



## **Disclosure Statement**

**May 31, 2025**

**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, 2026;**
- **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.**

**SEARSTONE**  
**Disclosure Statement**  
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#### **Exhibits:**

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| Exhibit 1: | Membership & Residency Agreement   |
| Exhibit 2: | Audited Financial Statements   |
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## 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 an adult care home (i.e., assisted living facility) and a skilled nursing facility within Searstone, known as “**Brittany Place**.”

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”).<sup>1</sup> 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 “**Phase I Independent Living Units**”), located on 24 acres of land within the PDD owned by the Corporation. 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 the Community known as “**Brittany Place**.” The Community expanded the health care center in 2019, adding additional Assisted Living Units and Skilled Nursing Beds, bringing the total number to 14 Assisted Living Units and 25 Skilled Nursing Beds.

In November 2021, the Provider commenced vertical construction of an expansion of the Community on approximately 16.01 acres of land within the PDD and located adjacent to the Phase I property (“**Phase II**”). The Phase II expansion project consists of (1) 149 additional Independent Living Units in new Highview North and Highview South buildings (the “**Phase II 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, improvements, and (5) renovations to the Winston Clubhouse (which had been constructed as a part of, and included amenity spaces for, Phase I) to re-purpose common areas.

The Provider has received from the North Carolina Department of Insurance, the North Carolina Division of Health Service Regulation, and the Town of Cary all required licenses and certificates of occupancy for the Phase II expansion project, and the Phase II expansion project is complete. Residents commenced occupancy of the Highview North and South Buildings in February and April, 2024, respectively. Residents commenced occupancy of the New Assisted Living Units and the New Skilled Nursing Units in April 2025.

The Community provides amenity spaces within Winston Clubhouse and the Highview North and South Buildings. Amenities include 5 dining venues, lounge areas, a library, an arts and crafts studio, a movie theatre, a performing arts center, a health and wellness club including physical therapy space and an aquatic center, and a salon. The Community is constructed in accordance with all applicable building codes. Its architecture emphasizes the residential character of the area

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<sup>1</sup> **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.

surrounding Searstone. Outside amenities include gardens, walking trails, putting green, and an approximately 4.5-acre lake.

The Community plans a maximum of approximately 560 Members at full occupancy, 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, 2024, occupancy consisted of: 302 (of the available 318) Independent Living Units; 7 (of the then licensed 14) Assisted Living Units; and 25 (of the then licensed 25) Skilled Nursing Beds.

#### **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 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.

Marc C. Hewitt, Director. 2109 Bell Forest Trail, Raleigh, NC 27615. Mr. Hewitt is a healthcare attorney with the law firm 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:

Roger C. Heiser, Special Advisor. 146 Walker Stone Drive, Cary, North Carolina 27513. Mr. Heiser has been a resident of the Community since January 2016. He graduated from Iowa State University earning a Bachelor's Degree in Chemical Engineering in 1961. He has been on the Searstone Resident Association Finance committee since 2017 and is currently Chairman of that committee. He served as President of the Searstone Resident Association for three terms. He was President of Manufacturing of The Dupont Merck Pharmaceutical Company. He managed a multinational European business. He managed several manufacturing sites, both within and outside the United States. He was a member of the Architectural Review Board of a Home Owner's Association.

## **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:

Matthew T. Towler, Executive Director. 909 Pristine Lane, Rolesville, NC 27571. Mr. Towler joined the Community in October 2024 as Executive Director. Mr. Towler is originally from Virginia and has worked in the senior living/long-term care industry for over 20 years. He began his senior living/long-term care career with Kisco Senior Living, which owns/manages senior living communities at various locations across the country. Mr. Towler's service for Kisco Senior Living commenced at First Colonial Inn in Virginia Beach, VA, first in a departmental director level position and eventually as Executive Director. Mr. Towler was transferred by Kisco Senior Living to North Carolina to oversee several of their properties. Over past 13 years Mr. Towler has been the Executive Director at multiple senior living/long term care communities in the Raleigh-Cary metropolitan area. Mr. Towler is licensed as an assisted living administrator in North Carolina and Virginia.

Kenneth L. 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 W. 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.

Brandon Hair, Vice President of Operations of Searstone-RLA, Inc. Mr. Hair has worked in the senior living industry since 2006. Mr. Hair served as the Executive Director of a South Carolina CCRC and also as the Executive Director of Springmoor Life Care Retirement Community. Mr. Hair is a licensed Nursing Home Administrator. In his capacity as Vice President of Operations, Mr. Hair works with the Executive Directors and Administrators of the RLA managed facilities in order to provide quality services to the RLA managed facilities.

## 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-

## **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 of Provider’s receipt of the Member’s 10% deposit. 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, 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 (either prior to or during the Member's residency) 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. Member must contract with the applicable service provider to pay for any cable television service beyond basic cable and for wired internet or telephone services within Member's residence.
- 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 will designate an employee or staff person 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 Calais Terrace or The Highview and own and drive a vehicle, one under-building parking space is designated 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.

## **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*<br>(Resident Handbook Part XIV, Part A) | \$40.00 per hour per employee<br>1 hour minimum |
| Maintenance Help   | \$45.00 per hour per employee<br>1 hour minimum |
| Extra Carpet Cleaning                                      | Fee based on size of residence                  |

|   |  |
|---|--|
| IT Services   | \$25.00 per 30-minutes (30-minute minimum)   |
| Transportation Personal Trips**   | \$50.00 per hour<br>1 hour minimum   |
| Airport Transportation  | \$45.00 Flat Rate – one way  |
| Wheel Chair Transportation<br>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<br>(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          | \$510.00 +/- per day   |
| Fee for Service Daily Rate – Assisted Living          | \$270.00 +/- per day   |
| Fee for Service Daily Rate – Memory Care              | \$285 +/- per day  |
| Wheel Chair Transportation<br>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                                      | \$45.00 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 or memory care 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 when an assisted living or skilled nursing unit in Brittany Place becomes available, 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 dining 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.

Provider has offered or currently offers the Membership & Residency Agreement contract options for Members:

- 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.

*The 50% refundable contract is not available to new Members.*

- 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

*The 0% refundable contract is not available to new Members.*

### 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.*

\*\*\*\*\*

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.*

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

| SearStone Retirement Community<br>2025 Independent Living Fees Phase I  |                    |                   |   |  |
|---|--------------------|-------------------|---|--|
| Floor Plan  | Number<br>Of Units | Square<br>Footage | 100% Refundable<br>Residential Fee <sup>(1)(2)(3)</sup> | Monthly<br>Membership<br>Fee - Type A <sup>(1)(2)(3)</sup> |
| <b><u>One Bedroom</u></b>   |                    |                   |   |  |
| Astorian  | 14                 | 931-1097          | \$440,000 - \$456,000                                   | \$4,050-\$4,330  |
| Breton  | 4                  | 1,039             | \$421,000   | \$4,270  |
| Galacian  | 6                  | 1,165             | \$440,000   | \$5,010  |
| Finnhorse   | 4                  | 1,280             | \$469,000   | \$5,130  |
| Belgian   | 4                  | 1,194-1,356       | \$480,000 - \$497,000                                   | \$5,010-\$5,270  |
| Clydesdale  | 2                  | 1,370             | \$504,000   | \$5,270  |
| Danube  | 6                  | 1,402             | \$504,000   | \$5,270  |
| <b><u>Two Bedroom</u></b>   |                    |                   |   |  |
| Buckskin  | 16                 | 1,204-1,760       | \$512,000-\$638,000                                     | \$4,790-\$6,970  |
| Buckskin-Terrace  | 8                  | 1,315             | \$486,000   | \$5,200  |
| Hackney   | 5                  | 1,478-1,500       | \$552,000-\$562,000                                     | \$6,480-\$6,490  |
| Shetland  | 8                  | 1,562             | \$626,000   | \$6,710  |
| Dartmoor  | 12                 | 1,765-1,793       | \$649,000-\$668,000                                     | \$7,280  |
| Highland  | 8                  | 1,866-1,924       | \$680,000-\$685,000                                     | \$7,400  |
| Hafinger  | 5                  | 1,578-1,636       | \$587,000-\$592,000                                     | \$6,710-\$6,740  |
| Campolina   | 4                  | 2,000             | \$810,000   | \$7,590  |
| Highland II   | 8                  | 1,945-2,006       | \$692,000-\$714,000                                     | \$7,430-\$7,640  |
| Caspian   | 2                  | 1,811-2,092       | \$810,000-\$812,000                                     | \$7,030-\$7,310  |
| Pegasus   | 8                  | 1,853             | \$679,000   | \$7,370  |
| Appaloosa   | 1                  | 2,085             | \$744,000   | \$7,640  |
| Estonian  | 6                  | 2,238-2,294       | \$797,000   | \$8,040  |
| <b><u>Estate Homes</u></b>  |                    |                   |   |  |
| Under 2,500 Square Feet   | 30                 | 1,766-2,394       | \$626,000-\$950,000                                     | \$6,970-\$7,950  |
| Over 2,500 Square Feet  | 8                  | 2,558-3,914       | \$890,000-\$984,000                                     | \$8,430-\$9,070  |
| Total Units   | 169                |                   |   |  |
| Weighted Average  |                    |                   | \$651,770   | \$5,948  |
| Second Person - Monthly Membership Fees <sup>(1)(2)(3)(4)</sup>   |                    |                   |   | \$1,820  |
| Life Care Entrance Fee(per person)(Type A contracts only) <sup>(3)</sup>  |                    |                   | \$71,000  |  |
| (1) Monthly Membership Fee pricing is effective as of January 1, 2025. Prices subject to change.  |                    |                   |   |  |
| (2) Provider offered Type A and Type C contracts to prospects who contracted prior to the start of construction.<br>Subsequently, all contracts are Type A contracts.   |                    |                   |   |  |
| (3) Type A contracts require the payment of an additional LifeCare Entrance Fee per person of \$71,000. This fee amortizes pro-rata at a rate of 2% per month. The Life Care Entrance Fee pricing is effective as of January 1, 2025. |                    |                   |   |  |

**SearStone Retirement Community**  
**2025 Independent Living Fees Phase II**

| <b>Floor Plan</b>   | <b>Number<br/>Of Units</b> | <b>Square<br/>Footage</b> | <b>100% Refundable<br/>Residential Fee <sup>(1)(2)(3)</sup></b> | <b>Monthly<br/>Membership<br/>Fee - Type A <sup>(1)(2)(3)</sup></b> |
|---|----------------------------|---------------------------|---|---|
| <b><u>One Bedroom</u></b>   |                            |                           |   |   |
| Meredith  | 1                          | 937                       | \$439,000   | \$3,760   |
| Shaw  | 4                          | 1,023-1,041               | \$479,000-\$501,000   | \$3,970   |
| Freelon   | 5                          | 1,067                     | \$500,000-\$513,000   | \$4,170   |
| Finley  | 10                         | 1,139-1,156               | \$533,000-\$555,000   | \$4,380   |
| Merritt   | 4                          | 1,178-1,196               | \$568,000-\$590,000   | \$4,590   |
| Frazier   | 1                          | 1,235                     | \$578,000   | \$4,700   |
| Murray  | 4                          | 1,248                     | \$585,000   | \$4,800   |
| McFadden  | 3                          | 1,260                     | \$618,000-\$632,000   | \$4,800   |
| Burke   | 4                          | 1,295-1,313               | \$635,000-\$658,000   | \$4,910   |
| <b><u>Two Bedroom</u></b>   |                            |                           |   |   |
| Franklin  | 14                         | 1,328-1,346               | \$671,000-\$694,000   | \$5,120   |
| Madison   | 4                          | 1,398                     | \$674,000-\$756,000   | \$5,220   |
| Demille   | 8                          | 1,402-1,420               | \$699,000-\$722,000   | \$5,320   |
| Taylor  | 7                          | 1,409-1,427               | \$654,000-\$676,000   | \$5,320   |
| Alston  | 4                          | 1,487                     | \$729,000-\$743,000   | \$5,640   |
| Gardner   | 16                         | 1,508-1,526               | \$740,000-\$762,000   | \$5,640   |
| Simone  | 6                          | 1,510-1,528               | \$707,000-\$728,000   | \$5,740   |
| Brinkley  | 8                          | 1,561                     | \$750,000-\$760,000   | \$5,850   |
| Walter  | 6                          | 1,629-1,647               | \$799,000-\$821,000   | \$6,060   |
| Valvano   | 4                          | 1,651                     | \$810,000-\$824,000   | \$6,160   |
| Miller  | 1                          | 1,656                     | \$795,000   | \$6,060   |
| Ogle  | 1                          | 1,663                     | \$816,000   | \$6,160   |
| Wolfe   | 12                         | 1,672-1,690               | \$890,000-\$925,000   | \$6,160   |
| Timberlake  | 4                          | 1,705-1,723               | \$908,000-\$934,000   | \$6,260   |
| Bennett   | 4                          | 1,743                     | \$855,000-\$869,000   | \$6,260   |
| Page  | 4                          | 1,743-1,779               | \$923,000-\$956,000   | \$6,470   |
| Coltrane  | 3                          | 1,782-1,800               | \$874,000-\$896,000   | \$6,470   |
| Yates   | 4                          | 1,943                     | \$953,000-\$1,062,000   | \$6,890   |
| <b><u>Two Bedroom/2.5 Bath/Den</u></b>  |                            |                           |   |   |
| Finley IV   | 3                          | 2,295                     | \$1,323,905   | \$7,430   |
| <b>Total Units</b>  | <b>149</b>                 |                           |   |   |
| <b>Weighted Average</b>   |                            |                           | <b>\$738,199</b>  | <b>\$5,499</b>  |
| <b>Second Person - Monthly Membership Fees <sup>(1)(2)(3)(4)</sup></b>            |                            |                           |   | <b>\$1,740</b>  |
| <b>Life Care Entrance Fee (per person) (Type A contracts only) <sup>(3)</sup></b> |                            |                           | <b>\$71,000</b>   |   |

(1) Monthly Membership Fee pricing is effective as of January 1, 2025. 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 \$71,000. This fee amortizes pro-rata at a rate of 2% per month. The Life Care Entrance Fee pricing is effective as of January 1, 2025.

