

5/7/2026

Via Email

**Continuing Care Retirement Communities
Financial Analysis Division
Pennsylvania Insurance Department
1345 Strawberry Square
Harrisburg, PA 17120**

RE: ANNUAL CCRC FILING FOR THE RESIDENCE AT ARROWOOD

To Whom It May Concern:

Enclosed is The Residence at Arrowood updated CCRC Disclosure Statement and Exhibits for the annual 2026 filing, along with our Residency Agreement. The following are amendments made to the Disclosure Statement which differs from the 2025 version:

1. The date was changed to reflect 2026
2. The financial information is updated to reflect the current status in TABS 3 and 4.

Please contact me if you have any questions at emschultz@promotionhc.com.

Sincerely,

Esther Schultz
Director of Corporate Services

The Residence at Arrowood

A Licensed Continuing Care Retirement Community of

Southwestern Healthcare Operations LLC

512 Lewis Run Road
Pittsburgh, PA 15122
Phone: (412) 469-3330

DISCLOSURE STATEMENT

April 2026



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. sec., (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 Southwestern Healthcare Operations LLC. 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 Southwestern Healthcare Operations LLC, nor does it create any obligation on the part of Southwestern Healthcare Operations LLC.

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. **Facility:** The Residence at Arrowood
512 Lewis Run Road
Pittsburgh, PA 15122
2. **Provider:** Southwestern Healthcare Operations LLC
1777 Ave of the States, suite 204
Lakewood, NJ 08701
3. **Admissions Contact:**
Tiffany Lane
412-466-0600
4. **Property:**

Southwestern Healthcare Operations LLC is a Delaware, for-profit limited liability company that provides a continuum of care through the operation of residential housing (hereinafter known as “Independent Living”) located at 512 Lewis Run Road, Pittsburgh, PA 15122. The campus also includes a licensed 84 bed personal care home known as The Residence at Arrowood, a licensed 39 bed personal care home licensed as The Residence at Southwestern, and a licensed 118 bed nursing facility known as Southwestern Nursing and Rehabilitation Center. The continuing care retirement community (“CCRC”) operates as Residence at Arrowood (“Arrowood”).

The licensed 84 bed personal care home and 37 Independent Living apartments are located in a three-story building on 37.2 acres of land in the suburban setting of Pittsburgh, Allegheny County, Pennsylvania. The Independent Living apartments, located on the first and second floor, consist of small efficiencies, large efficiencies, and various size apartments. Residents are given the option of entering into a CCRC Agreement or a monthly Rental Agreement which is not regulated by the PA Insurance Department.

The 84 bed personal care home known as The Residence at Arrowood is located on the third floor. An additional 39 bed personal care home, known as

The Residence at Southwestern, and the 118 bed nursing facility, known as Southwestern Nursing and Rehabilitation Center, are located on the same campus.

The real property of the Independent Living apartments, personal care homes and nursing facility is owned by Southwestern Healthcare Realty LLC a related entity of Southwestern Healthcare Operations LLC. A copy of the executed Lease Agreement is available upon request.

5. Admission Age: The minimum age for admission to the Independent Living apartments is 60 years of age. If a spouse is under the age of sixty, they may be admitted along with the primary resident. There is no minimum age if the resident chooses to rent an Independent Living apartment.

6. Affiliations: Southwestern Healthcare Operations LLC has no affiliations with nonprofits.

7. Resident Population: Current Resident population is as follows:

	<u>Beds/Units</u>	<u>Residents</u>
Independent Living	37	2
Skilled Nursing Facility	118	75
Personal Care at Arrowood	84	55
Personal Care at The Residence at Southwestern	39	0

8. Sample of Fees: No Entrance Fee or any portion of any entrance fee will be accepted prior to the date of occupancy by any resident.

The CCRC charges a deferred Entrance Fee for the first twenty-four (24) months equal to one-half of the Monthly Fee, while concurrently reducing the Resident's Monthly Fee by one-half (1/2) during this period of time.

	<u>Sq Ft</u>	<u>Monthly Fee</u>
Small Efficiency B	365	\$2,263
Large Efficiency A	468	\$2,531

A 30-day notice will be provided for any increases in monthly fees.

DISCLOSURE STATEMENT

1. NAME AND BUSINESS ADDRESS

- Facility: The Residence at Arrowood
512 Lewis Run Road
Pittsburgh, PA 15122
- Provider: Southwestern Healthcare Operations LLC
1777 Ave of the States, suite 204
Lakewood, NJ 08701

2. DESCRIPTION OF PHYSICAL PROPERTY

Southwestern Healthcare Operations LLC is a Delaware, for-profit limited liability company that provides a continuum of care through the operation of residential housing (hereinafter known as “Independent Living”) located at 512 Lewis Run Road, Pittsburgh, PA 15122. The campus also includes a licensed 84 bed personal care home known as The Residence at Arrowood, a licensed 39 bed personal care home licensed as The Residence at Southwestern, and a licensed 118 bed nursing facility known as Southwestern Nursing and Rehabilitation Center. The continuing care retirement community (“CCRC”) operates as The Residence at Arrowood (“Arrowood”).

The licensed 84 bed personal care home and 37 Independent Living apartments are located in a three-story building on 37.2 acres of land in the suburban setting of Pittsburgh, Allegheny County, Pennsylvania. The Independent Living apartments, located on the first and second floor, consist of small efficiencies, large efficiencies, and various size apartments. Residents are given the option of entering into a CCRC Contract or a monthly rental arrangement which is not regulated by the PA Insurance Department.

The 84 bed personal care home known as The Residence at Arrowood is located on the third floor. An additional 39 bed personal care home, known as The Residence at Southwestern, and the 118 bed nursing facility, known as Southwestern Nursing and Rehabilitation Center, are located on the same campus.

The real property of the Independent Living apartments, personal care homes and nursing facility is owned by Southwestern Healthcare Realty LLC a related entity

of Southwestern Healthcare Operations LLC. A copy of the executed Lease Agreement is available upon request.

3. CONTROLLING PARTIES AND MANAGEMENT PERSONNEL

Southwestern Healthcare Operations LLC is a for-profit Delaware Limited Liability Company licensed to operate the CCRC, including the skilled nursing facility and personal care facilities. The sole member of Southwestern Healthcare Operations LLC is Southwestern Healthcare Operations Holdings LLC, a for-profit Delaware Limited Liability Company and the sole member of Southwestern Healthcare Operations Holdings LLC is SK SW Operations Holdings LLC, a for-profit Delaware Limited Liability Company.

The following individuals hold indirect ownership interest in Southwestern Healthcare Operations LLC through SK SW Operations Holdings LLC.

- a) CH PA7 SNF Holdings LLC 67.5%
Yisroel Herzka is the sole member
- b) The ENS Family Trust 15%
Alan Schabes is the trustee of the trust
- c) Lionheart SNF LLC 10%
Aaron Mayer is the manager of the trust
- d) KOI Equities LLC 3.75%
Michael Berkowitz is the sole member
- e) CZH Investments LLC 3.75%
Chaim Zalmen Herzka is the sole member

A description of the background and experience of key management personnel and controlling parties is attached as Tab 1.

4. RELATED PARTY CONTRACTS

Southwestern Healthcare Operations LLC has entered into a consulting agreement with Promotion Healthcare Services LLC. The following individual holds ownership in Promotion Healthcare Services LLC:

Dovid Kline 100%

The annual cost for management services is 5% of the annual revenue for Independent Living.

As explained above at Section 2, the real property of the nursing facility, personal care facilities, and Independent Living apartments is leased from Southwestern Healthcare Realty LLC. The annual costs related to the Lease Agreement that includes the nursing facility, personal care homes and independent living has not yet been determined but will be provided when available.

The individual owners of SK SW Realty Holdings LLC are the same as the indirect owners of the CCRC.

5. AFFILIATIONS WITH RELIGIOUS, FRATERNAL, CHARITABLE, AND NON-PROFIT ORGANIZATIONS

Southwestern Healthcare Operations LLC has no affiliations with any Nonprofit organizations.

6. DISCLOSURE OF FELONY CONVICTIONS, FELONY CHARGES, CIVIL ACTIONS, COURT ORDERS, LICENSE SUSPENSIONS, ETC.

Neither the Provider, nor its owners (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. ENTRANCE FEES AND MONTHLY FEES

Deferred Entrance Fee. The Resident must pay a deferred Entrance Fee each month for the first twenty-four (24) months of occupancy. The monthly deferred Entrance Fee shall equal one-half (1/2) of the standard Monthly Fee for the particular Independent Living apartment as set forth in Addendum D of the

Residency Agreement. The initial Entrance Fee payment is received on the date of the resident occupying the Independent Living apartment.

