

DISCLOSURE STATEMENT

August 28, 2020

In accordance with Chapter 58, Article 64 of the North Carolina General Statutes of the State of North Carolina:

- **This Disclosure Statement may be delivered until revised, up to one (1) year and 150 days after the date of this Disclosure Statement. This statement may be delivered until revised, but not after January 25, 2022.**
- **Delivery of this Disclosure Statement to a contracting party before the execution of a contract for the provision of continuing care is required by North Carolina Law.**
- **This Disclosure Statement has not been reviewed or approved by any government agency or representative to ensure accuracy or completeness of the information set out. (North Carolina Statutes do not provide for such governmental approval.)**

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Organization Introduction and Information

Moravian Home, Incorporated d/b/a Salemtowne (referenced herein as “the Corporation”, “Salemtowne”, “we”, “our”, “it” or “us”), is a private, continuing care retirement community on a 120+ acre site, which offers its Residents use of independent accommodations and care in our on-site Assisted Living Center and the Skilled Nursing Center and Memory Support Center within the Health Care Center. The community is located at 1000 Salemtowne Drive, Winston-Salem, North Carolina, (adjacent to Bethabara Park Boulevard) and has operated at this site since 1972.

Salemtowne has received licensure from the North Carolina Department of Insurance to operate a continuing care services program without lodging pursuant to Chapter 64 Article 58 Paragraph 7. This program is referred to as “Navigation by Salemtowne”. (See Section V for details of the program.)

Salemtowne is a charitable, non-profit corporation affiliated with the Moravian Church in America, Southern Province, and is governed by a volunteer Board of Trustees. The Corporation is a 501(c)(3) tax-exempt organization to which charitable contributions may be made. Our federal tax identification number is 56-0963926.

Neither the Board of Trustees nor the Moravian Church in America, Southern Province is responsible for the financial or contractual obligations of Salemtowne.

Salemtowne is founded on the principles of the Moravian Church. Our mission is to provide a broad variety of services to persons of retirement age.

Mission Statement

Salemtowne is a non-profit continuing care retirement community that promotes the well-being of its residents by providing a caring environment. Salemtowne is an ecumenical community that reflects the Moravian values of individual respect, hospitality, life-long learning and love of the arts.

Vision Statement

Salemtowne is a retirement community of excellence that fosters independence, security, wellness, and the growth of its residents to their full potential. Salemtowne supports older people and caregivers in the broader community through educational and community activities.

Values Statement

Salemtowne's primary values are respect, integrity, and caring. These values guide us in our decision making, program development, use of resources, and operations.

We seek to live our values every day by:

- Treating each resident as a valued individual and with dignity, regardless of age or condition.
- Creating a homelike environment which is as non-institutional as possible and which promotes quality of life, security, and wellness.
- Engaging in continuing education and evaluation to develop associates, improve services, and live up to our mission.
- Striving to be a great place to work which gives associates a sense of achievement and recognition.
- Providing leadership in the field of care for the aging, thus contributing to improve services for seniors in our society.

Salemtowne: A Quality First Community

Salemtowne was a charter member of the quality initiative launched by Leading Age (formerly American Association of Homes and Services for the Aging) and the American Health Care Association (AHCA) in 2003. Salemtowne signed a covenant pledging to achieve excellence by adhering to the Leading Age "Quality First" 10 Elements of Quality.

Leading Age "Quality First" 10 Elements of Quality

1. Commitment – Pledging to maintain and promote ethical practices and the highest standards of quality.
2. Governance and Accountability – Achieving and maintaining high standards of management and governance to improve quality consistent with our mission and values.
3. Leading-Edge Care and Services – Implementing models and practices that are based on evidence of success, represent the tradition of personal service and are adaptable to a changing society.
4. Community Involvement – Engaging in community citizenship and service - social accountability, volunteer involvement and relationship building.

5. Continuous Quality Improvement – Using CQI methods to enhance existing programs, improve effectiveness and foster a collaborative work environment.
6. Human Resources Development – Providing training, competitive wages/benefits, and a supportive work environment.
7. Consumer-Friendly Information – Providing accessible and understandable information for older adults, families and caregivers.
8. Consumer Participation – Engaging residents/clients, family members and consumers in care and services.
9. Research Findings and Education – Using and sharing the latest research findings to improve care and services for older adults.
10. Public Trust and Consumer Confidence – Committing to a policy of outreach, openness and authenticity to increase public understanding of quality aging services and earn the trust of the people we serve and their families – as well as the media, the public and policy makers.

Salemtowne is a member of the national organization for homes and services for the aged – Leading Age; the North Carolina Association – Leading Age North Carolina; North Carolina Health Care Facilities Association (NCHCFA) and the Winston Salem Chamber of Commerce.

Board of Trustees and Management Staff:

Salemtowne certifies that none of its Trustees nor Management Staff have ever been convicted of a felony or pleaded nolo contendere to a felony charge, or been held liable or enjoined in a civil action by final judgment, for any matter involving fraud, embezzlement, fraudulent conveyance or misappropriation of property. In addition, Salemtowne certifies that none of its Trustees nor Management Staff are currently subject to an injunctive or restrictive court order arising out of a related health care business activity in this or any other state. Finally, Salemtowne certifies that none of the Trustees or Management Staff have had any State or Federal license or permits suspended or revoked.

The Corporation is governed by a volunteer Board of Trustees (the “Board”) whose members are selected by the Provincial Elders’ Conference, by the Synod of the Moravian Church, Southern Province, and by the Board. The Board consists of not less than 12 and no more than 18 members, two of which shall be residents of Salemtowne. Non-resident Board members are elected for a four-year term and are eligible for re-election for a second term. Resident Board members may serve only one term or a maximum of four years on the Board before they must rotate off the Board for a period of at least one year. After being off the Board for a period of at least one year, a resident who has previously served on the Board is eligible for re-election to one additional four-year term. Standing committees of the Board are: Executive, Finance, Development, and Resident Life.

Following is a listing of the members of the Board of Trustees, and Management Staff - Officers of Salemtowne, their addresses and synopses of their relevant backgrounds and experience:

Chris Perry. *Trustee and Chairman. 830 Oaklawn Avenue, Winston Salem, North Carolina 27101*

Chris Perry left a career on Wall Street moving from Summit NJ to Winston Salem and founding New South Associates NS in early 2004. New South Associates is a consulting company that primarily provides bond-investing advice to corporations and educational institutions.

Chris has an undergraduate degree in history from Vanderbilt University and an MBA from Northwestern University (where he majored in finance and accounting). Chris's 25-year Wall Street career included holding positions as Managing Director and Head of E-Commerce at HSBC, USA, and Senior Vice President for Taxed Fixable Income at Prudential Securities in both New York and London.

As a consultant, volunteer and an investment banker, Chris has been actively involved in raising money for eleemosynary institutions including his college alma mater, Vanderbilt University, his Church's in Summit NJ and London and his mission work in Africa. Chris has also served on two senior pastor search committees in both London and New Jersey. For the past ten years alongside the bond consulting work Chris's "second act" includes teaching AP Macro-Economics to seniors at FCDS and co-founding a men's Christian group, the Winston Salem chapter of The New Canaan Society. Chris has also been active in mission work especially in Africa, where he sits on the board of Earthwise Ventures, a passenger ferry company operating on Lake Victoria in Kampala, Uganda and the Sure Foundation operating in Malawi.

John Geis. *Trustee and Vice Chairman. 317 Beechcliff Court, Winston Salem, NC 27104*

John Geis joined Wells Fargo as a Strategic Sourcing Consultant in 2019. Prior to joining Wells Fargo he held several supply chain management roles at BB&T since 2005. Before working for BB&T, Mr. Geis spent five years as a Senior Strategic Sourcing Consultant for Wachovia Corporation. He also retired from the US Navy as a Commander.

Mr. Geis has been a BSA Scout Leader since 2009 with the Old Hickory Council.

Mr. Geis has an MBA from Appalachian State University and is a graduate of Virginia Military Institute.

F. Keith Stirewalt. *Trustee and Secretary. 51 Carrisbrooke Lane Winston-Salem NC 27104*

Keith Stirewalt is the Director of Christian Education for Home Moravian Church ("HMC"). Mr. Stirewalt began his membership with the HMC in 1995 as a divinity student at Unity Moravian Church. In 2009, Mr. Stirewalt became a member of First Baptist Church and was hired as the Associate Pastor and rejoined HMC in 2015.

Mr. Stirewalt has previously served on the Board of Directors of the Fellowship Home of Winston-Salem, a structured, therapeutic, residential environment for men recovering from the disease of addiction. Since 2013, he has served as Founding Member & Steering Committee of the Community Partnership for Compassionate Care, a regional coalition of the North Carolina Partnership for Compassionate Care and an award-winning, nationally recognized partnership designed to encourage and facilitate the advance care planning process.

