

SEARSTONE
RETIREMENT COMMUNITY

Disclosure Statement

Searstone Retirement Community

Provider: Samaritan Housing Foundation, Inc.

Date of Disclosure Statement: 12/31/2025

Last Date for Delivery: 06/09/2027

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

Financial Snapshot: Key Ratios for Samaritan Housing Foundation, Inc. d/b/a Searstone Retirement Community

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

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

Ratio	FY-2	FY-1	FY	FY+1	FY+2	FY+3	NC 25 th % ¹	NC 50 th % ¹	NC 75 th % ¹
DCOH	199	578	553	516	541	566	—	—	—
CUSH	1.28x	1.30x	7.15x	3.56x	3.82x	4.11x			
OR	114.8%	111.1%	100.9%	100.3%	101.5%	98.7%	—	—	—
NOM	7.3%	15.5%	24.4%	23.9%	24.1%	24.9%	—	—	—
NOM-A	23.9%	23.8%	45.7%	39.3%	41.3%	42.2%	—	—	—
DSCR	1.32x	1.59x	2.45x	1.48x	1.56x	1.68x	—	—	—
CD	0.03x	0.04x	0.21x	0.22x	0.24x	0.26x	—	—	—
CED	21.90x	3.38x	0.90x	0.24x	0.27x	0.30x	—	—	—

Liquidity Ratios:

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

Profitability Ratios:

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

Capital Structure Ratios:

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

See [Appendix F](#) for full statutory definitions of how ratios are derived.

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

1.1 Legal Responsibility for Continuing Care

Samaritan Housing Foundation, Inc. is a Georgia nonprofit corporation without members or owners and is the entity that enters into continuing care contracts with residents and is legally responsible for providing continuing care and performing all obligations under those contracts. No other person or entity is responsible for providing continuing care to residents except as expressly disclosed in this Disclosure Statement.

1.2 Doing Business As (DBA)

Samaritan Housing Foundation, Inc. conducts business under the name “Searstone Retirement Community.” The name “Searstone Retirement Community” is a trade name only and does not represent a separate legal entity. Samaritan Housing Foundation, Inc. remains legally responsible for providing continuing care and performing all obligations under continuing care contracts.

Item	Information
Legal Provider Name:	Samaritan Housing Foundation, Inc.
Doing Business As (DBA):	Searstone Retirement Community
Business Address:	17001 Searstone Drive, Cary, NC 27513
Telephone Number:	(919) 234-0400
Legal Entity Type:	Nonprofit corporation without members or owners organized under the laws of Georgia
For-Profit / Nonprofit Status:	Nonprofit
Federal Tax Status:	A charitable organization described in Section 501(c)(3) of the Internal Revenue Code, which is tax-exempt under Section 501(a) of the Internal Revenue Code, and is classified as a public charity under Section 509(a)(2) of the Internal Revenue Code
Ownership Type:	Privately controlled nonprofit organization without members or owners; the provider is not part of any publicly held or publicly traded corporate system
Tax Filing Status:	Current on all required federal and state tax filings

Item	Information
Ownership / Control:	Samaritan Housing Foundation, Inc. is a nonprofit corporation without members or owners

2. Organizational Structure

2.1 Multi-Entity Organization Status

Samaritan Housing Foundation, Inc. is a single entity organization.

2.2 Consolidation of Financial Statements

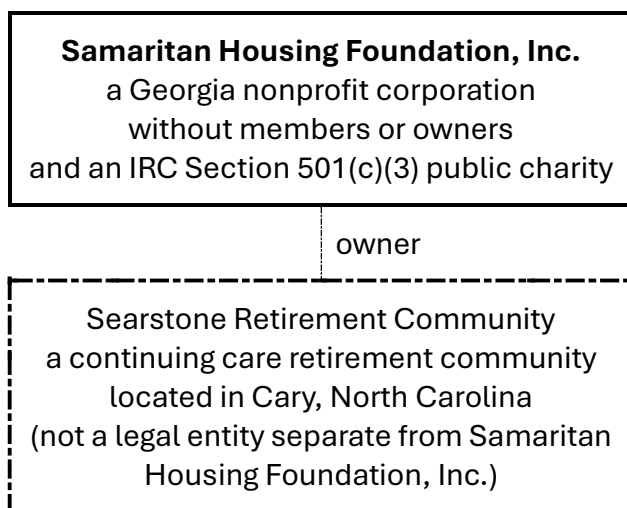
Because Samaritan Housing Foundation, Inc. is a single entity organization and is not a part of a consolidated group of organizations, Samaritan Housing Foundation, Inc.'s financial statements are not consolidated with the financial statements of any other organization.

2.3 Controlling Person

Item	Information
Name:	Samaritan Housing Foundation, Inc.
Business Address:	17001 Searstone Drive, Cary, NC 27513
Telephone Number:	(919) 234-0400

2.4 Company Structure Chart

The organizational structure of Samaritan Housing Foundation, Inc. and Searstone Retirement Community is as follows:



Accessible Text Equivalent:

- **Samaritan Housing Foundation, Inc.** - parent and controlling person; nonprofit corporation without members or owners; the operator of the Searstone Retirement Community located in Cary, North Carolina; and the provider of continuing care contracts at the Searstone Retirement Community

3. Key Persons and Management Personnel

Definitions (for purposes of this Section):

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

3.1 Senior Officers of Samaritan Housing Foundation, Inc.

Name / Role	Education	Experience	Length of Service
Stanley G. Brading Jr. – President and Director	B.A. Duke University; J.D. Washington and Lee University School of Law; Master of Laws in Taxation Emory University	40 + years as a practicing attorney focusing on tax exempt bond financing for 501(c)(3) organizations like the provider	Board member since 2004; President since 07/01/2011; serves as Chief Executive Officer of Searstone Retirement Community; presides at meetings of the Board of Directors of Samaritan Housing Foundation, Inc. Employed by Samaritan Housing Foundation, Inc.
Kenneth L. Bullock– Chief Financial Officer	B. S. Business Administration, Towson State University; Accounting Certificate University	25+ years in nonprofit continuing care retirement communities	4 years 4 months (since 02/10/2022); serves as Chief Financial Officer of Searstone Retirement

Name / Role	Education	Experience	Length of Service
	of Baltimore; CPA (MD)		Community. Employed by Samaritan Housing Foundation, Inc.

Business Address: 17001 Searstone Drive, Cary, NC 27513

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

3.2 Community Management – Samaritan Housing Foundation, Inc.

Name / Role	Education	Experience	Length of Service
Matthew T. Towler– Executive Director	B.S. Exercise Science, Old Dominion University	20+ years in senior living/long-term care; licensed assisted living facility administrator	1 year 8 months (since 10/15/2024); serves as Executive Director of Searstone Retirement Community. Employed by Samaritan Housing Foundation, Inc.

Business Address: 17001 Searstone Drive, Cary, NC 27513

Disclosure: The Executive Director has reported no Outside Interests or Adverse Disclosures

3.3 Board of Directors — Samaritan Housing Foundation, Inc.

Name / Role	Education	Experience	Length of Service
Thomas A. Beebe – Director	A.B./L.L. B Pre-Law and J.D. University of North Carolina at Chapel Hill	Real estate and business estate planning law; active in Wake County real estate development	From 2004 through 2014; 2019 to present
Linda D. Coleman – Director	B.A. North Carolina A&T State University; M.P.A University of Pittsburgh	Former Chair Wake County Board of Commissioners; three term member of the North Carolina House of Representatives; former Director of the North Carolina Office of State Human Resources	From 2011 through present

Name / Role	Education	Experience	Length of Service
Marc C. Hewitt – Director	B.A. and J. D. University of North Carolina at Chapel Hill	Healthcare and litigation attorney focusing on healthcare regulatory and litigation matters	From 2014 through present
Mack R. Leath, Jr. – Director	B.S. Business Administration, North Carolina State University	Previous business experience includes 30 + years in the petro-chemical industry; Founder of Araicom Life Sciences, LLC, Medsoftccs, LLC and W6; past president of the provider	From 2004 through present
Charles L. Norman – Director	B.A. Communications, North Carolina State University	Previous business experience as Vice President of Communications and Governmental Relations of the Cary Chamber of Commerce; currently Owner and Principal SA Communications	From 2004 through present
James B. Pierce – Director	B.S. Accounting, University of North Carolina at Chapel Hill	Searstone Retirement Community resident; CPA and retired partner of Williams, Overman Pierce, LLP; active community volunteer with the American Lung Association of North Carolina, Wake Education Partnership, Wake County Estate Planning Council, and Crabtree Rotary Club	From 2008 through present
Dr. Larry M. Crane – Special Advisor	B.S. Premed/Biology Trinity University; M.D. Baylor College of Medicine; Radiology	Searstone Retirement Community resident since 2021; has served on the Resident Council, Dining	Appointed April 21, 2026

Name / Role	Education	Experience	Length of Service
	residency Duke University	Committee, and Portal/Technology Committee; previous business experience includes presiding over a 25 physician radiology practice; past Medical Staff President and member of the Board of Trustees of Duke Regional Hospital; past President of the North Carolina Chapter of the American College of Radiology	

Business Address: 17001 Searstone Drive, Cary, NC 27513

Disclosure: None of the directors of Samaritan Housing Foundation, Inc. have reported any Outside Interests or Adverse Disclosures

3.4 10% + Ownership Interests

(Individuals holding ten percent (10%) or more equity or beneficial interest in the provider or any controlling person)

Samaritan Housing Foundation, Inc., which owns the Searstone Retirement Community, is organized as a nonprofit corporation without members or owners. No individual holds a ten percent (10%) or greater beneficial interest in Samaritan Housing Foundation, Inc. or Searstone Retirement Community.

4. Governing Body and Oversight

4.1 Provider Governing Body

Samaritan Housing Foundation, Inc. is governed by a Board of Directors consisting of seven members. The Board of Directors is responsible for the overall direction and oversight of Samaritan Housing Foundation, Inc.'s operations, financial condition, and resident welfare. Its duties include:

- Reviewing and approving budgets and financial reports.
- Ensuring compliance with applicable laws, regulations, and contractual obligations.
- Overseeing the quality of resident care and services, including safety and satisfaction.

- Monitoring risks to Samaritan Housing Foundation, Inc.’s solvency and operations.

4.1.1 Selection of Members

Members of the Samaritan Housing Foundation, Inc. Board of Directors serve one-year terms, with no limit on the number of terms that may be served, and are elected annually by the then members of the Samaritan Housing Foundation, Inc. Board of Directors at its annual meeting.

4.1.2 Oversight of Management and Operations

The Samaritan Housing Foundation, Inc. Board of Directors delegates day-to-day operations of Searstone Retirement Community to the Executive Director and senior management employed by Samaritan Housing Foundation, Inc., who work under the guidance of Searstone-RLA, Inc. as third-party manager. See Section 10, - *Third Party Management Arrangements*. The Samaritan Housing Foundation, Inc. Board of Directors maintains oversight through:

- Regular review of financial and operating reports.
- Approval of major contracts, capital projects, and debt issuances.
- Monthly board meetings and periodic committee reports.
- Evaluation of management performance and compliance with the management agreement.

4.1.3 Committees

Samaritan Housing Foundation, Inc.’s Bylaws allow its Board of Directors to designate from among its members an executive committee, consisting of two or more directors and the President. The executive committee will have and may exercise all authority of the Board of Directors in the management of the affairs of Samaritan Housing Foundation, Inc., subject to certain limitations. The Board of Directors has not taken action to designate an executive committee.

Samaritan Housing Foundation, Inc.’s Bylaws allow its Board of Directors allow the Board to appoint other committees of the Board having such authority of the Board as is set forth in the Board resolution authorizing such committee. Pursuant to that authority, the Board has authorized the following committees of the Board:

- a **Compensation Committee**, to which the Board has delegated authority to review the performance and recommend to the Board the compensation of Samaritan Housing Foundation, Inc.’s President; and
- a **Community Support Committee**, to which the Board has delegated authority with respect to governance of Samaritan Housing Foundation, Inc.’s program known as the “Searstone Community Support Program.”

4.2 Controlling Person Governing Body

As stated in Section 3.4 - *10% + Ownership Interests*, there is no “controlling person” of Samaritan Housing Foundation, Inc. Thus, there is no “controlling person” governing body.

4.2.1 Selection of Members

Because there is no “controlling person” governing body, this section is not applicable.

4.2.2 Oversight of Management and Operations

Because there is no “controlling person” governing body, this section is not applicable.

4.2.3 Committees

Because there is no “controlling person” governing body, this section is not applicable.

4.3 Division of Responsibilities

Because there is no “controlling person,” there is no division of responsibilities as between the provider and a “controlling person.”

5. Related Parties

Samaritan Housing Foundation, Inc. has no relationships with related parties under common control with Samaritan Housing Foundation, Inc.

6. Relationships with Religious, Charitable, or Other Organizations

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

Samaritan Housing Foundation, Inc. has established the “Searstone Retirement Community Fund” as a Donor Advised Fund with Triangle Community Foundation, an unrelated North Carolina nonprofit corporation which is a public charity described in Section 501(c)(3) of the Internal Revenue Code. From time to time Samaritan Housing Foundation, Inc. makes charitable contributions to Triangle Community Foundation, in fulfillment of Samaritan Housing Foundation, Inc.’s charitable mission and as “community benefits” described in North Carolina General Statutes Section 105-278.6A. Pursuant to a Fund Agreement between Samaritan Housing Foundation, Inc. and Triangle Community Foundation, grants are made from the Searstone Retirement Community Fund to charitable organizations upon the recommendation of Samaritan Housing Foundation, Inc.

7. Other Persons Responsible for Obligations

No other person is responsible for the financial or contractual obligations of Samaritan Housing Foundation, Inc.

8. Obligated Groups

Pursuant to a Third Amended and Restated Master Trust Indenture between Samaritan Housing Foundation, Inc. and UMB Bank, National Association, as Master Trustee, dated as of March 1, 2023 (the “**Master Trust Indenture**”), Samaritan Housing Foundation, Inc. is the sole member of an Obligated Group created thereunder and is the Obligated Group Representative of that Obligated Group.

Pursuant to the Master Trust Indenture, an Obligated Group Member may issue one or more promissory notes, guarantees, leases, contractual agreements to pay money, or other obligations, each known as a “Master Obligation,” which when authenticated and delivered pursuant to the Master Trust Indenture will be entitled to the benefits of the Master Trust Indenture.

Pursuant to the Master Trust Indenture, Samaritan Housing Foundation, Inc. as the Obligated Group Member has issued Master Obligations as detailed in the audited financial statements of Samaritan Housing Foundation, Inc. located in [Appendix A](#).