### 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 2025 - \$270.00

Memory Care Per Diem Fee in 2025 - \$285.00

Skilled Nursing Per Diem Fee in 2025 - \$510.00

*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. All increases in monthly Membership Fees from 2020 are reflected in the following table:

| Increases in Weighted Average - Entrance Fees, and Monthly Membership Fees                      |  |  |  |                                      |                                      |                                      |                                      |         |                                      |  |
|---|--|--|--|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|---------|--------------------------------------|--|
| 100% Refundable<br>Residential<br>Fee<br><br>(Weighted Average Fees -<br>All Independent Units) | Life Care Fees <sup>(1)</sup>                    |  |  |                                      | Fee For Service                      |                                      |                                      |         |                                      |  |
|   | Non-<br>Refundable<br>LifeCare Fee<br>Per Person | Monthly  | Monthly  | Monthly                              | Monthly                              | Monthly                              | Monthly                              | Monthly | Daily                                |  |
|   |  | 1st Person   | 2nd Person   | 1st Person                           | 2nd Person                           | Assisted                             | Memory                               | Skilled |                                      |  |
|   |  | Living <sup>(1)</sup>                              | Care <sup>(1)</sup>                                | Nursing <sup>(1)</sup>               |                                      |                                      |                                      |         |                                      |  |
|   |  | <u>Actual</u><br><u>Weighted</u><br><u>Average</u> | <u>Actual</u><br><u>Weighted</u><br><u>Average</u> |                                      |                                      |                                      |                                      |         |                                      |  |
| <u>Increases at 1/1 each year</u>   | <u>Fee Schedule</u>                              |  |  |                                      |                                      |                                      |                                      |         |                                      |  |
| 2020  | \$558,450  | \$65,000   | \$5,268  | \$1,470                              | \$3,909                              | \$949                                | \$6,782                              | N/A     | \$417                                |  |
| 2021  | \$579,240  | \$67,000   | \$5,489  | \$1,530                              | \$4,075                              | \$989                                | \$7,070                              | N/A     | \$434                                |  |
| 2022  | \$597,268  | \$68,000   | \$5,696  | \$1,590                              | \$4,238                              | \$1,029                              | \$7,353                              | N/A     | \$451                                |  |
| 2023  | \$609,163  | \$69,000   | \$5,968  | \$1,670                              | \$4,439                              | \$1,078                              | \$7,665                              | N/A     | \$472                                |  |
| 2024  | \$632,746  | \$70,000   | \$6,222  | \$1,740                              | \$4,628                              | \$1,124                              | \$7,969                              | N/A     | \$492                                |  |
| 2025  | \$651,728  | \$71,000   | \$6,502  | \$1,820                              | \$4,836                              | \$1,175                              | \$8,213                              | \$8,657 | \$510                                |  |
|   | <u>Resident</u><br><u>% Increase</u>             | <u>Resident</u><br><u>% Increase</u>               | <u>Resident</u><br><u>% Increase</u>               | <u>Resident</u><br><u>% Increase</u> | <u>Average</u><br><u>% Increase</u>  | <u>Average</u><br><u>% Increase</u>  | <u>Average</u><br><u>% Increase</u>  |         | <u>Average</u><br><u>% Increase</u>  |  |
| 2020  | 2.06%  | 4.80%  | 4.50%  | 4.50%                                | 4.49%                                | 4.52%                                | 4.66%                                | N/A     | 4.51%                                |  |
| 2021  | 3.72%  | 3.08%  | 4.25%  | 4.25%                                | 4.25%                                | 4.21%                                | 4.25%                                | N/A     | 4.08%                                |  |
| 2022  | 3.11%  | 1.49%  | 4.00%  | 4.00%                                | 4.00%                                | 4.00%                                | 4.00%                                | N/A     | 3.90%                                |  |
| 2023  | 1.99%  | 1.49%  | 4.75%  | 4.75%                                | 4.74%                                | 4.76%                                | 4.24%                                | N/A     | 4.65%                                |  |
| 2024  | 3.87%  | 1.49%  | 4.25%  | 4.25%                                | 4.25%                                | 4.26%                                | 4.00%                                | N/A     | 4.20%                                |  |
| 2025  | 3.00%  | 1.42%  | 4.50%  | 4.60%                                | 4.25%                                | 4.50%                                | 3.06%                                | N/A     | 3.66%                                |  |
|   | <u>Average</u><br><u>\$ Increase</u>             | <u>Average</u><br><u>\$ Increase</u>               | <u>Average</u><br><u>\$ Increase</u>               | <u>Average</u><br><u>\$ Increase</u> | <u>Average</u><br><u>\$ Increase</u> | <u>Average</u><br><u>\$ Increase</u> | <u>Average</u><br><u>\$ Increase</u> |         | <u>Average</u><br><u>\$ Increase</u> |  |
| 2020  | \$11,254   | \$3,000  | \$669  | \$120                                | \$168                                | \$41                                 | \$302                                | N/A     | \$18                                 |  |
| 2021  | \$20,790   | \$2,000  | \$221  | \$60                                 | \$166                                | \$40                                 | \$288                                | N/A     | \$17                                 |  |
| 2022  | \$18,028   | \$1,000  | \$207  | \$60                                 | \$163                                | \$40                                 | \$283                                | N/A     | \$17                                 |  |
| 2023  | \$11,895   | \$1,000  | \$272  | \$80                                 | \$201                                | \$49                                 | \$312                                | N/A     | \$21                                 |  |
| 2024  | \$23,583   | \$1,000  | \$254  | \$70                                 | \$189                                | \$46                                 | \$304                                | N/A     | \$20                                 |  |
| 2025  | \$18,982   | \$1,000  | \$280  | \$80                                 | \$208                                | \$51                                 | \$244                                | N/A     | \$18                                 |  |

(1) 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 2025".

## 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 September 1 2024, all 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, 2024, required principal payments of long-term debt for the next five years and thereafter are and will be as follows:

| <b>Fiscal Year</b> | <b>2021<br/>Bonds</b> | <b>2022<br/>Bonds</b> | <b>2023<br/>Bonds</b> | <b>Total</b>          |
|--------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| 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           |
| <b>Total</b>       | <b>\$ 106,180,000</b> | <b>\$ 8,950,000</b>   | <b>\$ 74,235,000</b>  | <b>\$ 189,365,000</b> |

#### **B. Subordinated Obligations**

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 in original principal) and by Sears Farm, LLC (\$2,390,000 in original principal), 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 Greenbrier Development, LLC (a consulting firm that provided development consulting services in connection with Phase I and Phase II); and RLA, and in the total original amount of \$3,304,000, a portion of which accrues simple interest at the rate of 6% per annum.

As contemplated by the documentation of the Series 2021 Bonds, a payment of \$7.0 million on the balanced owed pursuant to the above-described subordinated obligations is scheduled to be made during June 2025.

#### **C. Audited Financial Statements**

Provider operates on a calendar year basis. Financial statements for Provider, which comprise the balance sheets as of December 31, 2024 and 2023, 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 Mazars, LLP, are attached as Exhibit 2.

**D. 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.

**E. Interim Financial Statements**

Unaudited interim financial statements for Provider, consisting of the balance sheet as of March 31, 2025, and the related statement of profit and loss (with comparison to budget) and cash flow statement for the period from January 1, 2025 through March 31, 2025 are attached as Exhibit 4.

**F. Financial Projections**

Unaudited financial projections for Provider for each of the five years ending December 31, 2029, 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 Forvis Mazars, LLP, are attached as Exhibit 5. The financial projections are based in part on an actuarial study as of December 31, 2024 (the “**Actuarial Study**”), performed by Continuing Care Actuaries LLC (the “**Actuaries**”). A summary of the Actuarial Study is attached as Exhibit 6.

**G. 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”.

The following table reflects the calculation of the operating reserve required of Provider for each of the five years ending December 31, 2029:

| <b>Operating Reserve Fund</b>   | <b>2025</b>      | <b>2026</b>      | <b>2027</b>      | <b>2028</b>      | <b>2029</b>      |
|---|------------------|------------------|------------------|------------------|------------------|
| IL Occupancy Projection   | 91.2%            | 90.0%            | 90.6%            | 90.9%            | 90.9%            |
| <b>For the Subsequent Fiscal Year Ending December 31</b>                            |                  |                  |                  |                  |                  |
| Income statement expenses   | \$ 36,487        | \$ 37,294        | \$ 38,176        | \$ 39,087        | \$ 39,562        |
| Plus: Capitalized interest  | -                | -                | -                | -                | -                |
| Total Expenses  | \$ 36,487        | \$ 37,294        | \$ 38,176        | \$ 39,087        | \$ 39,562        |
| Plus: Bond principal redemptions, schedule required                                 | 1,400            | 1,480            | 3,005            | 3,145            | 3,290            |
| Less: Depreciation  | (8,104)          | (8,202)          | (8,417)          | (8,668)          | (8,937)          |
| Less: Amortization  | (390)            | (390)            | (390)            | (390)            | (390)            |
| Less: Extraordinary items approved by Commissioner                                  | -                | -                | -                | -                | -                |
| Less: Debt service portion,<br>if provided for by way of a separate reserve account | (9,682)          | (9,690)          | (11,110)         | (11,112)         | (11,112)         |
| <b>Total Operating Costs</b>  | <b>\$ 19,711</b> | <b>\$ 20,492</b> | <b>\$ 21,264</b> | <b>\$ 22,062</b> | <b>\$ 22,413</b> |
| Occupancy Factor  | 25%              | 25%              | 25%              | 25%              | 25%              |
| Operating Reserve Requirement   | \$ 4,928         | \$ 5,123         | \$ 5,316         | \$ 5,516         | \$ 5,603         |

**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 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) A 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 applicable service provider to pay for any cable television service beyond basic cable and for wired internet or telephone 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 designate an employee or staff person 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 designated 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) Memory care services, in accordance with Article VI.
  - (e) Skilled nursing services, in accordance with Article VI.
  - (f) 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:

|               | <b>% Refundable<br/>Residential Fee</b> | <b>Amortizable<br/>Life Care Fee</b> | <b>Total<br/>Combined Fee</b> |
|---------------|---|--------------------------------------|-------------------------------|
| 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 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 Provider's receipt of the Member's ten percent (10%) deposit. 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, 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 4.0% on January 1, 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, eighty percent (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. In the event the assisted living and skilled nursing units in Brittany Place are full Provider will temporarily provide home health services in Member's Independent Living Unit at Provider's expense. Member will relocate to Brittany Place when an assisted living or skilled nursing unit in Brittany Place becomes available.
  - (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 dining services. 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. Member also represents that Member will not intentionally deplete his or her assets during their Searstone residency.

## **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 31, 2025.

\_\_\_\_\_  
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, 2024 and 2023



**Samaritan Housing Foundation, Inc.**  
**d/b/a Searstone Retirement Community**  
**Contents**  
**December 31, 2024 and 2023**

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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, 2024 and 2023 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, 2024 and 2023, 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 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 Mazars, LLP**

Raleigh, North Carolina  
April 2, 2025

**Samaritan Housing Foundation, Inc.  
d/b/a Searstone Retirement Community  
Balance Sheets  
December 31, 2024 and 2023**

|  | <b>2024</b>           | <b>2023</b>           |
|--|-----------------------|-----------------------|
| <b>ASSETS</b>                                  |                       |                       |
| <b>Current Assets</b>                          |                       |                       |
| Cash and cash equivalents                      | \$ 3,051,145          | \$ 809,979            |
| Assets limited as to use, current portion      | 2,347,815             | 12,421,598            |
| Accounts receivable                            | 210,013               | 192,237               |
| Other accounts receivable                      | -                     | 144,706               |
| Sales tax receivable                           | 189,359               | 621,449               |
| Prepaid expenses                               | 291,002               | 236,526               |
| Short-term investments                         | 4,027,064             | 6,134,436             |
| <b>Total Current Assets</b>                    | <u>10,116,398</u>     | <u>20,560,931</u>     |
| <b>Non-Current Assets</b>                      |                       |                       |
| Assets limited as to use, less current portion | 56,114,661            | 52,723,198            |
| Property and equipment, net                    | 253,076,732           | 238,688,778           |
| Deferred marketing costs, net                  | 337,679               | 136,080               |
| <b>Total Non-Current Assets</b>                | <u>309,529,072</u>    | <u>291,548,056</u>    |
| <b>Total Assets</b>                            | <u>\$ 319,645,470</u> | <u>\$ 312,108,987</u> |
| <b>LIABILITIES AND NET DEFICIT</b>             |                       |                       |
| <b>Current Liabilities</b>                     |                       |                       |
| Bonds payable, current portion                 | \$ 1,400,000          | \$ 29,605,000         |
| Accounts payable                               | 5,579,750             | 12,033,661            |
| Accrued interest payable                       | 693,079               | 862,564               |
| Resident refunds payable                       | 7,120,382             | 2,791,101             |
| Resident deposits                              | 1,654,736             | 11,559,034            |
| Other liabilities                              | 300,965               | 241,135               |
| <b>Total Current Liabilities</b>               | <u>16,748,912</u>     | <u>57,092,495</u>     |
| <b>Long-Term Liabilities</b>                   |                       |                       |
| Bonds payable, less current portion, net       | 182,117,444           | 228,927,541           |
| Subordinated obligations                       | 19,643,722            | 19,055,147            |
| Refundable entrance fees                       | 171,715,534           | 91,660,161            |
| Deferred revenue from advance fees             | 29,782,720            | 10,160,981            |
| <b>Total Long-Term Liabilities</b>             | <u>403,259,420</u>    | <u>349,803,830</u>    |
| <b>Total Liabilities</b>                       | <u>420,008,332</u>    | <u>406,896,325</u>    |
| <b>Net Assets (Deficit)</b>                    |                       |                       |
| Without donor restrictions                     | (100,943,202)         | (95,268,260)          |
| With donor restrictions                        | 580,340               | 480,922               |
| <b>Total Net Deficit</b>                       | <u>(100,362,862)</u>  | <u>(94,787,338)</u>   |
| <b>Total Liabilities and Net Deficit</b>       | <u>\$ 319,645,470</u> | <u>\$ 312,108,987</u> |

**Samaritan Housing Foundation, Inc.  
d/b/a Searstone Retirement Community  
Statements of Operations and Changes in Net Deficit  
Years Ended December 31, 2024 and 2023**

|  | <b>2024</b>             | <b>2023</b>            |
|--|-------------------------|------------------------|
| <b>Revenues, Gains and Other Support</b>   |                         |                        |
| Net residential service fees, including amortization<br>of advance fees of approximately \$2,848,000 and<br>\$1,737,000 in 2024 and 2023, respectively | \$ 21,871,691           | \$ 14,658,666          |
| Interest income  | 3,199,022               | 2,355,322              |
| Other  | 1,839,320               | 1,460,409              |
| <b>Total Revenues, Gains, and Other Support</b>  | <b>26,910,033</b>       | <b>18,474,397</b>      |
| <b>Expenses</b>  |                         |                        |
| General operating and administrative   | 6,818,414               | 5,308,916              |
| Depreciation and amortization  | 6,092,219               | 3,364,512              |
| Dining services  | 4,106,162               | 2,497,958              |
| Marketing  | 1,071,961               | 919,048                |
| Healthcare services  | 2,157,553               | 2,035,459              |
| Transportation and security services   | 783,915                 | 623,722                |
| Building and grounds maintenance   | 1,455,626               | 1,015,645              |
| Housekeeping   | 657,912                 | 415,411                |
| Resident Life  | 259,982                 | 242,924                |
| Other  | 317,289                 | 268,807                |
| Interest   | 9,094,953               | 5,890,579              |
| <b>Total Expenses</b>  | <b>32,815,986</b>       | <b>22,582,981</b>      |
| <b>Loss from Operations</b>  | <b>(5,905,953)</b>      | <b>(4,108,584)</b>     |
| <b>Non-Operating Gains (Losses)</b>  |                         |                        |
| Net unrealized and realized gains (losses) on short-term<br>investments  | 231,011                 | 444,101                |
| Loss on early extinguishment of bonds  | -                       | (4,691,292)            |
| <b>Net Non-Operating Gains (Losses)</b>  | <b>231,011</b>          | <b>(4,247,191)</b>     |
| <b>Increase in Net Deficit Without Donor Restrictions</b>  | <b>(5,674,942)</b>      | <b>(8,355,775)</b>     |
| <b>Change in Net Assets with Donor Restrictions</b>  |                         |                        |
| Contributions  | 99,418                  | 73,881                 |
| <b>Increase in Net Deficit</b>   | <b>(5,575,524)</b>      | <b>(8,281,894)</b>     |
| <b>Net Deficit, Beginning of Year</b>  | <b>(94,787,338)</b>     | <b>(86,505,444)</b>    |
| <b>Net Deficit, End of Year</b>  | <b>\$ (100,362,862)</b> | <b>\$ (94,787,338)</b> |