Reference should be made to the Residency Agreement at Tab 2 for further information.

Monthly Fee. The Resident must pay a Monthly Fee during each month of occupancy. For the first twenty-four (24) months of occupancy, the Resident’s Monthly Fee shall be reduced to equal one-half (1/2) of the standard Monthly Fee for the particular unit as set forth in Addendum D of the Agreement. Beginning on month twenty-five (25) and beyond, the Resident shall pay the full Monthly Fee.

The Monthly Fees for an Independent Living apartment are as follows:

MODEL TYPE INDEPENDENT LIVING	SQUARE FEET	2022-2023Rate Monthly Fee
Small Efficiency B	365	\$2,263
Large Efficiency A	468	\$2,531
Double Efficiency	876	\$3,580
One Bedroom A	535	\$3,078
One Bedroom B	580	\$3,183
One Bedroom C	600	\$3,293
One Bedroom D	665	\$3,293
One Bedroom E	750	\$3,450
Two Bedroom	945	\$3,580
Two Bedroom Deluxe	1160	\$3,886

Reference should be made to the Residency Agreement at Tab 2 for further information.

The average Monthly Fee increases for the previous five years are detailed below.

Year	Fee Increase
2017	1.5%
2018	0%
2019	0%
2020	0%
2021	0%

Co-Occupancy. If the Independent Living apartment is designated for double occupancy and a second individual is accepted for admission and resides with a Resident in the Independent Living apartment, the total Monthly Fee will increase by the sum of Seven Hundred Fifty Dollars (\$750.00) per month.

Refunds. In the event the Residency Agreement is terminated for any reason, Arrowood will retain the deferred Entrance Fee, regardless of the grounds for termination.

Reference should be made to the Residency Agreement at Tab 2 for further information.

8. SERVICES

The following services are included as part of the Monthly Fee:

1. Three meals
2. One parking space
3. Hot and cold water
4. Gas/Heat
5. Electric
6. Sewer
7. Weekly trash
8. Building and grounds maintenance
9. Basic cable and wifi services
10. Housekeeping services
11. Snow Removal
12. Routine maintenance of HVAC systems

The average annual cost of providing one Resident with all services under the Residency Agreement is \$38,564.00.

The following services are not included as part of the Monthly Fee but are available to CCRC Residents for an additional charge:

Guest Meals	Adults	\$7.00
	Children	\$5.00
Personal Laundry		\$7.50 / load
Professional Hair Care		Refer to beautician/barber fee schedule

Pet Fee	\$500 (refer to Pet Policy)
Electric Motor Driven Conveyance	\$100 (one-time, non-refundable fee)
Non-Emergent transportation services mile	\$5.00 per 15 minutes, plus \$0.35 per mile

Personal Property Insurance is not included in the monthly fee and are the responsibility of the resident.

The Residency Agreement is not a life-care contract. Therefore, the cost of the Resident’s home care, personal care, and/or skilled nursing care is not covered under the terms of the Residency Agreement. Residents who have entered into a Residency Agreement have priority access to the skilled nursing facility and personal care facility on a space-available basis, over anyone living outside of Arrowood who is applying for admission to nursing care services or personal care services. Residents moving from Independent Living to skilled nursing care or personal care must enter into a separate agreement and the Resident is responsible for paying the per-diem rates.

Reference should be made to the Residency Agreement for further information at Tab 2.

9. RESERVE FUNDING AND ENTRANCE FEE ESCROW

Reserve Funds

The Pennsylvania Department of Insurance requires Providers to maintain sufficient reserve funds related to its Residency 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, whatever amount is greater. The amount of the reserve will be computed only on the portion of the financing or expenses that are applicable to residents under a Residency Agreement 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.

Arrowood funds the statutory liquid reserve requirement on a proportional basis. These funds are invested in financial instruments that are easily converted to cash such as Certificates of Deposit insured by insurance financial institutions, money market funds issued by a regulated investment company, other acceptable

securities, and commercial paper to assure liquidity. Chaim Steg, COO and Owner, is responsible for investing these funds.

Escrow Account

Arrowood does not maintain an Entrance Fee Escrow Account pursuant to the Continuing Care Provider and Registration Act because no entrance fee or any portion of any entrance fee is accepted prior to the date of occupancy.

10. AUDITED FINANCIAL STATEMENTS

A copy of the audited financial statements for Southwestern Healthcare Operations LLC, prepared by Yosef Willig, CPA of R. Neuhaus & Associates, LLC for the fiscal year ending December 31, 2024 and 2025, is attached at Tab 3.

A Pro Forma for Southwestern Healthcare Operations LLC, prepared by, Yosef Willig, CPA of R. Neuhaus & Associates, LLC, is attached as Tab 4.

11. SOURCE AND APPLICATION OF FUNDS

Required pursuant to 40 P.S. § 3207:

(i) An estimate of the cost of purchasing or constructing and equipping the facility including such related costs as financing expense, legal expense, land costs, occupancy development costs and all other similar costs which the provider expects to incur or become obligated for prior to the commencement of operations.

Response:

Southwestern Healthcare Operations LLC has not incurred any costs related to the purchase of the Independent Living apartments known as The Residence at Arrowood, because the property is owned by Southwestern Healthcare Realty LLC, a related entity of Southwestern Healthcare Operations, LLC which leases property to Southwestern Healthcare Operations LLC.

(ii) A description of any mortgage loan or other long-term financing intended to be used for the financing of the facility, including the anticipated terms and costs of such financing.

Response:

Southwestern Healthcare Operations LLC will not have a mortgage loan or any other loan commitments on the real property of the Independent Living facility because the real property is owned by a related entity, Southwestern Healthcare Realty LLC and leased to Southwestern Healthcare Operations LLC.

Additional information related to financing, including whether property of Southwestern Healthcare Operations LLC will be used for collateral, will be provided when available. The financing of the CCRC will also include the financing of five skilled nursing facilities and another CCRC for which there is a pending CCRC application. The financing details are currently being negotiated. We will provide more details related to financing when available.

(iii) An estimate of the total entrance fees to be received from or on behalf of residents at or prior to commencement of operation of the facility.

Response:

None

(iv) An estimate of the funds, if any, which are anticipated to be necessary to fund start-up losses and provide reserve funds to assure full performance of the obligations of the provider under contracts for the provision of continuing care.

Response:

Southwestern Healthcare Operations LLC anticipates incurring start-up costs of approximately \$16,945.00 which is for purposes of the reserve funds. The funding for these costs will be from the financing that is currently being negotiated.

(v) A projection of estimated income from fees and charges other than entrance fees, showing individual rates presently anticipated to be charged and including a description of the assumptions used for calculating the estimated occupancy rate of the facility and the effect on the income of the facility of government subsidies for health care services, if any, to be provided pursuant to the contracts for continuing care.

Response:

See Pro Forma at Tab 4.

(vi) A projection of estimated operating expenses of the facility, including a description of the assumptions used in calculating the expenses and separate allowances, if any, for the replacement of equipment and furnishings and anticipated major structural repairs or additions.

Response:

See Pro Forma at Tab 4.

(vii) Identification of any assets pledged as collateral for any purpose.

Response: Information related to identifying any assets pledged as collateral will be provided when available. The financing details are currently being negotiated.

(viii) An estimate of annual payments of principal and interest required by any mortgage loan or other long-term financing.

Response:

Southwestern Healthcare Operations LLC, does not have a mortgage loan or other long-term financing.

12. RESIDENCY AGREEMENT

The Residency Agreement governs the relationship and explains the mutual obligations between the resident and Arrowood. Residents should review the Residency Agreement for further explanation. A copy of the Independent Living Residency Agreement is attached hereto as Tab 2.

13. RIGHT TO RESCIND

A 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 Independent Living residence 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 Seton Manor. A Notice of Right to Rescind is included in the Residency Agreement at Tab 2.

14. RESIDENT RIGHT TO ORGANIZE

Residents have the right to participate in a Residents' Association. A representative of Arrowood designated by the Board of Directors will hold quarterly meetings during the calendar year with residents for purposes of free discussion of topics related to living at Arrowood. Residents will be given at least seven (7) day notice of all such meetings.

Acknowledgement of Receipt

The undersigned hereby acknowledges delivery and receipt of The Residence at Arrowood'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

TAB 1

TAB 1

Business Experience of Key Management Personnel and Controlling Parties

Shonte Allen, PHCA is the Administrator of The Residence at Arrowood. She began her career in healthcare in 2001 as an LPN and worked her way through various positions within the nursing field. In 2018, she became a PCHA at Penn State Beaver. In 2019, she became the Executive Director of a 62-bed personal care until she joined Arrowood in August of 2022. Shonte has created a family-like atmosphere in Arrowood. She takes pride in striving that Arrowood provides excellent care to all of their residents.

