DISCLOSURE STATEMENT

FOR

BAYWOODS OF ANNAPOLIS

June 2026

THE ISSUANCE OF A CERTIFICATE OF REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT OF BAYWOODS OF ANNAPOLIS BY THE MARYLAND DEPARTMENT OF AGING; NOR DOES IT ATTEST TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION SET OUT IN THIS DISCLOSURE STATEMENT.

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BAYWOODS OF ANNAPOLIS

REVISED DISCLOSURE STATEMENT

SECTION 1. INTRODUCTION AND DESCRIPTION OF THE COMMUNITY

A. Introduction

This Disclosure Statement is intended to provide certain information about BayWoods Cooperative Housing Corporation dba BayWoods of Annapolis, a continuing care retirement community at 7101 Bay Front Drive, Annapolis, Maryland 21403 (the "***Community***"). This document is only a summary of certain aspects of the structure and operation of the Community, and is not intended to be a complete description. PLEASE CAREFULLY READ ALL OF THE AGREEMENTS AND OTHER DOCUMENTS INCLUDED AS EXHIBITS TO THIS DISCLOSURE STATEMENT AND INCLUDED IN THE COMMUNITY DOCUMENTS BOOK, OF WHICH THIS DISCLOSURE STATEMENT IS A PART, BEFORE MAKING A PURCHASE DECISION.

Pursuant to Section 10-424(a)(1) of the Human Services Article of the Annotated Code of Maryland, a disclosure statement containing the information contained herein is required to be given (i) to all prospective Subscribers of the Community before payment of any part of the Healthcare Access Fee ("Entrance Fee") or execution of a continuing care agreement, and (ii) annually to all Residents of the Community upon request. The section numbers used in this Disclosure Statement correspond to the provisions of Section 10-425 of the Human Services Article of the Annotated Code of Maryland that set forth the information required in each such section.

B. Description of Facility

The Community is a full service senior living community that qualifies as a continuing care retirement community under Maryland law. The Community offers its Residents the benefits of equity home ownership in a cooperative housing corporation, and provides the services listed in subsection (2) below in addition to assisted living services. BayWoods Cooperative Housing Corporation (the "***Cooperative***") is a Maryland corporation and is referred to as "***the Provider***." The

Cooperative owns all of the land and facilities of the Community. The Provider and the Cooperative are located at 7101 Bay Front Drive, Annapolis, MD 21403.

The Cooperative owns and operates One hundred forty seven (147) Independent Living units and the healthcare center (the "***Healthcare Center***") that is comprised of a total of forty-five (45) assisted living beds. The Healthcare Center presently has twenty assisted living units which includes 10 suites capable of accommodating couples. The community decertified their 27 skilled nursing beds on March 1, 2024, and transitioned these beds to licensed Memory Care beds in October 2025.

The Community is located at 7101 Bay Front Drive, Annapolis, Maryland, on a 13.8 acre parcel of land. The location is immediately east of Edgewood Road on the Chesapeake Bay, and is accessible to historic downtown Annapolis and the United States Naval Academy.

The Community was developed by BayWoods Development and Management Partners, LLC (the "***LLC***"), a Maryland limited Liability Company. The LLC acted under the terms of a Master Management Agreement. The members of the LLC are CRSA/LCS Management, LLC, an Iowa limited liability company (successor to CRSA Management, LLC, a Delaware limited liability company); Krapf, LLC, a Maryland limited liability company; Norbay, LLLP, a Maryland limited liability limited partnership; James K. Peterson; and Van Lott Equity.

(1) Certain of the members of the LLC had a variety of experiences in connection with the development and operation of retirement communities. CRSA/LCS LLC is headquartered in Des Moines, Iowa and provides management, financial consulting, development and marketing services to various types of senior living communities, including continuing care retirement communities (***"CCRCs"***). Krapf, LLC, one of whose members is James P. Krapf, Sr., has been involved for years with companies engaged in the construction business; providing housing and various types of elder care facilities for seniors; developing CCRCs and assisted living projects; and building senior facilities including CCRCs, assisted living facilities, and nursing care facilities. Norbay, LLLP has one member, Jill Norair, who has extensive development experience, including commercial, mixed-use and residential development, and who has been actively involved in the development process for the Community. On May 29, 2015 the LLC was paid off from its existing subordinate loan and is no longer involved in the operations of the Community.

The Residences.

(a) The Cooperative and Equity Benefits. The Residences and surrounding land are owned by the Cooperative. The Cooperative qualifies as a cooperative housing corporation for federal income tax purposes.

Therefore, a Subscriber who purchases stock in the Cooperative is entitled to enter into the Residency and Proprietary Lease (discussed below) for the lease of his or her unit. Under federal income tax law, ownership of stock in a cooperative housing corporation entitles the Resident, as a tenant/stockholder, to certain tax benefits normally found with home ownership, including the ability to obtain an exclusion of up to the Internal Revenue Service allowed gain on the sale of his / her principal residence for joint filings and the ability to deduct his or her mortgage interest and his or her share of the Cooperative's real estate taxes, provided that the requirements set forth in the Internal Revenue Code of 1986, as amended (the "***Tax Code***") are met. The Cooperative received a letter from its legal counsel setting forth its opinions regarding a Resident's entitlement to these tax benefits.

(b) The Cooperative's Stock (Shares). The Cooperative, a Maryland corporation, is a for-profit cooperative housing association for seniors. The Cooperative participates in a settlement/closing process by which the current owner of shares (Seller) sells those shares to Subscribers (Buyer) to reside in the independent living units of the Community. An individual desiring to live at the Community will become a member of the Cooperative by entering into a Residency and Proprietary Lease for the purchase of his or her stock. A member is required to purchase the number of shares of stock according to Residence Type as listed in Section 204 of the By-Laws of the Cooperative. The membership shares are represented by a Certificate of Membership in the Cooperative and that document contains the number of shares attributable to the unit purchased.

(i) Terms of Payment for Stock. A deposit (the "***10% Deposit***") in an amount equal to 10% of the total purchase price is due upon execution and submission of the Residency and Proprietary Lease. The final payment, equal to the purchase price less a credit for the 10% Deposit is due on the date of the closing of the purchase of the stock.

(ii) Refunds of Deposits. The Residency and Proprietary Lease Agreement should be reviewed for the applicable refund provisions.

(c) Description of the Stock. There is one class of stock in the Cooperative. The number of the shares of stock are based upon the type of residence chosen. Each share has one vote. The shareholders do not have any preemptive rights, and no cumulative voting is permitted. The Articles of Incorporation of the Cooperative provides that no shareholder is entitled (either conditionally or unconditionally) to receive any distribution from the Cooperative out of earnings and profits except upon a dissolution or final liquidation of the Cooperative. All allocations related to the stock for such things as real estate taxes and distributions upon dissolution shall be made in accordance with the square

footage of each residence unit. The stock may be sold or transferred only in connection with an assignment of the Residency and Proprietary Lease. In order to assure the Cooperative of a sound financial structure and to maintain the cooperative nature of the Community, virtually all sales of stock and assignments of the Residency and Proprietary Lease require the Cooperative's approval.

(d) The Residency and Proprietary Lease.

(i) General Terms. The Residency and Proprietary Lease is an occupancy agreement between the Cooperative and the Resident. It entitles the Resident to exclusive use of a particular residence of the Community. Pursuant to the Residency and Proprietary Lease, the Cooperative agrees to keep in good repair all of the residences and all of their equipment and apparatus, except those portions that are the responsibility of the Resident. The Resident is responsible for decorating his or her residence. In addition to repair and maintenance, the Cooperative agrees to provide an emergency response system, a system of security, and use of all common areas of the Community. The Cooperative is responsible for the payment of real estate taxes and mortgage indebtedness, if any, related to the property.

(ii) Membership Fees. For a description of all fees due by the Resident pursuant to the Residency and Proprietary Lease, please see Section 4.

Subletting and Assignment.

A. **General.** As a general matter, subletting of a Residence by a Resident is only permitted to occur under the limited circumstances set forth in Section XIV.B below.

B. **Approval.** Resident or Resident's estate may sublet the Residence only with prior written approval by the Board and upon a determination by the Board, in its sole discretion, that a sublease of the Residence for a limited period of time is necessary to avoid an unreasonable hardship on Resident in such situations as the death of Resident.

C. **Sublessee.** Upon compliance with Section B. above, the Residence may only be subleased by Resident to a natural person(s) who has been approved to occupy the Residence and meets the age requirements for a resident in accordance with Section 301 of the Cooperative By-Laws.

D. **Form of Agreement.** The form of the proposed sublease shall be approved in advance by the Cooperative.

(iv) Residency and Proprietary Lease Resale and Move-Out Fees. To sell or transfer his / her interest in a Certificate of Membership (except for an assignment to Resident's relative or except if Resident does not use the Cooperative to arrange a sale of his / her interest), the Resident must pay to Cooperative a resale fee, which shall be 5½% of the sale price of the Certificate of Membership. The Resident will also be required to pay a move-out fee of 4½% of the greater of (a) the fair market value of the Stock, net of customary costs and expenses of sale, such value determined by a qualified appraiser, or (b) the net (of customary and reasonable costs and expenses) sales price of such stock.

(v) Termination. The Residency and Proprietary Lease will remain in effect so long as the Cooperative exists and the Resident (or his / her permitted assignee) owns his or her stock in the Cooperative, unless terminated earlier as provided in the Residency and Residency and Proprietary Lease. The Cooperative has the right to terminate the Residency and Proprietary Lease, after the giving of proper notice, for "just cause," which means the following:

(A) Nonpayment of any Membership Fees;

(B) A material breach of the Residency and Proprietary Lease or of the written reasonable rules of the Cooperative; or

(C) A change in the health status or the behavior of the Resident which constitutes a substantial threat to the health or safety of the Resident or other members of the Community.

In the event of termination of the Residency and Proprietary Lease for "just cause," the Resident may be entitled to receive the Entrance Fee paid at admission, after receiving the payment of all outstanding indebtedness, fees and costs, as provided in Sections VII.D. of the Residency and Proprietary Lease (described above).