**Samaritan Housing Foundation, Inc.**  
**d/b/a Searstone Retirement Community**  
**Statements of Cash Flows**  
**Years Ended December 31, 2024 and 2023**

|  | <b>2024</b>          | <b>2023</b>          |
|--|----------------------|----------------------|
| <b>Cash Flows from Operating Activities</b>  |                      |                      |
| Increase in net deficit  | \$ (5,575,524)       | \$ (8,281,894)       |
| Adjustments to reconcile increase in net deficit to net cash provided by operating activities: |                      |                      |
| Net unrealized (gains) losses on short-term investments  | 596,118              | (526,640)            |
| Net realized (gains) losses on short-term investments  | (827,129)            | 82,539               |
| Proceeds from non-refundable advance fees  | 22,235,482           | 1,653,000            |
| Depreciation   | 6,052,828            | 3,337,617            |
| Amortization of debt issuance costs and bond discount  | 199,902              | 229,245              |
| Loss on early extinguishment of debt   | -                    | 4,691,292            |
| Amortization of marketing costs  | 39,391               | 26,895               |
| Amortization of advance fees   | (2,847,592)          | (1,737,367)          |
| Interest and fee accrued - subordinate obligations   | 588,575              | 575,400              |
| Net change in:   |                      |                      |
| Accounts receivable  | (17,776)             | (97,648)             |
| Sales tax receivable   | 432,090              | 230,812              |
| Accounts receivable - other  | 144,706              | (144,706)            |
| Prepaid expenses   | (54,476)             | 44,946               |
| Deferred marketing costs   | (240,990)            | (24,500)             |
| Accounts payable   | (6,453,911)          | 2,059,741            |
| Accrued interest payable   | (169,485)            | (14,115)             |
| Other liabilities  | 59,830               | 56,880               |
| <b>Net Cash Provided by Operating Activities</b>   | <b>14,162,039</b>    | <b>2,161,497</b>     |
| <b>Cash Flows from Investing Activities</b>  |                      |                      |
| Purchase of property and equipment   | (20,440,781)         | (70,279,499)         |
| Net change in assets limited as to use and short-term investments                              | (4,127,213)          | (2,998,571)          |
| <b>Net Cash Used by Investing Activities</b>   | <b>(24,567,994)</b>  | <b>(73,278,070)</b>  |
| <b>Cash Flows from Financing Activities</b>  |                      |                      |
| Proceeds from bond issuance, net   | -                    | 75,550,000           |
| Deferred financing costs, net  | -                    | (2,408,679)          |
| Payment on bonds payable   | (75,215,000)         | (73,870,000)         |
| Refunds of entrance fees   | (3,468,965)          | (6,904,865)          |
| Refundable entrance fees received  | 86,488,070           | 8,384,571            |
| Change in resident deposits  | (8,304,900)          | 536,878              |
| <b>Net Cash Provided (Used) by Financing Activities</b>  | <b>(500,795)</b>     | <b>1,287,905</b>     |
| <b>Net Change in Cash, Cash Equivalents, and Restricted Cash</b>                               | <b>(10,906,750)</b>  | <b>(69,828,668)</b>  |
| <b>Cash, Cash Equivalents, and Restricted Cash, Beginning of Year</b>                          | <b>62,972,134</b>    | <b>132,800,802</b>   |
| <b>Cash, Cash Equivalents, and Restricted Cash, End of Year</b>                                | <b>\$ 52,065,384</b> | <b>\$ 62,972,134</b> |

**Samaritan Housing Foundation, Inc.  
d/b/a Searstone Retirement Community  
Statements of Cash Flows  
Years Ended December 31, 2024 and 2023**

**(Continued)**

|   | <u>2024</u>         | <u>2023</u>         |
|---|---------------------|---------------------|
| <b>Supplemental Cash Flow Information</b>                     |                     |                     |
| Cash paid during the year for interest                        | <u>\$ 9,241,164</u> | <u>\$ 9,385,902</u> |
| <b>Non Cash Investing and Financing Activities</b>            |                     |                     |
| Refunds of entrance fees included in resident refunds payable | <u>\$ -</u>         | <u>\$ 2,791,101</u> |

**Samaritan Housing Foundation, Inc.  
d/b/a Searstone Retirement Community  
Notes to Financial Statements  
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**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 280 apartments, 38 estate homes, 43 assisted living beds units, including 14 specialized memory care units, and 49 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, a performing arts auditorium, multiple dining venues, 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.

|  | <u>2024</u>          | <u>2023</u>          |
|--|----------------------|----------------------|
| Cash and cash equivalents  | \$ 3,051,145         | \$ 809,979           |
| Short-term investments   | 150,810              | 356,359              |
| Assets whose use is limited:   |                      |                      |
| Held by trustee  | 23,590,124           | 51,202,797           |
| Operations   | 25,202,890           | -                    |
| Resident deposits  | -                    | 10,532,434           |
| Other  | <u>70,415</u>        | <u>70,565</u>        |
| Total cash, cash equivalents and restricted cash shown in statements of cash flows | <u>\$ 52,065,384</u> | <u>\$ 62,972,134</u> |

***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 \$4,918,000 and \$3,339,000 at December 31, 2024 and 2023, respectively, as the operating reserve required by state statute.



**Samaritan Housing Foundation, Inc.  
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***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 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 \$39,000 and \$27,000 for the years ended December 31, 2024 and 2023, 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).

**Samaritan Housing Foundation, Inc.**  
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**Notes to Financial Statements**  
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***Resident Deposits***

Each prospective Community resident is required to pay an entrance fee deposit. Entrance fee deposits are maintained in an 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 maintained in an account at a financial institution, 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 represents payments made by a resident in exchange for the use and privileges of the Community for life or until termination of the residency agreement. The Community offers a 100% refundable plan, a 50% refundable plan, and a 0% refundable plan. 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, 2024 and 2023, 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 2024 and 2023.

***Net Deficit***

The Corporation has a significant net deficit as of December 31, 2024. Several factors contribute to that deficit, including:

- While the Community was initially conceived as being developed and operated in a single phase, it was necessary to split development of the Community 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

**Samaritan Housing Foundation, Inc.  
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of the need to construct and operate much of the infrastructure for the entire Community in connection with the development of Phase I (which opened in 2013), and Phase II (which opened in 2024 and almost doubled the number of independent living units and the number of assisted living / skilled nursing units in the healthcare center) many of the operating costs of the entire Community are projected to increase less than proportionately to the increase in Community units, the Corporation has always anticipated that the Corporation's financial performance would be handicapped during Phase I-only operations and would improve once the Phase II units become occupied.

- As noted above the Community offers a 100% refundable plan, a 50% refundable plan, and a 0% refundable plan. These entrance fee refund obligations 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 (i) 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, or (ii) that date which is two years from the date in with the written membership termination agreement is received. 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 Community 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 of the Community 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 Community. Those high interest 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 2024 or 2023.

**Samaritan Housing Foundation, Inc.  
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**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 Community residents holding continuing care residency agreements in the event the resident(s) should become unable to pay for services. The Corporation reserves the right to change the program and policy and does not guarantee future financial assistance. Since the Corporation does not expect to collect the normal charges for services provided for those residents who meet the financial assistance provisions, estimated charges for such assistance are not included in revenue. The cost of the charity care provided by the Corporation is based on the financial assistance that is disclosed in Note 11. No financial assistance was provided during the years ended December 31, 2024 or 2023.

**Subsequent Events**

The Corporation evaluated the effect subsequent events would have on the financial statements through April 2, 2025, 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:

|               | 2024                 |                       | 2023                 |                       |
|---------------|----------------------|-----------------------|----------------------|-----------------------|
|               | <u>Fair Value</u>    | <u>Carrying Value</u> | <u>Fair Value</u>    | <u>Carrying Value</u> |
| Bonds payable | <u>\$316,554,621</u> | <u>\$338,210,000</u>  | <u>\$216,953,697</u> | <u>\$264,580,000</u>  |

**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.

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**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:

|                           | <u>2024</u>          | <u>2023</u>          |
|---------------------------|----------------------|----------------------|
| Independent living        | \$ 21,689,166        | \$ 14,566,903        |
| Assisted living           | 545,298              | 535,623              |
| Skilled nursing           | <u>1,476,547</u>     | <u>1,016,549</u>     |
| Total residential revenue | <u>\$ 23,711,011</u> | <u>\$ 16,119,075</u> |

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 \$176,004,000 and \$95,733,000 at December 31, 2024 and 2023, respectively. There were no entrance fees receivable at December 31, 2024 and 2023, respectively. Refundable entrance fees become currently payable when the contract terminates, and (i) 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, or (ii) that date which is two years from the date in which the written membership termination agreement is received. Resident refunds payable were approximately \$7,120,000 and \$2,791,000 at December 31, 2024 and 2023, respectively.

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 (i) 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, or (ii) that date which is two years from the date in with the written membership termination agreement is received.

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

The composition of short-term investments are as follows:

|                                     | <u>2024</u>         | <u>2023</u>         |
|-------------------------------------|---------------------|---------------------|
| Money market funds                  | \$ 179,729          | \$ 379,985          |
| Mutual funds – equities             | 275,719             | 257,807             |
| Mutual funds – fixed income         | 869,286             | 796,544             |
| Exchange-traded funds               | 107,389             | 86,627              |
| Common stocks                       | 2,503,538           | 2,417,923           |
| Corporate bonds                     | 1,973,917           | 1,529,200           |
| U.S. Treasury and agency securities | <u>3,035,559</u>    | <u>4,005,350</u>    |
|                                     | 8,945,137           | 9,473,436           |
| Less amount for statutory reserve   | <u>(4,918,073)</u>  | <u>(3,339,000)</u>  |
| Short-term investments              | <u>\$ 4,027,064</u> | <u>\$ 6,134,436</u> |

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

|                                    | <u>2024</u>          | <u>2023</u>          |
|------------------------------------|----------------------|----------------------|
| Held by trustee                    | \$ 23,613,425        | \$ 51,202,797        |
| Undesignated                       | 29,860,563           | -                    |
| Reserves required by state statute | 4,918,073            | 3,339,000            |
| Resident deposits                  | -                    | 10,532,434           |
| Other                              | <u>70,415</u>        | <u>70,565</u>        |
| Total assets limited as to use     | <u>\$ 58,462,476</u> | <u>\$ 65,144,796</u> |

**Note 5. Property and Equipment**

Property and equipment at December 31 consists of:

|                              | <u>2024</u>           | <u>2023</u>           |
|------------------------------|-----------------------|-----------------------|
| Land                         | \$ 21,089,426         | \$ 21,089,426         |
| Land improvements            | 1,380,794             | 1,380,794             |
| Buildings                    | 228,476,281           | 84,940,005            |
| Furniture and fixtures       | 6,792,402             | 2,396,695             |
| Vehicles                     | 607,921               | 261,096               |
| Construction in progress     | -                     | 128,873,365           |
| Capitalized interest         | <u>31,999,662</u>     | <u>30,963,951</u>     |
| Total property and equipment | 290,346,486           | 269,905,332           |
| Accumulated depreciation     | <u>(37,269,754)</u>   | <u>(31,216,554)</u>   |
| Property and equipment, net  | <u>\$ 253,076,732</u> | <u>\$ 238,688,778</u> |

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Construction in progress includes various projects, the largest of which is a Community expansion project which was completed in 2024. The Corporation had depreciation expense of approximately \$6,053,000 and \$3,338,000 for the years ended December 31, 2024 and 2023, respectively. The Corporation capitalized approximately \$1,036,000 and \$6,270,000 of interest for the years ended December 31, 2024 and 2023, respectively. At December 31, 2024, the Corporation had approximately \$4,300,000 in future construction commitments.

**Note 6. Resident Deposits**

Resident deposits consist of the following at December 31:

|                                  | <u>2024</u>         | <u>2023</u>          |
|----------------------------------|---------------------|----------------------|
| Resident deposits – Phase I      | \$ 129,300          | \$ 123,600           |
| Resident deposits – Phase II     | 565,436             | 10,532,434           |
| Resident deposits – waiting list | <u>960,000</u>      | <u>903,000</u>       |
| Total resident deposits          | <u>\$ 1,654,736</u> | <u>\$ 11,559,034</u> |

**Note 7. Bonds Payable**

Bonds payable consist of the following at December 31:

|  | <u>2024</u>           | <u>2023</u>           |
|--|-----------------------|-----------------------|
| 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            |
| Series 2021B-2:                              |                       |                       |
| Term bonds due 2024, interest rate of 2.250% | -                     | 22,970,000            |
| Term bonds due 2025, interest rate of 2.250% | -                     | 8,490,000             |
| Series 2021C:                                |                       |                       |
| Term bonds due 2024, interest rate of 2.750% | -                     | 5,295,000             |
| Series 2022A:                                |                       |                       |
| Term bonds due 2049, interest rate of 4.000% | 8,950,000             | 8,975,000             |
| Series 2023A:                                |                       |                       |
| Term bonds due 2052, interest rate of 5.000% | <u>74,235,000</u>     | <u>75,550,000</u>     |
| Total bonds payable                          | 189,365,000           | 264,580,000           |
| Less: current portion                        | (1,400,000)           | (29,605,000)          |
| Less: unamortized debt issuance costs        | (5,566,748)           | (5,753,633)           |
| Less: unamortized original issue discount    | <u>(280,808)</u>      | <u>(293,826)</u>      |
| Total bonds payable, net                     | <u>\$ 182,117,444</u> | <u>\$ 228,927,541</u> |

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***Bond Issuances***

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 in 2023 and used to refund the Series 2021B-1 Bonds, 2021B-2 Bonds and the 2021C Bonds in 2024. 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, 2024, required principal payments of long-term debt for the next five years and thereafter are as follows:

|            |                       |
|------------|-----------------------|
| 2025       | \$ 1,400,000          |
| 2026       | 1,480,000             |
| 2027       | 3,005,000             |
| 2028       | 3,145,000             |
| 2029       | 3,290,000             |
| Thereafter | <u>177,045,000</u>    |
|            | <u>\$ 189,365,000</u> |

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, 2024.

The Corporation incurred deferred financing costs in the amount of approximately \$6,067,000 in association with the issuance of the above Series Bonds at December 31, 2024. Amortization expense of approximately \$187,000 and \$229,000 was recognized during 2024 and 2023, respectively, to the interest expense line item on the statements of operations and changes in net deficit. Accumulated amortization was approximately \$500,000 and \$313,000 for the years ended December 31, 2024 and 2023, respectively. During year ended December 31, 2023,



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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 development, construction, and marketing of Phase I 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, 2024 and 2023. The Corporation owes approximately \$634,000 and \$597,000 to Searstone – RLA, Inc. for management services at December 31, 2024 and 2023, 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, 2024 and 2023, respectively, follows:

|  | <b>2024</b>             |                          |                             |                      |
|--|-------------------------|--------------------------|-----------------------------|----------------------|
|  | <b><u>Match Cap</u></b> | <b><u>Sears Farm</u></b> | <b><u>Deferred Fees</u></b> | <b><u>Total</u></b>  |
| Original obligation                    | \$ 6,800,000            | \$ 7,701,530             | \$ 3,317,249                | \$ 17,818,779        |
| 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                       | <u>5,117,000</u>        | <u>1,798,475</u>         | <u>220,998</u>              | <u>7,136,473</u>     |
| Total                                  | <u>\$ 11,917,000</u>    | <u>\$ 4,188,475</u>      | <u>\$ 3,538,247</u>         | <u>\$ 19,643,722</u> |
|  | <b>2023</b>             |                          |                             |                      |
|  | <b><u>Match Cap</u></b> | <b><u>Sears Farm</u></b> | <b><u>Deferred Fees</u></b> | <b><u>Total</u></b>  |
| 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                       | <u>4,709,000</u>        | <u>1,655,075</u>         | <u>196,998</u>              | <u>6,561,073</u>     |
| Total                                  | <u>\$ 11,509,000</u>    | <u>\$ 4,045,075</u>      | <u>\$ 3,501,072</u>         | <u>\$ 19,055,147</u> |

## 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 expansion of the Community. There were approximately \$2,246,000 and \$953,000 in fees paid to Greenbrier for the year ended December 31, 2024 and 2023, 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 support to Greenbrier for the design and construction, regulatory, financing and project management of the construction of Phase II of the Community, as well as monitor the construction of Phase I of the Community on behalf of the Corporation. SHKW has earned the fees set forth in the following chart:

|  | <u>Development<br/>Services</u> | <u>Architectural<br/>Services</u> | <u>Total</u>        |
|--|---------------------------------|-----------------------------------|---------------------|
| 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 | <u>673,333</u>                  | <u>37,741</u>                     | <u>711,074</u>      |
| Total fees                                     | <u>\$ 1,440,000</u>             | <u>\$ 1,713,647</u>               | <u>\$ 3,153,647</u> |

There were no fees earned by SHKW for the years ended December 31, 2024 and 2023. 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

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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 temporary 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 \$494,000 and \$396,000 in fiscal years 2024 and 2023, respectively. Of the fees earned under the Initial Management Agreement, approximately \$413,000 at December 31, 2024 and 2023, 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 in connection with the initial marketing of Phase I of the Community, including coordinating and managing and assisting the marketing staff of the Community, developing and supervising the implementation of a marketing and sales plan, assist the Corporation in training and monitoring of the Community's marketing and sales staff, providing and coordinate administrative support in the managing of admission criteria for residents to the Community, providing and coordinating administrative support for the Community's processing of applications including maintaining appropriate records, and attending resident presentations, meetings, and marketing events. 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.

