

Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines

Arboreta Healthcare, Inc

7349 Merchant Court
Lakewood Ranch, FL 34240

(941) 758-4745
www.arboretahc.com

Quarterly Report For the Period Ending: September 30, 2022 (the "Reporting Period")

As of September 30, 2022, the number of shares outstanding of our Common Stock was:
45,585,418

AS of June 30, 2022, the number of shares outstanding of our Common Stock was
45,345,418

As of March 31, 2022, the number of shares outstanding of our Common Stock was:
45,345,418

As of December 31, 2021, the number of shares outstanding of our Common Stock was:
45,345,418

As of December 31, 2020, the number of shares outstanding of our Common Stock was:
24,150,000

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 of the Exchange Act of 1934):

Yes: No: ☒ x

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: No: ☒ x

Indicate by check mark whether a Change in Control¹ of the company has occurred over this reporting period:

Yes: No: ☒ x

¹ "Change in Control" shall mean any events resulting in:

- (i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;
- (ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;
- (iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or
- (iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

1) Name and address(es) of the issuer and its predecessors (if any)

In answering this item, provide the current name of the issuer any names used by predecessor entities, along with the dates of the name changes.

Arboreta Healthcare, Inc. (December 1, 2021) In connection with amending and restating our charter with the State of Nevada, effective December 1, 2021 our registered legal name was changed to Arboreta Healthcare, Inc. We submitted an Issuer Company Related Action Notification with FINRA on November 15, 2021, and await final FINRA approval to reflect our name change and effect a corresponding symbol change on the OTC Markets. 7349 Merchant Court, Lakewood Ranch, FL 34240

Assisted 4 Living, Inc. (May 24, 2017)
6801 Energy Court, Suite 201
Sarasota, FL 34240

The state of incorporation or registration of the issuer and of each of its predecessors (if any) during the past five years; Please also include the issuer's current standing in its state of incorporation (e.g. active, default, inactive):

Nevada, Active

Describe any trading suspension orders issued by the SEC concerning the issuer or its predecessors since inception:

N/A

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

On March 23, 2021, Arboreta Healthcare, Inc., then known as Assisted 4 Living, Inc., a Nevada corporation ("we," "us," "our" and the "Company"), entered into a Plan of Merger (the "Plan of Merger") by and among the Company, our wholly owned subsidiary, BPCC Acquisition, Inc., a Florida corporation ("Merger Sub"), and Banyan Pediatric Care Centers, Inc., a Florida corporation ("Banyan"). Under the terms of the Plan of Merger, Merger Sub merged with and into Banyan with Banyan surviving the merger and becoming a wholly-owned subsidiary of ours (the "Merger"). The Merger was effective on March 23, 2021.

Pursuant to the Plan of Merger, at the effective time of the Merger:

- We issued 4,165,418 shares of our common stock in exchange for 49,984,649 outstanding shares of Banyan's common stock held by 64 shareholders, based on an exchange ratio of one (1) share of our common stock for every twelve (12) shares of Banyan common stock.
- We also issued a warrant to purchase 75,000 shares of our common stock (the "Warrant") in exchange for a warrant to purchase 900,000 shares of Banyan's common stock. The Warrant is held by one investor and is exercisable for cash only until May 2, 2030 at an exercise price of \$0.38 per share. The number of shares of common stock deliverable upon exercise of the Warrant contains provisions for standard anti-dilution adjustments.
- Banyan's \$2,300,000 of outstanding debt was assumed by the surviving corporation, and the \$2,000,000 of such debt that was convertible into 20,000,000 shares of Banyan common stock will be converted at \$0.50 per share into 4,000,000 shares of our common stock, effective as of March 30, 2021 (the "Debt Conversion Shares"). The \$300,000 of outstanding debt, evidenced by a promissory note dated November 6, 2020 (the "Note"), earns interest at the annual rate of 12%. Interest accrues and is payable on the sixth day of each month in the amount of \$3,000 until the maturity date. On December 6, 2021 the note was extended through November 6, 2022, at which time, the remaining principal balance, if any, shall be due and payable.

Following the Merger, we had 39,395,418 shares of common stock outstanding, including 4,000,000 shares issued upon conversion of Banyan's \$2,000,000 in convertible debt assumed in the Merger. Our pre-Merger shareholders retained an aggregate of 31,230,000 shares of our outstanding common stock, representing approximately 79% ownership of the outstanding shares of common stock of the Company post-Merger. However, there has been a change in the composition of our board of directors in 2021, and as a result fewer than a majority of our directors were directors immediately prior to such change, therefore a change in control of the Company has occurred over this reporting period.

The Merger was treated as a recapitalization and reverse acquisition of the Company for financial accounting purposes. Banyan is considered the acquirer for accounting purposes. This means our historical financial statements before the Merger have been replaced with the historical financial statements of Banyan before the Merger.

The address(es) of the issuer's principal executive office:

7349 Merchant Court Lakewood Ranch, FL 34240

The address(es) of the issuer's principal place of business:

Check box if principal executive office and principal place of business are the same address:

Has the issuer or any of its predecessors been in bankruptcy, receivership, or any similar proceeding in the past five years?

Yes: No: ☒ x

If this issuer or any of its predecessors have been the subject of such proceedings, please provide additional details in the space below: N/A

2) Security Information

Trading symbol:	<u>ASSF</u>	
Exact title and class of securities outstanding:	<u>Common Stock</u>	
CUSIP:	<u>04546A100</u>	
Par or stated value:	<u>.0001</u>	
Total shares authorized:	<u>300,000,000</u>	as of date: <u>September 30, 2022</u>
Total shares outstanding:	<u>45,585,418</u>	as of date: <u>September 30, 2022</u>
Number of shares in the Public Float ² :	<u>4,150,000</u>	as of date: <u>September 30, 2022</u>
Total number of shareholders of record:	<u>161</u>	as of date: <u>September 30, 2022</u>

All additional class(es) of publicly traded securities (if any):

Trading symbol:	<u>n/a</u>	
Exact title and class of securities outstanding:	<u> </u>	
CUSIP:	<u> </u>	
Par or stated value:	<u> </u>	
Total shares authorized:	<u> </u>	as of date: <u> </u>
Total shares outstanding:	<u> </u>	as of date: <u> </u>

² "Public Float" shall mean the total number of unrestricted shares not held directly or indirectly by an officer, director, any person who is the beneficial owner of more than 10 percent of the total shares outstanding (a "control person"), or any affiliates thereof, or any immediate family members of officers, directors and control persons.

Transfer Agent

Name: ClearTrust, LLC
Phone: (813) 235-4490
Email: inbox@cleartrusttransfer.com
Address: 16540 Pointe Village Dr, Ste 205, Lutz, Florida 33558

Is the Transfer Agent registered under the Exchange Act?³ Yes: X No:

3) Issuance History

The goal of this section is to provide disclosure with respect to each event that resulted in any direct changes to the total shares outstanding of any class of the issuer's securities **in the past two completed fiscal years and any subsequent interim period**.

Disclosure under this item shall include, in chronological order, all offerings and issuances of securities, including debt convertible into equity securities, whether private or public, and all shares, or any other securities or options to acquire such securities, issued for services. Using the tabular format below, please describe these events.

A. Changes to the Number of Outstanding Shares

Check this box to indicate there were no changes to the number of outstanding shares within the past two completed fiscal years and any subsequent periods:

Shares Outstanding as of Second Most Recent Fiscal Year End: <u>Opening Balance</u> Date <u>01/01/2020</u> Common: 14,150,000 Preferred: <u>0</u>			*Right-click the rows below and select "Insert" to add rows as needed.						
Date of Transaction	Transaction type (e.g. new issuance, cancellation, shares returned to treasury)	Number of Shares Issued (or cancelled)	Class of Securities	Value of shares issued (\$/per share) at Issuance	Were the shares issued at a discount to market price at the time of issuance? (Yes/No)	Individual/ Entity Shares were issued to (entities must have individual with voting / investment control disclosed).	Reason for share issuance (e.g. for cash or debt conversion) OR- Nature of Services Provided	Restricted or Unrestricted as of this filing.	Exemption or Registration Type.
11/13/20	New	1,000,000	Common	0.0200	Yes	Jeffery Bahnsen	Cash	Restricted	Sec. 4(a)(2)
11/13/20	New	1,000,000	Common	0.0200	Yes	Roger Tichenor	Cash	Restricted	Sec. 4(a)(2)
11/13/20	New	8,000,000	Common	0.0200	Yes	Excel Family Partners LLLP	Cash	Restricted	Sec. 4(a)(2)
2/10/21	New	500,000	Common	0.5000	Yes	Thomas H Ruan 1972 Irrevocable Trust FBO Philip A Ruan	Cash	Restricted	Rule 506(b)
2/15/21	New	200,000	Common	0.5000	Yes	Debbie Litzenberger	Cash	Restricted	Rule 506(b)
2/15/21	New	50,000	Common	0.5000	Yes	Duane Woebbeking	Cash	Restricted	Rule 506(b)

³ To be included in the Pink Current Information tier, the transfer agent must be registered under the Exchange Act.

2/15/21	New	120,000	Common	0.5000	Yes	Gary Tice (Tice Travel, Inc)	Cash	Restricted	Rule 506(b)
2/15/21	New	200,000	Common	0.5000	Yes	Harris Williams (On Purpose Holdings LP)	Cash	Restricted	Rule 506(b)
2/15/21	New	100,000	Common	0.5000	Yes	Keri Kutakoff	Cash	Restricted	Rule 506(b)
2/15/21	New	100,000	Common	0.5000	Yes	Lisa Metcalf Williams	Cash	Restricted	Rule 506(b)
2/15/21	New	200,000	Common	0.5000	Yes	Michael Ostrow	Cash	Restricted	Rule 506(b)
2/15/21	New	100,000	Common	0.5000	Yes	Mike Belus	Cash	Restricted	Rule 506(b)
2/15/21	New	120,000	Common	0.5000	Yes	Paul Turner	Cash	Restricted	Rule 506(b)
2/15/21	New	300,000	Common	0.5000	Yes	RHP Family Partnership Ltc	Cash	Restricted	Rule 506(b)
2/15/21	New	500,000	Common	0.5000	Yes	Rick Hackel	Cash	Restricted	Rule 506(b)
2/15/21	New	250,000	Common	0.5000	Yes	Robert Camastro	Cash	Restricted	Rule 506(b)
2/15/21	New	100,000	Common	0.5000	Yes	Ronnie Williams JR	Cash	Restricted	Rule 506(b)
2/15/21	New	200,000	Common	0.5000	Yes	Ronnie Williams Sr	Cash	Restricted	Rule 506(b)
2/15/21	New	250,000	Common	0.5000	Yes	Russet Management, Ltd	Cash	Restricted	Rule 506(b)
2/15/21	New	100,000	Common	0.5000	Yes	Shane Dennis	Cash	Restricted	Rule 506(b)
2/15/21	New	300,000	Common	0.5000	Yes	The Krawn Company (Shawn Nekouei)	Cash	Restricted	Rule 506(b)
2/15/21	New	50,000	Common	0.5000	Yes	Thomas Williams	Cash	Restricted	Rule 506(b)
2/15/21	New	100,000	Common	0.5000	Yes	Tony Quach	Cash	Restricted	Rule 506(b)
2/15/21	New	100,000	Common	0.5000	Yes	Tonya & Richard Whitney	Cash	Restricted	Rule 506(b)
2/16/21	New	250,000	Common	0.5000	Yes	Antonio Esparza	Cash	Restricted	Rule 506(b)
2/16/21	New	250,000	Common	0.5000	Yes	Barbara Guerra	Cash	Restricted	Rule 506(b)
2/17/21	New	100,000	Common	0.5000	Yes	John Dearden	Cash	Restricted	Rule 506(b)
3/6/21	New	50,000	Common	0.5000	Yes	James Wemett	Cash	Restricted	Rule 506(b)

3/6/21	New	100,000	Common	0.5000	Yes	Vincent Vella	Cash	Restricted	Rule 506(b)
3/10/21	New	400,000	Common	0.5000	Yes	Amish Patel	Cash	Restricted	Rule 506(b)
3/15/21	New	100,000	Common	0.5000	Yes	Rick Hackel	Cash	Restricted	Rule 506(b)
3/15/21	New	100,000	Common	0.5000	Yes	Gerald L Baxter	Cash	Restricted	Rule 506(b)
3/15/21	New	100,000	Common	0.5000	Yes	Matthew Ayers	Cash	Restricted	Rule 506(b)
3/15/21	New	200,000	Common	0.5000	Yes	Andrew W. Duettra	Cash	Restricted	Rule 506(b)
3/15/21	New	100,000	Common	0.5000	Yes	William Key Norvell Jr	Cash	Restricted	Rule 506(b)
3/15/21	New	150,000	Common	0.5000	Yes	Jonathan Valerie	Cash	Restricted	Rule 506(b)
3/16/21	New	90,000	Common	0.5000	Yes	Matthew Byrnes Newell	Cash	Restricted	Rule 506(b)
3/17/21	New	100,000	Common	0.5000	Yes	John Philip Vehorn	Cash	Restricted	Rule 506(b)
3/23/21	New	50,000	Common	0.5000	Yes	Paul Clauson	Cash	Restricted	Rule 506(b)
3/23/21	New	1,000,000	Common	0.5000	Yes	Rick Hackel	Cash	Restricted	Rule 506(b)
4/1/21	New	500,000	Common	0.5000	Yes	JOSEPH AND MARIA BELLINO JT TEN	Cash	Restricted	Rule 506(b)
4/1/21	New	100,000	Common	0.5000	Yes	GOAT LOGIC GROUP, LLC	Cash	Restricted	Rule 506(b)
4/8/21	New	16,667	Common	1.875	No	SHANNON ABBOTT	Merger	Restricted	Rule 506(b)
4/8/21	New	50,000	Common	1.875	No	GLENN DAVID ADAMS	Merger	Restricted	Rule 506(b)
4/8/21	New	40,000	Common	1.875	No	ADK HOLDINGS, LLC	Merger	Restricted	Rule 506(b)
4/8/21	New	47,500	Common	1.875	No	JEFFERY BAHNSEN	Merger	Restricted	Rule 506(b)
4/8/21	New	8,334	Common	1.875	No	DAVID W. BERGER	Merger	Restricted	Rule 506(b)
4/8/21	New	18,334	Common	1.875	No	BRIAN WHITLOCK, IRA	Merger	Restricted	Rule 506(b)
4/8/21	New	8,334	Common	1.875	No	BYRD, LAWRENCE DEREK	Merger	Restricted	Rule 506(b)
4/8/21	New	25,000	Common	1.875	No	CAULFIELD, NANCY	Merger	Restricted	Rule 506(b)

4/8/21	New	16,667	Common	1.875	No	COJACK INVESTMENT	Merger	Restricted	Rule 506(b)
4/8/21	New	166,667	Common	1.875	No	DAVID W SHOEMAKER	Merger	Restricted	Rule 506(b)
4/8/21	New	66,668	Common	1.875	No	JAMIE V DI DOMENICO	Merger	Restricted	Rule 506(b)
4/8/21	New	244,444	Common	1.875	No	THOMAS ENGALA	Merger	Restricted	Rule 506(b)
4/8/21	New	984,430	Common	1.875	No	EXCEL FAMILY PARTNER	Merger	Restricted	Rule 506(b)
4/8/21	New	8,334	Common	1.875	No	GREGORY FERREIRA	Merger	Restricted	Rule 506(b)
4/8/21	New	83,334	Common	1.875	No	FRED M. STARLING, I	Merger	Restricted	Rule 506(b)
4/8/21	New	12,500	Common	1.875	No	TORII GOAR	Merger	Restricted	Rule 506(b)
4/8/21	New	8,334	Common	1.875	No	RICHARD TODD HALEY	Merger	Restricted	Rule 506(b)
4/8/21	New	208,334	Common	1.875	No	JOE HARRELSON	Merger	Restricted	Rule 506(b)
4/8/21	New	83,334	Common	1.875	No	DAVID P.M. HARRIS	Merger	Restricted	Rule 506(b)
4/8/21	New	41,667	Common	1.875	No	DAVID CRAIG HOLLIDAY	Merger	Restricted	Rule 506(b)
4/8/21	New	166,667	Common	1.875	No	JANET HUFFMAN	Merger	Restricted	Rule 506(b)
4/8/21	New	16,667	Common	1.875	No	KARASICK LLC	Merger	Restricted	Rule 506(b)
4/8/21	New	41,667	Common	1.875	No	STEVE KARASICK	Merger	Restricted	Rule 506(b)
4/8/21	New	33,334	Common	1.875	No	KC INVESTMENTS, LLC	Merger	Restricted	Rule 506(b)
4/8/21	New	23,334	Common	1.875	No	ERIK KEECH	Merger	Restricted	Rule 506(b)
4/8/21	New	8,334	Common	1.875	No	KIMELMAN FAMILY BUSINESS	Merger	Restricted	Rule 506(b)
4/8/21	New	83,334	Common	1.875	No	DOUGLAS KUPERMAN	Merger	Restricted	Rule 506(b)
4/8/21	New	16,667	Common	1.875	No	MICHAEL,R. LAWYER	Merger	Restricted	Rule 506(b)
4/8/21	New	8,334	Common	1.875	No	ERIC LERCH	Merger	Restricted	Rule 506(b)
4/8/21	New	8,334	Common	1.875	No	JOSEPH LHOTKA	Merger	Restricted	Rule 506(b)