Yisroel Herzka is a 67.5% owner of The Residence at Arrowood. He is currently the owner of multiple skilled nursing facilities and real estate holdings throughout the United States.

Chaim Z. Herzka is a 3.75% owner of The Residence at Arrowood. Chaim is currently dean of a college in Lakewood, New Jersey. Rabbi Herzka earned his Bachelors and Masters degree from Beth Medrash Govoah in Lakewood, New Jersey.

Michael Berkowitz is a 3.75% owner of The Residence at Arrowood. He is currently managing family assets by primarily investing in real estate holdings. He received a Bachelors and Masters from Beth Medrash Govoah in Lakewood, New Jersey.

TAB 2

TAB 2

RESIDENCY AGREEMENT

Between

THE RESIDENCE AT ARROWOOD

And

Resident's Name

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Addenda:

A - Notice of Right to Rescind

B - Optional Products and Services

C - House Rules and Regulations

D - Monthly Fees

RESIDENCY AGREEMENT

THIS RESIDENCY AGREEMENT (“Agreement”) is made on the _____ day of _____, _____, by and between Southwestern Healthcare Operations LLC d/b/a The Residence at Arrowood, a Delaware for-profit limited liability company (“Arrowood”) and _____, an individual (or individuals if Unit is shared) (hereinafter “Resident”) and/or _____, an individual on behalf of the Resident (“Resident Representative”).

WHEREAS, Arrowood operates a continuing care retirement community at 512 Lewis Run Road, Pittsburgh, PA 15122 (the “Community”) that consists of independent living units (“Independent Living Units”), two (2) personal care facilities licensed by the Pennsylvania Department of Human Services (collectively the “Personal Care Facilities” and individually the “Personal Care Facility”), and a nursing facility licensed by the Pennsylvania Department of Health (the “Nursing Facility”) (the Independent Living Units, the Personal Care Facilities and the Nursing Facility are referred to as “levels of care” throughout the balance of this Agreement); and,

WHEREAS, Resident desires to become a resident of the Community in Independent Living Unit # _____ (the “Unit”); and,

WHEREAS, Arrowood and the Resident and/or the Resident Representative wish to memorialize their understandings with respect to Resident’s residency in the Community, all as more fully described herein.

NOW, THEREFORE, in consideration of the mutual promises contained herein, and intending to be legally bound hereby, the parties agree as follows:

I. ADMISSION AND CHANGES IN LEVEL OF CARE

A. Admission. Unless this Agreement is rescinded pursuant to Paragraph I.B below, the Resident will be admitted to the Unit on _____ (“Admission Date”).

B. Right to Rescind. The Resident has the right to rescind this Agreement within seven (7) days of its execution by providing written notice to Arrowood, as set forth in Addendum A.

C. Death or Incapacity of Resident Prior to Admission Date. If the prospective Resident dies prior to the Admission Date, or through illness, injury or incapacity is precluded from becoming a resident under the terms of this Agreement, this Agreement is automatically rescinded and the prospective Resident or their legal representative shall receive a full refund of all funds paid to the Community, except those costs specifically incurred by the Community at the request of the prospective Resident and set forth in writing in Addendum B. In the event the prospective Resident desires the services of the Community’s Personal Care Facilities or Nursing Facility, the prospective Resident must separately apply for admission and enter into a separate admission agreement for the requested level of care. The prospective Resident is not guaranteed placement

in the Community's Personal Care Facilities or Nursing Facility but shall receive preferential placement amongst all similar applicants.

D. Resident Request for a Change in Level of Care after Admission. If, during the term of this Agreement, the Resident's condition changes such that a move to one of the Personal Care Facilities or the Nursing Facility would be appropriate, the Resident may request a move to that level of care. Approval of such requests will, in all events, be conditioned upon receipt of a medical assessment from the Resident's primary care physician and/or the Medical Director of the Nursing Facility. If the request is approved, the Resident must enter into a separate admission agreement with the Personal Care Facility or Nursing Facility, as applicable, and shall be responsible for all applicable fees associated with such care. The Resident is not guaranteed placement in the Community's Personal Care Facilities or Nursing Facility, but shall receive preferential placement amongst all similar applicants. In the event the Resident vacates the Unit due to a change in the required level of care, charges under this Agreement will continue until a notice of termination is received. The Community will hold the Resident's Unit as long as the Resident does not terminate this Agreement and continues to pay all applicable fees in anticipation of a return to the Unit.

E. Unit Hold. At the Resident's request, the Community will hold the Resident's Unit for him/her after a move to one of the Personal Care Facilities or the Nursing Facility so long as the Resident continues to pay all fees required to be paid in connection with occupancy of the Unit as provided herein, along with all fees payable under the Facility Admission Agreement or the Resident Service Agreement, as the case may be. If the Unit is designed for double occupancy and more than one Resident occupies the Unit, the Resident who remains in the Unit after the transfer of a Resident to another level of care may continue to occupy the Unit so long as all fees associated with such occupancy continue to be paid.

F. Exclusive Use. The Resident shall have the right of exclusive use of the Unit; however, Arrowood retains the right to enter the Unit for purposes of performing routine maintenance and repair of the Unit and/or associated mechanical systems, routine inspections with notice to the Resident, and routine maintenance and repair of property and appliances within the Unit that are the property of Arrowood.

G. Permitted Uses. The Resident agrees that he/she will use the Unit solely as a residence. No more than two (2) individuals shall occupy the Unit.

H. Co-Residents; Shared Units. Residents may be permitted to share the Unit with another individual, pursuant to the terms set forth in this Agreement, if the Unit is designed for occupancy by two (2) residents as described in Paragraph I.G. Both applicants seeking residence of a shared unit, or an applicant seeking to reside with a current resident, such as a spouse, must file an application for admission and meet all age and other requirements of admission. Admission of one or both individuals seeking to reside in a shared unit shall be at the Community's sole discretion. If the Community offers admission to individuals proposing to reside in a shared unit, both individuals must execute this Agreement and shall be held jointly and severally liable for all debt owed to the Community arising from either party's actions. If the proposed applicant does not meet the requirements for admission, then this individual will not be

permitted to reside at the Community's independent living units. In the event an agreement for use of a shared unit is terminated, for any reason, with respect to only one individual, the remaining resident may continue residing in the Unit under the same terms and conditions; however, the remaining resident's fees shall be adjusted to reflect single-occupancy rates.

II. AVAILABLE SERVICES / SERVICE FEES

A. Services Provided by Arrowood. Arrowood will provide and be responsible for the cost of hot and cold water to the Unit, cable, gas, heat, electricity, sewer, trash and snow removal, cleaning of common areas, lawn and shrubbery care, routine maintenance of HVAC systems, housekeeping, basic cable and Wi-Fi services.

B. Meals. Arrowood prepares breakfast, lunch, and dinner for its residents. The Resident is provided three (3) meals a day for no additional charge.

C. Additional Services. The Resident may purchase additional products and services for an additional cost as set forth in Addendum B. The Resident is responsible for payment of the cost of any additional products and services selected in the same manner and at the same time as the payment of the Monthly Fee, described below.

D. Health Care. Except as provided herein, the cost of the Resident's health care is not covered under the terms of this Agreement and must be obtained by the Resident at the Resident's expense. The Community assumes no responsibility for health care costs incurred by the Resident. If the Resident requires health care services, the Resident is solely responsible for payment. All charges resulting from professional treatment and care services provided to the Resident, including but not limited to, hospitalization, medical, and dental care, whether such services are rendered at the Resident's request, or in an emergency, upon request by the Community, shall be paid by the Resident to the service provider.

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 Resident's payment of the Deferred Entrance Fee or Monthly Fee.

E. Home Care, Personal Care, and/or Skilled Nursing Services. The cost of the Resident's personal care and/or skilled nursing care is not covered under the terms of this Agreement and must be obtained by the Resident at the Resident's expense. If the Resident desires home care services, the Resident must enter into a separate agreement with Arrowood and shall be charged separately for such services. If the Resident is transferred to one of the Community's Personal Care Facilities or Nursing Facility, the Resident and Arrowood must enter into a separate agreement and the Resident will be charged the current rate for those services. The current rates for personal care and skilled nursing care are available upon request. Although the Resident is not guaranteed placement in the Community's Personal Care Facilities and Nursing Facility, the Resident shall receive preferential placement amongst all similar applicants.

III. RESIDENCY FEES

A. Deferred Entrance Fee. The Resident must pay a Deferred Entrance Fee each month for the first twenty-four (24) months of occupancy. The monthly Deferred Entrance Fee of \$ _____ is equal to one-half (1/2) of the Monthly Fee for the particular unit as set forth in Addendum D.

