QUALITY LIFE SERVICES - SARVER

a

Continuing Care Retirement Community
of

FAIR WINDS MANOR, LP
Located at:
126 Iron Bridge Road
Sarver, PA 16055
Phone: (724) 353-1531

Effective Date of Disclosure Statement: October 2024

This Disclosure Statement is not a contract and the Provider reserves all rights to amend, revise, update and otherwise change the Disclosure Statement at any time, in accordance with applicable laws.

The issuance of a Certificate of Authority does not constitute approval, recommendation or endorsement of the facility by the Pennsylvania Insurance Department, nor is it evidence of, nor does it attest to, the accuracy or completeness of the information set forth in this Disclosure Statement.

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Important Information to Prospective Residents

Pursuant to the Pennsylvania Continuing Care Provider Registration and Disclosure Act, 40 P.S. Section 3207 et. seq., (the "Act") this Disclosure Statement is being delivered to you at the time of or prior to your execution of a "Residency Agreement," or at the time of or prior to your payment of any money to Fair Winds Manor, LP. A copy of the Residency Agreement is attached. Your receipt of this Disclosure Statement creates no obligation on your part to execute and deliver the Residency Agreement to Fair Winds Manor, LP, nor does it create any obligation on the part of Fair Winds Manor, LP.

This Disclosure Statement contains a fair summary of the material enclosed and other terms of the documents purported to be summarized. This Disclosure statement is furnished to prospective Residents and their representatives, and may not be relied upon by any other person.

SUMMARY OF DISCLOSURE STATEMENT

The following summary is qualified in its entirety by more detailed information appearing elsewhere and referred to in this Disclosure Statement and in the Residency Agreement attached to this Disclosure Statement.

1. **THE FACILITY:** Quality Life Services - Sarver ("Sarver") provides a continuum of services consisting of residential housing for the elderly, personal care, and nursing care services. The campus is located at 126 Iron Bridge Road, Sarver, PA 16055.
   Phone: (724) 353-1531.

2. **LICENSED PROVIDER:** The licensed provider is Fair Winds Manor, LP, a Pennsylvania for-profit limited partnership, with corporate offices located at 612 N. Main Street, Butler, PA 16001. Phone: (724) 431-0770.

3. **PERSON TO BE CONTACTED TO DISCUSS ADMISSION:**
   Kelly Montgomery, Nursing Home Administrator and Director of Residential Living is the person to contact for individuals considering admission to Sarver. Ms. Montgomery can be contacted at 126 Iron Bridge Road, Sarver, PA 16055. Phone: (724) 353-1531.

4. **DESCRIPTION OF PROPERTY:** Sarver is located on approximately 10.14 acres in Sarver, PA in a rural area of Butler County. Sarver is currently licensed as a 30-bed personal care home located on the first floor and a 66-bed nursing care home located on the second floor of a brick, frame and concrete block building. The original structure that was a single family dwelling farmhouse has a basement. Additions have been constructed in 1961, 1963 and 1981. Surrounding the building are numerous porches. The building also houses common living rooms, laundry services for nursing care and personal care units, cafeteria, therapy room, beauty parlor/whirlpool room, dining area, and offices. Sarver offers picturesque dining, walkways, a pond and patios on its campus.

The personal care home includes five (5) units that were originally residential living apartments that the prior owner converted to personal care units.

A sixth apartment is located adjacent from the building that houses the personal care and nursing care units. Sarver offers this free-standing residential living apartment in exchange for payment of an entrance fee. The apartment is at ground level on the top of the hill. Four (4) garages are accessed below the apartment on the lower level of the hill. The garages are primarily used for storage.

Sarver may also consider converting some of the five (5) personal care units back to residential living apartments and requiring payment of an entrance fee for occupancy. However, there is no plan to do so at this time.

Other structures on the property include a barn which is used for storage of maintenance equipment. A sewer treatment plant, owned by Sarver, also sits on the property. The sewer treatment plant is for servicing only Sarver, the apartments and a house; it is unrelated to Sarver and is located across the street from the facility.

5. **AGE REQUIREMENTS:** The minimum entrance age for admission to the residential living units is 62 years of age.

6. **AFFILIATIONS WITH RELIGIOUS, FRATERNAL, CHARITABLE AND NON-PROFIT ORGANIZATIONS:** Fair Winds Manor, LP is affiliated with Don't Stop Dreamin', a Pennsylvania, non-profit, charitable organization. Neither Fair Winds Manor, LP nor any of its affiliates is or ever was affiliated with any other religious, charitable, or other nonprofit organization.

7. **CURRENT RESIDENT POPULATION:** Current Resident population is as follows as of October 26, 2024:

Residential Living	1 Resident
Personal Care	9 Residents
Nursing Care	62 Residents
Total:	72 Residents

8. **THE ENTRANCE AND MONTHLY FEE:** The Entrance Fee for the unit is as follows:

Model Type	Square Footage	Entrance Fee (Single & Double Occupancy)	Monthly Fee (Single & Double Occupancy)
2 Bedroom **1 Full Bath** **1 Sitting Room** **Living Room** **Dining Room** **Fireplace**	1300 sq. ft.	$10,000	$500

In the event that a resident subsequently marries or a second person moves in with an existing resident, please refer to the Residency Agreement for full details regarding additional fees.

9. **TAXABLE STATUS:** Don't Stop Dreamin', a Pennsylvania, non-profit, charitable organization and affiliate of Fair Winds Manor, LP is exempt from payment of Federal Income Tax in accordance with Section 501(c)(3) of the Internal Revenue Code. Neither Fair Winds Manor, LP nor any of its other affiliates is or was ever exempt from payment of Federal Income Tax.

DISCLOSURE STATEMENT

This Disclosure Statement contains a fair summary of the documents enclosed and of the terms of the documents purported to be summarized.

1. NAME AND BUSINESS ADDRESS

Quality Life Services – Sarver ("Sarver") provides a continuum of services on its existing campus consisting of residential housing for the elderly, personal care, and nursing care services. The campus is located at 126 Iron Bridge Road, Sarver, PA 16055. Phone: (724) 353-1531.

2. HISTORY AND ORGANIZATION

Sarver was originally a farm house, commenced business as a nursing and retirement home in 1957 under the name Fair Winds Manor.

In June 2007, Fair Winds Manor was purchased by Fair Winds Manor, LP, a subsidiary to Sugar Creek Rest, Inc. that owns and operates various nursing, personal care, and residential living facilities in Pennsylvania. In 2017, the name of the facility was changed to Quality Life Services – Sarver. Through the many facets and changes of our health care system, Sarver remains constant in providing quality care. Sarver is currently licensed as a 30-bed personal care facility and a 66-bed nursing facility.

Fair Winds Manor, LP is an affiliate of Sugar Creek Rest, Inc., d/b/a Quality Life Services, ("Quality Life Services") a Pennsylvania corporation. Quality Life Services provides administrative and fiscal services to Quality Life Services - Sarver and the following separate legal entities managed by Quality Life Services. Certain additional information about these entities is provided in Section 4, "Description of Financing":

- **Quality Life Services – Grove City, LLC** began operating, effective March 1, 2024, a continuing care retirement community known as Quality Life Services – Grove City that consists of a 109-bed nursing facility and a 20-bed personal care home, as well as three (3) residential living units which are located in the same building as the nursing and personal care homes. Quality Life Services – Grove City is located in Grove City, PA.

- **Trinity Living Center, LP** (purchased 2001) is the former owner and operator of Quality Life Services – Grove City and remains the owner of the real property and the improvements thereon at Quality Life Services – Grove City.

- **Quality Life Services – Apollo, LLC** began operating, effective March 1, 2024, a 177-bed nursing home and a 70-bed personal care home known as Quality Life Services – Apollo, located in Apollo, PA.

- **West Haven Manor, LP** (purchased 2010) is the former owner and operator of Quality Life Services – Apollo and remains the owner of the real property and the improvements thereon at Quality Life Services – Apollo.

- **Quality Life Services – Henry Clay, LLC** began operating, effective March 1, 2024, a 74-bed nursing home known as Quality Life Services – Henry Clay, located in Markleysburg, PA.

- **Henry Clay Villa, LP** (purchased 2010) is the former owner and operator of Quality Life Services – Henry Clay and remains the owner of the real property and the improvements thereon at Quality Life Services – Henry Clay.

- **Quality Life Services – Markleysburg, LLC** began operating, effective July 1, 2024, a 60-bed nursing home known as Quality Life Services – Markleysburg, located in Markleysburg, PA.

- **South Fayette Nursing Center, LP** (purchased 2007) is the former owner and operator of Quality Life Services – Markleysburg and remains the owner of the real property and the improvements thereon at Quality Life Services – Markleysburg.

- **Quality Life Services – New Castle, LLC** began operating, effective July 1, 2024, a 204-bed nursing home known as Quality Life Services – New Castle, located in New Castle, PA.

- **Golden Hill Nursing and Rehab, LP** (purchased 2014) is the former owner and operator of Quality Life Services – New Castle and remains the owner of the real property and the improvements thereon at Quality Life Services – New Castle.

- **Quality Life Services – Mercer, LLC** began operating, effective September 1, 2024, a 48-bed nursing home and a 100-bed personal care home which is comprised of 64 personal care suites and 36 secure memory support personal care suites. The facilities are known as Quality Life Services – Mercer, located in Mercer, PA.

- **Countryside Convalescent Home, Limited Partnership** (purchased 1992) is the former owner and operator of Quality Life Services – Mercer and remains the owner of the real property and the improvements thereon at Quality Life Services – Mercer.

- **Quality Life Services – Sugar Creek, LLC** began operating, effective March 1, 2024, a continuing care retirement community known as Quality Life Services – Sugar Creek that consists of a 35-bed personal care home, a 114-bed nursing care home, which includes a 30-bed Memory Support Care Unit, and 11 residential living modular homes, two (2) of which are currently part of the continuing care retirement community. Quality Life Services - Sugar Creek is located in Worthington, PA.

- **Sugar Creek Rest Limited Partnership** (founded 1973) is the former owner and operator of Quality Life Services – Sugar Creek and remains the owner of the real property and the improvements thereon at Quality Life Services – Sugar Creek.

- **Quality Life Services – Chicora, LLC** began operating, effective September 1, 2024, a continuing care retirement community known as Quality Life Services - Chicora that consists of a 114-bed nursing home, 26-bed personal care home and two (2) residential living units, located in Chicora, PA.

- **Chicora Medical Center Limited Partnership** (purchased 1999) is the former owner and operator of Quality Life Services – Chicora and remains the owner of the real property and the improvements thereon at Quality Life Services – Chicora.

- **Quality Life Services – Westmont, LLC.** It is anticipated that on or about November 1, 2024, Quality Life Services – Westmont will be the new operator of a 41-bed nursing home, a 34-bed personal care home, 12 residential living units which are located in the same building as the nursing and personal care homes and 3 additional units which are located on the same campus, all of which is known as Quality Life Services – Westmont, located in Johnstown, PA.

- **Westmont Woods, LP** (purchased 2015) is the current owner and operator of Quality Life Services – Westmont. It is anticipated that on or about November 1, 2024, this entity will remain the owner of the real property and the improvements thereon at Quality Life Services – Westmont.

- **Family Home Health, LP** (acquired 2017) operates a licensed home health agency, a licensed hospice and a licensed home care agency which support patients in the communities served by Quality Life Services as well as the residents of its nursing facilities.

- **Quality Pharmacy, LP** (founded 2006) is a retail pharmacy located in Chicora, PA. Quality Pharmacy, LP also operates an institutional pharmacy which provides services to its affiliated health care facilities.

Each of the above entities are separate legal entities and are accounted for separately for financial reporting purposes.

3. CONTROLLING PARTIES & DESCRIPTION OF INTEREST IN OR OCCUPATION WITH SARVER

Fair Winds Manor, LP is a Pennsylvania for-profit limited partnership. The management and administrative oversight of Fair Winds Manor, LP are provided by Quality Life Services pursuant to a management agreement. Neither Quality Life Services nor any other affiliate of Fair Winds Manor, LP, or any other person or entity is responsible for the liabilities of Fair Winds Manor, LP or the fulfillment of its anticipated contractual obligations to its residents.

A description of the ownership structure is attached as **EXHIBIT A**.

The business experience of key management personnel, operating officers and controlling parties of Sarver is attached as **EXHIBIT B**.

4. FINANCING INFORMATION

Fair Winds Manor, LP and nine (9) Quality Life Services affiliates are borrowers under a Loan Agreement with Merchants Bank of Indiana, located at Carmel, Indiana, as lender, in the total principal amount of $67,000,000.00 (the "Existing Loan"). Quality Life Services is a guarantor on the Existing Loan. The Existing Loan is collateralized by the real and personal property of the borrowers.

During 2024, it is expected that the Existing Loan will be refinanced through a series of Department of Housing and Urban Development ("HUD") guaranteed loans. As part of and in preparation for this refinancing through HUD, Quality Life Services has begun a corporate reorganization, which began in March 2024, and which, when complete, will involve the creation of ten (10) new limited liability companies to replace the existing nursing facility operating entities, including the creation of a new licensee entity for Sarver.

Under the HUD refinancing, it is expected that the new licensee entity will be a borrower on a mortgage loan or loans in the proposed aggregate amount of approximately $67,000,000.00, which is currently being negotiated with HUD through VIUM Capital Mortgage LLC, (www.viumcapital.com) or its affiliates. The current estimate of the loan attributable to the new licensee entity is $4,500,000.00. It is anticipated that the guarantor of the loan will be Quality Life Services. The real property and improvements owned by Fair Winds Manor, LP and the personal property owned by the new licensee entity will be pledged as collateral.

5. DISCLOSURE OF RELATED PARTY CONTRACTS

The name and address of any professional service, firm, association, trust, partnership or corporation in which such person has, or which has in such person, a 10% or greater interest and which it is presently intended will or may provide goods, leases or services to the facility of a value of $500 or more, within any year:

A. Steven Tack, Mary Susan Tack Yurek, and Susan Tack Beardsley, are Trustors of separately held Irrevocable Trusts that hold an ownership interest in Fair Winds Manor, LP and Quality Pharmacy, LP. The ownership of Quality Pharmacy, LP is as follows:

Partners:

Tack Family Ventures, LLC — 99% Limited Partner
612 North Main Street
Butler, PA 16001

Sugar Creek Rest, Inc., — 1% General Partner
612 North Main Street
Butler, PA 16001

Membership Interest in Tack Family Ventures, LLC:

Steven D. Tack Irrevocable Trust - 33.34 %
Susan Tack Beardsley Irrevocable Trust – 33.33%
Mary Susan Tack-Yurek Irrevocable Trust – 33.33%

Address for the above individuals is as follows:

612 North Main Street
Butler, PA 16001-4307

The Independent Trustee for the above-listed Trusts is as follows:

Dean Rippee
612 N. Main Street
Butler, PA 16001

Quality Pharmacy, LP currently operates as a retail and institutional pharmacy. Quality Pharmacy, LP provides pharmacy consulting services to the nursing home operations of Sarver, as well as to other area nursing homes. Quality Pharmacy, LP also provides pharmaceuticals and supplies to the nursing home of Sarver for its Medicare operations and over-the-counter items. Sarver's approximate annual cost of such services is $280,714.

B. Steven Tack, Mary Susan Tack Yurek, and Susan Tack Beardsley who are Trustors of separately held Irrevocable Trusts that hold an ownership interest in Fair Winds Manor, LP, hold the following ownership interest in Sugar Creek Rest, Inc., d/b/a Quality Life Services which provides managerial services to Sarver:

Steven D. Tack - 33.33 %
Susan Tack Beardsley – 33.33%
Mary Susan Tack-Yurek – 33.34%

Address for the above individuals is as follows:

612 North Main Street
Butler, PA 16001-4307

Quality Life Services provides administrative and management services which include billing, payroll, accounts payable, education, human resource, marketing and computer support services. Quality Life budgets management fees for each of its campuses. Sarver's approximate annual cost of such services is $409,210.00.

No additional offers for management and pharmaceutical services were requested.

6. <u>DISCLOSURE OF FELONY CONVICTIONS, FELONY CHARGES, CIVIL ACTIONS, COURT ORDERS, LICENSE SUSPENSIONS, ETC.</u>

Neither the Provider, nor its Partners (a) have been convicted of a felony or pleaded nolo contendere to a felony charge or been held liable or enjoined in a civil action by final judgment if the felony or civil action involved fraud, embezzlement, fraudulent conversion or misappropriation of property; and neither are they (b) subject to a currently effective injunctive or restrictive order of a court of record, or within the past five years had any State or Federal license or permit suspended or revoked as a result of an action brought by a governmental agency or department, arising out of or relating to business activity or health care, including, without limitation, actions affecting a license to operate a foster care facility, nursing home, retirement home, home for the aged or facility registered under the Pennsylvania Continuing Care Provider Registration and Disclosure Act or a similar act in another state.

7. <u>AFFILIATIONS WITH RELIGIOUS, FRATERNAL, CHARITABLE AND NON-PROFIT ORGANIZATIONS</u>

Don't Stop Dreamin' is a Pennsylvania, non-profit, charitable organization exempt from payment of Federal Income Tax in accordance with Section 501(c)(3) of the Internal Revenue Code. Don't Stop Dreamin' provides funds and staff for the purpose of allowing residents of Quality Life Services – Sarver and the other healthcare entities affiliated with Quality Life Services to participate in activities, attend events and purchase items that they choose. Quality Life Services, the General Partner of Fair Winds Manor, LP, controls a majority of the Don't Stop Dreamin' board of directors. Don't Stop Dreamin' is not responsible for any of the financial or contractual obligations, debts or liabilities of Fair Winds Manor, LP. Neither Fair Winds

Manor, LP, nor any of its affiliates is or ever was affiliated with any other religious, charitable, or other nonprofit organization.

8. DESCRIPTION OF PHYSICAL PROPERTY

Sarver is located on approximately 10.14 acres in Sarver, PA in a rural area of Butler County. Sarver is currently licensed as a 30-bed personal care home located on the first floor and a 66-bed nursing care home located on the second floor of a brick, frame and concrete block building. The original structure that was a single family dwelling farmhouse has a basement.

Additions have been constructed in 1961, 1963, 1981 and 2020. Surrounding the building are numerous porches. The building also houses common living rooms, a laundry area, cafeteria, therapy room, beauty parlor/whirlpool room, dining area, and offices. Sarver offers picturesque dining, walkways, a pond, and patios on its campus.

The personal care home includes five (5) units that were originally residential living apartments that the prior owner converted to personal care units.

A sixth apartment is located adjacent from the building that houses the personal care and nursing care units. Sarver offers this free-standing residential living apartment in exchange for payment of an entrance fee. The apartment is at ground level on the top of the hill. Four (4) garages are accessed below the apartment on the lower level of the hill. The garages are primarily used for storage.

Sarver may also consider converting some of the five (5) personal care units back to residential living apartments and requiring payment of an entrance fee for occupancy. However, there is no plan to do so at this time.

Other structures on the property include a barn which is used for storage of maintenance equipment. A sewer treatment plant, owned by Sarver, also sits on the property. The sewer treatment plant is for servicing only Sarver and adjacent apartments, unrelated to Sarver, located across the street from the facility.

9. RESIDENT FEES

Payment of a One-Time Entrance Fee.

Continuing care services are provided to residents of the residential living unit in return for payment of an Entrance Fee and Monthly Maintenance Fee. An Entrance Fee is a one-time fee charged to residents seeking admission to the residential living unit. Upon approval of an application for residency, the prospective resident is required to pay the Entrance Fee in full on the designated occupancy date or upon occupancy, whichever is earlier. The Entrance Fee and Monthly Maintenance Fee are listed in **EXHIBIT C**.

Reference should be made to the Residency Agreement for further information. **See EXHIBIT D**.

Amortization of Entrance Fee.

The Entrance Fee shall be amortized at the rate of two percent (2%) per month over a period of fifty (50) months from the designated occupancy date or actual date of occupancy, whichever is earlier. At the conclusion of the amortization period, the Entrance Fee shall be earned in full by Sarver, and the Resident will not be entitled to a refund of any portion of the Entrance Fee.

Refund Policy.

Termination before Occupancy.

Any Entrance Fee payments will be refunded, if applicable, in full if the resident rescinds the Residency Agreement within seven (7) days in accordance with the Notice of Right to Rescind. In the event of termination of the Residency Agreement by the resident's death before the designated occupancy date or actual date of occupancy, whichever is earlier; or in the event the resident is precluded from taking occupancy because of illness, injury, or incapacity prior to the designated occupancy date or actual date of occupancy, whichever is earlier; then Sarver will make a full refund, if applicable, less any amounts deducted to cover expenses incurred by Sarver for any upgrades or improvements as requested by the resident within thirty (30) days in accordance with the refund provisions of the Residency Agreement. If the resident does not terminate the Residency Agreement within the seven (7) day rescission period but does terminate prior to the designated occupancy date or actual date of occupancy, whichever is earlier, while not precluded from taking occupancy by illness, injury, incapacity, or death; then resident shall pay an amount equal to two percent (2%) of the Entrance Fee and any amounts necessary to cover expenses incurred by Sarver at the specific written request of the resident in accordance with this Agreement. Where two individuals have signed this Agreement for double occupancy, the death of one resident shall not constitute termination of the Residency Agreement, and no refund shall be due.

Reference should be made to the Residency Agreement for further information.

<u>**Termination after Occupancy**</u>.

In the event of termination during the amortization period, the resident will be entitled to a refund of the unamortized portion of the Entrance Fee, if any, less deductions for any amounts necessary to cover costs incurred by Sarver to refurbish, restore or repair the Residence in the event of unreasonable wear and tear, and/or costs incurred at the resident's specific request, and/or any unpaid charges. All applicable refunds will be made after the resident surrenders the unit and only after the unit has been re-occupied by another resident who has paid in full the applicable Entrance Fee. After the lapse of the 50-month amortization period, the resident will not be entitled to a refund of any portion of the Entrance Fee.

Reference should be made to the Residency Agreement for further information.

<u>*Payment of a Monthly Maintenance Fee*</u>.

Sarver reserves the right, at any time, upon thirty (30) days' notice to the resident, to adjust the Monthly Fee. The Monthly Fee is listed in **EXHIBIT C**.

Reference should be made to the Residency Agreement for further information.

__Services Included in the Monthly Maintenance Fee:__

Services included in the monthly fee will be provided in accordance with the terms of the Residency Agreement. The services to be included in the Monthly Maintenance Fee include:

1. Gas and electric
2. Sewer, water, and refuse collection
3. Access for telephone and satellite TV
4. Certain activities as defined by the facility
5. Maintenance of grounds/snow removal
6. Real Estate Taxes
7. Administrative support services
8. Maintenance and repairs of appliances

__Additional Services Available for an Extra Charge.__ All other services, including barber/beauty, resident meals, guest meals, light housekeeping, scheduled local transportation, personal laundry, and telephone are available at an additional charge. Personal Property Insurance is not included in the monthly fee and shall be the responsibility of the resident. The fees for additional services are listed at **EXHIBIT E**.

__Additional Fees for Personal Care and Nursing Care Services:__

Residents have the right to occupy the residential living unit for so long as they satisfy the health and other conditions of occupancy as set forth in the Residency Agreement. The Residents will have priority access to personal care and nursing care services on the Sarver campus. Admission is contingent upon the Resident meeting the financial and all other admission criteria. The cost for personal care or nursing care services is not included in the Entrance Fee or Monthly Maintenance Fee. Residency Agreements signed by Residents are fee-for-service contracts. If a Resident requires personal care or nursing care services, an admission agreement is signed for that level of care which establishes the basis for charges for personal care and nursing care services. The fees associated with the provision of personal care and nursing care services depend upon the type of room and/or services required.

If space is not immediately available at Sarver, Sarver will identify and assist the resident in making arrangements to transfer to a local personal care or nursing care facility.

In situations of double occupancy where one co-resident is temporarily transferred to the personal care or nursing care facility, the Monthly Maintenance Fee shall remain the same, and the transferred co-resident will be charged for care and services in the personal care or nursing care facility. Both co-residents will collectively be liable for payment of the charges.

Reference should be made to the Residency Agreement for further information.

10. FREQUENCY AND AVERAGE DOLLAR AMOUNT OF EACH INCREASE IN PERIODIC RATES FOR THE PREVIOUS FIVE YEARS

A table showing the frequency and average dollar amount of each increase in periodic rates for the previous five (5) years is attached as **EXHIBIT F**.

11. AVERAGE ANNUAL COST OF PROVIDING SERVICES

The calculation of the average annual cost of providing services is attached as **EXHIBIT G**.

12. ESCROW AND RESERVE FUNDS

Reserve Funds

The Pennsylvania Insurance Department requires providers to maintain sufficient reserve funds related to its continuing care agreements. The provider is required to maintain a reserve equal to or the greater of the total of all projected principal and interest payments on any mortgage or long-term debt of the facility over a twelve-month period or 10% of total operating expenses excluding depreciation. The amount of the reserve shall be computed only on the portion of the financing or expenses that are applicable to residents under continuing care agreements as of the most recent year-end. Funds sufficient to meet such requirements will be retained, and such amounts will be classified as operating reserves during each fiscal period.

Sarver funds the statutory liquid reserve requirement on a proportional basis as reflected in its audited financial statements.

Escrow Account

Sarver does not currently maintain an Entrance Fee Escrow Account because it does not receive payment of any portion of the Entrance Fee prior to the date the resident is permitted to occupy the unit. Therefore, no Entrance Fee escrow is currently contemplated.

13. AUDITED FINANCIAL STATEMENTS

A copy of the audited financial statements for Fair Winds Manor, LP for the fiscal year ended June 30, 2024, prepared by Holsinger P.C., certified public accountants, are attached as **EXHIBIT H**. As required, Sarver will submit audited financial statements annually to the Pennsylvania Insurance Department.

A Pro Forma Income Statement for the next fiscal year, along with a narrative statement of material differences of actual vs. pro forma income statement is attached as **EXHIBIT I**.

14. RESIDENCY AGREEMENT

The Residency Agreement governs the relationship and explains the mutual obligations between the resident and Sarver. All terms of the agreement are reflected in the Residency Agreement and its attached exhibits. The Residency Agreement also provides a grievance procedure that includes a voluntary mediation provision and a mandatory, binding arbitration provision. Residents should review the Residency Agreement for further explanation. See **EXHIBIT D**.

15. RIGHT TO RESCIND

Resident may rescind and terminate the Residency Agreement without penalty or forfeiture within seven (7) days of signing the Residency Agreement. Residents are not required to move into the residential living unit before the expiration of this seven (7) day period. To rescind their Residency Agreement, resident must mail or deliver a signed and dated copy of a Rescission Notice or any other dated written notice, letter or telegram, stating their desire to rescind to Sarver. A Notice of Right to Rescind is included in the Residency Agreement.