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## **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, 2024 and 2023.

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

|                                     | <b>December 31, 2024</b> |                     |                |                      |
|-------------------------------------|--------------------------|---------------------|----------------|----------------------|
|                                     | <b>Level 1</b>           | <b>Level 2</b>      | <b>Level 3</b> | <b>Total</b>         |
| Money market funds                  | \$ 48,943,824            | \$ -                | \$ -           | \$ 48,943,824        |
| Common stocks                       | 2,503,538                | -                   | -              | 2,503,538            |
| Corporate bonds                     | -                        | 2,081,037           | -              | 2,081,037            |
| U.S. Treasury and agency securities | 7,693,232                | -                   | -              | 7,693,232            |
| Mutual funds – fixed income         | 869,286                  | -                   | -              | 869,286              |
| Mutual funds – equities             | 275,719                  | -                   | -              | 275,719              |
| Exchange-traded funds               | 107,389                  | -                   | -              | 107,389              |
| <b>Total</b>                        | <b>\$ 60,392,988</b>     | <b>\$ 2,081,037</b> | <b>\$ -</b>    | <b>\$ 62,474,025</b> |

The Corporation had \$15,515 of accrued interest included within investments and assets limited as to use which are not included in the fair value hierarchy.

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Marketable equity securities have a market value of \$11,807,762 with a cost of \$11,751,005 in 2024. This resulted in a net unrealized gain on marketable equity securities of \$68,695.

|                                     | <b>December 31, 2023</b> |                     |                |                      |
|-------------------------------------|--------------------------|---------------------|----------------|----------------------|
|                                     | <b>Level 1</b>           | <b>Level 2</b>      | <b>Level 3</b> | <b>Total</b>         |
| 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               |
| <b>Total</b>                        | <b>\$ 59,123,404</b>     | <b>\$ 1,529,200</b> | <b>\$ -</b>    | <b>\$ 60,652,604</b> |

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.

#### **Note 11. Net Assets with Donor Restrictions**

Net assets with donor restrictions that are temporary in nature consist of the following at December 31, 2024 and 2023:

|                      | <b>2024</b> | <b>2023</b> |
|----------------------|-------------|-------------|
| Financial assistance | \$ 580,340  | \$ 480,922  |

#### **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.

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

| <u>Asset Categories</u>                  | <u>2024</u>          | <u>2023</u>         |
|--|----------------------|---------------------|
| Cash and cash equivalents                | \$ 3,051,145         | \$ 809,979          |
| Accounts receivable                      | 210,013              | 192,237             |
| Other accounts receivable                | -                    | 144,706             |
| Sales tax receivable                     | 189,359              | 621,449             |
| Investments and assets limited as to use | 62,489,540           | 71,279,232          |
| Less: Held by trustee                    | (23,590,124)         | (51,202,797)        |
| Less: Reserves required by state statute | (4,198,073)          | (3,339,000)         |
| Less: Resident deposits                  | -                    | (10,532,434)        |
| Less: Other                              | (70,415)             | (70,565)            |
|  | <u>\$ 38,081,445</u> | <u>\$ 7,902,807</u> |

**Note 13. Contingencies**

The Corporation is involved in litigation in the ordinary course of business related to professional liability claims. Management believes all claims will be settled within the limits of insurance coverage. However, the ultimate settlement of these cases and losses, if any, to the Corporation cannot be estimated at this time. Other claims may be asserted arising from past services provided through December 31, 2024. Management believes these claims, if asserted, would be settled within the limits of insurance coverage. General and professional liability coverage is on an occurrence basis for individual claims up to \$1,000,000 per occurrence, with a total annual aggregate of \$3,000,000.

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**Note 14. 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, 2024 and 2023:

| <b>2024</b>                 |                         |                        |                        |                                   |                   |                   |                      |
|-----------------------------|-------------------------|------------------------|------------------------|-----------------------------------|-------------------|-------------------|----------------------|
|                             | <b>Program Services</b> |                        |                        | <b>Administrative and General</b> | <b>Marketing</b>  | <b>Highview</b>   | <b>Total</b>         |
|                             | <b>Independent</b>      | <b>Assisted Living</b> | <b>Skilled Nursing</b> |                                   |                   |                   |                      |
| General and administrative  | \$ -                    | \$ -                   | \$ -                   | \$ 1,048,672                      | \$ 9,229          | \$ 8,639          | \$ 2,066,540         |
| Marketing and advertising   | -                       | -                      | -                      | 11,481                            | 33,312            | 727,873           | 772,666              |
| Payroll and related expense | -                       | 745,075                | 1,190,186              | 6,235,915                         | 213,794           | 75,101            | 8,460,071            |
| Utilities and facilities    | -                       | 17,076                 | 27,277                 | 2,568,919                         | 668               | -                 | 2,613,940            |
| Operating and maintenance   | -                       | 26,284                 | 41,986                 | 3,054,011                         | 2,176             | 1,169             | 3,125,626            |
| Taxes and insurance         | 589,969                 | -                      | -                      | -                                 | -                 | -                 | 589,969              |
| Interest expense            | -                       | -                      | -                      | 8,895,049                         | -                 | -                 | 8,895,049            |
| Depreciation                | 5,326,816               | 363,192                | 363,192                | -                                 | -                 | -                 | 6,053,200            |
| Amortization                | -                       | -                      | -                      | 238,925                           | -                 | -                 | 238,925              |
| <b>Total expenses</b>       | <b>\$ 5,916,785</b>     | <b>\$ 1,151,627</b>    | <b>\$ 1,622,641</b>    | <b>\$ 22,052,972</b>              | <b>\$ 259,179</b> | <b>\$ 812,782</b> | <b>\$ 32,815,986</b> |

| <b>2023</b>                 |                         |                        |                        |                                   |                   |                   |                      |
|-----------------------------|-------------------------|------------------------|------------------------|-----------------------------------|-------------------|-------------------|----------------------|
|                             | <b>Program Services</b> |                        |                        | <b>Administrative and General</b> | <b>Marketing</b>  | <b>Highview</b>   | <b>Total</b>         |
|                             | <b>Independent</b>      | <b>Assisted Living</b> | <b>Skilled Nursing</b> |                                   |                   |                   |                      |
| 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              | 4,339,735                         | 242,648           | 80,935            | 6,514,005            |
| Utilities and facilities    | -                       | 13,171                 | 21,040                 | 1,838,298                         | 637               | 2,846             | 1,875,992            |
| Operating and maintenance   | -                       | 23,000                 | 36,740                 | 2,549,177                         | 7,530             | 4,131             | 2,620,578            |
| Taxes and insurance         | 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            |
| Amortization                | -                       | -                      | -                      | 256,588                           | -                 | -                 | 256,588              |
| <b>Total expenses</b>       | <b>\$ 3,294,430</b>     | <b>\$ 948,915</b>      | <b>\$ 1,396,183</b>    | <b>\$ 16,024,405</b>              | <b>\$ 279,967</b> | <b>\$ 639,081</b> | <b>\$ 22,582,981</b> |

### **Exhibit 3**

#### **Comparison between Forecasted Financial Statements and Actual Financial Statements**

[see attached]



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**Comparison of Audit to Forecast Statements**  
**Year Ending December 31, 2024**

|  | Audit                 | Forecast              | Variance             |
|--|-----------------------|-----------------------|----------------------|
| <b>Balance Sheet</b>                           | <b>2024</b>           | <b>2024</b>           | <b>+(-)</b>          |
| <b>Assets</b>                                  |                       |                       |                      |
| Current assets:                                |                       |                       |                      |
| Cash and cash equivalents                      |                       |                       |                      |
| Unrestricted Cash                              | \$ 3,051,145          | \$ 2,287,000          | \$ 764,145 A         |
| Assets limited as to use, current portion      | 2,347,815             | 646,000               | 1,701,815 A          |
| Accounts receivable                            | 210,013               | 280,000               | (69,987)             |
| Sales tax receivable                           | 189,359               | 560,000               | (370,641) C          |
| Prepaid expenses                               | 291,002               | 701,000               | (409,998) G          |
| Short-term investments                         | 4,027,064             | -                     | 4,027,064 A          |
| Total current assets                           | 10,116,398            | 4,474,000             | 5,642,398            |
| Non-current assets:                            |                       |                       |                      |
| Assets limited as to use, less current portion | 56,114,661            | 49,792,000            | 6,322,661 A          |
| Property, Plant and equipment, net             | 253,076,732           | 253,517,000           | (440,268) D          |
| Other Receivables                              | -                     | -                     | -                    |
| Note Receivable                                | -                     | -                     | -                    |
| Deferred marketing costs, net                  | 337,679               | -                     | 337,679 F            |
| Total non-current assets                       | 309,529,072           | 303,309,000           | 6,220,072            |
| <b>Total assets</b>                            | <b>\$ 319,645,470</b> | <b>\$ 307,783,000</b> | <b>\$ 11,862,470</b> |
| <b>Liabilities and Net Deficits</b>            |                       |                       |                      |
| Current liabilities:                           |                       |                       |                      |
| Bonds payable, current portion                 | \$ 1,400,000          | \$ 1,400,000          | \$ -                 |
| Accounts payable                               | 5,579,750             | 701,000               | 4,878,750 E          |
| Accrued interest payable                       | 693,079               | 508,000               | 185,079              |
| Resident refunds payable                       | 7,120,382             | -                     | 7,120,382 B          |
| Resident deposits                              | 1,654,736             | 1,027,000             | 627,736 A            |
| Other liabilities                              | 300,965               | 280,000               | 20,965               |
| Total current liabilities                      | 16,748,912            | 3,916,000             | 12,832,912           |
| Long-term liabilities:                         |                       |                       |                      |
| Bonds Payable, less current portion            | 182,117,444           | 182,277,000           | (159,556)            |
| PPP note payable, less current portion, net    | -                     | -                     | -                    |
| Subordinate Obligations                        | 19,643,722            | 19,660,000            | (16,278)             |
| Deferred Revenue - Refundable Entrance Fees    | 171,715,534           | 190,351,000           | (18,635,466) A       |
| Deferred revenue from advance fees             | 29,782,720            | 14,811,000            | 14,971,720 A         |
| Total long-term liabilities                    | 403,259,420           | 407,099,000           | (3,839,580)          |
| <b>Total liabilities</b>                       | <b>420,008,332</b>    | <b>411,015,000</b>    | <b>8,993,332</b>     |
| Net Assets (deficits)                          |                       |                       |                      |
| Without donor restrictions                     | (100,943,202)         | (103,713,000)         | 2,769,798            |
| With donor restrictions                        | 580,340               | 481,000               | 99,340               |
| Net deficits                                   | (100,362,862)         | (103,232,000)         | 2,869,138            |
| <b>Total liabilities and net deficit</b>       | <b>\$ 319,645,470</b> | <b>\$ 307,783,000</b> | <b>\$ 11,862,470</b> |

**Samaritan Housing Foundation, Inc. d/b/a Searstone Retirement Community**  
**Comparison of Audit to Forecast Statements**  
**Year Ending December 31, 2024**

|  | Audit                   | Forecast                | Variance            |
|--|-------------------------|-------------------------|---------------------|
| <b>Statements of Operations</b>                          | <b>2024</b>             | <b>2024</b>             | <b>+(-)</b>         |
| Revenues:  |                         |                         |                     |
| Monthly Service Fees:                                    |                         |                         |                     |
| Independent Living                                       | \$ 17,001,846           | \$ 18,220,000           | \$ (1,218,154) H    |
| Assisted Living  | 545,298                 | 750,835                 | (205,537) H         |
| Skilled Nursing Services                                 | 1,476,547               | 1,291,165               | 185,382 H           |
| Advance fee amortization                                 | 2,848,000               | 2,105,000               | 743,000 I           |
| Interest Income  | 3,199,022               | 2,909,000               | 290,022 J           |
| Contributions  | -                       | -                       | -                   |
| Other  | 1,839,320               | 171,000                 | 1,668,320 H         |
| Total Revenues   | <u>26,910,033</u>       | <u>25,447,000</u>       | <u>1,463,033</u>    |
| Expenses:  |                         |                         |                     |
| General and administrative                               | 6,818,414               | 6,005,000               | (813,414) K         |
| Depreciation and amortization                            | 6,092,219               | 6,878,000               | 785,781 L           |
| Dining services  | 4,106,162               | 3,701,000               | (405,162) K         |
| Marketing  | 1,071,961               | 1,373,000               | 301,039 K           |
| Healthcare Services                                      | 2,157,553               | 2,421,000               | 263,447 K           |
| Buildings and grounds maintenance                        | 1,455,626               | 1,497,000               | 41,374              |
| Houskeeping  | 657,912                 | 770,000                 | 112,088             |
| Resident Life  | 259,982                 | 1,289,000               | 1,029,018 K         |
| Other  | 1,101,204               | -                       | (1,101,204) K       |
| Interest   | 9,094,953               | 9,958,000               | 863,047 M           |
| Total Operating Expenses                                 | <u>32,815,986</u>       | <u>33,892,000</u>       | <u>1,076,014</u>    |
| Net Loss from Operations                                 | (5,905,953)             | (8,445,000)             | 2,539,047           |
| Non-Operating gains (losses)                             |                         |                         |                     |
| Net unrealized & realized loss on short-term investments | 231,011                 | -                       | 231,011             |
| Net Non Operating losses                                 | 231,011                 | -                       | 231,011             |
| Increase in unrestricted net deficit                     | (5,674,942)             | (8,445,000)             | 2,770,058           |
| Change in net assets with donor restrictions             | 99,418                  | -                       | 99,418              |
| Increase in net deficit                                  | (5,575,524)             | (8,445,000)             | 2,869,476           |
| Net deficit, beginning of year                           | (94,787,338)            | (94,787,000)            | (338)               |
| Net Deficit, end of year                                 | <u>\$ (100,362,862)</u> | <u>\$ (103,232,000)</u> | <u>\$ 2,869,138</u> |

**Samaritan Housing Foundation, Inc. d/b/a Searstone Retirement Community**  
**Comparison of Audit to Forecast Statements**  
**Year Ending December 31, 2024**

|   | Audit                | Forecast             | Variance             |
|---|----------------------|----------------------|----------------------|
| Statements of Cash Flows  | 2024                 | 2024                 | +(-)                 |
| Cash flows from Operating activities:   |                      |                      |                      |
| Change in net deficit   | \$ (5,575,524)       | \$ (8,445,000)       | \$ 2,869,476 G,H     |
| Adjustments to reconcile increase in net deficit<br>to net cash provided (used) by operating activities |                      |                      |                      |
| Net unrealized and realized gains on short-term investments   | (231,011)            | 0                    | (231,011)            |
| Proceeds from non-refundable advance fees   | 22,235,482           | 0                    | 22,235,482 A         |
| Depreciation  | 6,052,828            | 6,742,000            | (689,172) H          |
| Amortization of debt issuance costs & bond discount   | 199,902              | 496,000              | (296,098)            |
| Amortization of marketing cost  | 39,391               | 0                    | 39,391               |
| Amortization of advance fees  | (2,847,592)          | (2,105,000)          | (742,592) J          |
| Forgiveness of Paycheck protection program note payable   | 0                    | 0                    | -                    |
| Interest and fee accrued - subordinate obligations  | 588,575              | 605,000              | (16,425)             |
| Contribution of investments   | 0                    | 0                    | -                    |
| Net change in:  |                      |                      |                      |
| Accounts receivable   | 126,930              | 57,000               | 69,930 B             |
| Entrance fees receivable  | 0                    | 0                    | -                    |
| Sales tax receivable  | 432,090              | 61,000               | 371,090              |
| Prepaid expenses  | (54,476)             | (464,000)            | 409,524 F            |
| Deferred marketing cost   | (240,990)            | 0                    | (240,990)            |
| Accounts payable  | (6,453,911)          | (11,333,000)         | 4,879,089 D          |
| Accrued interest payable  | (169,485)            | (355,000)            | 185,515 D            |
| Other liabilities   | 59,830               | 39,000               | 20,830               |
| Resident refund payable   | -                    | (2,791,000)          | 2,791,000            |
| Net cash provided by operating activities   | <u>14,162,039</u>    | <u>(17,493,000)</u>  | <u>31,655,039</u>    |
| Investing activities:   |                      |                      |                      |
| Purchase of property and equipment  | (20,440,781)         | (21,570,000)         | 1,129,219 C          |
| Net change in assets limited as to use  | (4,127,213)          | (8,561,000)          | 4,433,787 A          |
| Net cash used by investing activities   | <u>(24,567,994)</u>  | <u>(30,131,000)</u>  | <u>5,563,006</u>     |
| Financing activities:   |                      |                      |                      |
| Proceeds from bond issuance, net  | -                    | -                    | -                    |
| Payment of Deferred Financing Cost  | -                    | -                    | -                    |
| Payment on subordinated obligations   | -                    | -                    | -                    |
| Payment on Bonds Payable  | (75,215,000)         | (75,215,000)         | -                    |
| Refunds on entrance fees  | (3,468,965)          | (3,224,000)          | (244,965) A          |
| Refundable entrance fees received   | 86,488,070           | 108,670,000          | (22,181,930) A       |
| Resident Deposits received  | (8,304,900)          | (10,532,000)         | 2,227,100 A          |
| Net cash provided by financing activities   | <u>(500,795)</u>     | <u>19,699,000</u>    | <u>(20,199,795)</u>  |
| Net change in cash  | \$ (10,906,750)      | \$ (27,925,000)      | \$ 17,018,250        |
| Cash and cash equivalents, beginning of year  | <u>62,972,134</u>    | <u>62,972,000</u>    | <u>134</u>           |
| Cash and cash equivalents, end of year  | <u>\$ 52,065,384</u> | <u>\$ 35,047,000</u> | <u>\$ 17,018,384</u> |

## 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, 2024, and the related statements of operations and changes in net deficit and cash flows for the year ending December 31, 2024.