B. Monthly Fee. The Resident must pay a Monthly Fee during each month of occupancy. For the first twenty-four (24) months of occupancy, the Resident's Monthly Fee will be \$ _____ which is reduced to equal one-half (1/2) of the Monthly Fee for the particular unit as set forth in Addendum D. Beginning on month twenty-five (25) and beyond, the Resident shall pay the full then current Monthly Fee.

C. Explanation of Deferred Entrance Fee and Monthly Fee. In order to meet Pennsylvania's laws for Continuing Care Retirement Communities, the Community must charge an entrance fee. The Community believes the requirement to pay a large entrance fee prior to admission to the Community may exclude individuals in need of care who are not in a financial position to pay a large up-front payment. To meet Pennsylvania's entrance fee requirement, the Community charges a Deferred Entrance Fee for the first twenty-four (24) months equal to one-half of the Monthly Fee, while concurrently reducing the Resident's Monthly Fee by one-half (1/2) during this period of time.

D. Due Date. The Monthly Fee and Deferred Entrance Fee, if applicable, are due and payable in advance on the first day of each month. In the event payment is fifteen (15) days or more overdue, the Resident will be assessed a late fee of fifteen percent (15%) per annum, calculated on a daily basis, on the unpaid balance.

E. Co-Residents; Shared Units. If the Unit is designated for occupancy by two (2) residents as described in Paragraph I.G., and a second individual is accepted for admission and resides with Resident in the Unit, the Total Monthly Payment will increase by the sum of the Second Person Fee per month as set forth on Addendum D.

F. Charges for Care Paid in Lump Sum. Charges for care or services paid in one lump sum shall not increase or change during the duration of the agreed upon care, except for changes required by State or Federal assistance programs. In accordance with Paragraph II.D. above, the Deferred Entrance Fee and Monthly Fee do not include future health care services.

G. Notice of Changes in Fees or Services. The Community shall provide for advance written notice to the Resident of not less than thirty (30) days before any change in fees or the scope of care or services may be effective, except for changes required by State or Federal assistance programs.

IV. TERM AND TERMINATION

A. Term. This Agreement will commence on the date of its execution and will continue in full force and effect until terminated pursuant to its terms. This Agreement will continue notwithstanding the execution by the Resident of a Facility Admission Agreement or a Resident Service Agreement. If there is a conflict between this Agreement and a Facility Admission Agreement or a Resident Service Agreement signed by the Resident or Resident's Representative, the Facility Admission Agreement or Resident Service Agreement will control.

B. Termination by the Resident. The Resident may terminate this Agreement without cause by providing thirty (30) days written notice to the Community.

C. Termination by the Community. The Community may terminate this Agreement upon a determination of just cause and delivery of thirty (30) days written notice or such written notice as is reasonable under the circumstances to the Resident or the Resident's Representative. Just cause may include, among other reasons, the failure to pay any amounts due under this Agreement, the submission of any material false information in the application documents, the Resident's failure to abide by the Community's House Rules and Regulations set forth in Addendum C, the breach of any of the other terms of this Agreement, or a good faith determination in writing, signed by the Medical Director and the Administrator of the Community, that the Resident's continued occupancy in the Unit creates a serious threat or danger to the Resident's life, health, or safety or the life, health, safety or peaceful enjoyment of other residents or persons in the Community. In situations where continued occupancy threatens the Resident's life, health or safety or the life, health, safety or peaceful enjoyment of other residents, only such notice as is reasonably practicable under the circumstances will be provided to the Resident or the Resident's Representative, and termination may be effective immediately.

D. Circumstances under which the Resident will be permitted to remain in the facility in the event of financial difficulty to the Resident. Without in any way qualifying our right to terminate this Agreement, our policy is that if the sole reason for non-payment of your financial obligations to us is insufficient funds, beyond your control, we will review the matter with you. If you present us with facts, which, in our opinion, justify special financial consideration, we may assist you in applying for financial support from other parties or organizations. All determinations we make concerning the granting or continuing of special financial consideration shall be final and binding on you, and any such determination shall be regarded as a confidential transaction between us, except for reports required to be made to financial institutions lending monies to us or to regulatory or other governmental bodies.

E. Termination Due to Death. This Agreement will terminate immediately in the event of the Resident's death.

F. The Unit. If this Agreement is terminated, the Resident will return the Unit to its condition immediately prior to the Admission Date, ordinary wear and tear excepted.

G. Refunds. In the event this Agreement is terminated for any reason, Arrowood will retain the Deferred Entrance Fee, regardless of the grounds for termination.

V. MISCELLANEOUS

A. Insurance. Arrowood is not responsible for damage caused to the Resident's personal belongings. Residents are urged to purchase their own policies of insurance for such property.

B. Remedies of the Community. The Resident is responsible for payment of all costs, expenses, and reasonable attorneys' fees, whether or not suit is brought, in the event costs, expenses, and reasonable attorneys' fees are incurred by the Community in the collection of sums due from and owed by the Resident, the Resident's Representative, or any other party on the Resident's behalf to the Community.

C. Guests. Guests of the Resident may not stay at the Community for more than a total of thirty (30) days during any six-month period. Guests staying in excess of fourteen (14) consecutive days must separately apply for admission and, if offered admission, enter into a Residency Agreement with the Community.

D. Rules, Regulations, Policies and Procedures. The Resident shall comply with all rules, regulations, policies and procedures established by the Community, and such amendments, modifications or changes as may be adopted from time to time. The Community's House Rules and Regulations are set forth in Addendum C. The Community's rules, regulations, policies and procedures, including the Community's House Rules and Regulations set forth in Addendum C, are subject to change from time to time.

E. Section Titles. The titles to the sections of this Agreement are for informational purposes only and do not define or limit the contents of the paragraphs.

F. Average Annual Cost. Please refer to the Community's Disclosure Statement for the Community's average annual cost to provide a resident with services under this Agreement.

G. Governing Law. In the event of a disagreement between the parties regarding the terms of this Agreement, such dispute shall be governed by the laws of the Commonwealth of Pennsylvania.

H. Entire Agreement. This Agreement represents the full agreement of the parties and supersedes all prior oral and written understandings and agreements between them.

I. Modifications. This Agreement may not be modified unless the Resident and/or the Resident's Representative and Arrowood agree to the modification in writing.

J. Assignment. This Agreement may not be assigned by the Resident, the Resident's Representative, or Arrowood without the prior written approval of the other party, except that if the Community is sold by Arrowood, Arrowood may assign this Agreement to the new owner after giving written notice to the Resident and/or the Resident's Representative.

K. Binding Agreement. This Agreement will be binding upon and inure to the benefit of Arrowood, the Resident, and/or the Resident's Representative, and their respective successors and assigns.

L. Right to Organization. Residents of the Community have the right to self-organization. A designated representative of the Community shall hold quarterly meetings during the calendar year with residents. Residents shall be entitled to at least seven (7) days' notice of each quarterly meeting.

M. No Waiver of Act 82. No act, agreement or statement of any resident, or of an individual purchasing care for a resident, shall constitute a valid waiver of any provision of this act intended for the benefit or protection of the resident. Nothing in this Agreement shall constitute a waiver of the Continuing-Care Provider Registration and Disclosure Act.

N. Resident's Representative. If a Resident's Representative executes this Agreement on behalf of the Resident, the Resident's Representative agrees to be bound by all provisions applicable to the Resident under this Agreement.

Addendum A
Notice of Right to Rescind

Dated: _____

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 RESIDENCE AT ARROWOOD before the expiration of this seven (7) day period. No other agreement or statement you sign will constitute a waiver of your right to rescind your Residency Agreement within the 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 RESIDENCE AT ARROWOOD at 512 Lewis Run Road, Pittsburgh, PA 15122 not later than midnight of _____.

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

Date: _____

Prospective Resident's Signature

Addendum C
House Rules and Regulations

Residents of the Community must abide by the following rules and regulations:

- All residents and visitors are prohibited from smoking in any location, other than those specifically designated for smoking by the Community.
- Pets are permitted at Arrowood with prior approval of the CCRC and signed “Permission for Pets” form. The resident must provide to the CCRC two contacts who will care for the pet if at any time the resident is unable to do so or away from their dwelling for a certain amount of time. Pets must be less than twenty (20) pounds in size and spayed or neutered.
- Residents must inform the Community of any overnight guests.
- The consumption of alcohol by residents or residents’ guests is not permitted in common areas. Public drunkenness or inappropriate behavior as a result of alcohol consumption will not be tolerated. Violation of this rule may result in the prohibition of future use of alcohol by the resident or termination of this Agreement.
- Residents must demonstrate respect toward other residents, guests, and staff at all times, including:
 - a. Refraining from excessive noise from talking, radios, stereos, televisions, or any other instrument that may be distracting or intrusive to others.
 - b. Respecting the privacy of other residents, guests, and staff.
 - c. Avoiding profanity or potentially offensive comments.
 - d. Refraining from engaging in any other activities the Community deems potentially inappropriate or offensive to other residents, guests, and staff.
- Residents, or guests of residents, shall not engage in criminal activity, including drug-related criminal activity, on or near the Community’s premises.
- Residents must wear appropriate clothing at all times in the Community’s public areas.