16. RESIDENT RIGHT TO ORGANIZE

Residents shall have the right to elect a Residents' Association to represent the welfare and concerns of the Residents. A designated representative of Sarver will hold quarterly meetings during the calendar year with Residents for purposes of free discussion of topics related to living at Sarver. Residents will be given at least seven (7) days' notice of all such meetings.

Receipt

The undersigned hereby acknowledges delivery and receipt of Sarver's Disclosure Statement dated ______________ and all attachments including a copy of the Residency Agreement and the Notice of Right to Rescind.

____

Signature of First Resident

____

Signature of Co-Resident

____

Signature of Responsible Party/Family Member (if applicable)

____

Date

__________________ __________

Community Witness Date

QUALITY LIFE SERVICES - SARVER
EXHIBIT "A"

Ownership of Fair Winds Manor, LP

Partners:

Tack Family Ventures, LLC 612 North Main Street Butler, PA 16001	99% Limited Partner
Sugar Creek Rest, Inc., d/b/a Quality Life Services 612 North Main Street Butler, PA 16001	1% General Partner

Membership Interest in Tack Family Ventures, LLC:

Steven D. Tack Irrevocable Trust - 33.34 %
Susan Tack Beardsley Irrevocable Trust – 33.33%
Mary Susan Tack-Yurek Irrevocable Trust – 33.33%

Address for the above individuals is as follows:
612 North Main Street
Butler, PA 16001-4307

The Independent Trustee for the above-listed Trusts is as follows:

Dean Rippee
612 N. Main Street
Butler, PA 16001

QUALITY LIFE SERVICES - SARVER

EXHIBIT "B"

Business Experience of Key Management Personnel, Controlling Parties, & Operating Officers

Philip E. Tack is a 1967 graduate of Westminster College with a Bachelor in Business Administration and received a Masters in Social Work from Case Western Reserve University in 1973. From 1967 to 1969 he was with the Peace Corps in Ecuador, was a caseworker with Children and Youth of Armstrong County from 1969 to 1971, and a caseworker with Family and Children's Aide Society of Akron, OH from 1973 to 1974. In 1974 he came to Sugar Creek Rest as co-administrator and had been administrator from 2001 until 2011 when he retired. Philip is Chairman of the Board of Quality Life Services.

Steven D. Tack received his Bachelors in Business Administration from Grove City College in 1989. He served as Administrator at Hempfield Manor from 1991 to 1992 and Interim Administrator of Lemington Center from 1992 to 1994. In 1994 to 1999 he was the Director of Operations at Sugar Creek Health Management where his duties included serving as Interim Administrator through contracted services and provided management and operational consulting to various nursing facilities. In July 1999 he became the Administrator of Chicora Medical Center. Steve is currently the Chief Executive Officer of Quality Life Services.

Susan Tack Beardsley graduated from Clarion University of Pennsylvania in 1990 with a Bachelors Degree in Communications. From 1991 to 2000, she was employed at Tomsin Steel, Inc. in the office and then as Transportation Supervisor. From October 2000 to October 2002 she was the Admissions/Marketing Director at Meadowcrest Nursing center and from November 2002 to March 2003 was the Marketing Director at Trinity Living Center. In March 2003, she came to Quality Life Services as the Recruitment and Retention Director. Her current role is the Chief Administrative Officer of Quality Life Services.

Mary Susan Tack-Yurek graduated from Duquesne University in 2000 with a Bachelors in Psychology and Bachelors in Corporate Communications. From 2001 to 2002 she was the Admission Director for Countryside Convalescent Home. She was the Marketing Director for Quality Life Services from 2002 to 2005, and in 2005 became the Director of Research and Development. In addition, in April 2005 she obtained her Nursing Home Administrator's license. Her current role is Chief Quality Officer of Quality Life Services.

John Michael Markivich III, Chief Financial Officer, Quality Life Services, graduated from Robert Morris University in Moon Township Pennsylvania with a Bachelor of Science in Business Administration and a Master of Science in Accounting in 2006. From 2006-2016 he worked various positions in the Oil and Gas and Aerospace Defense Contracting industries ranging from Cost Accountant with American Refining Group to Manager of Finance with L-3 Communications Inc. In 2016 he transitioned into healthcare working for Familylinks and Ellwood City Medical Center as the Controller and St. Clair Hospital as the Accounting Supervisor. In 2020 he became the Accounting Manager for Quality Life Service and transitioned to Controller later that year.

Kelly Montgomery, joined Quality Life Services - Sarver as the Nursing Home Administrator ("NHA") and Director of Residential Living in 2023 with over 19 years of experience in long-term care. Her career started out as the business office manager, rotating through activities, admissions and marketing. Kelly served as an Assistant Nursing Home Administrator while working toward obtaining her NHA license. Kelly believes that her role as a NHA is a calling to take the best possible care of residents and to ensure that Sarver does the right thing by each of them as well as their families.

Anthony Adams, M.D. is the Medical Director of Quality Life Services - Sarver. Dr. Adams graduated from West Virginia University and attended medical school at Temple University. He completed his residency at West Penn Hospital in June, 2008. He is board certified in Internal Medicine by the American Board of Internal Medicine. Dr. Adams is employed by Allegheny Clinic, the physician practice group of Allegheny Health Network.

QUALITY LIFE SERVICES - SARVER
EXHIBIT "C"

Entrance Fee and Monthly Maintenance Fee

Model Type	Square Footage	Entrance Fee (Single & Double Occupancy)	Monthly Fee (Single & Double Occupancy)
2 Bedroom 1 Full Bath 1 Sitting Room Living Room Dining Room Fireplace	1300 sq. ft.	$10,000	$500

In the event that a resident subsequently marries or a second person moves in with an existing resident, please refer to the Residency Agreement for full details regarding additional fees.

Note: Fees are subject to change

QUALITY LIFE SERVICES - SARVER
EXHIBIT "D"

Residency Agreement

RESIDENCY AGREEMENT

FOR

FAIR WINDS MANOR, LP

D/B/A QUALITY LIFE SERVICES – SARVER

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DEFINITIONS OF WORDS AND PHRASES

ADDITIONAL OCCUPANT: An individual who, after you take Occupancy, applies and is accepted for admission to Community to occupy the Residence as a Co-Resident.

CERTIFICATE OF INSURANCE: A document issued by an insurance carrier reflecting the coverage available under the policy.

CONDITIONS OF OCCUPANCY: The health, safety and related requirements for continued occupancy of the residence or other accommodation in the Community.

CO-RESIDENT: One of two individuals who signs a residency agreement to initially occupy one residence.

DAILY RATE: The daily charge for Routine Nursing Care Services or Personal Care Services. The Daily Rate does not include charges for additional or miscellaneous services.

DESIGNATED OCCUPANCY DATE: The date designated by us for you to accept occupancy, and for the monthly maintenance fee to become due, unless the residence is occupied earlier.

DOUBLE OCCUPANCY: Two individuals initially residing in a residence as co-residents.

ENTRANCE FEE: The initial charge for admission to the Community. The amount of the entrance fee is based on the model of the residence.

MONTHLY MAINTENANCE FEE: The charge per month for occupancy of the residence.

NURSING CARE FACILITY: The licensed nursing care facility of Community.

OCCUPANCY: The right of possession and use of the residence.

PERSONAL CARE FACILITY: The licensed personal care facility of Community.

PERSONAL CARE SERVICES: Assistance with or supervision in activities of daily living and/or instrumental activities of daily living in the Personal Care Facility in exchange for the Daily Rate.

RESIDENCE: The living unit designated under this Agreement for occupancy by you.

RESIDENT HANDBOOK: Community's publication reflecting the rules, regulations, policies, and procedures of the Community. You are obligated to comply with our rules, regulations, policies, and procedures reflected in this publication. The Resident Handbook should not be construed as a contract. It does not grant any contractual rights, and it is subject to change from time to time.

ROUTINE NURSING CARE SERVICES: The level of routine nursing care services provided by us in the Nursing Care Facility in exchange for the Daily Rate. The following types of services are not included in routine nursing care: one-on-one companion or CNA services when required by your care plan; care for certain high acuity conditions, such as ventilator dependent care; dialysis services; treatment for drug and alcohol conditions; or psychiatric care. Generally, services not included in routine nursing care are not available at the Community; and, if such services become or are available, then such services are only provided for an additional fee.

SINGLE OCCUPANCY: One individual initially residing in a residence.

SURRENDER: To cease occupancy of the residence, to remove all possessions from it, and to return all keys to it.

RESIDENCY AGREEMENT

THIS RESIDENCY AGREEMENT (called "Agreement"), made this ____ day of __________, 20___, between Fair Winds Manor, LP d/b/a Quality Life Services - Sarver, a Pennsylvania for-profit limited partnership, (called "Community," and referred to by the words "we," "us" and "our"), and ______________________________ (called "Resident," and referred to by the words "you" and "your" and when two individuals sign this Agreement for Double Occupancy, they are called collectively "Resident," "you" and "your" where the context permits, and individually "Co-Resident") for admission of Resident to the Community for Occupancy of ______________ (called "Residence").

RECITALS:

We operate a continuing care retirement community;

You have applied for admission to occupy the Residence; and,

We have reviewed and accepted your application subject to the execution of this Agreement, and you have designated the above Residence for Occupancy.

In consideration of the mutual promises contained in this Agreement, and intending to be legally bound, we and you agree as follows:

SECTION 1: RESIDENCE AND FACILITIES

1.1 Living Accommodations and Term. We shall provide you with the accommodations, common facilities and services specified in this Agreement beginning on the Designated Occupancy Date or actual date of Occupancy, whichever is earlier, and continuing until the termination of this Agreement.

1.2 Description of Residence. We shall provide you with the Residence designated under this Agreement. The items identified in Exhibit "A" are available to you in your Residence at no additional charge. You may provide other furnishings, subject to our approval, which shall remain your property.

1.3 Optional Furnishings or Fixtures. At your request, and subject to our approval, we shall provide optional furnishings or fixtures identified in an addendum(s) attached to this Agreement. Optional furnishings or fixtures are not included in the Entrance Fee or Monthly Maintenance Fee and are provided at an additional cost. If requested prior to Occupancy, the cost of any optional furnishings or fixtures shall be paid prior to Occupancy. At our discretion, the costs of any optional furnishings or fixtures requested after Occupancy shall be paid prior to or at the time of installation. Upon installation, all additional furnishings or fixtures immediately become our property and shall remain in the Residence after the termination of this Agreement. An addendum to this Agreement reflecting all optional furnishings or fixtures and their cost shall be signed by you and us.

1.4 Structural Changes and Redecoration. Any structural or physical change of any kind or redecoration to the interior or exterior of the Residence, including, but not limited to, wallpaper, painting or floor covering, may be made only after obtaining written approval from us. The cost of any redecoration or structural change requested by you, and restoration to original condition, except that cost due to normal wear and tear, shall be paid by you unless otherwise agreed in writing by us. The selection of a contractor for any structural changes shall be made by us. The charge or value of any physical or structural changes will not be considered in calculating any applicable Entrance Fee refunds and are not considered part of the Entrance Fee. An addendum to this Agreement reflecting all structural changes and their cost shall be signed by you and us.

1.5 Common Facilities. We shall provide certain common facilities including, but not limited to, outdoor recreational and activity areas, walkways, dining facilities, beauty/barber shop, and meeting accommodations. The common facilities are available to you in accordance with our policies and procedures as reflected in the Resident Handbook and any other publications of the Community, which are subject to change from time to time at our discretion.

1.6 Priority Access. You will receive priority access to Routine Nursing Care Services and Personal Care Services on a fee-for-service basis. Priority access is conditioned on you satisfying the financial and all other requirements for admission.

1.7 Designated Occupancy Date. We shall establish a date when you must accept Occupancy (the "Designated Occupancy Date"). We will provide notice of the Designated Occupancy Date no later than thirty (30) days before the Residence is available. We reserve the right to extend the Designated Occupancy Date. The obligation to pay the Monthly Maintenance Fee shall begin on the Designated Occupancy Date or actual date of Occupancy, whichever is earlier. The Entrance Fee shall be paid in full on the Designated Occupancy Date or upon actual Occupancy, whichever is earlier.

SECTION 2: SERVICES

2.1 Utilities. We shall provide water, gas heat, electricity, sewer, and refuse collection. These services are included in the Monthly Maintenance Fee. We reserve the right to establish maximum usage levels on utilities and to charge you for any unreasonably excessive usage due to waste or abuse.

2.2 Telephone. We shall provide your Residence with access to telephone service. All telephone service charges, including connection charges, are not included in the Monthly Maintenance Fee and shall be paid by you.

2.3 Satellite Television. We shall provide your Residence with access to satellite television service and at least one connection. Satellite television service is not included in the Monthly Maintenance Fee and shall be paid by you.

2.4 Maintenance and Repair of Equipment. We shall provide necessary repairs, maintenance, and replacement of our property, equipment, and appliances. Repairs, maintenance, and replacement of your property and furnishings is your responsibility and is not included in the Monthly Maintenance Fee. Maintenance and repair of our property, equipment or appliances necessitated by your neglect or abuse as we determine, shall be paid by you.

2.5 Maintenance of Grounds. We shall provide grounds keeping, lawn care, and snow removal, in accordance with our policy, which is subject to change from time to time. These services are included in the Monthly Maintenance Fee.

2.6 Property Insurance. We shall provide insurance on our property only. You are responsible to insure against personal property and general liability losses and for the cost of such insurance.

2.7 Administration. We shall provide administrative support services to implement the provisions of this Agreement. Administrative services are included in the Monthly Maintenance Fee.

2.8 Assessments. Property taxes are included in the Monthly Maintenance Fee.

2.9 Activities. We, in our discretion, shall provide recreational, educational, and social services. Access to, participation in, and fees, if any, associated with activities are governed by our policy, which is subject to change from time to time.

2.10 Scope of Services Included in the Monthly Maintenance Fee. We reserve the right to add or delete certain services and to adjust the Monthly Maintenance Fee appropriately. We will provide thirty (30) days advance written notice of any changes in services, except for changes required by state or federal assistance programs.

2.11 Other Services. Meals are available at an additional charge. Other services, such as barber/beauty, light housekeeping and laundry/linen services, are available at an additional charge and are not included in the Monthly Maintenance Fee. The charges for these services and meals are reflected on the Fee Schedule, which is attached to this Agreement as Exhibit "B" and is subject to change from time to time.

SECTION 3: NURSING AND PERSONAL CARE SERVICES

3.1 Nursing Care Facility and Personal Care Facility. We operate a Nursing Care Facility known as "Quality Life Services - Sarver" and a Personal Care Facility known as "Quality Life Services - Sarver" for the provision of licensed Routine Nursing Care Services and Personal Care Services which shall be available to you on a priority access basis so long as you meet the financial and all other criteria for admission. The costs of Routine Nursing Care Services and Personal Care Services are at an additional charge and are not included in the Monthly Maintenance Fee. We will exercise our best efforts to accommodate your level of care needs; however, there is no guarantee that space will be immediately available in the Nursing Care Facility or the Personal Care Facility at such time as you may require Routine Nursing Care Services or Personal Care Services. If you are permanently transferred to the Nursing Care Facility or Personal Care Facility, this Agreement shall terminate and you shall sign an admission agreement for the provision of Routine Nursing Care Services or Personal Care Services.

3.2 Private Duty Nursing or Companion Services in the Residence. Subject to the approval of the Community, you may utilize the services of private duty nurses or companions providing personal or nursing care services in the Residence so long as you are able to satisfy the Conditions of Occupancy. Such services must be approved in advance and in writing by us. We reserve the right to review credentials of all nurses and companions, to approve or prohibit the use of or to require the discontinuation of such services. You are responsible to pay for all such services. As a condition of our approval, all private duty nurses or companions must provide us with an appropriate release and indemnification agreement, proof of workers' compensation and liability insurance, as well as proof that such nurses or companions are free of tuberculosis and/or any other contagious or communicable disease, and are subject to a criminal background check. To the extent required, you shall confirm that any approved private duty nurse, companion, or attending individual has workers' compensation insurance coverage. In the absence of such coverage, you are required to provide workers' compensation insurance to the extent required by law. Services of private duty nurses, nurse assistants or companions may be used so long as you are able to satisfy the Conditions of Occupancy. In exchange for our consent to your request for the services of a private duty nurse, companion, or other assistant, you shall execute, if requested by us, an Aging-in-Place Addendum, which shall be attached to this Agreement and incorporated by reference. We reserve the right to terminate your authorization to utilize the services of private duty nurses, nurse assistants or companions in the event that you do not comply with the requirements of this Section or the Aging-in-Place Addendum, or require transfer to another level of care. If transfer to another level of care is required, then we reserve the right to transfer you to another level of care within the Community or to such other external care facility as we deem appropriate.

3.3 **Health Care Services and Liability for Health Care Costs.** Subject to Section 3.4 below, you remain responsible for your own Routine Nursing Care Services, Personal Care Services and health care services while residing in the Residence. All Routine Nursing Care Services, Personal Care Services and health care services of any kind provided to you under this Agreement are at an additional charge.

3.4 **Liability for Health Care Services.** A resident shall not be liable to a health care provider for services rendered under this Agreement if the health care services rendered are services which the Community agreed to furnish to a resident in consideration of the resident's payment of entrance and periodic fees. No future health care services are covered by your payment of the Entrance Fee or Monthly Maintenance Fee.

3.5 **Future Use of Facilities.** Although there is no current plan to discontinue operations of the Nursing Care Facility or Personal Care Facility, if deemed to be in the best interests of the Community by the general and managing partners, we reserve the right at some future point to reduce the availability of the number of beds or to discontinue the operation of these units. Should we elect to discontinue operations of the Nursing Care Facility or Personal Care Facility, there are no assurances that any replacement units will be available at the Community.

3.6 **Response Call System.** We shall equip your Residence with a twenty-four (24) hour response call system. We do not provide Emergency Medical Services (EMS) or Emergency Medical Technicians (EMT). In the event of a medical emergency, you are required to contact 911 to obtain medical assistance. While the response call system may be used to inform us of a medical emergency, we disclaim any and all responsibility for responding to medical emergencies. In the event we are notified of an accident or unexpected medical need of yours on our property, a nursing assessment will be provided. If the initial nursing assessment indicates a need for additional medical assistance, we shall contact appropriate health care providers.

SECTION 4: FEES

4.1 **Entrance Fee.** You shall pay the sum of $________________ [____ *initials*] as an Entrance Fee on the Designated Occupancy Date or the date of actual Occupancy, whichever is earlier.

4.2 **Use of Entrance Fee.** The entire Entrance Fee shall be used for any purpose and in any manner deemed appropriate by us in our sole and absolute discretion consistent with law.

4.3 **Amortization of Entrance Fee.** The Entrance Fee shall be amortized by us at the rate of two percent (2%) per month over a period of fifty (50) months from the Designated Occupancy Date or actual date of Occupancy, whichever is earlier. At the conclusion of the amortization period, the Entrance Fee shall be earned in full by the Community, and you will not be entitled to a refund of any portion of the Entrance Fee.

4.4 **Limitations on Increases in the Entrance Fee.** After the signing of this Agreement by you, there will be no increase in the Entrance Fee for the Residence. Charges for care paid in one lump sum in the form of an Entrance Fee shall not be increased or changed during the duration of the agreed upon care, except for changes required by state or federal assistance programs. In accordance with Section 3.4 above, the Entrance Fee and Monthly Maintenance Fee do not include future health care services.

4.5 **Monthly Maintenance Fee.**

(a) **Amount.** You shall pay to us a Monthly Maintenance Fee of $___ [___ *initials*] for Occupancy of the Residence.

(b) **Payment and Due Date.** Your responsibility to pay the Monthly Maintenance Fee begins on the Designated Occupancy Date or actual date of Occupancy, whichever is earlier. Payment is due upon receipt of the monthly statement. We reserve the right to change our billing cycle. The Monthly Maintenance Fee shall be pro-rated if you assume Occupancy after the first of the month. If any Monthly Maintenance Fee or other charges for miscellaneous or ancillary services are not paid within fifteen (15) calendar days of the due date, we may elect to exercise our available rights and remedies under this Agreement including termination.

(c) **Adjustments in Monthly Maintenance Fee.** The Monthly Maintenance Fee may be adjusted from time to time. We will provide thirty (30) days advance written notice of any changes in the Monthly Maintenance Fee, except for changes required by state or federal assistance programs.

4.6 **Other Charges.** In addition to the Monthly Maintenance Fee, the monthly statement shall reflect all other charges for miscellaneous, ancillary, or other services. Payment for all such other charges is also due upon receipt.

4.7 **Co-Resident's Fee Responsibility.** In situations of Double Occupancy, you shall be jointly and severally liable for each other's financial obligations and for all payments due under this Agreement. If one Co-Resident dies or leaves the Community, both Co-Residents and/or their estates remain jointly and severally liable for all financial obligations incurred by either Co-Resident under this Agreement.

4.8 **Late Charges and Cost of Collection.** Any charges which are unpaid after twenty-five (25) days of the date of the statement, shall be subject to a late charge of one and one-half percent (1.5%) per month (or annual rate of eighteen percent (18%)), and you are obligated to pay any late charges. In the event we initiate any legal actions or proceedings to collect payments past due in excess of sixty (60) days, you shall be responsible to pay all attorneys' fees and costs incurred by us in pursuing the enforcement of your financial obligations under this Agreement.

4.9 **Inability to Pay.** If your income and assets are no longer sufficient to pay the Monthly Maintenance Fee and any other financial obligations under this Agreement, then we shall deduct from any funds otherwise due you as a refund of the Entrance Fee, amounts necessary to fulfill all of your financial obligations under this Agreement. You hereby authorize such deductions from any unamortized portion of the Entrance Fee. We shall make such deductions from any refunds otherwise due under this Agreement at such time as any amounts due us under this Agreement have been unpaid for more than thirty (30) days from the payment due date. We shall continue to make such deductions from any amounts otherwise due as a refund under this Agreement on a monthly basis to offset any unpaid financial obligations of yours until all funds otherwise due you as a refund have been exhausted and paid to us. We offer no other financial assistance to you. In addition to our right to terminate this Agreement for the reasons described in Section 8, we also may terminate this Agreement should you exhaust all financial resources.

SECTION 5: FINANCIAL DISCLOSURE

You agree to provide updated financial information at the request of the Community.

SECTION 6: MARRIAGE AND/OR ADDITIONAL OCCUPANTS

6.1 **Non-Resident.** In the event that you desire to marry or have another person enter the Community and share your Residence as a Co-Resident, the proposed Additional Occupant must file an application for admission and meet all age and other requirements for admission to the Residence. In the event you allow an Additional Occupant to occupy your Residence with you during the term of this Agreement and such Additional Occupant is admitted, then the Additional Occupant shall pay fifty percent (50%) of the then current Entrance Fee for the Residence, and shall also pay for those services that are not included in the Monthly Maintenance Fee and are available at an additional charge. The amount paid by the Additional Occupant as an Entrance Fee will be immediately amortized in full, and shall not be available as a refund. The parties to this Agreement and the proposed Additional Occupant shall execute an addendum so that the Additional Occupant shall become a Co-Resident under this Agreement. The Additional Occupant and you shall be jointly and severally liable for each other's financial obligations and for all payments due under the addendum and this Agreement. In the event that the proposed Additional Occupant does not satisfy the requirements for admission, then the proposed Additional Occupant may request admission under such other terms and conditions as may be acceptable to us, or you may exercise your option to terminate this Agreement.

6.2 Other Resident. In the event that you desire to marry another resident admitted under a separate Residency Agreement, and thereafter occupy a single Residence, then you and the other resident shall select and designate in writing at least sixty (60) days in advance of the proposed move, which one of the two Residences occupied by you and the other resident shall be thereafter occupied jointly. The Residence not designated for joint occupancy must be surrendered on or before the date of the proposed move to the designated Residence. Any applicable refund shall be paid to the resident surrendering his/her Residence upon the termination of the resident's Residency Agreement, but only after the vacated Residence has been reoccupied by another resident and the applicable Entrance Fee for the Residence has been paid in full by the reoccupying resident. Each resident shall then be treated as a Co-Resident, and any subsequent refund shall be paid in accordance with the refund provisions of this Agreement relating to Double Occupancy, unless otherwise agreed upon in writing. In the event you request to move to a larger Residence not then occupied by you or your anticipated co-resident, then subject to our approval and the availability of a larger Residence, you and such other person shall pay an additional fee, which shall be equal to the amount, if any, by which the then current Entrance Fee for Double Occupancy of the selected Residence exceeds the sum of the initial Entrance Fee paid by you and your anticipated co-resident. The additional fee shall be immediately amortized by us. Upon transfer, the Monthly Fee of the designated Residence shall be paid. This Agreement shall be amended to reflect the change in the Residence, the change in the Monthly Fee, if applicable, and any other matters reasonably necessary for your transfer to the designated or alternative Residence.

SECTION 7: OPTION TO MOVE

After Occupancy, you may request to exercise a limited option to move to another Residence on the Community's premises, if and when another Residence becomes available, in accordance with our policies, which are subject to change from time to time. In the event you desire to exercise the option to move to another Residence, you must notify us in writing of the Residence desired. The costs and charges related to exercising the option to move are your responsibility. We reserve the right to refuse your request to move to another Residence.

SECTION 8: TERMINATION OF AGREEMENT

8.1 Termination by You.

(a) Rescission Period. You may terminate this Agreement within seven (7) days of execution by signing the attached Notice of Right to Rescind and delivering it to us.

(b) Prior to Occupancy. After the lapse of the seven (7) day rescission period, but prior to the Designated Occupancy Date or actual date of Occupancy, whichever is earlier, you may terminate this Agreement by delivering written notice to us prior to Occupancy. In the event of your death, illness, injury or incapacity prior to the Designated Occupancy Date or actual date of Occupancy, whichever is earlier; then this Agreement shall automatically terminate. Any applicable refunds shall be paid in accordance with the refund provisions of this Agreement. In situations of Double Occupancy where one Co-Resident is precluded from taking Occupancy due to death, illness, injury or incapacity, the other Co-Resident may elect to terminate this Agreement. If such Co-Resident elects to take Occupancy of the Residence, then the Monthly Maintenance Fee shall remain the same.

(c) **After Occupancy.** After Occupancy, you may terminate this Agreement by delivery of written notice to us at least thirty (30) days prior to termination, and by the Surrender of the Residence. Termination shall be effective after the lapse of the thirty (30) day notice period and Surrender of the Residence. Any applicable refunds shall be paid in accordance with the refund provisions of this Agreement.

8.2 **Termination by Us.**

(a) **Prior to Occupancy.** We may terminate this Agreement at any time prior to Occupancy by providing written notice to you prior to the Designated Occupancy Date or actual date of Occupancy, whichever is earlier. All payments shall be refunded to you.

