amount will either pay for such excess at the time such dining charges are incurred, or will be billed for such excess dining charges quarterly. The Monthly Fee will not be reduced for dining credits not used unless the Resident is away from the Community for more than 30 consecutive days, with prior notification. If such prior notification is given, the Resident will be credited with a prorated dining credit commencing with the 31st day of absence.

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

Health Care Benefit

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

Residents who select the Type A Plan and are transferred to the Healthcare Center would continue to pay their Monthly Fee plus an additional dining service fee of $939 per month. In the event the Assisted Living Units and Skilled Nursing Beds are full, Residents are temporarily moved to an outside facility at no additional Monthly Fee. The Entrance Fee for the Type A Plan includes a residential component and a Life Care Fee. Residents selecting the Type A Plan are required to maintain Medicare Parts A and B and supplemental health insurance.

Residents who selected the Type C Plan and are temporarily or permanently transferred to the Healthcare Center would pay the then current Monthly Fee for assisted living or Daily Fee for nursing care services.

The Corporation offered Type A Plan and Type C Plan contracts to the initial Phase I residents and to certain initial Phase II residents. Currently, the Community offers only the Type A Plan to new Residents of the Existing Independent Living Units. Management assumes that only the Type A Plan is to be offered to turnover Residents during the projection period.

Entrance Fee Refundability

Four Entrance Fee plans were available to initial Phase I residents and/or Phase II residents, including three Type A Plans and one Type C Plan. The Type A Plans that were available to Residents included a zero percent refundable plan (the "0% Refund"), a 50 percent refundable plan (the "50% Refund") and a 100 percent refundable plan (the "Type A - 100% Refund"). The Type C Plan that was available to Residents was a 100 percent refundable plan (the "Type C - 100% Refund"). As of December 2021, only one Entrance Fee plan is available to prospective Residents. The Entrance Fee plan currently available to Residents of the Existing Independent Living Units and the New Independent Living Units is a Type A - 100% Refund Plan.

The refund options and related amortization schedules of the Entrance Fee Plans and Life Care Fee are as follows:

Refund Options	Amortization Schedule
0% Refund(1)	The Entrance Fee amortizes two percent per month upon the month in which the balance of the Entrance Fee is paid. After 50 months, the Entrance Fee is no longer refundable.
50% Refund(1)	The Entrance Fee amortizes two percent per month upon the month in which the balance of the Entrance Fee is paid. After 25 months, the Entrance Fee is 50 percent refundable.
100% Refund(1)(2)	The Entrance Fee is 100 percent refundable.
Life Care Fee(3)	The Life Care Fee amortizes two percent per month upon the Occupancy Date. After 50 months, the Life Care Fee is no longer refundable.

Source: Management
(1) The 0% Refund, 50% Refund plans under the Type A contract, and the 100% Refund plan under the Type C contract are not available to prospective Residents of the Independent Living Units.
(2) The Type A – 100% Refund plan is the only plan currently available in the Independent Living Units.
(3) The Life Care Fee is only applicable to the Type A Plan.

If the Residency Agreement is terminated by the Resident after the Occupancy Date, the Corporation must refund the Resident or Resident's estate within 30 days following the Corporation's receipt of Entrance Fee proceeds for a comparable Independent Living Unit. The Entrance Fee return amount must equal the sum of: (i) the refundable portion of the Entrance Fee, (ii) the unamortized portion of the Life Care Fee (if applicable), (iii) amounts due for unpaid Entrance Fees, (iv) costs specifically incurred by the Resident and (v) any other amounts due to the Corporation.

Entrance Fee Plan Utilization

All Residents of the Existing Independent Living Units and attrition Residents of the New Independent Living Units are assumed to occupy under a Type A Plan – 100% Refund Plan. For initial Residents of the New Independent Living Units, Management has assumed 7.5 percent would occupy under a Type A Plan – 0% Refund, 7.5 percent would occupy under a Type A – 50% Refund Plan, 84.3 percent would occupy under a Type A Plan – 100% Refund Plan and 0.7 percent would occupy under a Type C – 100% Refund Plan.

Summary of Significant Accounting Policies

(a) Basis of Accounting

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

(b) Use of Estimates

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

(c) Deferred Costs

Management has implemented ASU No. 2014-09 "Revenue from Contracts with Customers" and adopted the treatment of deferred marketing costs. Under the standard, the Corporation capitalized marketing sales commissions associated with securing initial Residents of the Community. Deferred marketing costs are amortized on a straight-line basis over a period of the approximate average life expectancy of the initial Community Residents.

Costs associated with the issuance of the Series 2021 Bonds, the Series 2022 Bonds, and the Series 2023 Bonds were capitalized and assumed to be amortized over the expected life of the Series 2021 Bonds, the Series 2022 Bonds, and the Series 2023 Bonds using the effective interest method. Debt issuance costs are netted against the related debt on the respective projected balance sheets and the amortization is included in interest expense on the projected statements of operations.