4/8/21	New	8,334	Common	1.875	No	JAMES LINDELL	Merger	Restricted	Rule 506(b)
4/8/21	New	2,084	Common	1.875	No	BRIANA LIST	Merger	Restricted	Rule 506(b)
4/8/21	New	16,667	Common	1.875	No	WILLIAM LLOYD	Merger	Restricted	Rule 506(b)
4/8/21	New	16,667	Common	1.875	No	BRANDON MARSTERS	Merger	Restricted	Rule 506(b)
4/8/21	New	8,334	Common	1.875	No	RUSSELL MATHES	Merger	Restricted	Rule 506(b)
4/8/21	New	166,667	Common	1.875	No	JASON MOXLEY	Merger	Restricted	Rule 506(b)
4/8/21	New	333,334	Common	1.875	No	ROBERT MOXLEY	Merger	Restricted	Rule 506(b)
4/8/21	New	54,167	Common	1.875	No	RANDALL A. OSER	Merger	Restricted	Rule 506(b)
4/8/21	New	33,334	Common	1.875	No	NEIL OSER	Merger	Restricted	Rule 506(b)
4/8/21	New	41,667	Common	1.875	No	JOHN PARSONS	Merger	Restricted	Rule 506(b)
4/8/21	New	16,667	Common	1.875	No	BRIAN PENNINGTON	Merger	Restricted	Rule 506(b)
4/8/21	New	16,667	Common	1.875	No	PERCEPTIVE GROUP LLC	Merger	Restricted	Rule 506(b)
4/8/21	New	25,000	Common	1.875	No	MATTHEW PERRY	Merger	Restricted	Rule 506(b)
4/8/21	New	33,334	Common	1.875	No	JOHN PULEO	Merger	Restricted	Rule 506(b)
4/8/21	New	33,334	Common	1.875	No	CLYDE ALLEN PURMORT	Merger	Restricted	Rule 506(b)
4/8/21	New	35,834	Common	1.875	No	SCOTT ALAN REID	Merger	Restricted	Rule 506(b)
4/8/21	New	29,167	Common	1.875	No	WARREN RENICK	Merger	Restricted	Rule 506(b)
4/8/21	New	33,334	Common	1.875	No	NICK RIBAUDO	Merger	Restricted	Rule 506(b)
4/8/21	New	8,334	Common	1.875	No	J. PATRICK RITCHEY	Merger	Restricted	Rule 506(b)
4/8/21	New	8,334	Common	1.875	No	SHIRLEY RITCHEY	Merger	Restricted	Rule 506(b)
4/8/21	New	83,334	Common	1.875	No	JACK RODMAN	Merger	Restricted	Rule 506(b)
4/8/21	New	166,667	Common	1.875	No	DAVID ROSENBERG	Merger	Restricted	Rule 506(b)

4/8/21	New	16,667	Common	1.875	No	ERIC SEACE	Merger	Restricted	Rule 506(b)
4/8/21	New	20,834	Common	1.875	No	SIESTA FIESTA HOLDINGS	Merger	Restricted	Rule 506(b)
4/8/21	New	16,667	Common	1.875	No	SARAH SMITH	Merger	Restricted	Rule 506(b)
4/8/21	New	33,334	Common	1.875	No	STEVEN SAUL HOLDINGS	Merger	Restricted	Rule 506(b)
4/8/21	New	16,667	Common	1.875	No	BRADLEY SUTTER	Merger	Restricted	Rule 506(b)
4/8/21	New	8,334	Common	1.875	No	CALEB SWINK	Merger	Restricted	Rule 506(b)
4/8/21	New	16,667	Common	1.875	No	TROY SYPRETT	Merger	Restricted	Rule 506(b)
4/8/21	New	21,930	Common	1.875	No	CHRISTOPHER TENNANT	Merger	Restricted	Rule 506(b)
4/8/21	New	220,834	Common	1.875	No	ROGER TICHENOR	Merger	Restricted	Rule 506(b)
4/8/21	New	20,834	Common	1.875	No	KATHY VARGULIC	Merger	Restricted	Rule 506(b)
4/8/21	New	1,667	Common	1.875	No	VANESSA WATTERS	Merger	Restricted	Rule 506(b)
4/8/21	New	16,667	Common	1.875	No	RONALD LEE WILLIAMS	Merger	Restricted	Rule 506(b)
4/8/21	New	16,667	Common	1.875	No	RONNIE WILLIAMS	Merger	Restricted	Rule 506(b)
4/8/21	New	20,834	Common	1.875	No	KEN WILSON	Merger	Restricted	Rule 506(b)
4/19/21	New	3,000,000	Common	0.5000	Yes	EXCEL FAMILY PARTNERS LLLP	Debt Conversion	Restricted	Sec. 4(a)(2)
4/19/21	New	1,000,000	Common	0.5000	Yes	BANYAN PEDIATRIC INVESTMENTS, LLC	Debt Conversion	Restricted	Sec. 4(a)(2)
4/22/21	New	400,000	Common	0.5000	Yes	ANTHONY L FRANKE REVOCABLE TRUST	Cash	Restricted	Rule 506(b)
4/22/21	New	50,000	Common	0.5000	Yes	ROBERT BAUMERT	Cash	Restricted	Rule 506(b)
4/22/21	New	100,000	Common	0.5000	Yes	DAVID VERINDER	Cash	Restricted	Rule 506(b)
4/30/21	Cancellation	(200,000)	Common	N/A	N/A	ROMULUS BARR	In Exchange for Assets	Restricted	N/A
8/13/21	New	25,000	Common	1.00	Yes	ANGELO MAZZARINO	Cash	Restricted	Rule 506(b)
8/13/21	New	125,000	Common	1.00	Yes	ANTHONY LOCASCIO	Cash	Restricted	Rule 506(b)

8/13/21	New	50,000	Common	1.00	Yes	CAROLYN ANN HOLDER	Cash	Restricted	Rule 506(b)
8/13/21	New	100,000	Common	1.00	Yes	DOUGLAS A. HOLDER SR.	Cash	Restricted	Rule 506(b)
8/13/21	New	50,000	Common	1.00	Yes	DOUGLAS A. HOLDER SR.	Cash	Restricted	Rule 506(b)
8/13/21	New	100,000	Common	1.00	Yes	DAVID VERINDER	Cash	Restricted	Rule 506(b)
8/13/21	New	50,000	Common	1.00	Yes	ERE SEP LLC	Cash	Restricted	Rule 506(b)
8/13/21	New	50,000	Common	1.00	Yes	GOAT LOGIC GROUP, LLC	Cash	Restricted	Rule 506(b)
8/13/21	New	600,000	Common	1.00	Yes	RICHARD J. HACKEL	Cash	Restricted	Rule 506(b)
8/13/21	New	75,000	Common	1.00	Yes	RAYMOND SIMS	Cash	Restricted	Rule 506(b)
8/13/21	New	50,000	Common	1.00	Yes	SIESTA FIESTA HOLDINGS LLC	Cash	Restricted	Rule 506(b)
8/13/21	New	50,000	Common	1.00	Yes	THOMAS RAYMOND SUPLEE	Cash	Restricted	Rule 506(b)
8/13/21	New	50,000	Common	1.00	Yes	VALERIE PARSONS	Cash	Restricted	Rule 506(b)
8/13/21	New	50,000	Common	1.00	Yes	JOHN CHIAPPARDI	Cash	Restricted	Rule 506(b)
8/13/21	New	100,000	Common	1.00	Yes	KYLE HACKEL AND JESSICA HACKEL JTWROS	Cash	Restricted	Rule 506(b)
8/13/21	New	50,000	Common	1.00	Yes	CYNTHIA FUSARO AND	Cash	Restricted	Rule 506(b)
8/24/21	New	25,000	Common	1.00	Yes	GEOFFREY VALENTINO	Cash	Restricted	Rule 506(b)
8/24/21	New	75,000	Common	1.00	Yes	AMJADE INVESTMENTS PL ATF THE PETER RUDA	Cash	Restricted	Rule 506(b)
8/24/21	New	25,000	Common	1.00	Yes	GREGORY AND SKY ALLOCCA JTWROS	Cash	Restricted	Rule 506(b)
8/24/21	New	100,000	Common	1.00	Yes	KENNETH G. MAURO AND GAIL MAURO JTWROS	Cash	Restricted	Rule 506(b)
8/24/21	New	25,000	Common	1.00	Yes	TERIANN CHIPPARDI	Cash	Restricted	Rule 506(b)
8/24/21	New	25,000	Common	1.00	Yes	KATLYN ANN SCHWARZAELDER IRREVOCABLE TRU	Cash	Restricted	Rule 506(b)

8/24/21	New	25,000	Common	1.00	Yes	KATLYN ANN SCHWARZAELDER IRREVOCABLE TRU	Cash	Restricted	Rule 506(b)
8/24/21	New	150,000	Common	1.00	Yes	STEVEN AND CHERYL SCHWARZAELDER TEN COM	Cash	Restricted	Rule 506(b)
8/24/21	New	250,000	Common	1.00	Yes	MICHAEL JOSEPH VALENTINO	Cash	Restricted	Rule 506(b)
8/24/21	New	100,000	Common	1.00	Yes	KYLE HACKEL AND JESSICA HACKEL JTWROS	Cash	Restricted	Rule 506(b)
8/24/21	New	50,000	Common	1.00	Yes	CARL J. ALLOCCA AND DEBBIE A. ALLOCCA	Cash	Restricted	Rule 506(b)
8/24/21	New	70,000	Common	1.00	Yes	DOUG HOLDER, JR	Cash	Restricted	Rule 506(b)
8/24/21	New	75,000	Common	1.00	Yes	GEOFFREY VALENTINO	Cash	Restricted	Rule 506(b)
8/24/21	New	50,000	Common	1.00	Yes	SALLY TROUT	Cash	Restricted	Rule 506(b)
8/24/21	New	100,000	Common	1.00	Yes	JAMES C. DIGGS	Cash	Restricted	Rule 506(b)
8/24/21	New	100,000	Common	1.00	Yes	CAJ VENTURES LLC	Cash	Restricted	Rule 506(b)
8/24/21	New	50,000	Common	1.00	Yes	KENNETH AND BARBARA BARILARO JTWROS	Cash	Restricted	Rule 506(b)
8/24/21	New	100,000	Common	1.00	Yes	MICHAEL J BURNS BELENETTE A BELEN	Cash	Restricted	Rule 506(b)
8/24/21	New	100,000	Common	1.00	Yes	GREGORY SHAYNE BENCH	Cash	Restricted	Rule 506(b)
8/24/21	New	100,000	Common	1.00	Yes	FRANK AGNELLI	Cash	Restricted	Rule 506(b)
8/24/21	New	50,000	Common	1.00	Yes	JONATHAN VALERIE	Cash	Restricted	Rule 506(b)
8/24/21	New	100,000	Common	1.00	Yes	STEVEN V. VALENTINO	Cash	Restricted	Rule 506(b)
8/24/21	New	50,000	Common	1.00	Yes	FLORENCE ROUZIER	Cash	Restricted	Rule 506(b)
8/24/21	New	50,000	Common	1.00	Yes	ALLAN SILVERMAN	Cash	Restricted	Rule 506(b)
8/24/21	New	50,000	Common	1.00	Yes	JOHN PETER DEKRUIFF	Cash	Restricted	Rule 506(b)

8/24/21	New	25,000	Common	1.00	Yes	BLUE SEA ASSESTS, LLC	Cash	Restricted	Rule 506(b)
8/24/21	New	60,000	Common	1.00	Yes	SAJJAD MURTAZA	Cash	Restricted	Rule 506(b)
8/24/21	New	25,000	Common	1.00	Yes	TOPSIGHT CORPORATION	Cash	Restricted	Rule 506(b)
8/24/21	New	50,000	Common	1.00	Yes	JESSE AND MARCY COOK	Cash	Restricted	Rule 506(b)
8/25/21	New	200,000	Common	1.00	Yes	GREEN COAST	Cash	Restricted	Rule 506(b)
8/25/21	New	125,000	Common	1.00	Yes	RICH MASON	Cash	Restricted	Rule 506(b)
8/25/21	New	50,000	Common	1.00	Yes	MICHAEL BLOCH	Cash	Restricted	Rule 506(b)
8/25/21	New	25,000	Common	1.00	Yes	JOSEPH KOTARSKI AND	Cash	Restricted	Rule 506(b)
8/25/21	New	50,000	Common	1.00	Yes	KIMBERLY MASON	Cash	Restricted	Rule 506(b)
8/26/21	New	100,000	Common	1.00	Yes	PANDR HOLDINGS, LLC	Cash	Restricted	Rule 506(b)
8/26/21	New	150,000	Common	1.00	Yes	KAREE & KYLE SCHNORING JTWROS	Cash	Restricted	Rule 506(b)
8/26/21	New	50,000	Common	1.00	Yes	KRISTINE NEKOU EI	Cash	Restricted	Rule 506(b)
8/27/21	New	75,000	Common	1.00	Yes	GREGORY FERREIRA	Cash	Restricted	Rule 506(b)
8/27/21	New	45,000	Common	1.00	Yes	KENNETH CHAPMAN	Cash	Restricted	Rule 506(b)
8/27/21	New	50,000	Common	1.00	Yes	KYLE HACKEL AND JESSICA HACKEL JTWROS	Cash	Restricted	Rule 506(b)
8/27/21	New	50,000	Common	1.00	Yes	JOHN CALLEN AND	Cash	Restricted	Rule 506(b)
8/27/21	New	100,000	Common	1.00	Yes	JOINT AND NEURO REHAB ASSOCIATES, LLC	Cash	Restricted	Rule 506(b)
8/31/21	New	100,000	Common	1.00	Yes	JAMES S MASON AND	Cash	Restricted	Rule 506(b)
8/31/21	New	100,000	Common	1.00	Yes	ADK HOLDINGS, LLC	Cash	Restricted	Rule 506(b)
9/1/21	New	100,000	Common	1.00	Yes	GARWOOD ERICKSON	Cash	Restricted	Rule 506(b)
9/21/22	New	80,000	Common	1.25	Yes	RUSSEL R HEISER II TRUST	Cash	Restricted	Rule 506(b)
9/21/22	New	80,000	Common	1.25	Yes	MICHAEL QUILLEN	Cash	Restricted	Rule 506(b)

9/22/22	New	80,000	Common	1.25	Yes	ROBERT B. COOPER,LLC	Cash	Restricted	Rule 506(b)
Shares Outstanding on Date of This Report: <u>Ending Balance</u> Date <u>9/30/2022</u> Common: <u>45,585,418</u> Preferred: <u>0</u>									

Use the space below to provide any additional details, including footnotes to the table above: n/a

B. Debt Securities, Including Promissory and Convertible Notes

Use the chart and additional space below to list and describe all outstanding promissory notes, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer's equity securities.

Check this box if there are no outstanding promissory, convertible notes or debt arrangements:

Date of Note Issuance	Outstanding Balance (\$)	Principal Amount at Issuance (\$)	Interest Accrued (\$)	Maturity Date	Conversion Terms (e.g. pricing mechanism for determining conversion of instrument to shares)	Name of Noteholder (entities must have individual with voting / investment control disclosed).	Reason for Issuance (e.g. Loan, Services, etc.)
<u>December 17, 2021</u>	<u>\$300,000</u>	<u>\$300,000</u>	<u>\$23,342</u>	<u>December 17, 2023</u>	<u>\$0.50 per share</u>	<u>James Diggs</u>	<u>Loan</u>
<u>December 20, 2021</u>	<u>\$250,000</u>	<u>\$250,000</u>	<u>\$19,452</u>	<u>December 20, 2023</u>	<u>\$0.50 per share</u>	<u>Mike Valentino</u>	<u>Loan</u>
<u>January 4, 2022</u>	<u>\$300,000</u>	<u>\$300,000</u>	<u>\$22,110</u>	<u>January 4, 2024</u>	<u>\$0.50 per share</u>	<u>Richard T. Mason</u>	<u>Loan</u>
<u>January 4, 2022</u>	<u>\$200,000</u>	<u>\$200,000</u>	<u>\$14,740</u>	<u>January 4, 2024</u>	<u>\$0.50 per share</u>	<u>Gary Ashton</u>	<u>Loan</u>
<u>January 5, 2022</u>	<u>\$300,000</u>	<u>\$300,000</u>	<u>\$22,027</u>	<u>January 5, 2024</u>	<u>\$0.50 per share</u>	<u>Shayne Bench</u>	<u>Loan</u>
<u>January 10, 2022</u>	<u>\$105,000</u>	<u>\$105,000</u>	<u>\$7,566</u>	<u>January 10, 2024</u>	<u>\$0.50 per share</u>	<u>Robert Elliott</u>	<u>Loan</u>
<u>January 10, 2021</u>	<u>\$105,000</u>	<u>\$105,000</u>	<u>\$7,566</u>	<u>January 10, 2024</u>	<u>\$0.50 per share</u>	<u>Michael R. Elliott</u>	<u>Loan</u>
<u>March 30, 2022</u>	<u>\$150,000</u>	<u>\$150,000</u>	<u>\$7,562</u>	<u>March 30, 2024</u>	<u>\$0.50 per share</u>	<u>Mike Valentino</u>	<u>Loan</u>
<u>March 30, 2022</u>	<u>\$200,000</u>	<u>\$200,000</u>	<u>\$10,082</u>	<u>March 30, 2024</u>	<u>\$0.50 per share</u>	<u>Denise Penz</u>	<u>Loan</u>
<u>April 4, 2022</u>	<u>\$50,000</u>	<u>\$50,000</u>	<u>\$2,452</u>	<u>April 4, 2022</u>	<u>\$0.50 per share</u>	<u>David Verinder</u>	<u>Loan</u>
<u>April 6, 2022</u>	<u>\$200,000</u>	<u>\$200,000</u>	<u>\$9,699</u>	<u>April 6, 2022</u>	<u>\$0.50 per share</u>	<u>Bruce Cassidy</u>	<u>Loan</u>
<u>April 7, 2022</u>	<u>\$25,000</u>	<u>\$25,000</u>	<u>\$1,205</u>	<u>April 7, 2022</u>	<u>\$0.50 per share</u>	<u>Amish Manu Patel</u>	<u>Loan</u>

4) Financial Statements

A. The following financial statements were prepared in accordance with:

U.S. GAAP X
IFRS

B. The financial statements for this reporting period were prepared by (name of individual)⁴:

Name: Diane Harden
Title: Chief Financial Officer
Relationship to Issuer: Officer

A Quarterly Report containing the Arboreta Healthcare, Inc. Consolidated Financial Statements for the fiscal Quarter ended September 30, 2022 and 2021 was posted through the OTC Disclosure and News Services on November 16, 2022 and such Consolidated Financial Statements are incorporated herein by this reference.

5) Issuer's Business, Products and Services

The purpose of this section is to provide a clear description of the issuer's current operations. In answering this item, please include the following:

A. Summarize the issuer's business operations (If the issuer does not have current operations, state "no operations")

The Company was incorporated in Nevada on May 24, 2017, with an objective to operate as a facilitator of assisted living projects and related services. On March 23, 2021, we entered into the Plan of Merger with the Merger Sub and Banyan. Under the terms of the Plan of Merger, Merger Sub merged with and into Banyan with Banyan surviving the merger and becoming our wholly-owned subsidiary. Banyan was subsequently merged into its wholly-owned subsidiary, Banyan Pediatric Care Centers – OPS, LLC ("**Banyan OPS**") which was the surviving entity.