9. Debt Covenants and Compliance

Samaritan Housing Foundation, Inc. is subject to covenants contained in the Master Trust Indenture, bond indentures, and related debt agreements, including covenants pertaining to minimum debt service coverage, liquidity, cumulative cash loss limitations, marketing and occupancy, and restrictions on additional borrowing.

As of December 31, 2025, Samaritan Housing Foundation, Inc. and the Obligated Group were in full compliance with all covenants contained in debt agreements.

10. Third-Party Management Arrangements

Samaritan Housing Foundation, Inc., engages Searstone-RLA, Inc., an unrelated North Carolina corporation, as a third-party manager to manage the operations of Searstone Retirement Community. The sole shareholder of Searstone-RLA, Inc. is Mr. David Ammons. For over 30 years Mr. Ammons and his affiliated companies, including Retirement Living Associates, Inc. (“**RLA**”), have managed and operated continuing care retirement communities and assisted living facilities throughout the States of North Carolina and Florida.

Samaritan Housing Foundation, Inc., engages Morrison Management Specialists, Inc., an unrelated Georgia corporation, as a third-party manager to manage the dining service operations of Searstone Retirement Community. Morrison Management Specialists, Inc. serves more than 900 hospitals, integrated healthcare systems, and senior living communities throughout the United States.

Samaritan Housing Foundation, Inc., engages Curana Health Management Services, LLC, an unrelated Delaware limited liability company, or an affiliate thereof, to provide medical director services for Searstone Retirement Community. Since 2021, Curana Health has led

the way in advancing senior care nationwide, partnering with communities to deliver solutions that are both personalized and scalable, and serves more than 200,000 seniors annually across almost 2,000 communities in 33 states.

Day-to-day operations at Searstone Retirement Community are carried out by the Executive Director and senior management employed by Samaritan Housing Foundation, Inc., who work under the guidance of Searstone-RLA, Inc. as third-party manager.

11. Real Property Leases

Samaritan Housing Foundation, Inc., does not lease any of the real property that makes up Searstone Retirement Community.

12. Endowment Funds

Samaritan Housing Foundation, Inc., does not maintain an “endowment fund” within the meaning of North Carolina General Statutes Section 36E-2(2).

Pursuant to the Searstone Community Support Program, Samaritan Housing Foundation, Inc. maintains two funds (the “**Funds**”); namely, (1) the “Searstone Resident Assistance Fund;” and (2) the “Searstone Charitable Purposes Fund.” Each of the Funds is an “institutional fund” within the meaning of Chapter 36E of the North Carolina General Statutes.

The purpose of the Searstone Resident Assistance Fund is to assist Samaritan Housing Foundation, Inc. in serving persons who might not be able to reside in Searstone Retirement Community without financial assistance or subsidy. This is accomplished by identifying residents of Searstone Retirement Community who have become unable to pay to Searstone Retirement Community their regular charges for residence in Searstone Retirement Community, and making available to Samaritan Housing Foundation, Inc. funds to be used by Samaritan Housing Foundation, Inc. in providing to such persons financial assistance commensurate with their need. See Section 23 – *Financial Hardship Policies*.

The purpose of the Searstone Charitable Purposes Fund is to assist Samaritan Housing Foundation, Inc. in serving its charitable purposes. This is accomplished by making available to Samaritan Housing Foundation, Inc. funds to be used by Samaritan Housing Foundation, Inc. for capital expenditures, for resident assistance, or other purposes.

13. Description and Location of the Community

Samaritan Housing Foundation, Inc. operates Searstone Retirement Community, located at 17001 Searstone Drive, Cary, Wake County, NC 27513, within the Searstone Planned Development District (the “**PDD**”) and encompassing approximately 76.88 acres fronting High House Road at Davis Drive.

Searstone Retirement Community was developed in several phases. The first phase of Searstone Retirement Community (“**Phase I**”) opened for its initial residents in the fall of

2013, as construction was completed and licenses were issued. Searstone Retirement Community has since completed two significant expansion projects. The components of Searstone Retirement Community are as follows:

- 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 Samaritan Housing Foundation, Inc. Phase I includes common areas, such as dining venues, a grill and bar, lounge areas, a library and communications center, a gathering room, a health and fitness club, an aquatic center, and administrative areas, with most common areas in the “Winston Clubhouse.” Outside amenities include gardens, walking trails, and an approximately 4.5-acre lake.
- Phase I 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**”), provided in a health center within Searstone Retirement Community known as “**Brittany Place.**” Searstone Retirement 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, Samaritan Housing Foundation, Inc. commenced vertical construction of an expansion of Searstone Retirement Community on approximately 16.01 acres of land within the PDD and located adjacent to the Phase I property (“**Phase II**”). Phase II 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; and (5) renovations to the Winston Clubhouse to re-purpose common areas (the “**Winston Clubhouse Renovations**”), all of which is owned and operated by Samaritan Housing Foundation, Inc. Construction of the various components of Phase II was completed and Town of Cary certificates of occupancy for those components were issued at various times during 2024 and 2025. North Carolina Division of Health Service Regulation licenses for the New Assisted Living Units and the New Skilled Nursing Units were issued in April 2025. Residents commenced occupancy of the Highview North and Highview South buildings in February 2024 and April 2024, respectively. Residents commenced occupancy of the New Assisted Living Units, the New Memory Care Units, and the New Skilled Nursing Beds in February 2026, May 2025, and May 2025, respectively.

14. Living Units by Level of Care

As of December 31, 2025, Searstone Retirement Community included:

- 318 independent living units (280 apartments and 38 Estate Homes)
- 29 assisted living units
- 14 memory care units
- 49 skilled nursing beds

15. Continuing Care at Home Program

At this time, neither Samaritan Housing Foundation, Inc. nor Searstone Retirement Community are currently licensed to operate, and do not currently operate, a Continuing Care at Home program.

16. Resident Population Served

As of December 31, 2025, the resident population served by Searstone Retirement Community under continuing care contracts was as follows:

- 472 residents in independent living units
- 13 residents in assisted living units
- 6 residents in memory care units
- 22 residents in skilled nursing beds

As of December 31, 2025, Searstone Retirement Community maintained a waitlist for admission to independent living consisting of 301 individuals. Individuals on the waitlist are prospective applicants and are not residents of Searstone Retirement Community unless and until they have executed a continuing care contract and commenced residency.

To be placed on the independent living waitlist, prospective applicants are required to submit a \$5,000 waitlist deposit and a \$300 application fee. The waitlist deposit is fully refundable and is not considered an Entrance Fee. If the applicant later enters a continuing care contract, the waitlist deposit is applied toward the required Entrance Fee at that time.

Placement on the waitlist does not guarantee admission to Searstone Retirement Community or priority for a specific unit (although it does provide priority for available units over persons who are not waitlist depositors) and does not create contractual rights unless expressly provided in a continuing care contract.

17. Occupancy Rates

The 12-month daily average occupancy rates for Searstone Retirement Community for the past five fiscal years were as follows:

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

Fiscal Year-End	Independent Living (%)	Assisted Living (%)	Skilled Nursing (%)
12/31/2025	97.6%	49.2%	65.5%
12/31/2024	90.1%	66.4%	78.5%
12/31/2023	97.9%	64.9%	63.1%
12/31/2022	97.3%	70.0%	69.1%
12/31/2021	98.5%	64.4%	63.1%

18. Semiannual Resident Meetings

Samaritan Housing Foundation, Inc. holds meetings with residents of the Searstone Retirement Community at least twice each year, as required by law.

Fiscal Year 2025 Meeting Dates

- November 18, 2025
- May 20, 2025

As required by law, an independent member of the provider’s board of directors was present at each of the meetings (Thomas A. Beebe, Linda D. Coleman, Mack R. Leath, Jr., and James B. Pierce on November 18, 2025; and Thomas A. Beebe, Linda D. Coleman, Stanley G. Brading, Jr., and James B. Pierce on May 20, 2025).

19. Resident Property Rights

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

20. Services Provided Under the Contract

Samaritan Housing Foundation, Inc., offers services under continuing care contracts at Searstone Retirement Community. The following disclosures describe the services included provided under, as well as those available for additional charge.

20.1 Health Care Services

Residents of Searstone Retirement Community have access to assisted living, memory support care, and skilled nursing on campus. Health services include 24-hour nursing, medication management, rehabilitative therapies, and coordination with residents’ personal physicians.

20.2 Continuing Care Retirement Community (CCRC) Contracts

Residents living at the Searstone Retirement Community campus receive the following services as part of their monthly fees, with additional services available at an extra charge.

20.2.1 Services Included in Monthly Fees

- Quarterly dining dollar accounts for \$1,350 per quarter per member for Independent Living. Accounts can be used at any of the 5 Independent Living dining venues.
- Brittany Place residents pay an additional monthly dining fee of \$800 per person.
- Bi-weekly housekeeping and linen service.
- Scheduled local transportation.
- Basic utilities, including electricity, water, heating, air conditioning, basic cable, wireless internet access in common areas and residences, and wiring for telephone.
- Use of community amenities (wellness center, library, auditorium, gardens, walking trails, putting green and bocce ball court).
- Interior and exterior maintenance of all residences, including all provided appliances, fixtures, systems, lawns, gutters, and windows. Appliances provided include a range, microwave, refrigerator with icemaker, dishwasher, garbage disposal, washer, and dryer.
- Social, cultural, and recreational programming.
- A call system and response to calls for emergencies will be available 24 hours per day.
- Additional storage for residents of Lorraine Plaza, Calais Terrace, Lakeside Flats, Winston Clubhouse, or The Highview residences for the resident's personal belongings.
- Care coordination for transitions between levels of care.

20.2.2 Services Available at Additional Charge

- Additional dining.
- Additional housekeeping, and maintenance beyond standard schedule.
- Additional linen services.
- Salon and barber services.
- Special transportation outside scheduled routes.
- Non-emergency response calls to residences.
- Other concierge services.
- Personal training and nutritional counseling.
- Information technology support.

20.3 Continuing Care at Home (CCaH) Contracts

Because neither Samaritan Housing Foundation, Inc. nor Searstone Retirement Community currently operate a Continuing Care at Home program, this section is not applicable.

20.4 Delivery of Services

Core residential, assisted living, memory care, and skilled nursing services are provided directly by Samaritan Housing Foundation, Inc. Certain therapies (physical, occupational, and speech) are furnished under contract with independent third parties. Medical director services are provided by an independent third party. Salon and barber services are provided by an independent third party. Personal training and nutritional counseling are provided by Independent third parties.

21. Resident Fees

Nonancillary fees at Searstone Retirement Community consist of required “**Entrance Fees**” (which consist of a “**Residential Fee**” component and a “**LifeCare Fee**” component, payable upon admission to residency at Searstone Retirement Community), and required, ongoing fees such as monthly service fees and transfer fees. The following tables show Samaritan Housing Foundation, Inc.’s current fee schedules, along with historical information on Entrance Fees and monthly service fee increases over the past five fiscal years. Narrative explanations of household composition changes, transfer fees, and resale fees are also included.

21.1 CCRC Contracts

“**CCRC contracts**” represent continuing care contracts for residents who live at the Searstone Retirement Community.

Table 21.1.1: Current Monthly Fees (CCRC Contracts)

Unit Type	Single Occupant	Double Occupant
Independent Living –One Bedroom Apartment	\$4,240 - \$5,520	\$6,150 - \$7,430
Independent Living – Two Bedroom Apartment	\$5,250 - \$7,750	\$7,160 - \$9,660
Independent Living – Two Bedroom and Den Apartment	\$7,045 - \$8,420	\$8,955 - \$10,330
Independent Living – Estate Homes	\$7,630 - \$9,500	\$9,540 - \$11,410

Unit Type	Single Occupant	Double Occupant
Assisted Living – LifeCare Contract	Last Independent Living Monthly Service Fee	N/A
Assisted Living – Fee for Service Contract (no longer available)	\$280 per day	N/A
Memory Care – LifeCare Contract	Last Independent Living Monthly Service Fee	N/A
Memory Care – Fee for Service Contract (no longer available)	\$292 per day	N/A
Skilled Nursing – LifeCare Contract	Last Independent Living Monthly Service Fee	N/A
Skilled Nursing - Fee for Service Contract (no longer available)	\$530 per day	N/A

Monthly service fees are reviewed annually and may be adjusted to reflect changes in operating costs, staffing, health care expenses, and capital needs. Adjustments are subject to Samaritan Housing Foundation, Inc. Board or Directors approval, with no contractual cap on increases.

Table 21.1.2: Historical Increases in Monthly Fees (CCRC contracts)

Fiscal Year-End	Average % Increase	Average \$ Increase	Frequency
12/31/2025	4.5%	\$280	Monthly
12/31/2024	4.3%	\$254	Monthly
12/31/2023	4.7%	\$272	Monthly
12/31/2022	4.0%	\$207	Monthly
12/31/2021	4.3%	\$221	Monthly

The Residential Fee component of the Entrance Fee that all new Searstone Retirement Community residents pay upon admission to residency at Searstone Retirement Community is as follows:

Table 21.1.3: Current Residential Fee Component of Entrance Fees (CCRC Contracts)

Unit Type	Residential Fee (Single)	Residential Fee (Double)
Independent Living – One Bedroom Unit	\$429,000 - \$685,000	\$429,000 - \$685,000
Independent Living – Two Bedroom Unit	\$496,000 - \$777,500	\$496,000 - \$777,500
Independent Living – Two Bedroom and Den Unit	\$601,500 - \$1,144,000	\$601,500 - \$1,144,000
Independent Living – Estate Homes	\$804,000 - \$956,000	\$804,000 - \$956,000

The LifeCare Fee component of the Entrance Fee that all new Searstone Retirement Community residents pay upon admission to residency at Searstone Retirement Community is as follows:

Table 21.1.4: Current LifeCare Fee Component of Entrance Fees (CCRC Contracts)

Unit Type	LifeCare Fee (Single)	LifeCare Fee (Double)
Independent Living – LifeCare Fee	\$80,000	\$160,000

Table 21.1.5: Historical Increases in Entrance Fees (CCRC contracts)

Fiscal Year-End	Average % Increase	Average \$ Increase	Frequency
12/31/2025	3.0%	\$19,000	Annual
12/31/2024	3.9%	\$23,600	Annual
12/31/2023	2.0%	\$11,900	Annual
12/31/2022	3.1%	\$18,000	Annual
12/31/2021	3.7%	\$20,800	Annual

21.2 Continuing Care at Home (CCaH) Contracts

Because neither Samaritan Housing Foundation, Inc. nor Searstone Retirement Community currently operate a Continuing Care at Home program, this section is not applicable.