John Elster. *Trustee and Treasurer. 150 Plymouth Avenue Winston-Salem, NC 27012.*

John Elster is the Owner/President of Personal Properties Solutions, a business that he started in 2017 to assist individuals with the disposition of their personal property. He works with families when downsizing as well as with executors and attorneys when settling estates. He enjoys helping to identify items of value that might otherwise be overlooked in an estate. Prior to 2016, John had a 29-year career as a bond trader. He managed the Money Market Trading Desk at Wachovia Bank (1987-2002) and served as a managing director at BB&T Capital Markets (2002-2016). John holds a BA in Economics from Davidson College. As a bond trader he held various securities licenses including the Series 7, 9 & 10. In 2017 he completed the core curriculum for personal property appraisals through the American Society for Appraisers.

John currently volunteers at Home Moravian Church as the Chair of the Board of Trustees, usher and member of the Building & Grounds Committee. He is an Ex Officio member and past chair of the of the Finance Committee. John also serves on the investment committee at the Moravian Ministries Foundation of America.

Ann Barefield. *Trustee and Resident. 130 Wareham Lane Winston-Salem, NC 27106*

Dr. Barefield has been involved in the field of education since she graduated from college. She received her undergraduate degree from Salem College in Winston-Salem, North Carolina and her masters and doctorate degrees from the University of Missouri in Columbia, Missouri. She was a teacher, Assistant Principal, Principal, Director of Curriculum and Instruction, and Assistant Superintendent of Schools in Missouri. She was Coordinator of Middle Grades Education and Chair of the Department of Education at Winston-Salem State University in Winston-Salem, North Carolina. She retired in January 2012 from Nova Southeastern University in North Miami Beach, Florida where she was either a committee chair or committee member for doctoral students working on their dissertations in the areas of Educational Administration, Reading and Special Education. Ann served as president of the Unitarian Universalist Fellowship of Marion County in Summerfield, Florida for 4 year. She is a member of the Florida UUA District Speaker's Bureau and spoke at numerous Unitarian Universalist churches and fellowships throughout central Florida and a member of the Professional Development Committee and the Grant Committee for the Winston-Salem Women's Fund and the Education Committee for CHANGE. She has been co-chair of the Membership Committee, member and chair of the Social Action Council, Chair of the Stewardship Committee, and coordinator of the CHANGE Core Team at the Unitarian Universalist Fellowship of Winston-Salem. She also served as President of the Board of Trustees at UUFWS. She served as Precinct Chair for the Democratic Party for Precinct 907.

Ann currently lives at Salemtowne Retirement Community. She is chairing the Policies and Procedures Committee and serves on the Small Group Ministry Team at UUFWS. She is active in the Women's Fund, serves on the Planned Parenthood Council for Forsyth County, and co-chairs the Inclusion Group at Salemtowne. She is also a member of a local book group and a play reading group. She has recently been elected to the Board of Trustees of Salemtowne, is serving on the Finance Committee and the Resident life Committee at Salemtowne.

Matthew Dolge. *Trustee. 6345 Armsby Road, Clemmons, NC 27012*

Matthew Dolge is the Executive Director of Piedmont Triad Regional Council since 1995. Prior to 1995, Mr. Dolge was the City Manager of the Town of Tryon. He received a B.S. in Political Science from Appalachian State University.

Mr. Dolge has served as the Vice-Chairman of the Directors' Association of the NC Lead Regional Organization, Board Member of the Southeastern Regional Directors Institute, and Board Member of the National Association of Development Organizations. He has also been involved with the Twin City Kiwanis Club, Spiritual Aims Committee, Southwest Forsyth Little League, Holy Family Church, and Appalachian State Local Government Alumni Association.

Martha Shore Edwards *Trustee. 3651 Will Scarlet Road, Winston-Salem, NC 27104*

Marty Edwards has worked as a writer and fundraiser/public relations professional for over 40 years while enjoying raising three daughters with her husband, Palmer. She retired from Wake Forest University in 2014 and began consulting with non-profit organizations. Marty's aunt Mary Louise Shore was a resident at Salemtowne for many years, and this is Marty's second term on the Salemtowne Board. Marty and Palmer co-chaired the Salemtowne Pathways Campaign with her brother and sister-in-law, Ricky and Sally Shore. Marty volunteers with Kid's Cafe and Democracy North Carolina and is a member of the Rotary Club of Winston-Salem.

John Ferguson. *Trustee. 915 Riverbend Drive, Advance, North Carolina 27006.*

Mr. Ferguson serves as a County Commissioner in Davie County, North Carolina. Previously he served as the Mayor of the Town of Bermuda Run. Mr. Ferguson is retired from Wachovia Bank where he served as a Senior Vice President and managed Information Processing, Bond operations, Brokerage operations and Trust operations.

He is active in the community currently serving on the board of the Hospice Foundation and Clemmons Moravian Church. Mr. Ferguson has also served as a board member of the Davie County Foundation and as the President of Bermuda Run Country Club Board of Governors.

Edward J. Lewis. *Trustee. 504 Jersey Avenue Winston-Salem, North Carolina 27101*

Edward Lewis joined UNCSA in 2015 and serves as Vice Chancellor for Advancement. Previously. He was Senior Director of Development at the Clarice Smith Performing Arts Center at the University of Maryland, College Park, where he provided strategic direction

for a comprehensive fundraising program for one of the nation's leading university presenting programs.

Mr. Lewis holds a Bachelor of Music degree from Northwestern University and a Master of Music degree from the University of Michigan. He is a violist and also an alumnus of the University of Maryland School of Music where he studied chamber music with the Guarneri String Quartet. His professional experiences include performing as a member of the Dallas Opera Orchestra, the Dallas Chamber Orchestra, Santa Fe Pro Musica, and the Toledo Symphony.

Mr. Lewis enjoys his work at UNCSA for the opportunities it provides to explore and experience performing arts disciplines beyond his own classical music training. He particularly values the opportunity to deepen his artistic experiences by engaging with accomplished faculty, visiting artists, students and the many donors who support their work, in a stimulating creative environment.

Grover “Chip” Mims, MD *Trustee and Resident. 6312 Salemtowne Drive Winston-Salem, NC 27106*

Dr. Mims is a retired Associate Professor of Anesthesiology, Wake Forest University School of Medicine. He served for 15 years as Medical Director of Inpatient OR's and 19 years as Medical Director of the Outpatient Surgical Center. Chip grew up in Kingsport, Tennessee. He attended Carson-Newman College and medical school at what was then Bowman Gray School of Medicine. Mr. Mims served a one-year surgical internship at NC Baptist Hospital and 2 years of active duty in the Navy as a submarine medical officer on the nuclear submarine Casimir Pulaski SSBN633, Blue crew.

Chip is on the boards of Care-Net Counseling of Winston-Salem and the Samaritan Institute, based in Denver, Colorado. He is active in his local church, Knollwood Baptist, teaching an adult Sunday School Class. He is a resident of Salemtowne.

Kathleen O'Brien *Trustee. 1371 Union Cross Road Kernersville, NC 27284*

Kathleen O'Brien has over 30 years of experience as a Registered Nurse. She has served as a Staff Registered Nurse (“RN”) at Novant Hospital and Baptist Hospital, and spent over 16 years at Wake Forest School of Medicine in various positions including the Head Nurse Research Coordinator and Clinic Nurse for Dept of Cardiology, Section of Electrophysiology, a Nurse Research Coordinator, Department of Neurosurgery, RN Department of Oncology, and RN Instructor. Ms. O'Brien is certified in Hospice and Palliative Care and has served as the Team Manager for Home Care for Hospice and Palliative Care, Director of Nursing Kate B. Reynolds Hospice Home and is currently a Staff Nurse at SECU Hospice Home Mt. Valley Hospice and Palliative Care.

Betty C. Petree *Trustee. 2300 Lyndhurst Avenue Winston-Salem, North Carolina 27103*

Betty Petree is the owner and operator of Copper Kettle Anesthesia Service in Winston-Salem, North Carolina and has over 40 years of experience in Anesthetists as a teacher/instructor, researcher and author, a professional speaker and from most recently

serving as the Vice President Surgical Services and the Interim Director of Surgical Services at Wake Forest University Baptist Medical Center.

Ms. Petree currently is a member of the American Association of Nurse Anesthetists, North Carolina Association of Nurse Anesthetists (NCANA), North Carolina Baptist Hospital School of Anesthesia Alumni Association and Executive Committee, School of Wake Forest Baptist Hospital Anesthesia. She has previously held offices as the Secretary-Treasurer, North Carolina Baptist Hospital School of Anesthesia Alumni Association; the Program Committee Chairman, NCANA; Program Committee, NCANA Vice President, NCBH School of Anesthesia Alumni Association; Nominating Committee, NCANA; Board of Trustees, Salemtowne Retirement Community; Program Committee, NCBH School of Anesthesia Alumni Association; AANA Council on Recertification; Vice-Chairman, AANA Council on Recertification; Chairman, AANA Council on Recertification; and Strategic Planning Committee, NCANA.