We had another wholly-owned subsidiary, Assisted 2 Live, Inc. ("A2L"), which was incorporated on June 15, 2017. On April 30, 2021, our Board of Directors approved the discontinuance and disposal of the operations in A2L. The operations of A2L are reflected on our condensed consolidated statement of operations for the first thirty days of the three-month period ended June 30, 2021 as a loss from discontinued operations.

On June 10, 2021, we entered into an Amended and Restated Membership Interest Purchase Agreement, by and among the Company, Richard T. Mason, G. Shayne Bench and Trillium Healthcare Group, LLC, a Florida limited liability company ("**Trillium**") to acquire all of the issued and outstanding ownership interests of Fairway Healthcare Properties, LLC ("**FHP**") and Trillium Healthcare Consulting, LLC (together with FHP, the "**Trillium Subsidiaries**") from Trillium. The Trillium acquisition closed and was effective June 10, 2021. On December 1, 2021, FHP changed its name to Arboreta Health and Rehabilitation Centers, LLC, and Trillium Healthcare Consulting, LLC changed its name to Arboreta Consulting, LLC.

On October 18, 2021 the company acquired three skilled nursing facilities in Texas with a combined 258 beds, the Grace Care Subsidiaries. The company owns the assets and manage the operations pursuant to management agreements which it assumed as a part of the transaction.

As a result of the above stated transactions, we now operate as the parent company of an organization that delivers skilled nursing and therapy services to pediatric patients through Banyan OPS and to the senior population through our senior living communities operated under the Trillium Subsidiaries and Grace Care Subsidiaries

⁴ The financial statements requested pursuant to this item must be prepared in accordance with US GAAP or IFRS by persons with sufficient financial skills.

B. Please list any subsidiaries, parents, or affiliated companies.

As of September 30, 2022, we have the following wholly-owned subsidiaries:

Banyan Pediatric Care Centers OPS, LLC.
Arboreta Health & Rehabilitation, LLC
Arboreta Consulting, LLC
IANE Properties I, LLC
IANE Properties II, LLC
Greenside Healthcare Properties, LLC
LOGAN Healthcare Properties, LLC
Cypress Rehabilitation, LLC
Nocona Health and Rehab Center, LLC d/b/a Grace Care Center of Nocona
Olney Health and Rehab Center, LLC d/b/a Grace Care Center of Olney
Henrietta Health and Rehab Center, LLC d/b/a Grace Care Center of Henrietta
Real Living Property Holdings
Banyan Pediatric Care Centers – St Petersburg, LLC
Banyan Pediatric Care Centers – Sarasota, LLC
Banyan Pediatric Care Centers – Pasco, LLC
Banyan Pediatric Care Centers – Tampa, LLC
Premier Estates 511, LLC d/b/a Cedar Falls Health Care Center
Crest Haven Care Center, LLC d/b/a Crest Haven Care Centre
Premier Estates 502, LLC d/b/a Grandview Health Care Center
Premier Estates 504, LLC d/b/a Grundy Care Center
Premier Estates 506, LLC d/b/a Iowa City Rehab and Health Care Center
Premier Estates 507, LLC d/b/a Lenox Care Center
New Hampton Care Center, LLC d/b/a Linn Haven Rehab & Healthcare
Premier Estates of Muscatine, LLC
Premier Estates 508, LLC d/b/a Osage Rehabilitation & Health Care Center
Premier Estates of Toledo, LLC
Sunny Knoll Care Center, LLC d/b/a Sunny Knoll Care Centre
Premier Estates 510, LLC d/b/a Casa De Paz Health Care Center
Premier Estates 503, LLC d/b/a Denison Health Care Center
Elmwood Care Center, LLC d/b/a Elmwood Care Centre
Elmwood PE, LLC d/b/a Elmwood Premier Estates
Premier Estates 509, LLC d/b/a Garden View Care Center
Premier Estates 505, LLC d/b/a Pleasant Acres Care Center
Rock Rapids Care Center, LLC d/b/a Rock Rapids Care Center
Rock Rapids PE, LLC d/b/a Premier Estates Rock Rapids
North Platte Care Center, LLC d/b/a North Platte Care Center
North Platte Premier Estates, LLC d/b/a North Platte Premier Estates
Premier Estates of Kennesaw, LLC d/b/a Premier Estates of Kenesaw
Premier Estates of Pawnee, LLC d/b/a Premier Estates of Pawnee
Premier Estates of Pierce, LLC d/b/a Premier Estates of Pierce
Rehabilitation Center at Park Place, LLC d/b/a Rehab Center at Park Place
Premier Estates of Dublin, LLC d/b/a Shamrock Nursing and Rehab
Real Living Property Holdings – Texas, LLC

C. Describe the issuers' principal products or services.

Banyan OPS operates three pediatric extended care centers (PPECs) in southwest Florida. A PPEC is a nurse-staffed pediatric day care center for medically complex children age birth to 21 years. Our PPEC centers provide up to 12 hours of daily medical care for these children, allowing the parents of children with special needs some independence and the opportunity to still pursue their professional goals. Our staff includes Registered Nurses (RNs), Licensed Practical Nurses (LPNs), Certified Nursing Assistants (CNAs) and Caregivers, who attend to the children's medical conditions throughout the day in classroom, dining, play, and clinical settings. Banyan OPS is fully licensed and accepts Florida Medicaid.

The Trillium Subsidiaries were organized for the purpose of acquiring and managing long term care facilities, such as skilled nursing facilities and assisted living centers. Trillium has 26 facilities which primarily provide health care services for seniors that require daily care services. The facilities provide room and board, routine daily care services, post-acute care including rehabilitation and memory care.

A skilled nursing facility (a “SNF”) is a state licensed and regulated in-patient rehabilitation and medical treatment center staffed with trained medical professionals. They provide the medically necessary services of licensed nurses, physical and occupational therapists, and speech pathologists. The residents who come to our SNFs receive skilled medical, respiratory, physical, occupational, and other therapies tailored to their individual needs. The SNFs are operated and staffed by RNs, LPNs, and other qualified personnel such as CNAs, physical and occupational therapists, and speech language pathologists. These specialized health care professionals are experienced in treating the frail and medically complex elderly residents and administering required medications and other therapies. The SNFs facilities provide 24/7 care for their residents.

SNFs and assisted living facilities are regulated and licensed by each state's licensing agency. The licensing agency is responsible for the administration of the Medicaid program, licensure and regulation of health facilities. Our SNFs are also Medicare certified with Centers of Medicare and Medicaid Services (CMS).

Trillium Subsidiaries, Grace Care Subsidiaries, and Banyan OPS reimbursement rates are determined by CMS for Medicare and each state's Medicaid program. These rates could be significantly affected by any future changes in Medicare or Medicaid reimbursement. To receive authorization to be admitted to a SNF or a PPEC, a resident or child must have a qualifying diagnosis and a doctor's order from a physician.

The Company plans to continue to expand locations in multiple states, and will be subject to the regulations, licensure requirements and processes, and reimbursement rates in each of those states. Each state manages their own program requirements, regulations and reimbursement programs. Our projected financial plans in these expansion states could be impacted by any changes or barriers to entry in each of these states as they expand.

6) Issuer's Facilities

The goal of this section is to provide a potential investor with a clear understanding of all assets, properties or facilities owned, used or leased by the issuer and the extent in which the facilities are utilized.

In responding to this item, please clearly describe the assets, properties or facilities of the issuer, give the location of the principal plants and other property of the issuer and describe the condition of the properties. If the issuer does not have complete ownership or control of the property (for example, if others also own the property or if there is a mortgage on the property), describe the limitations on the ownership.

If the issuer leases any assets, properties or facilities, clearly describe them as above and the terms of their leases.

The Company moved into its current 12,187 sq ft principal executive office, located at 7349 Merchant Court Lakewood Ranch, FL 34240, on March 31, 2022. The lease commenced on November 23, 2021 and it expires on February 28, 2032. The lease has two renewal periods of five years each, which we can elect at our option.

St. Petersburg PPEC facility is located at 850 3rd Ave S St. Petersburg, FL 33701. The St. Petersburg facility is approximately 12,000 square feet with approximately 3,000 square feet of outside space. The St. Petersburg facility is licensed to care for 81 children. The Sarasota PPEC facility is located at 3251 17th Street Suite 200 Sarasota, FL 34235. The Sarasota facility is approximately 26,500 square feet of leased space with approximately 13,000 finished square feet of space. The facility is licensed to care for 80 children. The Pasco PPEC facility is located at 4008 Little Rd New Port Richey, FL 34655. The Pasco County location is approximately 10,500 square feet and is licensed to care for 80 children.

The Trillium Subsidiaries lease and operate 26 facilities in four states: Florida, Georgia, Iowa, and Nebraska with 1,685 total licensed beds (1,546 skilled nursing, 139 assisted living) and 36 independent living apartments). The breakdown by state is as follows: Florida – 1 skilled nursing facility; Georgia – 1 skilled nursing facility; Iowa – 16 skilled nursing facilities, 2 independent living centers and 1 assisted living centers; Nebraska – 4 skilled nursing facilities and 1 assisted living center.

The Company also operates three SNFs located in Texas, the Grace Care Subsidiaries. The SNFs, located in Olney, Nocona and Henrietta, Texas, are all 5-star rated by CMS for quality and have a combined 258 beds. The SNFs continue to be leased to local hospital districts, who continue to be the licensed operators of the SNFs. Through indirect wholly-owned subsidiaries, we now own the assets and will manage the day-to-day operations of the SNFs pursuant to management agreements which it assumed in connection with the transaction.

7) Company Insiders (Officers, Directors, and Control Persons)

The goal of this section is to provide an investor with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant or beneficial shareholders.

Using the tabular format below, please provide information, **as of the period end date of this report**, regarding any person or entity owning 5% or more of any class of the issuer's securities, as well as any officer, and any director of the company, or any person that performs a similar function, regardless of the number of shares they own. If any insiders listed are corporate shareholders or entities, provide the name and address of the person(s) beneficially owning or controlling such corporate shareholders, or the name and contact information (City, State) of an individual representing the corporation or entity in the note section.

Name of Officer/Director or Control Person	Affiliation with Company (e.g. Officer Title /Director/Owner of more than 5%)	Residential Address (City / State Only)	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding	Note
Bruce Cassidy	Chairman/ Owner of more than 5%	Sarasota, FL	15,288,598	Common	33.72%	See footnote (1) below
Roger Tichenor	Director/ Owner of more than 5%	Sarasota, FL	4,266,666	Common	9.41%	See footnote (2) below
Michael Valentino	Director/ Owner of more than 5%	Sarasota, FL	3,516,666	Common	7.76%	See footnote (3) below
Jim Diggs	Director	Sarasota, FL	100,000	Common	*	
Denise Penz	Director	Summerville, SC	200,000	Common	*	
Dr. Amish Patel	Director	Chicago, IL	400,000	Common	*	
David Verinder	Director	Longboat Key, FL	200,000	Common	*	
Louis Collier	CEO	Sarasota, FL	0	n/a	n/a	See footnote (4) below
Diane Harden	CFO	Sarasota, FL	0	n/a	n/a	See footnote (5) below
Dale Poe	COO	Sarasota, FL	0	n/a	n/a	See footnote (6) below

(*) Ownership percentage is less than one percent (1%)

(1) Shares are held by Excel Family Partners, LLLP, of which Mr. Cassidy is an indirect limited partner along with his wife, and he is the indirect general partner as sole manager of a limited liability company that is the general partner of Excel Family Partners.

(2) Shares are held by Mr. Tichenor and his wife as joint tenancy with right of survivorship, which Mr. Tichenor may be deemed to share voting and investment power with respect to these shares.

(3) Shares are held by Mr. Valentino and his wife as joint tenancy with right of survivorship, which Mr. Valentino may be deemed to share voting and investment power with respect to these shares.

(4) Mr. Collier was granted options to purchase 1,500,000 shares of common stock on August 31, 2021. As of September 30, 2022 options to purchase 409,000 shares of common stock had vested. The remaining options vest ratably on the first day of each consecutive month until ending on August 1, 2025.

(5) Ms. Harden was granted options to purchase 500,016 shares of common stock on November 8, 2021. As of September 30, 2022, options to purchase 105,000 shares of common stock had vested. The remaining options vest ratably on the first day of each consecutive month until ending on November 1, 2025.

(6) Mr. Poe was granted options to purchase 500,016 shares of common stock on February 22, 2022. As of September 30, 2022, options to purchase 74,000 shares of common stock had vested. His options vest ratably on the first day of each consecutive month commencing on March 1, 2022 and ending on February 1, 2026.

8) Legal/Disciplinary History

A. Please identify whether any of the persons or entities listed above have, in the past 10 years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);

No

2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;

No

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or

No

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.

No

B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

None

9) Third Party Providers

Please provide the name, address, telephone number and email address of each of the following outside providers:

N/A

Investor Relations

Name: None

Other Service Providers

Provide the name of any other service provider(s) that **that assisted, advised, prepared or provided information with respect to this disclosure statement**. This includes counsel, broker-dealer(s), advisor(s) or consultant(s) or provided assistance or services to the issuer during the reporting period.

N/A

10) Issuer Certification

Principal Executive Officer:

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles but having the same responsibilities) in each Quarterly Report or Annual Report.

The certifications shall follow the format below:

I, **Louis Collier, Jr.** certify that:

1. I have reviewed this Quarterly Report For the Period Ending September 30, 2022 of Arboreta Healthcare, Inc.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

November 16, 2022

/s/ Louis Collier, Jr.

Principal Financial Officer:

I, **Diane Harden**, certify that:

1. I have reviewed this Quarterly Report for the Period Ending September 30, 2022 of Arboreta Healthcare, Inc.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

November 16, 2022

/s/ Diane Harden

Arboreta Healthcare, Inc.

Consolidated Condensed Financial Statements

Quarter Ended September 30, 2022

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ARBORETA HEALTHCARE, INC.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2022	December 31, 2021
ASSETS		
Current assets:		
Cash	\$ 1,003,728	\$ 1,910,966
Accounts receivable, net	9,001,481	9,823,414
Third party receivable	709,033	108,834
Prepaid expenses and other current assets	3,542,765	5,073,559
Total current assets	14,257,007	16,916,773
Operating lease right-of-use (ROU) assets	39,256,013	43,994,974
Goodwill	8,987,561	15,551,100
Leasehold improvements, net	4,063,228	3,736,188
Property and equipment, net	8,358,586	10,168,153
Other intangible assets, net	4,714,000	718,750
Other assets	2,418,021	2,416,854
Total assets	\$ 82,054,416	\$ 93,502,792
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 24,728,813	\$ 17,602,631
Notes payable – current portion	15,678,930	9,331,541
Accrued interest, including related party	498,460	140,934
Financed insurance premiums	88,782	1,556,416
Operating lease obligations - current portion	10,771,884	8,554,227
Advanced payments	-	812,295
Deferred revenue	731,261	576,624
Deferred HHS revenue	3,108,093	279,247
Liability to issue shares	5,000,000	5,000,000
Due to seller for acquisition	392,651	392,651
Total current liabilities	60,998,874	44,246,566
Operating lease obligations - net of current portion	30,258,567	35,895,680
Liability to issue shares - long term	3,663,461	4,750,000
Notes payable - net of current portion	7,114,489	6,951,845
Total liabilities	102,035,391	91,844,091
Stockholders' equity:		
Common stock, par value \$0.0001; 100,000,000 shares authorized, 45,585,418, and 45,345,418 shares issued and outstanding at September 30, 2022 and December 31, 2021, respectively	4,559	4,535
Additional paid-in capital	21,648,225	17,876,115
Subscription receivable	-	-
Accumulated deficit	(41,633,759)	(16,221,949)
Total stockholders' equity (deficit)	(19,980,975)	1,658,701
Total liabilities and stockholders' equity	\$ 82,054,416	\$ 93,502,792

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

ARBORETA HEALTHCARE, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Nine Months Ended September 30,	
	2022	2021
Service revenue	\$ 76,151,186	\$ 27,581,902
Rental income	-	22,875
Other revenue	-	1,489,068
Net revenue	76,151,186	29,093,845
Cost of services provided	53,825,418	15,477,070
Gross profit	22,325,768	13,616,775
Operating expenses		
Salaries and payroll expense	16,939,079	6,671,656
General and administrative	14,148,109	6,591,749
Lease expense	9,249,492	3,912,133
Professional fees	3,530,057	2,707,511
Marketing and advertising	478,521	336,984
Depreciation and amortization expense	2,155,244	318,324
Total operating expenses	46,500,502	20,538,357
Loss from operations	(24,174,734)	(6,921,582)
Other income (expense)		
Interest expense	(2,301,594)	(317,881)
Gain on disposal of asset	1,064,518	-
Total other income (expense)	(1,237,076)	(317,881)
LOSS FROM CONTINUING OPERATIONS BEFORE PROVISION FOR INCOME TAXES AND RESULTS FROM DISCONTINUED OPERATIONS	(25,411,810)	(7,239,463)
Income taxes	-	-
LOSS FROM CONTINUING OPERATIONS BEFORE DISCONTINUED OPERATIONS	(25,411,810)	(7,239,463)
Loss from discontinued operations	-	(26,500)
Gain on disposal of discontinued operations	-	395,500
Income from discontinued operations	-	369,000
Net loss attributable to common shareholders	\$ (25,411,810)	\$ (6,870,463)
Continuing operations		
Loss per share - basic and diluted - Continuing operations	\$ (0.56)	\$ (0.24)
Weighted average number of shares outstanding - basic and diluted	45,354,209	29,984,191
Discontinued operations net income per share		
Earnings per share - basic	\$ -	\$ 0.01
Earnings per share - diluted	\$ -	\$ 0.01
Weighted average number of shares - basic	-	29,984,191
Weighted average shares outstanding - diluted	-	34,705,065