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

- A. The items in this group were \$9.8M greater than forecast due to the following reasons: greater than expected entrance fees received for Phase I, slower than anticipated drawings on the Construction Fund, and less expenditure than expected from the Working Capital Fund. Entrance fees received were less than expected for Phase I, however the increased resident deposits were predictive of increased unit sales for 2025.

|  | 2024 Audit         | 2024 Forecast      | Difference       |                             |   |
|--|--------------------|--------------------|------------------|-----------------------------|---|
| Cash and cash equivalents                      | 3,051,145          | 2,287,000          | 764,145          | Balance Sheet - Assets      | A |
| Assets limited as to use, current portion      | 2,347,815          | 646,000            | 1,701,815        | Balance Sheet - Assets      | A |
| Short Term Investments                         | 4,027,064          | -                  | 4,027,064        | Balance Sheet - Assets      | A |
| Assets limited as to use, less current portion | 56,114,661         | 49,792,000         | 6,322,661        | Balance Sheet - Assets      | A |
| Resident deposits                              | 1,654,736          | 1,027,000          | 627,736          | Balance Sheet - Liabilities | A |
| Deferred Revenue - Refundable Entrance Fees    | 171,715,534        | 190,351,000        | (18,635,466)     | Balance Sheet - Liabilities | A |
| Deferred revenue from advance fees             | 29,782,720         | 14,811,000         | 14,971,720       | Balance Sheet - Liabilities | A |
|  | <u>268,693,675</u> | <u>258,914,000</u> | <u>9,779,675</u> |                             |   |

- B. Resident Refunds Payable were \$7.1M greater than forecast mainly due to slower than expected turnover of Phase I units. All outstanding refunds as of 12/31/2024 are scheduled to be paid by 9/30/2025.

|                          | 2024 Audit | 2024 Forecast | Difference |                             |   |
|--------------------------|------------|---------------|------------|-----------------------------|---|
| Resident refunds payable | 7,120,382  | -             | 7,120,382  | Balance Sheet - Liabilities | B |

- C. Sales tax receivable was \$370,461 less than forecasted due to the timing of construction purchases.

|                      | 2024 Audit | 2024 Forecast | Difference |                        |   |
|----------------------|------------|---------------|------------|------------------------|---|
| Sales tax receivable | 189,359    | 560,000       | (370,641)  | Balance Sheet - Assets | C |

- D. Property, Plant and equipment, net was \$440,268 less than forecasted due to slower than anticipated construction draws and less than forecasted depreciation.

|                                    | 2024 Audit  | 2024 Forecast | Difference |                        |   |
|------------------------------------|-------------|---------------|------------|------------------------|---|
| Property, Plant and equipment, net | 253,076,732 | 253,517,000   | (440,268)  | Balance Sheet - Assets | D |

- E. Accounts Payable was \$5,579,750 greater than forecasted due to slower than expected construction draws.

|                  | 2024 Audit | 2024 Forecast | Difference |                             |   |
|------------------|------------|---------------|------------|-----------------------------|---|
| Accounts payable | 5,579,750  | 701,000       | 4,878,750  | Balance Sheet - Liabilities | E |

- F. Deferred marketing costs, net were \$337,679 greater than forecasted due to a forecast error.

|                               | 2024 Audit | 2024 Forecast | Difference |                        |   |
|-------------------------------|------------|---------------|------------|------------------------|---|
| Deferred marketing costs, net | 337,679    | -             | 337,679    | Balance Sheet - Assets | F |

- G. Prepaid expenses were \$409,998 less than forecasted due to an overly conservative estimate in the forecast.

|                  | 2024 Audit | 2024 Forecast | Difference |                        |   |
|------------------|------------|---------------|------------|------------------------|---|
| Prepaid expenses | 291,002    | 701,000       | (409,998)  | Balance Sheet - Assets | G |

- H. Monthly Service Fees and Other Revenue were \$430,011 greater than forecasted due to faster than forecasted occupancy of Phase II.

|                          | 2024 Audit        | 2024 Forecast     | Difference     |                  |   |
|--------------------------|-------------------|-------------------|----------------|------------------|---|
| Monthly Service Fees:    |                   |                   |                |                  |   |
| Independent Living       | 17,001,846        | 18,220,000        | (1,218,154)    | Income Statement | H |
| Assisted Living          | 545,298           | 750,835           | (205,537)      | Income Statement | H |
| Skilled Nursing Services | 1,476,547         | 1,291,165         | 185,382        | Income Statement | H |
| Other                    | 1,839,320         | 171,000           | 1,668,320      | Income Statement | H |
|                          | <u>20,863,011</u> | <u>20,433,000</u> | <u>430,011</u> |                  |   |

- I. Advance fee amortization is \$743,000 over forecast due to a conservative forecasted estimate.

|                          | 2024 Audit | 2024 Forecast | Difference |                  |   |
|--------------------------|------------|---------------|------------|------------------|---|
| Advance fee amortization | 2,848,000  | 2,105,000     | 743,000    | Income Statement | I |

- J. Interest income was \$290,022 greater than forecasted due to greater than forecasted interest rates and greater collection of Phase II Entrance Fees than forecasted.

|                 | 2024 Audit | 2024 Forecast | Difference |                  |   |
|-----------------|------------|---------------|------------|------------------|---|
| Interest Income | 3,199,022  | 2,909,000     | 290,022    | Income Statement | J |

K. Operating Expenses were \$726,276 greater than forecasted due mainly to faster than expected occupancy of Phase II.

|                            | 2024 Audit        | 2024 Forecast     | Difference       |                  |   |
|----------------------------|-------------------|-------------------|------------------|------------------|---|
| General and administrative | 6,818,414         | 6,005,000         | (813,414)        | Income Statement | K |
| Dining services            | 4,106,162         | 3,701,000         | (405,162)        | Income Statement | K |
| Marketing                  | 1,071,961         | 1,373,000         | 301,039          | Income Statement | K |
| Healthcare Services        | 2,157,553         | 2,421,000         | 263,447          | Income Statement | K |
| Resident Life              | 259,982           | 1,289,000         | 1,029,018        | Income Statement | K |
| Other                      | 1,101,204         | -                 | (1,101,204)      | Income Statement | K |
|                            | <u>15,515,276</u> | <u>14,789,000</u> | <u>(726,276)</u> |                  |   |

L. Depreciation and amortization were \$785,781 less than forecasted due to timing of the commencement of depreciation for Phase II.

|                               | 2024 Audit | 2024 Forecast | Difference |                  |   |
|-------------------------------|------------|---------------|------------|------------------|---|
| Depreciation and amortization | 6,092,219  | 6,878,000     | 785,781    | Income Statement | L |

M. Interest Expense was \$863,047 less than forecasted due to accelerated pay off of the Series B-1, B-2 and C Bonds.

|                  | 2024 Audit | 2024 Forecast | Difference |                  |   |
|------------------|------------|---------------|------------|------------------|---|
| Interest Expense | 9,094,953  | 9,958,000     | 863,047    | Income Statement | M |

**Exhibit 4**

**Interim Financial Statements**

[see attached]

**Samaritan Housing Foundation, Inc**  
**Balance Sheet**

|                           | February 28,<br>2025 | March 31,<br>2025    | Difference         |  | December 31,<br>2024 | March 31,<br>2025    | Difference         |
|---------------------------|----------------------|----------------------|--------------------|--|----------------------|----------------------|--------------------|
| <b>Assets</b>             |                      |                      |                    |  |                      |                      |                    |
| Current Assets            |                      |                      |                    |  |                      |                      |                    |
| Cash and Cash Equivalents | \$3,357,416          | \$4,571,638          | \$1,214,222        |  | \$3,051,144          | \$4,571,638          | \$1,520,494        |
| Accounts Receivable, Net  | 375,703              | 872,873              | 497,170            |  | 399,372              | 872,873              | 473,501            |
| Other Current Assets      | 237,561              | 258,002              | 20,441             |  | 291,002              | 258,002              | (33,000)           |
| Total Current Assets      | 3,970,680            | 5,702,513            | 1,731,833          |  | 3,741,518            | 5,702,513            | 1,960,995          |
| Fixed Assets, Net         |                      |                      |                    |  |                      |                      |                    |
| Fixed Assets              | 273,500,437          | 274,813,704          | 1,313,267          |  | 272,233,803          | 274,813,704          | 2,579,901          |
| Accumulated Depreciation  | 38,511,809           | 39,133,887           | 622,078            |  | 37,269,754           | 39,133,887           | 1,864,133          |
| Total Fixed Assets, Net   | 234,988,628          | 235,679,817          | 1,935,345          |  | 234,964,049          | 235,679,817          | 4,444,034          |
| Investments               |                      |                      |                    |  |                      |                      |                    |
| Long Term Investments     | 38,802,713           | 38,901,378           | 98,665             |  | 8,945,136            | 38,901,378           | 29,956,242         |
| Total Investments         | 38,802,713           | 38,901,378           | 2,034,010          |  | 8,945,136            | 38,901,378           | 34,400,276         |
| Other Assets              |                      |                      |                    |  |                      |                      |                    |
| Deposits and Prepayments  | 70,415               | 70,415               | -                  |  | 70,415               | 70,415               | -                  |
| Escrows and Reserves      | 26,097,626           | 27,424,876           | 1,327,250          |  | 53,473,989           | 27,424,876           | (26,049,113)       |
| Other Assets              | 23,985,947           | 23,972,155           | (13,792)           |  | 24,017,110           | 23,972,155           | (44,955)           |
| <b>Total Assets</b>       | <b>\$327,916,009</b> | <b>\$331,751,154</b> | <b>\$3,835,145</b> |  | <b>\$325,212,217</b> | <b>\$331,751,154</b> | <b>\$6,538,937</b> |



**Samaritan Housing Foundation, Inc**  
**Balance Sheet**

|  | February 28,<br>2025 | March 31,<br>2025    | Difference         |   | December 31,<br>2024 | March 31,<br>2025    | Difference         |
|--|----------------------|----------------------|--------------------|---|----------------------|----------------------|--------------------|
|  |                      |                      |                    | <b>Liabilities and Net Assets</b>       |                      |                      |                    |
|  |                      |                      |                    | <b>Liabilities</b>                      |                      |                      |                    |
|  |                      |                      |                    | Current Liabilities                     |                      |                      |                    |
|  | \$1,372,390          | \$1,017,861          | (\$354,529)        | Accounts Payable                        | \$2,483,465          | \$1,017,861          | (\$1,465,604)      |
|  | 5,323,718            | 7,198,321            | 1,874,603          | Accrued Liabilities                     | 4,085,146            | 7,198,321            | 3,113,175          |
|  | (1,226)              | (638)                | 588                | Sales & Use Tax Payable                 | 5,178                | (638)                | (5,816)            |
|  | 1,582,693            | 1,923,093            | 340,400            | Other Current Liabilities               | 1,654,736            | 1,923,093            | 268,357            |
|  | 8,277,575            | 10,138,637           | 1,861,062          | Total Current Liabilities               | 8,228,525            | 10,138,637           | 1,910,112          |
|  |                      |                      |                    | Long Term Liabilities                   |                      |                      |                    |
|  | 189,086,362          | 189,087,447          | 1,085              | Bonds Payable                           | 189,084,192          | 189,087,447          | 3,255              |
|  | 181,633,099          | 183,698,250          | 2,065,151          | Refundable Entrance Fees                | 178,835,915          | 183,698,250          | 4,862,335          |
|  | 370,719,461          | 372,785,697          | 2,066,236          | Total Long Term Liabilities             | 367,920,108          | 372,785,697          | 4,865,590          |
|  |                      |                      |                    | Other Liabilities                       |                      |                      |                    |
|  | 29,889,285           | 30,102,363           | 213,078            | Deferred Revenue                        | 29,782,720           | 30,102,363           | 319,643            |
|  | 19,739,622           | 19,787,571           | 47,949             | Other Liabilities                       | 19,643,722           | 19,787,571           | 143,849            |
|  | 49,628,907           | 49,889,934           | 261,027            | Total Other Liabilities                 | 49,426,442           | 49,889,934           | 463,492            |
|  | 428,625,943          | 432,814,268          | 4,188,325          | Total Liabilities                       | 425,575,075          | 432,814,268          | 7,239,193          |
|  |                      |                      |                    | Net Assets                              |                      |                      |                    |
|  | (100,557,202)        | (100,709,934)        | (152,732)          | Retained Earnings                       | (100,362,858)        | (100,709,934)        | (347,076)          |
|  | (152,732)            | (353,180)            | (200,448)          | Net Income (Loss)                       | 0                    | (353,180)            | (353,180)          |
|  | (100,709,934)        | (101,063,114)        | 3,835,145          | Total Net Assets                        | (100,362,858)        | (101,063,114)        | 6,538,937          |
|  | <b>\$327,916,009</b> | <b>\$331,751,154</b> | <b>\$3,835,145</b> | <b>Total Liabilities and Net Assets</b> | <b>\$325,212,217</b> | <b>\$331,751,154</b> | <b>\$6,538,937</b> |