(2) **The Cooperative**

(a) The Resident Services. The Resident Services are provided by the Cooperative. The Cooperative's purpose is to operate and manage the Community and to provide services to Residents thereof. The Cooperative is responsible for providing the food service, activities and various amenities of the Community. Prior to occupying their residence, Residents are required to enter into a Residency and Proprietary Lease with the Cooperative that stipulates the amount of a monthly fee (the "***Membership Fee***"). (See Section 4 hereof.) For this fee, Residents are entitled to certain services including, but not limited to: weekly laundry service for bed linens, weekly housekeeping services, one meal a day in the Community's dining rooms, tray service to residence when ordered by a physician

due to illness, recreational services, wellness programs, a convenience store, scheduled transportation for local trips as specified in the Resident Handbook, maintenance and repairs to all systems of the Common Areas, 24-hour emergency call and response system, daily check-in system, security, internet access, VoIP telephone service (including long distance calls), basic cable television (excluding DVR and premium channels), the use of one reserved, covered, automobile parking space as assigned by the Cooperative, the use of one on-site storage locker as assigned by the Cooperative, heat, water, hot water, sewer use, gas, electricity and other utilities used in the residence janitorial and maintenance service of the Community, repair and replacement of appliances, fixtures and structure as specified in the Residency and Proprietary Lease Agreement. Residents may request additional services for an additional fee. Such services include, but are not limited to, additional meals, tray service to residence not ordered by a physician, beauty parlor, and barber shop.

(b) The Healthcare Center. Obtaining healthcare services at the Healthcare Center is entirely optional for Residents on a fee-for-service basis. The Membership Fee does not include health-related services although each Resident must pay a refundable Entrance fee. Individuals who desire to obtain healthcare services at the Healthcare Center will obtain such services under a health services agreement with the Cooperative.

Assisted Living and Memory Care consists of room and board, routine personal hygiene items and services, telephone access, emergency call system, and such other basic personal services as may be determined by the health services agreement, to be legally and reasonably required for the health and safety of the Resident.

(c) Access to the Healthcare Center. Residents have priority access to beds in the Healthcare Center. If a Resident needs Assisted Living or Memory Care, but there are no beds available in the Healthcare Center, the Resident will relocate on a fee-for-service basis arranged by the Cooperative to another healthcare facility to provide access to needed Assisted Living or Memory Care services to the Resident. If relocation is necessary, the Resident will pay the Cooperative's normal charges as if the Resident were located in the Healthcare Center. The Cooperative will pay the difference, if any, between the fees it charges and those charged by the other healthcare center. The Resident will be relocated to the Healthcare Center upon the availability of a bed.

(d) Fitness of Resident. At the time the Resident executes the Services Agreement, the Resident warrants that he / she has assets and income sufficient under foreseeable circumstances to meet ordinary and customary living expenses.

(e) Residential Services Agency (RSA). In September 2017 BayWoods of Annapolis obtained a Residential Service Agency (RSA) License that authorizes provision of Caregivers for personal care and medication management by licensed staff under the supervision of a Registered Nurse (Nurse Navigator). This service is regulated by the Department of Health. The Services may include personal care providers for Activities of Daily Living, to include but not limited to bathing, dressing, transfers, feeding, and mobility. Additional services include medication reminders by a caregiver, medication reminders by licensed staff, weekly dispensing of medications by licensed staff, and medication administration by licensed staff. Medication Management will require the authorization of a provider (Physician, Physician Assistant or Nurse Practitioner) through an order. Services will be provided as an out of pocket expense which will be on the monthly bill. Residents have the option of billing their Long Term Care insurance if applicable.

SECTION 2. ORGANIZATIONAL STRUCTURE AND MANAGEMENT OF THE PROVIDERS

A. BayWoods Cooperative Housing Corporation

The Cooperative is a cooperative housing corporation organized under the laws of the State of Maryland. The Cooperative does not qualify, nor does it intend to qualify, as a tax-exempt organization under the Tax Code. The Chief Operating Officer is also the President of BayWoods Cooperative Housing Corporation and that person is selected (hired) by the Cooperative's Board of Directors. The present Chief Operating Officer/President is Frank McGovern. The Executive Director of the Cooperative is employed by BayWoods of Annapolis and subject to the approval of the Cooperative's Board of Directors. The Community hired Frank McGovern as its Executive Director in March 2013. In July 2015 the position of Executive Director was combined with the President/Chief Operating Officer position by action of the Board of Directors and the revised By-Laws approved by the Cooperative.

SECTION 3. STATEMENT REGARDING AFFILIATION

The Cooperative is not affiliated with any religious or charitable organizations and no such organizations shall be responsible for any financial or contractual obligations of the Cooperative.

SECTION 4. DESCRIPTION OF FEES

A. Entrance Fee

An individual desiring to live at the Community becomes a Member of the Cooperative by entering into a Residency and Proprietary Lease for the purchase of

his / her stock. In addition to the purchase of stock, each member is required to pay a Healthcare Access Fee that is an Entrance Fee as required by the Continuing Care Act. The Healthcare Access Fee is the minimum required by the Continuing Care Act and equals at least three times the weighted average of the monthly cost of the periodic fees charged by the Cooperative for independent living and assisted living units. The five year history of Healthcare Access Fees is included in Exhibit D.

Persons who directly enter the Community's Healthcare Center are also required to pay a refundable Entrance Fee.

Carefully read the Continuing Care Agreement (CCA) for the conditions that must be satisfied before BayWoods of Annapolis is required to pay the Entrance Fee (Entrance Fee) refund. The portion of the Entrance Fee (Entrance Fee) to be refunded after the sale of stock for the Unit is not held in trust or escrow for the benefit of the Member (resident) after payment on the closing date (date of occupancy).

B. Fees to Cooperative

(1) Membership Fees

As described in Section 1.B (1) (d) above, Residents who purchase stock in the Cooperative lease the residence associated with such stock by entering into the Residency and Proprietary Lease. Membership Fees are the lease payments payable to the Cooperative. Membership Fees are billed on the first day of each month for the current month and are due by the tenth day of each month. The Resident agrees to pay the monthly Membership Fees to the Cooperative until such time as the Resident or the Resident's Estate has sold his or her stock and is no longer a shareholder. The amount of Membership Fees is determined by the Board of Directors of the Cooperative, and is based on the Resident's proportionate share of the Cooperative's cash requirements for the year, or portion of the year. A chart showing the current Membership Fees for each type of residence is found in Section 4.D. The Resident's proportionate share is based on a number of factors. The Cooperative's cash requirements are all of the estimated amounts necessary for (a) the operation, maintenance, care, alteration, and improvement of the residences and the common areas; (b) reserves for contingencies; and (c) payment of any obligations, liabilities, or expenses incurred or to be incurred, over and above the Cooperative's income and cash on hand.

(2) Move-Out Fee

As stated above, to assign the Residency and Proprietary Lease, the Resident must pay to the Cooperative a move-out fee. The move-out fee is equal to

4½% of the greater of (a) the fair market value of the stock in the Cooperative being transferred by the Resident (as determined by an appraiser), or (b) the net (of customary and reasonable costs and expenses) sales price of such stock.

(3) **Resale Fee**

As stated above, to sell or transfer his / her interest in a Certificate of Membership (except for an assignment to Resident's relative and except for a sale of a Resident's interest that has not been arranged by the Cooperative), the Resident must pay the Cooperative a resale fee, which is 5½% of the sales price of the Certificate of Membership.

A. Monthly Fees Summary

The following table summarizes the current first person monthly fees. If two persons are named as Residents in the Residency and Proprietary Lease, a Second Person Fee is also charged.

Monthly Membership Fees –2026	Price of Unit	# of Units	Total Membership Fees
The Chester/Chester II (A) One Bedroom	Market Rate	29	$4,950
The Wye-Split (B) One Bedroom Den	Market Rate	2	$4,829
The Wye-Split-2/Wye II (B)One Bedroom Den	Market Rate	8	$5,229
The Wye (B) One Bedroom Den	Market Rate	10	$5,667
The Severn/Sassafras (C)Two Bedroom	Market Rate	60	$6,012
The Magothy (D) Two Bedroom Den	Market Rate	20	$6,975
The Tred Avons Two Bedroom (SC)	Market Rate	6	$6,012
The Tred Avons Two Bedroom (SD)	Market Rate	4	$6,975
The Tred Avons Two Bedroom (AA)	Market Rate	2	$7,016
The Tred Avons (CB) Two Bedroom Den	Market Rate	2	$7,016
The Tred Avons (BC) Two Bedroom Den	Market Rate	4	$7,059
TOTAL UNITS		147	
Second Person Fee:			$1,380

The Healthcare Center Occupancy and Service Level of Care Fees – 2026

Occupancy Fees Assisted Living	• Private Room: $8,000/month • 2-Room Suite (first person): $11,200/month • Patio Suite (first person): $11,200/month
Occupancy Fees Memory Care	• Private Room: $10,400/month

Service Level of Care Fees	
Assisted Living Level I	$1,000
Assisted Living Level II	$1,900
Assisted Living Level III	$2,800

Entrance Fee: $20,080 prior to move-in. 100% refundable.

Service Level Fees are added to the Occupancy Fees (Private Room and Suite(s)) to comprise Total Fees billed.

B. Fees for Directly Admitted Assisted Living and Memory Care Residents

Persons directly admitted to The Healthcare Center are required to pay, in addition to the Entrance Fee set forth above in Section 4.A, a monthly occupancy and level of care fee for Assisted Living and Memory Care services provided.

A chart setting forth the service and occupancy fees for The Healthcare Center appear directly above.

C. Transfer to The Healthcare Center

Please review the Residency and Proprietary Lease Agreement for the procedures concerning the transfers to the healthcare center.

D. Fee Changes

Membership Fees may be increased or decreased at any time and from time to time as determined by the Board of Directors of the BayWoods Cooperative Housing Corporation. The Membership Fee is subject to change from time to time by the Board of Directors of the BayWoods Cooperative. This fee may not be increased without first providing forty-five (45) days written notice to the Residents. See Exhibit D for a five year history of fee changes.

SECTION 5. OPERATING RESERVES

As required by COMAR 32.02.01.20 and the Continuing Care Act, providers of continuing care shall set aside for the facility operating reserves an amount equal to 25% of the facility's net operating expenses for the most recent fiscal year for which a certified financial statement is available.

The investment of the Operating Reserve Fund and any other restricted funds as may be required by lenders for the Community, is generally restricted to government securities and certain highly rated or collateralized commercial paper, repurchase agreements or guaranteed investment contracts U.S. and international equities and taxable fixed income investments. The policy established for these investments is established by the Community's Board of Directors and is reviewed on a minimum of an annual basis.

SECTION 6. CERTIFIED FINANCIAL STATEMENTS

A copy of the certified financial statement prepared under generally accepted accounting principles for BayWoods Cooperative Housing Corporation for the years ending December 31, 2025 and 2024 are attached to this Disclosure Statement as Exhibit A.