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

ARBORETA HEALTHCARE, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Three Months Ended September 30,	
	2022	2021
Service revenue	\$ 25,577,875	\$ 21,602,984
Rental income	-	11,275
Other revenue	-	760,833
Net revenue	25,577,875	22,375,092
Cost of services provided	18,840,890	12,310,011
Gross profit	6,736,985	10,065,081
Operating expenses		
Salaries and payroll expense	5,831,060	5,068,423
General and administrative	4,852,164	4,978,559
Lease expense	3,066,233	2,991,078
Professional fees	1,322,345	1,722,741
Marketing and advertising	150,802	236,499
Depreciation and amortization expense	537,478	159,750
Total operating expenses	15,760,082	15,157,055
Loss from operations	(9,023,097)	(5,091,969)
Other income (expense)		
Interest expense	(1,077,968)	(179,293)
Total other income (expense)	(1,077,968)	(179,293)
LOSS FROM CONTINUING OPERATIONS BEFORE PROVISION FOR INCOME TAXES AND RESULTS FROM DISCONTINUED OPERATIONS	(10,101,065)	(5,271,262)
Income taxes	-	-
LOSS FROM CONTINUING OPERATIONS BEFORE DISCONTINUED OPERATIONS	(10,101,065)	(5,271,262)
Loss from discontinued operations	-	-
Gain on disposal of discontinued operations	-	-
Income (loss) from discontinued operations	-	-
Net loss attributable to common shareholders	\$ (10,101,065)	\$ (5,271,262)
Continuing operations		
Loss per share - basic and diluted - Continuing operations	\$ (0.22)	\$ (0.12)
Weighted average number of shares outstanding - basic and diluted	45,371,505	42,783,081
Discontinued operations net income per share		
Earnings per share - basic	\$ -	\$ -
Earnings per share - diluted	\$ -	\$ -
Weighted average number of shares - basic	-	-
Weighted average shares outstanding - diluted	-	-

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

ARBORETA HEALTHCARE, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock Number of		Additional Paid-In Capital	Subscription Receivable	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance at January 1, 2022	45,345,418	\$ 4,535	\$17,876,115	\$ -	\$ (16,221,949)	\$ 1,658,701
Stock-based compensation and issuance of employee stock award plan	-	-	38,196	-	-	38,196
Net loss for the period	-	-	-	-	(8,316,298)	(8,316,298)
Balance at March 31, 2022	<u>45,345,418</u>	<u>\$ 4,535</u>	<u>\$17,914,311</u>	<u>\$ -</u>	<u>\$ (24,538,247)</u>	<u>\$ (6,619,401)</u>
Stock-based compensation and issuance of employee stock award plan	-	-	40,724	-	-	40,724
Net loss for the period	-	-	-	-	(6,994,447)	(6,994,447)
Balance at June 30, 2022	<u>45,345,418</u>	<u>\$ 4,535</u>	<u>\$17,955,035</u>	<u>\$ -</u>	<u>\$ (31,532,694)</u>	<u>\$ (13,573,124)</u>
Stock-based compensation and issuance of employee stock award plan	-	-	73,611	-	-	73,611
Issuance of shares via private placement	240,000	24	299,976	-	-	300,000
Issuance of detachable warrants	-	-	3,319,603	-	-	3,319,603
Net loss for the period	-	-	-	-	(10,101,065)	(10,101,065)
Balance at September 30, 2022	<u>45,585,418</u>	<u>\$ 4,559</u>	<u>\$21,648,225</u>	<u>\$ -</u>	<u>\$ (41,633,759)</u>	<u>\$ (19,980,975)</u>

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

ARBORETA HEALTHCARE, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock Number of		Additional Paid-In	Subscription	Accumulated	Total
	Shares	Amount	Capital	Receivable	Deficit	Stockholders' Equity
Balance at January 1, 2021	4,165,418	\$ 417	\$ 7,460,348	\$ (30)	\$ (3,705,695)	\$ 3,755,040
Issuance of shares for acquisition	31,230,000	3,123	3,039,874	-	-	3,042,997
Collection on subscription receivable	-	-	-	30	-	30
Net loss for the period	-	-	-	-	(579,061)	(579,061)
Balance at March 31, 2021	<u>35,395,418</u>	<u>\$ 3,540</u>	<u>\$10,500,222</u>	<u>\$ -</u>	<u>\$ (4,284,756)</u>	<u>\$ 6,219,006</u>
Issuance of shares via private placement	1,150,000	115	574,885	-	-	575,000
Issuance of shares for the conversion of debt	4,000,000	400	1,999,600	-	-	2,000,000
Shares cancelled for transfer of discontinued	(200,000)	(20)	(369,980)	-	-	(370,000)
Net loss for the period	-	-	-	-	(1,020,140)	(1,020,140)
Balance at June 30, 2021	<u>40,345,418</u>	<u>\$ 4,035</u>	<u>\$12,704,727</u>	<u>\$ -</u>	<u>\$ (5,304,896)</u>	<u>\$ 7,403,866</u>
Issuance of shares via private placement	5,000,000	500	4,999,500	-	-	5,000,000
Stock-based compensation and issuance of employee stock award plan	-	-	171,888	-	-	171,888
Net loss for the period	-	-	-	-	(5,271,262)	(5,271,262)
Balance at September 30, 2021	<u>45,345,418</u>	<u>\$ 4,535</u>	<u>\$17,876,115</u>	<u>\$ -</u>	<u>\$ (10,576,158)</u>	<u>\$ 7,304,492</u>

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

ARBORETA HEALTHCARE, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Nine Months Ended September 30,	
	2022	2021
Cash flows from operating activities:		
Net loss	\$ (25,411,810)	\$ (6,870,463)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization	673,062	318,324
Amortization of intangible assets	1,481,750	-
Amortization of deferred issuance costs	222,514	-
Amortization of discount on debt	368,845	-
Net gain from discontinued operations	-	(369,000)
Stock based compensation	152,531	-
Non-cash lease expense	9,033,786	212,326
Gain on sale of asset	(1,064,518)	-
Increase in assets:		
Prepaid expenses and other current assets	1,530,794	(1,824,624)
Deposits and other assets	(1,167)	(2,003,607)
Accounts receivable	821,934	435,016
Third party receivable	(600,199)	-
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	11,277,282	2,373,538
Operating lease obligations	(7,845,457)	-
Deferred revenues	2,983,483	1,331,333
Advance payments	(821,934)	(3,396,502)
Accrued interest	588,301	(6,034)
Cash used in operating activities	(6,601,164)	(9,799,693)
Cash flows from investing activities:		
Proceeds from sale of property and equipment	2,600,000	-
Merger of business, net of cash	-	3,432,847
Investment in leasehold improvements	(534,264)	-
Purchase of property and equipment	(60,577)	(76,317)
Cash provided by investing activities	2,005,159	3,356,530
Cash flows from financing activities:		
Borrowings under revolving line of credit	49,222,637	-
Repayments under revolving line of credit	(48,185,781)	-
Proceeds from notes payable	7,935,000	5,212,234
Repayments of financed insurance premiums	(1,467,634)	-
Repayment of principal on notes payable	(4,115,455)	(795,017)
Proceeds from the issuance of registered shares	300,000	5,574,500
Cash provided by financing activities	3,688,767	9,991,717
Net increase (decrease) in cash	(907,238)	3,548,554
Cash, beginning of year	1,910,966	345,982
Cash, end of period	\$ 1,003,728	\$ 3,894,536
 SUPPLEMENTAL DISCLOSURE OF CASH FLOWS:		
Interest paid	\$ 1,324,302	\$ 275,831
Taxes paid	\$ -	\$ -
 NON-CASH ITEMS:		
Recognition of lease liability and right-of-use asset at inception	\$ 2,040,663	\$ -
Purchase accounting changes	\$ 6,566,539	\$ -
Conversion of accounts payable to note payable	\$ 4,151,101	\$ -
Recognitions of detachable warrants and discount on debt	\$ 3,319,603	\$ -
Conversion of notes payable and accrued interest for common stock	\$ -	\$ 2,000,000

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

ARBORETA HEALTHCARE, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND DESCRIPTION OF BUSINESS

Assisted 4 Living, Inc. was incorporated in the state of Nevada on May 24, 2017, and is based in Lakewood Ranch, Florida. In December 2021, Assisted 4 Living, Inc. changed its name to Arboreta Healthcare, Inc. (collectively referred to as “the Company”).

As discussed in NOTE 3, on March 23, 2021, the Company entered into a Plan of Merger with the Company’s wholly-owned subsidiary, BPCC Acquisition, Inc., a Florida corporation (“Merger Sub”) and Banyan Pediatric Care Centers, Inc. (“Banyan”). Under the terms of the Plan of Merger, Merger Sub merged with and into Banyan with Banyan surviving the merger (the “Surviving Entity”) and becoming a wholly-owned subsidiary of the Company (the “Merger”).

Banyan, operates three pediatric extended care centers (“PPECs”) in southwest Florida. A PPEC is a nurse-staffed pediatric day care center for medically complex children age birth to 21 years.

As discussed in NOTE 5, on June 10, 2021, the Company entered into a Membership Interest Purchase Agreement (the “Purchase Agreement”), by and among the Company, Richard T. Mason (“Mason”), G. Shayne Bench (“Bench”) and Trillium Healthcare Group, LLC, a Florida limited liability company (“Trillium”) to acquire all of the issued and outstanding ownership interests of Fairway Healthcare Properties, LLC (“FHP”) and Trillium Healthcare Consulting, LLC (together with FHP, the “Trillium Subsidiaries”) from Trillium. The transaction closed and was effective June 10, 2021.

Trillium subsidiaries lease and operate 26 facilities in four states: Florida, Georgia, Iowa, and Nebraska with 1,685 total licensed beds (1,546 skilled nursing, 139 assisted living and 36 independent living apartments). The breakdown by state is as follows: Florida – 1 skilled nursing facility; Georgia – 1 skilled nursing facility; Iowa – 16 skilled nursing facilities, 2 independent living centers and 1 assisted living centers; Nebraska – 4 skilled nursing facilities and 1 assisted living center.

The facilities provide room and board, routine daily care services, post-acute care including rehabilitation and memory care. The Trillium Subsidiaries were organized under the laws of the State of Florida on February 9, 2012, for the purpose of acquiring and managing long term care facilities, such as skilled nursing facilities and assisted living centers. On December 1, 2021, Trillium subsidiaries became Arboreta Health & Rehabilitation, LLC.

As discussed in NOTE 5, on October 18, 2021, the Company completed the acquisition of Grace Care Centers and its affiliates (collectively, “Grace”) of three skilled nursing facilities located in Texas (the “Skilled Facilities”).

The Skilled Facilities, located in Olney, Nocona and Henrietta, Texas, are all 5-star rated by CMS for quality and have a combined 258 beds. The Skilled Facilities continue to be leased to local hospital districts, who continue to be the licensed operators of the Skilled Facilities. The Company, through indirect wholly-owned subsidiaries, now own the assets and will manage the day-to-day operations of the Skilled Nursing Facilities pursuant to management agreements which it assumed in connection with the transaction.

The corporate website is www.assisted4living.com.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying condensed consolidated financial statements of the Company (“Financial Statements”) have been prepared in accordance with U.S. Generally Accepted Accounting Principles (“GAAP”).

Basis of Consolidation

These condensed consolidated Financial Statements include the financial position, operations and accounts of the Company and its subsidiaries, wholly owned. All intercompany accounts and transactions have been eliminated in consolidation.

ARBORETA HEALTHCARE, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Capital Requirements, Liquidity and Going Concern Considerations

These condensed consolidated Financial Statements are prepared using GAAP applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company sustained a net loss of approximately \$25.4 million for the nine months ended September 30, 2022 and had a deficiency in working capital of approximately \$46.7 million at September 30, 2022. Historically, the Company has satisfied its capital needs with the net production from the issuance of registered shares and notes payable. The Company expects to continue to generate net losses for the near-term future until it can complete new planned acquisitions of higher performing facilities to improve overall performance. In addition, the Company has initiated consolidation of certain locations to reduce operating costs.

As a result of these factors, the Company determined it was necessary to review its projected cash flows over the following twelve months and an overall analysis of market trends to determine the Company's ability to meet its obligations as they come due. The Company also determined it was necessary to take certain corporate actions, including the redesign of benefit costs to reduce paid time off liability, reduction of health benefit plan expenses, improving recruitment and retention of employees to reduce expensive contract labor, and increasing revenues through volume growth. The company is also seeking new sources of financing to cover expenses for the next twelve months.

The Company is exploring and evaluating a number of strategic alternatives to manage and to improve its liquidity position to address the maturity of material indebtedness and other obligations over the twelve-month period following the date of issuance of these Financial Statements.

A raise of \$4.0 million in unsecured debt was secured in July 2022 and a new capital raise of \$5 million was initiated in the fall of calendar year 2022.

These measures and other plans and initiatives are needed to provide the Company with adequate liquidity to meet its obligations for at least the twelve-month period following the date its condensed consolidated financial statements are issued. However, no assurances can be given that we will be successful. If management is not able to timely and successfully raise additional capital and/or refinance indebtedness and implement the Company's business plan, the financial condition and results of operations will be materially affected. These circumstances raise substantial doubt about the Company's ability to continue as a going concern. The accompanying condensed consolidated Financial Statements do not include any adjustments that may result if the Company is unable to continue as a going concern.

Use of Estimates and Assumptions

The preparation of the condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements. The estimates and judgments will also affect the reported amounts for certain revenues and expenses during the reporting period. The Company's most significant estimates relate to realizable net revenues, valuation of acquired property and equipment, intangible assets and goodwill, and general and professional liabilities. Actual results could differ from these good faith estimates and judgments.

Cash and Cash Equivalents

The Company considers all short-term investments with an original maturity of three months or less to be cash equivalents. The Company had no cash equivalents at September 30, 2022 and December 31, 2021.

ARBORETA HEALTHCARE, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Accounts Receivable

Accounts receivable primarily consists of amounts due from third-party payors (non-governmental), governmental payors and private pay patients and is recorded net of contractual allowances, reserves for doubtful accounts and historical trends. The Company's ability to collect outstanding receivables is critical to its results of operations and cash flows. Accordingly, accounts receivable reported in the Company's condensed consolidated financial statements is recorded at the net amount expected to be received. The Company's primary collection risks are (i) the risk of overestimation of net revenues at the time of billing that may result in the Company receiving less than the recorded receivable, (ii) the risk of non-payment as a result of commercial insurance companies' denial of claims, (iii) the risk that patients will fail to remit insurance payments to the Company when the commercial insurance company pays out-of-network claims directly to the patient, (iv) the risk that patients do not pay the Company for their self-pay balances (including co-pays, deductibles and any portion of the claim not covered by insurance) and (v) the risk of non-payment from uninsured patients.

While changes in estimated reimbursement from third-party payors remain a possibility, the Company expects that any such changes would be minimal and, therefore, would not have a material effect on the Company's financial condition or results of operations. The Company's collection policies and procedures are based on the type of payor, size of claim, and estimated collection percentage for each patient account. The Company analyzes accounts receivable at each of the facilities to ensure the proper collection and aged category. The operating systems generate reports that assist in the collection efforts by prioritizing patient accounts. Collection efforts include direct contact with insurance carriers or patients and written correspondence.

Allowance for Doubtful Accounts, Contractual and Other Discounts

Management estimates the allowance for contractual and other discounts based on its historical collection experience and contracted relationship with the payors. The services authorized and provided and related reimbursement are often subject to interpretation and negotiation that could result in payments that differ from the Company's estimates. The Company's allowance for doubtful accounts is based on historical experience, but management also takes into consideration the age of accounts, creditworthiness, and current economic trends when evaluating the adequacy of the allowance for doubtful accounts. An account may be written-off only after the Company has pursued collection efforts or otherwise determines an account to be uncollectible. Uncollectible balances are written-off against the allowance. Recoveries of previously written-off balances are credited to income when the recoveries are made.

COVID-19 Pandemic and CARES Act Funding

The Company's operations and financial condition have been significantly impacted by the continuing effects of COVID-19, which evolved into a global pandemic beginning in early 2020. The company's volumes and related revenues have been adversely impacted by the on-going pandemic. In response to COVID-19 and its effects on the U.S. economy and the health care delivery system, Congress has passed various stimulus bills which have provided certain financial benefits to the Company. Principal among these was the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), enacted on March 27, 2020. The CARES Act authorized \$100 billion in direct funding to hospitals and other healthcare providers from Provider Relief Funds, and provided other financial benefits, including the expansion of the Medicare Accelerated and Advance Payment Program. Under the CARES Act, the Company's Trillium subsidiary, received an aggregate of \$16,596,016 as part of general distributions from the Provider Relief Funds. Prior to the Trillium acquisition date, the Seller recognized \$11,324,353, comprised of \$4,242,796 in the period ended December 31, 2020 and an additional \$7,081,557 during the period of 2021 prior to the acquisition date. The Company recognized \$2,163,570 as other operating income resulting in a remaining balance of \$4,242,796 which is classified on the balance sheet as Deferred HHS Revenue. The recognition of amounts received is conditioned upon the provision of care for individuals with possible or actual cases of COVID-19 after January 31, 2020, certification that payment will be used to prevent, prepare for and respond to coronavirus and shall reimburse the recipient only for healthcare-related expenses or lost revenues, as defined by HHS, that are attributable to coronavirus, as well as receipt of the funds.

ARBORETA HEALTHCARE, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Professional Liability Risks

Provisions for losses related to professional liability risks are based upon historical experience and information available through the issuance of the consolidated financial statements. The reserve represents the estimated ultimate net cost of all potential professional liability claims. The estimates are continually reviewed and adjustments are recorded as matters develop or new information becomes known. Adjustments to the estimated reserve amounts are included in current operating results. The time period required to resolve these claims can vary depending upon the jurisdiction and whether the claim is settled or litigated. Although considerable variability is inherent in professional liability reserve estimates, the Company believes the reserves for losses are adequate; however, there can be no assurance the ultimate liability will not exceed our estimates.

Medicare Accelerated Payments

The Company recorded payments under the Medicare Accelerated and Advance Payment administered by the Centers for Medicare and Medicaid Services (“CMS”) program in accordance with the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* (ASC 606) and has recorded amounts as a contract liability under FASB ASC 606-10-45-2. The contract liability will be reduced over time as revenue is recognized for claims submitted for services provided after the recoupment period begins. Effective October 1, 2020, the program was amended such that providers are required to repay accelerated payments beginning one year after the payment was issued. After such one-year period, Medicare payments owed to providers will be recouped according to the repayment terms. The repayment terms specify that for the first 11 months after repayment begins, repayment will occur through an automatic recoupment of 25% of Medicare payments otherwise owed to the provider. At the end of the eleven-month period, recoupment will increase to 50% for six months. At the end of the six months (or 29 months from the receipt of the initial accelerated payment), Medicare will issue a letter for full repayment of any remaining balance, as applicable. In such event, if payment is not received within 30 days, interest will accrue at the annual percentage rate of four percent (4%) from the date the letter was issued and will be assessed for each full 30-day period that the balance remains unpaid. As of September 30, 2022, all Medicare accelerated payments previously recognized as advanced payments on the condensed consolidated balance sheet were repaid and have been removed from liabilities on the balance sheet. As of December 31, 2021, \$812,295 of Medicare accelerated payments are reflected on the condensed consolidated balance sheet as advanced payments within current liabilities, respectively.