21.3 Household Composition Changes

If a resident increases the number of people residing in a living unit, an additional LifeCare Fee is required for the new resident, based on the applicable fee schedule at the time of entry. The monthly service fee is adjusted to the two-person rate. If the additional residents do not meet admission requirements, they will not be eligible for residence at Searstone Retirement Community.

21.4 Transfer Fees and Resale Fees

If a resident transfers to a different independent living unit, they will be required to pay the applicable Residential Fee component of the Entrance Fee for their new unit. They will be placed in the refund queue for the refund of the Residential Fee component of the Entrance Fee of their original unit.

22. Refundable Entrance Fee Obligations

22.1 Conditions for Refunds

22.1.1 Timing of Refund

Pursuant to the continuing care contracts currently offered at Searstone Retirement Community, after the balance of the Entrance Fee has been paid and occupancy or services have commenced as to a resident, a portion of the Entrance Fee is refundable when the continuing care contract is cancelled and terminates with respect to a resident and the next “like” unit to the resident’s residence type at the time of cancellation and termination is “sold”; i.e., an Entrance Fee is received by Samaritan Housing Foundation, Inc. with respect to that “like” unit, to the extent the Entrance Fee received for the “like” unit exceeds the Entrance Fee refund amount due, provided that all other contractual conditions for a refund have been satisfied. The timing of the Entrance Fee refund payment is subject to the following:

- If the resident is residing in Brittany Place at the time of the continuing care contract cancellation and termination, the resident’s residence type at the time of cancellation and termination is considered to be the independent living unit type as to which the resident paid his or her Entrance Fee.
- In the event multiple former residents are awaiting Entrance Fee Refunds with respect to the same type of “like” unit, new Entrance Fee proceeds for that type of “like” unit are allocated among those former residents awaiting refunds with respect to such “like” unit in the order of the date of cancellation and termination of the applicable continuing care contracts.

- Refunds are payable within 30 days after all other contractual conditions for a refund have been satisfied.

22.1.2 Amount of Refund

The amount of the Entrance Fee refund by reason of a continuing care contract cancellation and termination after the balance of the Entrance Fee has been paid and occupancy or services have commenced as to a resident is determined as follows:

- Under the continuing care contracts at Searstone Retirement Community, 100% of the Residential Fee component of the Entrance Fee paid by a resident is what is refunded as the Residential Fee component of the Entrance Fee refund. Searstone Retirement Community previously offered continuing care contracts containing either a 0%, a 50%, or a 100% Residential Fee refund provision and, while some current residents may be a party to 0% or 50% Residential Fee refund contracts, these 0% or 50% Residential Fee refund contracts are no longer offered to new residents.
- The continuing care contracts at Searstone Retirement Community are “declining-balance” LifeCare Fee contracts. Under the contracts, the refundable portion of the LifeCare Fee component of the Entrance Fee decreases monthly and amortizes to 0% after a fifty-month period commencing with the month in which the balance of the Entrance Fee was paid by the resident. The unamortized portion of the LifeCare Fee component of the Entrance Fee paid by a resident is what is refunded as the LifeCare Fee component of the Entrance Fee refund. Searstone Retirement Community previously offered continuing care contracts providing for health care services on a “fee for service basis” in lieu of payment of a LifeCare Fee and, while some current residents may be a party to such contracts, these “fee for service” contracts are no longer offered to new residents.
- If two persons enter into a continuing care contract and the contract is cancelled and terminates as to only one of such persons, only the LifeCare Fee component of the Entrance Fee refund applicable to the second of such two persons will be refunded by reason of such cancellation and termination, and there will be no refund of any portion of the Residential Fee component of the Entrance Fee by reason of such cancellation and termination.
- The amount of the Entrance Fee refund is the sum of the Residential Fee component of the Entrance Fee refund (determined as described above); **plus** the LifeCare Fee component of the Entrance Fee refund (determined as described above); **less** applicable deductions for items such as the cost of refurbishing the former resident’s unit for re-occupancy (as detailed in the continuing care contract, which does not include cleaning, repair, or replacement needed due to normal use), and costs specifically incurred by Samaritan Housing Foundation, Inc. at the request of the resident and detailed in the resident’s continuing care contract; **less** amounts due for unpaid monthly fees and accrued interest thereon; and **less** Entrance Fee

Refund Advances made to the resident by Samaritan Housing Foundation, Inc. as described in Section 23.2.

22.2 Refund Obligations as of December 31, 2025

Category	Number of Contracts	Aggregate Amount
Refunds are due once all contractual conditions are met	322	\$187,237,347
Refunds currently due waiting for the next “like” unit to “sell”	4	\$2,318,000

As of December 31, 2026, Samaritan Housing Foundation, Inc. had \$189,555,347 in total refundable Entrance Fee obligations. No refunds were contractually due or past due at year-end. Obligations will be satisfied in accordance with contract terms as independent living units are “resold” and replacement Entrance Fees are received; however, the timing of refund payments depends on the pace of independent living unit turnover and resale activity.

23. Financial Hardship Policies

23.1 Policies for Residents Unable to Pay

It is the policy of Samaritan Housing Foundation, Inc. to permit residents to remain in Searstone Retirement Community if they become unable to pay monthly fees through no fault of their own, provided they have first fully applied their available assets and income. Residents are not discharged or relocated solely due to financial hardship once admitted under a continuing care contract.

23.2 Sources of Financial Support

- **Samaritan Housing Foundation, Inc. Resident Assistance Fund:** A fund administered by Samaritan Housing Foundation, Inc. Distributions are applied directly to resident accounts at Searstone Retirement Community.
- **Entrance Fee Refund Advances:** Residents contractually entitled to a refundable Entrance Fee may, subject to the approval of Samaritan Housing Foundation, Inc., apply potentially refundable Entrance Fee amounts toward unpaid monthly fees (“**Entrance Fee Refund Advances**”). Such Entrance Fee Refund Advances reduce the remaining potential Entrance Fee refund obligation and do not accelerate contractual payment of Entrance Fee refunds.

23.3 Conditions or Limitations

- Eligibility for benevolent care is determined through a confidential financial review conducted by Samaritan Housing Foundation, Inc., with oversight from the Samaritan Housing Foundation, Inc. Board of Directors.
- Assistance is subject to the availability of Samaritan Housing Foundation, Inc.'s funds and is not guaranteed.
- Residents must annually recertify financial need to continue receiving assistance.

23.4 Narrative

In 2025, Samaritan Housing Foundation, Inc. distributed \$0 in benevolent care support to Searstone Retirement Community residents. As of December 31, 2025, Samaritan Housing Foundation, Inc. maintained net assets of \$875,296 designated for benevolent care, subject to donor restrictions and the discretion of the Samaritan Housing Foundation, Inc. Board of Directors.

24. Contract Cancellation and Refund Policies

24.1 Provider-Initiated Cancellation

Samaritan Housing Foundation, Inc., may cancel and terminate a continuing care contract:

- Before occupancy or commencement of services, if:
 - The applicant fails to meet health or financial eligibility requirements at the time of application;
 - The applicant provided materially false or misleading information during the application process; or
 - Admission would pose a direct threat to the health and safety of others.
- After occupancy or commencement of services, if:
 - Failure of a resident pay the unpaid balance of the Entrance Fee when due;
 - Intentional mismanagement of assets needed to pay the balance of the Entrance Fee or the monthly service fee;
 - The resident commits a material breach of contract terms; or
 - The resident engages in disruptive or harmful conduct that materially impairs the rights of other residents or the orderly operation of Searstone Retirement Community.

24.2 Resident-Initiated Cancellation

A resident (or future resident) may cancel and terminate a continuing care contract under the following circumstances:

- **Before occupancy or commencement of services:**

Before occupancy or commencement of services, a future resident may cancel and terminate a continuing care contract at any time.

- **After occupancy or commencement of services:**

After occupancy or commencement of services, a resident may voluntarily cancel and terminate a continuing care contract by providing 60 days' written notice.

24.3 Refunds Upon Cancellation

When cancellation and termination of a continuing care contract is initiated by Samaritan Housing Foundation, Inc. pursuant to Section 24.1, or is initiated by a resident (or future resident) pursuant to Section 24.2, the following refund policies apply:

- **Before occupancy or commencement of services:**

- The Entrance Fee and any prepaid monthly fees will be refunded, less a non-refundable \$300 application or processing fee retained by Samaritan Housing Foundation, Inc. to cover administrative costs (and Section 22 – *Refundable Entrance Fee Obligations*, does not apply).

- **After occupancy or commencement of services:**

- Refundable Entrance Fees are returned in accordance with Section 22 – *Refundable Entrance Fee Obligations*.
- Nonrefundable portions of Entrance Fees are retained by Samaritan Housing Foundation, Inc.
- Prepaid monthly fees are prorated to the date the living unit is vacated or services cease, and any remaining balance is refunded.

24.4 Refunds Upon Death

- **Before occupancy or commencement of services:**

If a future resident dies before occupancy or commencement of services, the continuing care contract is cancelled and terminates with respect to such deceased future resident and the Entrance Fee is refunded in full, less the non-refundable \$300 application or processing fee.

- **After occupancy or commencement of services:**

If a resident dies after occupancy or commencement of services, the continuing care contract is cancelled and terminates with respect to such deceased resident and refundable Entrance Fees are returned in accordance with Section 22 –

Refundable Entrance Fee Obligations. Prepaid monthly fees are prorated to the date of death and refunded.

25. Re-occupancy of Units

A living unit at Searstone Retirement Community may be reassigned to a new resident under the following circumstances:

25.1 Resident-Initiated Vacating

- **Voluntary cancellation and termination:** When a resident cancels and terminates their continuing care contract and permanently vacates the living unit.
- **Transfer to a higher level of care:** When a resident moves from independent living to assisted living or skilled nursing, and the contract permits the original living unit to be reassigned.

25.2 Provider-Initiated Vacating

- **Contract cancellation and termination by provider:** When a contract is cancelled and terminated by Samaritan Housing Foundation, Inc. under the circumstances described in Section 24 – *Contract Cancellation and Refund Policies*.
- **Persistent nonpayment:** When a resident fails to meet contractual payment obligations and Samaritan Housing Foundation, Inc. declares the contract cancelled and terminated.

25.3 Temporary Absences

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

25.4 Refunds

Refunds associated with the vacating of a living unit are handled in accordance with Section 22 – *Refundable Entrance Fee Obligations*. Refunds are contingent upon “resale” of a “like” unit. The timing of repayment may vary depending on market demand and the pace of living unit turnover.

26. Resident Relocation

Residents of Searstone Retirement Community may be required to relocate from their current living unit to another living unit within Searstone Retirement Community under the following circumstances:

26.1 Resident Needs

- **Health-Related Transfer:** When a resident’s medical condition requires a move to a more supportive level of care, such as assisted living, memory care, or skilled nursing.

- **Safety and Accessibility:** When the current living unit no longer meets the resident's safety or accessibility needs (for example, due to mobility limitations or inability to safely navigate stairs).

26.2 Provider Needs

- **Renovation or Construction:** When construction, renovation, or repair work requires temporary or permanent relocation.
- **Operational Necessity:** When the continued occupancy of a living unit materially interferes with the orderly operation of Searstone Retirement Community and no reasonable alternative exists. This provision is applied only in limited circumstances.

26.3 Process

- Relocation decisions are made in consultation with the resident, the resident's family (if applicable), and appropriate health professionals.
- Samaritan Housing Foundation, Inc. makes reasonable efforts to relocate the resident to a comparable living unit within Searstone Retirement Community, meaning one of similar size, type, and monthly service fee level whenever possible.
- If relocation is required for renovation or construction purposes, Samaritan Housing Foundation, Inc. will inform the resident in advance and clarify whether the move is temporary or permanent.

26.4 Financial Obligations

All Entrance Fee and monthly service fee obligations continue in accordance with the terms of the resident's continuing care contract, regardless of relocation.

27. Admission and Continuation Standards

27.1 Admission Requirements

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

27.1.1 CCRC Contracts (Campus-Based)

- **Financial Standards:** Applicants must demonstrate sufficient resources to reasonably cover the Entrance Fee and projected monthly fees for the chosen living unit.
- **Health Standards:** Applicants for independent living must be capable of living safely and independently at the time of entry, with or without reasonable accommodation. A current medical history and health assessment completed by the applicant's physician is required. Applicants requiring immediate assisted living, memory care, or skilled nursing are not eligible for independent living entry.

27.1.2 CCaH Contracts (Continuing Care at Home)

Because neither Samaritan Housing Foundation, Inc. nor Searstone Retirement Community currently operate a Continuing Care at Home program, this section is not applicable.

27.2 Continuation Requirements

- **CCRC Contracts:** Once admitted, residents may remain at Searstone Retirement Community regardless of changes in health or financial status, subject to the hardship policies described in Section 23 – *Financial Hardship Policies*. Residents may be required to relocate to a higher level of care (see Section 26 – *Resident Relocation*) if their health needs can no longer be met safely in their current living unit.

27.3 Changes in Condition Before Occupancy or Commencement of Services

- **CCRC Contracts:**
 - If a future resident's health materially declines between signing a continuing care contract and the date of initial occupancy, Samaritan Housing Foundation, Inc. may re-evaluate eligibility for independent living and may require admission to a higher level of care, if available. If under such circumstances no suitable accommodation is available or if the applicant no longer meets entry requirements, the continuing contract may be canceled and terminated and Entrance Fees refunded in accordance with Section 24.3 – *Refunds Upon Cancellation*.
 - If a material change in a future resident's financial condition occurs before occupancy (such as loss of income or assets needed to pay monthly fees), Samaritan Housing Foundation, Inc. will re-evaluate eligibility. If under such circumstances standards are no longer met, the continuing contract may be canceled and terminated and Entrance Fees refunded in accordance with Section 24.3 – *Refunds Upon Cancellation*.

28. Age and Insurance Requirements

28.1 Age Requirements

- The minimum age for admission to Searstone Retirement Community under a continuing care contract is 62 years.
- A younger spouse or partner may also be admitted to Searstone Retirement Community if the primary applicant meets the minimum age requirement.
- There is no maximum age limit for admission to Searstone Retirement Community, provided the applicant meets the health and financial eligibility standards described in Section 27 - *Admission and Continuation Standards*.

28.2 Insurance Requirements

Applicants for continuing care contracts must:

- Be enrolled in Medicare Parts A and B at the time of admission; and
- Either-
 - Maintain a Medicare supplement (Medigap) policy or equivalent health insurance to cover services not provided by Medicare; or
 - Be enrolled in a Medicare Advantage Plan with Medicare Part D prescription drug coverage.

Long-term care insurance is not required but may be considered in satisfaction of certain financial eligibility criteria on a case-by-case basis.