SECTION 7. FINANCING FOR THE FACILITY

A. Bridge Financing before December 2005

Following the repayment of the construction financing, the Cooperative entered into a bridge loan (the "Bridge Loan") with BNP Paribas, one of the Construction Lenders, in the amount of $17.9 million. The proceeds of the Bridge Loan were used to repay approximately $12.2 million of the $14,167,157 Subordinated Debt (explained in Section C.1 (a) below); to fund a final settlement of $2.5 million

with the General Contractor; to fund a Working Capital Reserve; to fund building upgrades; to fund an interest reserve for the loan; and to pay the associated costs of the Bridge Loan's issuance.

The outstanding balance of $7,330,489 from the Bridge Loan was repaid in full with the proceeds of the Permanent Loan from December 2005.

B. Subordinated Financing from December 2005

(1) BayWoods Development and Management Partners, LLC made several subordinated loans to the Community in the form of payment of approved project expenses, cash loans ("***Subordinated Loan***" [subsection (a)]), and deferred commissions and fees ("***Deferred Fees Loan***") for construction management, marketing and development, generally described as follows:

The outstanding balance was repaid in full with the proceeds of the Permanent Loan from December 2005.

C. Long-Term Financing from December 2005

Long-Term Financing was in the form of a permanent mortgage loan to the Community (the "***Permanent Loan***"), in the amount of $17,000,000, issued by JP Morgan Chase Bank, N.A. (the "Lender"), and Subordinated Financing provided by the Developer in December 2005.

The balance of the Permanent Loan entered into in December 2005 was refinanced on May 29, 2015 through the defeasance process. All remaining payments due on the Permanent Loan were escrowed and will be paid out to the original lender according to the terms of the defeasance agreement.

D. Long-Term Refinancing May 2015

Long-Term Refinancing was in the form of a permanent mortgage loan to the Community (the "***Permanent Loan***"), in the amount of $16,500,000, issued by National Cooperative Bank (the "Lender").

The balance of the Permanent Loan entered into in May 2015 was refinanced on May 02, 2022 through the defeasance process. All payments due on the Permanent Loan were escrowed and will be paid out to the original lender according to the terms of the defeasance agreement.

E. Renovation Line of Credit

The balance of the renovation line of credit entered into in May 2015 was refinanced on May 02, 2022.

F. Corporate Line of Credit

The Corporate Line of credit entered into in May 2015 was closed on May 02, 2022.

G. Long Term Refinancing May 2, 2022

Long-Term Refinancing was in the form of a permanent mortgage loan to the Community (the "***Permanent Loan***"), in the amount of $21,000,000, issued by Sandy Spring Bank (the "Lender").

(1) The Refinancing Loan

(a) The purpose of the Refinancing Loan was to refinance the remaining balance of the Permanent Loan from 2015 and the Renovation Line of Credit from 2015. The closing date for the Refinancing Loan occurred on May 2, 2022. The term of the Permanent Loan is thirty (30) years with a balloon payment due after fifteen (15) years. The interest rate is 3.70%.

(b) Monthly payments of principal and interest are required based upon a 30-year amortization for the loan, which means a balloon payment of approximately $13,376,516 is projected to be due May 2, 2037. It is anticipated that the debt will be refinanced or the term of the loan will be extended prior to the balloon payment becoming due. Based on present projections, the Community will not have sufficient cash on hand to make the balloon payment. However, in the unlikely event that refinancing is not available or the term of the loan is not extended, significant increases in fees may be necessary for the Community to make the balloon payment and retire the debt. Interest expense is assumed to accrue on the basis of a 360-day year and the actual number of days lapsed.

(c) The Refinancing Loan was issued in the name of BayWoods Cooperative Housing Corporation (the "Borrower"). The Borrower executed a Fixed Rate Note in the amount of $21,000,000 which was collateralized by a Deed of Trust and Security Agreement on the Community by BayWoods Cooperative Housing Corporation. BayWoods Cooperative Housing Corporation issued an Assignment of Leases and Rents, a Limited Guaranty and Payment Guaranty, a Pledge and Security Agreement, an Environmental Indemnity Agreement, and other documents usual and customary for this type of Refinancing. The Lender has a first

mortgage lien on the Community, a first priority interest in the assignment of leases/rents, all personal property of the Community, including furnishings, equipment, supplies and fixtures, and a first priority interest in all funds on deposit.

SECTION 8. PROJECTED FINANCIALS AND OCCUPANCY LEVELS

The following describes the projected financials and the occupancy levels for the Community:

(1) The projected financials of the Provider are appended hereto as Exhibit C.

(2) Residents began moving into the facility in March 2003.

SECTION 9. OFFICERS AND DIRECTORS OF THE PROVIDER

A. Cooperative

(1) Equity Owners

The Cooperative is owned 100% by the Residents, and no Resident owns more than 10% of the equity interests in the Cooperative.

(2) The existing Board of Directors as of May 2025 consists of:

NAME	OCCUPATION	Officers	Resident
Parker Williamson	Retired Business Executive	Chair	Resident/Shareholder
Fred Hellrich	Retired Business Executive	Vice Chair	Resident/Shareholder
Betty Bengtson	Retired University Library Director	Treasurer	Resident/Shareholder
Joan Odell	Retired Business Executive	Secretary *	Resident/Shareholder
Eli Dabich	Retired Insurance Executive		Resident/Shareholder
Beverly Falcon	Retired Lawyer		Resident/Shareholder
Richard Keith	Retired...xxxx???		Resident/Shareholder
Sue Macdonald	Retired Educator		Resident/Shareholder
Lore McNichol	Retired Professor		Resident/Shareholder
Sharon Olson	Retired Librarian		Resident/Shareholder
Linda Teare	Retired Paralegal		Resident/Shareholder
Frank McGovern	Chief Operating Officer	President ***	Employee
Justin G. Reaves	Chief Financial Officer - Interim	****	Employee

Annual Elections are held annually in May. The By-Laws were revised in February 2018 to increase the number of Board members to nine (9).

- The Secretary of the Board of Directors is a non-voting position.
- A Director or Officer of the Board of Directors as the term is defined in Article VI of the Bylaws.
- The President of the Board is a non-voting position effective July 2015 as defined in Article VI of the Bylaws.
- The CFO is a non-voting position effective May 2022

(3) Current Officers of the Cooperative

The Executive Officers of the BayWoods Cooperative Housing Corporation shall be chosen annually by the Board of Directors and shall be a Chair, President/COO, Vice President, Secretary, Treasurer, and such other officers as the Board of Directors may by resolution authorize from time to time. Currently, Frank McGovern serves as President. See SECTION 9.A for the slate of officers.

SECTION 10. MANAGEMENT

The Community is self-managed. See Section 1.B for a description of the experience of the Manager prior to July 2015.

The President/COO is responsible for the overall management of the Community, including the Healthcare Center, and reports to and is supervised by the Board of Directors of the Cooperative .

In July 2015, the Community entered into a Client Services Agreement (CSA) with Life Care Services LLC (LCS).

Effective May 2022 the community chose to not continue using the management services of CRSA/LCS. The community opted to engage in self-management only. Subject to the direction of the Board of Directors, the President/COO is responsible for the general administration and supervision of day-to-day operations of the residential and common areas of the Community, as well as the Healthcare Center. These specific duties include: preparing the annual budget and annual plan of operations, providing regular monthly statements and reports and annual statements to the Board, establishing and supervising the accounting system, planning and budgeting capital expenditures and replacements, ensuring compliance with applicable laws, maintaining all required

insurance and necessary licenses, and overseeing services to Residents. The President/COO also is responsible for hiring, training, promoting, discharging, and supervising the work of all employees related to the residential and common areas at the Community. Additionally, the President/COO is responsible for arranging services for, but not limited to, dining, housekeeping and laundry, maintenance, grounds, and security.

SECTION 11. CERTAIN INFORMATION REGARDING OFFICERS AND DIRECTORS

None of the Cooperative's officers or directors has been; (i) convicted of a felony or pleaded *nolo contendere* to a felony charge, if the felony involved fraud, embezzlement, fraudulent conversion, or misappropriation of property; (ii) held liable or enjoined in civil action by final judgment if the civil action involved fraud, embezzlement, fraudulent conversion, or misappropriation as a fiduciary; or (iii) subject to an effective injunctive or restrictive order of the court of record or, within the past ten (10) years, had any state or federal license or permit suspended or revoked as a result of an action brought by a governmental agency, arising out of or relating to business activity or health care, including actions affecting a license to operate any facility or service for aging, impaired, or dependent persons.

SECTION 12. FORM OF GOVERNANCE OF THE PROVIDER

A. Cooperative

The Cooperative is governed by its Board of Directors, whose members are listed in Section 9.A above. Listed below is the election process:

ELECTION OF DIRECTORS TO THE COOPERATIVE BOARD

The Annual Meeting of BayWoods Cooperative Housing Corporation (BCHC) Members will be held in May of each year when at least three Elected Directors will be selected from those nominated. All nominations should be submitted to the Governance Committee.

The following procedures shall be followed for the selection of Elected Directors:

1. No nominations will be accepted after the deadline and no nominations will be accepted from the floor during the Annual Meeting.

2. Each nominee should submit a brief biographical sketch (no more than 100 words) outlining experience and qualifications to be an Elected Director.

3. A packet with all nominations and biographical sketches will be sent to each Member one week before the election.

4. At a special meeting, each nominee will be given up to three (3) minutes to present his or her qualifications and approach to the responsibilities of Elected Director.

5. Each member's ballot (one ballot per Certificate) will indicate the number of shares held with each share equal to one vote. The ballot will be cast as a secret ballot.

6. Three judges appointed by the Board of Directors will tally votes. Results will be tabulated and announced no later than close of business on election day. There will be a meeting of the Board of Directors following the election to elect Board officers for the coming year.

7. **Proxy votes are acceptable** if you are unable to attend the Annual Meeting *(BCHC Bylaws, section 406, require the presence in person or by proxy of twenty-five percent of the outstanding shares)*. Bearers need not be members and may collect your ballot at the Annual Meeting by surrendering the proxy. Prior to the Annual Meeting, you may also deliver your Proxy to the BCHC Secretary. No person can hold more than one proxy.

B. Statement Regarding Meetings

At least quarterly, the Cooperative conducts a meeting that is open to all Residents, at which an authorized officer of the Cooperative presents a summary of the company's operations, significant changes from the previous year, and the goals and objectives for the next year. The governing body of the Cooperative makes provision to receive and answer questions from Residents at the meetings. At the last quarterly meeting of the year, an authorized officer of the Cooperative provides an aggregated, deidentified summary of internal grievances submitted under the grievance procedure.

SECTION 13. INFORMATION REGARDING CERTIFICATE OF REGISTRATION

The Provider filed and received an Initial Certificate of Registration from the Maryland Department of Aging in 2003 and permission to use funds from the escrow account. The Provider received a renewal Certificate each year after the Initial Certificate was received.