Ms. Petree has received prestigious awards including National Clinical Practitioners Award, Who's Who in Professional Nursing, Nominee and winner for Best 100 Nurses in North Carolina, Who's Who Among Human Services Professionals, President's Citation (Employee of the Year), North Carolina Baptist Hospital, Who's Who Among American Women Professionals, Who's Who Among Americans in the Southeast, Who's Who in Medicine and Health Care; Who's Who in the World, and Manchester Who's Who Award.

Betty Petree holds a DIP in Nursing from Davis Hospital School of Nursing in Statesville, North Carolina and graduated from the Nurse Anesthesia Program from the North Carolina Baptist Hospital in Winston-Salem, North Carolina.

The Rt. Rev. Dr. Graham Rights. *Trustee. 553 Steeple View Court, Winston Salem, North Carolina 27101.*

Bishop Rights is an ordained minister and bishop in the Moravian Church. He earned a BA Degree from the University of North Carolina at Chapel Hill, a BD from Yale Divinity School, and did further study at Moravian Theological Seminary and New College, University of Edinburgh, Scotland.

Bishop Rights has served congregations in Managua, Nicaragua; and Mayodan, Winston Salem, and Greensboro, NC. He has also served as Executive Director of the Board of World Mission of the Moravian Church in America with office in Bethlehem, PA, and as President of the Provincial Elders' Conference of the Moravian Church, Southern Province, with office in Winston-Salem.

In the community he currently serves on the Board of Crisis Control Ministry of Forsyth County. He has previously served on various boards of the Moravian Church and on boards of the Pastoral Care Foundation of NC Baptist Hospital/Wake Forest Baptist Health, Ecumenical Institute of the Carolinas, Wachovia Historical Society, CareNet of the Triad, and Salemtowne.

Corlis Sellers-Drummond. *Trustee. 4350 Sandalwood Court Winston-Salem, North Carolina 27106.*

Corlis Sellers-Drummond was appointed as Special Assistant to the Chancellor for Strategic Priorities on August 26, 2016. In this role, she supports special projects and initiatives in the Chancellor's Office. Prior to her appointment as Special Assistant, she served as Executive Assistant to the Chancellor since December 2013.

Following her retirement as a member of the Senior Executive Service (SES) from the U.S. Department of Labor in 2010, Mrs. Sellers-Drummond was employed by the Roman Catholic Diocese of Camden, N.J. In the Diocese, she served as the Liaison to the Bishop for Black Catholic Ministry Commission.

From 1999 to 2010, she served as the Northeast Regional Administrator for the Department of Labor's Wage and Hour Division where she led a staff of over 300 (mostly Wage and Hour investigators) in labor law enforcement efforts in thirteen states in the northeast and Mid-Atlantic and in the territories of Puerto Rico and the U. S. Virgin Islands. Mrs. Sellers-Drummond has over 27 years of senior management experience with the U. S. Department of Labor in areas of labor law compliance, strategic planning, policy development, budget, financial management, and governmental relations. This management experience includes over two years of service as the Executive Assistant and Chief of Staff to a former Assistant Secretary of Labor, as well as an assignment to the White House where she served as the leader of the Defense and Veterans Affairs Team for then Vice President Gore's National Performance Review.

In 2004, Mrs. Sellers-Drummond was appointed by then U. S. Labor Secretary Elaine Chao to lead the Fair Pay Enforcement Task Force, which was established to ensure nationwide compliance with the newly revised Fair Labor Standards Act white collar exemption rules. In 2000, she received a Presidential Rank Award for Meritorious Achievement for her work in combating illegal child labor in the U.S. Mrs. Sellers-Drummond served on the Senior Executive Service Resources Board and the Senior Executive Service Performance Review Board in the U. S. Department of Labor.

Corlis obtained a BS, from Hampton University, Secondary Education

Kimberly H. Stogner. *Trustee. Womble Bond Dickinson, One West Fourth Street, Winston Salem, North Carolina 27101.*

Kim Stogner is a Partner and experienced trust and estates attorney with comprehensive estate planning as well as trust administration, tax and probate law issues with Womble Bond Dickinson in the Winston Salem office. Previously she was a Partner with Vaughn Perkinson Ehlinger Moxley & Stogner, Winston-Salem, N.C., 2001-2009; Associate with Kilpatrick Stockton (formerly Petree Stockton), Winston-Salem, N.C., 1994-2000; Summer Associate with Petree Stockton, 1992 and 1993; and Summer Associate with Smith Moore Leatherwood (formerly Smith, Helms, Mullis & Moore), 1993.

Ms. Stogner was admitted to the bar in 1994, North Carolina; earned her B.A. in 1986 from Wake Forest University, cum laude and her J.D. in 1994 from Wake Forest University, cum laude. She served as Editor of the Wake Forest Law Review, 1993-1994; Member, Order of Barristers and Member, Moot Court Board, 1992-1994.

Before attending law school, she worked as a personal trust officer for two national banking corporations. She also has earned the Certified Financial Planner (CFP) designation.

Ms. Stogner has consistently been ranked as one of North Carolina's top trust and estates attorneys, ranking in Woodward/White Inc's "Best Lawyers in America" since 2006 and among *Business North Carolina's* "North Carolina Legal Elite." *Law and Politics* magazine has named her a "Super Lawyer" every year since 2006 and *Law and Politics* also has named her one of North Carolina's top 50 female lawyers in 2007-12.

She is active in the North Carolina Bar Association and a number of charities and civic organizations in Forsyth County.

Member, Forsyth County and North Carolina Bar Associations; Board of Governors Member, North Carolina Bar Association; Chair, Nominating Committee; Member, Call4All Task Force; Past Chair and Council Member, Fiduciary Law Section; Past Trustee, Health Benefit Trust of North Carolina Bar Association.

Member and Past Chair, Wake Forest Planned Giving Advisory Council; Member Winston-Salem Estate Planning Council. Hospice Foundation, Board Member; United Way of Forsyth County, Past Board Member; Crosby Scholars Program, Past Board Member, Member of Capital Campaign Cabinet; First Citizens Bank, Local Board of Directors; Crisis Control Ministry, past Board Chair and Current Member of Board Development Committee; United Way of Forsyth County Foundation, Founding Board Member and Executive Committee Member; Children's Museum of Winston-Salem, Founding Board Member; Wake Forest University School of Law National Law Fund Committee, past Board Member; Winston-Salem Downtown Rotary Club, Member and Officer; Junior League of Winston-Salem, Sustaining Member; Hope Presbyterian Church, Member.

Per NCGS § 58-64(a)(3)(b) Womble Carlyle Sandridge & Rice (One West Fourth Street, Winston Salem, NC 27101), a full services legal firm, in which is Mrs. Stogner is a Partner, provides legal services to Salemtowne, the anticipated cost of which cannot be estimated.

Patti Stoltz. *Trustee. 4355 Mashie Drive Pfafftown, North Carolina 27040.*

Pattie grew up in Denver, Colorado and then moved with her family to Maryland outside the D.C. area for her high school years. Patti attended Duke University and married her college sweetheart, Jerry D. Stoltz, in 1964. She began her teaching career of 46 years at Durham High School while Jerry finished his football eligibility.

The Stoltzes then moved to Winston-Salem where she taught at East Forsyth High School for two years before becoming a stay at home mom. In 1975 she began teaching at Forsyth Country Day School, a career that lasted for 43 years; she retired last June.

While at Forsyth Country Day School, Pattie held several positions, including English Department Head, Director of Academic Life, College Counselor and Upper School Head for 14 years.

Patti also served on several SACS (Southern Association of Colleges and Schools)

evaluation teams. Currently she is serving her second term on the Board of Trustees for New Hope United Methodist Church and teaches an adult Sunday School class.

Management Staff - Officers:

Mark A. Steele. *President and Chief Executive Officer.*

Dr. Steele is responsible for the overall management of the Corporation. Dr. Steele joined Salemtowne in August 2015, having previously served as President and General Manager of China Operations of Cornerstone Affiliates International (a subsidiary of American Baptist Homes of the West “ABHOW”) in Pleasanton, CA since 2013. In that prior position, he was responsible for planning an expansion into the Chinese market and overall growth and profitability of the organization. Dr. Steele held a number of positions within the ABHOW organization for sixteen years as well positions in the senior living industry such as: Vice President, Regional Operations Manager of Continuing Care Retirement Communities, California and Arizona, 2004 to 2013; Executive Director of The San Joaquin Gardens in Fresno, CA, 1999 to 2005; Associate Director of The Samarkand, Santa Barbara, CA, 1993 to 1999; Administrator of Crista Nursing Home, Seattle, WA, 1992 to 1993; Administrator, Fred Lind Manor, Seattle, WA, 1991 to 1992; Assistant Administrator, Branch Villa Health Care Center, Seattle, WA, 1990 to 1991; and Church Pastor at Western District of the Missionary Church, Camarillo, CA, 1983 to 1990.