(b) **After Occupancy.** We may terminate this Agreement upon a determination of just cause and delivery of thirty (30) days advance written notice to you or your representative or such written notice as is reasonable under the circumstances. Just cause shall include but not be limited to, a default in payment; the submission of any materially false information; your failure to abide by our rules, regulations, policies, and procedures; the breach of any of the other terms of this Agreement; or a good faith determination in writing signed by our Medical Director and Administrator that your continued Occupancy in the Residence either creates a serious threat or danger to the life, health, or safety of you or creates a serious threat or danger to the life, health, safety, or peaceful enjoyment of other residents or persons in the Community. In situations where continued Occupancy threatens the life, health, safety, or peaceful enjoyment of you or other residents, only such notice as is reasonably practicable under the circumstances will be provided to you or your representative, and termination may be effective immediately. Any applicable refunds shall be paid in accordance with the refund provisions of this Agreement.

8.3 **Termination Upon Permanent Transfer.** If you are permanently transferred to the Nursing Care Facility, Personal Care Facility or another facility, this Agreement shall terminate. Any applicable refunds shall be paid in accordance with the refund provisions of this Agreement. In the case of Double Occupancy, this Agreement shall terminate only as to the transferring Co-Resident. The Co-Resident remaining in the Residence shall continue to pay the Monthly Maintenance Fee. No refund shall be due so long as the remaining Co-Resident continues to reside in the Residence and until all other conditions for a refund have been satisfied.

8.4 **<u>Termination by Death.</u>** Following your death, this Agreement shall terminate when the Residence has been surrendered to us. Any applicable refunds shall be paid in accordance with the refund provisions of this Agreement. If the Residence remains occupied by a Co-Resident, then this Agreement shall remain in full force and effect as to the surviving or remaining Co-Resident, and no refund shall be due at that time.

8.5 **<u>Surrender.</u>** The obligation to pay the Monthly Maintenance Fee shall continue until after the lapse of any mandatory notice period for termination and the Residence has been surrendered by you, or in the case of death, by your estate or your family. Surrender of the Residence shall be complete when you have ceased to occupy it, have removed all possessions from it, and have turned over the Residence keys to us.

8.6 **<u>Further Obligations and Release Upon Termination.</u>** Upon termination of this Agreement, we are released from any further obligations to you except for the delivery of personal property as limited by this Agreement, and the payment of any refund, which may be due. You are released from any further obligations to the Community after all of your financial and indemnification obligations have been met under this Agreement. The indemnification provision reflected in Section 17 survives the termination of this Agreement.

<u>SECTION 9: TRANSFER TO NURSING CARE FACILITY, PERSONAL CARE FACILITY OR TO ANOTHER OUTSIDE FACILITY</u>

9.1 **<u>Conditions of Occupancy.</u>** You shall have the right to occupy the Residence for so long as you satisfy the Conditions of Occupancy, which are attached as Exhibit "C" and may be subject to change from time to time due to regulatory or related changes in the law, or operating requirements or conditions. You agree to provide appropriate information regarding your ability to meet the Conditions of Occupancy, upon request.

9.2 **<u>Decision to Transfer.</u>** With the concurrence of our Medical Director, we may transfer you from and between the Residence and the Nursing Care Facility, Personal Care Facility or any other appropriate care facility if we determine that such a move should be made for your health, safety, or welfare, or for the proper operation of the Community, or because you no longer satisfy the Conditions of Occupancy. If you are transferred permanently to the Nursing Care Facility, Personal Care Facility or to any other appropriate care facility, we may declare the Residence vacant and reassign the Residence to another resident. The decision as to whether a transfer shall be deemed temporary or permanent shall be made by us at our sole discretion, with the concurrence of our Medical Director, after consideration of your opinion, the advice of your family, and if requested and paid by you, the opinion of your physician. Your opinion and the advice of your family and your physician are advisory only and shall not be binding on us.

9.3 **<u>Charges Related to Transfer.</u>** If you transfer to the Nursing Care Facility, Personal Care Facility or another facility, you shall pay all charges related to the transfer to and Occupancy of the Nursing Care Facility, Personal Care Facility or other facility.

9.4 **<u>Release of or Return to Residence After Transfer.</u>**

(a) **<u>Temporary Transfer.</u>** If you are temporarily transferred to the Nursing Care Facility, Personal Care Facility or another facility, you shall continue to pay the Monthly Maintenance Fee to retain possession of the Residence and also shall pay all charges for care in the Nursing Care Facility, Personal Care Facility or other facility. You may return to the Residence at such time as we determine that you can satisfy the Conditions of Occupancy. In situations of Double Occupancy where one Co-Resident is temporarily transferred to the Nursing Care Facility, Personal Care Facility or another facility, the Monthly Maintenance Fee shall remain the same, and the transferred Co-Resident shall be charged and you shall collectively be responsible to pay the charges for care and services in the Nursing Care Facility, Personal Care Facility or other facility.

(b) **<u>Permanent Transfer.</u>** If you are permanently transferred to the Nursing Care Facility, Personal Care Facility or another facility, the obligation to pay the Monthly Maintenance Fee will cease upon Surrender of the Residence, and you shall Surrender and vacate the Residence within thirty (30) days of written notice of our decision to permanently transfer you and release the Residence. You shall pay all charges for care in the Nursing Care Facility, Personal Care Facility or other facility. If in our opinion, you subsequently recover sufficiently to satisfy the Conditions of Occupancy of a Residence, we in the exercise of our discretion, shall make available as soon as reasonably practicable a Residence with a floor plan comparable to the one relinquished. In situations of Double Occupancy where one Co-Resident is permanently transferred to the Nursing Care Facility, Personal Care Facility or another facility, the Monthly Maintenance Fee shall remain the same, and the transferred Co-Resident shall be charged and you shall collectively be responsible to pay the charges for care and services in the Nursing Care Facility, Personal Care Facility or other facility.

<u>SECTION 10: REFUND OF ENTRANCE FEE</u>

10.1 **<u>Termination Before Occupancy.</u>** If applicable, any Entrance Fee payments will be refunded in full if you rescind this Agreement within seven (7) days in accordance with the Notice of Right to Rescind. In the event of termination of this Agreement by your death before the Designated Occupancy Date or actual date of Occupancy, whichever is earlier; or in the event you are precluded from taking Occupancy because of illness, injury, or incapacity prior to the Designated Occupancy Date or actual date of Occupancy, whichever is earlier; then, if applicable, we will make a full refund of any Entrance Fee payments less any amounts deducted to cover expenses incurred by us at your specific written request. If you do not terminate this Agreement within the seven (7) day rescission period but do terminate prior to the Designated Occupancy Date or actual date of Occupancy, whichever is earlier, while not precluded from taking Occupancy by illness, injury, incapacity, or death; then you shall pay an amount equal to two percent (2%) of the Entrance Fee and any amounts necessary to cover expenses incurred by us at your specific written request in accordance with this Agreement. Where two individuals have signed this Agreement for Double Occupancy, the death of one Co-Resident shall not constitute termination of this Agreement, and no refund shall be due. In the event of the termination of this Agreement by us before the Designated Occupancy Date or actual date of Occupancy, whichever is earlier; then, if applicable, we shall make a full refund of all Entrance Fee payments.

10.2 **Termination After Occupancy.** After the lapse of the amortization period, you will not be entitled to a refund of any portion of the Entrance Fee. In the event of termination during the amortization period, you will be entitled to a refund of the unamortized portion of the Entrance Fee less deductions for any amounts necessary to cover costs incurred by us to refurbish, restore or repair the Residence in the event of unreasonable wear and tear, and/or costs incurred at your specific request, and/or any unpaid charges. All refunds shall be paid to you or your estate in accordance with Section 10.5.

10.3 **Double Occupancy – Limitation on Availability of Refund.** It is the intention of the parties that any applicable refund will only be made in accordance with Section 10.5 after the last surviving Co-Resident vacates and surrenders the Residence, and this Agreement is terminated. In situations of Double Occupancy where one Co-Resident is transferred to the Nursing Care Facility and becomes eligible for Medical Assistance, no potential future refund shall be available to pay for Routine Nursing Care Services. If, however, the Department of Human Services ("DHS") construes any potential future refund as an available resource, or if any court, administrative agency, or other appropriate tribunal having jurisdiction determines that Section 10.5 is contrary to law or Medical Assistance eligibility requirements, then we shall make available the amount determined by DHS or other appropriate tribunal as an available resource as a refund, and apply such refund to the payment of Routine Nursing Care Services for the particular Co-Resident.

10.4 **No Accrual of Interest.** No interest will accrue to the benefit of you or your estate on any amounts required to be refunded under this Agreement, and no interest will be paid on termination.

10.5 **Conditions and Due Date for Refund Payments.** Prior to Occupancy, all applicable refunds will be made within thirty (30) days of the termination of this Agreement. After Occupancy, all applicable refunds will be made after you have surrendered your Residence and only after it has been re-occupied by another resident from whom we have received full payment of the applicable Entrance Fee. The amount of any refund is subject to deductions for any amounts due to us. The amortization of the Entrance Fee, if not fully amortized, shall cease on the effective date of Surrender. In situations of Double Occupancy, there will be no refund, partial or otherwise, upon the death, permanent transfer, discharge or voluntary departure from the Community of only one of the Co-Residents.

SECTION 11: ARRANGEMENTS FOR GUARDIANSHIP AND FOR ESTATE

11.1 Legal Guardian. If you become incapacitated or unable to properly care for self or property, and no representative has been lawfully designated to act on your behalf or no lawfully designated representative is available or able to act on your behalf, then we shall have the option to institute legal proceedings to adjudge you incapacitated and have a guardian appointed for you or your estate or both. You authorize us to nominate a legal guardian to serve, subject to court approval, and you release us from any liability related to the nomination. All costs of such legal proceedings, including legal fees, shall be paid by you or the legally appointed guardian of your estate.

11.2 Power of Attorney. We recommend that you furnish to us, no later than the actual date of Occupancy, a Power of Attorney executed by you, which shall be maintained in our files.

SECTION 12: RIGHTS AND OBLIGATIONS OF RESIDENT

12.1 Right to Receive Disclosure Statements. We shall deliver to you prior to or at the time of the execution of this Agreement, and make available to you at least annually thereafter, a copy of our Disclosure Statement required by the Continuing Care Provider Registration and Disclosure Act, Act No. 82 of 1984.

12.2 Rights to Property/Subordination. The rights and privileges granted to you by this Agreement do not include any right, title, or interest in any part of the personal property, land, buildings, and improvements owned, leased or administered by us. Your rights are primarily for services, with a contractual right of Occupancy. Nothing contained in this Agreement shall be construed to create the relationship of landlord and tenant between you and us. Any rights, privileges, or benefits under this Agreement, including your right to a full or partial refund, shall be subordinate to any existing or subsequent mortgages or deeds of trust on any of the premises or to any other interest in the real property of the Community and to all amendments, modifications, replacements, or re-financings of any existing or subsequent mortgages or deeds of trust or to any liens or security interests held by secured creditors of Community. This subordination provision means that the claims of secured creditors in the event of Community's bankruptcy or default on its financial obligations shall be paid before you are entitled to receive any applicable refund. Upon request, you shall execute and deliver any document, which is required by us, or by the holder of any such mortgages or deeds of trust or other encumbrances, to effect such subordination or to evidence the same.

12.3 Inspection of Residence and Right of Entry. You shall permit us, our agents, or any representative of any holder of a mortgage or similar interest on the property, to enter your Residence for the purpose of making reasonable inspections, repairs, and replacements. Such entry will be made only with reasonable advance notice except under what we consider to be exigent circumstances as deemed necessary and appropriate by us. We shall have the right to enter your Residence to perform scheduled housekeeping, routine maintenance, or other reasonably necessary purposes having due regard for your privacy.

12.4 Housekeeping/Housecleaning Responsibilities. You shall maintain your Residence in a clean, sanitary, and orderly condition. If you do not maintain your Residence in a reasonable manner as determined by us, after notice to you, we shall have the right to maintain the Residence and the cost of such additional cleaning or maintenance shall be charged to you.

12.5 Health Insurance. We expect that some of the cost of medicines, medical or nursing services or equipment provided for you under this Agreement will be paid by present or future federal, state, municipal, or private plans or programs of medical/surgical insurance, including, without limitation, the benefits available through Social Security programs (commonly known as "Medicare A, B and D"). Prior to Occupancy, you shall secure medical and surgical insurance for protection from medical risks, and when eligible, shall secure and maintain in force at your expense maximum coverage available under the federal government social security health insurance programs known as "Medicare A, B and D" or an equivalent policy approved in writing by us, and at least one Medicare supplemental health insurance policy (commonly known as Medigap insurance, which must include coverage for nursing care co-insurance) such as those offered by the Blue Cross and Blue Shield Plans, or an equivalent policy as approved in writing by us, which provides coverage for Medicare deductibles and co-insurance. Acquisition of equivalent Medicare benefits from a managed care organization ("MCO") will not satisfy the insurance requirement under this Agreement unless the MCO is approved by us in writing as an equivalent policy. Proof of such insurance must be provided at the time of application and prior to admission.

12.6 Vehicle Registration and Insurance. You may operate a vehicle on our campus only if you have a valid driver's license and a valid state registration. You must register the vehicle with us, and comply with our rules and policies governing the safe operation of motor vehicles. We reserve the right to revoke your operating privileges and remove your vehicle from our property if you do not abide by our policy as reflected in the Resident Handbook, which is subject to change from time to time.

12.7 **Insurance Requirements.** You shall obtain at your expense, personal property and general liability insurance in such amounts as we may deem appropriate, and you shall provide us with Certificates of Insurance verifying coverage. Policies shall be endorsed so as to provide that we shall receive thirty (30) days prior written notice of cancellation or non-renewal.

12.8 **Reduction of Income or Other Resources.** You shall make every reasonable effort to meet your financial obligations to us. You shall not transfer control of assets or property for less than fair market value or make any gifts subsequent to the date of application for admission, nor make any transfers or gifts after Occupancy, which would substantially impair your ability or the ability of your estate to satisfy your financial obligations to us.

12.9 **Responsibility for Property Damage to Community.**

(a) **Responsibility for Condition of Residence Upon Termination.** Upon termination of this Agreement, you shall vacate and Surrender the Residence and leave it in as good condition as the date of Occupancy except for reasonable wear and tear. If the Residence is damaged beyond ordinary wear and tear, the costs of repair shall be your obligation and such costs shall be billed directly to you or your estate, or alternatively, deducted from any refund that may be due.

(b) **Property Damages Caused by Resident.** Any loss or damage to our real or personal property caused by you or your guests shall be paid by you. In the event of your death, your estate shall be liable for any loss or damage to our property caused by you.

12.10 **Release Regarding Conduct of Other Residents or Guests.** We assume no liability for your conduct or any other residents or guests, or for the use, ownership, possession, or control of electric carts or similar mechanized mobile medical or other equipment of other residents or guests. You release and discharge us from any claims for personal injury to you or damages to your personal property caused by the conduct of other residents or guests, or by the use, ownership, possession, or control of electric carts or similar mechanized mobile equipment by other residents or guests. You may bring any claims for personal injury sustained by you from the actions or omissions of other residents directly against the residents and/or guests that are responsible for your injury.

12.11 **Responsibility For Your Personal Property.**

(a) **Responsibility for Loss or Damage.** We shall not be responsible for the loss or damage due to fire, theft, or other causes of any property belonging to you, or your estate, or your guests.

(b) **Removal of Personal Property.** Your personal property shall be removed from the Residence within thirty (30) days following your move or your death. If removal of property is not accomplished within such time, then we shall have the right to remove such property and store the same at the expense and risk of you or your estate. Articles of personal property remaining in storage sixty (60) days following Surrender shall become our property.

12.12 **<u>Rules, Regulations, Policies, and Procedures.</u>** You shall cooperate, and comply with all rules, regulations, policies, and procedures established by the Community. Rules, regulations, policies, and procedures are set forth in the Resident Handbook, and other publications or documents of the Community, and are subject to change from time to time.

12.13 **<u>Your Rights are Personal and Non-transferable.</u>** Your rights and privileges under this Agreement are personal to you and can not be transferred or assigned. No person other than you may occupy or use the Residence covered by this Agreement unless approved in writing by us.

12.14 **<u>Right of Self-Organization.</u>** You along with other residents of Community shall have the right of self-organization. A representative designated by us shall hold quarterly meetings during the calendar year with residents of Community. At least seven (7) days notice of each quarterly meeting shall be given to you.

<u>SECTION 13: CASUALTY LOSS</u>

In the event the Residence occupied by you or the building in which the Residence is located, is destroyed or is damaged by fire or other casualty so as to render the Residence generally unfit for Occupancy, we will endeavor in good faith to rebuild and replace the Residence and/or building with substantially similar accommodations unless doing so would threaten our financial viability. In the unlikely event that we determine that rebuilding threatens our financial viability so as to preclude replacement of the Residence or building, then we will strive to develop an alternative restoration plan in which we will exercise our best efforts to locate, identify or provide, if financially feasible as determined by us, reasonable alternative accommodations for any resident affected by such a catastrophic loss. We will provide notice to the Insurance Department of such a catastrophic loss prior to a decision to terminate any agreements, and subject to the rights of the Insurance Commissioner to intervene on your behalf. If we elect to terminate this Agreement, written notice of termination shall be given to you as soon as is reasonably possible from the date of the damage to the Residence. Any applicable refund due to you in accordance with Section 10 shall be paid to you in full upon any such termination. If notice of termination is not given, or if the damage does not render the Residence unfit for Occupancy, we shall be obligated to rebuild or repair the damage to the Residence as soon as reasonably possible for Occupancy by you, and this Agreement shall remain effective unless the parties may otherwise mutually agree. In the event you are unable to occupy the Residence for any period of time during any reasonably necessary period of restoration of the Residence, the Monthly Maintenance Fee shall be reduced proportionately, unless a vacant Residence is available for temporary Occupancy by you. We shall not be liable for any damage, compensation, or claim by reason of inconvenience or annoyance arising from the necessity of repairing any portion of the Residence, or the interruption in use of the Residence, or the termination of this Agreement by reason of the destruction of the Residence or building.

SECTION 14: SEVERABILITY

If any provision of this Agreement is determined by a judicial or administrative tribunal of proper jurisdiction to be invalid or unenforceable, such provision shall be severed and the balance of this Agreement shall remain in full force and effect.

SECTION 15: ACTS OF FORBEARANCE

No act of forbearance or failure to insist upon prompt performance of any of the terms of this Agreement by us shall be construed as a waiver of any of the rights granted to us.

SECTION 16: ENTIRE AGREEMENT

This Agreement along with applicable addendum(s), constitute the entire agreement between you and us. We shall not be responsible or liable for any statements, representations, or promises made by any person representing or purporting to represent us, unless such statements, representations, or promises are set forth in this Agreement. Any brochures or advertisements describing us are for the purpose of inviting inquiries only and are not to be relied upon as legally or contractually binding. This Agreement may not be amended except by a subsequent written addendum approved by us and executed by the parties.

SECTION 17: INDEMNIFICATION

You shall indemnify and hold us harmless from and against, and are responsible to pay for, any damages, including our attorneys' fees and reasonable costs, including those incident to establishing the right to indemnification, arising from any injury to or death of any person or other resident, or arising from any damage to or loss of the property of any person or resident caused by your acts or omissions, to the fullest extent permitted by law.

SECTION 18: GRIEVANCE PROCEDURE

18.1 **Reporting Complaints.** If you believe that you are being mistreated in any way or your rights have been or are being violated by staff or another resident, you shall make your complaint known to us. You must first notify us of any such complaints, and provide us with sixty (60) days to resolve the complaint satisfactorily to you before you may pursue mediation and/or arbitration.

18.2 Voluntary Mediation. Mediation is a form of alternative dispute resolution whereby an impartial person facilitates communication between the parties. The goal of mediation is to resolve the dispute promptly, amicably, and without incurring significant time and expense. Mediations are non-binding in nature. This Agreement provides for voluntary mediation whereby the parties may, upon mutual agreement, engage in mediation before resorting to arbitration. If the parties mutually agree to mediate any dispute that may arise between them, then the mediation will be conducted at a site selected by us, which shall be at the Community or at a site within a reasonable distance of Community. The costs of the mediation shall be borne equally by each party, and each party shall be responsible for their own legal fees. If the parties are unable to resolve their dispute through mediation, then the dispute may only be resolved by arbitration as provided in this Agreement. If the parties do not mutually agree to mediate any dispute that may arise between them, then they may proceed directly to arbitration.

18.3 Mandatory, Binding Arbitration. Arbitration is a specific process of dispute resolution utilized instead of the traditional state or federal court system. Instead of a judge and/or jury determining the outcome of a dispute, a neutral third party ("Arbitrator(s)") chosen by the parties to this Agreement renders the decision, which is binding on both parties. Generally an Arbitrator's decision is final and not open to appeal. The Arbitrator will hear both sides of the story and render a decision based on fairness, law, common sense and the rules established by the Arbitration Association selected by the parties. When Arbitration is mandatory, as it is under this Agreement, it is the only legal process available to the parties. Mandatory Arbitration has been selected with the goal of reducing the time, formalities and cost of utilizing the court system. You or, in the event of your incapacity, your authorized representative have the right to rescind this arbitration clause in accordance with the terms and conditions specified in Section 18.3(h) of this Agreement.

(a) Contractual and/or Property Damage Disputes. Unless resolved or settled by mediation, any controversy, dispute, disagreement or claim of any kind or nature, arising from, or relating to this Agreement, or concerning any rights arising from or relating to an alleged breach of this Agreement, with the exception of (1) guardianship proceedings resulting from your alleged incapacity; and (2) disputes involving amounts in controversy of less than Twelve Thousand Dollars ($12,000), shall be settled exclusively by arbitration. This means that you will not be able to file a lawsuit in any court to resolve any disputes or claims that you may have against us. It also means that you are relinquishing or giving up all rights that you may have to a jury trial to resolve any disputes or claims against us. It also means that we are giving up any rights we may have to a jury trial or to bring claims in a court against you. Subject to Section 18.3(f), the Arbitration shall be administered by ADR Options, Inc., in accordance with the ADR Options Rules of

Procedure, and judgment on any award rendered by the arbitrator(s) may be entered in any court having appropriate jurisdiction. You acknowledge and understand that there will be no jury trial on any claim or dispute submitted to arbitration, and you relinquish and give up your rights to a jury trial on any matter submitted to arbitration under this Agreement.

(b) Personal Injury or Medical Malpractice. Unless resolved or settled by mediation, any claim that you may have against us for any personal injuries sustained by you arising from or relating to any alleged medical malpractice, inadequate care, or any other cause or reason while residing in Community, shall be settled exclusively by arbitration. This means that you will not be able to file a lawsuit in any court to bring any claims that you may have against us for personal injuries incurred while residing in Community. It also means that you are relinquishing or giving up all rights that you may have to a jury trial to litigate any claims for damages or losses allegedly incurred as a result of personal injuries sustained while residing in Community. Subject to Section 18.3(f), the Arbitration shall be administered by ADR Options, Inc., in accordance with the ADR Options Rules of Procedure, and judgment on any award rendered by the arbitrator(s) may be entered in any court having appropriate jurisdiction. You acknowledge and understand that there will be no jury trial on any claim or dispute submitted to arbitration, and you relinquish and give up your right to a jury trial on any claims for damages arising from personal injuries to you which are submitted to arbitration under this Agreement.

(c) Exclusion From Arbitration. Those disputes which have been excluded from mandatory arbitration (i.e., guardianship proceedings and disputes involving amounts in controversy of less than $12,000) may be resolved through the use of the judicial system. In situations involving any of the matters excluded from mandatory arbitration, neither you nor we are required to use the arbitration process. Any legal actions related to those matters may be filed and litigated in any court which may have jurisdiction over the dispute.

(d) Right to Legal Counsel. You have the right to be represented by legal counsel in any proceedings initiated under this arbitration provision. Because this arbitration provision addresses important legal rights, we encourage and recommend that you obtain the advice and assistance of legal counsel to review the legal significance of this mandatory arbitration provision prior to signing this Agreement.

(e) Location of Arbitration. The Arbitration will be conducted at a site selected by us, which may be at the Community or at a site within a reasonable distance of Community.

(f) Time Limitation for Arbitration. Any request for arbitration of a dispute must be requested and submitted to ADR Options, Inc., with notice to the other party, prior to the lapse of two (2) years from the date on which the event giving rise to the dispute occurred. ADR Options, Inc., is the designated arbitration agency that shall hear disputes specified in Sections 18.3(a-b) of this Agreement. ADR Options, Inc., is an impartial alternative dispute resolution organization that provides a panel of neutral third party arbitrators from which you and Community, upon mutual agreement, shall select an arbitrator to facilitate dispute resolution. In the event ADR Options, Inc., is unable or unwilling to serve, then the request for Arbitration must be submitted to us within thirty (30) days of receipt of notice or other determination of ADR Options, Inc.'s, unwillingness or inability to serve as a neutral arbitrator. We shall select an alternative neutral arbitration service within thirty (30) days thereafter and the selected Arbitration Agency's procedural rules shall apply to the arbitration proceeding. The failure to submit a request for Arbitration to ADR Options, Inc., or an alternate neutral arbitration service selected by us, within the designated time (i.e., two (2) years) shall operate as a bar to any subsequent request for Arbitration, or for any claim for relief or a remedy, or to any action or legal proceeding of any kind or nature, and the parties will be forever barred from arbitrating or litigating a resolution to any such dispute. Contact information for ADR Options, Inc., is as follows:

1800 John F. Kennedy Blvd.
Suite 1110
Philadelphia, PA 19103
Phone: (215) 564-1775/ (800) 364-6098
Fax: (215) 564-1822
Website: www.adroptions.com

(g) <u>Limitation on Damages and Allocation of Costs for Arbitration.</u> The costs of the arbitration shall be borne equally by each party, and each party shall be responsible for their own legal fees.

(h) <u>Limited Resident Right to Rescind this Mandatory, Binding Arbitration Clause (Section 18.3(a-h) of this Agreement).</u> You or, in the event of your incapacity, your authorized representative have the right to rescind this arbitration clause by notifying us in writing within thirty (30) days of the execution of this Agreement. Such notice must be sent via certified mail to the Community, and the notice must be postmarked within thirty (30) days of the execution of this Agreement. The notice may also be hand-delivered to the Community within the same thirty (30) day period. The filing of a claim in a court of law within the thirty (30) days provided for above will automatically rescind the arbitration clause without any further action by you or your authorized representative.

SECTION 19: NOTICE

Notice, when required by the terms of this Agreement, shall be deemed to have been properly given, if and when delivered personally, or if sent by certified mail, return receipt requested, when postmarked, postage prepaid, and addressed as follows:

To Community:	Administrator Quality Life Services - Sarver 126 Iron Bridge Road Sarver, PA 16055
To Resident (Before Occupancy):	____________________ ____________________ ____________________

After Occupancy, notice will be provided to you at the Residence specified in this Agreement.