SECTION 14. SERVICES PROVIDED TO RESIDENTS

The basic service provided at the Community by the Cooperative is described above in Sections 1.B (2).

SECTION 15. AMENDMENTS TO THE DISCLOSURE STATEMENT

The Provider shall promptly amend this Disclosure Statement if, at any time, in the opinion of the Provider or the Maryland Department of Aging, an amendment is necessary to prevent this Disclosure Statement from containing any material misstatement of fact, or omission of a material fact, required by the Continuing Care Act.

SECTION 16. SURCHARGES

It is not the policy of the Cooperative to impose a surcharge on some, but not all, Subscribers because of some condition or circumstances.

SECTION 17. RESIDENTS' ASSOCIATION

The Residents of BayWoods formed a Residents' Association on October 27, 2003 that has a non-obligatory membership and fee structure. The purpose of the Residents' Association is to promote the common interests of the BayWoods Residents. The Association meets privately at the Community to conduct business.

SECTION 18. MISCELLANEOUS INFORMATION

A. Applicability of Certain Laws. Several bodies of law, in addition to the Continuing Care Act, apply to various aspects of the ownership structure of the Community. The Community has been designed to provide certain benefits and protections under these laws, including the following:

(1) Cooperative Housing Corporation Law. The offering of a Residency and Proprietary Lease of a residence is subject to the provisions of Md. Ann. Code, Corp. and Assn's, §§ 5-6B-01 through 20.

(2) Taxation. Certain provisions of the Tax Code and the regulations there under, have substantial impact on the Community and the Residents. The organizational structure of the Cooperative is designed to allow a Resident to an exclusion of certain gains from the sale of the qualifying Resident's principal residence; and deduct certain amounts attributable to the Resident's proportionate share of real estate taxes and mortgage interest allowed as a deduction to the Cooperative. The Cooperative has received a letter from its legal counsel setting forth its opinions regarding a Resident's entitlement to these tax benefits; however, there can be no assurance that these tax benefits will be received.

(3) Healthcare Regulation. The healthcare services provided at the Community are subject to the provisions of COMAR 10.07, which include a "Patient's Bill of Rights" applicable to each Resident of the Healthcare Center.

The above is not intended as a complete list of all laws applicable to the Community. For further information concerning applicable laws, prospective Residents are invited to contact their own legal advisors.

B. Grievance Procedure. The Resident Grievance Procedure is attached as Exhibit E.

C. Additional Information. The Community's structure has several aspects that should carefully be considered in deciding whether to become a Resident of the Community. Chief among these are the following:

(1) As in the case of all forms of real estate ownership, if real estate values (or the values of stock in cooperative corporations) decline, the resale price of stock in the Cooperative could be lower than the Resident's purchase price. Market conditions could also result in an inability to resell the stock.

(2) If, by way of the purchase of stock in the Cooperative, a Resident defers gain from the sale of Resident's principal residence, then gain realized upon the resale of the stock will, to the extent Resident does not have offsetting deductions or a one-time exclusion of gain pursuant to §121 of the Tax Code, result in the imposition of a tax.

(3) The Board of Directors of the Cooperative was controlled by Residents when Ten Million Dollars ($10,000,000) had been paid to BayWoods Development and Management Partners, LLC or May 2009 whichever occurred first, under the Settlement Agreement. The control by residents occurred in May 2009. This provided the Residents of the Cooperative with overall control of the Community. Therefore, the Board of Directors of the Cooperative has control over the Cooperative. There can be no assurance that the persons elected by the Residents to the Board of Directors of the Cooperative will have expertise or experience in governing the residential component of a continuing care community. The Settlement Agreement was terminated on May 29, 2015 at the refinancing of the 2005 debt obligation. No provisions of the Settlement Agreement are in force.

(4) Once a Resident has permanently transferred to the Healthcare Center and sold the Resident's stock, that Resident will no longer have voting rights in the Cooperative.

(5) This Disclosure Statement contains a summary of certain provisions of the various agreements entered into by the Resident in an effort to set forth fairly the principal terms of those documents, however, copies of the actual documents should be inspected by anyone wishing to know all of the terms and provisions contained therein. To the extent that the summary set forth in this Disclosure Statement differs from the specific terms set forth in any of the various agreements referred to, those specific terms take precedence over the summary in this Disclosure Statement.

(6) Representatives of the Cooperative have been authorized only to provide information or to make representations as set forth in the agreements. Any information or representations not referred to or contained in the agreements should not be relied upon.

(7) The agreements are not intended to advise or make any representation with respect to the tax consequences of participation in the Community described herein. Prospective Residents are advised to consult their own tax advisors with specific reference to their own tax situations prior to becoming Residents of the Cooperative.

(8) Capital Expenditures. During 2025, the community completed several capital improvement initiatives alongside ongoing infrastructure improvements and replacements. The most notable project was the completion of the skilled nursing repositioning initiative, where the community successfully converted its skilled nursing neighborhood to a dedicated memory care program. This transformation reflects the community's continued commitment to meeting evolving resident care needs and aligns with broader market trends favoring specialized dementia and Alzheimer's care in a purpose-built environment. The repositioned neighborhood expands the community's ability to serve residents with cognitive impairment across a continuum, from early-stage memory concerns through advanced dementia care. The community also continued work on the repositioning of a new dining venue, an initiative designed to modernize the resident dining experience and expand culinary programming options.

In addition to these major initiatives, the community invested in routine capital expenditures consistent with its ongoing maintenance and asset preservation obligations. These included standard equipment replacements and various building improvements investments.

Collectively, these investments reflect management's commitment to maintaining the physical plant, advancing the community's strategic positioning, and delivering a high-quality living environment for current and prospective residents. It is not expected that there will be any special assessments to residents to cover costs associated with these renovations.

EXHIBIT A

Audited Consolidated Financial Statement, December 31, 2025 and 2024

EXHIBIT B

DISCLOSURE STATEMENT
FOR
THE HEALTHCARE CENTER
FOR RESIDENTS OF
BAYWOODS OF ANNAPOLIS

January 2025

BayWoods uses the Maryland Assisted Living Program Uniform Disclosure Statement.

EXHIBIT C

PROJECTED FINANCIALS

INCOME STATEMENT

	2026 Budget- Approved	2026 Projected	2027 Projected
Operating Revenues			
Membership Fees	$ 10,985,368	$ 11,121,159	$ 11,454,794
Ancillary Revenue IL	231,250	168,428	173,481
Healthcare Center Assisted Living	2,397,020	2,670,821	2,750,945
Healthcare Center Memory Care	2,416,850	1,560,399	1,607,211
Medicare Part B	590,000	584,678	602,218
Resident Service Agency (RSA)	778,059	577,940	595,279
Investment/Dividend/Interest Income	50,000	226,764	233,567
Total Operating Revenues	**$ 17,448,547**	**$ 16,910,190**	**$ 17,417,495**
Operating Expenses			
Administration	$ 2,803,241	$ 2,750,000	$ 2,832,500
Human Resources	1,179,423	2,639,846	2,719,041
IT	816,941	511,467	526,811
Marketing	337,574	293,644	302,454
Healthcare Center Assisted Living	1,144,496	1,250,000	1,287,500
Healthcare Center Memory Care	905,022	650,000	669,500
Healthcare Center Part B	481,515	586,027	603,608
Resident Service Agency	636,166	575,000	592,250
Hospitality	3,335,645	3,445,034	3,548,385
Maintenance Services	2,444,442	2,506,010	2,581,191
Housekeeping	775,887	645,101	664,454
Total Operating Expenses	**$ 14,860,351**	**$ 15,852,129**	**$ 16,327,693**
Net Operating Margin	**$ 2,588,196**	**$ 1,058,061**	**$ 1,089,802**
Net Operating Margin %	***14.8%***	***6.3%***	***6.3%***
Non-Operating			
Re-Sale Fees	$ 1,000,000	$ 1,500,000	$ 1,545,000
Depreciation Expense	(3,500,000)	(3,200,000)	(3,296,000)
Amortization Financing Costs	(17,650)	(17,642)	(18,172)
Gain/Loss on Sale / Disposal of Assets	-	-	-
Unrealized Gains / (Losses) on Investment	-	805,586	829,754
Interest-Mortgage- Sandy Spring Bank	(714,064)	(714,064)	(735,485)
Total Non-Operating	**$ (3,231,714)**	**$ (1,626,120)**	**$ (1,674,903)**
Total Net Income/ (Loss)	**$ (643,517)**	**$ (568,059)**	**$ (585,101)**

EXHIBIT C

PROJECTED FINANCIALS

CASH FLOWS

CASH FLOWS FROM OPERATING ACTIVITIES	2025 Actual	2026 Projected	2027 Projected
Net Loss	$ (1,106,010)	$ (568,059)	(585,101)
Adjustments to Reconcile Net Loss to Net Cash Provided by Operating Activities			
Depreciation	3,348,575	3,200,000	3,200,000
Amortization of Deferred Financing Costs	17,643	17,643	17,643
Provision for Credit Loss Expense	305,446	50,000	50,000
Loss on Sale of Assets	-	-	-
Unrealized Gain on Investments	(654,986)	(805,586)	(650,000)
(Increase) Decrease in:			
Accounts Receivable	(488,142)	(250,000)	(250,000)
Prepaid Expenses and Other Assets	(78,935)	(50,000)	(50,000)
Increase (Decrease) in:			
Accounts Payable and Accrued Expenses	642,667	300,000	150,000
Net Cash Provided By Operating Activities	1,986,258	1,893,998	1,882,542
CASH FLOWS FROM INVESTING ACTIVITIES			
Net Purchases of Property and Equipment	(861,631)	(750,000)	(1,000,000)
Purchase of Investments	(2,135,480)	(1,250,000)	(975,000)
Sale of Investments	2,140,373	500,000	500,000
(Increase) Decrease in Assets Limited as to Use	(935,782)	(250,000)	(250,000)
Net Cash used by Investing Activities	(1,792,520)	(1,750,000)	(1,725,000)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in Refundable Health Care Access Fees	216,169	150,000	150,000
Principal Repayment of Debt	(451,458)	(450,000)	(450,000)
Issuance of Debt	-	-	-
Net Cash Used by Financing Activities	(235,289)	(300,000)	(300,000)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(41,551)	(156,002)	(142,458)
Cash, Cash Equivalents and Restricted Cash - Beginning of Year	488,480	446,929	290,927
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - YEAR END	$ 446,929	$ 290,927	$ 148,469
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Interest Paid	$ 747,785	$ 751,718	$ 732,006