Dr. Steele completed a Doctor of Ministry, Leadership and Global Perspectives from George Fox University, Portland, OR, obtained his Masters of Business Administration from La Verne University, La Verne, CA, his Masters of Divinity from Biola University, La Mirada, CA, and his Bachelors of Arts in Speech Communications from Polytechnic State University, San Luis Obispo, CA.

Brian Tuckmantel, *Chief Financial Officer.*

Mr. Tuckmantel joined the Corporation in November, 2017 having previously served as Executive Vice President for Alcore Senior, LLC, a start-up senior living development and management company, which owns, operates and manages a portfolio of five properties. Mr. Tuckmantel has over 20 years in senior living serving as Owner/Chief Executive Officer, Chief Financial Officer, Vice-President – Financial Planning & Analysis, Division Director – Accounting & Finance, Regional Director of Finance/Regional Accountant, Revenue Manager and Executive Director. Mr. Tuckmantel received his Bachelor of Science in Food Science from The Pennsylvania State University, in 1995 and his Masters of Business Administration in Accounting from Temple University in 2003.

Kathryn S. Wilson. *Director of Human Resources, Corporate Compliance Officer and Assistant Secretary.*

Mrs. Wilson joined Salemtowne in 2004, previously serving as Manager of Operations Training and Employee Development with Blue Cross Blue Shield of N.C. in Winston Salem, N. C.; Director of Corporate Communications and Staff Development with Partners National Health Plans of N.C., Inc. in Winston Salem, N. C.; Personnel Director with WXII-TV in Winston Salem, NC; Personnel Manager with Meridian Corporation in

Alexandria, VA.; and Personnel Coordinator with Dynamac Corporation in Lexington Park, MD.

Mrs. Wilson earned a Masters in Rehabilitation Counseling and Vocational Evaluation, a Bachelor of Science in Speech, Language, and Auditory Pathology both from East Carolina University in Greenville, N.C. and an Associate of Arts in Liberal Arts from Peace College in Raleigh, N.C. She has earned a Masters in Integrated Marketing Communications from West Virginia University.

Joseph Yoon. *Health Care and Assisted Living Administrator.*

Mr. Yoon joined the Corporation in June 2018 having previously served as Director of Health Services for Aldersgate United Methodist Retirement Community, a Life Care Community located in Charlotte, North Carolina. Mr. Yoon is licensed as a Nursing Home Administrator in North Carolina. Mr. Yoon has previously served as an Executive Director, Assistant Administrator, Assisted Living Coordinator, Health Services Associate and a Section 8 Senior Housing Community Manager. Mr. Yoon attained a bachelor's degree in Management of Aging Services from the University of Maryland Baltimore County.

Physical Description of the Community. Salemtowne is located on a 120+ acre site, off Bethabara Park Boulevard in Winston Salem, North Carolina. The Community provides housing and services, including health care, to individuals of retirement age and currently consists of:

- 224 Independent Living Accommodations
- 46 Assisted Living Center Accommodations
- 100 Health Care Center Living Accommodations (All are Medicare certified, of which 20 are also Medicaid certified.) and 20 Memory Support Accommodations
- Community Center
- Fitness Center which includes land and equipment exercise areas, an indoor aquatic pool and whirlpool and Wii exercise and entertainment system
- Walking trails
- Over 25 acres of environmentally protected property
- Four-acre lake
- Art Galleries
- Complimentary Wi-Fi in common areas
- Emergency Response System for the entire 125-acre campus

Refer to Section II., herein, for a detail listing of the various Living Accommodations.

The community also includes reception areas, dining rooms, private dining rooms, coffee shop, art galleries, lounges, multi-purpose rooms, convenience/gift shops, beauty/barber shops, creative arts areas, wood working shop, library, game rooms, as well as housing support services including kitchens, maintenance, laundry and housekeeping.

I. Services

The services and facilities that are provided through the Entrance and Monthly/Daily Fees are described in detail in the Residence and Services Agreements and are summarized below:

These services are provided to all Residents, regardless of level of accommodation, and are included in the monthly/daily fees. (Fees will not be reduced or unbundled for services that Residents decline such as dining.)

- Flexible dining plan - Independent Living residents' monthly service fees include flexible dining allowances based on their accommodation and fee plan. Assisted Living and Skilled Nursing Center and Memory Support Center residents do not participate in a dining allowance plan. Three meals per day are provided to these residents as a part of their monthly service fees.
- Limited parking (one unassigned space)
- Limited storage (based on Living Accommodation)
- Computer/internet access
- Complimentary Wi-Fi access in common areas
- Common facilities, as available
- All utilities, except telephone and internet service
- Basic Cable television service
- Weekly housekeeping service for Independent Living
- Laundry facilities
- Maintenance service for company owned property and equipment
- Grounds keeping (basic services)
- Mail and package delivery (as described in the level of care residence and services agreement and the resident handbook provided to all residents)
- Limited local medical transportation (up to 4 trips per month as described in the residence and services agreement and the resident handbook)
- Activities (Social, spiritual, physical and intellectual programs) Additional charges may be incurred for some programs.
- Pastoral care
- On-site delivery of pharmaceuticals and pharmaceutical consultations
- Routine nursing services through the clinic
- Nutritional counseling
- Emergency nursing services
- 24-hour medical emergency call system, security and fire protection
- Check Cashing
- Notary Public services

The following additional services are provided with the monthly/daily fee to Assisted Living Center and Skilled Nursing and Memory Support Residents in the Health Care Center. (Fees will not be reduced or unbundled for services that Residents decline such as meals or laundry.)

Assisted Living Center	Memory Support Center	Health Care Center
• Three meals daily	• Three meals daily	• Three meals daily
• Meal service to room, if required	• Meal service to room, if required	• Meal service to room, if required
• Dining room assistance	• Dining room assistance	• Dining room assistance
• Assistance with bathing and grooming	• Assistance with bathing and grooming	• Assistance with bathing and grooming
• Weekly housekeeping service	• Daily housekeeping service	• Wheelchair assistance
• Personal laundry service	• Personal laundry service	• Daily housekeeping service
• Medication delivery by a nurse or medication technician	• Medication delivery by a nurse or medication technician	• Personal laundry service
• Monitoring of vital signs according to physician's order	• Monitoring of vital signs according to physician's order	• Medication delivery by a nurse
• Nursing evaluation	• Nursing evaluation	• Monitoring of vital signs according to physician's order
• Multi-disciplinary care planning	• Multi-disciplinary care planning	• Nursing evaluation
• Access to Fitness Center	• Access to Fitness Center	• Multi-disciplinary care planning
• Personal lockable space to secure your valuables	• Personal lockable space to secure your valuables	• Whirlpool tub
		• Skilled care by RNs, LPNs and CNAs on duty 24 hours per day
		• Access to Fitness Center
		• Personal lockable space to secure your valuables

Certain services are not provided by Salemtowne. These are detailed in the Residence and Services Agreements. These services are not included in the Residence and Services Agreements' Monthly/Daily Fees but can be provided at the Resident's additional expense. This is not an all-inclusive listing of services you may request or utilize. With respect to services not listed, consult the resident handbook, schedule of charges (both provided to residents) or the Finance Office.

- On-site Physician Visits
- On-site Laboratory Services
- On-site X-ray Services
- On-site Podiatric Care
- On-site Rehabilitative Therapy
- On-site Dental Care
- On-site Occupational Therapy
- On-site Therapeutic activities
- Pharmacy Services
- Additional dining services in excess of dining plan selected
- Catering and guest meals
- Physician and Specialist services
- Private duty nurses and personal aides
- Wheelchairs, walkers and other medical equipment and supplies
- Certain cultural and sightseeing trips
- Special transportation for individual or group trips
- Alterations to living accommodation, if approved by Corporation
- Grounds keeping, personally requested services, if approved by the Corporation
- Limited storage, as available

Babcock Health Care and Rehabilitation Center - Health Care Center. Salemtowne completed construction of a new 100-bed skilled nursing and rehabilitation center (the "Health Care Center") with a new 20-bed assisted living memory support center (also known as the "Memory Support Center" or "Westerly Place"). The Health Care Center and Westerly Place is collectively known as the "Babcock Health Care and Rehabilitation Center" or the "Health Care Center." Salemtowne began occupancy and transitioned the existing nursing residents to the Health Care Center in July 2017.

The Health Care Center is designed in a neighborhood setting and includes state of the art therapy and rehabilitation activity center.

The Health Care Center is provided for the benefit of the Residents. Private accommodations are provided in the Health Care Center as well as a Special Care area, which serves the needs of individuals diagnosed with Alzheimer's or other dementia-related diseases. Nurses are on duty 24 hours a day, and all Living Accommodations are equipped with an emergency call system.

The overall coordination and provision of health care services is provided by the Resident Review Committee and a Medical Director who is a licensed physician selected by the Corporation. A physician is on campus on specified days of each week. Residents may choose to use this physician or continue to use their own private physicians. Residents will be responsible for charges for services by such physicians and any consultants.

Temporary care is available in the Health Care Center or Assisted Living Center for treatment of short-term illnesses or injuries.