SECTION 20: AVERAGE ANNUAL COST OF PROVIDING SERVICES

The average annual cost of providing care and services during the most recent twelve (12) month period for which a report is available is reflected in our Disclosure Statement, which is made available to you on an annual basis.

SECTION 21: MISCELLANEOUS PROVISIONS

21.1 Your Continuing Disclosure Obligation. The information regarding your age and financial affairs and your ability to meet the Conditions of Occupancy submitted by you in our admissions forms and related application documents is a material part of this Agreement, and this information is incorporated as a part of this Agreement. You acknowledge that the submission of false information may, in our judgment, constitute grounds for the termination of this Agreement. You must disclose any material changes in your financial situation or your ability to meet the Conditions of Occupancy before and after Occupancy. We may from time to time request verified financial statements and copies of tax returns from you. The failure to make such disclosure may, in our judgment, constitute grounds to terminate this Agreement.

21.2 Receipt of Disclosure Statement and Resident Handbook. You acknowledge receiving a copy of our annual Disclosure Statement and Resident Handbook prior to signing this Agreement. The Resident Handbook is subject to change from time to time and shall not be construed as imposing any contractual obligations on us or granting any contractual rights to you.

21.3 Community's Modification of Agreement and Policies. We reserve the right to modify unilaterally this Agreement to conform to changes in law or regulation, and to make modifications in our rules, regulations, policies, and procedures.

21.4 **<u>Binding Effect.</u>** Except as otherwise provided herein, this Agreement shall be binding upon you and your heirs, executors, administrators, successors and assigns, and the benefits hereof shall inure to us, our successors and assigns.

21.5 **<u>Consent to Assignment.</u>** You consent to the collateral or other assignment by us of our right, title and interest in this Agreement.

21.6 **<u>Governing Law.</u>** This Agreement shall be interpreted according to the laws of the Commonwealth of Pennsylvania.

21.7 **<u>Headings.</u>** Section headings are included solely to provide ease of reference, and are to be given no effect in the interpretation of this Agreement.

21.8 **<u>Non-waiver of the Continuing Care Provider Registration and Disclosure Act of 1984.</u>** No act, agreement, or statement of you, or of an individual purchasing care for you under this Agreement or any agreement to furnish care to you, shall constitute a valid waiver of any provision of the Continuing Care Provider Registration and Disclosure Act of 1984 ("Act") which is intended for the benefit or protection of you or the individual purchasing care for you.

21.9 **<u>Limitations on Private Cause of Action.</u>** You may not file or maintain an action under the Act if you, before filing the action, received an offer, approved by the Insurance Commissioner, to refund all amounts paid by you to us, the facility or person alleged to have violated the Act together with interest from the date of payment, less the reasonable value of care and lodging provided prior to receipt of the offer and you failed to accept the offer within thirty (30) days of its receipt.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK
SIGNATURES ON FOLLOWING PAGE]

AGREEMENT AUTHORIZATIONS AND SIGNATURES

You hereby acknowledge reading this Agreement in its entirety, understanding its provisions, and having been provided an opportunity to consult with personal advisors, including legal counsel, regarding its terms.

IN WITNESS WHEREOF, we have caused this Agreement to be signed by our authorized representative, and you have hereunto affixed your signature(s), the day and year first above written.

Attest:	Fair Winds Manor, LP d/b/a Quality Life Services - Sarver
______________________________	By: ______________________________ Authorized Representative
Date: ________________________	Date: ____________________________
Witness:	
______________________________	____ Resident/Co-Resident
Date: ________________________	Date: ______________________
Witness:	
______________________________	____ Co-Resident
Date: ________________________	Date: ____________________________

NOTICE OF RIGHT TO RESCIND

Date rescission period begins _________________________, 20___. You may rescind and terminate your Residency Agreement without penalty or forfeiture within seven (7) days of the above date. You are not required to move into the continuing care facility before the expiration of this seven (7) day period. No other agreement or statement you sign shall constitute a waiver of your right to rescind your Agreement within this seven (7) day period.

To rescind your Residency Agreement, mail or deliver a signed and dated copy of this notice, or any other dated written notice, letter or telegram, stating your desire to rescind to the following address:

Quality Life Services - Sarver
126 Iron Bridge Road
Sarver, PA 16055

Not later than midnight of __________ (last day for rescission).

Pursuant to this notice, I hereby cancel my Residency Agreement.

Date:____________________

PROSPECTIVE RESIDENT'S SIGNATURE

____

____

EXHIBIT "A"

The following items will be available as part of the Residence:

- Refrigerator
- Stove/oven
- Clothing washer
- Clothing dryer
- Emergency lighting
- Fire extinguisher
- Fire alarm system
- Response call system
- Window coverings
- Heating/air conditioning
- Floor coverings

EXHIBIT "B"

Personal Care Home and Residential Living Apartment

FEE SCHEDULE

Effective July 1, 2024

PERSONAL CARE

Current Rate			
	Private 2 Bed Apartment	$155.00/ Day	Daily Level Of Care Charge:
	Private 1 Bed Apartment	$120.00/ Day	Level 1: $13.69/ Day
	Private Balcony Suite	$132.00/ Day	Level 2: $ 21.26/ Day
	Private No Bathroom	$117.00/ Day	Level 3: $27.84/ Day
	Private Luxury Apartment	$173.00/ Day	
	Semi Private	$99.00/ Day	

RESIDENTIAL LIVING APARTMENT

2 Bedrooms/Full Bath	Entrance Fee Monthly Maintenance Fee	$10,000.00 $ 500.00

MEDICAL SUPPLIES

Individual Charges Available Upon Request		Charges are based on current costs and are subject to change.

RESIDENT SPECIFIC MEDICAL EQUIPMENT

Individual Charges Available Upon Request		Charges are based on current costs and are subject to change.

HOUSEKEEPING / LAUNDRY SERVICES

Housekeeping & Laundry	Personal Care: No Charge – Included in daily rate	

CULINARY SERVICES

Guest Meals	Breakfast, Lunch, Dinner	$7.50 / per Meal
Meal Plan Options (CCRC only) *Includes delivery service.*	Breakfast, Lunch, Dinner	$7.50 / per Meal

TRANSPORTATION SERVICES

Individual Charges *Scheduled arrangements available upon request.*	Per trip; fee varies according to distance and total time of transport.

BEAUTY / BARBER SERVICES

Charges are based on current costs and are subject to change.

MISCELLANEOUS SERVICES

Page Copying Fees		Per PA and Federal Regulations
Check Return Fee		$40.00
Pets		$25.00 per pet/per month

I have read, been given an opportunity to review, ask questions and understand this fee schedule.

Signature (Resident or Designee) Date Community Representative Date

EXHIBIT "C"

<u>CONDITIONS of OCCUPANCY of CONTINUING CARE RESIDENCE</u>

In order to qualify for initial residency as well as continued residency in a residence, an applicant/resident must satisfy the following conditions of occupancy in addition to other requirements of Community as reflected in its rules, regulations, policies, and procedures:

1. Possess the ability to meet one's individual personal care needs (e.g., eating, drinking, personal hygiene) so as to reside safely in the residence.

2. Maintain one's self and the residence in a safe and sanitary manner so as not to pose a threat or danger to one's health or safety or the health or safety of others in the Community.

3. Maintain the ability to reside safely in the residence without becoming disoriented as to person, place and/or time so as to be at risk of elopement or other actions, including socially offensive or aggressive behaviors, which would endanger the resident or threaten the safety or well-being of other residents.

4. Demonstrate that, upon applicant's/resident's request for a reasonable accommodation to remain in the residence, such reasonable accommodation shall be secured with appropriate and qualified assistance, and, if requested by Community, by the execution of and compliance with the Aging-in-Place Addendum, and demonstrate sufficient resources to pay for such reasonable accommodation without impairing one's financial obligations to Community and without prematurely depleting such resources as determined by Community.

5. Demonstrate sufficient financial resources to meet all financial requirements of residency.

QUALITY LIFE SERVICES - SARVER
EXHIBIT "E"

Fee Schedule

Personal Care Home and Independent Living Apartment
FEE SCHEDULE

Effective July 1, 2024

PERSONAL CARE

Current Rate			
	Private 2 Bed Apartment Private 1 Bed Apartment Private Balcony Suite Private No Bathroom Private Luxury Apartment Semi Private	\$155.00/ Day \$120.00/ Day \$132.00/ Day \$117.00/ Day \$173.00/ Day \$99.00/ Day	Daily Level Of Care Charge: Level 1: \$13.69/ Day Level 2: \$ 21.26/ Day Level 3: \$27.84/ Day

INDEPENDENT LIVING APARTMENT

2 Bedrooms/Full Bath	Entrance Fee Monthly Maintenance Fee	\$10,000.00 \$ 500.00

MEDICAL SUPPLIES

Individual Charges Available Upon Request		Charges are based on current costs and are subject to change.

RESIDENT SPECIFIC MEDICAL EQUIPMENT

Individual Charges Available Upon Request		Charges are based on current costs and are subject to change.

HOUSEKEEPING / LAUNDRY SERVICES

Housekeeping & Laundry	Personal Care: No Charge – Included in daily rate	

CULINARY SERVICES

Guest Meals	Breakfast, Lunch, Dinner	$7.50 / per Meal
Meal Plan Options (CCRC only) *Includes delivery service.*	Breakfast, Lunch, Dinner	$7.50 / per Meal

TRANSPORTATION SERVICES

Individual Charges *Scheduled arrangements available upon request.*	Per trip; fee varies according to distance and total time of transport.

BEAUTY / BARBER SERVICES

Charges are based on current costs and are subject to change.

MISCELLANEOUS SERVICES

Page Copying Fees		Per PA and Federal Regulations
Check Return Fee		$40.00
Pets		$25.00 per pet/per month

I have read, been given an opportunity to review, ask questions and understand this fee schedule.

Signature (Resident or Designee) ____ Date ____ Home Representative ____ Date ____

QUALITY LIFE SERVICES – SARVER
EXHIBIT "F"

Table Showing Frequency & Average Dollar Amount of Each Increase in Periodic Rates for the Previous 5 Years (Residential Living Entrance Fees, Monthly Fee, Personal Care Rates and Nursing Care Rates)

Level		Effective Date	Private Rate	Semi- Private Rate
SNF		7/1/2020	$314.00	N/A
SNF		7/1/2021	$314.00	N/A
SNF		7/1/2022	$314.00	N/A
SNF		7/1/2023	$459.00	$354.00
SNF		7/1/2024	$482.00	$372.00
	Average Increase Over Past 5 Years		$42.00	

Personal Care	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024	Average Increase Over Past 5 Years
Apartments						
Private 1 Bedroom Apartment	$107.00	$107.00	$107.00	$115.00	$120.00	$3.25
Private 2 Bedroom Apartment	$139.00	$139.00	$139.00	$150.00	$155.00	$4.00
Private Luxury Apartment	$155.00	$155.00	$155.00	$168.00	$173.00	$4.50
1 Bedroom Patio Suite						
Private Balcony Suite	$117.00	$117.00	$117.00	$127.00	$132.00	$3.75
Private Balcony Suite – No Bathroom				$112.00	$117.00	$5.00
Semi- Private	$87.00	$87.00	$87.00	$94.00	$99.00	$3.00

Residential Living	
Entrance Fee	$10,000.00
Monthly Fee	$ 500.00

QUALITY LIFE SERVICES - SARVER

EXHIBIT "G"

Average Cost of Providing Care & Services During the Most Recent 12 Months*

EXPENSES:	
Salaries and wages	$46,611
Employee benefits	$4,812
Other expenses	$62,647
Depreciation	$5,239
Interest	$4,845
Total Expenses:	**$124,155**
Resident Days	365
Average annual cost per resident day:	**$340**
Average annual cost per resident:	**$124,155**

*Does not include management and administrative expenses paid to Quality Life Services. Management and Administrative expenses are described under "Related Party Contracts".

QUALITY LIFE SERVICES - SARVER
EXHIBIT "H"

Fiscal Year End 2024 Audited Financial Statements

Outside the box. Within the lines.

Combined Financial Statements

SUGAR CREEK REST, INC. D/B/A QUALITY LIFE SERVICES AND AFFILIATES

JUNE 30, 2024 AND 2023

QUALITY *Life* SERVICES

HOLSINGER

Outside the box. Within the lines.

SUGAR CREEK REST, INC.
D/B/A QUALITY LIFE SERVICES AND AFFILIATES
JUNE 30, 2024 AND 2023

Contents

HOLSINGER

Outside the box. Within the lines.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Sugar Creek Rest, Inc. d/b/a Quality Life Services and Affiliates

Opinion

We have audited the accompanying combined financial statements of Sugar Creek Rest, Inc. d/b/a Quality Life Services and Affiliates (the "Company"), which comprise the combined balance sheets as of June 30, 2024, and the related combined statements of operations, changes in equity, and cash flows for the year then ended, and the related notes to the combined financial statements.

In our opinion, the combined financial statements present fairly, in all material respects, the combined financial position of Sugar Creek Rest, Inc. d/b/a Quality Life Services and Affiliates as of June 30, 2024, and the results of their operations, changes in equity and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Emphasis of Matter

As discussed in Note 5 to the combined financial statements, the Company has suffered recurring losses from operations and defaulted on debt covenants. Management's evaluation of the events and conditions and management's plans to mitigate these matters are also described in Note 5. Our opinion is not modified with respect to this matter.

Basis for Opinion

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

Prior Period Combined Financial Statements

The combined financial statements of the Company as of June 30, 2023, were audited by other auditors whose report dated December 11, 2023, expressed an unmodified opinion on those statements.

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Responsibilities of Management for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with U.S. GAAP, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with U.S. 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 combined financial statements.

In performing an audit in accordance with U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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MSI Global Alliance Independent Member Firm

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

Report on Combining Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining information on pages 29 through 40 is presented for purposes of additional analyses of the combined financial statements rather than to present the financial position, changes in equity and cash flows of the individual organizations, and it is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The combining information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

Holsinger P.C.

Wexford, Pennsylvania
February 24, 2025

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SUGAR CREEK REST, INC.
D/B/A QUALITY LIFE SERVICES AND AFFILIATES
COMBINED BALANCE SHEETS

ASSETS

	As of June 30, 2024	As of June 30, 2023
Current Assets:		
Cash and cash equivalents	$ 6,796,782	$ 9,924,613
Restricted cash - escrow and replacement reserve	1,963,242	1,372,193
Accounts receivable, net	11,781,657	8,147,807
Accounts receivable, related parties	2,238,732	1,457,857
Accounts receivable, other	20,953	30,769
Estimated third-party payor settlements, net	1,234,360	3,441,531
Inventory	870,957	401,700
Prepaid expenses and other current assets	1,666,792	2,504,815
Total Current Assets	26,573,475	27,281,285
Goodwill, net	22,373,221	24,859,135
Resident funds	818,064	922,961
Statutory liquid reserve	67,197	67,045
Other assets	212,170	375,722
Property and Equipment:		
Land	839,154	839,154
Buildings and improvements	63,271,686	62,992,244
Equipment	15,108,837	14,984,516
Furniture and fixtures	115,820	115,820
Automotive equipment	263,502	263,502
Parking lot	850,374	850,374
Construction in progress	1,441,735	1,121,099
	81,891,108	81,166,709
Less: Accumulated Depreciation	43,567,462	41,017,897
Total Property and Equipment, net	38,323,646	40,148,812
Finance Lease Right-of-Use Assets, net	368,748	630,646
Operating Lease Right-of-Use Assets	1,821,619	1,822,500
Total Assets	$ 90,558,140	$ 96,108,106

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

SUGAR CREEK REST, INC.
D/B/A QUALITY LIFE SERVICES AND AFFILIATES
COMBINED BALANCE SHEETS (CONTINUED)

LIABILITIES AND MEMBERS', PARTNERS' AND SHAREHOLDERS' EQUITY

	As of June 30, 2024	2023
Current Liabilities:		
Accounts payable, trade	$ 6,725,464	$ 2,684,077
Accounts payable, related parties	1,007,349	810,189
Accounts payable, other	143,003	143,375
Estimated third-party payor settlements	2,700,636	2,720,604
Current finance lease liabilities	119,315	221,173
Current operating lease liabilities	541,004	405,000
Accrued payroll and payroll taxes	2,712,982	2,223,998
Accrued vacation and other accrued expenses	2,072,842	2,024,688
Total Current Liabilities	16,022,595	11,233,104
Resident Funds	818,064	922,961
Advances Payable, Related-Party	1,343,756	1,261,840
Deferred Revenue	428,069	31,336
Refundable Fees and Deposits	47,800	41,000
Finance Lease Liabilities	277,496	433,294
Operating Lease Liabilities	1,292,876	1,417,500
Long-Term Debt, net	65,804,443	65,061,846
Total Liabilities	86,035,099	80,402,881
Members', Partners' and Shareholders' Equity:		
Common stock, stated value $0.01 per share; authorized 1,000,000 shares; issued and outstanding 66,484 shares	665	33,604
Additional paid-in-capital	5,811,539	5,778,600
General partner retained earnings (deficit)	(1,398,050)	(523,939)
Non-controlling interest in affiliates / limited partner	108,887	10,416,960
Total Members', Partners' and Shareholders' Equity	4,523,041	15,705,225
Total Liabilities and Members', Partners' and Shareholders' Equity	$ 90,558,140	$ 96,108,106

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

SUGAR CREEK REST, INC.
D/B/A QUALITY LIFE SERVICES AND AFFILIATES
COMBINED STATEMENTS OF OPERATIONS

	Years Ended June 30, 2024	2023
Operating Revenue:		
Resident care and patient service revenue, net	$100,834,449	$ 96,332,495
Pharmacy revenue, net	9,230,841	8,130,272
Total Operating Revenue	110,065,290	104,462,767
Cost of Goods Sold	8,981,282	7,696,255
Gross Profit	101,084,008	96,766,512
Operating Expenses:		
Nursing and medical care	61,829,014	54,153,326
Administrative and general	17,057,501	14,172,292
Operation and maintenance	7,296,625	6,605,519
Dietary	7,410,174	7,362,648
Recreation and social services	4,301,473	3,997,267
Interest	7,381,777	5,562,238
Depreciation and amortization	5,251,025	2,760,301
Information systems	1,851,963	2,378,161
Housekeeping	2,317,015	2,196,647
Pharmacy	1,644,081	1,505,225
Laundry and linen	984,968	911,515
Loss on impairment	-	13,633,813
Total Operating Expenses	117,325,616	115,238,952
Operating Loss	(16,241,608)	(18,472,440)
Other Income (Loss):		
Interest income	1,238	46,552
Federal and state award revenue	-	1,850,439
Loss on refinancing	-	(2,521,478)
Rental revenue	-	229,696
Management fee revenue	8,833	210,485
Realized gain on interest rate swaps	-	1,711,921
Miscellaneous income	5,189,353	1,544,203
Total Other Income	5,199,424	3,071,818
Total Combined Net Loss Before Non-controlling Interest in Net Loss of Affiliates	(11,042,184)	(15,400,622)
Less: Net Loss Attributable to Non-Controlling Interest	(10,169,473)	(15,240,796)
Combined Net Loss Attributable to Controlling Interest	$ (872,711)	$ (159,826)

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

SUGAR CREEK REST, INC.
D/B/A QUALITY LIFE SERVICES AND AFFILIATES
COMBINED STATEMENTS OF CHANGES IN MEMBERS', PARTNERS' AND SHAREHOLDERS' EQUITY

	Sugar Creek Rest, Inc. d/b/a Quality Life Services				
	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Non-controlling Interest in Affiliates	Total
Balance, June 30, 2022	$ 33,604	$ 2,151,466	$ (341,073)	$ 29,284,890	$ 31,128,887
Noncontrolling interest in combined net loss of affiliates	-	-	-	(15,240,796)	(15,240,796)
Contributions - reallocation of debt	-	3,627,134	-	-	3,627,134
Distributions	-	-	(23,040)	-	(23,040)
Distributions - reallocation of debt	-	-	-	(3,627,134)	(3,627,134)
Combined net loss	-	-	(159,826)	-	(159,826)
Balance, June 30, 2023	33,604	5,778,600	(523,939)	10,416,960	15,705,225
Noncontrolling interest in combined net loss of affiliates	-	-	-	(10,169,473)	(10,169,473)
Distributions	-	-	(1,400)	(138,600)	(140,000)
Combined net loss	-	-	(872,711)	-	(872,711)
Reclassification	(32,939)	32,939	-	-	-
Balance, June 30, 2024	$ 665	$ 5,811,539	$ (1,398,050)	$ 108,887	$ 4,523,041

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

SUGAR CREEK REST, INC.
D/B/A QUALITY LIFE SERVICES AND AFFILIATES
COMBINED STATEMENTS OF CASH FLOWS

	Years Ended June 30, 2024	2023
Cash Flows From Operating Activities:		
Net loss	$ (872,711)	$ (159,826)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,765,111	2,989,348
Amortization of goodwill	2,485,914	-
Amortization of loan fees	742,597	62,566
Net change in right-of-use assets	12,261	-
Credit loss expense	1,086,965	407,063
Noncontrolling interest in net (loss) of affiliates	(10,169,473)	(15,240,796)
Loss on refinancing	-	2,521,478
Loss on impairment	-	13,633,813
Realized gain on interest rate swaps	-	(1,711,921)
(Increase) decrease in assets:		
Accounts receivable, net	(4,720,815)	(1,834,195)
Accounts receivable, related parties	(780,875)	(718,893)
Accounts receivable, other	9,816	1,362,602
Estimated third-party payor settlements	2,207,171	(749,185)
Inventory	(469,257)	297,347
Prepaid expenses and other current assets	1,001,575	(1,125,965)
Increase (decrease) in liabilities:		
Accounts payable, trade	4,041,387	630,425
Accounts payable, related parties	197,160	294,563
Accounts payable, other	(372)	16,364
Estimated third-party payor settlements	(19,968)	891,375
Accrued payroll and payroll taxes	488,984	(1,624,673)
Accrued vacation and other accrued expenses	48,154	(403,721)
Advances payable, related party	81,916	-
Deferred revenue	396,733	(25,868)
Refundable fees and deposits	6,800	(149,763)
Net Cash Provided by (Used in) Operating Activities	(1,460,927)	(637,862)
Cash Flows From Investing Activities:		
Statutory minimum liquid reserve	(152)	(116)
Decrease in other assets	-	(207,317)
Purchases of property and equipment	(727,376)	(1,246,029)
Net Cash Provided by (Used in) Investing Activities	(727,528)	(1,453,462)

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

SUGAR CREEK REST, INC.
D/B/A QUALITY LIFE SERVICES AND AFFILIATES
COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)

	Years Ended June 30, 2024	2023
Cash Flows From Financing Activities:		
Principal payments on long-term debt	-	(59,321,919)
Proceeds from issuance of long-term debt	-	67,000,000
Payments on line of credit	-	(5,302,582)
Payments on loan fees and refinancing	-	(3,203,208)
Proceeds from swap termination	-	1,467,704
Principal payments under finance lease obligations	(208,327)	(205,226)
Refunds of entrance fees	-	(11,400)
Distributions to members/partners	(140,000)	(23,040)
Net Cash Provided by (Used in) Financing Activities	(348,327)	400,329
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	(2,536,782)	(1,690,995)
Cash, Cash Equivalents and Restricted Cash, Beginning	11,296,806	12,987,801
Cash, Cash Equivalents and Restricted Cash, Ending	$ 8,760,024	$ 11,296,806
Supplemental Disclosure of Cash Flow Information		
Cash payments for:		
Interest	$ 6,126,508	$ 3,934,701
Supplemental Schedule of Noncash Investing and Financing Activities		
Property and equipment acquired through finance lease obligations	$ -	$ 859,691
Right of use assets adjustment for Topic 842 implementation	$ -	$ 2,025,000
Right of use assets obtained in exchanged for new lease liabilities	$ 55,739	$ -

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

Note 1 – Nature of Businesses

Sugar Creek Rest, Inc. d/b/a Quality Life Services ("QLS"), a subchapter S Corporation, operations consist principally of providing management and consulting services to affiliated senior living communities. QLS owns a 1% equity interest and is the general partner of each of the limited partnership affiliates reported in the combined financial statements with the exception of Countryside Convalescent Home, LP d/b/a Quality Life Services Mercer ("Mercer LP"), for which QLS owns a 2% interest. QLS is included in the combined financial statements. Tack Family Ventures, LLC ("Tack") owns a 99% interest in the entities outlined below, with the exception of Mercer LP, where they own a 98% equity interest, and is considered the non-controlling interest of these entities.

QLS is in the process of establishing ten new entities for active senior living communities with the purpose of separating the real estate and operating activities for each entity (four of the entities were created as of June 30, 2024). The new entities will be formed as limited liability companies and will be designated as operating entities when they are introduced to HUD financing. The existing entities will remain and will be designated as real estate holding companies.

In May 2024, four of the skilled nursing facilities spun out their operations, creating four new limited liability companies with the same ownership structure (QLS owning 1% equity interest and Tack owning 99% equity interest). The entities where real estate and operations were separated included West Haven Manor, LP d/b/a Quality Life Services Apollo (corporate restructure to form Quality Life Services – Apollo, LLC), Henry Clay Villa, LP d/b/a Quality Life Services Henry Clay (corporate restructure to form Quality Life Services – Henry Clay, LLC), Sugar Creek Rest, LP d/b/a Quality Life Services Sugar Creek (corporate restructure to form Quality Life Services – Sugar Creek, LLC), and Trinity Living Center, LP d/b/a Quality Life Services Grove City (corporate restructure to form Quality Life Services – Grove City, LLC). These entities will continue to operate and hold the real estate of the facilities, while the new entities will maintain the operations of the nursing facilities (collectively, the "Company").

The entities listed as limited partnerships (noted as 'LP') are included in the combined financial statements, and were formed as limited partnerships pursuant to the provisions of the Pennsylvania Uniform Limited Partnership Act, specifically for operating senior living communities, a home health and hospice agency, and for Quality Pharmacy, LP to provide institutional and retail pharmaceutical services.