(d) Property, Equipment and Depreciation Expense

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

(e) Assets Limited as to Use

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

(f) Investment Income

Investment income is included as realized in operating revenue unless restricted by donor or law. Management does not project any unrealized gains or losses on investments.

(g) Costs of Borrowing

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

(h) Deferred Revenue from Advance Fees

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

(i) Refundable Entrance Fees

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

(j) Cash and Cash Equivalents

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

(k) Restricted Cash

In 2019, Management adopted FASB ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. The amendments in this update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the projected statement of cash flows.

(l) Income Taxes

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

(m) Net Assets

The Corporation classifies its net assets as net assets with or without donor restrictions:

- Net assets without donor restrictions - resources of the Corporation that are not restricted by donors or grantors as to use or purpose. These resources include amounts generated from operations, undesignated gifts, and the investment in property and equipment.
- Net assets with donor restrictions - resources that are subject to donor-imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those satisfied by the passage of time or actions of the Corporation. Other donor imposed restrictions stipulate that donated assets be maintained in perpetuity, but may permit the Corporation to use or expend part or all of the income derived from the donated assets.

Summary of Revenue and Entrance Fee Assumptions

Independent Living Revenue

Resident service revenue for independent living Residents is based upon the assumed occupancy and the Monthly Fees of the respective units. Management assumes each Existing Independent Living Unit's Monthly Fees will increase 3.25 percent on January 1, 2025, 3.0 percent on January 1, 2026, and annually thereafter. Management assumes the New Independent Living Unit's Monthly Fees will increase 3.25 percent on January 1, 2025, 3.0 percent on January 1, 2026, and annually thereafter.

Assumed Independent Living Utilization

The Existing Independent Living Units are assumed to maintain approximately a 95 percent occupancy level throughout the projection period. New Independent Living Unit occupancy of approximately 95 percent is assumed to be achieved by December 2024 and remain constant at that level throughout the remainder of the projection. The following table summarizes the assumed utilization of the Existing Independent Living Units and the New Independent Living Units.

Table 8
Utilization of the Existing Independent Living Units and New Independent Living Units

	Existing Independent Living Units			New Independent Living Units			Total ILU
Fiscal Year Ending December 31,	Average Occupied	Average Available	Average Occupancy	Average Occupied	Average Available	Average Occupancy	Average Occupancy
Projected							
2024(1)	160.6	169.0	95.0%	88.5	149.0	59.4%	78.3%
2025	160.6	169.0	95.0%	141.5	149.0	95.0%	95.0%
2026	160.6	169.0	95.0%	141.5	149.0	95.0%	95.0%
2027	160.6	169.0	95.0%	141.5	149.0	95.0%	95.0%
2028	160.6	169.0	95.0%	141.5	149.0	95.0%	95.0%

Source: Management and the Development Consultant

(1) The first half and the second half of the 149 New Independent Living Units are anticipated to be available for occupancy in February 2024 and April 2024, respectively, and are anticipated to fill over a 11-month period at an average of approximately 12.9 units per month.

The following table summarizes the move-in assumptions for the New Independent Living Units during the projection period.

Table 9
Fill-Up Schedule – New Independent Living Units

Fiscal Year/Month	New Independent Living Units	Cumulative Occupied	Cumulative Occupancy (1)
2024			
January	–	–	–
February	8.0	8.0	5.4%
March	25.0	33.0	22.1%
April	43.0	76.0	51.0%
May	29.0	105.0	70.5%
June	12.0	117.0	78.5%
July	5.0	122.0	81.9%
August	4.0	126.0	84.6%
September	4.0	130.0	87.2%
October	4.0	134.0	89.9%
November	4.0	138.0	92.6%
December	3.5	141.5	95.0%
Total	**141.5**		**95.0%**

Source: Management and the Development Consultant
(1) Cumulative occupancy based on 149 New Independent Living Units

The double occupancy rate for the Existing Independent Living Units is assumed to approximate 45.6 percent in fiscal year 2024, decreasing to 41.1 percent by fiscal year 2028 as provided by Continuing Care Actuaries, LLC (the "Actuary"). The double occupancy rate for the New Independent Living Units is assumed to approximate 31.3 percent in fiscal year 2024, increasing to 64.0 percent in fiscal year 2025 and then decreasing to 55.0 percent by fiscal year 2028 as provided by the Actuary.