Purchase Accounting

For acquisitions of a business, the Company accounts for the transaction as a business combination pursuant to the acquisition method and assets acquired and liabilities assumed, including identified intangible assets and liabilities, are recorded at fair value. In determining the allocation of the purchase price of companies and communities to net tangible and identified intangible assets acquired and liabilities assumed, the Company makes estimates of fair value using information obtained as a result of pre-acquisition due diligence, marketing, leasing activities, and/or independent appraisals.

In connection with a business combination, the excess of the fair value of liabilities assumed, common stock issued, and cash paid over the fair value of identifiable assets acquired is allocated to goodwill. The excess of the fair value of the identifiable assets acquired over the fair value of the liabilities assumed and common stock issued and cash paid is allocated to gain on bargain purchase. Transaction costs associated with business combinations are expensed as incurred.

Fair Value of Financial Instruments

The Company’s financial instruments consist primarily of cash and cash equivalents, accounts receivable, accounts payable, and borrowings. The Company believes all of the financial instruments’ recorded values approximate fair values because of their nature or respective short durations.

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable.

ARBORETA HEALTHCARE, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Additions and improvements to property and equipment are capitalized at cost. Depreciation of owned assets and amortization of leasehold improvements are computed using the straight-line method over the shorter of the estimated useful lives of the related assets or the lease term. The cost of assets sold or retired, and the related accumulated depreciation are removed from the accounts and any resulting gains or losses are reflected in other income (expense) for the year. Expenditures for maintenance and repairs are charged to expense as incurred.

Leases and Leasehold Improvements

The Company leases skilled nursing home facilities, senior living facilities and pediatric care facilities. The Company accounts for its leases under ASC Topic 842, *Leases*. The Company determines if an arrangement is a lease at the inception of each lease. At the inception of each lease, the Company performs an evaluation to determine whether the lease should be classified as an operating or finance lease. As of September 30, 2022, and December 31, 2021, respectively, the Company had 32 and 35 leases classified as finance leases. Rights and obligations of operating leases are included as right-of-use assets, current lease liabilities and long-term lease liabilities on the Company's condensed consolidated balance sheets. As the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at lease commencement date in determining the present value of future lease payments.

The Company records rent expense for operating leases on a straight-line basis over the term of the lease. The lease term used for straight-line rent expense is calculated from the date the Company is given control of the leased premises through the end of the lease term. Renewals are not assumed in the determination of the lease term unless they are deemed to be reasonably assured at the inception of the lease. The lease term used for this evaluation also provides the basis for establishing depreciable lives for buildings subject to lease and leasehold improvements.

The Company recognizes lease expense for leases with an initial term of 12 months or less on a straight-line basis over the lease term. These leases are not recorded on the consolidated balance sheet. Certain of the Company's lease arrangements include rental payments that are adjusted periodically for inflation. The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Intangible Assets and Goodwill

Definite-lived intangible assets consist primarily of management contracts acquired in the Trillium and Grace acquisitions necessary for operations of the acquired facilities in the states of Iowa, Nebraska, Georgia and Texas. These contracts are amortized over a period of five years. See NOTE 5 – *Acquisitions*.

The Company's goodwill represents the excess of the purchase price over the fair value of the net identifiable assets acquired in business combinations. The goodwill generated from the business combinations is primarily related to the value placed on the employee workforce and expected synergies. Goodwill is subject to annual testing for impairment. In addition, goodwill is tested for impairment if events occur or circumstances change that would reduce the fair value of a reporting unit below its' carrying amount. Judgement is involved in determining if an indicator or change in circumstances relating to impairment has occurred. Such changes may include, among others, a significant decline in expected future cash flows, a significant adverse change in the business climate, and unforeseen competition.

There was no goodwill impairment during the nine months ended September 30, 2022 and 2021, respectively.

Long-Lived Assets

Long-lived assets are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. There were no impairments of long-lived assets for the periods presented.

ARBORETA HEALTHCARE, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Advertising and Marketing

The Company uses advertising and marketing to promote its services. Advertising and marketing costs are expensed as incurred.

Earnings (Loss) Per Share

Basic earnings (loss) per common share is computed by dividing net loss applicable to common stockholders by the weighted-average number of common shares outstanding during the period. Diluted earnings per common share is determined using the weighted-average of common shares outstanding during the period, adjusted for the dilutive effect of common stock equivalents, consisting of the conversion option embedded in convertible debt. The weighted-average number of common shares outstanding for continuing operation's excludes common stock equivalents because their inclusion would have an anti-dilutive effect.

Fixed grantee stock options (fixed awards) and nonvested stock (including restricted stock) are included in the computation of diluted earnings per common share. Even though their issuance may be contingent upon vesting, they shall be considered to be contingently issuable shares. Because issuance of performance based stock options (and performance based nonvested stock) is contingent upon satisfying conditions in addition to the mere passage of time, those options and non-vested stock shall be considered to be contingently issuable shares and included in the computation of diluted earnings per common share upon satisfaction of the performance condition.

The dilutive effect of outstanding call options and warrants (and their equivalents) are reflected in diluted earnings per common share by application of the treasury stock method unless another method is required. Equivalents of options and warrants include nonvested stock granted under a share-based payment arrangement, stock purchase contracts, and partially paid stock subscriptions. Antidilutive contracts such as purchased put options and purchased call options shall be excluded from diluted earnings per common share.

The Company has included shares issuable under its 2021 Incentive Award Plan in deriving its diluted earnings per common share using the Treasury Method in accordance with ASC 260-10-45.

Income Taxes

The Company uses the liability method of accounting for income taxes. Under the liability method, deferred tax assets and liabilities are determined based on differences between financial reporting and the tax basis of assets, liabilities, the carry forward of operating losses and tax credits, and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. An allowance against deferred tax assets is recorded when it is more likely than not that such tax benefits will not be realized.

Any future benefit arising from losses have been offset by a valuation allowance. Accordingly, no provision for income taxes is reflected in the condensed consolidated financial statements. The Company records a liability for uncertain tax positions when it is probable that a loss has been incurred and the amount can be reasonably estimated. Interest and penalties related to income tax matters, if any, would be recognized as a component of income tax expense. At September 30, 2022 and December 31, 2021, the Company had no liabilities for uncertain tax positions. The Company continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. Currently, the tax years subsequent to 2018 are open and subject to examination by the taxing authorities.

Revenue Recognition

The Company recognizes revenue in accordance with ASC 606, *Revenue from Contracts with Customers*. Revenues are recognized when promised services are transferred to a customer, in an amount that reflects the consideration that the Company expects to receive in exchange for those services. The Company derives revenues from the rendering of services, such as skilled nursing services. The five-step model defined by ASC 606 requires us to: (i) identify contracts with customers, (ii) identify performance obligations under those contracts, (iii) determine the transaction prices of those contracts, (iv) allocate the transaction prices to performance obligations in those contracts and (v) recognize revenue when each performance obligation under those contracts is satisfied.

ARBORETA HEALTHCARE, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Revenue Recognition, continued

Reimbursement rates to provide services in the Company's facilities are determined by the fee schedules set by the government programs and negotiated in contracts with non-governmental third-party payors and private pay patients. Fees are billed to the payors and private pay patients weekly and monthly following billing guidelines and contract requirements.

The Company receives payment for services under various third-party payor programs which include Medicare, Medicaid, and other third-party payors. Estimates for settlements with third-party payors for retroactive adjustments from estimated reimbursements due to audits, reviews, or investigations are included in the determination of the estimated transaction price for providing services. The Company estimates the transaction price based on the terms of the contract with the payor, correspondence with the payor, and historical payment trends. Changes to these estimates for retroactive adjustments are recognized in the period the change or adjustment becomes known or when final settlements are determined.

Billings for services under third-party payor programs are recorded net of estimated retroactive adjustments, if any. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods or as final settlements are determined. Contractual or cost related adjustments from Medicare or Medicaid are accrued when assessed (without regard to when the assessment is paid or withheld). Subsequent adjustments to these accrued amounts are recorded in net revenues when known.

Government Grants

The Company recognizes income for government grants on a systematic and rational basis over the periods in which the Company recognizes the related expenses or loss of revenue for which the grants are intended to compensate when there is reasonable assurance that the Company will comply with the applicable terms and conditions of the grant and there is reasonable assurance that the grant will be received.

Reclassification

Certain amounts from prior periods have been reclassified to conform to the current period presentation.

Recent Accounting Pronouncement

In November 2021, the FASB issued Accounting Standards Update (ASU) 2021-10, *Governmental Assistance (Topic 832): Disclosures by Business Entities about Government Assistance*, which created FASB ASC Topic 832, *Government Assistance* (ASC 832). ASC 832 requires business entities to disclose information about certain government assistance they receive. The Company adopted this standard on January 1, 2022 and determined there was no material impact on the Company's condensed consolidated financial statements.

In August 2020, the FASB issued ASU 2020-06, *Debt – Debt with Conversion and Other Options (Subtopic 470-05) and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815-40)*, which reduces the number of accounting models for convertible debt instruments by eliminating the cash conversion and beneficial conversion models. The diluted net income per share calculation for convertible instruments will require the Company to use the if-converted method. For contracts in an entity's own equity, the type of contracts primarily affected by this update are freestanding embedded features that are accounted for as derivatives under the current guidance due to a failure to meet the settlement conditions of the derivative scope exception. This update simplifies the related settlement assessment by removing the requirements to (i) consider whether the contract would be settled in registered shares, (ii) consider whether collateral is required to be posted, and (iii) assess shareholder rights. ASU 2020-06 is effective January 1, 2024, for the Company and the provisions of this update can be adopted using either the modified retrospective method or a fully retrospective method. Early adoption is permitted, but no earlier than January 1, 2021, including interim periods within that year. The Company is currently assessing the impact of adopting this standard on the Company's condensed consolidated financial statements and related disclosures.

ARBORETA HEALTHCARE, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 – BANYAN MERGER

Effective March 23, 2021, the Company entered into a Plan of Merger with Merger Sub and Banyan. Under the terms of the Plan of Merger, Merger Sub merged with and into Banyan with Banyan as the Surviving Entity and wholly-owned subsidiary of the Company.

The Merger has been treated as a recapitalization and reverse acquisition of the Company for financial accounting purposes, and Banyan is considered the acquirer for accounting purposes under common control guidance. This means that the Company's historical financial statements before the Merger have been replaced with the historical financial statements of Banyan.

In connection with the Merger, the Company issued 4,165,418 shares of common stock in exchange for 49,984,649 outstanding shares of Banyan's common stock held by 64 shareholders, based on an exchange ratio of one (1) share of the Company's common stock for every twelve (12) shares of Banyan common stock. The company also issued a warrant to purchase 75,000 shares of common stock (the "Warrant") in exchange for a warrant to purchase 900,000 shares of Banyan's common stock. The Warrant is held by one investor and is exercisable for cash only until May 2, 2030 at an exercise price of \$0.38 per share. The number of shares of common stock deliverable upon exercise of the Warrant contains provisions for standard anti-dilution adjustments.

The Surviving Entity assumed Banyan's \$2,300,000 of outstanding debt, and the \$2,000,000 of such debt that was convertible into 20,000,000 shares of Banyan common stock was converted at \$0.50 per share into 4,000,000 shares of common stock, effective March 30, 2021. During the three months ended June 30, 2021, shares were issued to the Noteholders of the \$2,000,000 convertible note. The remaining \$300,000 of outstanding debt, evidenced by a promissory note dated November 6, 2020, accrues interest at the annual rate of 12%. Interest is payable on the sixth day of each month in the amount of \$3,000 until the maturity date of this note on November 6, 2022, at which time, the remaining principal balance, if any, is due and payable.

NOTE 4 – DISCONTINUED OPERATIONS

On April 30, 2021, the Company's Board of Directors (the "Board") approved the discontinuance of the Company's wholly-owned subsidiary, Assisted 2 Live, Inc. (the "Discontinued Subsidiary"). The operations of the Discontinued Subsidiary are reflected on the Company's condensed consolidated statements of operations from the date of the Merger as a loss from discontinued operations in the amount of \$26,500.

The April 30, 2021 Board decision was the result of the Purchase and Sale Option Agreement (the "Option Agreement") with Romulus Barr ("Barr") which the Company entered into on November 7, 2020. The Option Agreement provided the Company with the option to sell all of its' interest in Assisted 2 Live, Inc., consisting of 1,000 shares of common stock of the discontinued subsidiary, to Barr in exchange for 200,000 shares of the Company's common stock (the "Shares") held by Barr. The returned Shares were cancelled and included in authorized but unissued shares of common stock of the Company. The number of issued and outstanding shares of common stock was decreased by 200,000 as of April 30, 2021. The transfer resulted in a gain on disposal of discontinued operations in the amount of \$395,500. A share price of \$1.85 was used to determine the gain on disposal of discontinued operations based on the share price value on April 30, 2021.

NOTE 5 –ACQUISITIONS

Trillium Acquisition

On June 10, 2021, the Company (the "Buyer") entered into the Purchase Agreement, between the Buyer, and Trillium Healthcare Group, LLC and its ownership group (collectively the "Seller") to acquire all of the issued and outstanding ownership interests of Trillium Subsidiaries.

As a condition to closing, the Buyer paid \$1,200,000 to one of its landlords, CTR Partnership, L.P. ("CTR"), as an additional security deposit under a lease between Greenside Healthcare Properties, LLC, a wholly-owned subsidiary of FHP and CTR and \$3,000,000 to Crete Plus Five Property, L.L.C. ("Omega"), and together with CTR, (the "Landlords") as a deposit on the Company's purchase of 16 facilities on 14 properties (the "Properties") currently being leased by FHP's wholly-owned subsidiaries from Omega and its affiliates. The \$3,000,000 deposit to Omega is non-refundable and is subject to forfeiture if the purchase of the Properties is not closed by March 1, 2022, see NOTE

ARBORETA HEALTHCARE, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 –ACQUISITIONS, CONTINUED

Trillium Acquisition, continued

20, *Subsequent Events*. If the \$3,000,000 deposit is forfeited, the Seller forfeits its right to receive \$3,000,000 of the purchase price, first, from the cash payment mentioned in subsection (i) below, and second, from the value of common stock to be issued to Trillium mentioned in subsection (ii) below. In any event, no cash payments may be made to the Seller until the purchase of the Properties closes.

Pursuant to the terms and conditions of the Purchase Agreement, the aggregate purchase price consists of: (i) a cash payment of \$902,847, minus certain transaction related costs, fees and expenses set forth in the Restated Purchase Agreement and determined post-closing; (ii) 2,500,000 shares of the Company's Series A Preferred Stock (the "Preferred Shares"); and (iii) shares of the Company's common stock ("Common Shares") having an aggregate value of \$5,000,000, based on the stock price at the time of issuance, on or before the earlier of an initial public offering by the Company or June 10, 2022 (assuming the closure of the sale of the Omega properties). Trillium will have the right to acquire an additional 2,500,000 Common Shares during the two-year period after the Transaction closes pursuant to a Business Development Agreement.

The Preferred Shares, with respect to rights on liquidation, winding up and dissolution, rank *pari passu* with the Common Shares. The holders of Preferred Shares have the right to cast one (1) vote for each Preferred Share held of record on all matters submitted to a vote of holders of the Common Shares, including the election of directors, and all other matters as required by law. The Preferred Shares are not convertible into Common shares at the election of the holder. However, the Preferred Shares do automatically convert into Common Shares at a one-to-one ratio two years from date of issuance. In lieu of converting the Preferred Shares, the holders thereof may elect to have the Company redeem one or more Preferred Shares at the redemption price of \$1.00 per share two years from the date of issuance. In connection with the issuance of the Preferred Shares, the Company will file a Certificate of Designation with the Nevada Secretary of State prior to such issuance.

In connection with obtaining the Landlords' consent to the Transaction, the Company entered into: (i) a guaranty agreement with each Landlord under which the Company agreed to guaranty all obligations and liabilities under master leases for property and facilities owned by the Landlords' and their affiliates and leased by FHP's direct and indirect wholly-owned subsidiaries; and (ii) a Consent Agreement and Fifth Amendment to Master Lease with Omega (the "Consent") regarding the Properties. Under the terms of the Consent, until the earlier of the purchase of the Properties closes or the expiration of the master lease agreement for the Properties in 2027: (a) Mason and Bench must remain responsible for, and have authority over, the day to day management and operations of the Properties and related facilities; and (b) the Company may not make any payment, transfer or distribution of cash or any assets to one or more equity holders or any person or entity with possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of the Company, through the ownership of voting securities (an "Affiliate"), or return any capital, redemption of any security, or making or assumption of any loans, advances or extension of credit or capital contribution to, or any other investment in, any Affiliate, including, but not limited to, a fee for management, a payment for services rendered, a reimbursement for expenditures or overhead incurred on behalf of the Company or a payment on any debt of an Affiliate; provided, however, the Company may contribute or transfer cash or other assets to its, direct or indirect, wholly-owned subsidiaries, and pay reasonable cash compensation to the members of the Board and executive officers provided that such compensation does not in the aggregate, exceed \$600,000 in any six month period.

The initial purchase price has been allocated to the acquired assets and assumed liabilities based on estimated fair values. The purchase price allocation is preliminary pending a final determination of the fair values of the assets and liabilities. The table below provides a preliminary recording of assets acquired and liabilities assumed as of the acquisition date. The amounts recorded for property, plant and equipment, leasehold improvements, goodwill and share liability are final.

ARBORETA HEALTHCARE, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 –ACQUISITIONS, CONTINUED

Trillium Acquisition, continued

Assets acquired

Cash	\$ 3,432,847
Accounts receivable	5,520,362
Prepaid expenses and other current assets	2,624,978
Property and equipment	2,380,635
Goodwill	5,263,413
Other intangible assets	5,770,000
Leasehold improvements	1,213,273
Lease right-of-use asset	44,196,092
Total identifiable assets acquired	<u>\$ 70,401,600</u>

Liabilities assumed

Advance payments	\$ 2,905,234
Accounts payable and accrued expenses	8,783,508
Deferred revenue	2,162,966
Loan payable – other	453,043
Lease liability – current portion	7,837,406
Notes payable	2,309,884
Lease liability – net of current portion	36,383,251
Cash due to seller	902,847
Share liability	8,663,461
Total identifiable liabilities assumed	<u>\$ 71,401,600</u>

Grace Acquisition

On October 18, 2021, the Company completed the acquisition of Grace Care Centers and its affiliates (collectively, “Grace”) of three skilled nursing facilities located in Texas (the “Skilled Facilities”), including the real property, buildings, structures, improvements, fixtures and certain other assets comprising the Skilled Facilities (together with the Skilled Facilities, the “Assets”) in exchange for an aggregate purchase price of \$7,750,000 (the “Purchase Price”). The Assets were acquired pursuant to and in accordance with three Purchase and Sale Agreements and three Management Transfer Agreements.