Addendum D
Monthly Fees

The following Monthly Fees apply at the time of the execution of this Agreement and are subject to change during the term of this Agreement with thirty (30) days written notice:

MODEL TYPE INDEPENDENT LIVING	SQUARE FEET	2022-2023Rate Monthly Fee
Small Efficiency B	365	\$2,263
Large Efficiency A	468	\$2,531
Double Efficiency	876	\$3,580
One Bedroom A	535	\$3,078
One Bedroom B	580	\$3,183
One Bedroom C	600	\$3,293
One Bedroom D	665	\$3,293
One Bedroom E	750	\$3,450
Two Bedroom	945	\$3,580
Two Bedroom Deluxe	1160	\$3,886

TAB 3

TAB 3

April 30, 2026

Continuing Care Retirement Communities
Financial Analysis Division
Pennsylvania Insurance Department
1345 Strawberry Square
Harrisburg, PA 17120

To Whom It May Concern:

We have audited the financial statements Southwestern Healthcare Operations, LLC (the "Company") as at December 31, 2025 and 2024, and for the years then ended. In connection with the financial statements, and our audit thereof, we make the following representations:

1. We are certified public accountants independent from the Company and conform to the standards of the profession as contained in the Code of Professional Ethics and pronouncements of the American Institute of Certified Public Accountants and The CPA Law under 63 P.S. Chapter 1.
2. The engagement partner, a certified public accountant, has over a decade of experience in public accounting, and is experienced in audits of similar facilities. The audit manager, a certified public accountant, has multiple years of audit experience, and has managed and overseen numerous audits and attest engagements of similar facilities. Other engagement staff have been used as the partner and manager deemed appropriate based on their experience and ability.
3. We understand that the Company will file the audited financial statements and our opinion thereon with the Pennsylvania Department of Insurance in compliance with 31 Pa. Code§ 147, and that the Commissioner will be relying on this information in the monitoring and regulation of the financial position of the Company.
4. We consent to make available for review by department, our workpapers prepared in the conduct of the audit, as well as our communications with the Company related to the audit, and will retain the same for at 7 years, as per 31 Pa. Code§ 147.11.
5. The engagement partner is a licensed certified public accountant by the state of New Jersey and is a member in good standing of the American Institute of Certified Public Accountants.
6. To the best of our knowledge and belief we are in compliance with rules relating to recognition, qualification and responsibilities of an independent certified public accountant as described in 31 Pa. Code§ 147.6.

R. Neuhaus & Associates, LLC

SOUTHWESTERN HEALTHCARE OPERATIONS, LLC

▶ FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

SOUTHWESTERN HEALTHCARE OPERATIONS, LLC

FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

To the Members of
Southwestern Healthcare Operations, LLC

Opinion

We have audited the accompanying financial statements of Southwestern Healthcare Operations, LLC (a Pennsylvania corporation), which comprise the balance sheets as of December 31, 2025 and 2024, and the related statements of operations, changes in members' deficit, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southwestern Healthcare Operations, LLC as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 17-19 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

R. Neuhaus & Associates, LLC

Lakewood, NJ
May 7, 2026

SOUTHWESTERN HEALTHCARE OPERATIONS, LLC
BALANCE SHEETS
DECEMBER 31, 2025 and 2024

	2025	2024
Assets		
Current Assets		
Cash	\$ 2,499	\$ 715,255
Restricted Cash - Resident Trust	44,278	53,243
Accounts Receivable, net of allowance for credit losses of \$707,126 and \$445,726, respectively	3,061,349	2,984,321
Prepaid Expenses	312,298	251,173
Other Current Receivables	128,655	391,408
Total Current Assets	3,549,079	4,395,400
Property and Equipment		
Furniture and Fixtures	184,176	163,984
Computer Hardware and Software	49,873	49,873
Improvements	221,448	207,708
Auto	2,906	-
Right of Use Asset - Finance Lease	116,663	116,663
	575,066	538,228
Less: Accumulated Depreciation and Amortization	(271,653)	(198,262)
Net Property and Equipment	303,413	339,966
Other Assets		
Right of Use Asset - Operating Lease	4,214,816	4,964,676
Statutory Liquid Reserve	370,598	238,154
Security Deposits	28,172	28,172
	4,613,586	5,230,999
Total Assets	\$ 8,466,078	\$ 9,966,368
Liabilities and Members' Deficit		
Current Liabilities		
Accounts Payable	\$ 3,020,752	\$ 4,242,979
Operating Lease Liability, current portion	762,327	749,860
Finance Lease Liability, current portion	6,109	24,134
Accrued Expenses	395,996	467,645
Due to Residents	44,278	53,243
Due to Related Parties, net	7,791,899	6,491,737
Other Current Liabilities	513,866	504,992
Total Current Liabilities	12,535,227	12,534,590
Long -Term Liabilities		
Operating Lease Liability, net of current portion	3,452,489	4,214,816
Finance Lease Liability, net of current portion	-	6,109
Other Long Term Liabilities	-	209,831
Entrance Fee Liability	16,858	16,400
Total Long-Term Liabilities	3,469,347	4,447,156
Total Liabilities	16,004,574	16,981,746
Members' Deficit	(7,538,496)	(7,015,378)
Total Liabilities and Members' Deficit	\$ 8,466,078	\$ 9,966,368

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

SOUTHWESTERN HEALTHCARE OPERATIONS, LLC
STATEMENTS OF OPERATIONS AND CHANGES IN MEMBERS' DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

Revenue	2025	2024
Net Patient Revenue	\$ 12,854,974	\$ 13,181,376
Rent Revenue	5,595	6,838
Other Revenue	91,246	224,888
Total Net Revenue	12,951,815	13,413,102
 Operating Expenses		
Nursing and Medical	4,208,674	4,733,319
Therapy and Ancillaries	1,332,925	1,359,883
Housekeeping and Laundry	475,819	492,414
Social Services	69,322	60,691
Food and Nutrition	1,269,539	1,374,079
Maintenance	425,179	368,119
Recreation	129,101	119,185
Utilities	409,366	362,217
General and Administrative	3,129,846	3,163,463
Employee Benefits	723,433	735,850
Property	1,301,729	898,656
Total Operating Expenses	13,474,933	13,667,876
Total Operating Loss	\$ (523,118)	\$ (254,774)
 Other Income		
Proceeds from property damage insurance reimbursement	-	1,353
Total Other Income	-	1,353
Net Loss	(523,118)	(253,421)
Members' Deficit - Beginning	(7,015,378)	(6,761,957)
Members' Deficit - Ending	\$ (7,538,496)	\$ (7,015,378)

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

SOUTHWESTERN HEALTHCARE OPERATIONS, LLC
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
Cash Flow From Operating Activities:		
Net Loss	\$ (523,118)	\$ (253,421)
Adjustments to reconcile net loss to net cash provided by operations:		
Depreciation and Amortization	74,571	73,655
Provision for Expected Credit Losses	342,169	285,648
Changes in operating assets and liabilities:		
Accounts Receivable	(419,197)	47,100
Prepaid Expenses	(61,125)	97,982
Other Receivables	261,401	49,209
Cash Overdraft	-	(189,157)
Accounts Payable	(1,222,227)	(934,017)
Accrued Expenses	(87,877)	(209,075)
Due to Residents	(8,965)	(4,997)
Due to Related Parties	1,300,162	1,610,092
Other Current Liabilities	(208,233)	276,669
Total Adjustments	(29,321)	1,103,109
Net cash (used in) provided by Operating Activities	(552,439)	849,688
Cash Flow From Investing Activities:		
Purchase of Property and Equipment, net	(36,838)	(99,562)
Net cash used in Investing Activities	(36,838)	(99,562)
Net (Decrease) Increase in Cash and restricted cash	(589,277)	750,126
Cash and restricted cash at the beginning of the year	1,006,652	256,526
Cash and restricted cash at the end of the year	\$ 417,375	\$ 1,006,652
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Year for :		
Interest	\$ 364	\$ 844
Acquisition of Right of Use Asset obtained in exchange for Operating Lease Obligations	\$ 849,499	\$ 849,499

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

SOUTHWESTERN HEALTHCARE OPERATIONS, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 1 – FORMATION AND DESCRIPTION OF BUSINESS

Southwestern Healthcare Operations, LLC (the “Company”), a limited liability company, was formed in the state of Pennsylvania on April 22, 2020, for the purpose of operating a 118 bed skilled nursing facility (dba Southwestern Nursing and Rehabilitation Center), and another facility that consists of 84 personal care beds and 37 independent living apartments as part of a Continuing Care Retirement Community (CCRC) (dba The Residence at Arrowood). The facilities are located next to each other near Pittsburgh, Pennsylvania. The Company commenced its operations on April 30, 2022.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The books and records of the Company are maintained on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to use judgement in the application of accounting policies including making estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The Company’s financial instruments are cash, accounts receivable, accounts payable, and accrued expenses. The recorded values approximate their fair values based on the short-term nature.