28.3 Special Conditions

- Exceptions to the minimum age requirement may be considered on a case-by-case basis if a younger applicant is married to or partnered with an eligible applicant, or if otherwise required to maintain household composition.
- Waivers of the insurance requirement may be granted only if the applicant demonstrates alternative coverage or financial capacity sufficient to meet anticipated health care expenses.

29. Reserve Funding and Refund Security

29.1 Cash and Investments

As of December 31, 2025, Samaritan Housing Foundation, Inc. held \$38,900,000 in unrestricted cash and investments.

At year-end, unrestricted cash and investments supported a Days Cash on Hand of 553 days, representing approximately eighteen months of projected operating expenses without new revenues.

29.2 Investment Management and Oversight

- **Oversight Body:** The Samaritan Housing Foundation, Inc. Board of Directors.
- **Day-to-Day Management:** Hamilton Point Investment Advisors LLC, an unrelated North Carolina limited liability company, with oversight by the Searstone Retirement Community Chief Financial Officer.
- **Experience:** Hamilton Point Investment Advisors LLC is an investment advisor registered as such with the United States Securities and Exchange Commission. See <https://adviserinfo.sec.gov/firm/summary/144534>.
- **Policy and Controls:** Investments are managed under a policy approved by the Samaritan Housing Foundation, Inc. Board of Directors which emphasizes liquidity

and capital preservation. Permitted holdings include cash, cash equivalents, U.S. Treasury/agency securities, investment-grade bonds, equities and broadly diversified public funds/exchange traded funds. Hamilton Point Investment Advisors LLC executes within these limits, and reports monthly to the Searstone Retirement Community Chief Financial Officer. Custody of all securities is maintained outside of Hamilton Point Investment Advisors LLC.

29.3 Statutory Operating Reserve Requirement

As of December 31, 2025, Searstone Retirement Community’s 12-month rolling average independent living unit occupancy was 98%. Based on this level of occupancy, the required statutory operating reserve was 25% of projected operating costs for the next 12 months.

Because Samaritan Housing Foundation, Inc. is part of an Obligated Group that maintains a separate Debt Service Reserve Fund, principal and interest payments covered by the Debt Service Reserve Fund are excluded from the operating reserve calculation.

Table 29.3.1: Statutory Operating Reserve Calculation (as of December 31, 2025)

Component	Amount
Total projected operating expenses	\$31,287,000
Add: Debt service (principal and interest)	\$11,113,000
Less: Principal and interest (covered by Debt Service Reserve Fund)	(\$11,113,000)
Less: Depreciation and amortization	(\$8,623,000)
Net projected operating costs	\$22,664,000
Applicable reserve percentage based on occupancy	25%
Required operating reserve	\$5,666,000
Unrestricted cash and investments on hand	\$38,900,000
Excess above required reserve	\$33,234,000

Summary: The required statutory operating reserve was \$5.67 million. Samaritan Housing Foundation, Inc. held \$38.90 million in unrestricted cash and investments, providing an excess cushion of \$33.23 million above the statutory minimum.

29.4 Refund Security (Entrance Fee Refunds)

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

- \$33,234,000 of unrestricted liquidity above the statutory operating reserve.

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

Samaritan Housing Foundation, Inc. is not required by statute to escrow Entrance Fees and none are maintained in escrow.

Table 29.4.1: Unrestricted Cash and Investment Summary as of December 31, 2025

Category	Amount	Notes
Total unrestricted cash and investments	\$38,900,000	All liquid balances (cash and investments)
Less: Required operating reserve	(\$5,666,000)	Must be maintained; release requires regulatory approval
Excess unrestricted cash and investments above operating reserve and board designated refund reserve	\$33,234,000	Available for operations and refund needs (outside of designated reserves)

30. Expansion and Renovation Plans

As of December 31, 2025, the Board of Directors of Samaritan Housing Foundation, Inc. does not have any expansion, or renovation plans outside of normal capital expenditures.

31. Audit Opinion and Timeliness

The financial statements of Samaritan Housing Foundation, Inc. for the fiscal year ended December 31, 2025, were audited by Forvis Mazars, LLP (Charlotte, NC).

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

32. Audited Financial Statements

The audited financial statements of Samaritan Housing Foundation, Inc. for the fiscal year ended December 31, 2025, are attached hereto as [Appendix A](#) and form an integral part of this Disclosure Statement. These statements include the balance sheet, a statement of operations, a statement of cash flows, and accompanying notes, and have been prepared in accordance with generally accepted accounting principles (“**GAAP**”).

33. Five-Year Prospective Financial Statements

The five-year prospective financial statements of Samaritan Housing Foundation, Inc. for the period 2026 through 2030 are attached hereto as [Appendix B](#). These statements were prepared and compiled by Forvis Mazars, LLP (Atlanta, Georgia) and include a summary of significant assumptions and accounting policies.

34. Variances from Prospective Financial Statements

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

Table 34.1: Variance Analysis - Fiscal Year Ended December 31, 2025

Category	Projected Amount	Actual Amount	Variance	Explanation
Amortization of advance fees	\$3.2 million	\$4.1 million	\$0.9 million	Faster than expected fill up of Phase II expansion
Entrance Fee Receipts	\$9.1 million	\$12.3 million	\$3.2 million	Greater than expected unit turnover
Property and Equipment, Net	\$249.5 million	\$252.2 million	\$2.7 million	Slower than expected construction for Phase II
Current Liabilities	\$6.1 million	\$8.0 million	\$1.9 million	Greater than expected resident refunds payable and resident deposits
Operating Expenses	\$36.4 million	\$38.0 million	\$1.6 million	Greater than expected payroll and benefits expense
Net Deficit	\$(4.1 million)	\$(3.0 million)	\$0.9 million	Stronger than expected revenue

35. Key Financial Metrics

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

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

Full statutory text of definitions is provided in [Appendix F](#).

35.1 Liquidity Ratios

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

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

Table 35.1.1: Liquidity Ratios – Provider Only

Ratio	FY-2	FY-1	FY	FY+1	FY+2	FY+3
DCOH	199	578	553	516	541	566
CUSH	1.28x	1.30x	7.15x	3.56x	3.82x	4.11x

Narrative – Provider Only:

Liquidity increased due to the successful Phase II Highview expansion. In FY 2026, liquidity is projected to decrease due to subordinated debt payments. It is anticipated that liquidity will increase in future years due to investment returns and net Entrance Fees received.

35.2 Profitability Ratios

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

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

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

Table 35.2.1: Profitability Ratios – Provider Only

Ratio	FY-2	FY-1	FY	FY+1	FY+2	FY+3
OR	114.8%	111.1%	100.9%	100.3%	101.5%	98.7%
NOM	7.3%	15.5%	24.4%	23.9%	24.1%	24.9%
NOM-A	23.9%	23.8%	45.7%	39.3%	41.3%	42.2%

Narrative – Provider Only:

Margins strengthened with the successful Phase II Highview expansion. Management expects that this trend will continue going forward.

35.3 Capital Structure Ratios

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

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

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

Table 35.3.1: Capital Structure Ratios – Provider Only

Ratio	FY-2	FY-1	FY	FY+1	FY+2	FY+3
DSCR	1.32x	1.59x	2.45x	1.48x	1.56x	1.68x
CD	0.03x	0.04x	0.21x	0.22x	0.24x	0.26x
CED	21.90x	3.38x	0.90x	0.24x	0.27x	0.30x

Narrative – Provider Only:

The provider maintains healthy coverage and is gradually deleveraging as long-term debt amortizes. The DSCR for the FY calculation is high due to only Phase I debt service being included in the calculation.

The CED calculation reflects the Phase II expansion in FY-2, FY-1 and FY periods. Management projects that capital expenditures will be \$1,955,000 in FY + 1, \$2,305,000 in FY + 2, and \$2,655,000 in FY + 3. Management believes that these investments will provide the appropriate level of reinvestment in the community.

35.4 Overall Summary

Samaritan Housing Foundation, Inc. has achieved significantly greater liquidity with its successful Phase II Highview expansion project. Samaritan Housing Foundation, Inc. has added additional healthcare capacity and services to be able to better serve its current and future residents. Projected performance indicates stable or improving results through FY 2028, with sufficient capacity to fund operations, service debt, and support ongoing capital renewal.

36. Actuarial Opinion and Balance

The opinion of a qualified independent actuary is attached hereto as [Appendix C](#). The actuarial report evaluates Samaritan Housing Foundation, Inc.'s current and projected financial position and determines whether Samaritan Housing Foundation, Inc., is in satisfactory actuarial balance.

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

37. Most Recent Department Examination Report

The North Carolina Department of Insurance has not conducted an examination of Samaritan Housing Foundation, Inc. pursuant to Article 64A of the North Carolina General Statutes.

38. Other Material Information

Management has reviewed whether there are any additional facts, circumstances, risks, or events that could reasonably be expected to influence a prospective or current resident's decision to contract with Samaritan Housing Foundation, Inc. Other than the disclosures provided in prior sections of this Disclosure Statement, management has determined that no additional material information requires disclosure at this time.

39. Contract Forms and Attachments

Samaritan Housing Foundation, Inc., offers continuing care contracts. A representative form of our contract is attached hereto as [Appendix D](#).

39.1 Continuing Care Contracts

Samaritan Housing Foundation, Inc. offers one form of continuing care contract:

- **100% Refundable Contract** – Residents pay a higher Entrance Fee, and 100% of the Residential Fee component of the Entrance Fee (less applicable deductions) is refundable after the unit is “resold,” as provided in Section 22 – *Refundable Entrance Fee Obligations*. A declining balance of the LifeCare Fee component of the Entrance Fee is refundable, as provided in Section 22 – *Refundable Entrance Fee Obligations*.

A representative form of this contract is included in [Appendix D](#).

39.2 Continuing Care at Home (CCaH) Contracts

Because neither Samaritan Housing Foundation, Inc. nor Searstone Retirement Community currently operate a Continuing Care at Home program, this section is not applicable.

Appendix Index

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

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Appendix A — Audited Financial Statements


[attached]



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

**Independent Auditor's Report and Financial
Statements**

December 31, 2025 and 2024



Samaritan Housing Foundation, Inc. d/b/a Searstone Retirement Community
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December 31, 2025 and 2024

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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 financial statements of Samaritan Housing Foundation, Inc., d/b/a Searstone Retirement Community (the "Corporation"), which comprise the balance sheets as of December 31, 2025 and 2024 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, 2025 and 2024, 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 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

**Charlotte, North Carolina
March 18, 2026**

Samaritan Housing Foundation, Inc.
d/b/a Searstone Retirement Community
Balance Sheets
December 31, 2025 and 2024

	2025	2024
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,617,820	\$ 3,051,145
Assets limited as to use, current portion	2,697,666	2,347,815
Accounts receivable	84,703	210,013
Other accounts receivable	97,660	-
Sales tax receivable	110,985	189,359
Prepaid expenses	423,364	291,002
Short-term investments	36,328,639	4,027,064
Total Current Assets	42,360,837	10,116,398
Non-Current Assets		
Assets limited as to use, less current portion	16,995,214	56,114,661
Property and equipment, net	252,261,234	253,076,732
Deferred marketing costs, net	343,008	337,679
Total Non-Current Assets	269,599,456	309,529,072
Total Assets	\$ 311,960,293	\$ 319,645,470
LIABILITIES AND NET DEFICIT		
Current Liabilities		
Bonds payable, current portion	\$ 1,480,000	\$ 1,400,000
Accounts payable	1,075,415	5,579,750
Accrued interest payable	687,266	693,079
Resident refunds payable	2,318,005	7,120,382
Resident deposits	2,010,400	1,654,736
Other liabilities	419,675	300,965
Total Current Liabilities	7,990,761	16,748,912
Long-Term Liabilities		
Bonds payable, less current portion, net	180,837,387	182,117,444
Subordinated obligations	12,244,122	19,643,722
Refundable entrance fees	184,921,246	171,715,534
Deferred revenue from advance fees	29,316,072	29,782,720
Total Long-Term Liabilities	407,318,827	403,259,420
Total Liabilities	415,309,588	420,008,332
Net Assets (Deficit)		
Without donor restrictions	(104,224,591)	(100,943,202)
With donor restrictions	875,296	580,340
Total Net Deficit	(103,349,295)	(100,362,862)
Total Liabilities and Net Deficit	\$ 311,960,293	\$ 319,645,470

See Notes to Financial Statements

Samaritan Housing Foundation, Inc.
d/b/a Searstone Retirement Community
Statements of Operations and Changes in Net Deficit
Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Revenues, Gains, and Other Support		
Net residential service fees, including amortization of advance fees of approximately \$4,059,000 and \$2,848,000 in 2025 and 2024, respectively	\$ 31,445,110	\$ 23,376,367
Interest income	1,991,028	3,199,022
Other	450,177	334,644
Total Revenues, Gains, and Other Support	<u>33,886,315</u>	<u>26,910,033</u>
Expenses		
General operating and administrative	7,294,378	6,818,414
Depreciation and amortization	7,934,083	6,092,219
Dining services	5,392,316	4,106,162
Marketing	645,358	1,071,961
Healthcare services	3,202,888	2,157,553
Resident services	975,597	783,915
Building and grounds maintenance	2,078,719	1,455,626
Housekeeping	875,061	657,912
Resident Life	375,090	259,982
Other	206,537	317,289
Interest	9,051,607	9,094,953
Total Expenses	<u>38,031,634</u>	<u>32,815,986</u>
Loss from Operations	<u>(4,145,319)</u>	<u>(5,905,953)</u>
Non-Operating Gains		
Net unrealized and realized gains on short-term investments	863,930	231,011
Net Non-Operating Gains	<u>863,930</u>	<u>231,011</u>
Increase in Net Deficit without Donor Restrictions	(3,281,389)	(5,674,942)
Change in Net Assets with Donor Restrictions		
Contributions	216,139	99,418
Unrealized gains on investments with donor restrictions	78,817	-
Increase in Net Deficit	(2,986,433)	(5,575,524)
Net Deficit, Beginning of Year	<u>(100,362,862)</u>	<u>(94,787,338)</u>
Net Deficit, End of Year	<u>\$ (103,349,295)</u>	<u>\$ (100,362,862)</u>

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

	<u>2025</u>	<u>2024</u>
Operating Activities		
Increase in net deficit	\$ (2,986,433)	\$ (5,575,524)
Adjustments to reconcile increase in net deficit to net cash (used in) provided by operating activities		
Net unrealized (gains) losses on short-term investments	(878,354)	596,118
Net realized gains on short-term investments	(64,393)	(827,129)
Proceeds from non-refundable advance fees	4,057,755	22,235,482
Depreciation	7,873,412	6,052,828
Amortization of debt issuance costs and bond discount	199,943	199,902
Amortization of marketing costs	60,671	39,391
Amortization of advance fees	(4,059,072)	(2,847,592)
Interest and fee accrued - subordinate obligations	575,400	588,575
Interest paid on subordinate obligations	(6,783,534)	-
Net change in		
Accounts receivable	125,310	(17,776)
Sales tax receivable	78,374	432,090
Accounts receivable - other	(97,660)	144,706
Prepaid expenses	(132,362)	(54,476)
Deferred marketing costs	(66,000)	(240,990)
Accounts payable	(4,504,335)	(6,453,911)
Accrued interest payable	(5,813)	(169,485)
Other liabilities	118,710	59,830
Net Cash (Used in) Provided by Operating Activities	<u>(6,488,381)</u>	<u>14,162,039</u>
Investing Activities		
Purchase of property and equipment	(7,057,914)	(20,440,781)
Net change in assets limited as to use and short-term investments	<u>(23,523,973)</u>	<u>6,058,292</u>
Net Cash Used in Investing Activities	<u>(30,581,887)</u>	<u>(14,382,489)</u>
Financing Activities		
Payment on bonds payable	(1,400,000)	(75,215,000)
Payment on subordinate obligations	(1,191,466)	-
Refunds of entrance fees	(16,915,413)	(6,633,551)
Refundable entrance fees and resident deposits received	<u>25,209,081</u>	<u>81,347,756</u>
Net Cash Provided by (Used in) Financing Activities	<u>5,702,202</u>	<u>(500,795)</u>
Net Change in Cash, Cash Equivalents, and Restricted Cash	(31,368,066)	(721,245)
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	<u>46,311,024</u>	<u>47,032,269</u>
Cash, Cash Equivalents, and Restricted Cash, End of Year	<u>\$ 14,942,958</u>	<u>\$ 46,311,024</u>
Supplemental Cash Flow Information		
Cash paid during the year for interest	\$ 8,282,075	\$ 9,241,164

See Notes to Financial Statements

Samaritan Housing Foundation, Inc.
d/b/a Searstone Retirement Community
Notes to Financial Statements
December 31, 2025 and 2024

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.