Assumed Independent Living Turnover

The assumed turnover for the Independent Living Units due to death, withdrawal or transfer to the Healthcare Center, and double occupancy of the Independent Living Units has been provided by the Actuary. Refunds of Entrance Fees are generated upon termination of the Residency Agreement and withdrawal from the Community, subject to the reoccupancy of the vacated Independent Living Units. The assumed number of refunds for the Independent Living Units is provided by the Actuary. Entrance Fees may be generated from Independent Living Units turning over without a corresponding refund because the Resident has not withdrawn from the Community but has permanently transferred to the Healthcare Center. The assumed number and amount of refunds for the Existing Independent Living Units and the New Independent Living Units is provided by the Actuary.

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

Table 10
Entrance Fee Receipts and Refunds
Independent Living Units
(In Thousands)

Fiscal Year Ending December 31,	2024	2025	2026	2027	2028
Initial					
Number of Entrance Fees Received	144.5	4.5	-	-	-
Entrance Fees Received	104,546	3,256	-	-	-
Turnover					
Number of Entrance Fees Received	6.0	23.9	24.8	25.9	26.6
Entrance Fees Received	4,124	17,608	19,461	20,981	22,260
Refunded					
Number of Entrance Fees Refunded	6.0	24.9	24.9	24.4	24.6
Entrance Fees Refunded	(3,224)	(12,771)	(13,034)	(13,162)	(13,835)
Entrance Fees Received, Net of Refunds	105,446	8,093	6,427	7,819	8,425

Source: Management and Actuary

Management assumes the Entrance Fees and Life Care Fees for the Existing Independent Living Units increase 3.0 percent on January 1, 2025 and annually thereafter. Management assumes the Entrance Fees and Life Care Fees for the New Independent Living Units would increase 3.0 percent on January 1, 2025, and annually thereafter.

Healthcare Center Revenue

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

The Assisted Living Units are assumed to provide services to private-pay Residents only in fiscal year 2024. Management assumes the Assisted Living Units are to be open to private-pay direct admits from outside of the Community in January 2025. The Memory Care Units and Skilled Nursing Beds are assumed to provide services to private-pay Residents only. Management assumes the Healthcare Center fees will increase 3.25 percent on January 1, 2025, 3.0 percent on January 1, 2026, and annually thereafter.

Assumed Healthcare Center Utilization

The Community has accommodations, equipment, staffing, programs, services, and supervision necessary for the Healthcare Center to be available to Residents on a priority basis. However, Management cannot guarantee access to these areas. Management assumes the Healthcare Center to be restricted to those Residents who have signed a Residency Agreement and are transferring from an Independent Living Unit in fiscal year 2024. In January 2025, Management assumes the Assisted Living Units are open to direct admissions from outside of the Community. The following table summarizes the assumed utilization of the Assisted Living Units.

Table 11
Utilization of the Assisted Living Units

Fiscal Year Ending December 31,	Average Occupied				
	Resident Transfers	Direct Admits	Total	Average Available (1)	Average Occupancy
Projected:					
2024	12.1	-	12.1	14.0	**86.4%**
2025	11.3	4.0	15.3	29.0	**52.8%**
2026	11.0	6.0	17.0	29.0	**58.6%**
2027	12.3	6.0	18.3	29.0	**63.1%**
2028	13.6	6.0	19.6	29.0	**67.6%**

Source: Management and Actuary
(1) The New Assisted Living Units are to be available for occupancy in January 2025.

The New Memory Care Units are assumed to be filled solely through internal transfer of residents from the Independent Living Units and the Assisted Living Units, as provided by the Actuary. The following table summarizes the assumed utilization of the New Memory Care Units.

Table 12
Utilization of the New Memory Care Units

Fiscal Year Ending December 31,	Average Occupied [1]	Average Available	Average Occupancy
Projected:			
2024	–	–	–
2025	2.0	14.0	14.3%
2026	4.6	14.0	32.9%
2027	5.7	14.0	40.7%
2028	6.7	14.0	47.5%

Source: Management and Actuary
(2) The New Memory Care Units are to be available for occupancy in January 2025.

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

Table 13
Utilization of the Skilled Nursing Beds

	Average Occupied				
Fiscal Year Ending December 31,	Permanent Transfer	Temporary Transfers	Total	Available Beds	Average Occupancy
Projected:					
2024	12.1	6.8	18.9	25.0	75.6%
2025	14.4	7.1	21.5	49.0	43.8%
2026	16.5	7.3	23.8	49.0	48.5%
2027	18.3	7.5	25.8	49.0	52.7%
2028	20.0	7.6	27.6	49.0	56.3%

Source: Management and Actuary
(1) The New Skilled Nursing Beds are to be available for occupancy in January 2025.

Advance Fee Amortization

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

Investment Income

Management's assumption for average annual rate of return on cash and investments is assumed to approximate 5.0 percent per annum in fiscal year 2024 and 2025. Management assumes an average annual rate of return on cash and investments is assumed to approximate 1.5 percent per annum in the remaining fiscal years in the projection. Management assumes an average annual rate of return on the Bond Fund and the Debt Service Reserve Fund is assumed to approximate 2.0 percent per annum throughout the projection period.