Clinic and Related Services. A clinic is maintained for Residents in which nursing staff offer certain non-emergency medical treatment at no additional charge.

On-Site Emergency Call Response. Each Living Accommodation is equipped with an emergency medical call system. This system covers substantially all of the outside campus areas as well. Salemtowne nursing staff will respond to emergency calls.

Emergency Medical Care. When emergency medical care is necessary, the Resident's physician is notified. If acute medical care is necessary or upon physician's or the Resident's request, the Resident will be transferred to a local hospital Emergency Room.

Masten Assisted Living Center. The Assisted Living Center is provided for the benefit of the Residents who require assistance with activities of daily living such as bathing, dressing, and medication administration in private accommodations. Dining room assistance, monitoring of vital signs, and nursing assessments are also provided in the Assisted Living Center. The Assisted Living Center is staffed with Certified Nursing Assistants and LPNs on duty 24 hours a day.

Other Services Provided. Residents may not engage third parties for services to be rendered within Salemtowne without prior notification to and authorization by Salemtowne Management.

Pharmacy. Pharmacy services are available to all Residents. Independent Residents may choose to use this service or any pharmacy of their choice. Assisted Living, Memory Support Center and Skilled Nursing Center Residents are encouraged to purchase medications through this service since medications for these Residents are distributed by Salemtowne's nursing staff and must be packaged by unit dose.

Future Expansion Projects

In 2018 Salemtowne began a master planning process that is considering the construction of a new assisted living building, additional independent living apartments, as well as analyzing the existing Vogler Building, common space, kitchens, dining spaces and other needs on the campus. In addition, Salemtowne also plans to explore other capital related projects on the current campus that could include the renovation of the current dining facilities, the construction of a new walking trail, a dog park and a new café. No final plans have been decided upon and no decision regarding any financing thereof has been made.

The Independent Living Project – “Woodlands”

The Independent Living Project was completed on April 1, 2020 and included 56 new independent living apartments in two buildings. The Independent Living Project is planned to be located on the existing campus in two four-story buildings and is planned to include underground parking.

The following table sets forth the number of accommodations prior to and after the completion the Independent Living Project.

		The Independent Living Project	Total
Level of Care	Current	New Units/Beds	Upon Completion
Independent living units	168	56	224
Assisted living beds	46	-	46
Memory support beds	20	-	20
Skilled nursing beds	100	-	100
Total	334	56	390

The existing Independent Living Accommodations and the New Independent Living Project is collectively referred to as the Independent Living Accommodations.

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II. Fees (Schedule of Fees)

Salemtowne offers attractive, comfortable Living Accommodations at affordable prices. Salemtowne allows for direct entry into the Assisted Living Center as well as the Health Care Center.

Residents who choose to become a part of the Salemtowne community through entry into independent living are required to pay a one-time Entrance Fee, which is determined by the Living Accommodation selected. Monthly/daily fees are also charged for services provided.

Residents may request Living Accommodation customizations. Such customizations must be approved by Salemtowne. The costs and maintenance of such features are the responsibility of the resident.

Residents directly admitted to the Health Care Center do not pay Entrance Fees but do pay monthly/daily fees for services provided. A one-time Entrance Fee may be required for direct admissions to the Assisted Living and Westerly Place.

Residents who have paid an Entrance Fee to the community will participate in the Room & Board Discount Program in place of the Entrance Fee Grace Days Program. These Residents, who have a stay in the Health Care Center or the Assisted Living Centers, will receive a discount from published external admission room and board rates. This discount program is subject to change. As of the date of this Disclosure Statement, the discount is 20%.

Priority Entry. Residents are provided priority entry over non-Residents for entry to the Health Care Center or Assisted Living Center. The community will make every effort to accommodate Residents in the Health Care Center and/or Assisted Living Center but cannot guarantee availability of accommodations. In the event the Health Care Center and the Assisted Living Center are fully occupied when a Resident is in need of care, the Resident agrees to relocate to an alternate health care facility that provides services similar (“a Comparable Facility”). In the event of relocation, the community will make every effort to transfer the Resident back to Salemtowne when accommodations become available.

Upon the Resident’s relocation to a Comparable Facility, the Resident will continue to be responsible for the Monthly/Daily Fee (unless their Living Accommodation is surrendered). Salemtowne will not be responsible for the charges associated with the alternate accommodations.

Entrance Fee and Deposit. The Entrance Fee balance and unpaid non-standard feature costs will be due and payable 10 days prior to the date of occupancy. Reasonable notice is given prior to the projected date of occupancy. Occupancy is defined as the first day that a Resident either resides in the Living Accommodation or the first day that the Resident’s furnishings or belongings occupy the Living Accommodation or a storage area at Salemtowne.

Notwithstanding the foregoing, unless agreed upon in writing, the resident must take occupancy within thirty (30) days after the date the Living Accommodation is available for

occupancy in accordance with the Reservation Agreement. If occupancy is not taken by such time, the resident shall accept financial responsibility for the Living Accommodation and pay the balance of the Entrance Fee, balance of any Non-Standard Costs, and begin paying the applicable Monthly / Daily Fees beginning with the 30th day after the date the Living Accommodation is available for occupancy, unless this Agreement is terminated prior to the 30th day after the date the Living Accommodation is available for occupancy.

Adjustments To Fees. The fees (Entrance Fees, Monthly/Daily Fees and Additional or Ancillary Fees) are usually set annually to provide the facilities, programs and services described in this disclosure statement and are intended to meet the cost of debt service, insurance, maintenance, administration, staffing and other expenses associated with the establishment, operation and management of Salemtowne. The Corporation shall have the authority to adjust the fees from time to time as the Corporation in its discretion deems necessary. Any such increase in the fees or other charges may be made by the Corporation upon thirty (30) days written notice to the Residents.

In the event that it should be determined that the Corporation is required to pay ad valorem taxes upon its property, the Monthly/Daily Fee may be adjusted to reflect the amount of such taxes.

In the event Salemtowne is assessed sales or use tax on Monthly/Daily Fee and/or fees for other services, Residents are responsible for all such taxes.

Residents are responsible for all taxes assessed on their personal property.

For a partial first month, the Monthly/Daily Fee is pro-rated on a per diem basis. Thereafter, Monthly/Daily Fees are paid in advance.

Current fees are listed on the following Schedule of Fees. These fees are effective for residents who enter the community under this Disclosure Statement. Any future increases will be disclosed as an amendment to the disclosure statement and presented in Appendix A herein.

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Independent Living Cottages

(This schedule of fees is effective for Residents entering the community on
or after June 1, 2017 under the “New” fee program.)

	<u>Square Footage</u>	<u>Entrance Fee</u>	<u>Monthly</u>
Wachovia Village			
Hatteras - 2BR	1,172	\$166,900 - \$175,600	\$2,968
Emerald - 2BR	1,356	\$200,200 - \$221,100	\$3,094
Salem Village			
Bethania - 2BR	1,553	\$262,300 - \$275,200	\$3,638
Hickory - 2BR	1,560 - 1,755	\$249,800 - \$312,600	\$3,635 - \$3,756
Catawba - 2BR	1,678 - 1,954	\$268,600 - \$350,800	\$3,638 - \$4,014
Catawba - 3BR	2,033 - 2,363	\$359,700 - \$410,100	\$3,998 - \$4,301
Catawba - 2BR w/ basement	3,210 (1,678 heated)	\$364,000	\$3,955
Bethabara Place			
Mitchell - 2BR	1,440	\$274,300	\$3,452
Shenandoah - 2BR	1,617 - 1,698	\$308,000 - \$323,400	\$3,635 - \$3,756
Appalachian - 2BR	1,640 - 1,750	\$303,200 - \$323,800	\$3,695 - \$3,763
Rutherford - 2BR	1,817 - 2,100	\$336,000 - \$397,800	\$3,998 - \$4,620
Watauga - 2BR	3,200	\$413,500	\$4,504

Monthly Fee for Second Occupants is \$715.

Monthly Fees includes: all utilities (excluding telephone), cable, weekly housekeeping, maintenance and \$171 per month per Resident dining allowance.

50% and 90% Entrance Fee Plans are offered. Please contact Salemtowne’s Marketing team for current pricing and availability.

Residents moving between independent living residences will be charged for renovation costs. For a second and each subsequent move between independent living residences, residents will be charged \$10,000 in addition to any entrance fee and renovation costs. There may be an additional entrance fee for new residents joining existing residents. Please contact Salemtowne’s Marketing team for information.

Independent Living Apartments

(This schedule of fees is effective for Residents entering the community on or after June 1, 2017.)