Note 1 – Nature of Businesses – Continued

Below is a listing of all the entities within the combined financial statements of QLS (defined as "Affiliates"):

West Haven Manor, LP d/b/a Quality Life Services Apollo ("Apollo LP")
Henry Clay Villa, LP d/b/a Quality Life Services Henry Clay ("Henry Clay LP")
Golden Hill Nursing and Rehab, LP d/b/a Quality Life Services New Castle ("New Castle LP")
Westmont Woods, LP d/b/a Quality Life Services Westmont ("Westmont LP")
South Fayette Nursing Center, LP d/b/a Quality Life Services Markleysburg ("Markleysburg LP")
Countryside Convalescent Home, LP d/b/a Quality Life Services Mercer ("Mercer LP")
Fair Winds Manor, LP d/b/a Quality Life Services Sarver ("Sarver LP")
Sugar Creek Rest, LP d/b/a Quality Life Services Sugar Creek ("Sugar Creek LP")
Chicora Medical Center, LP d/b/a Quality Life Services Chicora ("Chicora LP")
Trinity Living Center, LP d/b/a Quality Life Services Grove City ("Grove City LP")
The Transitional Care Center, LP ("Transitional Care LP")
Family Home Health, LP d/b/a Family Home Health and Three Rivers Hospice ("Home Health LP")
Quality Pharmacy, LP ("Pharmacy")
Quality Life Services – Apollo, LLC ("Apollo LLC")
Quality Life Services – Henry Clay, LLC ("Henry Clay LLC")
Quality Life Services – Sugar Creek, LLC ("Sugar Creek LLC")
Quality Life Services – Grove City, LLC ("Grove City LLC")

Common ownership exists between the Company and Tack. Tack is owned equally between the Steven D. Tack Irrevocable Trust, Susan Tack-Beardsley Irrevocable Trust, and Mary Susan Tack-Yurek Irrevocable Trust. Steven D. Tack, Susan Tack-Beardsley, and Mary Susan Tack-Yurek are also the owners of QLS, and hold ownership in all the Affiliates of QLS, either through their trust ownership, or direct ownership of QLS.

The Company owns and operates Apollo LLC, a 257 bed senior living community in Apollo, Pennsylvania. Apollo LLC consists of 177 nursing beds and 80 personal care beds. The Company owns and operates Henry Clay LLC, a 74 bed senior living community in Markleysburg, Pennsylvania, with all 74 beds licensed as nursing. The Company owns and operates New Castle LP, a 204 bed senior living community in New Castle, Pennsylvania, consisting of 204 nursing beds. The Company owns and operates Westmont LP, a 90 bed senior living community in Johnstown, Pennsylvania. Westmont LP consists of 41 nursing beds, 34 personal care beds, and 15 independent living apartments. The Company owns and operates Markleysburg LP, a senior living community in Markleysburg, Pennsylvania, consisting of 60 nursing beds. The Company owns and operates Mercer LP, a 148 bed senior living community in Mercer, Pennsylvania. Mercer LP consists of 48 nursing and 100 personal care beds. The Company owns and operates Sarver LP, a 96 bed senior living community, consisting of 66 nursing and 30 personal care beds. The Company owns and operates Sugar Creek LLC, a 161 bed senior living community, consisting of 114 nursing beds and 47 personal care beds. The Company owns and operates Chicora LP, a 140 bed senior living community, consisting of 114 nursing beds and 26 personal care beds. The Company owns and operates Grove City LLC, a 129 bed senior living community, consisting of 109 nursing beds, 20 personal care beds, and 3 apartments. The Company owns Transitional Care LP, a 20 bed transitional care unit located in Grove City, Pennsylvania. The Transitional Care LP discontinued operations during the year ended June 30, 2020. The Company owns and operates the Pharmacy, located in Chicora, Pennsylvania, providing pharmaceutical services to residents of related party nursing and personal care facilities and retail customers. The Company owns and operates Home Health LP, a home health and hospice agency that provides home health and hospice services as licensed by the Pennsylvania Department of Aging and the federal Medicare program.

Note 1 – Nature of Businesses – Continued

As part of the operational structure of the above entities, QLS oversees the management operations of the affiliates for an agreed-upon fee, which are eliminated in the combining statements of operations (Note 7).

Basis of Combination – These combined financial statements include the accounts of QLS and all of the Affiliates. All material intercompany accounts and transactions are eliminated in combination.

Note 2 – Significant Accounting Policies

Basis of Accounting – The combined financial statements of the Company have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, whereby revenue is recognized when earned and expenses are recognized when incurred. Transactions deemed by management to be ongoing, major, or central to providing health care, home health and hospice, or pharmaceutical services are reported as revenue or expenses. Peripheral or incidental transactions are classified as other income.

Personal Assets and Liabilities and Company Distributions – In accordance with the generally accepted method of presenting combined financial statements, the combined financial statements do not include the personal assets and liabilities of the members/partners, including their obligation for income taxes on their distributive shares of the net income (loss) of the Company, nor any provision for income tax expense.

Cash and Cash Equivalents and Restricted Cash – All liquid investments with an original maturity of three months or less when purchased are considered cash equivalents. The Company maintains its cash balances with a bank insured by the Federal Deposit Insurance Corporation ("FDIC"). Accounts are fully insured up to $250,000 by the FDIC. From time to time, cash balances exceed FDIC limits.

Restricted cash is included with cash and cash equivalents on the combined statements of cash flows. Amounts included in restricted cash represent those required to be set aside by contractual agreements among the respective credit agreements. Restricted cash as of June 30, 2024 and 2023, relates to the Deposit Account Control Agreement ("DACA") and Deposit Account Instructions and Service Agreement ("DAISA") accounts as directed by the 2023 Bridge Loan (Note 5).

Resident Funds – The Company is entrusted with certain personal funds of its residents, the handling of which is governed by Medicare and Medical Assistance regulations. These funds are available to residents on demand and are disbursed only at the direction of the resident or legal guardian. These assets have a corresponding liability on the combined balance sheet.

Accounts Receivable, net – Accounts receivable are reported at estimated net realizable value taking into account explicit price concessions and estimated implicit price concessions. The estimated implicit price concessions are based upon management's judgmental assessment of historical and expected net collections considering the residents' ability to pay. Throughout the year, management assesses the adequacy of the implicit price concession based upon its review of accounts receivable payor composition and aging. The results of these assessments are used to make modifications to resident and patient revenue and to establish an appropriate estimate for implicit price concessions. The estimated implicit price concession is approximately $228,989 and $419,000 for the years ended June 30, 2024 and 2023, respectively.

Note 2 – Significant Accounting Policies – Continued

Collectability of receivables is periodically assessed by management. This assessment provides the basis for the allowance for current expected credit losses and the related credit losses. Management utilized the loss-rate method for measuring expected credit losses, which applies an estimated loss rate to the accounts receivable balances based on payor type and age of the receivable. Total credit loss expense was $1,086,965 and $407,063 for the years ended June 30, 2024 and 2023, respectively. The allowance for current expected credit losses was $1,314,810 and $1,085,821 as of June 30, 2024 and 2023, respectively.

Inventory – Inventory principally consists of drugs related to the Pharmacy. Inventory is stated at the lower of cost or net realizable value, with cost determined based on the first-in, first-out average cost method. Management assesses the salability and potential obsolescence of inventory on an ongoing basis and determined that no allowance was necessary as of the years ended June 30, 2024 or 2023.

Prepaid Expenses – The Company makes advance payments for various annual activities, including but not limited to insurance, real estate taxes, CNA stipends, and other ancillary items. These costs are amortized monthly and any unamortized amounts at year-end are reflected as prepaid expenses.

Unamortized Loan Fees – Unamortized loan fees represent costs to acquire financing that are being amortized on a straight-line basis, which approximates the effective interest method, over the life of the related loans. Loan fees associated with the 2023 refinancing were paid in the amount of $1,938,153. Unamortized loan fees of $1,195,556 and $1,938,153 as of June 30, 2024 and 2023, respectively, are netted against long-term debt on the combined balance sheets. Amortization expense for the years ended June 30, 2024 and 2023, amounted to $742,597 and $62,566, respectively, and are recorded with interest expense on the combined statements of operations. The remaining unamortized loan fees will be amortized over the course of the 2025 fiscal year.

Goodwill, net – Goodwill is the excess of cost over the fair value of net assets (including identifiable intangibles) acquired in a business acquisition. The Company recorded goodwill as the excess of the purchase price over the fair value of the identifiable assets included in the purchase of Sarver LP, Sugar Creek LP, Apollo LP, New Castle LP, Westmont LP, Markleysburg LP, and Home Health LP. The FASB issued ASU 2014-02, Intangibles - Goodwill and Other (Topic 350): Accounting for Goodwill (consensus of the Private Company Council), which permits privately held companies to amortize goodwill over periods not to exceed 10 years. The Company adopted the standard on July 1, 2023, and began amortizing goodwill over 10 years using the straight-line method. Total amortization expense was $2,485,914 during the year ended June 30, 2024, and will continue to amortize through June 30, 2033.

The Company evaluates goodwill for impairment at the entity level when a triggering event occurs that indicates that the fair value of the Company may be below its carrying amount. During the year ended June 30, 2024, the Company did not record any impairment losses related to goodwill. During the year ended June 30, 2023, the Company determined that the goodwill values of Sarver LP, New Castle LP, and Home Health LP were impaired and as such, impairment losses were recorded during the year ended June 30, 2023 in the amounts of $3,131,690, $7,660,000 and $390,000 for Sarver LP, New Castle LP and Home Health LP, respectively. A total goodwill impairment of $11,181,690 was recognized on the combined statements of operations during the year ended June 30, 2023.

Note 2 – Significant Accounting Policies – Continued

Property and Equipment – Property and equipment is carried at cost. The Company capitalizes equipment that is used in the operation of business when the value exceeds $1,000. Major repairs to buildings and leasehold improvements are capitalized when the value exceeds $10,000. Depreciation is computed using the straight-line method over 3 to 40 years, depending on asset classification. When assets are retired or otherwise disposed, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the current period. The costs of maintenance and repairs are expensed when incurred. Additions and improvements that extend the life of the asset are capitalized. Depreciation expense was $2,552,542 and $2,760,301 during the years ended June 30, 2024 and 2023, respectively.

Fixed assets are evaluated for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable from estimated future cash flows. If estimated cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of the assets. The Company determined that no asset impairment existed during the year ended June 30, 2024. During 2023, the property and equipment values of Sarver LP were impaired, and as such an impairment loss was recorded during the year ended June 30, 2023, in the amount of $2,452,123 on the combined statements of operations.

Fair Value of Financial Instruments – The Company's financial instruments include all receivables, prepaid expenses, accounts payable, and accrued expenses. The carrying amounts of these instruments approximate fair value due to their short maturity.

Advertising – The Company has elected to expense all advertising costs as incurred. Advertising costs amounted to $657,207 and $661,909 during the years ended June 30, 2024 and 2023, respectively, and are included in administrative and general expenses on the combined statements of operations.

Leases – The Company has operating leases of buildings for corporate offices, as well as financing leases for vehicles and equipment. The Company assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. Leases with an initial term of 12 months or less are not recorded on the combined balance sheet. The leases have remaining lease terms ranging from 1 year to 6 years. The depreciable life of assets and leasehold improvements are limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise.

Note 2 – Significant Accounting Policies – Continued

Operating and financing leases are included in right-of-use ("ROU") assets, operating lease liability – current, operating lease liability – long-term, financing lease liability – current, and financing lease liability – long-term, in the combined balance sheets. ROU assets represent the Company's right to use an underlying asset for the lease term, and lease liabilities represent the Company's obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Company uses the implicit rate when it is readily determinable. Since most of the Company's leases do not provide an implicit rate to determine the present value of lease payments, management uses the Company's incremental borrowing rate based on the information available at lease commencement. Operating lease ROU assets also include any lease payments made and exclude any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise the option. During the 2024 fiscal year, the Company executed leases between the operating and property companies (intercompany) that are currently renewable on an annual basis, and are therefore not reflected on the combining balance sheets.

Related-Party Transactions – The Company, Tack, Tack Family Holdings, LLC, BTY Health Partners, LLC, M.S. Yurek, Inc., S.T. Beardsley, Inc., S.D. Tack, Inc., M.S. Yurek Holdings, LP, S.T. Beardsley Holdings, LP, S.D. Tack Holdings, LP, Yurek Insurance Corporation, Beardsley Insurance Corporation, Tack Insurance Corporation, Quality Medical Associates, PC, Resolution Healthcare Management, and Quality Staffing Solutions are considered related parties with common ownership. Don't Stop Dreamin', a not-for-profit organization, is considered a related party through common management. Armstrong Retirement Village ("Armstrong"), a partnership, is a related party due to QLS holding a variable interest in the entity.

Medical Malpractice – The Company is part of a large deductible medical malpractice policy. The policy has an individual claim limit of $1,000,000 and $3,000,000 in the aggregate for each of the years ended June 30, 2024 and 2023. The $3,000,000 aggregate applies to the Company as a whole, and the coverage is provided on a claims-made basis. The Company also has a large deductible excess umbrella policy for medical malpractice insurance that covers claim amounts greater than the limits stated above. The excess umbrella limit is $5,000,000 and $4,000,000 in the aggregate for the years ended June 30, 2024 and 2023, respectively.

Management asserts the Company's medical malpractice insurance coverage is sufficient to cover all known and incurred, but not reported, claims and accordingly, has not recorded any liabilities for medical malpractice as of June 30, 2024 or 2023.

General Liability – The Company is part of a large deductible general liability insurance policy. The policy has a $1,000,000 limit per occurrence and $3,000,000 in the aggregate for each of the years ended June 30, 2024 and 2023. The $3,000,000 aggregate applies to the Company as a whole and coverage is provided on a claims-made basis. The Company also has a large deductible excess umbrella policy for general liability insurance that covers claim amounts greater than the limits stated above. The excess umbrella limit is $5,000,000 and $4,000,000 in the aggregate for the years ended June 30, 2024 and 2023, respectively.

Management asserts the Company's general liability insurance coverage is sufficient to cover all known and incurred, but not reported, claims and accordingly, has not recorded any liabilities for any general liability claims as of June 30, 2024 or 2023.

Note 2 – Significant Accounting Policies – Continued

Nursing Facility Assessment – As general nursing facilities participating in Pennsylvania's Medicaid system, the facilities are subject to Pennsylvania's Nursing Facility Assessment Program (the "Program"). Under the Program, nursing facilities are assessed a "tax" based on census information and receive a corresponding "supplemental payment" based on census information. The calculation for the "tax" is not the same as the calculation for the "supplemental payment" and the related expenses and revenue are not the same. The Company has elected to record the net effect of the "tax" and "supplemental payment" on the combined statements of operations under net resident care and patient service revenue.

Performance Indicator – The Company's performance indicator is reported on the combined statement of operations as operating income (loss). Items excluded from the performance indicator are reflected in other income (loss) as required by FASB ASC 954-220-45-8, combined with FASB ASC 958-715-45.

Net Resident Care and Patient Service Revenue – Net resident care and patient service revenue is reported at the amount that reflects the consideration to which the Company expects to be entitled in exchange for providing patient care from residents, third-party payors (including health insurers and government payors), and others for services rendered. It includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Company bills residents and third-party payors several days after services are performed (usually monthly). Revenue is recognized as the performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Company. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Company believes that this method provides an accurate depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents receiving services at the Company. The Company measures the performance obligation from the time a resident moves in, to the point when it is no longer required to provide service to the resident, which is generally at the time a resident passes away, transfers to another facility, or the measurable time period (one month of services) has elapsed.

Accordingly, the Company's performance obligations usually relate to contracts with a duration of less than one year; therefore, the Company has elected to apply the optional exemption provided in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") paragraph 606-10-50-14(a) and is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to services at the end of the reporting period. The performance obligations for these contracts are generally completed within days or weeks of the end of the reporting period.

The Company has continuing care retirement contracts, which include an entrance fee component and a monthly service fee with access to the following continuum: independent living, assisted living / personal care, and skilled nursing. The Company offers Type C contracts, which are a fee for service contract that includes an upfront entrance fee; however, the resident pays for any health care services on a monthly basis at the standard market rate. The portion of the entrance fees that is contractually earned by the Company is amortized into revenue over the life expectancy of the resident.

Note 2 – Significant Accounting Policies – Continued

The Company has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from patients or residents and third-party payors for the effects of a significant financing component due to the Company's expectation that the period between the time the service is provided to a patient or resident and the time that the patient, resident, or a third-party payor pays for that service will be one year or less. However, the Company does, in rare instances, enter into payment agreements with patients or residents that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

The Company determines the transaction price based on standard charges for goods and services provided, reduced by explicit price concessions (contractual adjustments) provided to third-party payors and discounts provided to residents, including benevolent care in accordance with the Company's policy. Implicit price concessions are provided to uninsured residents. The Company determines explicit price concessions based on contractual adjustments, its policies, and historical experience. The Company determines its estimate of implicit price concessions based on its historical collection experience and review of individual claims.

The Company has agreements with third-party payors that provide for reimbursement at amounts less than the Company's established rates. Explicit concessions under third-party reimbursement programs represent the difference between the Company's billings at established rates for service and amounts reimbursed by third-party payors.

A summary of the payment arrangements with major third-party payors follows:

Medicaid – Nursing services provided to Medicaid beneficiaries are paid at prospectively determined rates per day or at rates negotiated with Medicaid Managed Care organizations. These rates vary according to a resident classification system that is based on clinical diagnosis and other factors, and the reimbursement methodology is subject to various limitations and adjustments. The Company's concentration of skilled nursing in Pennsylvania exposes it to the risk of changes in the state's Medicaid reimbursement system.

Medicare – The Company's nursing facility division is eligible to participate in Medicare's prospective payment system ("PPS") as of year-end. Under the PPS, providers are paid prospectively by the intermediary acting on behalf of and at the direction of the Centers for Medicare and Medicaid Services ("CMS"). The prospective payment system does not provide for retroactive adjustments.

Other – Certain revenue under third-party payor agreements is based on capitated contracts whereby the Company receives payment based on pre-established rates and fee schedules (including Medicaid). The payment under these contracts does not provide for retroactive cost settlements. However, from time to time, based on various regulatory issues, the Company may receive lump sum payments.

Note 2 – Significant Accounting Policies – Continued

Laws and regulations concerning government programs, including Medicare and Medicaid, are extremely complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Company's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Company. In addition, the contracts the Company has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive revenue adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing resident care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Company's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available) or as years are settled or are no longer subject to such audits, reviews, and investigations. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Adjustments arising from a change in the transaction price were not significant as of June 30, 2024 or 2023.

The Company provides services to uninsured patients and residents, and offers those uninsured patients and residents a discount, either by policy or law, from standard charges. Patients and residents who are covered by third-party payors are responsible for related deductibles and coinsurance. The Company estimates the transaction price for patients and residents with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. Subsequent changes that are determined to be the result of an adverse change in a patient's or resident's ability to pay are recorded as credit loss expense.

From time-to-time, services may be provided without charge, or at amounts less then established rates to residents who meet certain need-based criteria based on the Company's benevolent care policy. Therefore, the Company has determined it has provided implicit price concessions to qualified residents for uninsured private pay balances. The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to residents and the amounts the Company expects to collect based on its collection history with those residents. Such amounts determined to qualify as benevolent care are not reported as revenue.

Note 2 – Significant Accounting Policies – Continued

Generally, residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Company also provides services to uninsured residents and offers those uninsured residents a discount, either by policy or law, from standard charges. The Company estimates the transaction price for residents with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions based on historical collection experience. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to resident care and patient service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the resident's ability to pay are recorded as bad debt expense.

The composition of resident care and patient service revenue, net by primary payor by service line is as follows:

	For the Year Ended June 30, 2024				
	Skilled Nursing	Personal Care	Hospice Care	Home Health	Total
Medicare	$10,791,115	$ -	$ 3,528,598	$ 853,088	$ 15,172,801
Medicaid	56,110,502	-	-	-	56,110,502
Private pay	8,635,277	6,612,929	167,406	-	15,415,612
Managed care and commercial insurers	10,429,765	-	56,605	3,649,164	14,135,534
Total	$85,966,659	$ 6,612,929	$ 3,752,609	$ 4,502,252	$100,834,449

	For the Year Ended June 30, 2023				
	Skilled Nursing	Personal Care	Hospice Care	Home Health	Total
Medicare	$ 7,368,377	$ -	$ 4,395,379	$ 1,208,090	$ 12,971,846
Medicaid	51,551,293	-	-	-	51,551,293
Private pay	6,139,032	6,069,272	-	-	12,208,304
Managed care and commercial insurers	15,681,142	-	739,386	3,180,524	19,601,052
Total	$80,739,844	$ 6,069,272	$ 5,134,765	$ 4,388,614	$ 96,332,495

All of the Company's operating revenue is recognized from goods and services that transfer to the resident/patient over time as outlined on the combined statements of operations.

Income Taxes – The Company follows the guidance for accounting for uncertainty in income taxes recognized in an organization's combined financial statements that prescribes a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. The guidance also addresses derecognition, classification, interest and penalties, accounting in interim periods, and disclosure.

Note 2 – Significant Accounting Policies – Continued

Management has determined that this guidance did not have a material effect on the combined financial statements. The Company's policy is to recognize interest related to unrecognized tax benefits in interest expense and penalties in administrative and general expenses. There were no interest or penalties recognized on the combined statements of operations as a result of this guidance. Generally, tax returns for years ended 2019 and thereafter remain subject to examination by federal and state tax authorities.

Use of Estimates – The preparation of combined financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications – Certain amounts have been reclassified within the combined financial statements in order to conform with current year presentation. These reclassifications did not change ending combined net income or ending combined members', partners' and shareholders' equity for the year ended June 30, 2023.

Recent Accounting Pronouncements

Recently Adopted Accounting Standards – In February 2016, the Financial Accounting Standards Board ("FASB") issued new guidance on the measurement of current expected credit losses ("CECL") on financial instruments. The FASB has subsequently issued additional guidance amending certain aspects of the measurement of CECL. The new guidance has replaced the incurred loss methodology of recognizing credit losses on financial instruments with a methodology that estimates the expected credit loss on financial instruments and reflects the net amount expected to be collected on the financial instrument. The Company adopted this change in accounting principle as of July 1, 2023, using the modified retrospective method. Accordingly, financial information for periods prior to the date of initial application has not been adjusted.

Note 3 – Significant Group Concentrations of Credit Risk

The Company grants credit without collateral to its patients and residents, most of whom are insured under third-party payor arrangements primarily with Medical Assistance, Medicare, Blue Cross and various commercial insurance companies. The mix of receivables from patients, residents, and third-party payors as of June 30 is as follows:

	2024	2023
Medicaid	57%	49%
Private	24%	22%
Commercial/Other	17%	20%
Medicare	2%	9%
	100%	100%

Note 4 – Leases

The Company has leases as described in Note 2. Several leases include multiple optional renewal periods. Generally, the Company does not consider any additional renewal periods to be reasonably certain of being exercised.

Operating lease cost is recognized on a straight-line basis over the lease term. Finance lease cost is recognized as a combination of the amortization expense for the ROU assets and interest expense for the outstanding lease liabilities.

The following summarizes the line items in the combined balance sheets which include amounts for operating and financing leases as of June 30:

	2024	2023
Right-of-Use Assets:		
Operating lease right-of-use assets	$ 1,821,619	$ 1,822,500
Finance lease right-of-use assets, net	368,748	630,646
Total Right-of-Use Assets:	$ 2,190,367	$ 2,453,146
Operating Lease Liabilities:		
Current portion of operating lease liabilities	$ 541,004	$ 405,000
Long-term operating lease liabilities, net	1,292,876	1,417,500
Total Operating Lease Liabilities	$ 1,833,880	$ 1,822,500
Finance Lease Liabilities:		
Current portion of finance lease liabilities	$ 119,315	$ 221,173
Long-term finance lease liabilities, net	277,496	433,294
Total Finance Lease Liabilities	$ 396,811	$ 654,467

The following summarizes the weighted average remaining lease term and discount rate as of June 30:

	2024	2023
Weighted Average Remaining Lease Term (years):		
Operating leases	3.75	4.67
Finance leases	3.21	3.55
Weighted Average Discount Rate:		
Operating leases	4.63%	4.41%
Finance leases	7.80%	7.87%

Note 4 – Leases – Continued

The maturities of lease liabilities are as follows:

Years Ending June 30,	Operating	Finance
2025	$ 607,776	$ 145,959
2026	600,240	132,442
2027	378,372	124,009
2028	178,728	49,172
2029	180,156	-
Thereafter	60,052	-
Total lease payments	2,005,324	451,582
Less: interest	(171,444)	(54,771)
Present value of lease liabilities	$ 1,833,880	$ 396,811

The following summarizes the line items in the combined statements of operations and retained earnings which include the components of lease expense for the years ended June 30:

	2024	2023
Finance Lease Expense:		
Amortization expense	$ 212,569	$ 229,047
Interest expense	48,402	60,017
Operating Lease Expense	589,492	405,000
Short-term Lease Expense	124,368	296,392
Total lease expense	$ 974,831	$ 990,456

Note 5 – Long-Term Debt

On June 29, 2023, the Company entered into an agreement with Merchants Bank of Indiana ("MBI") for a total loan of $67,000,000. The loan was obtained with the intent of paying off the previous loan balances and begin applying for eligibility for HUD financing. The MBI loan has a variable interest rate (9.57% and 9.41% at June 30, 2024 and 2023, respectively) based on the 1 month Secured Overnight Financing Rate ("SOFR") plus 425 basis points (100 basis points floor). Interest only payments are to be made for the loan's term through July 2025. The principal loan balances were allocated based on their respective appraisal values that were conducted as of May 2023.

The MBI bridge loan requires each of the respective entities to maintain funding in escrow as a DACA and DAISA account pursuant to the loan agreement. The accounts were established to obtain funding in the event of default. Additionally, the Company was directed to establish a replacement reserve pursuant to the terms and provisions outlined in the agreement. The replacement reserve was established with the purpose of assisting with the transition to HUD financing.

Note 5 – Long-Term Debt – Continued

The Company is also required to comply with certain financial covenants on a quarterly basis (debt service coverage ratio). As of December 31, 2023, March 31, 2024, and June 30, 2024, the Company did not comply with this covenant and received a waiver from the bank that waived this requirement through September 2024.

The Company has incurred recurring losses and negative cash flows from operations. As of June 30, 2024, the Company had cash of approximately $6.9 million. Management believes that current cash on hand at June 30, 2024 should be sufficient to fund operations and debt obligations for at least the 12 months beyond the date of issuance of these financial statements.

Note 6 – Pension Plan

QLS sponsors a 401(k) defined contribution plan (the "Plan") covering all employees of the Company who are not covered by a collective bargaining agreement, who have completed three months of service and who are at least 20½ years old. The Company may make a discretionary matching contribution of 50% of participant deferrals on the first 5% of the participant's compensation. In addition, the Company may also make discretionary profit-sharing contributions. Contributions to the Plan amounted to $676,916 and $576,409 for the years ended June 30, 2024 and 2023, respectively, and are included in operating expenses on the combined statements of operations.