Other Income

Other revenue consists of revenues from application fees, physical therapy, food sales related to special services and catering, barber and beauty fees, and other miscellaneous sources. These revenues are assumed to increase 3.0 percent annually throughout the projection period.

Summary of Operating Expense Assumptions

Operating expenses are estimated by Management based on its experience at the Community and with the development and operation of similar retirement communities. Salaries, wages and employee benefits for the Community and the Project are assumed to increase 3.0 percent on January 1, 2025 and annually thereafter. Management assumes employee benefits for the Community will approximate 21.2 percent of salaries in the fiscal period 2024 and annually throughout the projection period. The following table summarizes the staffing levels during the projection period for all departments.

Table 14
Schedule of Staffing Levels (FTEs)

Department	2024	2025	2026	2027	2028
Administrative	8.0	8.0	8.0	8.0	8.0
Health care	31.4	34.4	35.4	36.4	37.4
Dietary	39.2	49.5	49.5	49.5	49.5
Resident services	17.9	17.9	17.9	17.9	17.9
Marketing	3.0	3.0	3.0	3.0	3.0
Maintenance/grounds	7.0	7.0	7.0	7.0	7.0
Housekeeping/laundry	14.7	14.7	14.7	14.7	14.7
Other	5.4	5.4	5.4	5.4	5.4
Total FTEs	126.6	139.9	140.9	141.9	142.9

Source: Management

Other non-salary operating expenses are assumed to include ongoing marketing costs, raw food costs, utilities, supplies, maintenance and security contracts, building and general liability insurance, legal and accounting fees, and other miscellaneous expenses. Non-salary operating expenses for Phase I and Phase II are assumed to increase 3.0 percent beginning January 1, 2025 and annually throughout the projection period.

Assets Limited as to Use

The Corporation is to maintain the following funds and accounts under the terms of the bond documents related to applicable series of bonds:

(1) The Parity Debt Service Reserve Funds, securing the obligations on the Series 2021A Bonds and Series 2023 Bonds.
(2) Entrance Fee Fund, to be funded with initial Entrance Fees from the Phase II project, available to: fund the Working Capital Fund; the Operating Reserve Fund; and redeem the Series 2021B Bonds and Series 2021C Bonds. Upon the repayment of the Series 2021C Bonds and the Series 2021B Bonds, stabilized occupancy of the New Independent Living Units, and assuming no events of default have occurred, any amounts remaining on deposit in the Entrance Fund shall be released in fiscal year 2024.
(3) Working Capital Fund, to be initially funded from the Entrance Fee Fund, to be applied to pay operating expenses of the Corporation or construction costs to the extent that other moneys are not available. Management assumes the Working Capital Fund is to fund approximately $1,896,000 of Development Consulting Fee payments in fiscal year 2025.
(4) Bond Fund, which is to contain the bond principal and interest payments due on the Series 2021 Bonds, Series 2022 Bonds, and Series 2023 Bonds.
(5) Operating Reserve Fund, to be initially funded from the Entrance Fee Fund, to meet the additional future requirements of North Carolina General Statute § 58-64-33 upon opening of the Phase II project, which requires CCRCs to maintain an operating reserve (the "Statutory Operating Reserve") equal to 50 percent of the total operating costs in a given year, or 25 percent of such total operating costs if occupancy as of a certain date exceeds 90 percent of the independent living unit capacity.

In addition, the Corporation maintains a board restricted Statutory Operating Reserve to meet the requirements of North Carolina General Statute § 58-64-33 in the years in which required funds are not fulfilled by the Trustee-held Operating Reserve Fund.

Property and Equipment and Depreciation Expense

The Corporation is assumed to incur routine capital additions during the projection period that would be capitalized as property and equipment. Property and equipment donated are recorded as unrestricted contributions at fair market value at the date of receipt. Expenditures for maintenance, repairs and minor renovations are charged to expense as incurred.

Property and equipment costs, net of accumulated depreciation, during the projection period are summarized in the table below.

Table 15
Schedule of Property and Equipment
(In Thousands)

Years Ending December 31,	2024	2025	2026	2027	2028
Property and equipment, gross Beginning balance	$ 269,906	$ 291,476	$ 292,481	$ 293,736	$ 295,241
Phase II project expenditures	20,674	–	–	–	–
Capitalized interest	141	–	–	–	–
Routine capital additions	755	1,005	1,255	1,505	1,755
Property and equipment, gross	$ 291,476	$ 292,481	$ 293,736	$ 295,241	$ 296,996
Accumulated depreciation	(37,959)	(44,795)	(51,744)	(58,831)	(66,081)
Property and equipment, net ending balance	$ 253,517	$ 247,686	$ 241,992	$ 236,410	$ 230,915

Source: Management

Long-Term Debt and Interest Expense

Series 2017 Bonds

In December 2017, the Public Finance Authority issued $71,730,000 of tax-exempt fixed rate revenue refunding bonds (the "Series 2017A Bonds") and $6,015,000 of tax-exempt revenue bonds (the "Series 2017B Bonds" and collectively with the Series 2017A Bonds, the "Series 2017 Bonds"), and loaned to the Corporation the proceeds thereof to refund certain existing debt and pay for the initial development costs associated with the Phase II project.