Samaritan Housing Foundation, Inc.  
Statement of Operations  
For the three months ended March 31, 2025

| March<br>Actual           | March<br>Budget | Variance    |                                    | YTD<br>Actual | YTD<br>Budget | Variance     |
|---------------------------|-----------------|-------------|------------------------------------|---------------|---------------|--------------|
| <b>Operating Revenue</b>  |                 |             |                                    |               |               |              |
| \$ 2,005,642              | \$ 2,013,399    | \$ (7,757)  | Independent Living                 | \$ 5,984,388  | \$ 6,038,908  | \$ (54,520)  |
| 229,823                   | 243,111         | (13,288)    | Brittany Place                     | 685,979       | 659,045       | 26,934       |
| 26,800                    | 14,924          | 11,876      | Miscellaneous                      | 50,114        | 44,772        | 5,342        |
| \$ 2,262,265              | \$ 2,271,434    | \$ (9,169)  | <b>Total Operating Revenue</b>     | \$ 6,720,481  | \$ 6,742,725  | \$ (22,244)  |
| <b>Operating Expenses</b> |                 |             |                                    |               |               |              |
| 589,422                   | 575,275         | (14,147)    | General and Administrative         | 1,851,465     | 1,766,395     | (85,070)     |
| 184,681                   | 216,397         | 31,716      | Brittany Place                     | 545,483       | 620,520       | 75,037       |
| 9,405                     | 13,099          | 3,694       | Clinic                             | 39,902        | 38,090        | (1,812)      |
| 531,293                   | 387,874         | (143,419)   | Dining Services                    | 1,340,180     | 1,138,471     | (201,709)    |
| 25,118                    | 55,587          | 30,469      | Marketing                          | 157,586       | 191,439       | 33,853       |
| 109,742                   | 104,658         | (5,084)     | Building Maintenance               | 337,871       | 329,864       | (8,007)      |
| 66,776                    | 75,908          | 9,132       | Housekeeping                       | 194,020       | 220,893       | 26,873       |
| 29,642                    | 25,569          | (4,073)     | Grounds                            | 156,670       | 129,832       | (26,838)     |
| 72,809                    | 83,614          | 10,805      | Resident Services                  | 197,640       | 243,983       | 46,343       |
| 39,848                    | 35,679          | (4,169)     | Resident Life and Wellness         | 106,762       | 105,651       | (1,111)      |
| 1,658,736                 | 1,573,660       | (85,076)    | <b>Total Operating Expenses</b>    | 4,927,579     | 4,785,138     | (142,441)    |
| \$ 603,529                | \$ 697,774      | \$ (94,245) | <b>Net Operating Income (Loss)</b> | \$ 1,792,902  | \$ 1,957,587  | \$ (164,685) |
| <b>Other Revenue</b>      |                 |             |                                    |               |               |              |
| 170                       | 8,334           | (8,164)     | Contributions                      | 12,835        | 25,002        | (12,167)     |
| 5,321                     | -               | 5,321       | Realized Gains (Losses)            | 17,192        | -             | 17,192       |
| 242,015                   | 85,972          | 156,043     | Interest Income                    | 675,986       | 257,916       | 418,070      |
| 247,506                   | 94,306          | 153,200     | <b>Total Other Revenue</b>         | 706,013       | 282,918       | 423,095      |

Samaritan Housing Foundation, Inc.  
Statement of Operations  
For the three months ended March 31, 2025

| March<br>Actual                            | March<br>Budget | Variance     | YTD<br>Actual | YTD<br>Budget | Variance  |
|--|-----------------|--------------|---------------|---------------|-----------|
| Other Expenses                             |                 |              |               |               |           |
| 741,029                                    | 741,028         | (1)          | 2,223,087     | 2,223,084     | (3)       |
| 741,029                                    | 741,028         | (1)          | 2,223,087     | 2,223,084     | (3)       |
| Total Other Expenses                       |                 |              |               |               |           |
|  |                 |              |               |               |           |
| Non-Cash Income                            |                 |              |               |               |           |
| 270,915                                    | 250,000         | 20,915       | 781,834       | 750,000       | 31,834    |
| -  | 8,333           | (8,333)      | 18,850        | 24,999        | (6,149)   |
| 8,652                                      | 8,333           | 319          | 42,402        | 24,999        | 17,403    |
| 279,567                                    | 266,666         | 12,901       | 843,086       | 799,998       | 43,088    |
| Total Non Cash Income                      |                 |              |               |               |           |
|  |                 |              |               |               |           |
| Non-Cash Expenses                          |                 |              |               |               |           |
| 642,255                                    | 537,397         | (104,858)    | 1,927,443     | 1,612,191     | (315,252) |
| 642,255                                    | 537,397         | (104,858)    | 1,927,443     | 1,612,191     | (315,252) |
| Total Non Cash Expenses                    |                 |              |               |               |           |
|  |                 |              |               |               |           |
| Unrealized Gain/(Loss) on Investment       |                 |              |               |               |           |
| (100,499)                                  | -               | (100,499)    | 108,274       | -             | 108,274   |
| (100,499)                                  | -               | (100,499)    | 108,274       | -             | 108,274   |
| Total Unrealized Gain/(Loss) on Investment |                 |              |               |               |           |
|  |                 |              |               |               |           |
| Loss on early extinguishment of bonds      |                 |              |               |               |           |
|  |                 |              |               |               |           |
| \$ (353,181)                               | \$ (219,679)    | \$ (133,502) | \$ (700,255)  | \$ (794,772)  | \$ 94,517 |
| Net Income (Loss)                          |                 |              |               |               |           |

Samaritan Housing Foundation, Inc.  
Statement of Cash Flows

|   | Month Ending<br>March 31, 2025 | Three Months Ending<br>March 31, 2025 |
|---|--------------------------------|---------------------------------------|
| <b>Cash Flows from Operating Activities</b>                                       |                                |                                       |
| Decrease (Increase) in net deficit  | \$ (353,181)                   | \$ (700,255)                          |
| Adjustment to reconcile increase in<br>net cash provided by operating activities: |                                |                                       |
| Net unrealized (gains) losses   | 100,499                        | (108,274)                             |
| Proceeds from advance fees  | 493,000                        | 1,333,000                             |
| Refunds of advance fees   | (56,984)                       | (79,993)                              |
| Depreciation  | 642,255                        | 1,927,443                             |
| Amortization of Life Care Fees  | (270,915)                      | (800,684)                             |
| Amortization of Personalizations  | (8,652)                        | (42,402)                              |
| Net change in:  |                                |                                       |
| Accounts Receivable   | (497,170)                      | (473,501)                             |
| Other Current Assets  | (20,441)                       | 33,000                                |
| Deposits and Prepayments  | -                              | -                                     |
| Other Assets  | (5,300)                        | (15,100)                              |
| Accounts Payable  | (354,529)                      | (1,465,604)                           |
| Accrued Liabilities   | 1,874,603                      | 3,113,175                             |
| Sales & Use Tax Payable   | 588                            | (5,816)                               |
| Personalizations  | (355)                          | 8,361                                 |
| Other Current Liabilities   | 340,400                        | 268,357                               |
| <b>Net cash provided by operating activities</b>                                  | <u>1,883,818</u>               | <u>2,991,707</u>                      |
| <b>Cash Flows from Investing Activities</b>                                       |                                |                                       |
| Purchase of property and equipment  | (1,313,267)                    | (2,579,901)                           |
| Transfers to capital reserve  | (40,000)                       | (120,000)                             |
| Net change in assets limited as to use and<br>short-term investments              | <u>(1,486,414)</u>             | <u>(3,678,855)</u>                    |
| <b>Net cash provided (used) by investing activities</b>                           | <u>(2,839,681)</u>             | <u>(6,378,756)</u>                    |
| <b>Cash Flows from Financing Activities</b>                                       |                                |                                       |
| Increase in subordinated debt   | 47,950                         | 143,850                               |
| Refundable entrance fees received   | 2,712,000                      | 6,868,441                             |
| Refunds of entrance fees  | (589,865)                      | (2,104,748)                           |
| <b>Net cash provided (used) by financing activities</b>                           | <u>2,170,085</u>               | <u>4,907,543</u>                      |
| <b>Net Change in Cash</b>   | <u>1,214,222</u>               | <u>1,520,494</u>                      |
| <b>Cash and cash equivalents at beginning of period</b>                           | <u>3,357,416</u>               | <u>3,051,144</u>                      |
| <b>Cash and cash equivalents at end of period</b>                                 | <u>\$ 4,571,638</u>            | <u>\$ 4,571,638</u>                   |

**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, 2029**

**(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, 2029**

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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, 2029, 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 assumption that the units and beds associated with the expansion of the health center are successfully marketed and occupied at assumed occupancy levels occurs during the projection period, there will usually be differences between the projected and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

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

**Forvis Mazars, LLP**

Atlanta, Georgia  
May 29, 2025



**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)

|                                       | 2025                | 2026                | 2027                | 2028                | 2029                |
|---------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Revenues:</b>                      |                     |                     |                     |                     |                     |
| Independent living                    | \$ 24,445           | \$ 25,398           | \$ 26,312           | \$ 27,275           | \$ 28,287           |
| Healthcare                            | 2,128               | 2,824               | 3,200               | 3,483               | 3,718               |
| Other revenues                        | 182                 | 193                 | 202                 | 210                 | 219                 |
| Amortization of advance fees          | 3,199               | 3,328               | 3,461               | 3,600               | 3,743               |
| Investment income                     | 2,400               | 2,093               | 1,020               | 1,072               | 1,122               |
| <b>Total revenues</b>                 | <b>32,354</b>       | <b>33,836</b>       | <b>34,195</b>       | <b>35,640</b>       | <b>37,089</b>       |
| <b>Expenses:</b>                      |                     |                     |                     |                     |                     |
| General operating and administrative  | 6,313               | 6,565               | 6,828               | 7,101               | 7,385               |
| Dining services                       | 4,792               | 5,001               | 5,192               | 5,387               | 5,589               |
| Marketing                             | 819                 | 852                 | 886                 | 921                 | 957                 |
| Healthcare services                   | 2,880               | 2,994               | 3,111               | 3,232               | 3,358               |
| Building and grounds maintenance      | 1,789               | 1,867               | 1,938               | 2,012               | 2,087               |
| Housekeeping                          | 980                 | 1,019               | 1,060               | 1,102               | 1,146               |
| Resident life                         | 1,569               | 1,632               | 1,696               | 1,764               | 1,834               |
| Interest expense                      | 9,211               | 9,132               | 9,018               | 8,870               | 8,239               |
| Depreciation                          | 8,104               | 8,202               | 8,417               | 8,668               | 8,937               |
| Amortization-deferred marketing costs | 30                  | 30                  | 30                  | 30                  | 30                  |
| <b>Total operating expenses</b>       | <b>36,487</b>       | <b>37,294</b>       | <b>38,176</b>       | <b>39,087</b>       | <b>39,562</b>       |
| <b>Increase in net deficit</b>        | <b>(4,133)</b>      | <b>(3,458)</b>      | <b>(3,981)</b>      | <b>(3,447)</b>      | <b>(2,473)</b>      |
| <b>Net deficit, beginning of year</b> | <b>(100,363)</b>    | <b>(104,496)</b>    | <b>(107,954)</b>    | <b>(111,935)</b>    | <b>(115,382)</b>    |
| <b>Net deficit, end of year</b>       | <b>\$ (104,496)</b> | <b>\$ (107,954)</b> | <b>\$ (111,935)</b> | <b>\$ (115,382)</b> | <b>\$ (117,855)</b> |

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

|  | 2025               | 2026             | 2027             | 2028             | 2029             |
|--|--------------------|------------------|------------------|------------------|------------------|
| <b>Operating activities:</b>   |                    |                  |                  |                  |                  |
| Change in net deficit  | \$ (4,133)         | \$ (3,458)       | \$ (3,981)       | \$ (3,447)       | \$ (2,473)       |
| Adjustments to reconcile change in net deficit to net cash provided by (used in) operating activities: |                    |                  |                  |                  |                  |
| Proceeds from nonrefundable advance fees-turnover  | 288                | 291              | 316              | 339              | 359              |
| Depreciation   | 8,104              | 8,202            | 8,417            | 8,668            | 8,937            |
| Amortization of deferred marketing costs   | 30                 | 30               | 30               | 30               | 30               |
| 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   | (3,199)            | (3,328)          | (3,461)          | (3,600)          | (3,743)          |
| Net change in:   |                    |                  |                  |                  |                  |
| Accounts receivable  | (10)               | (14)             | (10)             | (11)             | (10)             |
| Sales tax receivable   | (104)              | (18)             | (15)             | (13)             | (14)             |
| Prepaid expenses   | (24)               | (13)             | (12)             | 19               | (46)             |
| Accounts payable   | (4,793)            | 32               | 32               | (49)             | 117              |
| Other liabilities  | 14                 | 13               | 12               | (19)             | 46               |
| Accrued interest payable   | (6)                | (6)              | (11)             | (12)             | (12)             |
| Resident refund payable  | (5,947)            | 73               | 57               | 55               | 55               |
| <b>Net cash provided by (used in) operating activities</b>   | <b>(9,420)</b>     | <b>2,164</b>     | <b>1,734</b>     | <b>2,320</b>     | <b>3,606</b>     |
| <b>Investing activities:</b>   |                    |                  |                  |                  |                  |
| Project capital additions  | (3,000)            | -                | -                | -                | -                |
| Routine capital additions  | (1,550)            | (1,955)          | (2,355)          | (2,655)          | (2,735)          |
| (Increase) decrease in unrestricted assets limited to use  | (10)               | (195)            | (193)            | (200)            | (87)             |
| (Purchase) sale of investments   | (32,936)           | (3,319)          | (3,121)          | (3,384)          | (2,399)          |
| <b>Net cash used in investing activities</b>   | <b>(37,496)</b>    | <b>(5,469)</b>   | <b>(5,669)</b>   | <b>(6,239)</b>   | <b>(5,221)</b>   |
| <b>Financing activities:</b>   |                    |                  |                  |                  |                  |
| Payment of Series 2022 Bonds   | (25)               | (30)             | (30)             | (30)             | (30)             |
| Payment of Series 2021A Bonds  | -                  | -                | (1,450)          | (1,510)          | (1,580)          |
| Payment of Series 2023 Bonds   | (1,375)            | (1,450)          | (1,525)          | (1,605)          | (1,680)          |
| Payment of Subordinate Obligations   | (8,000)            | (1,600)          | (862)            | (2,255)          | (3,100)          |
| Change in Subordinate Obligations  | 575                | 568              | 564              | 555              | 69               |
| Entrance fees received-initial   | 5,418              | -                | -                | -                | -                |
| Refundable entrance fees received-turnover   | 19,535             | 19,936           | 21,851           | 23,693           | 25,376           |
| Entrance fee refunds   | (10,401)           | (12,475)         | (14,415)         | (15,085)         | (16,869)         |
| <b>Net cash provided by financing activities</b>   | <b>5,727</b>       | <b>4,949</b>     | <b>4,133</b>     | <b>3,763</b>     | <b>2,186</b>     |
| <b>Net change in cash, cash equivalents, and restricted cash</b>                                       | <b>\$ (41,189)</b> | <b>\$ 1,644</b>  | <b>\$ 198</b>    | <b>\$ (156)</b>  | <b>\$ 571</b>    |
| Cash, cash equivalents, and restricted cash, beginning of year   | 56,745             | 15,556           | 17,200           | 17,398           | 17,242           |
| <b>Cash, cash equivalents, and restricted cash, end of year</b>  | <b>\$ 15,556</b>   | <b>\$ 17,200</b> | <b>\$ 17,398</b> | <b>\$ 17,242</b> | <b>\$ 17,813</b> |
| <b>Reconciliation of cash, cash equivalents, and restricted cash:</b>                                  |                    |                  |                  |                  |                  |
| Cash and cash equivalents  | 2,659              | 3,549            | 3,688            | 3,474            | 3,981            |
| Assets whose use is limited (trustee held)   |                    |                  |                  |                  |                  |
| Resident Deposits  | 70                 | 70               | 70               | 70               | 70               |
| Investments - restricted portion   | 151                | 151              | 151              | 151              | 151              |
| Parity Debt Service Reserve Fund   | 11,251             | 11,251           | 11,251           | 11,251           | 11,251           |
| Bond Fund  | 1,425              | 2,179            | 2,238            | 2,296            | 2,360            |
| <b>Cash, cash equivalents, and restricted cash, end of year</b>  | <b>15,556</b>      | <b>17,200</b>    | <b>17,398</b>    | <b>17,242</b>    | <b>17,813</b>    |