Note 7 – Related-Party Transactions

Related party accounts receivable consists of the following as of June 30:

	2024	2023
Resolution Healthcare Management	$ 1,064,343	$ 521,042
BTY Health Partners	225,750	225,750
Quality Medical Associates	42,260	71,989
Quality Staffing Solutions	847,320	588,591
Don't Stop Dreamin'	46,118	32,823
Tack Family Ventures	-	8,983
Armstrong Retirement Village	10,508	6,246
Tack Family Holdings, LLC	2,433	2,433
Total	$ 2,238,732	$ 1,457,857

Note 7 – Related-Party Transactions – Continued

Related party accounts payable consists of the following as of June 30:

	2024	2023
Quality Staffing Solutions	$ 416,370	$ 461,364
Quality Medical Associates	499,737	259,420
Armstrong Retirement Village	88,295	88,295
Don't Stop Dreamin'	2,947	1,110
Total	$ 1,007,349	$ 810,189

Related party advances payable consists of the following as of June 30:

	2024	2023
Tack Family Ventures, LLC	$ 1,343,756	$ 1,261,840

The Company charges a monthly fee for management and consulting services to certain related parties. Total management and consulting fees charged were $8,833 and $210,485 during the years ended June 30, 2024 and 2023, respectively.

The Company provides services to patients who are plan members of the insurance product offered by Provider Partners Health Plan of Pennsylvania, Inc. ("PPHP"), a related party. PPHP insurance plan comprised $3,337,834 and $3,741,714 of net resident care and patient service revenue for the years ended June 30, 2024 and 2023, respectively.

Additionally, there is rental expense charged from Armstrong Retirement Village to QLS. This detail is included within Note 4.

The Company charges Quality Medical Associates for other services related to nursing and medical care. The total charges for these services were $113,908 during the year ended June 30, 2024.

Quality Staffing Solutions charges the Company for contract nursing services provided during the fiscal year. Total charges to the Company were $6,804,212 and $3,558,093 during the years ended June 30, 2024 and 2023, respectively.

Note 8 – Commitments and Contingencies

Effective July 5, 2016, the Centers for Medicare and Medicaid Services adopted the 2013 National Fire Protection guide to life safety, relative to a Fire Safety Evaluation System ("FSES"). Compliance with the adopted regulations began with life safety surveys on or after November 1, 2016. An affiliate, Grove City LP, was affected by the 2013 FSES adoption. A five-year waiver was originally issued by the CMS relative to the regulation, along with a subsequent waiver issued in October 2021. A facility that did not meet the requirements at the end of waiver periods, would be subject to termination from the Medicare and Medicaid programs. On July 29, 2022, the CMS issued an updated life safety code relative to FSES, where management believes that Grove City LP is now in compliance with the FSES life safety code.

The Company was issued a notice of violation against Westmont LP by the local municipal authority regarding the sewer lines at the facility. The Company has submitted a proposal to the authority, and retained an engineer, but further proceedings with the municipal authority are anticipated in fiscal year 2025. If it is ultimately decided that the facility is not in compliance, it could result in additional capital outlay for the repair or replacement of the sewer lines at the facility.

Industry Developments

The long-term care industry is subject to numerous laws, regulations, and administrative directives of federal, state, and local governments and agencies. Compliance with these laws, regulations, and administrative directives is subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Government activity continues to increase with respect to investigations and allegations concerning possible violations by health care providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments for resident services previously billed. Management is not aware of any material incidents of noncompliance; however, the possible future financial effects of this matter on the Company, if any, are not determinable.

From time to time, the Company is involved in various claims and legal actions arising in the ordinary course of business. The ultimate outcome of these matters cannot be determined at this time. In the opinion of management, these matters will not have a material adverse effect on the Company's financial position or results of operations.

Note 9 – The Transitional Care Center, LP

During the year ended June 30, 2020, the Company suspended operations indefinitely at Transitional Care LP and it is anticipated to be dissolved in fiscal year 2025. No material impact to continuing operations is expected.

Note 10 – Pennsylvania Department of Insurance Required Disclosures

Certain affiliates of the Company, Sugar Creek LLC, Chicora LP, Grove City LLC and Sarver LP, are continuing care providers ("CCRC Entities") and are required to maintain minimum liquidity reserves to be in compliance with the Continuing Care Provider Registration and Disclosure Act. The minimum reserve is equal to the greater of total interest and principal payments on long-term debt due within the next 12 months or 10% of projected annual operating expenses and is included on the combined balance sheets. The minimum reserve for the year ended June 30, 2024, is calculated as follows relative to the CCRC Entities listed above:

Note 10 – Pennsylvania Department of Insurance Required Disclosures – Continued

Principal and interest payments due within the next 12 months	$	1,610,358	**
Percent of residents subject to residence and care agreement		1.21%	
Current portion of long term debt and related interest - [A]	$	19,485	
Projected annual operating expenses	$	46,738,865	*
Less: depreciation and amortization expense		1,422,455	
Operating expenses pertaining to statutory liquid reserve		45,316,410	
Percent of residents to residence and care agreement		1.21%	
	$	548,329	
Statutory liquid reserve factor		10.00%	
10% of projected annual operating expenses - [B]	$	54,833	
Statutory minimum liquid reserve (greater of [A] or [B])	$	54,833	
Required statutory minimum liquid reserve	$	54,833	
Statutory liquid reserve		67,197	
Favorable (Unfavorable)	$	12,364	

*Prior year operating expenses of applicable CCRC Entities, with a 3.5% cost of living adjustment.
**Interest payments related to CCRC Entities based on estimates due to variable interest.

As of June 30, 2024, the CCRC Entities maintained a minimum liquid reserve in excess of the required minimum liquid reserve. The continuing care providers may receive deposits for independent living units prior to a resident taking occupancy. These amounts would be maintained in a cash escrow account, which would be reported within other assets on the combined balance sheets. There were no amounts received prior to occupancy during the years ended June 30, 2024 or 2023.

Note 11 – Provider Partners Health Plan ("PPHP")

Tack is the 100% owner of BTY Health Partners, LLC, which owns a 25% share of an Institutional Special Needs Plan ("ISNP") insurance company, Provider Partners Health Plan of Pennsylvania, Inc. Nursing home residents of certain affiliates have PPHP as their ISNP insurance plan. The agreements between the affiliates and PPHP contain certain risk sharing measures related to quality outcomes of the nursing home residents. These risk sharing measures could potentially create a receivable or payable between certain affiliates and PPHP. As of June 30, 2024 and 2023, these risk sharing measures created a receivable of approximately $1,234,360 and $3,300,000, respectively, and is reported within estimated third-party payor settlements on the combined balance sheets.

Note 12 – COVID-19 Pandemic and Funding Received

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic. The response to the pandemic has severely impacted the level of economic activity around the world and has had wide ranging effects on the Company, including lost revenue, changing workforce dynamics, decreases in resident census, increases in expenses related to supply chain and other expenses, as well as increased funding sources.

Federal and state governments have passed legislation, promulgated regulations, and taken other administrative actions intended to assist health care providers in providing care to COVID-19 and other patients during the public health emergency. Sources of relief include the federal Coronavirus Aid, Relief, and Economic Security ("CARES") Act, which was enacted on March 27, 2020, which included, among other programs, the Paycheck Protection Program ("PPP") and the Provider Relief Fund ("PRF"). Sources of relief also include the federal American Rescue Plan Act ("ARPA").

The material government funding received by the Company, and the corresponding accounting for the funding, is outlined below.

U.S. Department of Health and Human Services ("HHS") Provider Relief Fund and American Rescue Plan ("ARP") Rural ("PRF")

During the year ended June 30, 2022, the Company received funds through the HHS PRF established by the CARES Act. During fiscal 2023, the Company received the remaining $1,373,689 of Phase 4 Rural funding. According to guidance provided by the HHS, these funds may only be used when health care providers experience a loss in revenue and/or incur expenses as a result of the COVID-19 pandemic. Additionally, health care providers must comply with certain terms and conditions, established by the HHS, when spending the funds. If the health care provider is unable to justify utilization of the funds through lost revenue or COVID-19 expenses, the funds must be returned to the HHS.

PA Office of Long-Term Living, Act 54

During 2022, the Commonwealth of Pennsylvania (PA) Office of Long-Term Living, pursuant to Act 54 of 2022, awarded the Organization a grant in the amount of $1,463,126 based on Medical Assistance ("MA") days of care, another allocation in the amount of $309,268 is based on the licensed beds for all nursing facilities, and a payment of $78,045 for personal care homes ("PCH") and assisted living residences ("ALR") as of July 1, 2022. These funds total $1,850,439 and is reported as federal and state award revenue on the combined statements of operations as of June 30, 2023.

Note 13 – Highmark Grant

During fiscal year 2021, the Company was awarded a $1,000,000 Highmark Community Health Reinvestment Grant. During fiscal year 2023, the Company was awarded and received an additional $500,000 through the same grant program. The purpose of the grant is to improve health care quality and health outcomes of residents and patients. The grant funds are allowed to be used on a wide variety of Community Health Reinvestment ("CHR") projects. For the years ended June 30, 2024 and 2023, the Company has recognized approximately $500,000 and $650,000, respectively, of these funds which are reported within miscellaneous income on the combined statements of operations.

Note 14 – Subsequent Events

In preparing these combined financial statements, the Company evaluated events that occurred through February 24, 2025, the date the combined financial statements were available to be issued, for potential recognition or disclosure.

Chicora Litigation

During May 2023, allegations arose of professional medical negligence surrounding a former employee intentionally providing inappropriate care that resulted in the death of two residents. The case is in preliminary stages and counsel expects it to unfold over many years. Management and counsel anticipate that current insurance is sufficient to cover all potential claims and legal expenses.

New Entity Formation

As referenced in Note 1, the Company is in the process of creating new limited liability companies for each nursing facility. As of July 1, 2024, additional entities were formed, which include Quality Life Services – New Castle, LLC, and Quality Life Services – Markleysburg, LLC. As of September 1, 2024, additional entities were formed, which include Quality Life Services – Chicora, LLC and Quality Life Services – Mercer, LLC.

SUPPLEMENTARY INFORMATION

SUGAR CREEK REST, INC.
D/B/A QUALITY LIFE SERVICES AND AFFILIATES
COMBINING BALANCE SHEETS
JUNE 30, 2024

	Chicora Medical Center, LP d/b/a QLS Chicora	Fair Winds Manor, LP d/b/a QLS Sarver	Sugar Creek Rest, LP d/b/a QLS Sugar Creek	Trinity Living Center, LP d/b/a QLS Grove City	West Haven Manor, LP d/b/a QLS Apollo	Henry Clay Villa, LP d/b/a QLS Henry Clay	Golden Hill Nursing and Rehab, LP d/b/a QLS New Castle	Westmont Woods, LP d/b/a QLS Westmont	South Fayette Nursing Center, LP d/b/a QLS Markleysburg	Countryside Convalescent Home d/b/a QLS Mercer
Assets										
Current Assets:										
Cash and cash equivalents	$ 4,227,990	$ (1,438,441)	$ 391,410	$ 991,735	$ 424,366	$ 615,175	$ 596,705	$ (1,285,117)	$ 948,106	$ (2,015,151)
Restricted cash - escrow and replacement reserve	273,930	98,715	(6,647)	(34,848)	(74,237)	27,359	169,631	-	91,801	173,643
Accounts receivable, net	929,814	864,278	-	-	-	-	1,243,496	548,373	508,267	428,518
Accounts receivable, affiliates	149,227	315,106	16,863,739	3,125,263	11,437,887	6,281,053	648,411	45,558	317,995	196,828
Accounts receivable, related parties	163,191	106,534	-	-	-	-	5,000	-	48,805	2,025
Accounts receivable, other	-	9,957	-	-	-	-	-	1,632	9,164	-
Estimated third-party payor settlements, net	178,791	47,512	-	-	-	-	167,362	-	199,146	55,256
Inventory	-	-	-	-	-	-	-	-	-	-
Prepaid expenses and other current assets	141,605	80,816	14,691	14,386	32,449	7,633	118,702	63,672	38,328	53,794
Total Current Assets	6,064,548	84,477	17,263,193	4,096,536	11,820,465	6,931,420	2,949,307	(625,682)	2,161,612	(1,105,087)
Goodwill, net	-	-	-	-	-	-	8,382,303	2,049,298	171,000	-
Resident funds	33,699	25,135	-	-	-	-	28,686	20,668	121,442	10,912
Statutory liquid reserve	19,341	10,070	-	-	-	-	-	-	-	-
Advances receivable, affiliates	438,677	-	-	-	-	-	-	-	-	-
Notes receivable, affiliates, long-term	-	-	-	-	-	-	-	-	-	-
Other assets	45,321	251	-	-	-	-	9,634	8,037	-	-
Investment in:										
Chicora	-	-	-	-	-	-	-	-	-	-
Fair Winds	-	-	-	-	-	-	-	-	-	-
Sugar Creek	-	-	-	-	-	-	-	-	-	-
Trinity	-	-	-	-	-	-	-	-	-	-
West Haven Manor	-	-	-	-	-	-	-	-	-	-
Henry Clay Villa	-	-	-	-	-	-	-	-	-	-
Golden Hill	-	-	-	-	-	-	-	-	-	-
Westmont Woods	-	-	-	-	-	-	-	-	-	-
South Fayette	-	-	-	-	-	-	-	-	-	-
Countryside	-	-	-	-	-	-	-	-	-	-
Quality Pharmacy	-	-	-	-	-	-	-	-	-	-
Family Home Health	-	-	-	-	-	-	-	-	-	-
QLS- Sugar Creek	-	-	-	-	-	-	-	-	-	-
QLS- Henry Clay	-	-	-	-	-	-	-	-	-	-
QLS- Grove City	-	-	-	-	-	-	-	-	-	-
QLS- Apollo	-	-	-	-	-	-	-	-	-	-
The Transitional Care Center	-	-	-	-	-	-	-	-	-	-
	537,038	35,456	-	-	-	-	8,420,823	2,078,003	292,442	10,912
Property and Equipment:										
Land	175,000	40,683	30,000	167,650	100,000	51,606	59,270	25,125	57,361	132,459
Buildings and improvements	6,605,979	9,968,175	2,697,173	2,396,290	5,881,418	1,790,809	4,236,309	2,238,209	1,550,731	5,030,053
Equipment	2,574,983	1,090,915	-	-	-	-	1,179,559	389,558	624,445	1,375,126
Furniture and fixtures	14,966	-	-	-	-	-	1,031	12,102	6,377	16,241
Automotive equipment	9,211	5,639	-	-	-	-	-	8,156	37,900	5,406
Parking lot	102,381	287,040	-	-	-	-	-	-	125,035	68,082
Construction in progress	198,288	76,710	-	-	-	-	66,984	163,000	15,900	24,894
	9,680,808	11,469,162	2,727,173	2,563,940	5,981,418	1,842,415	5,543,153	2,836,150	2,419,749	6,652,261
Less: Accumulated Depreciation	6,832,146	5,407,713	2,160,850	1,497,429	2,728,925	866,093	1,713,503	1,054,872	1,726,329	4,727,930
Total Property and Equipment, net	2,848,662	6,061,449	566,323	1,066,511	3,252,493	976,322	3,829,650	1,781,278	693,420	1,924,331
Finance Lease Right-of-Use Assets, net	13,003	1,481	-	-	-	-	32,180	17,283	11,996	14,414
Operating Lease Right-of-Use Assets	-	-	-	-	-	-	-	-	-	-
Total Assets	$ 9,463,251	$ 6,182,863	$ 17,829,516	$ 5,163,047	$ 15,072,958	$ 7,907,742	$ 15,231,960	$ 3,250,882	$ 3,159,470	$ 844,570

SUGAR CREEK REST, INC.
D/B/A QUALITY LIFE SERVICES AND AFFILIATES
COMBINING BALANCE SHEETS (CONTINUED)
JUNE 30, 2024

	Quality Pharmacy, LP	The Transitional Care Center, LP	Family Home Health, LP d/b/a Family Home Health and Three Rivers Hospice	Sugar Creek Rest, Inc, d/b/a QLS	Quality Life Services - Sugar Creek, LLC	Quality Life Services - Henry Clay, LLC	Quality Life Services - Grove City, LLC	Quality Life Services - Apollo, LLC	Eliminations	Totals
Assets										
Current Assets:										
Cash and cash equivalents	$ 1,403,140	$ (221,854)	$ (5,385,648)	$ (4,107,199)	$ 5,302,272	$ 3,493,890	$ 786,737	$ 2,068,666	$ -	$ 6,796,782
Restricted cash - escrow and replacement reserve	-	-	-	-	347,248	212,229	214,303	470,115	-	1,963,242
Accounts receivable, net	(54,881)	-	679,129	934	1,345,733	1,263,649	1,641,296	2,393,051	-	11,781,657
Accounts receivable, affiliates	235,927	391	725,999	10,790,859	1,278,223	3,057,355	2,023,955	3,526,007	(61,019,783)	-
Accounts receivable, related parties	35	-	8,544	1,835,977	400	-	68,221	-	-	2,238,732
Accounts receivable, other	-	-	-	-	-	-	-	-	-	20,953
Estimated third-party payor settlements, net	-	-	-	-	312,754	(40,194)	115,022	198,711	-	1,234,360
Inventory	870,957	-	-	-	-	-	-	-	-	870,957
Prepaid expenses and other current assets	16,978	-	45,850	638,905	99,682	88,461	74,505	136,135	-	1,666,792
Total Current Assets	2,462,156	(221,463)	(3,926,126)	9,159,476	8,686,312	8,075,390	4,924,039	8,792,685	(61,019,783)	26,573,475
Goodwill, net	-	-	7,650,000	-	394,620	-	-	3,726,000	-	22,373,221
Resident funds	-	-	-	-	109,350	44,944	277,220	146,008	-	818,064
Statutory liquid reserve	-	-	-	-	11,691	-	26,095	-	-	67,197
Advances receivable, affiliates	-	-	-	1,689,600	-	-	-	-	(2,128,277)	-
Notes receivable, affiliates, long-term	-	-	-	-	9,816	-	-	-	(9,816)	-
Other assets	33,119	-	63,351	23,701	27,328	-	-	1,228	-	212,170
Investment in:										
Chicora	-	-	-	143,251	-	-	-	-	(143,251)	-
Fair Winds	-	-	-	(15,508)	-	-	-	-	15,508	-
Sugar Creek	-	-	-	888,066	-	-	-	-	(888,066)	-
Trinity	-	-	-	68,483	-	-	-	-	(68,483)	-
West Haven Manor	-	-	-	185,586	-	-	-	-	(185,586)	-
Henry Clay Villa	-	-	-	73,747	-	-	-	-	(73,747)	-
Golden Hill	-	-	-	163,393	-	-	-	-	(163,393)	-
Westmont Woods	-	-	-	79,430	-	-	-	-	(79,430)	-
South Fayette	-	-	-	44,362	-	-	-	-	(44,362)	-
Countryside	-	-	-	60,423	-	-	-	-	(60,423)	-
Quality Pharmacy	-	-	-	24,236	-	-	-	-	(24,236)	-
Family Home Health	-	-	-	56,258	-	-	-	-	(56,258)	-
QLS- Sugar Creek	-	-	-	(980,197)	-	-	-	-	980,197	-
QLS- Henry Clay	-	-	-	(6,826)	-	-	-	-	6,826	-
QLS- Grove City	-	-	-	(8,084)	-	-	-	-	8,084	-
QLS- Apollo	-	-	-	(20,506)	-	-	-	-	20,506	-
The Transitional Care Center	-	-	-	(6,139)	-	-	-	-	6,139	-
	33,119	-	7,713,351	2,463,276	552,805	44,944	303,315	3,873,236	(2,888,068)	23,470,652
Property and Equipment:										
Land	-	-	-	-	-	-	-	-	-	839,154
Buildings and improvements	180,900	-	11,497	59,156	16,489,877	517,156	1,935,895	1,682,059	-	63,271,686
Equipment	701,823	-	143,486	1,191,904	1,947,600	1,256,071	1,402,901	1,230,466	-	15,108,837
Furniture and fixtures	4,457	-	22,556	-	-	16,868	3,866	15,356	-	115,820
Automotive equipment	-	-	26,189	43,118	76,362	42,310	-	9,211	-	263,502
Parking lot	-	-	-	-	217,687	-	8,824	41,325	-	850,374
Construction in progress	-	-	-	311,733	370,643	53,277	154,600	5,706	-	1,441,735
	887,180	-	203,728	1,605,911	19,102,169	1,885,682	3,506,086	2,984,123	-	81,891,106
Less: Accumulated Depreciation	794,729	-	183,471	1,133,127	6,635,830	1,500,454	2,511,362	2,092,699	-	43,567,462
Total Property and Equipment, net	92,451	-	20,257	472,784	12,466,339	385,228	994,724	891,424	-	38,323,646
Finance Lease Right-of-Use Assets, Net	8,637	-	127,451	47,363	26,362	19,840	13,947	34,791	-	368,748
Operating Lease Right-of-Use Assets	-	-	852,402	969,217	-	-	-	-	-	1,821,619
Total Assets	$ 2,596,363	$ (221,463)	$ 4,787,335	$ 13,112,116	$ 21,731,818	$ 8,525,402	$ 6,236,025	$ 13,592,138	$ (63,907,851)	$ 90,558,140

SUGAR CREEK REST, INC.
D/B/A QUALITY LIFE SERVICES AND AFFILIATES
COMBINING BALANCE SHEETS (CONTINUED)
JUNE 30, 2024

	Chicora Medical Center, LP d/b/a QLS Chicora	Fair Winds Manor, LP d/b/a QLS Sarver	Sugar Creek Rest, LP d/b/a QLS Sugar Creek	Trinity Living Center, LP d/b/a QLS Grove City	West Haven Manor, LP d/b/a QLS Apollo	Quality Life Services - Henry Clay, LLC	Golden Hill Nursing and Rehab, LP d/b/a QLS New Castle	Westmont Woods, LP d/b/a QLS Westmont	South Fayette Nursing Center, LP d/b/a QLS Markleysburg	Countryside Convalescent Home d/b/a QLS Mercer
Liabilities and Members', Partners' and Shareholders' Equity (Deficit)										
Current Liabilities:										
Accounts payable, trade	$ 634,040	$ 270,795	$ 50,038	$ 28,795	$ 67,747	$ 37,674	$ 565,984	$ 203,608	$ 196,444	$ 338,610
Accounts payable, affiliates	1,277,549	882,348	-	34,098	2,741,535	1,688,121	123,008	50,524	749,613	706,383
Accounts payable, related parties	83,001	23,991	690	127	383	113	143,435	18,812	42,581	96,898
Accounts payable, other	14,956	-	-	-	152	42	-	34,375	-	-
Estimated third-party payor settlements	133,025	89,051	-	-	-	-	525,702	20,258	291,850	141,382
Current finance lease liabilities	4,307	1,602	-	-	-	-	8,258	4,324	3,629	3,699
Current operating lease liabilities	-	-	-	-	-	-	-	-	-	-
Accrued payroll and payroll taxes	168,080	169,746	-	(14,928)	-	(6,484)	215,671	127,430	112,294	136,763
Accrued vacation and other accrued expenses	163,983	90,315	1,436	3,979	1,640	-	154,737	74,254	63,487	56,989
Total Current Liabilities	2,478,941	1,527,848	52,164	52,071	2,811,457	1,719,466	1,736,795	533,585	1,459,898	1,480,724
Resident Funds	33,699	25,135	-	-	-	-	28,686	20,668	121,442	10,912
Advances Payable, Affiliates	-	7,914	-	-	-	-	1,259,874	386,816	-	-
Advances Payable, Related-Party	-	-	-	-	-	-	-	-	-	-
Deferred Revenue	-	5,987	-	-	-	-	202,800	-	1,404	158,754
Refundable Fees and Deposits	-	-	-	-	-	-	-	-	-	-
Finance Lease Liabilities	9,716	-	-	-	-	-	26,418	14,299	9,304	11,833
Operating Lease Liabilities	-	-	-	-	-	-	-	-	-	-
Long-Term Debt, net	9,496,242	3,486,382	9,426,535	5,481,802	14,174,654	7,824,759	7,436,815	-	3,031,932	5,491,802
Total Liabilities	12,018,598	5,053,266	9,478,699	5,533,873	16,986,111	9,544,225	10,691,388	955,368	4,623,980	7,154,025
Members', Partners' and Shareholders' Equity (Deficit):										
Common stock, stated value $0.01 per share; authorized 1,000,000 shares; issued and outstanding 66,484 shares	-	-	-	-	-	-	-	-	-	-
Additional paid-in-capital	-	-	-	-	-	-	-	-	-	-
General partner retained earnings (deficit)	143,251	(15,508)	888,066	68,483	185,586	73,747	163,393	79,430	44,362	60,423
Non-controlling interest in affiliates / limited partner	(2,698,598)	1,145,105	7,462,751	(439,309)	(2,098,739)	(1,710,230)	4,377,179	2,216,084	(1,508,872)	(6,369,878)
Total Members', Partners' and Shareholders' Equity (Deficit)	(2,555,347)	1,129,597	8,350,817	(370,826)	(1,913,153)	(1,636,483)	4,540,572	2,295,514	(1,464,510)	(6,309,455)
Total Liabilities and Members', Partners' and Shareholders' Equity (Deficit)	$ 9,463,251	$ 6,182,863	$ 17,829,516	$ 5,163,047	$ 15,072,958	$ 7,907,742	$ 15,231,960	$ 3,250,882	$ 3,159,470	$ 844,570