EXHIBIT D
FIVE YEAR HISTORY OF FEES

Independent Living Monthly Fees	2022	2023	2024	2025	2026
Entrance Fee (One-time fee)	$ 16,760	$ 17,682	$ 18,566	$ 19,401	$ 20,080
The Chester/Chester II (A) - One Bedroom	$ 4,132	$ 4,539	$ 4,577	$ 4,783	$ 4,950
The Wye-Split (B) - One Bedroom Den	$ 4,031	$ 4,253	$ 4,465	$ 4,666	$ 4,829
The Wye-Split-2 (B)/Wye II - One Bedroom Den	$ 4,365	$ 4,605	$ 4,835	$ 5,053	$ 5,229
The Wye (B) - One Bedroom Den	$ 4,730	$ 4,990	$ 5,240	$ 5,476	$ 5,667
The Severn/Sassafras (C) - Two Bedroom	$ 5,018	$ 5,294	$ 5,559	$ 5,809	$ 6,012
The Magothy (D) - Two Bedroom Den	$ 5,822	$ 6,142	$ 6,449	$ 6,739	$ 6,975
The Tred Avon - Two Bedroom (SC)	$ 5,018	$ 5,294	$ 5,559	$ 5,809	$ 6,012
The Tred Avon – Two Bedroom (SD)	$ 5,822	$ 6,142	$ 6,449	$ 6,739	$ 6,975
The Tred Avon – Two Bedroom (AA)	$ 5,856	$ 6,178	$ 6,487	$ 6,779	$ 7,016
The Tred Avon (CB) – Two Bedroom Den	$ 5,856	$ 6,178	$ 6,487	$ 6,779	$ 7,016
The Tred Avon (BC)Two Bedroom Den	$ 5,892	$ 6,216	$ 6,527	$ 6,821	$ 7,059
Second Person	$ 1,153	$ 1,216	$ 1,277	$ 1,334	$ 1,380

FIVE YEAR HISTORY OF FEES

The Healthcare Center	2022	2023	2024	2025	2026
Entrance Fee (One-time fee)	$ 16,760	$ 17,682	$ 18,566	$ 19,401	$ 20,080
Assisted Living - Private Room First Person					
Assisted Living Level I	$ 5,847	$ 6,139	$ 8,400	$ 8,400	$ 9,000
Assisted Living Level II	$ 7,315	$ 7,680	$ 9,300	$ 9,300	$ 9,900
Assisted Living Level III	$ 8,263	$ 8,676	$ 10,200	$ 10,200	$ 10,800
Assisted Living - 2 Room Suite First Person					
Assisted Living Level I	$ 8,409	$ 8,829	$ 11,400	$ 11,400	$ 12,200
Assisted Living Level II	$ 9,877	$ 10,370	$ 12,300	$ 12,300	$ 13,100
Assisted Living Level III	$ 10,825	$ 11,366	$ 13,200	$ 13,200	$ 14,000
Assisted Living - 2 Room Patio Suite First Person					
Assisted Living Level I	$ 8,661	$ 9,094	$ 11,400	$ 11,400	$ 12,200
Assisted Living Level II	$ 10,129	$ 10,635	$ 12,300	$ 12,300	$ 13,100
Assisted Living Level III	$ 11,077	$ 11,631	$ 13,200	$ 13,200	$ 14,000
Memory Care					
Level I	$ -	$ -	$ -	$ -	$ 11,400
Level II	$ -	$ -	$ -	$ -	$ 12,300
Level II	$ -	$ -	$ -	$ -	$ 13,200

EXHIBIT E
GRIEVANCE PROCEDURE

BayWoods of Annapolis has established an internal grievance procedure to address a Resident's grievance. A Resident or group of Residents collectively may submit a grievance in writing to the Executive Director of BayWoods of Annapolis, 7101 Bay Front Drive, Annapolis, MD 21403. BayWoods of Annapolis will send a written acknowledgment to the Resident or group of Residents within five days after receipt of the written grievance. A Resident or group of Residents who file a written grievance is entitled to a meeting with management of BayWoods of Annapolis within 30 days after receipt of the written grievance to afford the Resident or group of Residents the opportunity to present the Resident's grievance. BayWoods of Annapolis will provide a response in writing within 45 days after receipt of the written grievance as to the investigation and resolution of the Resident or group of Residents' grievance.

Within 30 days after BayWoods of Annapolis provides its response to the grievance, a Resident or group of Residents BayWoods of Annapolis may seek mediation through one of the community mediation centers in the State or another mediation provider. If a resident, group of residents or BayWoods of Annapolis seeks mediation under the preceding sentence, the mediation shall be nonbinding.

Definitions:

Resident Complaint: A resident complaint is any relatively minor issue that can be quickly resolved in a timely manner by BayWoods of Annapolis staff. Examples of this would include complaints regarding housekeeping issues in an apartment, issues with food or beverages, or maintenance.

Resident Grievance: A resident grievance is defined as any major issue that cannot be promptly resolved by BayWoods of Annapolis staff and will be handled on a more formal basis than resident complaints. Grievances are to be submitted to the Executive Director.

Privacy Complaint: A privacy complaint is defined as an issue where privacy rights (HIPAA) may have been violated. These complaints will be formally reviewed by the Executive Director. An example of this is improper disclosure of protected health information.

EXHIBIT F
BayWoods of Annapolis Schedule of Fees - 2026

Administrative Fees		
Returned check fee	$ 45.00	
Copier services - black and white	$ 0.25	
Copier services - color	$ 0.75	
Copier services - Record Copying	Based on state statute	
Notary per document	$ 8.00	
IT Services	$ 16.50	/15 min
Administrative Services	$ 16.50	/15 min
Fax services per page	$ 2.00	
Scanning services per page	$ 1.00	
Replace lost key fob	$ 27.00	
Replace lost mailbox or storage keys	$ 14.00	
Replace lost tel-tron Emergency Pendant	$ 170.00	
Replace lost tel-tron Emergency Bracelet	$ 14.50	
Replace lost garage door opener	$ 40.00	
Replace White Cable Box (DTA)	$ 80.00	
Replace lost VOIP telephone	$ 400.00	
Extra parking space	$ 110.00	/month
Replacement parking sticker	$ 7.00	
Replacement door name plate	$ 25.00	
Electric vehicle charge	$ 9.00	/month

Additional Resident Meals After Exhausting Monthly Meal Credits	
Meal	$ 19.50

Guest Meal Service Charge while Using a Meal Credit	
Service Charge per Meal	$ 11.00
Under 12 Years of Age	$ 5.25

Guest Meal Service Charge without Using a Meal Credit	
Meal	$ 30.50
Brunch, Holiday and Theme Dinners	$ 42.00
Under 12 years of Age Meal	$ 15.25
Under 12 Years of Age Brunch, Holiday and Theme Dinners	$ 21.00

Beverage Pricing - Regular	
Cocktails: Premium	$ 8.00
Cocktails: Call	$ 6.00
Wine: Premium	$ 8.00
Wine: House	$ 6.00
Beer: Imported	$ 4.00
Beer: Domestic	$ 3.00

Meal Credit Per Day After 30 day Absence beginning on Day 31	$ 8.00

In-House Meal Delivery			
Per Day	$	5.50	
Per Month	$	110.00	
Housekeeping Fees			
Additional Housekeeping and/or Porter Services	$	12.50	Per 1/4 hour
Personal Laundry Services (In-Home)	$	42.00	
Rollaway Bed and/or Portable Crib Rental	$	18.75	
Carpet/Furniture Cleaning	$	32.50	Per 1/4 hour
Maintenance and Groundskeeping Services Fees	$	18.50	Per 1/4 hour
Transportation Fees			
Transport (with BayWoods Sponsored Activity [B.S.A.]) - Local	$	9.00	
Transport (with B.S.A.) - Between Annapolis & Baltimore/Washington Area	$	12.00	
Transport (with B.S.A.) - Baltimore and Washington	$	18.00	
Mileage Charge:			
Charge per mile:	$	2.70	
Private Transportation [driver's rate]	$	26.00	
Cancellation Policy within 24 hours of Event	$	30.00	
Lyft Service Charge [per trip]	$	5.00	
Guest Rooms Rates			
C203 - Small Suite (includes up to 2 breakfasts only) Sunday through Friday night	$	115.00	
C203 - Small Suite (includes up to 2 brunches only) Saturday night for Sunday Brunch	$	165.00	
C205 - Large Suite (includes up to 2 breakfasts only) Sunday through Friday night	$	155.00	
C205 - Large Suite (includes up to 2 brunches only) Saturday night for Sunday Brunch	$	205.00	
Cancellation Fee for Small or Large Suite within 48 hours	$	60.00	
Private Use of Public Space by Individual and/or Groups - Resident Use			
Bayside Deck	$	75.00	
Bistro	$	75.00	
Card Room	$	50.00	
Creative Arts	$	75.00	
Heron Point	$	50.00	
Main Dining Room	$	160.00	
Norair Hall	$	110.00	
Patio	$	75.00	
Private Dining Room	$	25.00	
Non Resident Use: Norair Hall	$	525.00	
Personal Training Fee	$	25.00	per 1/2 hour
	$	200.00	per month
Overnight Guest Charge in Apartment [after 30 days per calendar year]	$	50.00	per day

WELLNESS CLINIC SERVICES & RATES FOR IL RESIDENTS - Health-related Services provided for an "extra charge"

LAB DRAWS: Tuesdays and Fridays, 8:30 AM to 9:20AM	
By appointment Only [with physician's orders]	
Tuesdays and Fridays at Wellness Clinic	$ 14.00
Off Schedule Lab Draws at Wellness Clinic	$ 52.50
Courier Fee	As charged by vendor

SERVICES BY WELLNESS NURSE	
Medical emergency/apartment visits	$ 38.50 /15 min
Clinical oversight	$ 38.50 /15 min
Coordination of Physician Appointments	$ 38.50 /15 min
Coordination of Diagnostic Evaluations	$ 38.50 /15 min
Coordination of Home Health Services	$ 38.50 /15 min
Referral to outside services	$ 38.50 /15 min
Medication assessment and education	$ 38.50 /15 min
Nurse consultation	$ 38.50 /15 min
Post hospitalization or post Healthcare Center nurse visit	$ 38.50 /15 min

OTHER SERVICES	
Maintenance 1:1 physical therapy with licensed therapist	As charged by vendor
Pneumonia, flu and shingles clinics	Med B, Pvt Insurance or fee for service as charged by vendor
Escort on medical appointments (HCC Only)	$ 150.00 Per Trip