The Company through its indirect wholly-owned subsidiary, financed part of the Purchase Price with a loan from Arena Limited SPV, LLC (“Arena”) in the principal amount of \$6,600,000 and paid \$1,150,000 in cash. See NOTE 13, *Debt* for further discussion of the terms of the note.

The purchase price has been allocated to all identifiable assets based on their relative fair value at the time of acquisition. The table below provides the allocation of the fair value of the purchase price as of the acquisition date.

Allocation of purchase price

Property and equipment	\$ 7,440,000
Other intangible assets	750,000
Total identifiable assets acquired	8,190,000
Less: Gain on bargain purchase	440,000
Total purchase price	<u>\$ 7,750,000</u>

ARBORETA HEALTHCARE, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 – BUSINESS SEGMENTS

The Company reports segments in accordance with ASC 280-10 Segment Reporting. The standard requires that companies disclose operating segments based on the manner in which management disaggregates the Company in making internal operating decisions. The Company has two reportable segments: (1) pediatric care facilities representing the three pediatric care centers, and (2) adult care facilities representing the senior housing communities including skilled nursing facilities, assisted living facilities and independent living facilities. The Company also reports an “All Other” category that includes unallocated items.

The following tables set forth financial information for the segments for the nine months ended September 30, 2022:

	Pediatric Care	Adult Care	All Other	Consolidated
Total revenue, net	\$ 2,907,165	\$ 73,244,021	\$ -	\$ 76,151,186
Cost of services provided	(1,826,188)	(51,999,778)	3,548	(53,825,418)
Gross profit	1,077,977	21,244,243	3,548	22,325,768
Salaries and payroll expense	627,424	9,216,497	7,095,158	16,939,079
General and administrative	654,954	12,563,936	929,219	14,148,109
Lease expense	413,224	8,584,251	252,017	9,249,492
Professional fees	55,356	2,844,848	629,853	3,530,057
Marketing and advertising	66,173	346,726	65,622	478,521
Depreciation and amortization expense	223,314	1,919,016	12,914	2,155,244
Operating loss	<u>\$ (962,468)</u>	<u>\$ (14,231,031)</u>	<u>\$ (8,981,235)</u>	<u>\$ (24,174,734)</u>

The following tables set forth financial information for the segments for the nine months ended September 30, 2021:

	Pediatric Care	Adult Care	All Other	Consolidated
Total revenue, net	\$ 2,094,905	\$ 26,998,940	\$ -	\$ 29,093,845
Cost of services provided	(810,114)	(14,666,956)	-	(15,477,070)
Gross profit	1,284,791	12,331,984	-	13,616,775
Salaries and payroll expense	610,183	5,521,454	540,019	6,671,656
General and administrative	828,543	5,409,409	535,797	6,591,749
Lease expense	383,501	3,528,632	-	3,912,133
Professional fees	255,218	1,450,431	1,001,862	2,707,511
Marketing and advertising	164,800	172,184	-	336,984
Depreciation and amortization expense	206,777	111,336	211	318,324
Operating loss	<u>\$ (1,164,231)</u>	<u>\$ (3,861,462)</u>	<u>\$ (1,895,889)</u>	<u>\$ (6,921,582)</u>

ARBORETA HEALTHCARE, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 – BUSINESS SEGMENTS, CONTINUED

The following tables set forth financial information for the segments for the three months ended September 30, 2022:

	Pediatric Care	Adult Care	All Other	Consolidated
Total revenue, net	\$ 1,024,041	\$ 24,553,834	\$ -	\$ 25,577,875
Cost of services provided	(648,654)	(18,190,201)	(2,035)	(18,840,890)
Gross profit	375,387	6,363,633	(2,035)	6,736,985
Salaries and payroll expense	203,654	3,158,650	2,468,756	5,831,060
General and administrative	264,984	4,303,191	283,989	4,852,164
Lease expense	131,563	2,861,028	73,642	3,066,233
Professional fees	20,899	1,064,601	236,845	1,322,345
Marketing and advertising	26,727	100,821	23,254	150,802
Depreciation and amortization expense	74,532	455,917	7,029	537,478
Operating loss	<u>\$ (346,972)</u>	<u>\$ (5,580,575)</u>	<u>\$ (3,095,550)</u>	<u>\$ (9,023,097)</u>

The following tables set forth financial information for the segments for the three months ended September 30, 2021:

	Pediatric Care	Adult Care	All Other	Consolidated
Total revenue, net	\$ 767,356	\$ 21,607,736	\$ -	\$ 22,375,092
Cost of services provided	(334,403)	(11,975,608)	-	(12,310,011)
Gross profit	432,953	9,632,128	-	10,065,081
Salaries and payroll expense	210,035	4,576,376	282,012	5,068,423
General and administrative	310,564	4,467,993	200,002	4,978,559
Lease expense	131,030	2,860,048	-	2,991,078
Professional fees	7,058	1,164,455	551,228	1,722,741
Marketing and advertising	68,488	168,011	-	236,499
Depreciation and amortization expense	67,988	91,762	-	159,750
Operating loss	<u>\$ (362,210)</u>	<u>\$ (3,696,517)</u>	<u>\$ (1,033,242)</u>	<u>\$ (5,091,969)</u>

NOTE 7 – REVENUE AND ACCOUNTS RECEIVABLE

Service Revenue

The Company's service revenue is derived primarily from providing healthcare services to its patients. Revenue is recognized when services are provided to the patients at the amount that reflects the consideration to which the Company expects to be entitled from patients and third-party payor, including Medicaid, Medicare and insurers (private and Medicare replacement plans), in exchange for providing patient care. The healthcare services in skilled patient contracts include routine services in exchange for a contractual agreed-upon amount or rate. Routine services are treated as a single performance obligation satisfied over time as services are rendered. As such, patient care services represent a bundle of services that are not capable of being distinct. Additionally, there may be ancillary services which are not included in the daily rates for routine services, but instead are treated as separate performance obligations satisfied at a point in time, if and when those services are rendered.

Revenue recognized from healthcare services are adjusted for estimates of variable consideration to arrive at the transaction price. The Company determines the transaction price based on contractually agreed-upon amounts or rate on a per day basis, adjusted for estimates of variable consideration. The Company uses the expected value method in determining the variable component that should be used to arrive at the transaction price, using contractual agreements and historical reimbursement experience within each payor type. The amount of variable consideration which is

ARBORETA HEALTHCARE, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 – REVENUE AND ACCOUNTS RECEIVABLE, CONTINUED

Service Revenue, continued

included in the transaction price may be constrained and is included in net revenue only to the extent that it is probable that a significant reversal in amount of the cumulative revenue recognized will not occur in a future period. If actual amounts of consideration ultimately received differ from the Company's estimates, the Company adjusts these estimates, which would affect net revenue in the period such variances become known.

The company receives a substantial portion of revenues from the Medicare and Medicaid programs. Included in Managed Care and other third-party payors is operating revenues from insurance companies with which the Company has insurance provider contracts, Medicare managed care, insurance companies for which we do not have insurance provider contracts, workers' compensation carriers and non-patient service revenue, such as rental income and cafeteria sales. In the future, the Company generally expects the portion of revenues received from the Medicare and Medicaid programs to increase over the long-term due to the general aging of the population and the impact of the Affordable Care Act. The Affordable Care Act has increased the number of insured patients in states that have expanded Medicaid, which in turn, has reduced the percentage of revenues from self-pay patients. However, it is unclear whether the trend of increased coverage will continue, due in part to the impact of the COVID-19 pandemic and the elimination of the financial penalty associated with the individual mandate, effective January 1, 2019. Further, the Affordable Care Act imposes significant reductions in amounts the government pays Medicare managed care plans. Moreover, the trend toward increased enrollment in Medicare and Medicaid managed care may adversely affect operating revenue. An executive order issued in October 2019 seeks to accelerate this shift away from traditional fee-for-service Medicare to Medicare managed care. The Company may also be impacted by regulatory requirements imposed on insurers, such as minimum medical-loss ratios and specific benefit requirements. Furthermore, in the normal course of business, managed care programs, insurance companies and employers actively negotiate the amounts paid to health care providers. The Company's relationships with payors may be impacted by price transparency initiatives and out-of-network billing restrictions. There can be no assurance that the Company will retain existing reimbursement arrangements or that these third-party payors will not attempt to further reduce the rates they pay for services.

Net operating revenues include amounts estimated by management to be reimbursable by Medicare and Medicaid under prospective payment systems and provisions of cost-based reimbursement and other payment methods. In addition, the Company is reimbursed by non-governmental payors using a variety of payment methodologies. Amounts the Company received for the treatment of patients covered by Medicare, Medicaid and non-governmental payors are generally less than the Company's standard billing rates. The Company accounts for the differences between the estimated program reimbursement rates and the Company's standard billing rates as contractual allowance adjustments, which the Company deducts from gross revenues to arrive at net operating revenues. Final settlements under some of these programs are subject to adjustment based on administrative review and audit by third parties. The Company accounts for adjustments to previous program reimbursement estimates as contractual allowance adjustments and reports them in the periods that such adjustments become known.

Revenue from the Medicare and Medicaid programs accounted for 75% and 76% for the nine months ended September 30, 2022 and 2021, respectively. Settlements with Medicare and Medicaid payors for retroactive adjustments due to audits and reviews are considered variable consideration and are included in the determination of the estimated transaction price. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Company's historical settlement activity. Consistent with healthcare industry practices, any changes to these revenue estimates are recorded in the period the change or adjustment becomes known based on the final settlement. The Company recorded adjustments to revenue which were not material to the Company's consolidated revenue for the nine months ended September 30, 2022, and 2021.

Disaggregation of Revenue

The Company disaggregates revenue from contracts with its patients by payors. The Company determines that disaggregating revenue into these categories achieves the disclosure objectives to depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

ARBORETA HEALTHCARE, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 – REVENUE AND ACCOUNTS RECEIVABLE, CONTINUED

Revenue by Payor

The Company's revenue is derived primarily from providing healthcare services to patients and is recognized on the date services are provided at amounts billable to individual patients, adjusted for estimates for variable consideration. For patients under reimbursement arrangements with third-party payors, including Medicaid, Medicare and private insurers, revenue is recorded based on contractually agreed-upon amounts or rates, adjusted for estimates for variable consideration, on a per patient, daily basis or as services are performed.

Service revenue for the three and nine months ended September 30, 2022 and 2021 is summarized in the following table:

	Nine months ended September 30,			
	2022		2021	
	Revenue	% of Revenue	Revenue	% of Revenue
Medicaid	\$ 39,523,299	51.90%	\$ 14,884,890	53.97%
Medicare	17,867,088	23.46%	6,064,224	21.99%
Total Medicaid and Medicare	57,390,387	75.36%	20,949,114	75.96%
Managed care and commercial	3,282,277	4.31%	1,147,166	4.16%
Private and other ⁽¹⁾	15,478,522	20.33%	5,485,622	19.88%
Service Revenue	\$ 76,151,186	100.00%	\$ 27,581,902	100.00%

- (1) Private and other payors also includes revenue from all payors generated in other ancillary services for the nine months ended September 31, 2022 and 2021.

	Three months ended September 30,			
	2022		2021	
	Revenue	% of Revenue	Revenue	% of Revenue
Medicaid	\$ 13,740,602	53.72%	\$ 11,471,185	53.10%
Medicare	5,345,486	20.90%	4,860,671	22.50%
Total Medicaid and Medicare	19,086,088	74.62%	16,331,856	75.60%
Managed care and commercial	998,401	3.90%	905,165	4.19%
Private and other ⁽¹⁾	5,493,386	21.48%	4,365,963	20.21%
Service Revenue	\$ 25,577,875	100.00%	\$ 21,602,984	100.00%

- (1) Private and other payors also includes revenue from all payors generated in other ancillary services for the three months ended September 31, 2022 and 2021.

Balance Sheet Impact

Included in the Company's condensed consolidated balance sheets are contract balances, comprised of billed accounts receivable and unbilled receivables, which are the result of timing of revenue recognition, billings and cash collections, as well as, contract liabilities, which primarily represent payments the Company receives in advance of services provided. The Company had no material contract liabilities and contract assets as of September 30, 2022, and December 31, 2021, or activity during the nine months ended September 30, 2022, and 2021.

ARBORETA HEALTHCARE, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 – REVENUE AND ACCOUNTS RECEIVABLE, CONTINUED

Balance Sheet Impact, continued

Accounts receivable as of September 30, 2022, and December 31, 2021, is summarized in the following table:

	September 30, 2022	December 31, 2021
Medicaid	\$ 7,094,607	\$ 6,950,652
Managed care	670,556	755,869
Medicare	2,378,512	2,907,177
Private and other payors	4,398,001	3,666,313
	14,541,676	14,280,011
Less: allowance for doubtful accounts	(5,540,195)	(4,456,597)
Accounts receivable, net	<u>\$ 9,001,481</u>	<u>\$ 9,823,414</u>

Practical Expedients and Exemptions

As the Company's contracts with its patients have an original duration of one year or less, the Company uses the practical expedient applicable to its contracts and does not consider the time value of money. Further, because of the short duration of these contracts, the Company has not disclosed the transaction price for the remaining performance obligations as of the end of each reporting period or when the Company expects to recognize this revenue. In addition, the Company has applied the practical expedient provided by ASC 340, *Other Assets and Deferred Costs*, and all incremental customer contract acquisition costs are expensed as they are incurred because the amortization period would have been one year or less.

NOTE 8 – PREPAID EXPENSE AND OTHER CURRENT ASSETS

Prepaid and other current assets consist of the following:

	September 30, 2022	December 31, 2021
Prepaid insurance	\$ 528,009	\$ 2,071,851
Deposit to Omega	3,000,000	3,000,000
Other current assets	14,756	1,708
	<u>\$ 3,542,765</u>	<u>\$ 5,073,559</u>

See NOTE 5, *Acquisitions* for information on the \$3,000,000 deposit to Omega.

ARBORETA HEALTHCARE, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	September 30, 2022	December 31, 2021	Depreciable Life
Furniture and fixtures	\$ 2,198,992	\$ 2,050,480	5
Computers / equipment / software	99,116	99,116	5
Motor vehicles	121,612	121,612	5
Buildings	7,500,000	7,500,000	39
Land	-	500,000	
Construction in progress	1,178	87,244	
	8,860,898	10,358,452	
Less: depreciation	(502,312)	(190,299)	
Net	<u>\$ 8,358,586</u>	<u>\$ 10,168,153</u>	

During the three and nine months ended September 30, 2022, depreciation expense was \$113,203 and \$334,738, respectively. Depreciation expense was \$47,619 and \$68,920, for the three and nine months ended September 30, 2021, respectively.

The Company completed the sale of its corporate headquarters in Bradenton, FL in April 2022 in order to move to a larger office building in Lakewood Ranch, FL. The Company entered into a lease in 2021 for the new corporate office building. The sale price of the building and land was \$2,600,000. The Company recorded a gain of \$1,064,518 within Other Income (Expense) on the consolidated statement of operations for the nine months ended September 30, 2022. The proceeds from the sale were used to pay down debt and accrued interest. See NOTE 13, *Debt*.

See NOTE 5, *Acquisitions* for information on acquisitions during the year ended December 31, 2021.

NOTE 10 – LEASEHOLD IMPROVEMENTS

The Company had the following leasehold improvements:

	September 30, 2022	December 31, 2021	Amortization Period
Leasehold improvements	\$ 4,558,784	\$ 4,024,520	3-17 years
Less: amortization	(495,556)	(288,332)	
Net	<u>\$ 4,063,228</u>	<u>\$ 3,736,188</u>	

During the three and nine months ended September 30, 2022, the total amortization expense was \$70,498 and \$207,224, respectively. Amortization expense for the three and nine months ended September 30, 2021, was \$70,193 and \$218,140, respectively.

ARBORETA HEALTHCARE, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11 – INTANGIBLE ASSETS – NET

As part of the Grace acquisition, the Company acquired certain management agreements necessary to operate the business in the state of Texas. The Company has capitalized the fair value of these agreements in the amount of \$750,000 as an intangible asset at December 31, 2021. The Company is amortizing these agreements over a five year period.

As a result of finalizing the purchase accounting around the Trillium acquisition prior to the one-year acquisition anniversary, the Company recognized \$5,477,000 in other intangible assets related to the acquired management agreements. The Company is amortizing these agreements over a five-year period from the date of acquisition. The Company recognized \$1,095,000 in amortization expense in the nine months ended September 30, 2022 that would have been recognized from the dated of acquisition to the finalization of the purchase accounting and measurement period in June 2022.

	September 30, 2022	December 31, 2021	Amortization Period
Management agreement	\$ 6,227,000	\$ 750,000	5 years
Less: amortization	(1,513,000)	(31,250)	
Net	<u>\$ 4,714,000</u>	<u>\$ 718,750</u>	

During the three and nine months ended September 30, 2022, amortization expense was \$311,350 and \$1,481,750, respectively. There were no other intangible assets giving rise to amortization expense for the three and nine months ended September 30, 2021.