The Series 2017A Bonds consisted of $71,730,000 of non-rated tax-exempt fixed rate term bonds with average interest rates ranging from 4.562 percent to 5.687 percent per annum. Interest on the Series 2017A Bonds was payable semi-annually on June 1 and December 1 of each year. Principal on the Series 2017 Bonds was payable annually on June 1st with a final maturity on June 1, 2052. The Series 2017A Bonds were refunded with proceeds from the issuance of the Series 2023 Bonds in March 2023, and no longer represent obligations of the Corporation.

The Series 2017B Bonds consisted of $6,015,000 of non-rated tax-exempt fixed rate term bonds with an average interest rate of 4.437 percent per annum. Interest on the Series 2017B Bonds was payable semi-annually on June 1 and December 1 of each year. Principal on the Series 2017B Bonds was payable annually on June 1 with a final maturity on June 1, 2024. The Series 2017B Bonds were refunded with proceeds from the issuance of the Series 2023 Bonds in March 2023, and no longer represent obligations of the Corporation.

Series 2021 Bonds

In November 2021, the Public Finance Authority issued $180,055,000 of bonds (the "Series 2021 Bonds"), at a net discount, the proceeds of which were lent to the Corporation to pay for construction of the Phase II project and other related costs and to refund previous debt outstanding. The Series 2021 Bonds consist of:

- $106,180,000 of unrated tax-exempt fixed rate term bonds (the "Series 2021A Bonds") which were issued at an interest rate of 4.0 percent per annum. Interest on the Series 2021A Bonds is payable June 1 and December 1 of each year beginning June 1, 2022. Principal on the Series 2021A Bonds is payable annually commencing June 1, 2027, with a final maturity on June 1, 2056.
- $68,580,000 of unrated tax-exempt bonds (the "Series 2021B Bonds") which were issued at interest rates ranging from 2.25 percent to 3.0 percent per annum. The Series 2021B Bonds consist of $37,120,000 Series 2021B-1 Bonds and $31,460,000 Series 2021B-2 Bonds. At approximately 85 percent initial occupancy of the New Independent Living Units, sufficient proceeds are assumed to be received to fully redeem the Series 2021B-1 Bonds. The Series 2021B-1 Bonds are assumed to be redeemed in full by September 1, 2024. At approximately 51 percent initial occupancy of the New Independent Living Units, sufficient proceeds are assumed to be received to fully redeem the Series 2021B-2 Bonds. The Series 2021B-2 Bonds are assumed to be redeemed in full by June 1, 2024. Interest on the Series 2021B Bonds is payable June 1 and December 1 of each year beginning June 1, 2022.
- $5,295,000 of unrated taxable Entrance Fee Principal Redemption Bonds^{SM} (the "Series 2021C Bonds") which were issued at an interest rate of 2.75 percent per annum. At approximately 22 percent initial occupancy of the New Independent Living Units, sufficient proceeds are assumed to be received to fully redeem the Series 2021C Bonds. The Series 2021C Bonds are assumed to be redeemed in full by June 1, 2024. Interest on the Series 2021C Bonds is payable June 1 and December 1 of each year beginning June 1, 2022.

Series 2022 Bonds

In March 2022, the Public Finance Authority issued $9,000,000 of unrated tax-exempt refunding bonds (the "Series 2022 Bonds"), at a discount, the proceeds of which were lent to the Corporation to refund previous debt outstanding. The Series 2022 Bonds were issued at an interest rate of 4.0 percent per annum. Interest on the Series 2022 Bonds is payable June 1 and December 1 of each year beginning June 1, 2022. Principal on the Series 2022 Bonds is payable annually commencing June 1, 2023, with a final maturity on June 1, 2049.

Series 2023 Bonds

In March 2023, the Public Finance Authority issued $75,550,000 of unrated tax-exempt refunding bonds (the "Series 2023 Bonds"), at a premium, the proceeds of which were lent to the Corporation to refund the remaining principal balance of the Series 2017 Bonds. The Series 2023 Bonds were issued at an interest rate of 5.0 percent per annum. Interest on the Series 2023 Bonds is payable June 1 and December 1 of each year beginning June 1, 2023. Principal on the Series 2023 Bonds is payable annually commencing June 1, 2024, with a final maturity on June 1, 2052.