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)

|   | 2025              | 2026              | 2027              | 2028              | 2029              |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Assets</b>   |                   |                   |                   |                   |                   |
| Current assets:                                       |                   |                   |                   |                   |                   |
| Cash and cash equivalents                             | 2,659             | 3,549             | 3,688             | 3,474             | 3,981             |
| Assets limited as to use, current portion             | 1,425             | 2,179             | 2,238             | 2,296             | 2,360             |
| Accounts receivable                                   | 220               | 234               | 244               | 255               | 265               |
| Sales tax receivable                                  | 293               | 311               | 326               | 339               | 353               |
| Prepaid expenses                                      | 315               | 328               | 340               | 321               | 367               |
| <b>Total current assets</b>                           | <b>4,912</b>      | <b>6,601</b>      | <b>6,836</b>      | <b>6,685</b>      | <b>7,326</b>      |
| Investments   | 36,963            | 40,282            | 43,403            | 46,787            | 49,186            |
| Assets limited as to use:                             |                   |                   |                   |                   |                   |
| Resident Deposits                                     | 70                | 70                | 70                | 70                | 70                |
| Parity Debt Service Reserve Fund                      | 11,251            | 11,251            | 11,251            | 11,251            | 11,251            |
| Statutory Operating Reserve Fund                      | 4,928             | 5,123             | 5,316             | 5,516             | 5,603             |
| Bond Fund   | 1,425             | 2,179             | 2,238             | 2,296             | 2,360             |
| Total assets limited as to use                        | 17,674            | 18,623            | 18,875            | 19,133            | 19,284            |
| Less: current portion                                 | (1,425)           | (2,179)           | (2,238)           | (2,296)           | (2,360)           |
| <b>Assets limited as to use, less current portion</b> | <b>16,249</b>     | <b>16,444</b>     | <b>16,637</b>     | <b>16,837</b>     | <b>16,924</b>     |
| Property and equipment, net                           | 249,523           | 243,276           | 237,214           | 231,201           | 224,999           |
| Deferred marketing costs, net                         | 308               | 278               | 248               | 218               | 188               |
| Total non-current assets                              | 266,080           | 259,998           | 254,099           | 248,256           | 242,111           |
| <b>Total assets</b>                                   | <b>\$ 307,955</b> | <b>\$ 306,881</b> | <b>\$ 304,338</b> | <b>\$ 301,728</b> | <b>\$ 298,623</b> |

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 (continued)  
As of December 31,  
(In Thousands)

|   | 2025              | 2026              | 2027              | 2028              | 2029              |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Liabilities and Net Deficit</b>                        |                   |                   |                   |                   |                   |
| <b>Current liabilities:</b>                               |                   |                   |                   |                   |                   |
| Accounts payable  | \$ 787            | \$ 819            | \$ 851            | \$ 802            | \$ 919            |
| Accrued interest payable                                  | 687               | 681               | 670               | 658               | 646               |
| Resident refunds payable                                  | 1,173             | 1,246             | 1,303             | 1,358             | 1,413             |
| Resident deposits   | 1,655             | 1,655             | 1,655             | 1,655             | 1,655             |
| Current portion of long-term debt                         | 1,480             | 3,005             | 3,145             | 3,290             | 3,440             |
| Other liabilities   | 315               | 328               | 340               | 321               | 367               |
| <b>Total current liabilities</b>                          | <b>6,097</b>      | <b>7,734</b>      | <b>7,964</b>      | <b>8,084</b>      | <b>8,440</b>      |
| <b>Long-term liabilities:</b>                             |                   |                   |                   |                   |                   |
| Subordinate Obligations                                   | 12,219            | 11,187            | 10,889            | 9,189             | 6,158             |
| Long-term debt, less current portion - Series 2021A Bonds | 106,180           | 104,730           | 103,220           | 101,640           | 100,005           |
| Long-term debt, less current portion - Series 2022 Bonds  | 8,895             | 8,865             | 8,835             | 8,805             | 8,770             |
| Long-term debt, less current portion - Series 2023 Bonds  | 71,410            | 69,885            | 68,280            | 66,600            | 64,830            |
| Deferred financing costs                                  | (5,231)           | (4,896)           | (4,561)           | (4,226)           | (3,891)           |
| Original issue discount                                   | (2,249)           | (2,096)           | (1,943)           | (1,790)           | (1,637)           |
| Original issue premium                                    | 1,991             | 1,863             | 1,735             | 1,607             | 1,479             |
| Long-term debt payable, net                               | 193,215           | 189,538           | 186,455           | 181,825           | 175,714           |
| Refundable entrance fees                                  | 186,268           | 193,729           | 201,165           | 209,773           | 218,280           |
| Deferred revenue from advance fees                        | 26,871            | 23,834            | 20,689            | 17,428            | 14,044            |
| <b>Total long-term liabilities</b>                        | <b>406,354</b>    | <b>407,101</b>    | <b>408,309</b>    | <b>409,026</b>    | <b>408,038</b>    |
| <b>Total liabilities</b>                                  | <b>412,451</b>    | <b>414,835</b>    | <b>416,273</b>    | <b>417,110</b>    | <b>416,478</b>    |
| <b>Net deficit</b>  |                   |                   |                   |                   |                   |
| Without donor restrictions                                | (105,076)         | (108,534)         | (112,515)         | (115,962)         | (118,435)         |
| With donor restrictions                                   | 580               | 580               | 580               | 580               | 580               |
| <b>Net deficit</b>  | <b>(104,496)</b>  | <b>(107,954)</b>  | <b>(111,935)</b>  | <b>(115,382)</b>  | <b>(117,855)</b>  |
| <b>Total liabilities and net deficit</b>                  | <b>\$ 307,955</b> | <b>\$ 306,881</b> | <b>\$ 304,338</b> | <b>\$ 301,728</b> | <b>\$ 298,623</b> |

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

## **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, 2029. Accordingly, the accompanying financial projection reflects Management's judgment as of May 27, 2025 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 that the units and beds associated with the expansion of the health center are successfully marketed and occupied at assumed occupancy levels occurs during the projection period.

#### **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 seven-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.

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### Description of the Community

Searstone 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"). The Corporation 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 first phase of the Community ("Phase I") opened in November 2013 and consists of 131 apartments, 38 estate homes, 14 assisted living units and a nursing facility which includes 25 skilled nursing beds.

A second phase expansion of the Community known as "The Highview at Searstone" ("Phase II") was substantially completed in 2024, and consists of 149 additional independent living units located in a new Highview North building and in a new Highview South building, 29 additional assisted living units, 14 new memory care assisted living units (the "Memory Care Units") and 24 additional skilled nursing beds.

Currently, the Community consists of:

- 280 independent living apartment units and 38 estate homes (the "Independent Living Units");
- 29 traditional assisted living units (the "Assisted Living Units");
- 14 Memory Care Units; and
- 49 skilled nursing beds (the "Skilled Nursing Beds").

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

**Table 1**  
**Independent Living Unit Configuration**

| Unit Configuration             | Number of Units | Square Footage | Entrance Fee <sup>(1)(2)(3)(4)</sup> | Monthly Fee <sup>(1)(5)</sup> |
|--------------------------------|-----------------|----------------|--------------------------------------|-------------------------------|
| <b>Apartments</b>              |                 |                |                                      |                               |
| <i>Phase I</i>                 |                 |                |                                      |                               |
| One Bedroom, with One Bath     | 24              | 931 – 1,165    | \$440,000 – 456,000                  | \$4,050 – 5,010               |
| One Bedroom, with One & ½ Bath | 16              | 1,280 – 1,402  | \$480,000 – 504,000                  | \$5,010 – 5,270               |
| Two Bedroom, Two Bath          | 57              | 1,204 – 1,924  | \$486,000 – 685,000                  | \$5,010 – 7,400               |
| Two Bedroom, Two Bath, Den     | 34              | 1,578 – 2,294  | \$587,000 – 810,000                  | \$6,710 – 8,040               |
| <i>Phase II</i>                |                 |                |                                      |                               |
| One Bedroom, with One Bath     | 36              | 937 – 1,313    | \$439,000 – 658,000                  | 3,970 – 4,910                 |
| Two Bedroom, Two Bath          | 37              | 1,346 – 1,487  | \$654,000 – 756,000                  | \$5,120 – 5,640               |
| Two Bedroom, Two Bath, Den     | 30              | 1,508 – 1,561  | \$704,000 – 765,000                  | \$5,640 – 5,850               |
| Two Bedroom, 2.5 Bath, Den     | 46              | 1,629 – 2,312  | 799,000 - 1,122,000                  | \$6,060 – 6,890               |
| <i>Estate Homes</i>            |                 |                |                                      |                               |
| Under 2,500 Square Feet        | 30              | 1,766 – 2,394  | \$626,000 – 950,000                  | \$7,280 – 8,310               |
| Over 2,500 Square Feet         | 8               | 2,558 – 3,914  | \$890,000 – 984,000                  | \$8,430 – 9,070               |
| <b>TOTAL/AVERAGES</b>          | <b>318</b>      | <b>1,600</b>   | <b>\$681,343</b>                     | <b>\$6,027</b>                |
| Second person fees             |                 |                |                                      | \$1,820                       |

Source: Management

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**Notes to the Table:**

- (1) The Entrance Fee and Monthly Fee pricing is effective as of January 1, 2025.
- (2) Management offers a 100 percent refundable lifecare Entrance Fee plans ("Type A Plan").
- (3) Type A contracts require the payment of an additional non-refundable \$71,000 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, 2025.
- (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*

The Assisted Living Units, Memory Care Units and Skilled Nursing Beds are collectively defined as the "Healthcare Center"). The following table summarizes the type, number, approximate square footage, and the Monthly Fees and daily fees (the "Daily Fees") for the Healthcare Center:

| <b>Table 2</b>                         |                                       |                       |  |
|--|---------------------------------------|-----------------------|--|
| <b>Healthcare Center Configuration</b> |                                       |                       |  |
|  | <b>Number of Units <sup>(1)</sup></b> | <b>Square Footage</b> | <b>Monthly/Daily Fee <sup>(2)(3)</sup></b> |
| Assisted Living Units                  | 29                                    | 527 – 550             | \$8,212                                    |
| Memory Care Units                      | 14                                    | 391                   | \$8,669                                    |
| Skilled Nursing Beds                   | 49                                    | 291 - 410             | \$510/day                                  |
| <b>Total</b>                           | <b>92</b>                             |                       |  |

Source: Management

- (1) Assisted Living Units, Memory Care Units and Skilled Nursing Beds associated with Phase II were licensed in May 2025 and are expected to be available for occupancy by June 2025.
- (2) Pricing is effective as of January 1, 2025.
- (3) 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.

## **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 the Healthcare Center 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 which 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

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- 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 <sup>(1)</sup>      | 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 <sup>(1)</sup>     | 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 <sup>(1)(2)</sup> | The Entrance Fee is 100 percent refundable.   |
| Life Care Fee <sup>(3)</sup>  | 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 Independent Living Unit's Monthly Fees will increase 4.00 percent on January 1, 2026 and annually thereafter.

### *Assumed Independent Living Utilization*

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

The following table summarizes the assumed utilization of the Independent Living Units.

| <b>Table 3</b><br><b>Utilization of the Independent Living Units</b> |                         |                          |                         |
|--|-------------------------|--------------------------|-------------------------|
| <b>Fiscal Years Ending December 31,</b>                              | <b>Average Occupied</b> | <b>Average Available</b> | <b>Percent Occupied</b> |
| <b>Projected</b>   |                         |                          |                         |
| 2025   | 302.0                   | 318.0                    | 95.0%                   |
| 2026   | 303.0                   | 318.0                    | 95.3%                   |
| 2027   | 303.0                   | 318.0                    | 95.3%                   |
| 2028   | 303.0                   | 318.0                    | 95.3%                   |
| 2029   | 303.0                   | 318.0                    | 95.3%                   |

Source: Management

The double occupancy rate for the Independent Living Units is assumed to approximate 53.7 percent in fiscal year 2025, decreasing to 47.2 percent by fiscal year 2029 as provided by Continuing Care Actuaries, LLC (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.

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**Table 4**  
**Entrance Fee Receipts and Refunds**  
**Independent Living Units**  
**(In Thousands)**

| <b>Fiscal Year Ending December 31,</b>        | <b>2025</b>     | <b>2026</b>    | <b>2027</b>    | <b>2028</b>    | <b>2029</b>    |
|---|-----------------|----------------|----------------|----------------|----------------|
| <b><u>Initial</u></b>                         |                 |                |                |                |                |
| Number of Entrance Fees Received              | 8.0             | -              | -              | -              | -              |
| Entrance Fees Received                        | \$5,418         | -              | -              | -              | -              |
| <b><u>Turnover</u></b>                        |                 |                |                |                |                |
| Number of Entrance Fees Received              | 25.6            | 25.4           | 27.0           | 28.3           | 29.4           |
| Entrance Fees Received                        | \$19,823        | \$20,227       | \$22,167       | \$24,032       | \$25,735       |
| <b><u>Refunded</u></b>                        |                 |                |                |                |                |
| Number of Entrance Fees Refunded              | 6.0             | 24.9           | 24.9           | 24.4           | 24.6           |
| Entrance Fees Refunded                        | \$(10,401)      | \$(12,475)     | \$(14,415)     | \$(15,085)     | \$(16,869)     |
| <b>Entrance Fees Received, Net of Refunds</b> | <b>\$14,840</b> | <b>\$7,752</b> | <b>\$7,752</b> | <b>\$8,947</b> | <b>\$8,866</b> |

Source: Management and Actuary

Management assumes the Entrance Fees and Life Care Fees for the Independent Living Units increase 3.0 percent on January 1, 2026 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.

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 4.00 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.

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 5**  
**Utilization of the Assisted Living Units**

| Fiscal Year Ending<br>December 31, | Average Occupied      |               |       | Average<br>Available <sup>(1)</sup> | Average<br>Occupancy |
|------------------------------------|-----------------------|---------------|-------|-------------------------------------|----------------------|
|                                    | Resident<br>Transfers | Direct Admits | Total |                                     |                      |
| <i>Projected:</i>                  |                       |               |       |                                     |                      |
| 2025                               | 5.7                   | 4.0           | 9.7   | 29.0                                | 33.4%                |
| 2026                               | 7.1                   | 6.0           | 13.1  | 29.0                                | 45.2%                |
| 2027                               | 8.3                   | 6.0           | 14.3  | 29.0                                | 49.3%                |
| 2028                               | 9.4                   | 6.0           | 15.4  | 29.0                                | 53.1%                |
| 2029                               | 10.4                  | 6.0           | 16.4  | 29.0                                | 56.6%                |

Source: Management and Actuary

(1) The Phase II Assisted Living Units are to be available for occupancy in June 2025.

The Memory Care Units are assumed to be filled 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 Memory Care Units.

**Table 6**  
**Utilization of the Memory Care Units**

| Fiscal Year<br>Ending<br>December 31, | Average Occupied | Average Available <sup>(1)</sup> | Average Occupancy |
|---------------------------------------|------------------|----------------------------------|-------------------|
| <i>Projected:</i>                     |                  |                                  |                   |
| 2024                                  | 3.8              | 14.0                             | 27.1%             |
| 2025                                  | 8.8              | 14.0                             | 62.9%             |
| 2026                                  | 9.8              | 14.0                             | 70.0%             |
| 2027                                  | 9.6              | 14.0                             | 68.6%             |
| 2028                                  | 8.9              | 14.0                             | 63.6%             |

Source: Management and Actuary

(1) The Memory Care Units are to be available for occupancy in June 2025.

The Skilled Nursing Beds are assumed to be filled 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 7<br>Utilization of the Skilled Nursing Beds |                  |                                  |                   |
|--|------------------|----------------------------------|-------------------|
| Fiscal Year<br>Ending<br>December 31,              | Average Occupied | Average Available <sup>(1)</sup> | Average Occupancy |
| <i>Projected:</i>                                  |                  |                                  |                   |
| 2024   | 22.3             | 49.0                             | 45.5%             |
| 2025   | 22.2             | 49.0                             | 45.3%             |
| 2026   | 24.8             | 49.0                             | 50.6%             |
| 2027   | 25.8             | 49.0                             | 52.7%             |
| 2028   | 26.7             | 49.0                             | 54.5%             |

Source: Management and Actuary

(1) The Phase II Skilled Nursing Beds are to be available for occupancy in June 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 4.0 percent per annum in fiscal year 2025 and 2026. 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, 2026 and annually thereafter. Management assumes employee benefits for the Community will approximate 20.8 percent of salaries in the fiscal period 2025 and annually throughout the projection period. The following table summarizes the staffing levels during the projection period for all departments.