	<u>Entrance Fee</u>	<u>Monthly Fee</u>
Vogler Building / Bahnson Hall:		
Forsyth – 1BR~530 sf	\$73,500 - \$93,500	\$2,199
Winston A or B – 2BR~790 sf	\$100,900 - \$111,500	\$2,480
West End – 1BR~790 sf	\$101,000 - \$109,500	\$2,480
Buena Vista – 2BR~1,055 sf	\$140,400 - \$152,200	\$2,769
Driscoll Apartment Building:		
Reynolda – 1BR ~ 751 sf	\$129,100 - \$162,900	\$2,613
Sherwood – 1BR~ 936 sf	\$154,100 - \$167,100	\$2,904
Piedmont - 2BR~1,073 sf	\$188,200 - \$205,600	\$3,270
Brookstown – 2BR~1,107 sf	\$185,200 - \$196,600	\$3,275
Twin City – 2BR~1,240 sf	\$205,600 - \$216,500	\$3,508

Monthly Fee for Second Occupants is \$914.

Monthly Fees includes: all utilities (excluding telephone), cable, weekly housekeeping, maintenance and \$358 per month per Resident dining allowance.

Monthly fee includes: Bed and bath linen laundry service for Vogler Building and Bahnson Hall apartments.

Residents moving between independent living residences will be charged for renovation costs. For a second and each subsequent move between independent living residences, residents will be charged \$10,000 in addition to any entrance fee and renovation costs. There may be an additional entrance fee for new residents joining existing residents. Please contact Salemtowne's Marketing team for information.

50% and 90% Entrance Fee Plans are offered. Please contact Salemtowne's Marketing team for current pricing and availability.

The Woodlands

	<u>Entrance Fee</u>	<u>Monthly Fee</u>
Beech, 1BR w/ Den ~ 1215 sf	\$208,370	\$3,409
Beech (Top Floor), 1BR w/ Den ~ 1215 sf	\$234,830	\$3,409
Dogwood – 2BR ~ 1395 sf	\$263,500	\$3,573
Dogwood (Top Floor) – 2BR ~ 1395 sf	\$302,090	\$3,573
Hawthorne – 2BR ~ 1490 sf	\$281,140	\$3,662
Hawthorne (Top Floor) – 2BR ~ 1490 sf	\$323,030	\$3,662
Pine – 2BR w/ Den ~ 1640 sf	\$318,620	\$3,814
Pine (Top Floor) – 2BR w/ Den ~ 1640 sf	\$373,750	\$3,814
Sycamore - 2 BR w/ Sunroom ~ 1750 sf	\$338,470	\$3,967
Sycamore (Top Floor)- 2 BR w/ Sunroom ~ 1750 sf	\$395,800	\$3,967
Willow - 2 BR w/ Sunroom ~ 1750 sf	\$373,750	\$4,043
Willow (Top Floor)- 2 BR w/ Sunroom ~ 1750 sf	\$445,410	\$4,043

Monthly Fee for Second Occupants is \$731.

Monthly Fees includes: all utilities (excluding telephone), cable, weekly housekeeping, maintenance and \$225 per month per Resident dining allowance.

Residents moving between independent living residences will be charged for renovation costs. For a second and each subsequent move between independent living residences, residents will be charged \$10,000 in addition to any entrance fee and renovation costs. There may be an additional entrance fee for new residents joining existing residents. Please contact Salemtowne's Marketing team for information.

50% and 90% Entrance Fee Plans are offered. Please contact Salemtowne's Marketing team for current pricing and availability.

Assisted Living and Nursing Beds

	Units	Beds	Approximate Square Footage (room)	Monthly Fees	
Assisted Living Units					
Assisted living room	22	22	262	\$5,325	
Assisted living suite	12	24	524	\$7,064	
Total Assisted Living Beds/Units:	34	46			
Health Care Center					
				Daily Fees	Monthly Fees
Nursing (private room)	100	100	300	\$373	
Memory Care (private room)	20	20	300		\$8,670

--The monthly fees shown are for direct admission into the Memory Care and Assisted Living Units. Independent living residents who entered the community after May 1, 2014 who transfer to the Memory Care, Assisted Living Units and Nursing Care Units receive a discount of 20% on the monthly fee.

--Single occupancy rate for an assisted living suite. A couple residing in an assisted living suite would be required to pay two times the assisted living room rate of \$5,325.

Historic Changes in Major Fees

The following table shows average changes in the monthly service fees over time. Note that it is the average dollar amount of the CHANGE in fees from year to year that is shown – NOT the fees themselves. All changes during this period occurred once per year on June 1st, except as noted below in footnotes (1, 2)

Effective Date	Independent Living		Assisted Living		Memory Support		Skilled Nursing	
	% Per Month (Average)	\$ Per Month (Average)	% Per Month (Average)	\$ Per Month (Average)	% Per Month (Average)	\$ Per Month (Average)	% Per Month (Average)	\$ Per Month (Average)
6/1/2016	3.1%	\$103	3.1%	\$163	n/a	n/a	3.5%	\$304
6/1/2017	3.5%	\$119	3.4%	\$190	n/a	n/a	3.3%	\$304
6/1/2018	3.5%	\$93	3.5%	\$184	0.0%	\$0	14.7%	\$1,369
6/1/2019	3.4%	\$91	3.0%	\$163	3.4%	\$275	3.0%	\$319
6/1/2020	3.5%	\$100	3.5%	\$201	3.5%	\$293	3.5%	\$380

- (1) Increased overall rates by an average of 3.5% except for newly introduced new fee plans in June 2017. The new fee plan for new residents to the Community for the independent living units includes adjusted entrance fees and monthly fees based on the view, location and type of unit.
- (2) Effective June 1, 2018 – Increased overall rates in Independent Living and Assisted Living by an average of 3.5%. Skilled Nursing Room rates increased by 14.7%. Memory Support was not increased as it had not reached stabilized census.

Entrance Fee Refund. The Resident, the Resident's estate or a revocable trust may be entitled to a refund of a portion of the Entrance Fee paid, when the Resident moves out of the community, as described in the Residence and Services Agreement (Appendix A of this disclosure statement). Any refund provided is conditioned on all of the Resident's obligations in the Residences and Services Agreement having been met by the Resident, the Resident's Power of Attorney or the Resident's estate. The cost to repair damages to the Living Accommodation and storage areas in excess of normal wear and tear will be deducted from the applicable refund. Any refund due to the Resident will be made, within thirty (30) days of the date the Resident's Living Accommodation shall have been reserved by a prospective Resident and such prospective Resident shall have paid their full Entrance Fee.

Standard Entrance Fee Refund. This Entrance Fee refund, if applicable, shall be equal to the Entrance Fee less a non-refundable fee of four percent (4%) of the Entrance Fee; the remaining balance is subject to amortization of two percent (2%) for each month of occupancy, as defined herein, for up to forty-eight (48) months. In calculating amortization for purposes of this section, a period of more than fifteen (15) days will be considered as a full month; fifteen (15) days or less will be disregarded for purposes of this calculation. No refund of the Entrance Fee shall be paid after forty-eight (48) months of occupancy.

50% Entrance Fee Refund. This Entrance Fee refund, if applicable, shall be equal to the Entrance Fee less a non-refundable fee of four percent (4%) of the Entrance Fee; the remaining balance is subject to amortization of two percent (2%) for each month of occupancy, as defined herein, for up to twenty-three (23) months. In calculating amortization for purposes of this section, a period of more than fifteen (15) days will be considered as a full month; fifteen (15) days or less will be disregarded for purposes of this calculation. The refunded Entrance Fees will never be less than 50% of the original Entrance Fee, except for accrued expenses that are deducted.

90% Entrance Fee Refund. This Entrance Fee refund, if applicable, shall be equal to the Entrance Fee less a non-refundable fee of four percent (4%) of the Entrance Fee; the remaining balance is subject to amortization of one percent (1%) for each month of occupancy, as defined herein, for up to six (6) months. In calculating amortization for purposes of this section, a period of more than fifteen (15) days will be considered as a full month; fifteen (15) days or less will be disregarded for purposes of this calculation. The refunded Entrance Fees will never be less than 90% of the original Entrance Fee, except for accrued expenses that are deducted.

In the event of termination of the Residence and Services Agreement after occupancy, Salemtowne will offset against any Entrance Fee refund due the Resident for the following:

1. The amount of any Monthly/Daily Fees or other amounts payable to us, which remain outstanding, and
2. Any costs incurred to restore the Living Accommodation to good condition, normal wear and tear excepted.
3. Costs of storage or disposal of any personal belongings left in the Living Accommodation.

Entrance Fees are not subject to refund at the time of transfer to the Assisted Living Center or the Health Care Center. Entrance Fees are not subject to refund if there is dual occupancy and one resident dies or moves out of the community.

Entrance Fees are subject to refund except as noted above only in the following situations:

- Termination prior to occupancy
- Voluntary termination
- Termination upon death
- Termination by the Corporation

Health Insurance. Residents will maintain eligible Medicare coverage and one supplemental health insurance policy or equivalent insurance coverage, which adequately covers hospital, medical, prescription, and skilled nursing deductibles and co-payments required of the primary insurance plan. Both the primary and supplemental health insurance policies must recognize Salemtowne as a health care provider or Residents will assume the financial responsibility for services provided that otherwise could be covered.