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

Table 16
Annual Debt Service
(In Thousands)

Year Ending	Series 2021A Bonds		Series 2021B/C Bonds		Series 2022 Bonds		Series 2023 Bonds		Total
December 31	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Debt Service
2024	-	4,247	73,875	1,168	25	359	1,315	3,745	84,734
2025	-	4,247	-	-	25	358	1,375	3,677	9,682
2026	-	4,247	-	-	30	356	1,450	3,607	9,690
2027	1,450	4,218	-	-	30	355	1,525	3,532	11,110
2028	1,510	4,159	-	-	30	354	1,605	3,454	11,112

Source: Management and the Underwriter

Subordinate Obligations

The Corporation obtained pre-finance capital from MatchCapSM -Sears Farm, LLC ("MatchCap") and Sears Farm of $6,800,000 and $2,390,000, respectively, accruing interest at 6.0 percent per annum, with a maximum amount of interest to be paid on the obligations equal to the amount of the original obligation, $6,800,000 and $2,390,000 respectively (the "Subordinated Obligations").

Certain fees at completion of the Community were recorded as deferred fees that are also Subordinated Obligations. As of December 31, 2023, the Corporation owes approximately $993,000 to Sears Farm, in connection with rezoning the Community site and other construction services. The Corporation owes approximately $597,000 and $700,000 to Searstone RLA for management and marketing services, respectively. The deferred fees to Searstone RLA accrue simple interest at 6.0 percent per annum. The other deferred fees do not accrue interest.

As of December 31, 2023, approximately $6,561,000 of interest has accrued on Subordinated Obligations related to MatchCap, Sears Farm, and Searstone RLA. The table below summarizes the Subordinated Obligations for the projection period:

Table 17
Summary of Subordinated Obligations
(In Thousands)

Years Ending December 31,	2024	2025	2026	2027	2028
Beginning balance	19,055	19,630	13,205	13,756	14,307
Interest on Sears Farm Debt	143	143	143	143	143
Interest on MatchCap Debt	408	408	408	408	408
Interest on Searstone RLA Debt	24	24	-	-	-
Payment of Subordinated Obligations	-	(7,000)	-	-	-
Ending balance	**19,630**	**13,205**	**13,756**	**14,307**	**14,858**

Source: Management

Under the provisions of the Master Trust Indenture, no payment of principal of or interest on the Subordinated Obligations shall be made unless certain conditions set forth in the Master Trust Indenture are satisfied. Remaining Initial Entrance Fees from the Phase II project may be used to repay Subordinated Obligations under certain conditions set forth in the Master Trust Indenture. Management has assumed payment of $7,000,000 on the Subordinated Obligations on or near March 31, 2025.

Current Assets and Current Liabilities

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

Table 18
Working Capital – Days on Hand

Cash	65	days operating expenses
Accounts receivable	3	days operating revenues
Other accounts receivable	3	days operating revenues
Sales tax receivable	10	days operating expenses
Prepaid expenses	15	days operating expenses
Accounts payable	15	days operating expenses

Source: Management

Exhibit 6

Summary of Actuarial Study

[see attached]

CONTINUING CARE ACTUARIES

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June 11, 2024

Ken Bullock
Chief Financial Officer
Searstone Retirement Community
17001 Searstone Drive
Cary, North Carolina 27513

Dear Ken:

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

Searstone is a retirement community that originally consisted of 169 independent living units (ILU), 8 assisted living and memory care units (ALU) and 16 licensed beds in skilled nursing facility (SNF). In 2019 the Brittany Place expansion completed. Contract residents have access to Searstone's healthcare center which contains a total of 14 ALU and 25 SNF. The Highview expansion came online in 2024, which includes an additional 149 ILU's, 15 ALU's, 14 MCU's and 24 SNF's.