Variable interest entities

The Company follows Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) No. 2018-17, “Targeted Improvements to Related Party Guidance for Variable Interest Entities”, which allows private company to elect, under certain circumstances, not to consolidate certain variable interest entities, including variable interest entities in common control leasing arrangements. Accordingly, the Company does not consolidate the financial statements of the lessor.

Cash and Cash Equivalents

The Company considers all short term highly liquid investments with a maturity date of three months or less to be cash equivalents. At December 31, 2025 and 2024, the Company did not have cash equivalents.

Allowance for Credit Losses

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

SOUTHWESTERN HEALTHCARE OPERATIONS, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses

At each balance sheet date, the Company recognize an expected allowance for credit loss and this estimate is updated to reflect any change in credit risk since the receivable was initially recorded. The allowance estimate is derived from a review of the Company's' historical losses based on the aging of receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Company.

Accounts Receivable

Management believes that the historical loss information it has compiled is a reasonable basis on which to determine the expected credit losses for receivables because the composition of receivables as of December 31, 2025, is consistent with that used in developing the historical credit-loss percentages (i.e., the similar risk characteristics of its payors and its credit policies has not changed significantly over time). Changes to the historical loss rate have not been material to the consolidated financial statements. Management developed its estimate based on its analysis of historical losses and assessment of future expected losses.

The following table provides a reconciliation of the changes in the allowance for credit losses for 2025:

Allowance for credit losses – Beginning of the year	\$ 445,726
Additional provision for expected credit losses	342,169
Write-offs of receivables	<u>(80,769)</u>
Allowance for credit losses – End of the year	<u>\$ 707,126</u>

The Company believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses. Accounts receivable as of December 31, 2025 and 2024, totaled \$3,061,349 and \$2,984,321, respectively.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight line method over the expected useful life of the assets. The useful lives of the property and equipment for purposes of computing depreciation are 15 for improvements and 5 - 7 years for equipment, furniture, and computers.

Long-Lived Assets

The Company evaluates the carrying value of its long-lived assets, whenever events or changes in circumstances indicate that the carrying value of the asset may be impaired. An impairment loss would be recognized when estimated future cash flows expected to result from the use of the asset, including disposition, are less than the carrying value of the asset. In 2025 and 2024, the Company did not incur an impairment loss.

SOUTHWESTERN HEALTHCARE OPERATIONS, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statutory Liquid Reserve

Under Pennsylvania Continuing Care Provider Registration and Disclosure Act (40 P.S. § 3209) the Company must maintain a statutory minimum liquid reserves in an amount equal to or exceeding the greater of (1) the total of all principal and interest payments due during the next 12 months on account of any mortgage loan or other long-term financing of the facility; or (2) ten percent of the projected annual operating expenses of the facility exclusive of depreciation. The reserve shall be computed only on the proportional share of financing or operating expenses that is applicable to residents under continuing-care agreements at the end of the provider's most recent fiscal year.

At December 31, 2025 and 2024, the Company calculated the statutory liquid reserve as follows:

	<u>2025</u>	<u>2024</u>
Principal and interest payments due during the next 12 months on long-term financing	\$ <u> -</u>	\$ <u> -</u>
Projected annual operating expenses exclusive of depreciation	\$ <u> 13,001,417</u>	\$ <u> 13,041,954</u>
Ten percent of projected annual operating expenses for the year and period ended December 31, 2025 and 2024, exclusive of depreciation	\$ <u> 1,300,142</u>	\$ <u> 1,304,195</u>
Greater of total of all principal and interest payments due during the next 12 months on long-term financing, or ten percent of projected annual operating expenses for the year and period ended December 31, 2025 and 2024, exclusive of depreciation	\$ 1,300,142	\$ 1,304,195
Proportional share of operating expenses that is applicable to residents under continuing-care agreements at the end of December 31, 2025 and 2024	<u> 28.50%</u>	<u> 18.26%</u>
Statutory liquid reserve at December 31, 2025 and 2024	\$ <u> 370,598</u>	\$ <u> 238,154</u>

CCRC entrance fees: The Company has not and will not accept any entrance fee under any continuing care agreement until the date of admission and this practice will continue into the future. It is management's understanding that this practice exempts the Company's CCRCs from maintaining a formal escrow agreement with an appointed escrow agent or other manner of security as described in the Pennsylvania Continuing Care Provider Registration and Disclosure Act.

SOUTHWESTERN HEALTHCARE OPERATIONS, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Patient Revenue

Net patient revenues and the corresponding accounts receivable, are reported on an accrual basis as services are performed at their estimated net realizable amounts from residents, third-party payors, and others for services rendered. The Company records revenues for inpatient services and the related receivables in the accounting records at the Company's established billing rates in the period the related services are rendered. The provision for contractual adjustments, which represents the difference between the established billing rates and predetermined reimbursement rates, is deducted from gross revenues to determine net revenues. These predetermined reimbursement rates may be based on a provider's actual costs subject to program ceilings and other limitations or on established rates based on acuity and services provided as determined by the federal and state-funded programs. Services provided to Medicare beneficiaries are based on clinical, diagnostic, and other factors. Services provided to Medicaid beneficiaries are paid at determined rates per day. The Company is exposed to the risk of changes in Medicare and Medicaid reimbursement rates.

Amounts earned under federal and state programs with respect to nursing home patients are subject to review by the third-party payors which may result in retroactive adjustments. In the opinion of management, adequate provision has been made for any adjustments that may result from such reviews. Retroactive adjustments, if any, are recorded when objectively determinable, generally within three years of the close of a reimbursement year depending upon the timing of appeals and third-party settlement reviews or audits, and final settlements are reported in operations in the year of settlement. The Company records revenues for rehabilitation services and other ancillary services and the related receivables at the time services or products are provided or delivered to the customer. Upon delivery of services or products, the Company has no additional performance obligation to the customer.

Entrance fees paid by residents upon entering into continuing care contracts (net of the portion that is refundable to the resident and recorded as a deposit liability) are recorded as entrance fee liability and amortized into income using the straight-line method over a 5-year period, based on estimates of the remaining life expectancy of the resident. Entrance fee liability associated with entrance fees totaled \$16,858 and \$16,400 as of December 31, 2025 and 2024, respectively, and is classified as a long-term liability in the accompanying balance sheet.

The Company follows Accounting Standards Codification ("ASC") 606 for all contracts. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for these services. ASC 606 requires Company to exercise judgment and recognize revenue in accordance with the standard's core principle by applying the following five steps:

- Step 1: Identify the contract with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

SOUTHWESTERN HEALTHCARE OPERATIONS, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Patient Revenue (Continued)

Performance obligations are promises made in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The Company has concluded that the contracts with patients and residents represent a bundle of distinct services that are substantially the same, with the same pattern of transfer to the customer. Accordingly, the promise to provide quality care is accounted for as a single performance obligation with revenue recognized at a point-in-time as services are provided.

The Company performed analyses using the application of the portfolio approach as a practical expedient to group patient contracts with similar characteristics, such that revenue for a given portfolio would not be materially different than if it were evaluated on a contract-by-contract basis. These analyses incorporated consideration of reimbursements at varying rates from Medicaid, Medicare, Managed Care, Private Pay, and Veterans Affairs for services provided. It was determined that the contracts are not materially different within the following groups: Medicaid, Medicare, Managed Care, and Private Pay. The Company typically enters into agreements with third-party payors that provide for payments at amounts different from the established billing charges. These arrangement terms provide for subsequent settlement and cash flows that may occur well after the service is provided. The Company adjusts the estimates of variable consideration such that it is probable that a significant reversal of previously recognized revenue will not occur throughout the life of the contract. Changes in the Company's expectation of the amount it will receive from the patient or third-party payors will be recorded in revenue unless there is a specific event that suggests the patient or third-party payor no longer has the ability and intent to pay the amount due and, therefore, the changes in its estimate of variable consideration better represent an impairment, or bad debt. These estimates are re-assessed each reporting period, and any amounts allocated to a satisfied performance obligation are recognized as revenue or a reduction of revenue in the period in which the transaction price changes.