Residents will be responsible for ensuring that the health insurance coverage does not lapse, and will provide Salemtowne with evidence of such coverage upon request. If health insurance coverage should lapse, Salemtowne may require that Residents reapply for suitable coverage. If Residents are unable to obtain adequate new coverage, Salemtowne will charge Residents for any costs of medical and other health care services provided, that otherwise would have been covered by an approved policy.

Salemtowne reserves the right, in its sole discretion, to eliminate or change its participation with any and all insurance plans.

FINANCIAL ASSISTANCE

Subsidy. The Corporation declares its policy that the Residence and Services Agreement will not be terminated solely because of a Resident's financial inability to continue to pay the Monthly/Daily Fees or other charges payable to Salemtowne by reason of circumstances beyond the Resident's control, provided, however, this declaration shall not be construed as qualifying the right of the Corporation to terminate the Residence and Services Agreement in accordance with the terms thereof.

In the event that a Resident presents facts which in the opinion of the Corporation justify special financial consideration, the Corporation will give careful consideration to subsidizing in whole or in part the Monthly/Daily Fees and other Salemtowne fees payable by the Resident so long as such subsidy can be made without impairing the ability of the Corporation to attain its objectives while operating on a sound financial basis.

In the event that the Corporation may subsidize in whole or in part the Monthly/Daily Fees and other fees payable by the Resident, the Resident will be required to execute a Financial Assistance Agreement with the Corporation.

In the event that Salemtowne continues to provide the services to a Resident under the terms of the Residence and Services Agreement despite their financial inability to continue

to pay the Monthly/Daily Fee or other Salemtowne fees payable under the terms of the Residence and Services Agreement, Salemtowne shall be entitled to require the Resident to move to a smaller or less costly Living Accommodation.

Any determination by the Corporation with regard to the granting of financial assistance shall be within the sole discretion of the Corporation.

Financial Assistance Funds. The Corporation has established funds, which will be used to assist Residents who would otherwise not be able to live at Salemtowne.

III. Entry/Admission

Applicants will qualify for entry to Salemtowne upon satisfaction of the following provisions:

Age. The entry requirements for residence at Salemtowne are nondiscriminatory except as to age, and Salemtowne is open to both married and single men and women of all races and religions. Entry to independent living is restricted to persons 62 years of age or older, except in the case of double occupancy, at least one of the persons must be 62 years of age or older. Entry in the Assisted Living Center and the Skilled Nursing Center and the Memory Support Center within the Health Care Center is restricted to persons 62 years of age or older except for residents who enter into the Skilled Nursing Center for rehabilitation which is restricted to persons 55 years or older.

Personal Interview. Applicants will have an interview with a representative from Salemtowne prior to taking residency at Salemtowne. Upon review of all information required to be furnished, additional interviews may be requested by the Corporation.

Application, Health History and Financial Statement. Applicants shall submit for review, by the Admissions Committee appointed by the Corporation, an Application for Entry, a personal health history, and a Confidential Financial Statement, all on forms furnished by the Corporation.

Notification. Salemtowne will review the submitted application materials as well as the results of the interviews and nursing assessments and will notify applicants whether they meet the entry requirements.

Health Requirements. Prior to entry, applicants shall submit a report of a physical examination made by a physician of their choice. Such report shall include a statement by such physician that the applicant is able to perform normal living activities. Salemtowne may require applicants to have another physical examination by our Medical Director or by another physician approved by the Corporation. Applicants shall be responsible for the costs of such physical examinations. If an applicant's health as disclosed by such physical examination differs materially from that disclosed in the application materials, the Corporation shall have the right to decline entry and/or to terminate the Residence and Services Agreement, or in the discretion of the Corporation, to permit the applicant to take occupancy of accommodations at Salemtowne suitable to their needs.

Financial Requirements. Applicants must have assets and income which will be sufficient under foreseeable circumstances to pay the financial obligations under the Residence and Services Agreement and to meet their ordinary living expenses. Salemtowne may require current financial information at any time prior to and subsequent to occupancy.

Financial Resources. You, your current and future responsible parties (i.e. power(s) of attorney, executor(s)) will abide by any and all financial arrangements made with the Corporation for the purpose of securing your ability to pay any and all charges for residing at Salemtowne. You agree not to make any gift or other transfer of assets for the purpose of evading your obligations under this Agreement, or if such gift or transfer would render you unable to meet such obligations under this Agreement. Gifts or transfers of assets in this manner, which result in your inability to meet your financial obligations in accordance with this Agreement, will entitle Salemtowne to terminate this Agreement, and you or your responsible parties, as applicable, will be liable for any unpaid amounts.

Temporary Entry. Temporary entry to the Skilled Nursing Center is available through the Medicare program (for up to one hundred (100) days) or through private pay sources (for up to thirty (30) days). Temporary entry to the Assisted Living Center is available for up to thirty (30) days. Per diem fees apply. There is no Entrance Fee for any type of temporary entry.

A Resident admitted under a temporary entry is not eligible for permanent entry to the Skilled Nursing Center and the Memory Support Center within the Health Care Center, the Assisted Living Center or the independent living areas at Salemtowne except through the Salemtowne application process of making separate application, approval of the application and execution of a separate Residence and Services Agreement.

TERMINATION

Termination Prior to Occupancy. The Residence and Services Agreement may be terminated by you at any time prior to taking occupancy at Salemtowne for any reason by giving written notice to the Corporation. The Agreement will automatically be canceled due to death or physical or mental conditions that would make you ineligible for entry to Salemtowne.

The Agreement may be terminated by the Corporation at any time prior to the date that you take occupancy if the Corporation determines that you do not meet the physical, mental or financial requirements for entry.

In the event of such termination (including death, illness, injury, or incapacity), you shall receive a refund of the Entrance Fee paid, less a non-refundable fee equal to 4% of the total amount of the Entrance Fee, and less amounts paid or due to be paid for non-standard features added to the Living Accommodation. Any such refund shall be paid by the Corporation within sixty (60) days following termination pursuant to this paragraph.

Voluntary Termination. At any time, a Resident may terminate the Residence and Services Agreement by giving the Corporation adequate notice:

- fourteen (14) days prior written notice of such termination for independent Living Accommodations,
- fourteen (14) days prior written notice of such termination for Assisted Living Center accommodations, **or**
- five (5) days prior written notice of such termination for Health Care Center accommodations.

If a Resident does not provide adequate notice, or if no written notice is given, the Resident will be responsible for paying the Monthly/Daily Fee for the applicable Living Accommodation for the full notice period.

A Resident may be deemed to have abandoned the Living Accommodation and terminated the Residence and Services Agreement if they do not occupy a residence at Salemtowne for a period of one continuous year. Occupancy is defined as the last day that a Resident either resides in the Living Accommodation or the last day that the Resident's furnishings or belonging occupy the Living Accommodation or a storage area at Salemtowne.

If such termination shall occur within forty-eight (48) months after the date of occupancy, the Resident will receive a partial refund of the Entrance Fee paid in accordance with the Residence and Services Agreement's Refund section for Voluntary Terminations.

Temporary Absence. Temporary absences because of illness, trips or other will not affect a Resident's rights to retain occupancy of the Living Accommodation, as long as applicable Monthly/Daily Fees are paid.

Termination Upon Death. In the event of a Resident's death and such Resident is not survived by a spouse residing at Salemtowne who has signed the Residence and Services Agreement, the Agreement shall terminate and, subject to the their continuing obligations, described in the Residence and Services Agreement, the portion, if any, of the Entrance Fee to be refunded shall be determined in the same manner as a Voluntary Termination paid to the estate of the deceased Resident.

In the event of a Resident's death and such Resident is survived by a spouse residing at Salemtowne who has signed the Residence and Services Agreement, the Agreement shall not terminate and no refund will be payable.

In the event a refund becomes due, the date that the deceased Resident's responsible party/estate executor removes all personal belongings from the Living Accommodation shall determine the termination date. Any refund due the Resident's estate under this paragraph will be made at such time as such Resident's Living Accommodation shall have been reserved by a prospective Resident and such prospective Resident shall have paid to the Corporation such prospective Resident's full Entrance Fee; provided, however, that the Resident's estate shall continue to be obligated to pay the applicable Monthly/Daily Fee for such Resident's Living Accommodation until such Resident's Living Accommodation is vacated and left in good condition except for normal wear and tear.

Termination by the Corporation. Salemtowne may terminate the Resident and Services Agreement at any time if there has been a material misrepresentation or omission made by a Resident during the application process; if the Resident fails to make payment to the Corporation of any fees or charges due the Corporation within thirty (30) days after receiving written notice of their failure to pay such fees or charges; if Residents do not abide by the rules and regulations adopted by the Corporation or breach any of the terms and conditions of the Agreement; if the health or safety of other individuals in the Corporation is endangered if a Resident remains in Salemtowne, as determined by a physician, physician assistant or nurse practitioner; or the discharge is necessary for a Resident's welfare and the Resident's needs cannot be met by the Corporation as documented by the Resident's physician, physician assistant or nurse practitioner.