SUGAR CREEK REST, INC.
D/B/A QUALITY LIFE SERVICES AND AFFILIATES
COMBINING BALANCE SHEETS (CONTINUED)
JUNE 30, 2024

	Quality Pharmacy, LP	The Transitional Care Center, LP	Family Home Health, LP d/b/a Family Home Health and Three Rivers Hospice	Sugar Creek Rest, Inc. d/b/a QLS	Quality Life Services - Sugar Creek, LLC	Quality Life Services - Henry Clay, LLC	Quality Life Services - Grove City, LLC	Quality Life Services - Apollo, LLC	Eliminations	Totals
Liabilities and Members', Partners' and Shareholders' Equity (Deficit)										
Current Liabilities:										
Accounts payable, trade	$ 401,768	$ -	$ 582,875	$ 1,238,406	$ 586,693	$ 330,705	$ 495,653	$ 695,629	$ -	$ 6,725,464
Accounts payable, affiliates	241,349	132,789	399,156	4,471,538	20,618,447	8,068,392	4,670,777	13,191,184	(60,046,811)	-
Accounts payable, related parties	1,592	75,000	1,544	5,751	71,456	23,653	40,156	378,166	-	1,007,349
Accounts payable, other	-	-	357	-	-	57,641	8,613	26,867	-	143,003
Estimated third-party payor settlements	-	-	-	1,932	266,293	396,724	163,063	671,356	-	2,700,636
Current finance lease liabilities	2,216	-	46,769	20,453	6,595	4,963	4,219	8,281	-	119,315
Current operating lease liabilities	-	-	162,085	378,919	-	-	-	-	-	541,004
Accrued payroll and payroll taxes	82,662	-	95,209	657,313	287,398	148,975	211,541	321,312	-	2,712,982
Accrued vacation and other accrued expenses	153,006	-	358,201	371,782	176,214	115,627	112,445	174,747	-	2,072,842
Total Current Liabilities	882,593	207,789	1,646,196	7,146,094	22,013,096	9,146,680	5,706,467	15,467,542	(60,046,811)	16,022,595
Resident Funds	-	-	-	-	109,350	44,944	277,220	146,008	-	818,064
Advances Payable, Affiliates	-	-	-	438,677	9,591	-	1,008,193	-	(3,111,065)	-
Advances Payable, Related-Party	-	-	311,840	531,916	500,000	-	-	-	-	1,343,756
Deferred Revenue	-	-	-	2,000	33,968	-	23,156	-	-	428,069
Refundable Fees and Deposits	-	-	-	-	24,200	-	23,600	-	-	47,800
Finance Lease Liabilities	7,091	-	90,137	30,457	21,810	16,414	10,818	29,199	-	277,496
Operating Lease Liabilities	-	-	702,578	590,298	-	-	-	-	-	1,292,876
Long-Term Debt, net	-	-	-	(41,480)	-	-	(5,000)	-	-	65,804,443
Total Liabilities	889,684	207,789	2,750,751	8,697,962	22,712,015	9,208,038	7,044,454	15,642,749	(63,157,876)	86,035,099
Members', Partners' and Shareholders' Equity (Deficit):										
Common stock, stated value $0.01 per share; authorized 1,000,000 shares; issued and outstanding 66,484 shares	-	-	-	665	-	-	-	-	-	665
Additional paid-in-capital	-	-	-	5,811,539	-	-	-	-	-	5,811,539
General partner retained earnings (deficit)	24,236	(6,139)	56,258	(1,398,050)	(980,197)	(6,826)	(8,084)	(20,506)	(749,975)	(1,398,050)
Non-controlling interest in affiliates / limited partner	1,682,443	(423,113)	1,980,326	-	-	(675,810)	(800,345)	(2,030,107)	-	108,887
Total Members', Partners' and Shareholders' Equity (Deficit)	1,706,679	(429,252)	2,036,584	4,414,154	(980,197)	(682,636)	(808,429)	(2,050,613)	(749,975)	4,523,041
Total Liabilities and Members', Partners' and Shareholders' Equity (Deficit)	$ 2,596,363	$ (221,463)	$ 4,787,335	$ 13,112,116	$ 21,731,818	$ 8,525,402	$ 6,236,025	$ 13,592,136	$ (63,907,851)	$ 90,558,140

SUGAR CREEK REST, INC.
D/B/A QUALITY LIFE SERVICES AND AFFILIATES
COMBINING BALANCE SHEETS
JUNE 30, 2023

	Chicora Medical Center, LP d/b/a QLS Chicora	Fair Winds Manor, LP d/b/a QLS Sarver	Sugar Creek Rest, LP d/b/a QLS Sugar Creek	Trinity Living Center, LP d/b/a QLS Grove City	West Haven Manor, LP d/b/a QLS Apollo	Henry Clay Villa, LP d/b/a QLS Henry Clay	Golden Hill Nursing and Rehab, LP d/b/a QLS New Castle	Westmont Woods, LP d/b/a QLS Westmont	South Fayette Nursing Center, LP d/b/a QLS Markleysburg	Countryside Convalescent Home d/b/a QLS Mercer
Assets										
Current Assets:										
Cash and cash equivalents	$ 4,336,596	$ 34,958	$ 4,056,974	$ 2,378,574	$ 4,659,491	$ 5,088,555	$ 145,514	$ 1,116,259	$ 1,737,449	$ (454,499)
Restricted cash - escrow and replacement reserve	175,829	86,187	233,068	147,871	298,499	117,426	121,872	-	39,919	151,522
Accounts receivable, net	786,925	820,177	778,339	765,262	1,380,571	472,246	921,086	470,078	440,684	402,980
Accounts receivable, affiliates	60,705	42,400	305,125	60,635	84,974	66,141	66,421	24,299	19,377	28,235
Accounts receivable, related parties	62,919	97,465	400	68,893	-	2,360	5,000	-	50,568	2,025
Accounts receivable, other	-	9,957	9,816	-	-	-	-	1,832	9,164	-
Estimated third-party payor settlements, net	397,990	140,329	749,647	355,079	585,986	279,118	444,203	-	260,329	142,438
Inventory	-	-	-	-	-	-	-	-	-	-
Prepaid expenses and other current assets	156,986	113,554	202,629	160,389	245,193	121,568	160,659	108,022	79,064	99,090
Total Current Assets	5,979,950	1,345,027	6,335,998	3,936,703	7,254,714	6,147,414	1,864,755	1,720,490	2,636,554	371,791
Goodwill, net	-	-	438,467	-	4,140,000	-	9,313,670	2,276,998	190,000	-
Resident funds	47,757	22,580	116,070	366,924	99,023	74,779	29,251	25,362	121,061	20,154
Statutory liquid reserve	19,293	10,060	11,662	26,030	-	-	-	-	-	-
Advances receivable, affiliates	42,187	-	-	-	-	-	-	-	3,351	-
Other assets	72,844	10,354	27,326	15,900	42,303	22,691	31,365	8,037	8,778	15,900
Investment in:										
Chicora	-	-	-	-	-	-	-	-	-	-
Fair Winds	-	-	-	-	-	-	-	-	-	-
Sugar Creek	-	-	-	-	-	-	-	-	-	-
Trinity	-	-	-	-	-	-	-	-	-	-
West Haven Manor	-	-	-	-	-	-	-	-	-	-
Henry Clay Villa	-	-	-	-	-	-	-	-	-	-
Golden Hill	-	-	-	-	-	-	-	-	-	-
Westmont Woods	-	-	-	-	-	-	-	-	-	-
South Fayette	-	-	-	-	-	-	-	-	-	-
Countryside	-	-	-	-	-	-	-	-	-	-
Quality Pharmacy	-	-	-	-	-	-	-	-	-	-
Family Home Health	-	-	-	-	-	-	-	-	-	-
The Transitional Care Center	-	-	-	-	-	-	-	-	-	-
	182,081	42,994	593,527	408,854	4,261,326	97,470	9,374,286	2,310,397	323,190	36,054
Property and Equipment:										
Land	175,000	40,683	30,000	167,650	100,000	51,606	59,270	25,125	57,361	132,459
Buildings and improvements	6,535,694	9,954,901	19,173,645	4,327,890	7,560,008	2,309,072	4,166,796	2,227,714	1,548,966	4,936,005
Equipment	2,572,283	1,090,915	1,922,935	1,392,901	1,205,592	1,237,104	1,179,559	389,558	617,687	1,338,769
Furniture and fixtures	14,966	-	-	3,866	15,356	16,868	1,031	12,102	8,377	16,241
Automotive equipment	9,211	5,639	76,362	-	9,211	42,310	-	8,156	37,900	5,406
Parking lot	102,381	287,040	217,687	8,824	41,325	-	-	-	125,035	68,082
Construction in progress	133,288	38,915	346,280	131,197	5,706	-	66,628	80,000	-	7,352
	9,542,823	11,418,093	21,766,909	6,032,328	8,937,198	3,656,960	5,473,284	2,742,655	2,395,326	6,504,314
Less: Accumulated Depreciation	6,607,719	5,102,688	8,167,203	3,820,115	4,464,946	2,243,273	1,440,673	933,009	1,675,323	4,556,386
Total Property and Equipment, net	2,935,104	6,315,405	13,599,706	2,212,213	4,472,252	1,413,687	4,032,611	1,809,646	720,003	1,947,928
Finance Lease Right-of-Use Assets, net	17,338	28,352	33,239	18,238	57,475	25,015	61,708	21,792	15,687	39,204
Operating Lease Right-of-Use Assets	-	-	-	-	-	-	-	-	-	-
Total Assets	$ 9,114,473	$ 7,731,778	$ 20,562,470	$ 6,576,008	$ 16,065,767	$ 7,683,586	$ 15,333,360	$ 5,862,325	$ 3,695,434	$ 2,394,977

SUGAR CREEK REST, INC.
D/B/A QUALITY LIFE SERVICES AND AFFILIATES
COMBINING BALANCE SHEETS (CONTINUED)
JUNE 30, 2023

	Quality Pharmacy, LP	The Transitional Care Center, LP	Family Home Health, LP d/b/a Family Home Health and Three Rivers Hospice	Sugar Creek Rest, Inc. d/b/a QLS	Quality Life Services - Sugar Creek, LLC	Quality Life Services - Henry Clay, LLC	Quality Life Services - Grove City, LLC	Quality Life Services - Apollo, LLC	Eliminations	Totals
Assets										
Current Assets:										
Cash and cash equivalents	$ 1,671,480	$ (221,854)	$ (3,858,027)	$ (10,766,857)	$ -	$ -	$ -	$ -	$ -	$ 9,924,613
Restricted cash - escrow and replacement reserve	-	-	-	-	-	-	-	-	-	1,372,193
Accounts receivable, net	134,452	-	772,073	934	-	-	-	-	-	8,147,807
Accounts receivable, affiliates	199,931	391	709,130	9,350,774	-	-	-	-	(11,018,538)	-
Accounts receivable, related parties	35	-	8,544	1,159,648	-	-	-	-	-	1,457,857
Accounts receivable, other	-	-	-	-	-	-	-	-	-	30,769
Estimated third-party payor settlements, net	86,412	-	-	-	-	-	-	-	-	3,441,531
Inventory	350,189	-	-	51,511	-	-	-	-	-	401,700
Prepaid expenses and other current assets	121,793	-	89,724	846,144	-	-	-	-	-	2,504,815
Total Current Assets	2,564,292	(221,463)	(2,278,556)	642,154	-	-	-	-	(11,018,538)	27,281,285
Goodwill, net	-	-	8,500,000	-	-	-	-	-	-	24,859,135
Resident funds	-	-	-	-	-	-	-	-	-	922,961
Statutory liquid reserve	-	-	-	-	-	-	-	-	-	67,045
Advances receivable, affiliates	-	-	-	5,009,015	-	-	-	-	(5,054,553)	-
Other assets	33,119	-	63,402	23,701	-	-	-	-	-	375,722
Investment in:										
Chicora	-	-	-	143,280	-	-	-	-	(143,280)	-
Fair Winds	-	-	-	(201)	-	-	-	-	201	-
Sugar Creek	-	-	-	880,831	-	-	-	-	(880,831)	-
Trinity	-	-	-	60,503	-	-	-	-	(60,503)	-
West Haven Manor	-	-	-	188,891	-	-	-	-	(188,891)	-
Henry Clay Villa	-	-	-	72,533	-	-	-	-	(72,533)	-
Golden Hill	-	-	-	170,710	-	-	-	-	(170,710)	-
Westmont Woods	-	-	-	85,802	-	-	-	-	(85,802)	-
South Fayette	-	-	-	51,962	-	-	-	-	(51,962)	-
Countryside	-	-	-	98,684	-	-	-	-	(98,684)	-
Quality Pharmacy	-	-	-	30,069	-	-	-	-	(30,069)	-
Family Home Health	-	-	-	76,693	-	-	-	-	(76,693)	-
The Transitional Care Center	-	-	-	(6,139)	-	-	-	-	6,139	-
	33,119	-	8,563,402	6,886,334	-	-	-	-	(6,908,171)	26,224,863
Property and Equipment:										
Land	-	-	-	-	-	-	-	-	-	839,154
Buildings and improvements	180,900	-	11,497	59,156	-	-	-	-	-	62,992,244
Equipment	701,823	-	143,486	1,191,904	-	-	-	-	-	14,984,516
Furniture and fixtures	4,457	-	22,556	-	-	-	-	-	-	115,820
Automotive equipment	-	-	26,189	43,118	-	-	-	-	-	263,502
Parking lot	-	-	-	-	-	-	-	-	-	850,374
Construction in progress	-	-	-	311,733	-	-	-	-	-	1,121,099
	887,180	-	203,728	1,605,911	-	-	-	-	-	81,166,709
Less: Accumulated Depreciation	773,824	-	169,798	1,062,940	-	-	-	-	-	41,017,897
Total Property and Equipment, net	113,356	-	33,930	542,971	-	-	-	-	-	40,148,812
Finance Lease Right-of-Use Assets, net	10,940	-	195,295	106,363	-	-	-	-	-	630,646
Operating Lease Right-of-Use Assets	-	-	-	1,822,500	-	-	-	-	-	1,822,500
Total Assets	$ 2,721,707	$ (221,463)	$ 6,514,071	$ 10,000,322	$ -	$ -	$ -	$ -	$ (17,926,709)	$ 96,108,106

SUGAR CREEK REST, INC.
D/B/A QUALITY LIFE SERVICES AND AFFILIATES
COMBINING BALANCE SHEETS (CONTINUED)
JUNE 30, 2023

	Chicora Medical Center, LP d/b/a QLS Chicora	Fair Winds Manor, LP d/b/a QLS Sarver	Sugar Creek Rest, LP d/b/a QLS Sugar Creek	Trinity Living Center, LP d/b/a QLS Grove City	West Haven Manor, LP d/b/a QLS Apollo	Henry Clay Villa, LP d/b/a QLS Henry Clay	Golden Hill Nursing and Rehab, LP d/b/a QLS New Castle	Westmont Woods, LP d/b/a QLS Westmont	South Fayette Nursing Center, LP d/b/a QLS Markleysburg	Countryside Convalescent Home d/b/a QLS Mercer
Liabilities and Members', Partners' and Shareholders' Equity (Deficit)										
Current Liabilities:										
Current maturities of long-term debt	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Accounts payable, trade	401,188	372,890	267,300	310,243	209,201	64,727	145,768	86,327	79,001	63,435
Accounts payable, affiliates	1,313,430	870,477	1,930,280	54,009	1,816,347	884,319	101,022	44,237	690,204	849,830
Accounts payable, related parties	28,858	19,631	71,759	39,635	368,388	17,171	57,290	27,368	12,295	81,591
Accounts payable, other	14,956	7,914	-	8,613	28,084	57,688	545	25,853	-	(181)
Estimated third-party payor settlements, net	161,367	125,753	264,752	144,780	627,355	353,177	506,271	38,011	355,079	142,127
Deferred revenue	-	-	-	-	-	-	-	-	-	-
Refundable advances	-	-	-	-	-	-	-	-	-	-
Current finance lease liabilities	3,977	17,035	6,089	3,896	19,277	4,583	18,563	3,992	3,351	14,353
Current operating lease liabilities	-	-	-	-	-	-	-	-	-	-
Accrued payroll and payroll taxes	129,016	99,880	199,042	192,393	252,253	105,157	183,610	104,964	69,673	109,032
Accrued vacation and other accrued expenses	176,188	77,564	179,477	99,540	180,040	120,431	166,453	75,317	61,395	62,749
Total Current Liabilities	2,228,980	1,591,144	2,918,699	853,109	3,500,945	1,607,253	1,179,522	406,069	1,270,998	1,322,936
Resident Deposits	47,757	22,580	116,070	366,924	99,023	74,779	29,251	25,362	121,061	20,154
Advances Payable, Affiliates	-	-	10,449	1,065,562	-	-	1,463,859	2,479,595	-	-
Advances Payable, Related-Party	-	-	500,000	-	-	-	-	-	-	-
Deferred Revenue	-	5,987	10,355	12,292	-	-	-	-	1,404	(702)
Refundable Fees and Deposits	-	-	31,400	9,600	-	-	-	-	-	-
Finance Lease Liabilities	14,023	12,727	28,404	15,036	40,592	21,376	45,801	18,623	12,933	26,657
Operating Lease Liabilities	-	-	-	-	-	-	-	-	-	-
Interest Rate Swaps	-	-	-	-	-	-	-	-	-	-
Long-Term Debt, net	9,376,154	3,439,054	9,319,671	5,422,354	14,007,747	7,738,151	7,342,770	-	2,993,591	5,422,354
Total Liabilities	11,666,914	5,071,492	12,935,048	7,744,877	17,648,307	9,441,559	10,061,203	2,929,649	4,399,987	6,791,399
Members', Partners' and Shareholders' Equity (Deficit):										
Common stock, stated value $0.01 per share; authorized 1,000,000 shares; issued and outstanding 66,484 shares	-	-	-	-	-	-	-	-	-	-
Additional paid-in-capital	-	-	-	-	-	-	-	-	-	-
General partner retained earnings (deficit)	143,280	(201)	880,832	60,503	188,892	72,532	170,709	85,802	51,962	98,684
Non-controlling interest in affiliates / limited partner	(2,695,721)	2,660,487	6,746,590	(1,229,372)	(1,771,432)	(1,830,505)	5,101,448	2,846,874	(756,515)	(4,495,106)
Total Members', Partners' and Shareholders' Equity (Deficit)	(2,552,441)	2,660,286	7,627,422	(1,168,869)	(1,582,540)	(1,757,973)	5,272,157	2,932,676	(704,553)	(4,396,422)
Total Liabilities and Members', Partners' and Shareholders' Equity (Deficit)	$ 9,114,473	$ 7,731,778	$ 20,562,470	$ 6,576,008	$ 16,065,767	$ 7,683,586	$ 15,333,360	$ 5,862,325	$ 3,695,434	$ 2,394,977

SUGAR CREEK REST, INC.
D/B/A QUALITY LIFE SERVICES AND AFFILIATES
COMBINING BALANCE SHEETS (CONTINUED)
JUNE 30, 2023

	Quality Pharmacy, LP	The Transitional Care Center, LP	Family Home Health, LP d/b/a Family Home Health and Three Rivers Hospice	Sugar Creek Rest, Inc. d/b/a QLS	Quality Life Services - Sugar Creek, LLC	Quality Life Services - Henry Clay, LLC	Quality Life Services - Grove City, LLC	Quality Life Services - Apollo, LLC	Eliminations	Totals
Liabilities and Members', Partners' and Shareholders' Equity (Deficit)										
Current Liabilities:										
Current maturities of long-term debt	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Accounts payable, trade	7,017	-	202,886	474,094	-	-	-	-	-	2,684,077
Accounts payable, affiliates	187,046	132,789	1,305,981	838,567	-	-	-	-	(11,018,538)	-
Accounts payable, related parties	857	75,000	6,573	3,773	-	-	-	-	-	810,189
Accounts payable, other	(199)	-	102	-	-	-	-	-	-	143,375
Estimated third-party payor settlements	-	-	-	1,932	-	-	-	-	-	2,720,604
Deferred revenue	-	-	-	-	-	-	-	-	-	-
Refundable advances	-	-	-	-	-	-	-	-	-	-
Current finance lease liabilities	2,047	-	99,005	25,005	-	-	-	-	-	221,173
Current operating lease liabilities	-	-	-	405,000	-	-	-	-	-	405,000
Accrued payroll and payroll taxes	75,582	-	138,220	565,176	-	-	-	-	-	2,223,998
Accrued vacation and other accrued expenses	150,070	-	266,968	408,496	-	-	-	-	-	2,024,688
Total Current Liabilities	422,420	207,789	2,019,735	2,722,043	-	-	-	-	(11,018,538)	11,233,104
Resident Deposits	-	-	-	-	-	-	-	-	-	922,961
Advances Payable, Affiliates	-	-	-	35,088	-	-	-	-	(5,054,553)	-
Advances Payable, Related-Party	-	-	311,840	450,000	-	-	-	-	-	1,261,840
Deferred Revenue	-	-	-	2,000	-	-	-	-	-	31,336
Refundable Fees and Deposits	-	-	-	-	-	-	-	-	-	41,000
Finance Lease Liabilities	9,306	-	102,390	85,426	-	-	-	-	-	433,294
Operating Lease Liabilities	-	-	-	1,417,500	-	-	-	-	-	1,417,500
Interest Rate Swaps	-	-	-	-	-	-	-	-	-	-
Long-Term Debt, net	-	-	-	-	-	-	-	-	-	65,061,846
Total Liabilities	431,726	207,789	2,433,965	4,712,057	-	-	-	-	(16,073,091)	80,402,881
Members', Partners' and Shareholders' Equity (Deficit):										
Common stock, stated value $0.01 per share; authorized 1,000,000 shares; issued and outstanding 66,484 shares	-	-	-	33,604	-	-	-	-	-	33,604
Additional paid-in-capital	-	-	-	5,778,600	-	-	-	-	-	5,778,600
General partner retained earnings (deficit)	30,069	(6,139)	76,693	(523,939)	-	-	-	-	(1,853,618)	(523,939)
Non-controlling interest in affiliates / limited partner	2,259,912	(423,113)	4,003,413	-	-	-	-	-	-	10,416,960
Total Members', Partners' and Shareholders' Equity (Deficit)	2,289,981	(429,252)	4,080,106	5,288,265	-	-	-	-	(1,853,618)	15,705,225
Total Liabilities and Members', Partners' and Shareholders' Equity (Deficit)	$ 2,721,707	$ (221,463)	$ 6,514,071	$ 10,000,322	$ -	$ -	$ -	$ -	$ (17,926,709)	$ 96,108,106

SUGAR CREEK REST, INC.
D/B/A QUALITY LIFE SERVICES AND AFFILIATES
COMBINING STATEMENTS OF OPERATIONS
JUNE 30, 2024

	Chicora Medical Center, LP d/b/a QLS Chicora	Fair Winds Manor, LP d/b/a QLS Sarver	Sugar Creek Rest, LP d/b/a QLS Sugar Creek	Trinity Living Center, LP d/b/a QLS Grove City	West Haven Manor, LP d/b/a QLS Apollo	Henry Clay Villa, LP d/b/a QLS Henry Clay	Golden Hill Nursing and Rehab, LP d/b/a QLS New Castle	Westmont Woods, LP d/b/a QLS Westmont	South Fayette Nursing Center, LP d/b/a QLS Markleysburg	Countryside Convalescent Home d/b/a QLS Mercer
Operating Revenue:										
Resident care and patient service revenue, net	$ 11,594,657	$ 6,970,756	$ 8,153,805	$ 6,868,426	$ 9,932,664	$ 4,759,297	$ 12,054,771	$ 5,128,725	$ 5,274,573	$ 6,684,506
Pharmacy revenue, net	-	-	-	-	-	-	-	-	-	-
Services billed, affiliates	-	-	-	-	-	-	-	-	-	-
Consultation revenue	-	-	-	-	-	-	-	-	-	-
Total Operating Revenue	11,594,657	6,970,756	8,153,805	6,868,426	9,932,664	4,759,297	12,054,771	5,128,725	5,274,573	6,684,506
Cost of Goods Sold	-	-	-	-	-	-	-	-	-	-
Gross Profit	11,594,657	6,970,756	8,153,805	6,868,426	9,932,664	4,759,297	12,054,771	5,128,725	5,274,573	6,684,506
Operating Expenses:										
Nursing and medical care	6,935,556	5,053,630	4,497,562	3,680,159	6,023,318	2,611,454	6,903,296	3,198,485	3,668,040	5,125,385
Administrative and general	1,044,037	893,627	759,005	664,520	1,055,748	539,272	1,278,249	748,881	682,666	875,407
Operation and maintenance	670,351	639,010	602,318	430,420	762,983	289,822	794,808	612,519	342,175	620,387
Dietary	681,691	656,783	597,959	485,584	647,965	310,254	978,148	539,922	470,484	640,082
Recreation and social services	472,284	244,056	281,161	235,166	326,838	157,747	433,900	231,189	210,713	270,917
Interest	1,053,674	391,465	1,031,408	623,719	1,585,027	881,194	833,030	1,665	337,246	611,364
Depreciation and amortization	231,967	317,325	43,370	52,660	198,074	59,728	1,219,152	354,071	73,696	182,673
Information systems	118,776	90,968	63,604	55,453	64,965	52,211	168,659	119,208	108,087	111,225
Housekeeping	294,221	204,123	185,629	142,876	223,330	82,928	309,081	151,621	167,851	153,060
Pharmacy	-	-	-	-	-	-	-	-	-	-
Laundry and linen	119,173	90,619	54,557	50,135	148,614	73,032	81,943	48,318	44,022	64,295
Total Operating Expenses	11,821,930	8,581,626	8,116,573	6,420,692	11,036,862	5,057,642	13,000,266	6,005,879	6,104,980	8,654,795
Operating Income (Loss)	(227,273)	(1,610,870)	37,232	447,734	(1,104,198)	(298,345)	(945,495)	(877,154)	(830,407)	(1,970,289)
Other Income (Expense):										
Investment income (loss), affiliates	-	-	-	-	-	-	-	-	-	-
Interest income	76	16	20	44	(4)	1,023	-	-	(6)	29
Rental revenue	84,280	-	475,422	254,917	651,880	360,000	-	162,090	-	-
Management fee revenue	-	-	-	-	-	-	-	-	-	-
Miscellaneous income (loss)	140,009	80,165	210,721	95,348	121,709	58,812	213,910	77,902	70,456	57,227
Total Other Income (Loss)	224,367	80,181	686,163	350,309	773,585	419,835	213,910	239,992	70,450	57,256
Total Combined Net Income (Loss) Before Non-controlling Interest in Net Income (Loss) of Affiliates	(2,906)	(1,530,689)	723,395	798,043	(330,613)	121,490	(731,585)	(637,162)	(759,957)	(1,913,033)
Less: Net Income (Loss) Attributable to Non-Controlling Interest	(2,877)	(1,515,382)	716,161	790,063	(327,307)	120,275	(724,269)	(630,790)	(752,357)	(1,874,772)
Combined Net Income (Loss) Attributable to Controlling Interest	(29)	(15,307)	7,234	7,980	(3,306)	1,215	(7,316)	(6,372)	(7,600)	(38,261)
Retained Earnings (Deficit):										
Beginning Retained Earnings (Deficit)	143,280	(201)	880,832	60,503	188,892	72,532	170,709	85,802	51,962	98,684
Distribution to Members, Partners and Shareholders	-	-	-	-	-	-	-	-	-	-
Ending Retained Earnings (Deficit)	$ 143,251	$ (15,508)	$ 888,066	$ 68,483	$ 185,586	$ 73,747	$ 163,393	$ 79,430	$ 44,362	$ 60,423

SUGAR CREEK REST, INC.
D/B/A QUALITY LIFE SERVICES AND AFFILIATES
COMBINING STATEMENTS OF OPERATIONS (CONTINUED)
JUNE 30, 2024