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 places its operating cash with high credit quality institutions. The funds on deposit are in excess of federally insured amounts. The Corporation considers money market funds with original maturities of three months or less to be cash equivalents. 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>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 2,617,820	\$ 3,051,145
Short-term investments	8,169,264	151,286
Assets whose use is limited	<u>4,155,874</u>	<u>43,108,593</u>
 Total cash, cash equivalents and restricted cash shown in statements of cash flows	 <u>\$ 14,942,958</u>	 <u>\$ 46,311,024</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. The short-term portion of assets limited as to use consists of funds held to pay accrued interest, contractor retainage, and resident deposits, as presented on the accompanying balance sheets.

Reserves required by state statute represent an amount set aside to meet the requirements of North Carolina General Statute Chapter 58, Article 64A. 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 \$5,843,000 and \$4,918,000 at December 31, 2025 and 2024, respectively, as the operating reserve required by state statute.

Samaritan Housing Foundation, Inc.
d/b/a Searstone Retirement Community
Notes to Financial Statements
December 31, 2025 and 2024

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 \$61,000 and \$39,000 for the years ended December 31, 2025 and 2024, 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) and the unrealized gain on investments held for financial assistance (See Note 10).

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.

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 currently only offers a 100% refundable plan, though the Community did previously offer options for a 50% refundable plan or a 0% refundable while marketing Phase II. 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, 2025 and 2024, 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 2025 and 2024.

Samaritan Housing Foundation, Inc.
d/b/a Searstone Retirement Community
Notes to Financial Statements
December 31, 2025 and 2024

Net Deficit

The Corporation has a significant net deficit as of December 31, 2025. Several factors contribute to that net 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 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 increased less than proportionately to the increase in Community units. The Corporation's financial performance, while handicapped during Phase I-only operations, has improved as Phase II units become occupied.
- As noted above the Community currently only offers a 100% refundable plan (though previously offered a 50% refundable plan and a 0% refundable plan during the marketing of Phase II). These entrance fee refund obligations create a large balance sheet liability. While those refund obligations and associated liabilities do in fact exist, pursuant to each resident's membership agreement with the Corporation a refund obligation does not become payable to a former resident until that date which is 30 days following the Corporation's receipt of the then-applicable entrance fee for a residence of the same type as the former resident's residence. This provides assurance that the funds will be available to fulfill those entrance fee refund obligations. To the extent that entrance fee amounts increase over time, the entrance fee refund payable to a former resident will be less than the entrance fee received for a residence of the same type as the former resident's residence, with the result that each entrance fee refund cycle will be positive to the Corporation's financial position. Because the 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.

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 current local residents. Throughout the year, the Corporation had bank balances which exceeded the federal depository limit.

**Samaritan Housing Foundation, Inc.
d/b/a Searstone Retirement Community
Notes to Financial Statements
December 31, 2025 and 2024**

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 2025 or 2024.

Investments

Investments in common stocks, corporate bonds, U.S. Treasury and agency securities, mutual funds, and exchange-traded funds are measured at fair value based on quoted market prices. Net investment gains 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 9 for further discussion of fair value measurements.

The Corporation holds a guaranteed investment contract (“GIC”) issued by a financial institution. This investment represents a non-marketable, interest-bearing deposit with a fixed contractual interest rate of 1.567% and stated maturity date of June 1, 2027. The GIC is recorded at amortized cost, which approximates principal plus accrued interest, and interest income is recognized using the effective interest method.

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. No financial assistance was provided during the years ended December 31, 2025 or 2024. The Corporation maintains an investment account to cover financial assistance that is classified as net assets with donor restrictions (see Note 10).

Revisions

The 2024 financial statements were revised to correct immaterial errors related to the gross vs net presentation of resident deposit activity on the statement of cash flows as well as to remove the GIC from total cash and cash equivalents on the statement of cash flows. Notes 1, 3, 9, and 11 were revised accordingly.

Subsequent Events

The Corporation evaluated the effect subsequent events would have on the financial statements through March 18, 2026, which is the date the financial statements were issued.

Note 2. 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, and dining along with assisted living and nursing care, and these performance obligations are

Samaritan Housing Foundation, Inc.
d/b/a Searstone Retirement Community
Notes to Financial Statements
December 31, 2025 and 2024

earned each month. Resident fee revenue for non-routine or additional services are billed monthly in arrears and recognized when the service is provided.

Entrance Fees

The nonrefundable entrance fees are recognized as deferred revenue upon receipt of the payment and included in liabilities in the balance sheets until the performance obligations are satisfied. The refundable portion of entrance fees is not considered part of the transaction price and as such is recorded as a liability in the balance sheets. Additionally, management has determined the contracts do not contain significant financing components as the advanced payments assure 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 Financial Accounting Standards Board Accounting Standards Codification 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>2025</u>	<u>2024</u>
Independent living	\$ 29,100,095	\$ 21,689,166
Assisted living	804,638	545,298
Skilled nursing	<u>1,990,554</u>	<u>1,476,547</u>
 Total residential revenue	 <u>\$ 31,895,287</u>	 <u>\$ 23,711,011</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 \$189,555,000 and \$176,004,000 at December 31, 2025 and 2024, respectively. There were no entrance fees receivable at December 31, 2025 and 2024, respectively. Resident refunds payable were approximately \$2,318,000 and \$7,120,000 at December 31, 2025 and 2024, 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 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.

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Note 3. Short-term Investments and Assets Limited as to Use

The composition of short-term investments are as follows at December 31:

	<u>2025</u>	<u>2024</u>
Money market funds	\$ 8,167,989	\$ 150,810
Common stocks	2,950,166	2,503,538
Corporate bonds	2,488,506	1,973,917
U.S. Treasury and agency securities	25,726,352	3,035,559
Mutual funds – fixed income	1,092,542	869,286
Mutual funds – equities	566,053	275,719
Exchange-traded funds	858,394	107,389
Accrued interest	320,041	28,443
Cash	<u>1,274</u>	<u>476</u>
	42,171,317	8,945,137
Amount for statutory reserve	<u>(5,842,678)</u>	<u>(4,918,073)</u>
Short-term investments	<u>\$ 36,328,639</u>	<u>\$ 4,027,064</u>

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

	<u>2025</u>	<u>2024</u>
Held by trustee	\$ 13,043,332	\$ 23,613,425
Undesignated	736,455	29,860,563
Reserves required by state statute	5,842,678	4,918,073
Other	<u>70,415</u>	<u>70,415</u>
Total assets limited as to use	<u>\$ 19,692,880</u>	<u>\$ 58,462,476</u>

Note 4. Property and Equipment

Property and equipment at December 31 consists of:

	<u>2025</u>	<u>2024</u>
Land	\$ 21,089,426	\$ 21,089,426
Land improvements	1,380,794	1,380,794
Buildings	234,743,573	228,476,281
Furniture and fixtures	7,369,691	6,792,402
Vehicles	818,413	607,921
Construction in progress	2,845	-
Capitalized interest	<u>31,999,662</u>	<u>31,999,662</u>
Total property and equipment	297,404,404	290,346,486
Accumulated depreciation	<u>(45,143,170)</u>	<u>(37,269,754)</u>
Property and equipment, net	<u>\$ 252,261,234</u>	<u>\$ 253,076,732</u>

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The Corporation had depreciation expense of approximately \$7,873,000 and \$6,053,000 for the years ended December 31, 2025 and 2024, respectively. The Corporation capitalized approximately \$0 and \$1,036,000 of interest for the years ended December 31, 2025 and 2024, respectively. At December 31, 2025, the Corporation had no future construction commitments.

Note 5. Resident Deposits

Resident deposits consist of the following at December 31:

	<u>2025</u>	<u>2024</u>
Resident deposits – entrance fee deposits	\$ 490,400	\$ 694,736
Resident deposits – waiting list deposits	<u>1,520,000</u>	<u>960,000</u>
Total resident deposits	<u>\$ 2,010,400</u>	<u>\$ 1,654,736</u>

Note 6. Bonds Payable

Bonds payable consist of the following at December 31:

	<u>2025</u>	<u>2024</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 2022A:		
Term bonds due 2049, interest rate of 4.000%	8,925,000	8,950,000
Series 2023A:		
Term bonds due 2027, interest rate of 5.000%	2,975,000	4,350,000
Term bonds due 2037, interest rate of 5.000%	20,270,000	20,270,000
Term bonds due 2052, interest rate of 5.000%	<u>49,615,000</u>	<u>49,615,000</u>
Total bonds payable	187,965,000	189,365,000
Current portion	(1,480,000)	(1,400,000)
Unamortized debt issuance costs	(5,379,821)	(5,566,748)
Unamortized original issue discount	<u>(267,792)</u>	<u>(280,808)</u>
Total bonds payable, net	<u>\$ 180,837,387</u>	<u>\$ 182,117,444</u>

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

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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, 2025, required principal payments of long-term debt for the next five years and thereafter are as follows:

2026	\$ 1,480,000
2027	3,005,000
2028	3,145,000
2029	3,290,000
2030	3,440,000
Thereafter (varying from 2031 to 2056)	<u>173,605,000</u>
	<u>\$ 187,965,000</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, 2025.

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, 2025. Amortization expense of approximately \$187,000 was recognized during 2025 and 2024 to the interest expense line item on the statements of operations and changes in net deficit. Accumulated amortization was approximately \$687,000 and \$500,000 for the years ended December 31, 2025 and 2024, respectively.

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Note 7. 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 subordinate 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 subordinate obligations. The Corporation owes approximately \$493,000 and \$993,000 to Sears Farm, in connection with rezoning the Community site and other construction services at December 31, 2025 and 2024, respectively, due to payments made in 2025. The Corporation owes approximately \$502,000 and \$634,000 to Searstone – RLA, Inc. for management services at December 31, 2025 and 2024, 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.

In February 2025, the Corporation entered into a Reciprocal Assignment Agreement (the “Agreement”) with Searstone – RLA, Inc. (the “Manager”), Retirement Living Associates, Inc., (“RLA”), Sears, Hackney, Keener & Williams, Incorporated (“SHKW”), and Sears Farm. The Agreement provides for the assignment and redirection of certain payment rights related to the Series 2012 Subordinate Obligations among the parties.

Under the Agreement, certain payments otherwise payable to Sears Farm and SHKW are redirected to the Manager, RLA, and Searstone – RLA, Inc. in its capacity as RLA Purchaser. The Agreement does not modify the stated principal amounts, interest rates, or priority of the Series 2012 Subordinate Obligations, but affects the allocation of payments among the holders thereof.

During the year ended December 31, 2025, the Corporation made payments totaling \$7,975,000 on the Series 2012 Subordinate Obligations pursuant to the Agreement. Such payments were allocated between accrued interest and principal in accordance with the contractual waterfall and reduced the outstanding balances of the related subordinate obligations.

A summary of the principal and accrued interest amounts owed related to the subordinate obligations at December 31, 2025 and 2024, respectively, follows:

	2025			
	<u>Match Cap</u>	<u>Sears Farm</u>	<u>Deferred Fees</u>	<u>Total</u>
Original obligation	\$ 6,800,000	\$ 7,701,530	\$ 2,326,504	\$ 16,828,034
Payment from debt settlement	-	(1,000,000)	-	(1,000,000)
Forgone debt from debt settlement	-	(2,311,530)	-	(2,311,530)
Payment from 2021 bond issuance	-	(2,000,000)	-	(2,000,000)
Accrued interest*	<u>460,535</u>	<u>214,486</u>	<u>52,597</u>	<u>727,618</u>
Total	<u>\$ 7,260,535</u>	<u>\$ 2,604,486</u>	<u>\$ 2,379,101</u>	<u>\$ 12,244,122</u>

*Interest payments in 2025 totaled \$192,401 related to Deferred Fees, \$5,064,465 to Matchcap and \$1,526,668 to Sears Farm.

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	2024			
	<u>Match Cap</u>	<u>Sears Farm</u>	<u>Deferred Fees</u>	<u>Total</u>
Original obligation	\$ 6,800,000	\$ 7,701,530	\$ 3,317,249	\$ 17,818,779
Payment from debt settlement	-	(1,000,000)	-	(1,000,000)
Forgone debt from debt settlement	-	(2,311,530)	-	(2,311,530)
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>

Note 8. Development, Management, and Marketing Agreements and Other Receivables

The Corporation has entered into various development, management, and marketing agreements with Greenbrier Development, LLC (“Greenbrier”), SHKW, the Manager, and RLA, in connection with the development and operation of the Community. Certain fees earned under these agreements were contractually deferred and are included within subordinate obligations on the accompanying balance sheets.