**Table 8**  
**Schedule of Staffing Levels (FTEs)**

| Department           | 2025 - 2029  |
|----------------------|--------------|
| Administrative       | 9.0          |
| Health care          | 39.0         |
| Dietary              | 47.5         |
| Resident services    | 19.9         |
| Marketing            | 3.0          |
| Maintenance/grounds  | 7.0          |
| Housekeeping/laundry | 19.4         |
| Other                | 3.0          |
| <b>Total FTEs</b>    | <b>147.8</b> |

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 are assumed to increase 3.0 percent beginning January 1, 2026 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) 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.
- (3) Statutory Operating Reserve Fund to meet the requirements of North Carolina General Statute § 58-64-33, 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.

### 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 9**  
**Schedule of Property and Equipment**  
**(In Thousands)**

| <b>Years Ending December 31,</b>                   | <b>2025</b> | <b>2026</b> | <b>2027</b> | <b>2028</b> | <b>2029</b> |
|--|-------------|-------------|-------------|-------------|-------------|
| Property and equipment, gross<br>Beginning balance | \$ 290,347  | \$ 294,897  | \$ 296,852  | \$ 299,207  | \$ 301,862  |
| Phase II project expenditures                      | 3,000       | —           | —           | —           | —           |
| Routine capital additions                          | 1,550       | 1,955       | 2,355       | 2,655       | 2,735       |
| Property and equipment, gross                      | \$ 294,897  | \$ 296,852  | \$ 299,207  | \$ 301,862  | \$ 304,597  |
| Accumulated depreciation                           | (45,374)    | (53,576)    | (61,993)    | (70,661)    | (79,598)    |
| Property and equipment, net<br>ending balance      | \$ 249,523  | \$ 243,276  | \$ 237,214  | \$ 231,201  | \$ 224,999  |

Source: Management

### Long-Term Debt and Interest Expense

As of December 31, 2024, the Corporation had outstanding debt of \$189,365,000, to include the following series of tax-exempt Bonds, issued by the Public Finance Authority.

#### 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.

As of December 31, 2024, outstanding Series 2021 Bonds consisted of \$106,180,000 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. Principal on the Series 2021A Bonds is payable annually commencing June 1, 2027, with a final maturity on June 1, 2056.

#### Series 2022 Bonds

In March 2022, the Public Finance Authority issued \$9,000,000 of bonds (the "Series 2022 Bonds"), at a discount, the proceeds of which were lent to the Corporation to refund previous debt outstanding.

As of December 31, 2024, outstanding Series 2022 Bonds consisted of \$8,950,000 unrated tax-exempt refunding bonds which 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. Principal on the Series 2022 Bonds is payable annually on June 1 with a final maturity on June 1, 2049.

#### Series 2023 Bonds

In March 2023, the Public Finance Authority issued \$75,550,000 of bonds (the "Series 2023 Bonds"), at a premium, the proceeds of which were lent to the Corporation to refund previous debt outstanding.

As of December 31, 2024, outstanding Series 2023 Bonds consisted of \$74,235,000 unrated tax-exempt refunding bonds which 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. Principal on the Series 2023 Bonds is payable annually on June 1 with a final maturity on June 1, 2052.

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

**Table 10**  
**Annual Debt Service**  
**(In Thousands)**

| Year Ending<br>December 31 | Series 2021A Bonds |          | Series 2022 Bonds |          | Series 2023 Bonds |          | Total<br>Debt Service |
|----------------------------|--------------------|----------|-------------------|----------|-------------------|----------|-----------------------|
|                            | Principal          | Interest | Principal         | Interest | Principal         | Interest |                       |
| 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             |
| 2029                       | \$ 1,580           | 4,097    | 30                | 353      | 1,680             | 3,372    | \$ 11,112             |

Source: Management and the Underwriter

### Subordinate Obligations

The Corporation obtained pre-finance capital from MatchCapSM -Sears Farm, LLC ("MatchCap") and Sears Farm, LLC ("Sears Farm") of \$6,800,000 and \$2,390,000, respectively, 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 development, construction and marketing of Phase I of the Community were recorded as deferred fees are also Subordinated Obligations.

As of December 31, 2024, the Corporation owes approximately \$4,188,000 to Sears Farm, including accrued interest; approximately \$11,918,000 to Match Cap, including accrued interest, and approximately \$3,538,000 on deferred fees, including accrued interest.

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. Based on projected financial performance, Management has estimated principal and interest payments on the Subordinated Obligations during the projection period.

The table below summarizes the Subordinated Obligations for the projection period:

**Table 11**  
**Summary of Subordinated Obligations**  
**(In Thousands)**

| Years Ending December 31,           | 2025             | 2026             | 2027             | 2028            | 2029            |
|-------------------------------------|------------------|------------------|------------------|-----------------|-----------------|
| Beginning balance                   | \$ 19,644        | \$ 12,219        | \$ 11,187        | \$ 10,889       | \$ 9,189        |
| Interest on Subordinate Obligations | 575              | 568              | 564              | 555             | 69              |
| Payment of Subordinated Obligations | (8,000)          | (1,600)          | (862)            | (2,255)         | (3,100)         |
| <b>Ending balance</b>               | <b>\$ 12,219</b> | <b>\$ 11,187</b> | <b>\$ 10,889</b> | <b>\$ 9,189</b> | <b>\$ 6,158</b> |

Source: Management

### 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 12**  
**Working Capital – Days on Hand**

|                      |    |                         |
|----------------------|----|-------------------------|
| Cash                 | 65 | days operating expenses |
| Accounts receivable  | 3  | days operating revenues |
| Sales tax receivable | 4  | days operating expenses |
| Prepaid expenses     | 6  | days operating expenses |
| Accounts payable     | 15 | days operating expenses |

Source: Management

**Exhibit 6**

**Summary of Actuarial Study**

[see attached]



415 Main Street  
Reisterstown, MD 21136-1905  
410-833-4220  
410-833-4229 (fax)  
www.continuingcareactuaries.com

April 25, 2025

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 their community located in Cary, North Carolina. The purpose of the actuarial analysis was to:

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

Searstone is a Continuing Care Retirement Community with an independent living portion consisting of 318 Independent Living Units. Contract residents have access to Searstone's Healthcare center which contains 29 Assisted Living Units, 14 Memory Care Units, and Health Care Center that is licensed for 49 Skilled Nursing beds. The basic cost of residence at Searstone consists of the initial Entrance Fee and the Monthly Service Fee. Residents requiring permanent or temporary health care are able to transfer to the needed level of care as determined appropriate by 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.

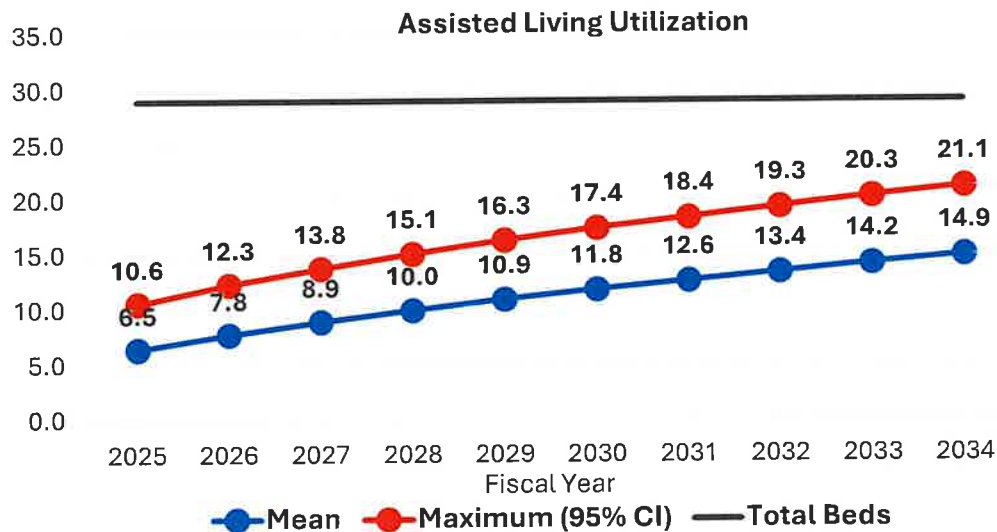
The scope of our study consisted of (1) development of updated population projections based on the current demographic characteristics of the resident population and the assumptions used in the financial model for Searstone; (2) development of projected statements of cash flows and Actuarial Balance 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 Continuing Care Retirement Communities."

#### **Summary of Findings and Notes**

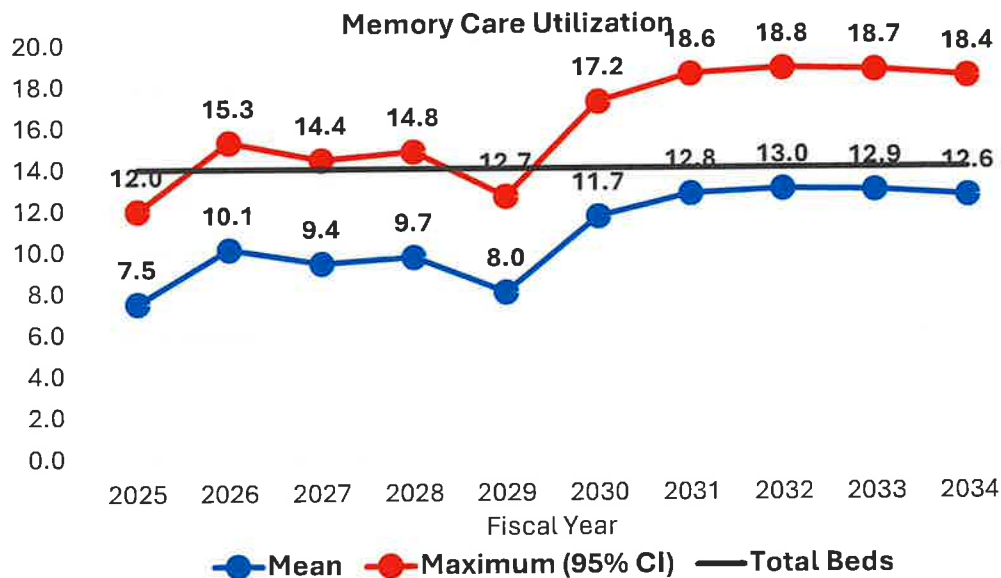
- 1) **Data and Assumptions:** The data and assumptions used for the population and financial projections in this report form a reasonable basis for the projections. The methods used to

produce the projections are consistent with sound actuarial principles and practices as prescribed by the Society of Actuaries and the American Academy of Actuaries.

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

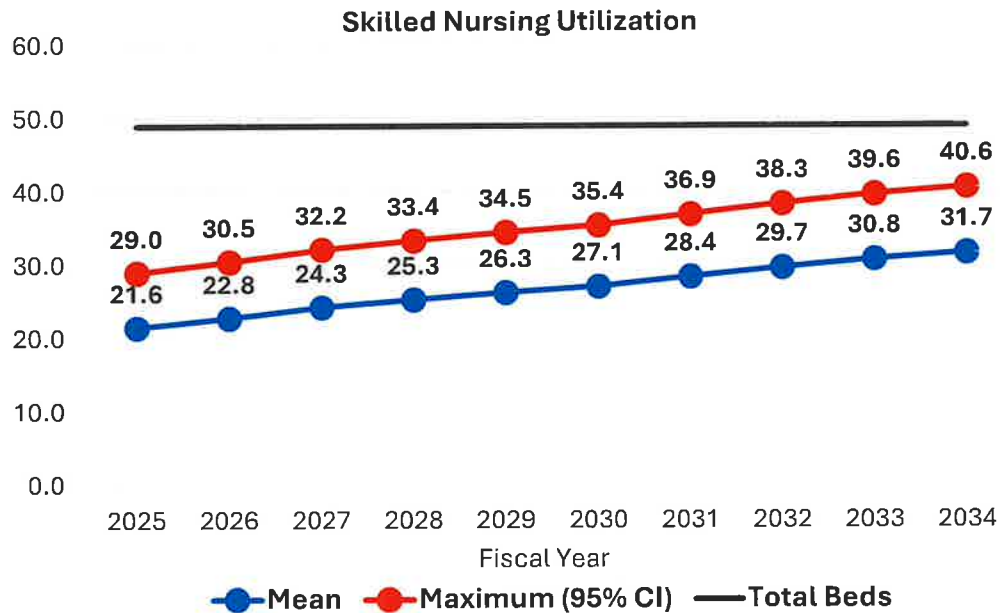


- 3) The following chart shows the projected occupancy of the memory care facility by residents who originated in independent living units with 95% confidence interval is displayed below:

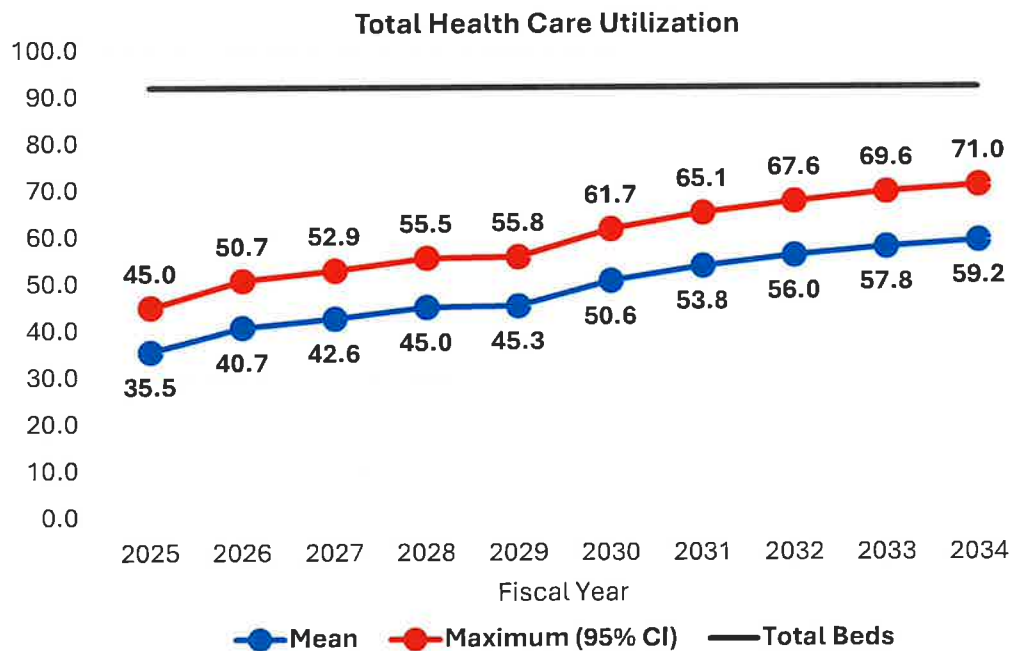




- 4) The following chart shows the projected occupancy of the skilled nursing facility by residents who originated in independent living units with 95% confidence interval is displayed below:



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



- 6) **Cash Flow Projection:** The financial projection indicates that Searstone will generate positive annual cash flow throughout the projection, with the exception of 2025 when a large principal repayment is due.
- 7) **Actuarial Balance Sheet:** Based on the result of the Actuarial Balance Sheet as of Searstone, our analysis concluded that Searstone has current and future assets of \$346,981,000 with current and future liabilities of \$327,305,000. Based on these projected assets and liabilities, Searstone's funded status is 106.0% which is in line with our recommendation for a community having not yet reached demographic maturity.
- 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 100.7%.
- 8) **Actuarial Pricing Analysis:** In aggregate, based on new entrant contract distribution assumptions, the Actuarial Pricing Analysis for new entrants at Searstone is expected to cover the risk of adverse fluctuation, with a margin of 22.1%.
- 9) **Prospective Financial Results:** In general, should assumed demographic and financial assumptions be realized, a community's funded status should trend toward its aggregate pricing margin over time. Searstone's 106.0% funded status should increase over time assuming it continues to sell contracts priced at 22.1% margin.
- 10) 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, F.S.A., M.A.A.A.  
Managing Partner  
[dbond@continuingcareactuaries.com](mailto:dbond@continuingcareactuaries.com)