Estimated amortization expense for each of the years ending December 31 is as follows:

Years	Amount
2022 (remainder)	\$ 311,350
2023	1,245,400
2024	1,245,400
2025	1,245,400
2026	666,450
	<u>\$ 4,714,000</u>

NOTE 12 – ACCOUNTS PAYABLE AND ACCRUED EXPENSE

The Company's accounts payable and accrued liabilities consisted of the following:

	September 30, 2022	December 31, 2021
Accounts payable	\$ 12,980,202	\$ 10,004,760
Accrued expense	10,198,577	5,421,365
Accrued salary	1,454,561	2,012,808
Payroll tax payable	95,473	163,698
	<u>\$ 24,728,813</u>	<u>\$ 17,602,631</u>

ARBORETA HEALTHCARE, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13 – DEBT

Notes payable before considering unamortized deferred issuance costs consisted of the following:

		September 30, 2022	December 31, 2021
SLR – Revolving line of credit	a	\$ 6,144,725	\$ 5,107,870
NuView Trust Co. (Nov 2020)	b	300,000	300,000
Grand Trinity Plaza, LLC (Dec 2020)	c	249,472	320,318
Reliant	d.i	-	599,605
HCSG	d.ii	66,198	297,893
Medline	d.iii	-	180,233
HCSG 2022	e	87,211	-
Reliant 2022	f	2,373,941	-
Omnicare	g	306,873	-
Arena	h	6,600,000	6,600,000
Promissory note	i	-	1,250,000
Investor promissory note	j	-	1,000,000
Investor promissory note	k	-	500,000
Investor convertible note	l	550,000	550,000
Investor convertible note	m	1,010,000	-
Investor convertible note	n	350,000	-
Investor convertible note	o	200,000	-
Investor convertible note	p	75,000	-
Investor promissory note with detachable warrants	q	7,630,775	-
Total debt		\$ 25,944,195	\$ 16,705,919
Less: unamortized debt issuance costs		200,018	422,533
Less: unamortized discount		2,950,758	-
Total debt, net of unamortized debt issuance costs and discount		\$ 22,793,419	\$ 16,283,386
Less: current maturities		15,678,930	9,331,541
Non-current portion		\$ 7,114,489	\$ 6,951,845

- a. SLR revolving line of credit – On May 9, 2019, Trillium entered into a credit agreement (“the GHF Line”) with Gemino Healthcare Finance, LLC (“GHF”) (d/b/a SLR Healthcare ABL), the lender, which allows the Trillium subsidiaries to borrow up to the lesser of \$10 million or 85% of eligible accounts receivable. The GHF Line bears interest at the greater of one-month LIBOR or 2%, plus 4.95% applied daily, and continues to be applied to outstanding principal until the expiration of one business day after such principal has been repaid. The Trillium subsidiaries also incur monthly collateral management fees under the line of 1% of the average daily balance of the preceding month and is subject to a monthly unused line fee of 0.75% of the difference between the revolving loan commitment and the average daily balance outstanding during the preceding month. The GHF Line is secured by cash, accounts receivables, and substantially all intangible assets of the Trillium subsidiaries and terminates on May 9, 2022. On July 12, 2021, the agreement was amended whereas Assisted 4 Living, Inc. was named the guarantor of the line. On September 30, 2021, the Company entered into a Second Amendment with SLR Healthcare ABL amending the credit agreement by: (1) adding Assist 4 Living, Inc as a guarantor to the credit facility and releasing Trillium and its four principal individuals from their obligations under the credit facility; (2) increasing the term of the credit facility to expire on September 29, 2023; (3) revising the termination fee to reflect the increase in term of the credit facility; (4) modifying the fixed percentage used to calculate the interest rate from 5.95% to a range of 3.90% to 4.50% depending on the outstanding balance during the preceding three months, with the rate decreasing as the amount borrowed increased; (5) reducing the collateral monitoring fee from 1.50% to 1.00%; (6) reducing the unused line fee from 0.75% to 0.50%; and (7) increasing the maximum amount of the credit facility from \$10 million to \$25 million. The above changes are the primary changes to the credit facility. At September 30, 2022, the company had \$855,275 available on the GHF lines initial \$7 million tranche prior to considering any borrowing base limitations and any additional tranches for a maximum borrowing capacity of \$25 million.

ARBORETA HEALTHCARE, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13 – DEBT, CONTINUED

The entire balance due on the line has been classified as a current liability in accordance with FASB ASC Topic 470-10-45-5, *Classification of Revolving Credit Agreements Subject to Lock-Box Arrangements*. FASB guidance stipulates that if the contractual provisions of a loan arrangement require, in the ordinary course of business and without another event occurring, the cash receipts of a debtor to be used to repay the existing obligation, the credit agreement should be considered a short-term obligation.

- b. On November 6, 2020, through Banyan, the Company entered into a one-year note in the principal amount of \$300,000 with NuView Trust Company. On December 6, 2021 the note was extended through November 6, 2022. The note has a 12% interest rate with interest only payment until date of maturity. The proceeds of this note were used for operation expenses and for the payment of the remainder of the build out for the Pasco and Sarasota locations. As of September 30, 2022, and December 31, 2021, there was no accrued interest related to this note.
- c. On December 15, 2020, through Banyan Pediatric Care Centers – Pasco, LLC, the Company entered into a note payable with Grand Trinity Plaza, LLC in the amount of \$407,500, which was guaranteed by Banyan. The term of the note is 48 months with an interest rate of 6%. The maturity date of the note is January 1, 2025. The note is in conjunction with the 84 month facility lease for the Pasco location.
- d. In 2019, certain vendors of Trillium agreed to extend payment terms by converting then outstanding amounts of accounts payable balances to long-term debt bearing interest at rates ranging from 0% to 6%.
 - i. Reliant note payable – Past due balances with vendor Reliant were converted to a note payable in 36 equal monthly installments of principal and interest in the amount of \$69,568 from October 2019 through September 2022. The note bears interest at a rate of 6%. As discussed in NOTE 5, *Acquisitions*, through the Trillium acquisition the Company assumed the balance of the debt at the transaction date of June 10, 2021. At September 30, 2022, this note has been fully repaid.
 - ii. HCSG note payable – Past due balances with vendor HCSG were converted to a non-interest-bearing note payable; payable in 36 monthly installments in the amount of \$33,099 from October 2019 through September 2022. At September 30, 2022, two payments are still past due on this note. As discussed in NOTE 5, *Acquisitions*, through the Trillium acquisition the Company assumed the balance of the debt at the transaction date of June 10, 2021.
 - iii. Medline note payable – Past due balances with vendor Medline were converted into a note payable; payable in 36 monthly installments of principal and interest in the amount of \$20,911 from October 2019 through September 2022; note bears interest at a rate of 6%. As discussed in NOTE 5, *Acquisitions*, through the Trillium acquisition, the Company assumed the balance of the debt at the transaction date of June 10, 2021. At September 30, 2022, this note has been fully repaid.
- e. HCSG 2022 – Past due balances with vendor HCSG were converted into a note payable. In January 2022, the Company entered into a note for \$723,843. Initial payment of \$200,000 was made upon entering into the note payable. The remaining \$523,843 is payable in six monthly installments of principal and interest in the amount \$88,530 from February 2022 through July 2022, notes bear interest at a rate of 6%. At September 30, 2022, the Company had accrued and unpaid interest of \$440. At September 30, 2022, the Company was past due on the remaining payment in the amount of \$87,211 plus accrued interest.
- f. Reliant 2022 note payable – Past due balances with vendor Reliant were converted into a note payable. In May 2022, the Company entered into a note for \$2,286,783 note payable for the past due invoices on May 19, 2022, with the vendor. Minimum monthly payments of \$125,000 are due monthly starting June 2022 through May 2023 when the note payable matures. Balloon payments of \$750,000 are due in August 2022 and December 2022 in lieu of the \$125,000 monthly payment. The August 2022 balloon payment of \$750,000 was remitted on November 1, 2022.
- g. Omnicare note payable – Past due balances with vendor Omnicare were converted to a note payable. In April 2022, the Company entered into a note for \$678,344 principal with 6.5% interest payable in nine monthly installments of \$77,434 with a maturity date of December 31, 2022. At September 30, 2022, the Company had accrued and unpaid interest of \$1,633.

ARBORETA HEALTHCARE, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13 – DEBT, CONTINUED

- h. Arena Limited SPV, LLC – In connection with the acquisition of the Grace properties discussed in NOTE 5, *Acquisitions*, the Company entered into a promissory note with Arena Limited SPV, LLC (“Arena”) for \$6,600,000. The note bears interest at Prime Rate plus 4.125%, with a minimum interest rate per annum of not less than 7.875%. The promissory note matures on April 18, 2023, with monthly interest only payments until maturity. The Company has the option to extend the maturity to April 14, 2024, upon prior written notice to Arena. All unpaid interest and principal are due at maturity. The loan is guaranteed by Assisted 4 Living, Inc. The Arena note is secured by the property acquired in the Grace acquisition. At September 30, 2022, the Company had accrued and unpaid interest of \$27,706.
- i. On October 8, 2021, the Company entered into a guaranty agreement in connection with a loan made to its wholly-owned subsidiary, Assisted 4 Living Consulting, Inc. in the principal amount of \$1,250,000. Pursuant to the terms of the guaranty agreement, the Company has unconditionally guaranteed the payment of all indebtedness, liabilities, and obligations of every kind. The loan is evidenced by a promissory note. The note accrues interest at a rate of 10% per annum. Monthly interest payments in the amount of \$10,416 commence on November 8, 2021 and continue 12 months until the maturity date of October 8, 2022, at which time the remaining principal and unpaid interest, if any, is due and payable. The note is secured by a first mortgage lien on the property that is owned by Assisted 4 Living Consulting, Inc. and serves as the Company’s corporate headquarters. At September 30, 2022, the Company had repaid this note from proceeds received in the sale of the Company’s corporate headquarters.
- j. On November 12, 2021, the Company entered into a guaranty agreement in connection with a loan made to its wholly-owned subsidiary, Assisted 4 Living Consulting, Inc. in the principal amount of \$1,000,000. Pursuant to the terms of the guaranty, the Company has unconditionally guaranteed the payment of all indebtedness, liabilities, and obligation of every kind. The loan is evidenced by a promissory note and secured by a second mortgage lien on property that is owned by Assisted 4 Living Consulting, Inc. and serves as the Company’s corporate headquarters. The note accrues interest at a rate of 12% per annum. Monthly interest payments commence on December 12, 2021, and continue on the same day of each month thereafter until the earlier of: (i) the closing date of the sale of the Company’s corporate headquarters; or (ii) February 15, 2022, at which time the remaining principal and unpaid interest, if any, is due and payable. In April 2022, the Company has repaid \$400,000 from the proceeds received on the sale of the Company’s corporate headquarters. The remaining \$600,000 plus approximately \$29,000 in accrued and unpaid interest along with notes described in k. and q. above were refinanced into a new note for \$3,448,666.
- k. On December 9, 2021, the Company entered into a guaranty agreement in connection with a loan made to its wholly-owned subsidiary, Assisted 4 Living Consulting, Inc. in the principal amount of \$500,000. Pursuant to the terms of the guaranty, the Company has unconditionally guaranteed the payment of all indebtedness, liabilities, and obligations of every kind. The loan is evidenced by a promissory note and secured by a third mortgage lien on property that is owned by Assisted 4 Living Consulting, Inc. and serves as the Company’s corporate headquarters. The note accrues interest at a rate of 12% per annum. Monthly interest payments commence on January 9, 2022, and continue on the same day of each month thereafter until the earlier of: (1) the closing date of the sale of the Company’s corporate headquarters, but only to such principal and accrued interest amount that can be paid with proceeds from the sale of the property after payment in full of all (i) transaction related expenses; and (ii) principal and interest due and payable under loans owed by borrowers as of the date of the mortgage that are also secured by the Company’s corporate headquarters; and (2) June 9, 2022, as to any principal and accrued interest amount not paid pursuant to part (1). In April 2022, the Company refinanced this note along with notes described in i. and q. above along with approximately \$19,000 in accrued and unpaid interest into a new note for \$3,448,666.
- l. On December 20, 2021, the Company entered into convertible notes with certain investors in the amount of \$550,000. The convertible notes have an interest rate of 10% per annum that will be paid upon maturity or earlier in a conversion. The convertible notes mature on December 20, 2023. The convertible notes can be converted by the holder at any time prior to maturity into the company’s common stock at a rate of total outstanding principal and interest divided by a conversion feature of \$1.50 per share, rounded down to the nearest whole share. In lieu of fractional shares, the Company will pay the holder in cash for the fractional share equivalent. In February 2022, the Company’s Board of Director’s voted to amend the conversion price of this note from \$1.50 to \$0.50 per share. The convertible notes are secured by the Company’s membership interest in its wholly-owned subsidiary

ARBORETA HEALTHCARE, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13 – DEBT, CONTINUED

Banyan. At September 30, 2022, the Company had accrued interest of \$41,250. This note is considered a related party note.

- m. In January 2022, the Company entered into convertible notes with certain investors in the amount \$1,010,000. The convertible notes have an interest rate of 10% per annum that will be paid upon maturity or earlier in a conversion. The convertible notes mature in January 2024. The convertible notes can be converted by the holder at any time prior to maturity into the company's common stock at a rate of total outstanding principal and interest divided by a conversion feature of \$0.50 per share, rounded down to the nearest whole share. In lieu of fractional shares, the Company will pay the holder in cash for the fractional share equivalent. The convertible notes are secured by the Company's membership interest in its wholly-owned subsidiary Banyan. At September 30, 2022, the Company had accrued interest of \$75,750. These notes are considered related party.
- n. On March 30, 2022, the Company entered into convertible notes with certain investors in the amount of \$350,000. The convertible notes have an interest rate of 10% per annum that will be paid upon maturity or earlier in a conversion. The convertible notes mature on March 30, 2024. The convertible notes can be converted by the holder at any time prior to maturity into the company's common stock at a rate of total outstanding principal and interest divided by a conversion feature of \$0.50 per share, rounded down to the nearest whole share. In lieu of fractional shares, the Company will pay the holder in cash for the fractional share equivalent. The convertible notes are secured by the Company's membership interest in its wholly-owned subsidiary Banyan. At September 30, 2022, the Company had accrued and unpaid interest of \$17,500. The notes are considered a related party note.
- o. On April 6, 2022, the Company entered into a convertible note with certain investors for \$200,000. The convertible notes have an interest rate of 10% per annum that will be paid upon maturity or earlier in a conversion. The convertible notes mature in April 2024. The convertible notes can be converted by the holder at any time prior to maturity into the Company's common stock at a rate of total outstanding principal and interest divided by a conversion feature of \$0.50 per share, rounded down to the nearest whole share. In lieu of fractional shares, the Company will pay the holder in cash for the fractional share equivalent. At September 30, 2022, the Company had accrued interest of \$10,000. These notes are considered related party.
- p. In April 2022, the Company entered into convertible notes with certain investors for \$75,000. The convertible notes have an interest rate of 10% per annum that will be paid upon maturity or earlier in a conversion. The convertible notes mature in April 2024. The convertible notes can be converted by the holder at any time prior to maturity into the Company's common stock at a rate of total outstanding principal and interest divided by a conversion feature of \$0.50 per share, rounded down to the nearest whole share. In lieu of fractional shares, the Company will pay the holder in cash for the fractional share equivalent. At September 30, 2022, the Company had accrued interest of approximately \$3,750. These notes are considered a related party.
- q. On January 28, 2022, the Company entered into an investor note in the amount of \$2,500,000. On April 6, 2022, the Company refinanced this note along with notes described in j. and k. above into a new note for \$3,448,666. On July 8, 2022, the Company entered into an amended note payable agreement with an investor in the amount of \$7,630,775. The note represents \$4,000,000 in new cash funding and the consolidation of \$3,448,666 in existing notes plus related accrued and outstanding interest of \$182,109. The amended note bears interest at 12% per annum due semi-annually in arrears starting January 8, 2023, until maturity on January 8, 2024. The note also grants the holder 7,630,776 shares of the Company's common stock in detachable warrants. The warrants have an exercise price of \$0.50 per share and expire on July 8, 2025. The Company has recorded the warrants as a discount on debt and additional paid in capital on July 8, 2022 in the amount of \$3,319,603 based on the warrants allocated fair value. The company recognized \$368,845 in interest expense related to the amortization of the discount for the three and nine months ending September 30, 2022. This note is considered related party.

Management was in compliance or received a waiver for all financial covenants at September 30, 2022.

ARBORETA HEALTHCARE, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14 – LEASES

The Company leases real estate, and equipment for use in operations. The Company leases generally have lease terms of 5 to 12 years, some of which include options to terminate or extend leases up to 5 to 10 years or on a month-to-month basis. The Company includes options that are reasonably certain to be exercised as part of the determination of lease terms. The Company may negotiate termination clauses in anticipation of any changes in market conditions, but generally these termination options have not been exercised. Residual value guarantees are generally not included within the Company's operating leases with the exception of some fleet leases. In addition to base rent payments, the lease may require the Company to pay directly for taxes and other non-lease components, such as insurance, maintenance and other operating expenses, which may be dependent on usage or vary month-to-month. Variable lease payments for the three months ended September 30, 2022, and 2021, amounted to \$27,812 and \$27,725, respectively. The Company elected the practical expedient to not separate non-lease components from lease components in calculating the amounts of ROU assets and liabilities for all underlying asset classes.

The Company determines if an arrangement is a lease at inception of the contract and performs the lease classification test as of the lease commencement date. ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, the Company uses estimated incremental borrowing rates based on the information available at commencement date in determining the present value of future payments.

For leases acquired in connection with the acquisitions described in NOTE 5, *Acquisitions*, the Company measured the lease liability at the present value of the remaining lease payments, as if the acquired leases were a new lease of the Company at the acquisition date. The Company measured the ROU asset at the same amount as the lease liability as adjusted to reflect favorable or unfavorable terms of the lease when compared with the market terms.

Through the Trillium acquisition, the Company assumed two master lease agreements. The first master lease agreement consists of 14 properties. The master lease was entered into on May 13, 2015, with the initial lease term that expires on May 31, 2027. The master lease provides for two 10-year renewal options. At June 10, 2021, the Company recognized a right-of-use asset and lease liability in the amount of \$29,906,314 in association with this lease. The Company was in compliance with certain covenants in the master lease agreement at September 30, 2022.

The second master lease consists of 10 properties. This master lease was entered into on August 16, 2019, with an initial lease term that expires on November 30, 2030. The lease provides for two 5-year renewal options. At June 10, 2021, the Company recognized a right-of-use asset and lease liability in the amount of \$14,468,509 in association with this lease.

In accordance with ASC 842, the Company recorded the lease right-of-use assets and lease liability as follows:

	<u>September 30,</u> <u>2022</u>	<u>December 31, 2021</u>
Right-of-use assets	\$ 39,256,013	\$ 43,994,974
	<u>September 30,</u> <u>2022</u>	<u>December 31, 2021</u>
Operating lease obligations:		
Current	\$ 10,771,884	\$ 8,554,227
Non-current	30,258,567	35,895,680
Total	<u>\$ 41,030,451</u>	<u>\$ 44,449,907</u>

ARBORETA HEALTHCARE, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14 – LEASES, CONTINUED

Future minimum lease payments for all leases as of September 30, 2022 are as follows:

2022 (remainder)	\$ 3,938,791
2023	12,643,715
2024	10,236,809
2025	7,245,028
2026	7,305,227
Thereafter	7,698,408
Total undiscounted lease payments	\$ 49,067,978
Less: Imputed interest	8,037,527
Present value of minimum lease payments	\$ 41,030,451
Less: Current portion	10,771,884
Non-current portion	\$ 30,258,567

Information associated with the measurement of the Company's remaining lease obligations as of September 30, 2022 is as follows:

The operating leases range from a term of 1.89 years to 14.93 years with a weighted average lease term of 4.94 years.