During 2025, the Corporation entered into the Agreement described in Note 8, which modified the manner in which payments on certain deferred fees and subordinate obligations are made. The Agreement did not result in additional fees being earned but affected the allocation of payments made during the year among the parties.

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”).

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. Fees earned in prior years totaling \$500,000 were paid by the Corporation during the year ended December 31, 2025; accordingly, no deferred fees remain outstanding as of December 31, 2025. As of December 31, 2024, fees earned of \$500,000 had been deferred and were included within subordinate obligations on the balance sheets, as payment was subject to certain contractual parameters.

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 \$750,000 and \$2,246,000 in fees paid to Greenbrier in relation to Phase II expansion for the year ended December 31, 2025 and 2024, respectively.

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 monitored the construction of Phase I of the Community on behalf of the Corporation. SHKW has earned the fees set forth in the following chart:

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	<u>Development Services</u>	<u>Architectural 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, 2025 and 2024. Of the fees earned in prior years, approximately \$338,000 and \$711,000 at December 31, 2025 and 2024, respectively, have been earned but deferred and are included within subordinate obligations on the balance sheets and payment thereof will be deferred until certain parameters are met. 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.

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 RLA which provides professional management, marketing, development, consulting and advisory services to senior living communities throughout North Carolina.

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

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

The Base Management Fee is paid in the amount of \$27,500 per month during months 1- 60 of the term of the 2020 Management Agreement, and \$31,000 per month during months 61-123 of the term of the 2020 Management Agreement. Upon issuance by the Town of Cary of a 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

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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 \$543,000 and \$494,000 in fiscal years 2025 and 2024, respectively. Of the fees earned under the Initial Management Agreement, approximately \$449,000 and \$413,000 at December 31, 2025 and 2024, respectively, are subordinate to the outstanding bonds and will be deferred until certain parameters are met.

The Corporation entered into a marketing consulting services agreement with RLA. Pursuant to the terms of the marketing consulting services agreement, RLA provided certain services to the Corporation 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. This fee was considered to be earned as of December 31, 2015. Of the fees earned in prior years, approximately \$546,000 and \$700,000 at December 31, 2025 and 2024, respectively, have been deferred and are included within subordinate obligations on the balance sheets, as payment thereof is deferred until certain occupancy parameters are met. 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.

During 2025, Searstone – RLA, Inc., in its capacity as RLA Purchaser, became entitled to receive certain payments related to the Series 2012 Subordinate Obligations pursuant to the Agreement described in Note 8. The RLA Purchaser did not earn additional fees during the year; the amount recorded of \$500,000 represents the reassignment of payment rights from other subordinated obligation holders. Accordingly, balances payable to the RLA Purchaser are included within subordinated obligations on the accompanying balance sheets.

Note 9. 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.

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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 common stocks, U.S. Treasury and agency securities, mutual funds, and exchange-traded funds 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, 2025 and 2024.

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

	December 31, 2025			
	Fair Value Measurements Using			
Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Common stocks	\$ 2,950,166	\$ 2,950,166	\$ -	\$ -
Corporate bonds	2,488,506	-	2,488,506	-
U.S. Treasury and agency securities	29,749,662	29,749,662	-	-
Mutual funds – fixed income	1,092,542	1,092,542	-	-
Mutual funds – equities	566,053	566,053	-	-
Exchange-traded funds	858,394	858,394	-	-
Total assets in the fair value hierarchy	<u>\$ 37,705,323</u>	<u>\$ 35,216,817</u>	<u>\$ 2,488,506</u>	<u>\$ -</u>

Investments measured at fair value had a cost of \$36,755,170 as of December 31, 2025, resulting in a net unrealized gain \$950,153.

Total investments and assets limited as to use reported in the balance sheet also include money market funds of \$12,253,449, a guaranteed investment contract of \$5,671,017, accrued interest of \$320,041, and cash of \$71,689, which are not included in the fair value hierarchy. Total investments at December 31, 2025 were \$56,021,519.

	December 31, 2024			
	Fair Value Measurements Using			
Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
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	-	-
Total assets in the fair value hierarchy	<u>\$ 13,530,201</u>	<u>\$ 11,449,164</u>	<u>\$ 2,081,037</u>	<u>\$ -</u>

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Investments measured at fair value had a cost of \$13,461,506 as of December 31, 2024, resulting in a net unrealized gain of \$68,695.

Total investments and assets limited as to use reported in the balance sheet also include money market funds of \$43,188,988, a guaranteed investment contract of \$5,671,017, accrued interest of \$28,443, and cash of \$70,891, which are not included in the fair value hierarchy. Total investments at December 31, 2024 were \$62,489,540.

Note 10. Net Assets with Donor Restrictions

Net assets with donor restrictions that are temporary in nature consist of the following at December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Financial assistance	\$ 875,296	\$ 580,340

Note 11. Liquidity and Availability

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

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

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

<u>Asset Categories</u>	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 2,617,820	\$ 3,051,145
Accounts receivable	84,703	210,013
Other accounts receivable	97,660	-
Sales tax receivable	110,985	189,359
Short-term investments	36,328,639	4,027,064
Amounts with donor restrictions	(875,296)	(580,340)
Undesignated portion of assets whose use is limited	<u>736,455</u>	<u>29,860,563</u>
	<u>\$ 39,100,966</u>	<u>\$ 36,757,804</u>

Note 12. Contingencies

The Corporation is subject to claims and lawsuits that arise in the ordinary course of business related to professional liability claims. Management believes any claims that arise would be settled within the limits of insurance coverage. No claims existed as of December 31, 2025 or 2024 that required accrual or disclosure in these financial statements (see Note 7 for disclosure of the Agreement related to subordinate obligations). 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 13. Schedule of Expenses by Natural Classification and Function

The following is a schedule of expenses by both natural classification and function for the years ended December 31, 2025 and 2024:

	2025							
	Program Services			Total	Administrative and General	Marketing	Highview	Total
	Independent	Assisted Living	Skilled Nursing					
General and administrative	\$ -	\$ -	\$ -	\$ -	\$ 2,305,582	308,524	-	\$ 2,614,106
Payroll and related expense	-	1,290,264	1,472,615	2,762,879	7,395,350	332,412	-	10,490,641
Utilities and facilities	-	22,354	25,513	47,867	3,440,368 ^{\$}	652 ^{\$}	-	3,488,887
Operating and maintenance	-	94,659	108,038	202,697	3,490,738	3,770	-	3,697,205
Taxes and insurance	755,105	-	-	755,105	-	-	-	755,105
Interest expense	-	-	-	-	9,051,607	-	-	9,051,607
Depreciation	6,141,262	866,075	866,075	7,873,412	-	-	-	7,873,412
Amortization	-	-	-	-	60,671	-	-	60,671
Total expenses	\$ 6,896,367	\$ 2,273,352	\$ 2,472,241	\$ 11,641,960	\$ 25,744,316	\$ 645,358	\$ -	\$ 38,031,634
	2024							
	Program Services			Total	Administrative and General	Marketing	Highview	Total
	Independent	Assisted Living	Skilled Nursing					
General and administrative	\$ -	\$ -	\$ -	\$ -	\$ 2,060,155	42,541	736,512	2,839,208
Payroll and related expense	-	745,075	1,190,186	1,935,261	6,235,915	213,794	75,101	8,460,071
Utilities and facilities	-	17,076	27,277	44,353	2,568,919 ^{\$}	668 ^{\$}	- ^{\$}	2,613,940
Operating and maintenance	-	26,284	41,986	68,270	3,054,011	2,176	1,169	3,125,626
Taxes and insurance	589,969	-	-	589,969	-	-	-	589,969
Interest expense	-	-	-	-	9,094,953	-	-	9,094,953
Depreciation	5,326,444	363,192	363,192	6,052,828	-	-	-	6,052,828
Amortization	-	-	-	-	39,391	-	-	39,391
Total expenses	\$ 5,916,413	\$ 1,151,627	\$ 1,622,641	\$ 8,690,681	\$ 23,053,344	\$ 259,179	\$ 812,782	\$ 32,815,986

Appendix B — Five-Year Prospective Financial Statements

[attached]

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

Compilation of a Financial Forecast

**For each of the Five Years Ending
December 31, 2030**

(with Accountant's Compilation Report thereon)

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

Compilation of a Financial Forecast

Five Years Ending December 31, 2030

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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 forecast of the Corporation, which comprises forecasted balance sheets as of and for each of the five years ending December 31, 2030, the related forecasted statements of operations and changes in net deficit and cash flows for each of the years then ending, and the related summaries of significant assumptions and rationale in accordance with guidelines for the presentation of a financial forecast established by the American Institute of Certified Public Accountants ("AICPA").

The accompanying forecast and this report were prepared for inclusion with the disclosure statement filing requirements of North Carolina General Statutes, Chapter 58, Article 64A. 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 forecast nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by Management. Accordingly, we do not express an opinion, a conclusion, or provide any form of assurance on the financial forecast. The forecasted 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.

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 11, 2026

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

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

	2026	2027	2028	2029	2030
Revenues, Gains, and Other Support					
Net residential service fees, including amortization of advance fees	\$ 33,041	\$ 34,324	\$ 36,041	\$ 37,761	\$ 39,515
Interest Income	1,838	966	1,017	1,067	1,116
Other	275	286	300	314	328
Total Revenues, Gains, and Other Support	35,154	35,576	37,358	39,142	40,959
Expenses					
General operating and administrative	7,847	8,161	8,488	8,827	9,180
Depreciation and amortization	8,623	8,741	8,993	9,288	9,625
Dining services	5,447	5,600	5,828	6,064	6,309
Marketing	661	686	713	742	771
Healthcare services	3,884	4,033	4,191	4,355	4,526
Resident services	1,121	1,165	1,211	1,259	1,309
Building and grounds maintenance	1,975	2,036	2,119	2,205	2,293
Housekeeping	1,045	1,086	1,129	1,174	1,220
Resident Life	684	712	740	770	800
Interest	9,043	8,870	8,678	8,445	8,025
Total Expenses	40,330	41,090	42,090	43,129	44,058
Loss from Operations	(5,176)	(5,514)	(4,732)	(3,987)	(3,099)
Net Deficit, Beginning of Year	(103,349)	(108,525)	(114,039)	(118,771)	(122,758)
Net Deficit, End of Year	\$ (108,525)	\$ (114,039)	\$ (118,771)	\$ (122,758)	\$ (125,857)

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

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

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

	2026	2027	2028	2029	2030
Operating activities					
Increase in net deficit	\$ (5,176)	\$ (5,514)	\$ (4,732)	\$ (3,987)	\$ (3,099)
Adjustments to reconcile increase in net deficit to net cash (used in) provided by operating activities					
Proceeds from non-refundable advance fees	2,160	3,428	3,693	3,933	4,159
Depreciation	8,560	8,675	8,923	9,214	9,546
Amortization of debt issuance costs and bond discount	360	360	360	360	360
Amortization of marketing costs	63	66	70	74	79
Amortization of advance fees	(3,550)	(3,692)	(3,840)	(3,993)	(4,153)
Interest and fee accrued - subordinate obligations	479	416	363	275	9
Interest paid on subordinate obligations	(997)	(443)	(395)	(340)	(242)
Net change in:					
Accounts receivable	(78)	(6)	(9)	(9)	(9)
Sales tax receivable	(11)	(5)	(7)	(6)	(7)
Accounts receivable - other	16	(3)	(4)	(4)	(5)
Prepaid expenses	50	(13)	(15)	(16)	(17)
Deferred marketing costs	(27)	(45)	(48)	(50)	(51)
Accounts payable	(144)	34	39	40	41
Accrued interest payable	(6)	(11)	(12)	(12)	(15)
Other liabilities	(47)	13	15	16	17
Net Cash (Used in) Provided by Operating Activities	1,652	3,260	4,401	5,495	6,613
Investing Activities					
Purchases of property and equipment	(1,955)	(2,305)	(2,655)	(3,155)	(3,480)
Net change in assets limited as to use and short-term investments	134	(2,258)	(3,267)	(3,063)	(3,098)
Net Cash Used in Investing Activities	(1,821)	(4,563)	(5,922)	(6,218)	(6,578)
Financing Activities					
Payment on bonds payable	(1,480)	(3,005)	(3,145)	(3,290)	(3,440)
Payment on subordinate obligations	(3,433)	(357)	(1,157)	(2,260)	(3,258)
Refunds of entrance fees	(12,346)	(12,868)	(14,110)	(15,210)	(16,321)
Refundable entrance fees and resident deposits received	17,776	18,487	20,159	21,721	23,231
Net Cash Provided by Financing Activities	517	2,257	1,747	961	212
Net Change in Cash, Cash Equivalents, and Restricted Cash	\$ 348	\$ 954	\$ 226	\$ 238	\$ 247
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	24,635	24,983	25,937	26,163	26,401
Cash, Cash Equivalents, and Restricted Cash, End of Year	\$ 24,983	\$ 25,937	\$ 26,163	\$ 26,401	\$ 26,648
Reconciliation of Cash, Cash Equivalents, and Restricted Cash					
Cash and cash equivalents	3,286	4,181	4,349	4,523	4,703
Short-term investments	8,169	8,169	8,169	8,169	8,169
Assets whose use is limited	13,528	13,587	13,645	13,709	13,776
Total Cash, Cash Equivalents, and Restricted Cash shown in Statements of Cash Flows	24,983	25,937	26,163	26,401	26,648

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

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

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

	2026	2027	2028	2029	2030
Assets					
Current Assets					
Cash and cash equivalents	3,286	4,181	4,349	4,523	4,703
Assets limited as to use, current portion	2,179	2,238	2,296	2,360	2,427
Accounts receivable	163	169	178	187	196
Other accounts receivable	82	85	89	93	98
Sales tax receivable	122	127	134	140	147
Prepaid expenses	373	386	401	417	434
Short-term investments	36,254	38,325	41,370	44,211	47,123
Total Current Assets	42,459	45,511	48,817	51,931	55,128
Non-Current Assets					
Assets limited as to use, less current portion	17,133	17,320	17,542	17,764	17,950
Property and equipment, net	245,656	239,286	233,018	226,959	220,893
Deferred marketing costs, net	307	286	264	240	212
Total Non-Current Assets	263,096	256,892	250,824	244,963	239,055
Total Assets	\$ 305,555	\$ 302,403	\$ 299,641	\$ 296,894	\$ 294,183
Liabilities and Net Deficit					
Current Liabilities					
Bonds payable, current portion	\$ 3,005	\$ 3,145	\$ 3,290	\$ 3,440	\$ 3,600
Accounts payable	931	965	1,004	1,044	1,085
Accrued interest payable	681	670	658	646	631
Resident refunds payable	2,447	2,541	2,671	2,801	2,933
Resident deposits	2,010	2,010	2,010	2,010	2,010
Other liabilities	373	386	401	417	434
Total Current Liabilities	9,447	9,717	10,034	10,358	10,693
Long-Term Liabilities					
Bonds payable, less current portion, net	178,192	175,407	172,477	169,397	166,157
Subordinated obligations	8,293	7,909	6,720	4,395	904
Refundable entrance fees	192,166	200,776	210,019	219,940	230,461
Deferred revenue from advance fees	25,982	22,633	19,162	15,562	11,825
Total Long-Term Liabilities	404,633	406,725	408,378	409,294	409,347
Total Liabilities	414,080	416,442	418,412	419,652	420,040
Net Assets (Deficit)					
Without donor restrictions	(109,400)	(114,914)	(119,646)	(123,633)	(126,732)
With donor restrictions	875	875	875	875	875
Total Net Deficit	(108,525)	(114,039)	(118,771)	(122,758)	(125,857)
Total Liabilities and Net Deficit	\$ 305,555	\$ 302,403	\$ 299,641	\$ 296,894	\$ 294,183

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

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

Summary of Significant Forecast Assumptions and Rationale

Basis of Presentation

The accompanying financial forecast presents, to the best of the knowledge and belief of management of Samaritan Housing Foundation, Inc. (the “Corporation”) and Searstone - RLA, Inc. (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, 2030. Accordingly, the accompanying financial forecast reflects Management’s judgment as of May 11, 2026 the date of this forecast, of the expected conditions and its expected course of action during the forecast period. 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.