OTHER WELLNESS PROGRAM HEALTH PROVIDERS	
Dentist	Med B, Pvt Insurance or fee for service as charged by vendor
Dermatologist	Med B, Pvt Insurance or fee for service as charged by vendor
Mental Health Services	Med B, Pvt Insurance or fee for service as charged by vendor
Pharmacy	Med B, Pvt Insurance or fee for service as charged by vendor
Physical, occupational, speech licensed therapists	Med B, Pvt Insurance or fee for service as charged by vendor
Podiatrist	Med B, Pvt Insurance or fee for service as charged by vendor
Respiratory therapists	Med B, Pvt Insurance or fee for service as charged by vendor
Wound Care	Med B, Pvt Insurance or fee for service as charged by vendor
Registered Dietician	$ 57.00 per hour
Social Work Consulting session	$ 33.00 /30 min minium

WELLNESS PROGRAM MEDICAL SUPPLIES:	
Medical Supplies	Fee for service as charged by vendor plus 10%
"Sharps" Container Charge	$ 11.50
Incontinent Supplies	$ 410.00 /month

SERVICES AVAILABLE DURING "NURSE-IS-IN" HOURS	**CLINIC**	**HOME**
Monday—Sunday, 10:30 AM—2:30 PM		
Blood pressure checks	$ - No charge	$ 38.50 /15 min
Weight monitoring	$ - No charge	$ 38.50 /15 min
Temperature & oxygen saturation checks	$ - No charge	$ 38.50 /15 min
Wound dressings (per physician orders) per time	$ - No charge	$ 38.50 Minimum/15 min
Wound dressings (per physician orders) per supplies	$ - No charge	$ 38.50 Minimum/15 min
Eye and ear drops assistance (per physician orders)	$ 13.00 /15 min	$ 38.50 /15 min
Injections (per physician orders) with resident's supplies	$ 13.00 /15 min	$ 38.50 /15 min
Injections (per physician orders) with Healthcare Center supplies	$ 13.00 /15 min	$ 38.50 /15 min

HELP at HOME [RSA] SERVICES			
Daily Med Pass Program: Level 1 - once a day	$	475.00	per month
Daily Med Pass Program: Level II (two or more daily)	$	600.00	per month
Medication Dispense Only	$	250.00	per month
Eye Drops / Ear Drops / Nasal Spray or Drops	$	38.50	/15 minutes
Injections	$	38.50	/15 minutes
Blood Sugar Checks	$	38.50	/15 minutes
Enema / Suppository / Vaginal Inserts	$	38.50	/15 minutes
Breathing Treatments	$	38.50	/15 minutes

Treatments			
Wound Management (per Physician orders):			
Nurse Time	$	38.50	/15 minutes
Supplies	Fee for service as charged by vendor plus 10%		
Transdermal Patches	$	38.50	/15 minutes
Topical	$	38.50	/15 minutes
Colostomy Care	$	38.50	/15 minutes
Catheter Bag Care	$	38.50	/15 minutes

Vital Signs			
Blood Pressure / Pulse / Oxygen Level / Temp / Respirations	$	38.50	/15 minutes

Caregiver Assistance			
ADL Requiring GNA / C N A / Companionship	$	35.00	/ hour
Double Time: Holidays	$	70.00	/ hour
Nursing Agency Used	Rate per agency plus 10%		

OTHER			
E-CALLS: Medical Services (available 24 hours/day, 7 days,	$	38.50	/15 minutes
All Equpiment Purchase or Rental	Fee for service as charged by vendor plus 10%		

BAYWOODS COOPERATIVE HOUSING CORPORATION AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2025 AND 2024



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BAYWOODS COOPERATIVE HOUSING CORPORATION
AND SUBSIDIARY
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INDEPENDENT AUDITORS' REPORT

Board of Directors
BayWoods Cooperative Housing Corporation and Subsidiary
Annapolis, Maryland

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of BayWoods Cooperative Housing Corporation (a Maryland corporation) and Subsidiary, which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of BayWoods Cooperative Housing Corporation and Subsidiary as of December 31, 2025 and 2024, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of BayWoods Cooperative Housing Corporation and Subsidiary 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

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

- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 BayWoods Cooperative Housing Corporation and Subsidiary'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 consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about BayWoods Cooperative Housing Corporation and Subsidiary'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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary schedules of revenues and expenses are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

King of Prussia, Pennsylvania
June 17, 2026

BAYWOODS COOPERATIVE HOUSING CORPORATION
AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2025 AND 2024

ASSETS	2025	2024
CURRENT ASSETS		
Cash and Cash Equivalents	$ 446,928	$ 488,480
Accounts Receivable	570,747	325,697
Allowance for Credit Losses	(235,547)	(173,194)
Inventories	40,068	40,068
Prepaid Expenses and Other Assets	820,913	741,978
Total Current Assets	1,643,109	1,423,029
INVESTMENTS	9,622,741	8,972,648
ASSETS LIMITED AS TO USE		
Board-Designated Funds	1,332,789	397,007
Total Assets Limited as to Use	1,332,789	397,007
PROPERTY AND EQUIPMENT		
Land	2,521,357	2,521,357
Land Improvements	2,261,452	2,261,452
Building	61,256,437	61,256,437
Building Improvements	12,539,867	10,355,711
Furniture and Equipment	8,404,416	8,394,420
Transportation and Automobiles	268,388	268,388
Construction in Progress	101,248	1,433,770
Total	87,353,165	86,491,535
Less: Accumulated Depreciation	(61,709,425)	(58,360,851)
Total Property and Equipment	25,643,740	28,130,684
Total Assets	$ 38,242,379	$ 38,923,368

See accompanying Notes to Consolidated Financial Statements.

BAYWOODS COOPERATIVE HOUSING CORPORATION
AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2025 AND 2024

	2025	2024
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current Maturities of Notes Payable	$ 475,220	$ 456,910
Accounts Payable	680,954	366,736
Accrued Expenses	959,286	618,886
Health Care Access Fees Payable	418,920	433,423
Total Current Liabilities	2,534,380	1,875,955
REFUNDABLE FEES AND DEPOSITS		
Refundable Health Care Access Fees	2,684,483	2,453,811
Total Refundable Fees and Deposits	2,684,483	2,453,811
LONG-TERM DEBT, NET OF CURRENT MATURITIES		
Notes Payable, Net of Current Maturities	18,945,592	19,409,668
Total Long-Term Debt, Net of Current Maturities	18,945,592	19,409,668
Total Liabilities	24,164,455	23,739,434
STOCKHOLDERS' EQUITY		
Common Stock - $.01 Par Value; Authorized and Issued 200,160 Shares Outstanding 199,614 and 199,070 Shares at December 31, 2025 and 2024, Respectively	1,996	1,991
Additional Paid-In Capital	56,338,242	56,338,247
Accumulated Deficit	(42,262,314)	(41,156,304)
Total Stockholders' Equity	14,077,924	15,183,934
Total Liabilities and Stockholders' Equity	$ 38,242,379	$ 38,923,368

See accompanying Notes to Consolidated Financial Statements.

BAYWOODS COOPERATIVE HOUSING CORPORATION
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
REVENUE		
Occupancy and Service Fees	$ 10,657,755	$ 10,238,184
Healthcenter Fees	4,437,014	4,214,835
Ancillary Revenue	716,241	609,055
Resale Fees	947,500	668,298
Investment Income	402,648	300,821
Total Revenue	17,161,158	16,031,193
EXPENSES		
General and Administrative	2,971,341	2,829,672
Nursing Services	3,214,411	2,820,179
Dining Services	3,072,751	2,789,368
Environmental Services	2,461,311	2,198,015
Marketing Fees	489,566	551,410
Resident Services	450,074	510,831
Housekeeping Services	679,081	722,560
Real Estate Taxes	798,191	858,229
Insurance	365,980	348,170
Credit Loss Expense	305,445	15,736
Total Expenses	14,808,151	13,644,170
EXCESS OF REVENUE OVER EXPENSES	2,353,007	2,387,023
OTHER EXPENSES AND GAINS (LOSSES)		
Depreciation	(3,348,575)	(3,406,222)
Interest	(765,428)	(786,430)
Loss on Sale of Assets	-	(33,145)
Unrealized Gain on Investments	654,986	407,757
Total Other Expenses and Gains (Losses)	(3,459,017)	(3,818,040)
NET LOSS	$ (1,106,010)	$ (1,431,017)

See accompanying Notes to Consolidated Financial Statements.

BAYWOODS COOPERATIVE HOUSING CORPORATION
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2025 AND 2024

	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Total
BALANCE - JANUARY 1, 2024	$ 1,979	$ 56,338,259	$ (39,725,287)	$ 16,614,951
Change in Common Stock Outstanding	12	(12)	-	-
Net Loss	-	-	(1,431,017)	(1,431,017)
BALANCE - DECEMBER 31, 2024	1,991	56,338,247	(41,156,304)	15,183,934
Change in Common Stock Outstanding	5	(5)	-	-
Net Loss	-	-	(1,106,010)	(1,106,010)
BALANCE - DECEMBER 31, 2025	$ 1,996	$ 56,338,242	$ (42,262,314)	$ 14,077,924

See accompanying Notes to Consolidated Financial Statements.

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BAYWOODS COOPERATIVE HOUSING CORPORATION
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss	$ (1,106,010)	$ (1,431,017)
Adjustments to Reconcile Net Loss to Net Cash Provided by Operating Activities:		
Depreciation	3,348,575	3,406,222
Amortization of Deferred Financing Costs	17,643	17,643
Provision for Credit Loss Expense	305,445	15,736
Loss on Sale of Assets	-	33,145
Unrealized Gain on Investments	(654,986)	(407,757)
(Increase) Decrease in:		
Accounts Receivable	(488,142)	198,975
Prepaid Expenses and Other Assets	(78,935)	480,661
Increase in:		
Accounts Payable and Accrued Expenses	642,667	37,262
Net Cash Provided by Operating Activities	1,986,257	2,350,870
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Purchases of Property and Equipment	(861,631)	(2,994,683)
Purchases of Investments	(2,135,480)	(1,289,258)
Sales of Investments	2,140,373	1,397,185
(Increase) Decrease in Assets Limited As to Use	(935,782)	1,182,020
Net Cash Used by Investing Activities	(1,792,520)	(1,704,736)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in Refundable Health Care Access Fees	216,169	146,020
Principal Repayment of Debt	(451,458)	(435,739)
Net Cash Used by Financing Activities	(235,289)	(289,719)
NET (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(41,552)	356,415
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	488,480	132,065
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	$ 446,928	$ 488,480
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	$ 747,785	$ 768,787

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

BayWoods Cooperative Housing Corporation (BCHC) and BayWoods Services Corporation (Services) were formed on February 5 and 6, 1998, respectively, under the laws of the state of Maryland. Services was a wholly owned subsidiary of BCHC. During 2010, BayWoods Cooperative Housing Corporation and the BayWoods Services Corporation, its wholly owned subsidiary, merged. The BayWoods Cooperative Housing Corporation is now the corporate name. The primary purpose of BCHC is to develop and operate a 194-unit senior living community (the Community) constructed in Annapolis, Maryland. As of December 31, 2025, the Community is comprised of 147 independent living cooperative units, a 47-bed healthcare center, a community center, and a 270-car parking garage.