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

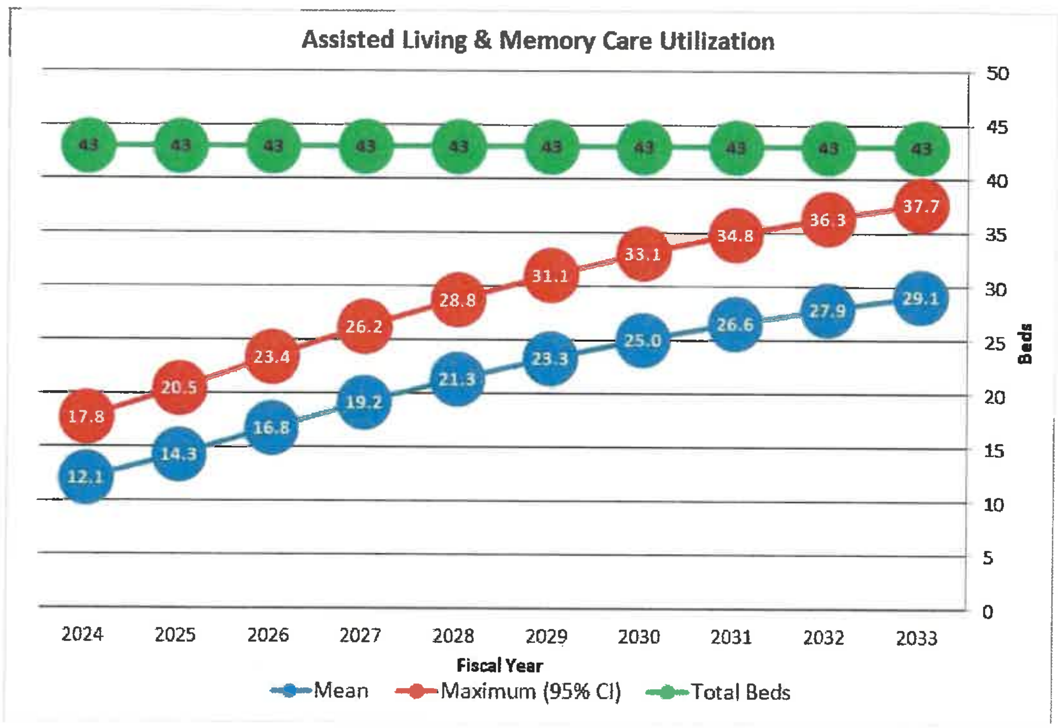
Residents will pay monthly fees related to their occupancy of an independent living unit, assisted living unit, or skilled nursing unit. Residents requiring permanent or temporary health care are able to transfer to the needed level of care as determined appropriate by Searstone's medical and management staff and in conjunction with residents and their physicians and family. Collectively, monthly service fees and entrance fees are intended to cover the cost of constructing and operating the community and providing health care and other services to contract residents, as well as a portion of all other costs related to the operation of the community. Entrance fees held by Searstone are subject to refund requirements.

The scope of our study consisted of: (1) development of updated population projections based on the current demographic characteristics of the resident population and the assumptions used in the financial model for Searstone; (2) development of projected statements of cash flows and actuarial balance sheet; and (3) preparation of an actuarial pricing analysis. This comprehensive actuarial study and review was performed under the guidelines contained in the American Academy of Actuaries' Actuarial Practice Number 3, "Issues Relating to Life plan Retirement Communities."

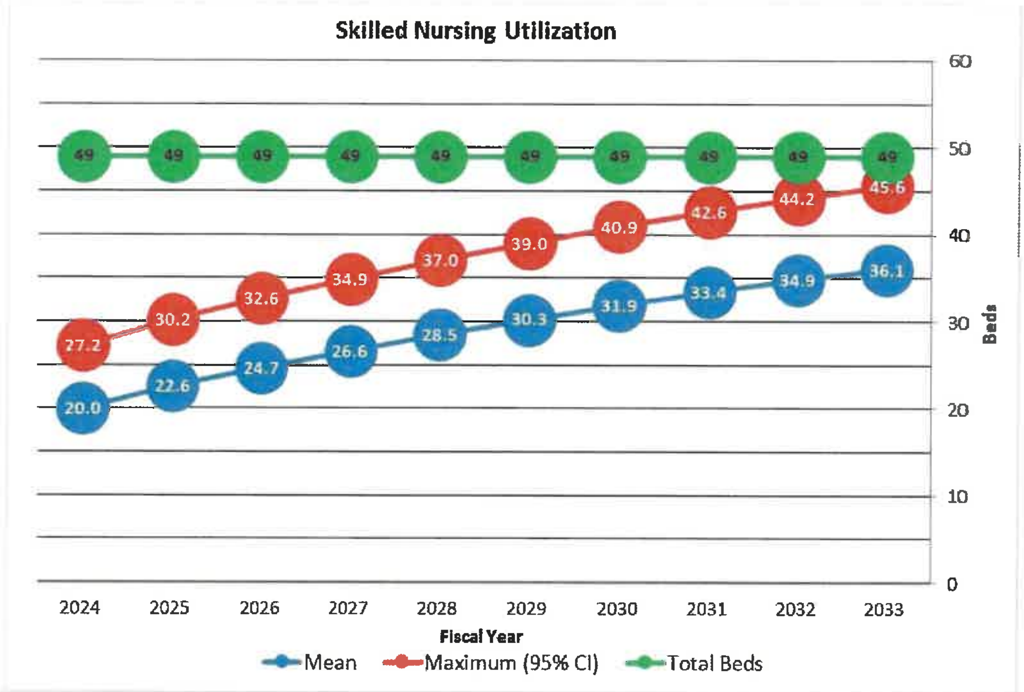
In order to perform the actuarial analysis, we projected first generation residents and subsequent residents through various levels of care until move-out or death. The rates using permanent and temporary nursing transfers, deaths and withdrawals were developed Continuing Care Actuaries' demographic database for CCRC residents. This database comprises over 800,000 CCRC residential life-years of demographic experience. The database assumptions used in this analysis reflect experience of communities similar to Searstone. The population projections were combined with expense and revenue assumptions to develop projected cash flows and contingent assets and liabilities. A by-product of these cash flow projections is the actuarial pricing analysis that examines the financial adequacy of the fiscal year 2025 residential fee structures and the actuarial balance sheet which is used as an indicator of the adequacy of historical residential fee structures as of December 31, 2024.