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

The prospective financial statements included in the forecast 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.

Background of the Corporation

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

The Corporation is governed by a 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.

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, 15 additional assisted living units, 14 new memory care assisted living 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 (the “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 ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	Monthly Fee ⁽¹⁾⁽⁵⁾
Apartments				
<i>Phase I</i>				
One Bedroom, with One Bath	24	931 – 1,165	\$449,000 – 471,000	\$4,240 – 5,250
One Bedroom, with One & ½ Bath	16	1,280 – 1,402	\$495,000 – 514,000	\$5,250 – 5,520
Two Bedroom, Two Bath	65	1,204 – 1,924	\$496,000 – 699,000	\$5,250 - 7,750
Two Bedroom, Two Bath, Den	26	1,578 – 2,294	\$599,000 – 828,000	\$7,045 – 8,420
<i>Phase II</i>				
One Bedroom, with One Bath	10	937 – 1,067	\$448,000 – 523,000	\$4,050 – 4,540
One Bedroom, with One & ½ Bath	14	1,139 – 1,196	\$544,000 – 602,000	\$5,150 – 5,270
One Bedroom, 1.5 Bath, Den	12	1,235 – 1,313	\$590,000 – 671,000	\$5,250 – 5,310
Two Bedroom, Two Bath	37	1,346 – 1,487	\$667,000 – 771,000	\$5,520 – 5,910
Two Bedroom, 2.5 Bath	30	1,508 – 1,561	\$721,000 – 780,000	\$6,015 – 6,130
Two Bedroom, 2.5 Bath, Den	46	1,629 – 2,312	\$811,000 - 1,144,000	\$7,400 – 8,040
<i>Estate Homes</i>				
Under 2,500 Square Feet	20	1,766 – 2,406	\$639,000 – 969,000	\$7,630 – 8,700
Over 2,500 Square Feet	18	2,558 – 4,000	\$859,000 – 1,004,000	\$7,750 – 9,500
TOTAL/AVERAGES	318	1,600	\$697,154	\$6,521
Second person fees				\$1,910

Source: Management

Notes to the Table:

- (1) The Entrance Fee and Monthly Fee pricing is effective as of January 1, 2026.
- (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 \$80,000 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, 2026.
- (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:

	Number of Units	Square Footage	Monthly/Daily Fee ⁽¹⁾⁽²⁾
Assisted Living Units	29	527 – 550	\$280
Memory Care Units	14	391	\$292
Skilled Nursing Beds	49	291 - 410	\$530/day
Total	92		

Source: Management

- (1) Pricing is effective as of January 1, 2026.
- (2) Residents who have selected the Type A Plan and are temporarily or permanently transferred to the Existing Healthcare Center will continue to pay their Independent Living Unit Monthly Fee. Residents receive three meals per day for an additional \$800 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 the Healthcare Center 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 the Healthcare Center, 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 the Healthcare Center will pay the Life Care Fee component of the Entrance Fee and 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
- 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 \$800 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, or a Medicare Advantage Plan.

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. Residents selecting the Type C Plan are required to maintain Medicare Parts A and B and supplemental health insurance, or a Medicare Advantage Plan.

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 Corporation offers only the Type A Plan to new Residents of the Independent Living Units. Management assumes that only the Type A Plan is to be offered to turnover Residents during the forecast 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 2025, only the Type A - 100% Refund plan is available to prospective Residents.

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

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

Source: Management

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

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

Entrance Fee Plan Utilization

All Residents of the Existing Independent Living Units and attrition Residents of the New Independent Living Units are assumed to occupy under a Type A Plan – 100% Refund Plan.

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 (each defined hereinafter) 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 forecasted balance sheets and the amortization is included in interest expense on the forecasted 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 forecast 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 forecasted 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 forecasted 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, 2027 and annually thereafter.

Assumed Independent Living Utilization

The Independent Living Units are assumed to maintain approximately 95.3 percent occupancy level throughout the forecast 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.

Table 3			
Utilization of the Independent Living Units			
Fiscal Years Ending December 31,	Average Occupied	Average Available	Percent Occupied
Forecasted			
2026	302.0	318.0	95.0%
2027	303.0	318.0	95.3%
2028	303.0	318.0	95.3%
2029	303.0	318.0	95.3%
2030	303.0	318.0	95.3%

Source: Management

The double occupancy rate for the Independent Living Units is assumed to approximate 53.6 percent in fiscal year 2026, decreasing to 44.9 percent by fiscal year 2030 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.

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

Fiscal Year Ending December 31,	2026	2027	2028	2029	2030
<u>Turnover</u>					
Number of Entrance Fees Received	16.0	26.5	28.0	29.2	30.2
Entrance Fees Received	\$19,936	\$21,915	\$23,852	\$25,654	\$27,390
<u>Refunded</u>					
Entrance Fees Refunded	\$(12,346)	\$(12,868)	\$(14,110)	\$(15,210)	\$(16,321)
Entrance Fees Received, Net of Refunds	\$7,590	\$9,047	\$9,742	\$10,444	\$11,069

Source: Management and Actuary

Management assumes the Entrance Fees for the Independent Living Units increase 3.0 percent and Life Care Fees for the Independent Living Units increase 2.0 percent on January 1, 2027 and annually thereafter.

Healthcare Center Revenue

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

The 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 4.0 percent on January 1, 2027 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.

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

Table 5			
Utilization of the Assisted Living Units			
Fiscal Year Ending December 31,	Average Occupied	Average Available	Average Occupancy
<i>Forecasted:</i>			
2026	14.2	29.0	49.0%
2027	17.5	29.0	60.3%
2028	19.2	29.0	66.2%
2029	20.5	29.0	70.7%
2030	21.6	29.0	74.5%

Source: Management and Actuary

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 Ending December 31,	Average Occupied	Average Available	Average Occupancy
<i>Forecasted:</i>			
2026	9.8	14.0	70.0%
2027	7.4	14.0	52.9%
2028	8.2	14.0	58.6%
2029	8.9	14.0	63.6%
2030	9.5	14.0	67.9%

Source: Management and Actuary

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
Utilization of the Skilled Nursing Beds

Fiscal Year Ending December 31,	Average Occupied	Average Available	Average Occupancy
<i>Forecasted:</i>			
2026	26.0	49.0	53.1%
2027	29.2	49.0	59.6%
2028	31.3	49.0	63.9%
2029	32.9	49.0	67.1%
2030	34.2	49.0	69.8%

Source: Management and Actuary

Advance Fee Amortization

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

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 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 forecast. 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 forecast 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 based on a percentage of independent living and healthcare revenue and are forecasted to increase approximately 4.7 percent annually throughout the forecast period.

Summary of Operating Expense Assumptions

Operating expenses are estimated by Management based on its experience at the Community and with the development and operation of similar retirement communities. Salaries, wages and employee benefits for the Community and the Project are assumed to increase 4.0 percent on January 1, 2027 and annually thereafter. Management assumes employee benefits for the Community will approximate 20.8 percent of salaries in the fiscal period 2026 and annually throughout the forecast period. The following table summarizes the staffing levels during the forecast period for all departments.

Table 8
Schedule of Staffing Levels (FTEs)

Department	2026 - 2030
Administrative	8.0
Health care	51.9
Dietary	47.5
Resident services	21.9
Marketing	3.0
Maintenance/grounds	8.0
Housekeeping/laundry	21.4
Other	4.8
Total FTEs	166.5

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 4.0 percent beginning January 1, 2027 and annually throughout the forecast 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) Operating Reserve Fund, to maintain compliance with North Carolina General Statute § 58-64A-245, which requires CCRCs to maintain an operating reserve (the “Statutory Operating Reserve”) equal to 25 percent of total operating costs in a given year once the Community achieves a 12-month daily average independent living unit occupancy rate of 90 percent or higher.

In addition, the Corporation maintains a board restricted Statutory Operating Reserve to meet the requirements of North Carolina General Statute § 58-64A-245 in the years in which required funds are not fulfilled by the Trustee-held Operating Reserve Fund.

Property and Equipment and Depreciation Expense

The Corporation is assumed to incur routine capital additions during the forecast period that would be capitalized as property and equipment. Property and donated equipment 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 forecast period are summarized in the table below.

Table 9
Schedule of Property and Equipment
(In Thousands)

Years Ending December 31,	2026	2027	2028	2029	2030
Property and equipment, gross Beginning balance	\$ 297,404	\$ 299,359	\$ 301,664	\$ 304,319	\$ 307,474
Routine capital additions	1,955	2,305	2,655	3,155	3,480
Property and equipment, gross	\$ 299,359	\$ 301,664	\$ 304,319	\$ 307,474	\$ 310,954
Accumulated depreciation	(53,703)	(62,378)	(71,301)	(80,515)	(90,061)
Property and equipment, net ending balance	\$ 245,656	\$ 239,286	\$ 233,018	\$ 226,959	\$ 220,893

Source: Management

Long-Term Debt and Interest Expense

As of December 31, 2025, the Corporation had outstanding debt of \$187,965,000, 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, 2025, outstanding Series 2021 Bonds consisted of \$106,180,000 unrated tax-exempt fixed rate term bonds (the “Series 2021 Bonds”) which were issued at an interest rate of 4.0 percent per annum. Interest on the Series 2021 Bonds is payable June 1 and December 1 of each year. Principal on the Series 2021 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, 2025, outstanding Series 2022 Bonds consisted of \$8,925,000 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, 2025, outstanding Series 2023 Bonds consisted of \$72,860,000 unrated tax-exempt refunding bonds were issued at an interest rate of 5.0 percent per annum. Interest on the Series 2023 Bonds is payable June 1 and December 1 of each year. 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 forecast period and thereafter.

Table 10
Annual Debt Service
(In Thousands)

Year Ending December 31	Series 2021 Bonds		Series 2022 Bonds		Series 2023 Bonds		Total Debt Service
	Principal	Interest	Principal	Interest	Principal	Interest	
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
2030	\$ 1,635	4,033	35	352	1,770	3,286	\$ 11,111

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, 2025, the Corporation owes approximately \$2,604,000 to Sears Farm, including accrued interest; approximately \$7,261,000 to Match Cap, including accrued interest, and approximately \$2,379,000 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 forecasted financial performance, Management has estimated principal and interest payments on the Subordinated Obligations during the forecast period.

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

Years Ending December 31,	2026	2027	2028	2029	2030
Beginning balance	\$ 12,244	\$ 8,293	\$ 7,909	\$ 6,720	\$ 4,395
Interest on Subordinate Obligations	479	416	363	275	9
Payment of Subordinated Obligations	(4,430)	(800)	(1,552)	(2,600)	(3,500)
Ending balance	\$ 8,293	\$ 7,909	\$ 6,720	\$ 4,395	\$ 904

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:

Cash	65	days operating expenses
Accounts receivable	2	days operating revenues
Other accounts receivable	1	days operating revenues
Sales tax receivable	2	days operating expenses
Prepaid expenses	6	days operating expenses
Accounts payable	15	days operating expenses
Resident refunds payable	30	days operating revenues
Other liabilities	6	days operating expenses

Source: Management

Appendix C — Statement of Actuarial Opinion

[attached]



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

May 7, 2026

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.