On November 23, 2005, BCHC and Services formed a limited liability company, BayWoods of Annapolis, LLC (the LLC), for the purpose of obtaining permanent financing for BCHC. BCHC has 100% membership interest in the LLC. Prior to the 2010 merger described above, Services had 20% membership interest in the LLC. The consolidated financial statements include the accounts of BCHC and the LLC (collectively referred to as the Company). All intercompany accounts and transactions have been eliminated in consolidation.

The Community was constructed by BayWoods Development and Management Partnership, LLC (BDMP), a developer partially owned by certain officers of BCHC. BCHC had an agreement with BDMP to manage and operate the Community. On December 12, 2005, BCHC executed a settlement agreement modifying the terms of the initial agreement. Subsequent to the execution of the settlement agreement, the bylaws of BCHC were amended to allow for nonstockholder representation on the board of directors. In addition, BDMP governance members resigned and were replaced by additional elected stockholders and nonstockholders concurrent with the repayment of the development loan and settlement agreement to BDMP and the refinancing of the long-term debt of BCHC.

BCHC customarily handles resale of units, although seller residents may use other agencies. Prospective residents of the Community enter into a Residency and Proprietary Lease with the seller resident to purchase stock in BCHC related to their respective living unit. As part of the Residency and Proprietary Lease, prospective residents are required to pay an initial refundable deposit of 10% of the total stock purchase prior to closing.

Use of Estimates

The preparation of consolidated financial statements in conformity 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Indicator

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of care services are reported as revenue and expenses. Peripheral or incidental transactions are reported as other expenses and gains.

Cash and Cash Equivalents

BCHC considers cash equivalents to be investments with original maturities of less than 90 days. BCHC maintains cash accounts which exceed federally insured limits during the year.

Accounts Receivable and Allowance for Credit Losses

Accounts receivable is reported net of an allowance for credit losses to represent BCHC's estimate of expected losses at the consolidated balance sheet date. The adequacy of BCHC's allowance for credit losses is reviewed on an ongoing basis, using historical payment trends and a review of specific accounts, as well as expected future economic conditions and market trends, and adjustments are made to the allowance as necessary.

Residents are not required to provide collateral for services rendered prior to receiving services. Payment for services is required within 30 days of receipt of invoice or claim submitted. Accounts more than 90 days past due are individually analyzed for collectability. When all collection efforts have been exhausted, the account is written off against the related allowance.

Management believes the composition of receivables at year-end is consistent with historical conditions as credit terms and practices and the customer base has not changed significantly. At December 31, 2025 and 2024, the allowance for expected credit losses was $235,547 and $173,194, respectively.

Changes in the allowance for credit losses for the year ended December 31, 2025 and 2024 were as follows:

	2025	2024
Allowance for Credit Losses:		
Balance, Beginning of Year	$ 173,194	$ 161,378
Provision for Losses	305,445	15,736
Amounts Written Off	(243,092)	(3,920)
Balance, End of Year	$ 235,547	$ 173,194

The opening and closing balances in accounts receivable, net were as follows:

	Accounts Receivable, Net
Balance - January 1, 2024	$ 367,214
Balance - December 31, 2024	152,503
Balance - December 31, 2025	335,200

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories of supplies are carried at the lower of cost (determined by the first-in, first-out method) or net realizable value.

Investments

Assets held for investment shown on the consolidated balance sheets consist of investments in equities and fixed income securities. Any changes in fair value of investments with readily determinable fair values are recognized in net income (loss). All investments are Level 1 inputs that measure fair value.

Investments are exposed to various risks, such as interest rate, market, and credit risks. Due to the risk associated with certain investments, it is reasonably possible that changes in the value of the investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated balance sheets.

Fair Value Measurements

Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under an existing accounting standard. BCHC emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy.

The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that BCHC has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financing Costs

Financing costs associated with the permanent financing of BCHC have been deferred and are being amortized over the term of the permanent financing. These costs are shown as a deduction from the long-term debt, and are amortized as a component of interest expense for the years ended December 31, 2025 and 2024. Amortization expense was $17,643 for the years ended December 31, 2025 and 2024. As of December 31, 2025 and 2024, total deferred financing costs, net of amortization was $199,958 and $217,601 respectively.

Assets Limited as to Use

All assets limited as to use are cash and cash equivalents. Assets limited as to use consist of deposits established in accordance with financing arrangements, and board designated funds.

Board-designated funds are comprised of funds set aside internally for ongoing capital expenditures, operating funds set aside for the payment of real estate taxes, personal property taxes, insurance, and shareholder reserves.

As of December 31, 2025 and 2024, the balances of the assets limited as to use are comprised of the following:

	2025	2024
Board-Designated Funds:		
Capex Reserve Sandy Spring	$ 863,344	$ 92,713
Real Estate Reserve Sandy Spring	397,983	26,784
Insurance Reserve Sandy Spring	71,462	277,510
Total	$ 1,332,789	$ 397,007

Property and Equipment

Property and equipment are recorded at cost. BCHC's policy is to capitalize expenditures for property and equipment with a cost basis equal to or greater than $1,000. Depreciation is calculated using the straight-line method over the estimated useful lives of depreciable assets. Depreciation expense was $3,348,575 and $3,406,222 for the years ended December 31, 2025 and 2024, respectively. Construction in progress is depreciated over the estimated useful lives of the assets after the assets are placed in service.

BCHC records impairment losses on property and equipment when events and circumstances indicate that it is probable that the assets are impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets. Based on management's estimation process, no impairment losses have been recorded as of December 31, 2025 and 2024.

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Stock Issuance and Marketing Costs

BCHC incurred marketing costs associated with the sale of the original Residency and Proprietary Leases. Those costs were recorded against the additional paid in capital received from the agreements. Ongoing marketing costs have been expensed as incurred.

In 2019, the membership voted to put a new fee structure in place for future shareholders starting January 1, 2020. The new structure gives more shares to the smallest sized apartments and less shares to the largest apartments thereby setting the fees more in line with how the market prices comparable independent living options.

Refundable Health Care Access Fees and Deposits

Concurrent with the purchase of BCHC stock, residents enter into a Residency and Proprietary Lease with BCHC for the payment of membership fees. The amount of the membership fees is based on the resident's proportionate share of BCHC's cash requirements for the year determined by the board of directors. Also concurrent with the purchase of BCHC stock, residents are charged a Health Care Access Fee (an entrance fee as required by the Maryland Department of Aging) which allows for residents to obtain services in the Health Care Center.

This fee is 100% refundable to the resident upon sale of their stock. As of December 31, 2025 and 2024, the Health Care Access Fee was $19,401 and $18,566, respectively. Health Care Access Fees collected from residents directly admitted from the outside community, amounted to $3,103,403 and $2,887,234 as of December 31, 2025 and 2024, respectively.

Resident Revenue

Resident occupancy and services revenue, resale fees, healthcenter fees and ancillary revenue are reported at the amount that reflects the consideration to which the BCHC expects to be entitled in exchange for providing resident services or medical care. Resale fees are generated upon the re-occupancy of the residential units. These amounts are due from residents, third-party payors (including health insurers and government programs), and others and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, BCHC bills the third-party payors several days after the services are performed and residents on the first day of each month. Revenue is recognized as performance obligations are satisfied.

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident Revenue (Continued)

Performance obligations are determined based on the nature of the services provided by BCHC. Revenue for performance obligations satisfied over time is recognized based on actual charges. BCHC believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Substantially all of BCHC's revenue is recognized over time in accordance with the terms of the Residency and Proprietary Lease. Generally, performance obligations satisfied over time relate to residents in the community receiving services and the delivery of skilled nursing services in the healthcenter. BCHC measures the performance obligation from admission into the community, or the commencement of an outpatient service, to the point when it is no longer required to provide services to that resident, which is generally at the time of discharge or completion of the outpatient services. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to the residents. BCHC does not believe it is required to provide additional goods or services related to that transaction.

BCHC determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors. BCHC determines its estimates of contractual adjustments based on contractual agreements, its policies, and historical experience. BCHC determines its estimate of implicit price concessions based on its historical collection experience.

Resident revenue includes monthly charges related to services provided to residents. The monthly charges paid by the residents in accordance with the Residency and Proprietary Lease are recognized as earned in the month following the date billed.

The composition of resident revenue by primary payor for the years ended December 31, 2025 and 2024 is as follows:

	2025	2024
Private Pay	$ 15,981,131	$ 15,052,906
Insurance and Third-Party Payors	777,379	677,466
Total	$ 16,758,510	$ 15,730,372

Revenue from resident's deductibles and coinsurance are included in the categories presented above based on the primary payor.

The composition of resident revenue is based on its service lines for the years ended December 31, 2025 and 2024 are as follows:

	2025	2024
Service Lines:		
Occupancy, Service, Resale, and Membership Fees	$ 12,321,496	$ 11,515,537
Healthcenter Fees	4,437,014	4,214,835
Total	$ 16,758,510	$ 15,730,372

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident Revenue (Continued)

Substantially all the revenue categories presented above are derived from fee for service and are recognized as services are transferred over time.

Third-Party Payors

Healthcenter fees under third-party payor agreements are subject to audit and retroactive adjustment. Third-party payor settlements are recognized in the year the retroactive settlement is received. Differences between the estimated amounts accrued and interim and final settlements are reported in the consolidated statements of operations in the year of settlement. Healthcenter services historically consisted of skilled nursing and, more recently, assisted living services. Healthcenter revenue is reimbursed under a fee-for-service methodology, and revenue is recognized over time as services are provided.

Effective March 1, 2024, the Community temporarily de-licensed the skilled beds in the healthcenter and transitioned to a fully assisted living (AL) model with the intent of developing an AL memory care unit. BCHC permanently de-licensed the skilled beds in February 2025 and opened the memory care unit in October 2025. There were no SNF Medicare Part A revenues recognized in 2025.

Medicare

Laws and regulations governing the Medicare program are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. BCHC believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare program.

The licensed nursing facility participates in the Medicare program, which is administered by the Centers for Medicare and Medicaid Services (CMS). Prior to the de-licensure of the skilled beds in February 2025, the nursing facility was paid for Medicare Part A eligible residents under the Patient Driven Payment Model (PDPM), a per diem price-based system, for those who met the coverage guidelines for skilled nursing facility services. Annual cost reports are required to be submitted to the designated Medicare Administrative Contractor; however, they do not contain a cost settlement. BCHC continues to generate revenue under Medicare Part B.