Summary of Findings and Notes

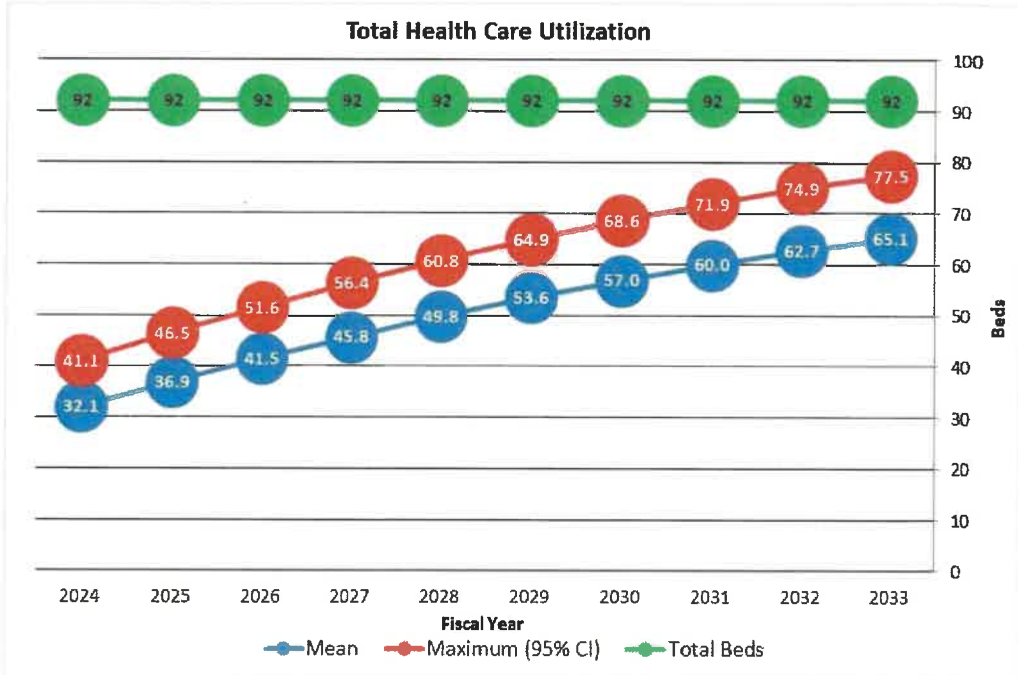
1) The data and assumptions used for the population and financial projections in this report form a reasonable basis for the projections. The methods used to produce the projections are consistent with sound actuarial principles and practices as prescribed by the Society of Actuaries and the American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



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



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



5) The financial projection indicates that Searstone will generate positive annual cash flow throughout the projection period, with the exception of 2024.

6) Based on the result of the actuarial balance sheet as of December 31, 2024, our analysis concluded that Searstone will have current and future assets of $358,423,000 with current and future liabilities of $340,804,000. Based on these projected assets and liabilities, Searstone's funded status is 105.2%, which is below our recommended target of 110% for a mature community. We expect this number to increase as contracts with positive pricing margins are sold.

   The actuarial ratio determines the percent of future expenses that are expected to be covered by future revenues for the expected group of residents as of December 31, 2024. This measure is important in that it represents Searstone's ability to deal with adverse experience. This ratio was calculated at 89.9%.

7) The actuarial pricing analysis for the Gold LifeCare plan indicated this this plan is expected to produce an average surplus/(Deficit) of $221,524 at entry for new residents as of December 31, 2024, which represents a margin of 15.7% of the present value of contractual liabilities.

8) In conclusion, Searstone is in an ***adequate financial condition*** to meet its obligations as defined by Actuarial Standard of Practice No. 3 (ASOP 3). ASOP 3 defines adequacy based on the meeting of three required actuarial standards which consist of the actuarial cash flow, the actuarial balance sheet, and the actuarial pricing analysis. Searstone meets the actuarial cash flow, actuarial balance sheet and actuarial pricing requirements.

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

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

Respectfully,

Dave Bond

Dave Bond, F.S.A., M.A.A.A.
Managing Partner
dbond@continuingcareactuaries.com