The Company satisfies its performance obligation by providing quality of care services to its patients and residents on a daily basis until termination of the contract. The performance obligation is recognized on a daily basis, for which the services are provided. For these contracts, the Company has the right to consideration from the customer in an amount that directly corresponds with the value to the customer of the Company's performance to date. Therefore, the Company recognizes revenue based on the amount billable to the customer in accordance with the practical expedient in ASC 606-10-55-18.

Additionally, because the Company applied ASC 606 using certain practical expedients, the Company elected not to disclose the aggregate amount of the transaction price for unsatisfied, or partially unsatisfied, performance obligations for all contracts with an original expected length of one year or less.

Disaggregation of Revenues and Accounts Receivable

The Company disaggregates revenue from contracts with customers by payor type. The Company notes that disaggregation of revenue into these categories achieves the disclosure objectives to depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The payment terms and conditions within the Company's revenue-generating contracts vary by contract type and payor source. Payments are generally received within 30 to 90 days after billing.

SOUTHWESTERN HEALTHCARE OPERATIONS, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Company has elected to be taxed as a partnership under provisions of the Internal Revenue Code. Under those provisions, the Company is not required to pay federal or state income taxes. The Company's earnings or losses are included in each members' personal income tax returns and are taxed based on their personal tax rates. The Company has not taken any income tax positions that would require disclosure.

Leases

The Financial Accounting Standards Board (FASB) issued ASC 842 which is the new lease accounting standard effective for all private companies for years ending after December 15, 2021. The standard requires companies to record their long-term leases on the balance sheets. Lessees are required to classify leases as either finance or operating leases, and the pattern of expense recognition in the income statement will depend on the lease's classification. The major impact of this new standard on the financial statements is related to the facility leases that are leased by the Companies. These leases are operating leases and have been recorded as right-of-use assets (ROU) and their corresponding lease liabilities as current or non-current on the balance sheets. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term. Operating lease assets are amortized on a straight-line basis over the lease term as rental expense on the statements of operations. The Company elected the short-term lease practical expedient, which allows the Company to not record an operating lease ROU asset and operating lease liability for any lease with a term of twelve months or less at lease commencement, and also elected the single component practical expedient for all asset classes, which allows the Company to include both lease and non-lease components associated with a lease as a single lease component when determining the value of the operating lease ROU asset and operating lease.

Advertising Costs

The Company expenses marketing and advertising costs as incurred. Marketing and advertising for the year ended December 31, 2025 and 2024, totaled \$27,926 and \$50,772, respectively, and is included in General and Administrative expenses on the Statements of Operations.

NOTE 3 – RESTRICTED CASH - RESIDENT FUNDS/DUE TO RESIDENTS

Restricted cash represents resident funds, which are being held in the Company's accounts on behalf of the residents, for them to use as needed. Due to residents is the corresponding liability for these amounts.

NOTE 4 – CASH, AND RESTRICTED CASH

For the purposes of the balance sheets and the statements of cash flows, cash consists of cash in bank. Restricted cash consists of resident funds (see note 3), and statutory liquid reserve (see note 2).

SOUTHWESTERN HEALTHCARE OPERATIONS, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 4 – CASH, AND RESTRICTED CASH (Continued)

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

	December 31, 2025	December 31, 2024
Cash	\$ 2,499	\$ 715,255
Restricted cash - Resident Funds	44,278	53,243
Statutory liquid reserve	370,598	238,154
Total cash and restricted cash shown in the statements of cash flows.	\$ 417,375	\$ 1,006,652

NOTE 5 – ACCOUNTS RECEIVABLE

The mix of accounts receivables from patients and third-party payers consists of the following at:

	December 31, 2025		December 31, 2024	
	Amount	Percentage	Amount	Percentage
Medicaid	\$ 1,625,282	43%	\$ 1,425,638	42%
Medicare	193,861	5%	102,868	3%
Private	1,533,576	41%	1,418,251	41%
HMO	324,857	9%	429,229	12%
Independent living	90,899	2%	54,061	2%
Total accounts receivable before allowance	3,768,475	100%	3,430,047	100%
Less: allowance for credit losses	(707,126)		(445,726)	
Net accounts receivable	\$ 3,061,349		\$ 2,984,321	

Provision for expected credit losses for the years ended December 31, 2025 and 2024, aggregated \$342,169 and \$285,648, respectively, and is included in General and Administrative expenses on the Statements of Operations.

NOTE 6 – RELATED PARTY TRANSACTIONS

Due to Related Parties

Due to related parties consist of balances due to and from various entities related by common ownership. The aggregate of these amounts resulted in payable balances of \$7,791,899 and \$6,491,737, at December 31, 2025 and 2024, respectively.

Consulting Fees

The Company incurred Consulting fees from a company related by common ownership. The fees are based upon 5% of total net revenue. Consulting fees for the years ended December 31, 2025 and 2024 was \$647,652 and \$671,004, respectively, and is included in General and Administrative expenses on the Statements of Operations.

SOUTHWESTERN HEALTHCARE OPERATIONS, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 7 – LEASES

The Company evaluated current contracts to determine which met the criteria of a lease. The Company has an operating and finance lease. The leases have remaining lease terms of 1 – 6 years. The right-of use (ROU) assets represent the Company's right to use underlying assets for the lease term, and the lease liabilities represent the Company's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, which arise from operating and finance leases, were calculated based on the present value of future lease payments over the lease terms. The Company has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. Rent expense for the years ended December 31, 2025 and 2024 was \$825,000 for each year, and is included as part of Property expenses on the Statements of Operations.

The following summarizes the line items in the balance sheet which include amounts for operating and finance leases as of December 31, 2025 and 2024:

<u>Operating Lease</u>	<u>2025</u>	<u>2024</u>
Operating lease right-of-use asset	\$ <u>4,214,816</u>	\$ <u>4,964,676</u>
Operating lease liability, current portion	\$ 762,327	\$ 749,860
Operating lease liability, net of current portion	<u>3,452,489</u>	<u>4,214,816</u>
Total operating lease liability	\$ <u>4,214,816</u>	\$ <u>4,964,676</u>
<u>Finance Lease</u>	<u>2025</u>	<u>2024</u>
Right of Use Asset, Finance Lease	\$ 116,663	\$ 116,663
Accumulated depreciation	<u>(109,859)</u>	<u>(86,526)</u>
Right of Use Asset, finance lease, net	<u>6,804</u>	<u>30,137</u>
Finance lease liability, current portion	6,109	24,134
Finance lease liability, net of current portion	<u>-</u>	<u>6,109</u>
Total Finance lease liability	\$ <u>6,109</u>	\$ <u>30,243</u>

The following summarizes the weighted average remaining lease term and discount rate as of December 31, 2025 and 2024:

<u>Weighted Average Remaining Lease Term</u>	<u>2025</u>	<u>2024</u>
Operating lease	5.33 years	6.33 years
Finance lease	1 years	3 years
<u>Weighted Average Discount Rate</u>	<u>2025</u>	<u>2024</u>
Operating lease	1.65%	1.65%
Finance lease	2%	2%

SOUTHWESTERN HEALTHCARE OPERATIONS, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 7 – LEASES (Continued)

Future maturities of lease liabilities are presented in the following table, for the years ending December 31:

	<u>Operating</u>	<u>Finance</u>
2026	\$ 825,000	\$ 6,125
2027	825,000	-
2028	825,000	-
2029	825,000	-
2030	825,000	-
Thereafter	275,000	-
Total	\$ 4,400,000	\$ 6,125
Less: Present value adjustment	(185,184)	(16)
Present Value of total lease liabilities	\$ 4,214,816	\$ 6,109
Less: current lease liabilities	(762,327)	(6,109)
Long-term operating lease liabilities	\$ 3,452,489	\$ -

The following table represents total finance lease costs:

<u>Finance Lease Cost:</u>	<u>2025</u>	<u>2024</u>
Amortization of lease assets included in depreciation and amortization expense	\$ 23,333	\$ 23,333
Interest on lease liability included in Interest expense	364	844
Total finance costs	\$ 23,697	\$ 24,177

NOTE 8 – RETIREMENT PLAN

The Company sponsors a 401(k) plan and trust for the benefit of all employees that meet certain eligibility requirements. The Company may make discretionary matching contributions to the plan. The employees may elect to defer amounts to the maximum allowed under federal guidelines. The Company has not made any contributions to the 401K plan for the years ended December 31, 2025 and 2024.