Nursing facilities licensed for participation in the Medicare and Medical Assistance programs are subject to annual licensure renewal. If it is determined that a nursing facility is not in substantial compliance with the requirements of participation, CMS may impose sanctions and penalties during the period of noncompliance. Such a payment ban would have a negative impact on the revenues of the licensed nursing facility.

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Residential Services Agency (RSA)

In September 2017, BayWoods of Annapolis obtained a Residential Service Agency (RSA) License that authorizes provision of caregivers for personal care and medication management by licensed staff under the supervision of a registered nurse (Nurse Navigator). This service is regulated by the Department of Health and Mental Hygiene. The services may include personal care providers for activities of daily living, to include but not limited to bathing, dressing, transfers, feeding, and mobility. Additional services include medication reminders by a caregiver, medication reminders by licensed staff, weekly dispensing of medications by licensed staff, and medication administration by licensed staff. Medication management will require the authorization of a provider (Physician, Physician Assistant or Nurse Practitioner) through an order. For the years ended December 31, 2025 and 2024, the revenue for these services was $573,725 and $424,996, respectively.

Services will be provided as an out-of-pocket expense which will be on the monthly bill. Residents have the option of billing their long-term care insurance, if applicable.

Income Taxes

BCHC is subject to federal and state taxation on net income derived from transactions with nonmembers pursuant to section 277 of the Internal Revenue Code. BCHC has had no taxable income since inception and has generated net income for the first time for the year ended December 31, 2017. BCHC also had taxable income in year 2019. Years 2021 through 2025 had no taxable income. The deferred income tax benefit associated with the loss has been fully allowed for due to the unanticipated future benefit of the loss.

The Company follows the provisions of the income tax standard regarding the recognition and measurement of uncertain tax positions. The application of these provisions has no impact on the Company's consolidated financial statements. The Company's income tax returns are subject to review and examination by federal and state authorities.

Subsequent Events

In preparing these consolidated financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through June 17, 2026, the date the consolidated financial statements were available to be issued. The results of this evaluation indicated that there are subsequent events or transactions that are required to be disclosed in the consolidated financial statements (see Note 6).

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NOTE 2 INVESTMENTS

During 2025 and 2024, BCHC recorded investments at fair value. All fair value investments are Level 1. They are summarized by type of investment as follows:

	2025	
	Fair Value	Cost
Cash and Cash Equivalents	$ 537,989	$ 537,989
U.S. Equities	2,711,474	1,818,110
International Equities	1,153,018	877,822
Taxable Fixed Income	5,220,260	5,280,576
Total	$ 9,622,741	$ 8,514,497

	2024	
	Fair Value	Cost
Cash and Cash Equivalents	$ 965,815	$ 965,815
U.S. Equities	2,429,877	1,728,343
International Equities	975,011	950,976
Taxable Fixed Income	4,601,945	4,874,255
Total	$ 8,972,648	$ 8,519,389

Investment income and net unrealized gain from investments is as follows:

	2025	2024
Investment Income:		
Dividends and Interest Income	$ 313,001	$ 314,787
Net Realized Gain (Loss) on Investments	89,647	(13,966)
Total	$ 402,648	$ 300,821
Net Unrealized Gain on Investments	$ 654,986	$ 407,757

NOTE 3 LONG-TERM DEBT

On May 2, 2022, BCHC secured a loan in the amount of $21,000,000, issued by Sandy Spring Bank, to refinance the previously issued 2015 Note and Line of Credit. The refinancing loan was issued in the name of BayWoods Cooperative Housing Corporation. The loan bears interest at a fixed rate of 3.70% and is collateralized by all the tangible and intangible assets and personal property of BCHC. Monthly payments of principal and interest are required based upon a 15-year amortization of the loan. As of December 31, 2025 and 2024, the principal balance of the loan was $19,550,600 and $19,977,314, respectively.

Under the terms of the Loan, BCHC is required to meet a number of financial and operational covenants. BCHC is not aware of any covenant violations at December 31, 2025.

NOTE 3 LONG-TERM DEBT (CONTINUED)

BCHC entered into an auto loan in September 2022 that expires in 2027. The balance outstanding on the auto loan as of December 31, 2025 and 2024 was $14,647 and $23,750, respectively.

BCHC also has another auto loan that was entered into in April 2023 that expires in 2028. The balance outstanding on the business loan as of December 31, 2025 and 2024 was $55,523 and $83,115, respectively.

Future maturities of long-term debt as of December 31, 2025 are as follows:

Year Ending December 31,	Amount
2026	$ 475,220
2027	491,971
2028	483,540
2029	494,386
2030	513,252
Thereafter	17,162,401
Subtotal	19,620,770
Less: Current Maturities	(475,220)
Less: Unamortized Deferred Financing Costs	(199,958)
Total	$ 18,945,592

NOTE 4 COMMITMENTS AND CONTINGENCIES

Litigation

There are various legal actions that can occur in the ordinary course of business, and management is not aware of any such matters that would have a material effect on the financial condition or results of operations of the Company.

NOTE 5 MARYLAND DEPARTMENT OF AGING RESERVE REQUIREMENTS

The state of Maryland requires BCHC to set aside reserves equal to 25% of its net operating expenses (as defined) for the most recent fiscal year. The total amount reserved for BCHC is as follows as of December 31:

	2025	2024
Maryland Department of Aging Reserves:		
Operating Expenses	$ 18,922,154	$ 17,610,400
Less: Depreciation Expense	(3,348,575)	(3,394,126)
Less: Interest Expense	(765,428)	(796,067)
Net Operating Expenses	$ 14,808,151	$ 13,420,207
Total Operating Reserve (25% of Net Operating Expenses)	$ 3,702,038	$ 3,355,052
Required Reserves for Year Ended December 31 (100% of Total Operating Reserve)	$ 3,702,038	$ 3,355,052
Cash and Marketable Securities Available for Operating Reserve	$ 11,402,458	$ 9,858,135

NOTE 6 SUBSEQUENT EVENT

The Company entered into a Management Services Agreement (MSA) with Westminster Ingleside Group, LLC (WING), an affiliate of Ingleside, pursuant to which WING will provide management and operational support services to the Company. The agreement becomes effective July 1, 2026, with implementation expected to occur in phases over a period of approximately one year. Services to be provided under the MSA include support in areas such as finance, accounting, operations, sales, marketing, information technology, and human resources. The arrangement is intended to enhance the Company's operational capabilities and support long-term sustainability.

BAYWOODS COOPERATIVE HOUSING CORPORATION
AND SUBSIDIARY
SUPPLEMENTARY SCHEDULES OF REVENUES
YEARS ENDED DECEMBER 31, 2025 AND 2024
(SEE INDEPENDENT AUDITORS' REPORT)

	2025	2024
REVENUE		
Occupancy, Service, and Membership Fees	$ 10,657,755	$ 10,238,184
Healthcenter/Medicare Fees	4,437,014	4,214,835
Ancillary Revenue:		
Independent Living Ancillary	194,223	178,159
Healthcenter Ancillary	522,018	430,896
Resale Fees	947,500	668,298
Investment Income	402,648	300,821
Total Revenue	$ 17,161,158	$ 16,031,193

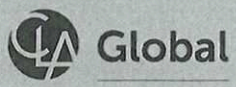
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BAYWOODS COOPERATIVE HOUSING CORPORATION
AND SUBSIDIARY
SUPPLEMENTARY SCHEDULES OF EXPENSES
YEARS ENDED DECEMBER 31, 2025 AND 2024
(SEE INDEPENDENT AUDITORS' REPORT)

	2025	2024
GENERAL AND ADMINISTRATIVE		
Salaries, Payroll Taxes, and Related Benefits	$ 1,744,527	$ 1,767,807
Legal	44,713	40,017
Accounting	149,650	142,243
Office Supplies	31,526	22,490
Meetings, Seminars, and Travel	10,761	12,105
Dues and Subscriptions	37,355	32,762
Postage	1,236	2,420
Purchased Services	320,942	99,442
Miscellaneous Administrative Expense	630,631	710,386
Total General and Administrative Expenses	2,971,341	2,829,672
NURSING SERVICES		
Salaries, Payroll Taxes, and Related Benefits	1,950,539	2,021,887
Contracted Nursing	670,089	245,712
Drugs	-	(42)
Supplies	34,514	62,115
Consultants	26,735	109,237
Therapy and Services Expense	488,620	332,227
Other Nursing Expenses	43,914	49,043
Total Nursing Services Expenses	3,214,411	2,820,179
DINING SERVICES		
Salaries, Payroll Taxes, and Related Benefits	1,857,973	1,644,836
Food	907,059	850,990
Supplies	291,337	277,768
Other Dining Expenses	16,382	15,774
Total Dining Services Expenses	3,072,751	2,789,368
ENVIRONMENTAL SERVICES		
Salaries, Payroll Taxes, and Related Benefits	641,059	593,242
Contracted Maintenance	143,219	162,953
Supplies	199,351	136,901
Utilities	976,443	832,350
Repairs	501,239	472,569
Total Environmental Services Expenses	2,461,311	2,198,015

BAYWOODS COOPERATIVE HOUSING CORPORATION
AND SUBSIDIARY
SUPPLEMENTARY SCHEDULES OF EXPENSES (CONTINUED)
YEARS ENDED DECEMBER 31, 2025 AND 2024
(SEE INDEPENDENT AUDITORS' REPORT)

	2025	2024
MARKETING FEES		
Salaries, Payroll Taxes, and Related Benefits	$ 338,629	$ 415,584
Advertising	137,580	121,708
Miscellaneous Marketing Expense	13,771	-
Commissions	(414)	14,118
Total Marketing Fees	489,566	551,410
RESIDENT SERVICES		
Salaries, Payroll Taxes, and Related Benefits	345,732	404,083
Supplies	16,065	34,247
Other Resident Services Expenses	88,277	72,501
Total Resident Services Expenses	450,074	510,831
HOUSEKEEPING SERVICES		
Salaries, Payroll Taxes, and Related Benefits	537,463	548,501
Supplies	138,548	165,148
Other Housekeeping Services	3,070	8,911
Total Housekeeping Services Expenses	679,081	722,560
REAL ESTATE AND OTHER TAXES	798,191	858,229
INSURANCE	365,980	348,170
CREDIT LOSS EXPENSE	305,445	15,736
Total Operating Expenses	14,808,151	13,644,170
DEPRECIATION	3,348,575	3,406,222
INTEREST	765,428	786,430
Total Expenses	$ 18,922,154	$ 17,836,822



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