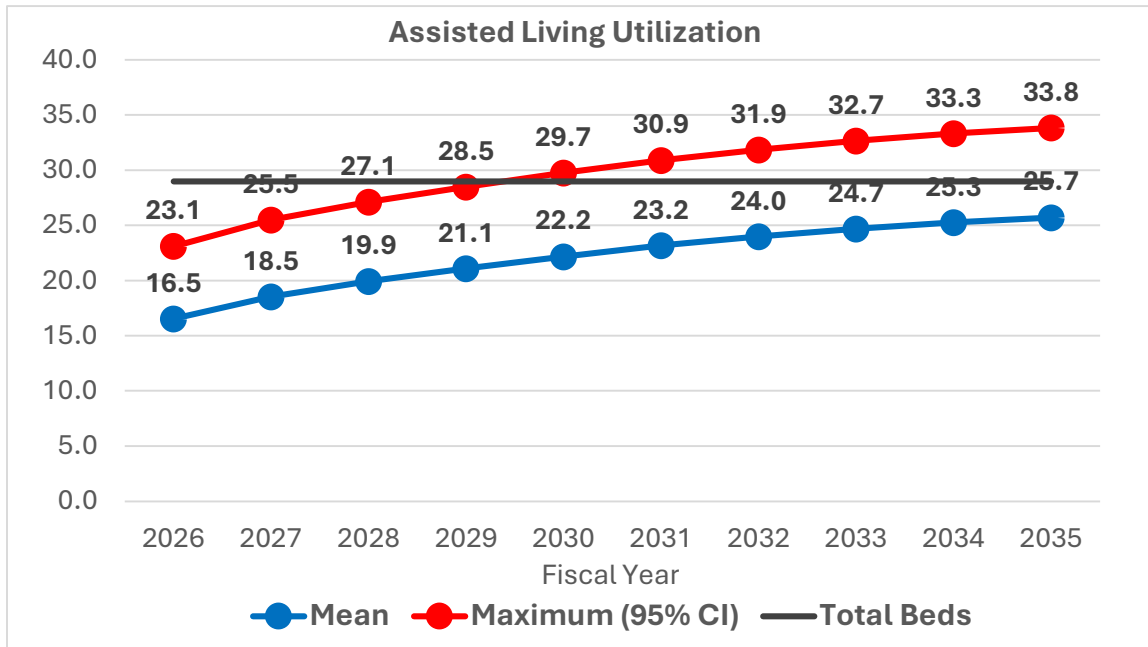
The scope of our study consisted of (1) development of updated population projections based on the current demographic characteristics of the resident population and the assumptions used in the financial model for Searstone; (2) development of projected statements of cash flows and Actuarial Balance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

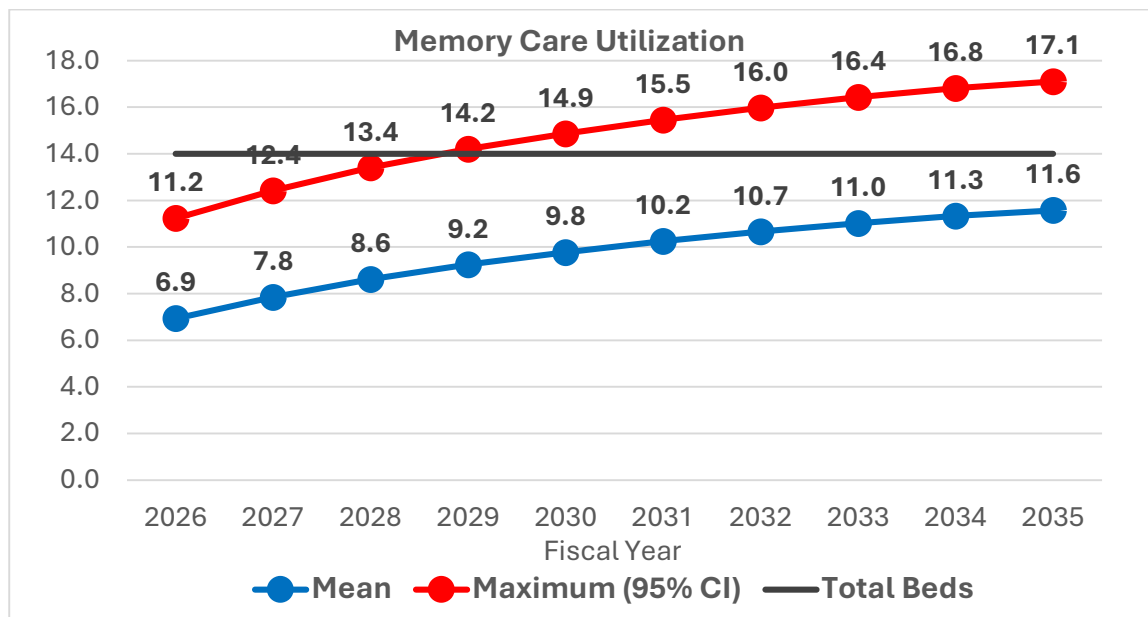
- 1) **Data and Assumptions:** The data and assumptions used for the population and financial projections in this report form a reasonable basis for the projections. The methods used to

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

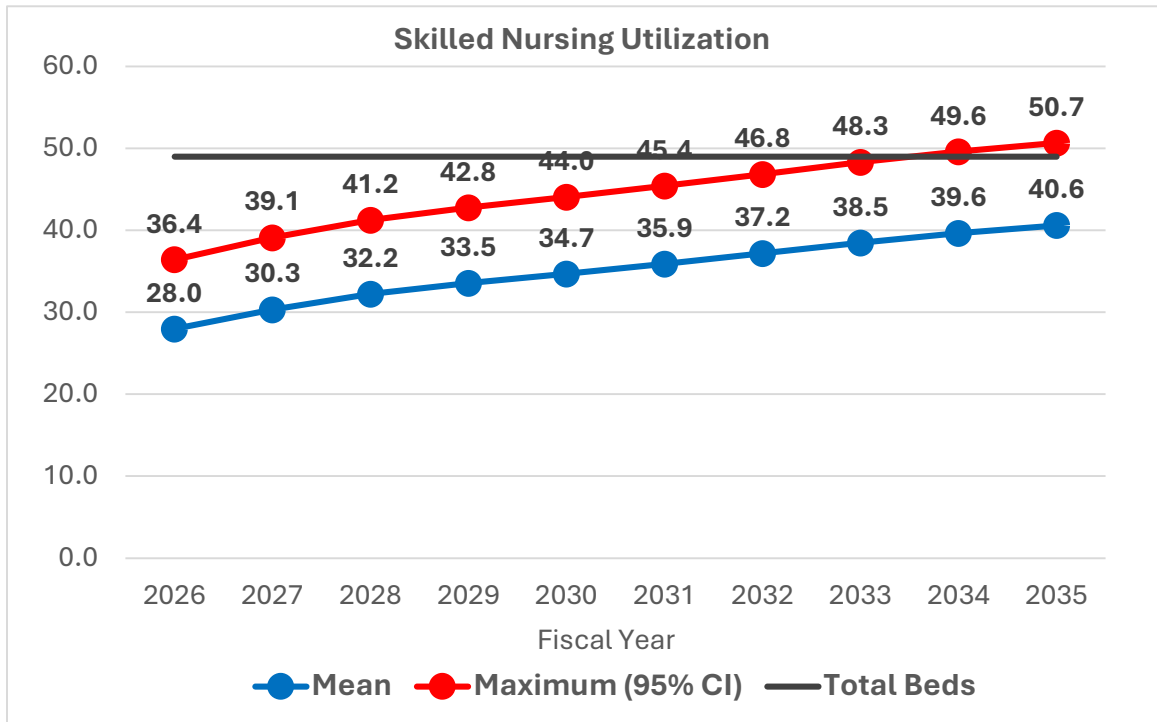
- 2) The projected occupancy of assisted living units by residents who originated in independent living units with the 95% confidence interval is displayed below:



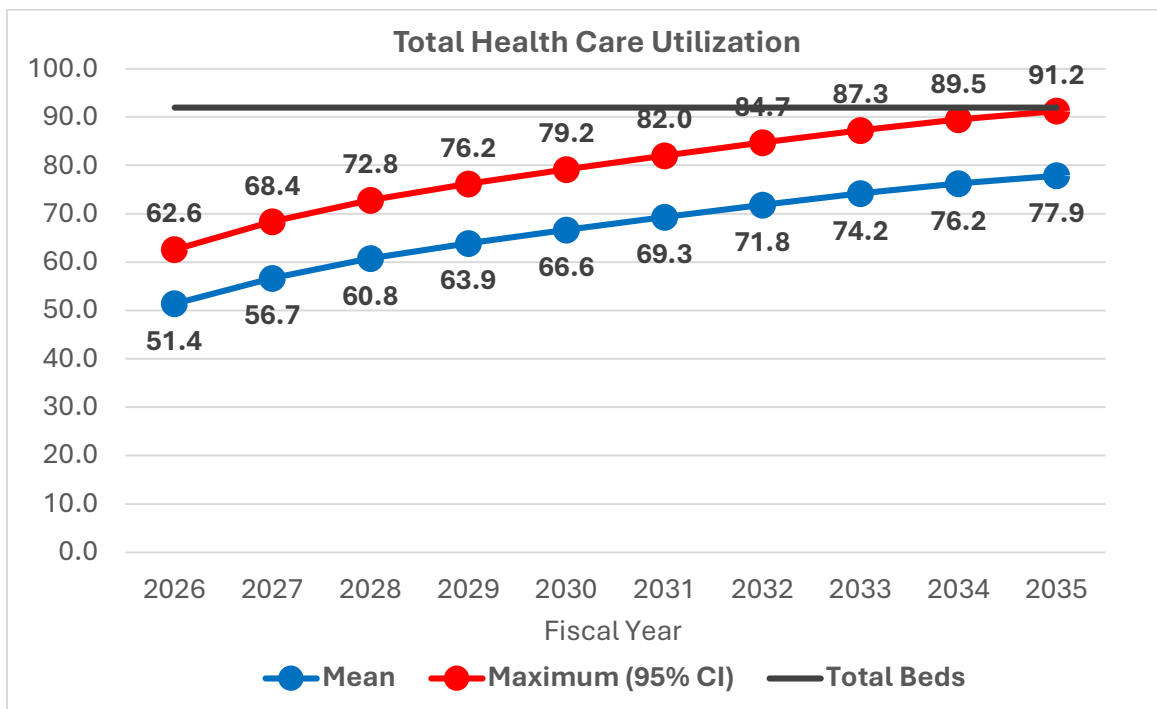
- 3) The following chart shows the projected occupancy of the memory care facility by residents who originated in independent living units with 95% confidence interval is displayed below:



- 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 2026.
- 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 \$412,361,000 with current and future liabilities of \$367,161,000. Based on these projected assets and liabilities, Searstone's funded status is 112.3% 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 95.3%.
- 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 20.3%.
- 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 112.3% funded status should increase over time assuming it continues to sell contracts priced at 20.3% 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

Appendix D — Representative Contract(s)

[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:

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

- (b) *Entrance Fee Deposit.* The Entrance Fee Deposit shall equal ten percent (10%) of the Total Combined Fee 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 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.

[Signature Page Follows]

NOTICE

Because the authority to enter into continuing care contracts granted by the North Carolina Department of Insurance is neither a guarantee of performance by the provider nor an endorsement of any continuing care contract provision, prospective residents must carefully consider the risks, benefits, and costs before signing a continuing care contract and are strongly encouraged to seek financial and legal advice before doing so.

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, 2026.

Member

Member

Member's Representative

Member's Representative

Witness

Witness

Samaritan Housing Foundation, Inc.

By: _____

Print name:

Title:

Appendix E — Statutory Ratio and Supporting Definitions

This Appendix reproduces certain statutory definitions referenced in Section 35 — Key Financial Metrics. The definitions below are quoted verbatim from N.C. Gen. Stat. §§ 58-64A-5 and 58-64A-145 and are provided for reference only.

Adjusted Net Operating Margin Ratio. *“A profitability ratio that measures the margin generated from the core operations of a provider and net cash proceeds from entrance fees. The quotient shall be calculated by dividing the sum of resident operating income and net proceeds from entrance fees by the sum of resident revenue and net cash proceeds from entrance fees.”* (G.S. 58-64A-145(1))

Annual Debt Service. *“The current year's capitalized interest cost plus interest expense and scheduled principal payments, excluding any balloon principal payment amounts and any portion of the annual debt service that has been or will be funded by debt for the payment of debt service.”* (G.S. 58-64A-5(7))

Average Daily Cash Operating Expenses. *“The total expenses of a provider incurred in the conduct of the provider's business over a defined period of time, divided by the number of days in that period. For purposes of this definition, ‘total expenses’ includes interest expense, but excludes depreciation expense, amortization expense, realized or unrealized nonoperating losses or expenses, bad debt expense, and other noncash expenses.”* (G.S. 58-64A-145(2))

Capital Expenditures as a Percentage of Depreciation Ratio. *“A capital structure ratio that indicates the level of capital reinvestment by a provider. The quotient shall be computed by dividing total purchases of property, plant, and equipment by total depreciation expense.”* (G.S. 58-64A-145(3))

Cushion Ratio. *“A liquidity ratio that measures a provider's ability to pay its annual debt service using its unrestricted cash and investments. The quotient shall be computed by dividing unrestricted cash and investments by annual debt service.”* (G.S. 58-64A-145(4))

Days Cash on Hand Ratio. *“A liquidity ratio that measures the number of days of cash operating expenses a provider could cover using its existing unrestricted cash and investments. The quotient shall be computed by dividing unrestricted cash and investments by average daily cash operating expenses.”* (G.S. 58-64A-145(5))

Debt Service Coverage Ratio. *“A capital structure ratio that measures a provider's ability to pay annual debt service with cash flow from net cash revenues and net entrance fee receipts. The quotient shall be calculated by dividing the sum of total excess of revenues over or under expenses plus interest expense, depreciation expense, amortization expense, other noncash operating losses or expenses, and net cash proceeds from entrance fees, minus entrance fee amortization, entrance fee refunds contractually past due, and other noncash operating gains or revenues divided by annual debt service. Entrance fees received from the initial residents of independent living units at a continuing care retirement community that have been financed in whole or in part with the proceeds of*

indebtedness shall be excluded from the net proceeds from entrance fees up to an amount equal to the aggregate of the principal amount of the indebtedness.” (G.S. 58-64A-5(17))

Net Cash Proceeds from Entrance Fees. *“Total entrance fees received less entrance fees refunded, and less initial entrance fees received for new independent living units.” (G.S. 58-64A-5(30))*

Net Operating Margin Ratio. *“A profitability ratio that measures the margin generated from the core operations of a provider. The quotient shall be calculated by dividing resident operating income by resident revenue.” (G.S. 58-64A-145(7))*

Operating Ratio. *“A profitability ratio that measures whether current year cash operating revenues are sufficient to cover current year cash operating expenses without the inclusion of cash from entrance fee receipts. The quotient shall be computed by dividing total operating expenses, excluding depreciation expense and amortization expense, by total operating revenues, excluding amortization of entrance fees and other deferred revenue.” (G.S. 58-64A-145(8))*

Prospective Financial Statements. *“Financial forecasts or financial projections, including the summaries of significant assumptions and accounting policies prepared by an independent certified public accountant.” (G.S. 58-64A-5(38))*

Resident Expense. *“Total operating expenses excluding interest expense, depreciation expense, amortization expense, and income taxes.” (G.S. 58-64A-145(10))*

Resident Revenue. *“Total operating revenue excluding interest and dividend income, entrance fee amortization, and contributions.” (G.S. 58-64A-145(11))*

Unrestricted Cash and Investments. *“The sum of the provider's unrestricted cash, cash equivalents and investments, and any provider restricted funds that are available to pay debt or to pay operating expenses. For purposes of this definition, the assets serving as the operating reserve required by G.S. 58-64A-245 shall be considered unrestricted.” (G.S. 58-64A-145(12))*

Unrestricted Cash and Investments to Long-Term Debt Ratio. *“A capital structure ratio that (i) measures a provider's position in available cash and marketable securities in relation to its long-term debt and (ii) measures a provider's ability to withstand annual fluctuations in cash. The quotient shall be calculated by dividing unrestricted cash and investments by total long-term debt, less the current portion of long-term debt.” (G.S. 58-64A-145(13))*

Source: N.C. Gen. Stat. §§ 58-64A-5 and 58-64A-145 (Session Law 2025-58). If the statutory definitions are amended, the statute as amended controls.