The finance leases range from a term of 0.73 years to 4.36 years with a weighted average lease term of 2.89 years.

The weighted average discount rate for operating leases is 7.78%.

The weighted average discount rate for finance leases is 7.76%.

During the three and nine months ended September 30, 2022, lease expense was \$3,066,233, and \$9,249,492, respectively. Lease expense for the three and nine months ended September 30, 2021, was \$2,991,078, and \$3,912,133, respectively.

ARBORETA HEALTHCARE, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15 - EQUITY

Preferred Stock

The Company has authorized 25,000,000 preferred shares with a par value of 0.0001 per share. The Board is authorized to divide the authorized preferred shares into one or more series, each of which shall be so designated as to distinguish the shares thereof from the shares of all other series and classes. As of September 30, 2022, and December 31, 2021, the Company had no classes of preferred shares designated.

As discussed in NOTE 5, as part of the Trillium acquisition, Trillium is entitled to 2,500,000 shares of the Company's Series A Preferred Stock. The Preferred Shares, with respect to rights on liquidation, winding up and dissolution, rank pari passu with the Common Shares. The holders of Preferred Shares have the right to cast one (1) vote for each Preferred Share held of record on all matters submitted to a vote of holders of the Common Shares, including the election of directors, and all other matters as required by law. The Preferred Shares are not convertible into Common shares at the election of the holder. However, the Preferred Shares do automatically convert into Common Shares at a one-to-one ratio two years from date of issuance. In lieu of converting the Preferred Shares, the holders thereof may elect to have the Company redeem one or more Preferred Shares at the redemption price of \$1.00 per share two years from the date of issuance. In connection with the issuance of the Preferred Shares, the Company will file a Certificate of Designation with the Nevada Secretary of State prior to such issuance. A liability to issue the 2,500,000 shares is reflected as a long-term liability on the condensed consolidated balance sheets as of September 30, 2022, in the amount of \$3,663,461. The amount was reduced by \$1,086,539 from the \$4,500,000 recorded at December 31, 2021 as a result of purchase accounting adjustments with the offset to goodwill during the six months ended June 30, 2022.

Common Stock

The Company has authorized 100,000,000 Common Shares with a par value of \$0.0001 per share. Each Common Share entitles the holder to one vote, in person or proxy, on any matter on which action of the stockholders of the corporation is sought.

Fiscal Year 2022

The Company issued Common Shares in the amount of \$300,000 for stock purchases of 240,000 shares at \$1.25 per shares during the three months ended September 30, 2022.

Fiscal Year 2021

On March 23, 2021, the Company entered a Plan of Merger with Banyan (See NOTE 3).

In connection with the Merger, the Company issued 4,165,388 Common Shares in exchange for 49,984,649 outstanding shares of Banyan's common stock held by 64 shareholders, based on an exchange ratio of one (1) Common Share of the Company's common stock for every twelve (12) shares of Banyan common stock.

In conjunction with the Merger, the previously issued 31,230,000 Common Shares prior to the Merger were deemed issued for the Merger.

During 2021, noteholders of the \$2,000,000 convertible note exercised their right to convert the note with an effective date of March 30, 2021 (see NOTE 3), 4,000,000 Common Shares were issued for the conversion of the note. The conversion was previously recorded as a liability to issue shares in the amount of \$2,000,000.

During the year ended December 31, 2021, the Company issued Common Shares in the amount of \$575,000 for stock purchases of 1,150,000 Common Shares at \$0.50 per share. The Company issued an additional 5,000,000 Common Shares at \$1.00 per share for an aggregate consideration of \$5,000,000 in a separate private placement during the year ended December 31, 2021.

ARBORETA HEALTHCARE, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15 – EQUITY, CONTINUED

Common Stock, continued

As discussed in NOTE 5, as part of the Trillium acquisition, Trillium is entitled to Common Shares having an aggregate value of \$5,000,000, based on the stock price at the time of issuance, upon the earlier of an initial public offering by the Company or June 10, 2022, assuming the closure of the sale of the Omega properties. A share liability is recorded as a current liability in the amount of \$5,000,000 on the condensed consolidated balance sheets as of September 30, 2022 and December 31, 2021.

On August 26, 2021, a majority of the stockholders approved, by written consent without a meeting, the 2021 Incentive Award Plan (“Award Plan”). The Award Plan was approved by the board of directors on August 19, 2021 and recommended to the stockholders for their approval. Under the Award Plan, 4,500,000 shares of common stock will be initially reserved for issuance pursuant to a variety of stock-based compensation awards, including stock options, stock appreciation rights, restricted stock awards, restricted stock unit awards, performance bonus awards, performance stock unit awards, dividend equivalents or other stock or cash-based awards.

Warrants

In association with the September 27, 2019, Asset Purchase Agreement (The Kidz Club St Pete, LLC), the Company issued 75,000 common stock warrants (post-merger exchange adjusted) having an exercise price of \$0.38 per share. These warrants have an expiration of September 27, 2029.

	Shares	Weighted-Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2021	75,000	\$ 0.38	8.74 Years	\$ 1.62
Granted	-	-	-	-
Expired	-	-	-	-
Exercised	-	-	-	-
Outstanding at September 30, 2021	<u>75,000</u>	<u>\$ 0.38</u>	<u>8.00 Years</u>	<u>\$ 3.12</u>
Outstanding at January 1, 2022	75,000	\$ 0.38	7.75 Years	\$ 3.12
Granted	-	-	-	-
Expired	-	-	-	-
Exercised	-	-	-	-
Outstanding and exercisable at September 30, 2022	<u><u>75,000</u></u>	<u><u>\$ 0.38</u></u>	<u><u>7.00 Years</u></u>	<u><u>\$ 0.62</u></u>

ARBORETA HEALTHCARE, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 16 – STOCK-BASED COMPENSATION

On August 26, 2021, through majority, the stockholders approved, by written consent without a meeting, the 2021 Incentive Award Plan (“Award Plan”). The Award Plan was approved by the board of directors on August 19, 2021 and recommended to the stockholders for their approval. Under the Award Plan, 4,500,000 shares of common will be initially reserved for issuance pursuant to a variety of stock-based compensation awards, including stock options, stock appreciation rights, restricted stock awards, restricted stock unit awards, performance bonus awards, performance stock unit awards, dividend equivalents or other stock or cash-based awards. As of December 31, 2021, 3,250,224 of the reserved shares were provided as stock options to 11 employees as part of the 2021 Incentive Award Plan. As of September 30, 2022, 2,850,096 of the reserved shares were provided as stock options to 5 employees as part of the 2021 Incentive Award Plan. The shares vest over a 4 year period based on a vesting commencement date.

The following table summarizes the Company’s stock options activity under the Award Plan:

	Shares	Weighted Average Exercise Price	Number of Options Vested	Weighted Average Exercise Price of Options Vested
Outstanding at January 31, 2021	-	\$ -	-	\$ -
Granted	2,750,208	1.00	-	-
Forfeited	-	-	-	-
Exercised	-	-	-	-
Outstanding at September 30, 2021	<u>2,750,208</u>	<u>\$ 1.00</u>	<u>57,296</u>	<u>\$ 1.00</u>
Outstanding at January 1, 2022	3,250,224	\$ 1.08	239,601	\$ 1.02
Granted	500,016	1.50	-	-
Forfeited	900,144	1.00	135,439	1.00
Exercised	-	-	-	-
Outstanding at September 30, 2022	<u>2,850,096</u>	<u>\$ 1.18</u>	<u>610,125</u>	<u>\$ 1.09</u>

At September 30, 2022, the weighted average period over which compensation cost on non-vested Stock Options expected to be recognized is 2.3 years and the unrecognized expense is approximately \$1.0 million.

At September 30, 2022, the weighted average grant date fair value of the options granted in 2022 was \$0.35. At December 31, 2021, the weighted average grant date fair value of the options granted in 2021 was \$0.49.

Stock-based compensation before income taxes included in salaries and wages in the condensed consolidated statement of operations was \$166,215 for the nine months ended September 30, 2022. The Company recognize \$171,888 in compensation cost for the nine months ended September 30, 2021.

The Company did not have any cash proceeds or income tax benefits realized from the exercise of Stock Options for the nine months ended September 30, 2022 and 2021.

ARBORETA HEALTHCARE, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 16 – STOCK-BASED COMPENSATION, CONTINUED

Valuation Assumptions

Calculating the fair value of employee stock options requires estimates and significant judgement. The Company uses the Black-Scholes option pricing model to estimate the fair value of the employee stock options. The Company used the following assumptions for stock options granted:

Grant Year	Options Granted	Weighted Average Risk- Free Rate	Expected Life	Weighted Average Volatility	Weighted Average Dividend Yield
2021	3,250,224	0.98%	6.02 Years	65.00%	0%
2022	500,016	1.89%	6.02 Years	65.00%	0%

In computing the fair value estimates using the Black-Scholes option pricing model, the Company took into consideration the exercise price of the options granted and the value of recent equity raises around the date of grant. The Company used an expected volatility calculated from historical volatility of market peers equity to the expected life of the options granted. The risk-free rate is based on the U.S. treasury yield curve in effect at the time of grant. The Company used the expected dividend yield at the date of grant, reflecting the level of annual cash dividends currently being paid on its common stock. In computing the fair value of the options, the Company estimated the options expected term based on the average of the vesting term and the original contractual terms of the options.

The Company has included shares issuable under the Award Plan in deriving fully diluted earnings per share using the Treasury Method in accordance with ASC 260-10-45. Under the Treasury Method, nonvested stock options granted, where the only satisfying condition is the mere passage of time, shall be assumed exercised at the beginning of the period (or at time of issuance, if later). The proceeds from exercise of stock options shall be assumed to be used to purchase common stock at the average market price during the period using daily closing prices.

NOTE 17 – RELATED PARTY TRANSACTIONS

On February 1, 2021 (the “Effective Date”), the Company signed an employment agreement with CEO, Louis Collier (“Collier”). Collier will be paid a base salary of \$400,000, which will be reassessed and renegotiated in good faith after the Company is profitable over a fiscal year. Collier will also receive a signing bonus of \$150,000, which will be payable as follows: \$50,000 within five days of the Effective Date; \$50,000 within 90 days of the Effective Date; and \$50,000 within 180 days of the Effective Date. Collier will also be issued 1,250,000 phantom shares within ten days after the approval and adoption of a Phantom Equity Plan. The phantom shares will be subject to a phantom unit interest award agreement, which will set forth the vesting of the phantom shares.

On March 23, 2021, the Company entered a Plan of Merger (See NOTE 3) whereas the Company assumed debt of \$2,000,000 that was convertible into 20,000,000 shares of common stock. After the Merger, the debt was converted into 4,000,000 restricted Common Shares of the Company. A majority owner of a debt holder is a Board Member of the Company.

During the nine months ended September 30, 2021, the Company compensated members of the Board \$42,000. There was no such compensation to the Board during the nine months ended September 30, 2022.

The Company has \$9,815,775 and \$2,050,000 in loans with investors outstanding at September 30, 2022 and December 31, 2021, see NOTE 13, *Debt*.

ARBORETA HEALTHCARE, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 18 – CONCENTRATIONS AND CREDIT RISKS

Cash

The Company maintains its cash with high credit quality financial institutions. The Company had balances in excess of the Federal Deposit Insurance Corporation (“FDIC”) coverage of \$250,000 at September 30, 2022, the aggregate amount in excess of the coverage limit was approximately \$735 thousand held at one financial institution. The Company has not experienced any losses on such accounts and does not feel it is exposed to any significant risk with respect to cash.

Revenues and Accounts Receivable

For the nine months ended September 30, 2022, approximately 24% of the Company’s revenue was generated from Medicare, 52% was generated from Medicaid and approximately 20% of the Company’s revenue was generated from private pay residents. The remaining 4% consisted of other payors including VA programs and commercial insurance.

For the nine months ended September 30, 2021, approximately 22% of the Company’s revenue was generated from Medicare, 54% was generated from Medicaid and approximately 20% of our revenue was generated from private pay residents. The remaining 4% consisted of other payors including VA programs and commercial insurance.

At September 30, 2022, approximately 17% of the Company’s accounts receivable balances consisted of Medicare receivables, 49% consisted of Medicaid receivables and 30% consisted of private pay residents. The remaining 4% consisted of other payors including VA programs and commercial insurance.

At December 31, 2021, approximately 20% of the Company’s accounts receivable balances consisted of Medicare receivables, 49% consisted of Medicaid receivables, and 26% consisted private pay residents. The remaining 5% consisted of other payors including VA programs and commercial insurance.

NOTE 19 – COMMITMENTS AND CONTINGENCIES

Regulatory Matters

Laws and regulations governing Medicare and Medicaid programs are complex and subject to review and interpretation. Compliance with such laws and regulations is evaluated regularly, the results of which can be subject to future governmental review and interpretation, and can include significant regulatory action including fines, penalties, and exclusion from certain governmental programs. Included in these laws and regulations is monitoring performed by the office of Civil Rights which covers the Health Insurance Portability and Accountability Act of 1996, the terms of which require healthcare providers (among other things) to safeguard the privacy of security of certain protected health information.

Cost-Containment Matters

Both governmental and private pay sources have instituted cost-containment measures designed to limit the payments made to providers of healthcare services, and there can be no assurance that future measures designed to limit payments made to providers will not adversely affect the Company.

Litigation

The Company is subject to potential lawsuits under the Federal False Claims Act and comparable state laws alleging submission of fraudulent claims for services to any healthcare program (such as Medicare or Medicaid) or other payor. A violation may provide the basis for exclusion from Federally-funded healthcare programs. Such exclusions could have a correlative negative impact on the Company’s financial performance. Under the *qui tam* or “whistleblower” provisions for the False Claims Act, a private individual with knowledge of fraud or potential fraud may bring a claim on behalf of the Federal Government and receive a percentage of the Federal Government’s recovery. Due to these whistleblower incentives, *qui tam* lawsuits have become more frequent.

ARBORETA HEALTHCARE, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 19 – COMMITMENTS AND CONTINGENCIES, CONTINUED

Litigation, continued

In addition to the Federal False Claims Act, some states, including Texas, have enacted similar whistleblower and false claims laws and regulations. Further, the Deficit Reduction act of 2005 created incentives for states to enact anti-fraud legislation modeled on the Federal False Claims Act. As such, the Company could face increased scrutiny,

potential liability and legal expenses and costs based on claims under state false claims acts in markets in which its subsidiaries do business.

In May 2009, Congress passed the Fraud Enforcement and Recovery Act (“FERA”) which made significant changes to the Federal False Claims Act and expanded the types of activities subject to prosecution and whistleblower liability. Following changes by FERA, health care providers face significant penalties for the knowing retention of government overpayments, even if no false claim was involved. Health care providers can now be liable for knowingly and improperly avoiding or decreasing an obligation to pay money or property to the government. This includes the retention of any government overpayment. The government can argue, therefore, that a Federal False Claim Act violation can occur without any affirmative fraudulent action or statement, as long as the action or statement is knowingly improper. In addition, FERA extended protections against retaliation for whistleblowers, including protections not only for employees, but also contractors and agents. Thus, an employment relationship is generally not required in order to qualify for protection against retaliation for whistleblowing.

Medicare Revenue Recoupment

The Company’s operating entities are subject to regulatory reviews relating to the provision of Medicare services, billings and potential overpayment as a result of Recovery Audit Contractors (“RAC”), Program Safeguard Contractors and Medicaid Integrity Contractors programs (collectively referred to as “Reviews”). For several months during the COVID-19 pandemic, the Centers for Medicare and Medicaid Services (“CMS”) suspended its Targeted Probe and Educate Program. Beginning in August 2020, CMS resumed Targeted Probe and Educate Program activity. If an operation fails a Review and/or subsequent Reviews, the operation could then be subject to extended review or an extrapolation of the identified error rate to billings in the same time period. The Company anticipates that these Reviews could increase in frequency in the future. As of September 30, 2022, and subsequently, there were no Reviews scheduled, on appeal, or in a dispute resolution.

NOTE 20 – SUBSEQUENT EVENTS

The Company has evaluated subsequent events from September 30, 2022 through the date of these condensed consolidated financial statements were issued and determined the following events require disclosure:

Capital Raise

The Company has raise an additional \$550,000 through the issuance of 440,000 Common Shares at \$1.25 per share, subsequent to September 30, 2022.

Investor Note Payable

On October 31, 2022, the Company has entered into a promissory note with an investor in the amount of \$1,500,000. The note has an interest rate of 12% per annum that will be paid upon maturity. The note matures at the earliest of 1) the day after the Company secures financings, or 2) 30th day after the Company receives written demand from the investor for repayment, which cannot be received until after December 30, 2022.

Crete Plus Five Property

On October 13, 2021, the Company entered into an Agreement of Purchase and Sale with Crete Plus Five Property, LLC, Iowa Lincoln County Property LLC, Muscatine Toledo Properties, LLC and Avery Street Property, LLC (collectively, “Owners”). The Owners owns 13 senior housing facilities located in Iowa, Nebraska and Florida (collectively, the “Facilities”) as well the real property underlying the Facilities (the “Properties”). The Agreement of Purchase and Sale is for the purchase of the Facilities, the Properties and all of the Owner’s right, title and interest in

ARBORETA HEALTHCARE, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 20 – SUBSEQUENT EVENTS, CONTINUED

Crete Plus Five Property, continued

certain personal property located at the Properties. The Company's indirect wholly-owned subsidiaries currently lease the Properties from the Owner, and operate the Facilities, pursuant to an Master Lease dated as of May 13, 2015, as amended.

The purchase price for the Facilities and the Properties is \$59,000,000, the Company paid a \$3,000,000 deposit (the "Deposit") in June upon execution of a letter of intent with the Owner as part of the Trillium transaction, and the Company will receive a credit at closing against the purchase price in the amount of the Deposit. If the Agreement of Purchase and Sale is terminated prior to closing for any reason other than breach of the agreement by the Owner, the Deposit will be paid to the Owner as liquidated damages. The closing was to occur on March 1, 2022, which was extended to March 31, 2022. The Company is in negotiations with a substitute purchaser of the property in an effort to recover the \$3,000,000 deposit. The agreement will also include a continuation of the Company operating the Omega properties.