NOTE 9 – COMPENSATED ABSENCES

Employees of the Company are entitled to paid vacation days depending on job classification, length of service, and hours worked. At December 31, 2025 and 2024, the total amount accrued for compensated absences was \$87,652 and \$127,471, respectively, which is included in accrued expenses in the accompanying balance sheets.

SOUTHWESTERN HEALTHCARE OPERATIONS, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 10 – CONTINGENCIES

The Company provides health insurance to employees through a self-funded arrangement. Substantially all employees are eligible for coverage and the expense was \$172,660 and \$187,083, for the years ended December 31, 2025 and 2024, respectively. The Company also purchased a stop-loss insurance plan, which would cap the Company's liability on any individual claimant to \$95,000. The Company is contingently liable for unpaid claims.

NOTE 11 - NET PATIENT REVENUE

The Company has agreements with third-party payers that provide for payments to the Company at amounts different from their established rates. A significant portion of the Company's net resident service revenues is derived from these third-party payer programs.

The following table summarizes how the Company's revenue is derived from services provided to patients by payor classes as follows:

	<u>2025</u>	<u>2024</u>
Medicare	\$ 923,580	\$ 483,493
Medicaid	7,309,060	7,545,492
Self-pay and Other Third Party	<u>4,622,334</u>	<u>5,152,391</u>
Total Resident Revenue	<u>\$ 12,854,974</u>	<u>\$ 13,181,376</u>

Medicaid and Medicare revenue are reimbursed to the Company at the net reimbursement rates as determined by each program. Reimbursement rates are subject to revisions under the provisions of reimbursement regulations

NOTE 13 – CONCENTRATIONS

At December 31, 2025 and 2024 respectively, approximately 59% of accounts receivable, and 88% and 81% of revenue were from third party payors. Additionally, 63% and 73% of the Company's accounts payable balance was payable to two vendors.

The Company maintains its cash balances at several financial institutions. The cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to a specified limit. At times, the balances may be in excess of the FDIC insurance limit. The Company has not experienced any losses in such accounts and, as such, believes it is not exposed to any significant credit risk on cash.

SOUTHWESTERN HEALTHCARE OPERATIONS, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 14 – PENDING LITIGATION, CLAIMS AND ASSESSMENTS

The Company from time to time may be subject to lawsuits in the normal course of business. Management believes that losses resulting from these matters, if any, would not have a material effect on the financial statements of the Company. The Company is covered by litigation insurance.

NOTE 15– RECLASSIFICATION

Certain 2024 amounts have been reclassified to conform to the current year financial statement presentation.

NOTE 16 – SUBSEQUENT EVENTS

The Company has evaluated subsequent events through May 7, 2026, the date on which the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

SUPPLEMENTARY INFORMATION

SOUTHWESTERN HEALTHCARE OPERATIONS, LLC
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
Revenue		
Patient Revenue		
Medicaid	\$ 7,309,060	\$ 7,545,492
Medicare	923,580	483,493
HMO	1,268,051	1,450,016
Private	1,304,633	2,281,010
Respite	4,637	30,839
Ancillary Revenue	602,418	525,283
Total Patient revenue	11,412,379	12,316,133
Independent Living Revenue		
Monthly Fees	1,442,595	865,243
Net Patient Revenue	12,854,974	13,181,376
Rent Revenue	5,595	6,838
Other Revenue	91,246	224,888
Total Revenue	\$ 12,951,815	\$ 13,413,102
Operating Expenses		
Nursing and Medical		
Salaries	\$ 3,533,712	\$ 4,159,658
Contracted Nursing	438,924	315,380
Equipment and other Expenses	61,784	67,541
Medical Supplies	174,254	190,740
	4,208,674	4,733,319
Therapy and Ancillaries		
Salaries	708,334	723,967
Contracted Services	23,061	30,557
Pharmacy Expense	227,224	238,477
Equipment Rental and other Expenses	53,327	93,722
Transportation	320,979	273,160
	1,332,925	1,359,883
Housekeeping and Laundry		
Housekeeping Contracted Services	467,918	487,707
Housekeeping Supplies	7,901	4,707
	475,819	492,414

See Independent Auditors' Report

SOUTHWESTERN HEALTHCARE OPERATIONS, LLC
STATEMENTS OF OPERATIONS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
Social Services		
Salaries	69,322	60,603
Social Services Supplies	-	88
	69,322	60,691
Food and Nutrition		
Contracted Services	1,112,520	1,179,732
Food and Supplements	149,191	186,060
Dietary Food Other	7,828	8,287
	1,269,539	1,374,079
Maintenance		
Salaries	202,876	152,551
Contracted Maintenance	19,046	17,107
Maintenance Equipment and Supplies	31,429	39,573
Repairs and Maintenance	171,828	158,888
	425,179	368,119
Recreation		
Salaries	117,369	106,171
Recreation Supplies	11,732	13,014
	129,101	119,185
Utilities		
Electric	213,684	199,588
Gas	30,160	22,138
Water/Sewer	165,522	140,491
	409,366	362,217
General and Administrative		
Management Salaries	832,530	801,665
Assessment Tax Expense	239,748	299,759
Provision for Expected Credit Losses	342,169	285,648
Contracted Services	25,335	46,284
HR Expenses	46,091	100,007
Insurance Expense	295,804	298,592
Interest	364	844
Consulting Fee	647,652	671,004
Marketing & Advertising	27,926	50,772
Office Supplies and Expenses	253,547	231,198
Professional Fees	326,893	281,283
Software	31,105	40,342
Telephone and Internet	60,682	56,065
	3,129,846	3,163,463

See Independent Auditors' Report

SOUTHWESTERN HEALTHCARE OPERATIONS, LLC
STATEMENTS OF OPERATIONS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
Employee Benefits		
Health Insurance	172,660	187,083
Payroll Taxes	458,931	488,300
Workers' Compensation	91,842	60,467
	723,433	735,850
Property		
Depreciation and Amortization	74,571	73,656
Real Estate Tax	402,158	-
Rent	825,000	825,000
	1,301,729	898,656
 Total Operating Expenses	 13,474,933	 13,667,876
 Total Operating Loss	 \$ (523,118)	 \$ (254,774)
 Other Income		
Proceeds from property damage insurance reimbursement	\$ -	\$ 1,353
Total Other Income	-	1,353
 Net Loss	 \$ (523,118)	 \$ (253,421)

See Independent Auditors' Report

	2025 Actual	2025 Budget	Notes
REVENUES			
Operating revenues	12,913,527	13,723,510	
Entrance fees and monthly fees - Independant living	-	817,631	
Other Revenue	55,149		
TOTAL REVENUES	12,968,676	14,541,141	
OPERATING EXPENSES			
Nursing	4,655,105	4,750,609	
Therapy and ancillary	1,396,201	1,374,384	
Dietary	1,260,039	1,376,937	Higher costs due to labor shortage and inflation
Facility maintenance	438,232	358,167	Higher costs due to labor shortage and inflation
Housekeeping and laundry	475,939	491,778	
Social services	80,970	70,444	Higher costs due to labor shortage and inflation
Activities	148,765	58,262	Higher costs due to labor shortage and inflation
General and administrative	3,812,269	3,736,374	Higher costs due to labor shortage and inflation
Property	825,000	825,000	
TOTAL OPERATING EXPENSES	13,092,520	13,041,954	
OPERATING INCOME	(123,844)	1,499,187	
FIXED EXPENSES			
Depreciation	51,238	54,876	
TOTAL FIXED EXPENSES	51,238	54,876	
NET INCOME	(175,082)	1,444,311	

TAB 4

TAB 4

SOUTHWESTERN HEALTHCARE OPERATIONS, LLC
PRO FORMA STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2026

REVENUES	
Operating revenues	\$ 12,948,087
Entrance fees and monthly fees - Independent living	817,631
TOTAL REVENUES	<u>13,765,718</u>
OPERATING EXPENSES	
Nursing	4,742,147
Therapy and ancillary	1,523,502
Dietary	1,237,013
Facility maintenance	508,983
Housekeeping and laundry	482,520
Social services	84,441
Activities	147,116
General and administrative	3,450,695
Rent expense- facility	825,000
TOTAL OPERATING EXPENSES	<u>13,001,417</u>
OPERATING INCOME	<u>764,300</u>
FIXED EXPENSES	
Depreciation	54,330
Interest expense	
TOTAL FIXED EXPENSES	<u>54,330</u>
NET INCOME	<u>\$ 709,970</u>