	Quality Pharmacy, LP	The Transitional Care Center, LP	Family Home Health, LP d/b/a Family Home Health and Three Rivers Hospice	Sugar Creek Rest, Inc. d/b/a QLS	Quality Life Services - Sugar Creek, LLC	Quality Life Services - Henry Clay, LLC	Quality Life Services - Grove City, LLC	Quality Life Services - Apollo, LLC	Eliminations	Totals
Operating Revenue:										
Resident care and patient service revenue, net	$ -	$ -	$ 8,254,861	$ -	$ 4,160,303	$ 2,458,922	$ 3,663,142	$ 4,875,041	$ -	$ 100,834,449
Pharmacy revenue, net	12,163,927	-	-	-	-	-	-	-	(2,933,086)	9,230,841
Services billed, affiliates	-	-	-	2,239,090	-	-	-	-	(2,239,090)	-
Consultation revenue	145,008	-	-	-	-	-	-	-	(145,008)	-
Total Operating Revenue	12,308,935	-	8,254,861	2,239,090	4,160,303	2,458,922	3,663,142	4,875,041	(5,317,184)	110,065,290
Cost of Goods Sold	8,981,282	-	-	-	-	-	-	-	-	8,981,282
Gross Profit	3,327,653	-	8,254,861	2,239,090	4,160,303	2,458,922	3,663,142	4,875,041	(5,317,184)	101,084,008
Operating Expenses:										
Nursing and medical care	885,538	-	5,070,077	2,498,826	2,720,193	1,693,202	2,717,883	3,863,593	(5,317,183)	61,829,014
Administrative and general	1,149,009	-	4,600,450	6,419,216	1,212,868	742,217	729,121	1,236,744	(7,573,536)	17,057,501
Operation and maintenance	760	-	185,835	255,219	342,069	178,568	237,845	331,536	-	7,296,625
Dietary	-	-	300	(261,841)	429,116	228,364	338,652	466,711	-	7,410,174
Recreation and social services	-	-	478,516	375,561	140,872	95,082	162,363	185,128	-	4,301,473
Interest	834	-	13,682	4,701	2,539	4,583	1,374	4,052	-	7,381,777
Depreciation and amortization	23,208	-	967,217	93,272	636,829	68,719	140,304	588,760	-	5,251,025
Information systems	261	-	2,198	624,498	71,012	49,736	67,145	83,957	-	1,851,963
Housekeeping	-	-	-	1,050	104,399	51,127	98,253	147,466	-	2,317,015
Pharmacy	1,644,081	-	-	-	-	-	-	-	-	1,644,081
Laundry and linen	-	-	-	-	29,715	48,400	34,951	97,194	-	984,968
Total Operating Expenses	3,703,691	-	11,318,275	10,010,502	5,689,612	3,159,978	4,527,891	7,005,141	(12,890,719)	117,325,616
Operating Income (Loss)	(376,038)	-	(3,063,414)	(7,771,412)	(1,529,309)	(701,056)	(864,749)	(2,130,100)	7,573,535	(16,241,608)
Other Income (Expense):										
Investment income (loss), affiliates	-	-	-	(1,102,243)	-	-	-	-	1,102,243	-
Interest income	-	-	-	-	17	-	21	-	-	1,238
Rental revenue	-	-	-	-	18,871	-	169	-	(2,007,629)	-
Management fee revenue	-	-	-	5,574,739	-	-	-	-	(5,565,906)	8,833
Miscellaneous income (loss)	(67,264)	-	1,019,892	2,426,205	530,224	18,420	56,130	79,487	-	5,189,353
Total Other Income (Loss)	(67,264)	-	1,019,892	6,898,701	549,112	18,420	56,320	79,487	(6,471,292)	5,199,424
Total Combined Net Income (Loss) Before Non-controlling Interest in Net Income (Loss) of Affiliates	(443,302)	-	(2,043,522)	(872,711)	(980,197)	(682,636)	(808,429)	(2,050,613)	1,102,243	(11,042,184)
Less: Net Income (Loss) Attributable to Non-Controlling Interest	(438,869)	-	(2,023,087)	-	-	(675,810)	(800,345)	(2,030,107)	-	(10,169,473)
Combined Net Income (Loss) Attributable to Controlling Interest	(4,433)	-	(20,435)	(872,711)	(980,197)	(6,826)	(8,084)	(20,506)	1,102,243	(872,711)
Retained Earnings (Deficit):										
Beginning Retained Earnings (Deficit)	30,069	(6,139)	76,693	(523,939)	-	-	-	-	(1,853,618)	(523,939)
Distribution to Members, Partners and Shareholders	(1,400)	-	-	(1,400)	-	-	-	-	1,400	(1,400)
Ending Retained Earnings (Deficit)	$ 24,236	$ (6,139)	$ 56,258	$ (1,398,050)	$ (980,197)	$ (6,826)	$ (8,084)	$ (20,506)	$ (749,975)	$ (1,398,050)

SUGAR CREEK REST, INC.
D/B/A QUALITY LIFE SERVICES AND AFFILIATES
COMBINING STATEMENTS OF OPERATIONS
JUNE 30, 2023

	Chicora Medical Center, LP d/b/a QLS Chicora	Fair Winds Manor, LP d/b/a QLS Sarver	Sugar Creek Rest, LP d/b/a QLS Sugar Creek	Trinity Living Center, LP d/b/a QLS Grove City	West Haven Manor, LP d/b/a QLS Apollo	Henry Clay Villa, LP d/b/a QLS Henry Clay	Golden Hill Nursing and Rehab, LP d/b/a QLS New Castle	Westmont Woods, LP d/b/a QLS Westmont	South Fayette Nursing Center, LP d/b/a QLS Markleysburg	Countryside Convalescent Home d/b/a QLS Mercer
Operating Revenue:										
Resident care and patient service revenue, net	$ 11,094,941	$ 7,072,079	$ 11,493,866	$ 9,211,769	$ 14,252,904	$ 7,336,086	$ 10,332,192	$ 4,752,150	$ 4,952,905	$ 6,310,224
Pharmacy revenue, net	-	-	-	-	-	-	-	-	-	-
Services billed, affiliates	-	-	-	-	-	-	-	-	-	-
Consultation revenue	-	-	-	-	-	-	-	-	-	-
Total Operating Revenue	11,094,941	7,072,079	11,493,866	9,211,769	14,252,904	7,336,086	10,332,192	4,752,150	4,952,905	6,310,224
Cost of Goods Sold	-	-	-	-	-	-	-	-	-	-
Gross Profit	11,094,941	7,072,079	11,493,866	9,211,769	14,252,904	7,336,086	10,332,192	4,752,150	4,952,905	6,310,224
Operating Expenses:										
Nursing and medical care	6,284,186	4,509,449	6,332,395	5,706,504	8,174,393	3,740,270	6,073,142	2,771,317	3,234,585	4,091,675
Administrative and general	1,165,679	919,865	1,301,332	1,060,764	1,689,585	879,438	1,277,980	701,383	685,596	846,376
Operation and maintenance	691,924	582,335	797,577	616,937	1,044,099	419,977	817,195	582,950	311,585	581,184
Dietary	888,914	601,230	1,024,469	801,155	1,038,332	517,928	1,014,671	498,386	424,373	546,067
Recreation and social services	429,188	198,661	408,117	363,423	405,793	225,678	374,960	186,753	179,638	242,051
Interest	499,705	595,559	586,129	340,371	969,973	334,952	881,593	202,516	244,730	376,559
Depreciation and amortization	242,506	439,639	640,781	196,154	363,815	127,552	260,188	123,033	55,189	172,794
Information systems	-	-	-	-	-	-	-	-	-	-
Housekeeping	262,199	206,635	248,392	224,868	356,790	131,225	326,715	122,332	135,443	182,136
Pharmacy	-	-	-	-	-	-	-	-	-	-
Laundry and linen	122,205	88,957	83,504	92,587	229,163	102,143	48,621	48,014	70,316	25,985
Loss on impairment	-	2,842,123	-	-	-	-	3,131,690	-	-	-
Total Operating Expenses	10,586,506	10,984,453	11,422,696	9,402,763	14,271,963	6,479,163	14,206,755	5,236,684	5,341,435	7,064,847
Operating Income (Loss)	508,435	(3,912,374)	71,170	(190,994)	(19,059)	856,923	(3,874,563)	(484,534)	(388,530)	(754,623)
Other Income (Expense):										
Investment income (loss), affiliates	-	-	-	-	-	-	-	-	-	-
Interest income	31,214	19	22	62	197	1,105	208	45	440	5
Federal and state award revenue	224,111	138,806	265,343	197,862	314,531	153,704	253,385	79,264	132,431	91,002
Loss on refinancing	(192,869)	(134,662)	(174,167)	(112,103)	(335,930)	(135,947)	(239,645)	(30,519)	(84,232)	(111,149)
Rental revenue	85,227	-	55,429	2,554	-	-	-	171,713	-	-
Management fee revenue	-	-	-	-	-	-	-	-	-	-
Realized gain on interest rate swaps	-	-	-	-	-	-	-	-	-	-
Miscellaneous income	62,225	74,972	82,114	83,063	67,187	37,193	48,782	19,905	60,165	15,142
Total Other Income (Loss)	209,908	79,135	228,741	171,438	45,985	56,055	62,730	240,408	108,804	(5,000)
Total Combined Net Income (Loss) Before Non-controlling Interest in Net Income (Loss) of Affiliates	718,343	(3,833,239)	299,911	(19,556)	26,926	912,978	(3,811,833)	(244,126)	(279,726)	(759,623)
Less: Net Income (Loss) Attributable to Non-Controlling Interest	711,160	(3,794,907)	296,912	(19,360)	26,657	903,848	(3,773,715)	(241,685)	(276,929)	(744,431)
Combined Net Income (Loss) Attributable to Controlling Interest	7,183	(38,332)	2,999	(196)	269	9,130	(38,118)	(2,441)	(2,797)	(15,192)
Retained Earnings (Deficit):										
Beginning retained earnings (deficit)	136,097	38,131	877,833	60,699	188,623	63,402	208,827	88,243	54,759	113,876
Distribution to Members, Partners and Shareholders	-	-	-	-	-	-	-	-	-	-
Ending Retained Earnings (Deficit)	$ 143,280	$ (201)	$ 880,832	$ 60,503	$ 188,892	$ 72,532	$ 170,709	$ 85,802	$ 51,962	$ 98,684

SUGAR CREEK REST, INC.
D/B/A QUALITY LIFE SERVICES AND AFFILIATES
COMBINING STATEMENTS OF OPERATIONS (CONTINUED)
JUNE 30, 2023

	Quality Pharmacy, LP	The Transitional Care Center, LP	Family Home Health, LP d/b/a Family Home Health and Three Rivers Hospice	Sugar Creek Rest, Inc. d/b/a QLS	Quality Life Services - Sugar Creek, LLC	Quality Life Services - Henry Clay, LLC	Quality Life Services - Grove City, LLC	Quality Life Services - Apollo, LLC	Eliminations	Totals
Operating Revenue:										
Resident care and patient service revenue, net	$ -	$ -	$ 9,523,379	$ -	$ -	$ -	$ -	$ -	$ -	$ 96,332,495
Pharmacy revenue, net	10,911,683	-	-	-	-	-	-	-	(2,781,411)	8,130,272
Services billed, affiliates	-	-	-	2,350,848	-	-	-	-	(2,350,848)	-
Consultation revenue	145,008	-	-	-	-	-	-	-	(145,008)	-
Total Operating Revenue	11,056,691	-	9,523,379	2,350,848	-	-	-	-	(5,277,267)	104,462,767
Cost of Goods Sold	7,696,255	-	-	-	-	-	-	-	-	7,696,255
Gross Profit	3,360,436	-	9,523,379	2,350,848	-	-	-	-	(5,277,267)	96,766,512
Operating Expenses:										
Nursing and medical care	1,030,072	-	5,431,228	1,876,050	-	-	-	-	(5,101,940)	54,153,326
Administrative and general	660,347	-	3,453,464	6,214,033	-	-	-	-	(6,683,550)	14,172,292
Operation and maintenance	555	-	43,314	201,265	-	-	-	-	(85,358)	6,605,519
Dietary	-	-	7,103	-	-	-	-	-	-	7,362,648
Recreation and social services	-	-	693,229	379,745	-	-	-	-	(89,969)	3,997,267
Interest	991	-	467,505	61,655	-	-	-	-	-	5,562,238
Depreciation and amortization	26,947	-	34,037	77,666	-	-	-	-	-	2,760,301
Information systems	-	-	1,259	2,376,902	-	-	-	-	-	2,378,161
Housekeeping	-	-	-	(88)	-	-	-	-	-	2,196,647
Pharmacy	1,505,225	-	-	-	-	-	-	-	-	1,505,225
Laundry and linen	-	-	-	-	-	-	-	-	-	911,515
Loss on impairment	-	-	7,660,000	-	-	-	-	-	-	13,633,813
Total Operating Expenses	3,224,137	-	17,791,139	11,187,228	-	-	-	-	(11,960,817)	115,238,952
Operating Income (Loss)	136,299	-	(8,267,760)	(8,836,380)	-	-	-	-	6,683,550	(18,472,440)
Other Income (Expense):										
Investment income (loss), affiliates	-	-	-	(161,619)	-	-	-	-	161,619	-
Interest income	1,409	-	-	11,826	-	-	-	-	-	46,552
Federal and state award revenue	-	-	-	-	-	-	-	-	-	1,850,439
Loss on refinancing	-	-	(380,192)	(590,063)	-	-	-	-	-	(2,521,478)
Rental revenue	-	-	-	-	-	-	-	-	(85,227)	229,696
Management fee revenue	-	-	-	6,808,808	-	-	-	-	(6,598,323)	210,485
Realized gain on interest rate swaps	-	-	-	1,711,921	-	-	-	-	-	1,711,921
Miscellaneous income	64,470	-	33,304	895,681	-	-	-	-	-	1,544,203
Total Other Income (Loss)	65,879	-	(346,888)	8,676,554	-	-	-	-	(6,521,931)	3,071,818
Total Combined Net Income (Loss) Before Non-controlling Interest in Net Income (Loss) of Affiliates	202,178	-	(8,614,648)	(159,826)	-	-	-	-	161,619	(15,400,622)
Less: Net Income (Loss) Attributable to Non-Controlling Interest	200,156	-	(8,528,502)	-	-	-	-	-	-	(15,240,796)
Combined Net Income (Loss) Attributable to Controlling Interest	2,022	-	(86,146)	(159,826)	-	-	-	-	161,619	(159,826)
Retained Earnings (Deficit):										
Beginning retained earnings (deficit)	28,047	(6,139)	162,839	(341,073)	-	-	-	-	(2,015,237)	(341,073)
Distribution to Members, Partners and Shareholders	-	-	-	(23,040)	-	-	-	-	-	(23,040)
Ending Retained Earnings (Deficit)	$ 30,069	$ (6,139)	$ 76,693	$ (523,939)	$ -	$ -	$ -	$ -	$ (1,853,618)	$ (523,939)

QUALITY LIFE SERVICES - SARVER
EXHIBIT "I"

Pro Forma

Quality Life Services - Sarver
Statement of Income
Fiscal Year Ending June 30th

	FY 2024	FY 2025	FY 2026	FY 2027
REVENUE				
Skilled Nursing Revenue	$7,013,122.60	$7,899,000.00	$8,136,000.00	$8,298,720.00
Personal Care/Assisted Living Revenue	$395,004.09	$541,000.00	$557,000.00	$557,000.00
Hospice Revenue	$0.00	$0.00	$0.00	$0.00
Home Health Revenue	$0.00	$0.00	$0.00	$0.00
Home Care Revenue	$0.00	$0.00	$0.00	$0.00
Staffing Revenue	$0.00	$0.00	$0.00	$0.00
Pharmacy revenue	$0.00	$0.00	$0.00	$0.00
Rental revenue	$0.00	$0.00	$0.00	$0.00
CCRC revenue	$6,000.00	$6,000.00	$6,000.00	$6,000.00
Management fee revenue	$0.00	$0.00	$0.00	$0.00
Services billed, affiliates	$0.00	$0.00	$0.00	$0.00
Discounts Earned	$6,868.23	$13,000.00	$13,000.00	$13,000.00
Consultation Revenue	$0.00	$0.00	$0.00	$0.00
TOTAL REVENUE	**$7,420,994.92**	**$8,459,000.00**	**$8,712,000.00**	**$8,874,720.00**
COST OF REVENUE				
Cost of Goods Sold	$0.00	$0.00	$0.00	$0.00
NET REVENUE	**$7,420,994.92**	**$8,459,000.00**	**$8,712,000.00**	**$8,874,720.00**
LABOR EXPENSES				
Nursing and Medical Care Wages	$1,721,475.12	$2,450,000.00	$2,524,000.00	$2,574,480.00
Other Wages	$1,001,584.44	$1,117,000.00	$1,151,000.00	$1,174,020.00
Payroll Tax - Employer	$243,121.88	$297,000.00	$306,000.00	$312,120.00
Contract Nursing	$1,947,791.41	$964,000.00	$993,000.00	$950,000.00
Benefit Expenses	$488,584.31	$389,000.00	$401,000.00	$409,020.00
Total Salaries, Wages & Benefits	**$5,402,557.16**	**$5,217,000.00**	**$5,375,000.00**	**$5,419,640.00**
OPERATING EXPENSES				
Nursing and Medical Care	$163,687.90	$138,000.00	$141,000.00	$143,000.00
Personal Care Nursing	$130,389.95	$2,000.00	$2,000.00	$2,000.00
Therapy	$8,841.39	$13,000.00	$13,000.00	$13,000.00
Other Ancillary Expenses	$139,795.96	$178,000.00	$182,000.00	$182,000.00
Wage Transfer	$212,075.20	$241,000.00	$246,000.00	$250,000.00
Dietary	$244,189.03	$247,000.00	$252,000.00	$252,000.00
Laundry and Linen	$14,265.55	$11,000.00	$11,000.00	$11,000.00
Housekeeping	$26,852.10	$24,000.00	$24,000.00	$24,000.00
Operation and Maintenance	$318,629.75	$298,000.00	$304,000.00	$304,000.00
Activities	$11,314.64	$10,000.00	$10,000.00	$10,000.00
Social Services	$15,361.43	$6,000.00	$6,000.00	$6,000.00
Administrative and General	$995,303.10	$990,000.00	$1,010,000.00	$1,010,000.00
Pharmacy	$298,201.63	$330,000.00	$337,000.00	$337,000.00
Information Systems	$0.00	$0.00	$0.00	$0.00
Rent	$0.00	$2,000.00	$2,000.00	$2,000.00
Depreciation	$368,912.48	$449,000.00	$458,000.00	$458,000.00
Amortization	$47,328.51	$5,000.00	$5,000.00	$5,000.00
Interest	$325,887.74	$334,000.00	$341,000.00	$341,000.00
Provision for bad debts	$278,051.67	$93,000.00	$95,000.00	$95,000.00
Total Operating Expenses	**$3,599,088.03**	**$3,371,000.00**	**$3,439,000.00**	**$3,445,000.00**
TOTAL EXPENSES	**$9,001,645.19**	**$8,588,000.00**	**$8,814,000.00**	**$8,864,640.00**
Operating Income (loss)	**($1,580,650.27)**	**($129,000.00)**	**($102,000.00)**	**$10,080.00**
OTHER INCOME (LOSS)				
Investment Income, affiliates	$0.00	$0.00	$0.00	$0.00
Gain on interest rate swaps	$0.00	$0.00	$0.00	$0.00
Interest Income	$16.26	$0.00	$0.00	$0.00
Gain (loss) on sale of equipment	$0.00	$0.00	$0.00	$0.00
(Loss) on debt refinance	$0.00	$0.00	$0.00	$0.00
Miscellaneous Income	$82,582.15	$0.00	$0.00	$0.00
Total Other Income	**$82,598.41**	**$0.00**	**$0.00**	**$0.00**
NET INCOME	**($1,498,051.86)**	**($129,000.00)**	**($102,000.00)**	**$10,080.00**
EBITDA	**($755,923.13)**	**$659,000.00**	**$702,000.00**	**$814,080.00**

Quality Life Services - Sarver
Balance Sheet
As of June 30th

	FY 2024	FY 2025	FY 2026	FY 2027
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	$ (1,438,431.78)	$ 89,940.09	$ 89,940.09	$ 100,020.09
CCRC Statutory Liquid Reserve	$ 10,059.91	$ 10,059.91	$ 10,059.91	$ 10,059.91
A/R - less Allowance for Doubtful Accounts	$ 911,791.00	$ 1,000,000.00	$ 1,000,000.00	$ 1,000,000.00
A/R - Affiliates	**$ 315,106.93**	**$ -**	**$ -**	**$ -**
A/R - Related Parties	**$ (100.00)**	**$ -**	**$ -**	**$ -**
A/R - Other	$ 9,956.50	$ -	$ -	$ -
Notes Receivable - Affiliates, current portion	$ -	$ -	$ -	$ -
A/R - Mortgage Escrows & Secruity Deposits	$ 110,646.39	$ 100,000.00	$ 100,000.00	$ 100,000.00
Estimated 3rd Party Payor Settlements	$ (89,051.28)	$ (100,000.00)	$ (100,000.00)	$ (100,000.00)
Inventory	$ -	$ -	$ -	$ -
Prepaids and Other Current Assets	$ 116,051.50	$ 200,000.00	$ 200,000.00	$ 200,000.00
TOTAL CURRENT ASSETS	**$ (53,970.83)**	**$ 1,300,000.00**	**$ 1,300,000.00**	**$ 1,310,080.00**
OTHER ASSETS				
Goodwill	$ (0.02)	$ 389,999.98	$ 389,999.98	$ 389,999.98
Cash - Resident Funds	$ 25,134.75	$ -	$ -	$ -
Notes Receivable, affiliates, long-term	$ (7,914.35)	$ -	$ -	$ -
Other Assets	$ 48,810.94	$ 100,000.00	$ 100,000.00	$ 100,000.00
Note Receivable CCH	$ -	$ -	$ -	$ -
Investment in Affiliates	**$ 251.10**	**$ -**	**$ -**	**$ -**
TOTAL OTHER ASSETS	**$ 66,282.42**	**$ 489,999.98**	**$ 489,999.98**	**$ 489,999.98**
Property and Equipment	$ 11,497,515.50	$ 13,900,000.00	$ 13,900,000.00	$ 13,900,000.00
Less Accumulated Depreciation	$ (5,471,600.86)	$ (5,100,000.00)	$ (5,100,000.00)	$ (5,100,000.00)
Net Property and Equipment	$ 6,025,914.64	$ 8,800,000.00	$ 8,800,000.00	$ 8,800,000.00
TOTAL ASSETS	**$ 6,038,226.23**	**$ 10,589,999.98**	**$ 10,589,999.98**	**$ 10,600,079.98**
LIABILITIES				
CURRENT LIABILITIES				
Note Payable - Line of Credit	$ -	$ -	$ -	$ -
Current Maturity - Line of Credit	$ -	$ -	$ -	$ -
Current Maturities of Long-term Debt	**$ -**	**$ -**	**$ -**	**$ -**
Accounts Payable - Trade	$ (163,977.56)	$ 100,000.00	$ 100,000.00	$ 100,000.00
A/P - Affiliates	**$ 892,256.65**	**$ 1,271,601.28**	**$ 1,572,876.55**	**$ 1,572,876.55**
A/P - Related Parties	**$ 279,036.75**	**$ 300,000.00**	**$ 300,000.00**	**$ 300,000.00**
Security Deposits	$ -	$ -	$ -	$ -
Deferred Revenue/Expenses	$ 5,987.04	$ -	$ -	$ -
Accrued Payroll and Payroll Taxes	$ 168,580.83	$ 100,000.00	$ 100,000.00	$ 100,000.00
Accrued Vacation and other accrued expenses	$ 91,528.91	$ 100,000.00	$ 100,000.00	$ 100,000.00
TOTAL CURRENT LIABILITIES	**$ 1,273,412.62**	**$ 1,871,601.28**	**$ 2,172,876.55**	**$ 2,172,876.55**
Resident Deposits	$ 25,134.75	$ -	$ -	$ -
Accrued Shareholder Distributions	$ -	$ -	$ -	$ -
Long-Term Debt	**$ 3,577,505.20**	**$ 3,400,000.00**	**$ 3,200,000.00**	**$ 3,200,000.00**
TOTAL LIABILITIES	**$ 4,876,052.57**	**$ 5,271,601.28**	**$ 5,372,876.55**	**$ 5,372,876.55**
EQUITY				
Common Stock	$ -	$ -	$ -	$ -
Additional Paid-in Capital	$ -	$ -	$ -	$ -
General Partner	$ 65,592.79	$ 99,275.27	$ 100,000.00	$ 100,000.00
Member/Partner Equity	$ 5,548,748.43	$ 5,419,123.43	$ 5,317,123.43	$ 5,317,123.43
Retained Earnings	$ (4,452,167.56)	$ (200,000.00)	$ (200,000.00)	$ (189,920.00)
TOTAL EQUITY	**$ 1,162,173.66**	**$ 5,318,398.70**	**$ 5,217,123.43**	**$ 5,227,203.43**
TOTAL LIABILITIES AND EQUITY	**$ 6,038,226.23**	**$ 10,589,999.98**	**$ 10,589,999.98**	**$ 10,600,079.98**

Fair Winds Manor

Statements of Income
Forcasted vs. Actual
Year Ended June 30, 2024

	Actual 2024	Forcasted 2024	Variance	Variance Percentage	Narrative statement of Material Differences between Actual and Pro-forma
Operating Revenue:					
Net Resident Revenue	$7,130,075.02	$8,184,193.00	-$1,054,117.98	-12.88%	Reversal of overaccrued revenue at year-end.
Independent Living Revenue	$6,000.00	$6,000.00	$0.00	0.00%	
Total Operating Revenue	$7,136,075.02	$8,190,193.00	-$1,054,117.98	-12.87%	
Operating Expenses:					
Nursing and Medical Care	$5,129,224.81	$4,575,778.00	-$553,446.81	12.10%	Adjustment of agency labor to actual invoices.
Dietary	$646,239.72	$623,601.00	-$22,638.72	3.63%	
Laundry and Linen	$87,890.90	$103,040.00	$15,149.10	-14.70%	
Housekeeping	$195,826.58	$200,682.00	$4,855.42	-2.42%	
Operation and Maintenance of Facility	$453,152.01	$442,819.00	-$10,333.01	2.33%	
Resident Activities	$121,270.17	$135,753.00	$14,482.83	-10.67%	
Social Services	$110,506.25	$102,968.00	-$7,538.25	7.32%	
CCRC Expenses	$134.76	$600.00	$465.24	-77.54%	
Administrative and General	$1,655,530.11	$1,766,988.00	$111,457.89	-6.31%	
Capital Indebtedness	$342,662.26	$327,206.00	-$15,456.26	4.72%	
Total Operating Expenses	$8,742,437.57	$8,279,435.00	-$463,002.57	5.59%	
Operating Income	-$1,606,362.55	-$89,242.00	-$1,517,120.55	1700.01%	
Total Other Income	$89,466.64	$70,200.00	$19,266.64	27.45%	
Net Income (Loss)	-$1,516,895.91	-$19,042.00	-$1,497,853.91	7866.05%	