Residents will be responsible for paying the Monthly/Daily Fee for the applicable Living Accommodation for the full notice period and for each day of occupancy. Any refund of the Entrance Fee due to the Resident following voluntary termination of the Agreement by the Corporation will be made in accordance with refund policies. Except in cases of emergency, Residents will receive a notice of the termination by the Corporation at least thirty (30) days prior to the effective date of termination. Residents may be entitled to appeal the Corporation's decision to terminate this Agreement and, except in cases of emergency, the Corporation will not discharge a Resident before the final decision resulting from the appeal has been rendered.

Condition of Living Accommodation. At the effective date of termination of the Residence and Services Agreement, Residents will vacate the Living Accommodation, including any storage areas at Salemtowne, and will leave both in good condition except for normal wear and tear. Residents, or their estates, will be liable to the Corporation for any costs incurred in restoring the Living Accommodation and storage areas to good condition except for normal wear and tear.

Removal of Personal Property. In the event of termination of the Agreement, Residents agree to surrender the Living Accommodation and any storage areas, which were occupied, within thirty (30) days of the determination.

The Corporation reserves the right to remove a Resident's belongings from the Living Accommodation and any storage areas. Residents will pay a Monthly/Daily storage fee equal to 50% of the Monthly/Daily Fee for the previously occupied Living Accommodation or the actual cost of external storage, whichever is applicable. Property will not be stored for longer than 30 days. Unclaimed property will become the property of Salemtowne after 30 days and will be disposed of at the sole discretion of the Corporation.

In the event of a Resident's death, while they are a resident of Salemtowne under the Agreement, only the executor(s) named in their Will will be allowed to remove or dispose of furnishings and belongings in the Living Accommodation and any related storage areas at Salemtowne. Members of the family or those to whom a Resident has granted Power of Attorney will not be allowed access to personal property after a Resident's death, unless

they are the executor(s) named in the Resident's Will.

Release from Termination. Upon termination of the Residence and Services Agreement, Salemtowne is released from any further obligations to Residents except for the payment of any refund which may be due under the Residence and Services Agreement.

Right of Rescission

Notwithstanding anything herein to the contrary, the Residence and Services Agreement may be rescinded by giving written notice of such rescission to the Corporation within thirty (30) days following the later of the execution of the Residence and Services Agreement or the receipt of a disclosure statement that meets the requirements of Section 58-64-1, et seq. of the North Carolina General Statutes. In the event of such rescission, Residents will receive a refund of the Entrance Fee paid, less a non-refundable fee equal to 4% of the total amount of the Entrance Fee, less any Monthly/Daily Fees or portion thereof applicable to any period a Living Accommodation or storage area was actually occupied by the Resident or their belongings. In the event of such rescission, Residents shall not receive a refund of any amounts paid for non-standard features added to the Living Accommodation. Residents will not be required to move into Salemtowne before the expiration of such thirty (30) day period. Any such refund shall be paid by the Corporation within sixty (60) days following receipt of written notice of rescission pursuant to this paragraph.

TRANSFER/MOVES

Transfer to Another Living Accommodation. Residents may move to a different Living Accommodation at Salemtowne which becomes available upon payment of such fees, consent by the Corporation and compliance with such guidelines regarding transfers as may be adopted by the Corporation. Fees and guidelines may be changed from time to time by the Corporation.

If a Resident transfers to another Living Accommodation, he or she is responsible for paying any difference in the Entrance Fee, if the amount of the Entrance Fee of the new Living Accommodation is greater than the Entrance Fee for the previous Living Accommodation to be vacated. If the Entrance Fee for the new Living Accommodation is less than the Entrance Fee for the previous Living Accommodation to be vacated, no refund will be paid for the difference. Residents who transfer to another Living Accommodation will be responsible for any transfer fees that may be set by the Corporation and the Monthly/Daily fees in effect at the time for the new Living Accommodation.

Moving Costs. Residents are responsible for arranging and paying for all packing and moving costs for moves into, within and out of Salemtowne. Assistance may be provided by Salemtowne at an additional cost.

Transfer to Health Care Center or the Assisted Living Center. Residents agree that the Corporation shall have authority to determine that the Resident should be transferred from their Living Accommodation to the Skilled Nursing Center and the Memory Support Center within the Health Care Center or the Assisted Living Center or a separate area within either center. Such determinations shall be based on the professional opinion of the Resident's physician and the Resident Review Committee of Salemtowne and shall be made only after consultation to the extent practical with the Resident, the Resident's

physician, a representative of the Resident's family or the Resident's responsible party. Residents agree to surrender storage areas when a permanent transfer is made to the Skilled Nursing Center and the Memory Support Center within the Health Care Center or to the Assisted Living Center.

In the event that a Resident is permanently transferred to the Assisted Living Center or the Health Care Center, the Entrance Fee will not be subject to refund.

Transfer to Hospital or Other Facility. If it is determined by a Resident's physician that a resident needs care beyond that which can be provided by Salemtowne, the Resident may be transferred to a hospital, center or institution equipped to give such care, which care will be at the Resident's expense. Such transfer will be made only after consultation to the extent practical with the Resident, the Resident's physician, a representative of the Resident's family or the Resident's responsible party.

Surrender of Living Accommodation. If a determination is made by the Corporation that a transfer is permanent in nature, the Resident agrees to surrender the Living Accommodation and any storage areas, which were occupied prior to such transfer, within 30 days of the determination.

Residents are responsible for the costs of transfer and moving as well as the Monthly/Daily Fee through the last day of occupancy of the Living Accommodation being vacated. Occupancy is defined as the last day that a Resident either resides in the Living Accommodation or the last day that the Resident's furnishings or belongings occupy the Living Accommodation or a storage area at Salemtowne.

If the Corporation subsequently determines, based upon the opinion of a Resident's physician, that a Resident can resume occupancy in accommodations comparable to those occupied prior to such transfer, the Resident shall have priority to such accommodations as soon as they become available. The Resident will be responsible for applicable fees as determined by the Corporation.

DUAL OCCUPANCY

Occupancy by Two Residents. In the event that two Residents (married or unmarried) occupy a Living Accommodation under the terms of the Residence and Services Agreement, upon the permanent transfer to the Health Care Center or the Assisted Living Center or the death of one of such Residents, or in the event of the termination of the Residence and Services Agreement with respect to one of such Residents, the Agreement shall continue in effect as to the remaining or surviving Resident who shall have the option to retain the same Living Accommodation or to move to a smaller Living Accommodation, in which event there will be no refund of the Entrance Fee. The remaining or surviving Resident will thereafter pay the Monthly/Daily Fee for one Resident associated with the Living Accommodation occupied by the Resident.

Sharing Occupancy After Admission/Entry. If a Resident, while occupying a Living Accommodation, marries a person who is also a Resident, or wishes to share a Living Accommodation with a person who is also a Resident, the two Residents may, with the prior written consent of the Corporation, occupy the Living Accommodation of either Resident and shall surrender the Living Accommodation not to be occupied by them. No refund will be payable with respect to the Living Accommodation surrendered. Such

Residents will pay the Monthly/Daily Fee for double occupancy associated with the Living Accommodation occupied by them.

In the event that a Resident shall marry a person who is not a Resident of Salemtowne, or wishes to share a Living Accommodation with a person who is not a resident ("Non-Resident"), the Non-Resident may become a Resident if such individual meets all of the then current requirements for entry to Salemtowne, enters into a then current version of the Residence and Services Agreement with the Corporation and pays an Entrance Fee in an amount determined by the Corporation in its sole discretion. The existing Resident and new Resident shall pay the Monthly/Daily Fees for double occupancy associated with the Living Accommodation occupied by them.

If the Non-Resident shall not meet the requirements of Salemtowne for entry as a Resident, the existing Resident may terminate the Residence and Services Agreement in the same manner as provided in the Residence and Services Agreement with respect to a voluntary termination.

OTHER

Combination of Living Accommodations. Various circumstances may make it desirable that a Living Accommodation occupied by a Resident be combined with an adjoining Living Accommodation to form one combined Living Accommodation. Residents agree that if a determination is made by the Corporation that it is desirable to combine their Living Accommodation with a Living Accommodation, which adjoins their Living Accommodation, the Resident will surrender occupancy of their Living Accommodation, within a reasonable time after receiving notice of such determination.

In the event that the Corporation makes such determination and notifies the Resident of such, the Resident has the option to (a) transfer into the combined Living Accommodation when such combined Living Accommodation is ready for occupancy, or (b) transfer to another Living Accommodation, when available, of the same type as the Living Accommodation previously occupied.

If a Resident elects to occupy the combined Living Accommodation and the Entrance Fee established for such combined Living Accommodation exceeds the Entrance Fee paid for the previous Living Accommodation, the Resident shall pay the amount of such excess upon taking occupancy. The Resident will pay the monthly/daily fees associated with the combined Living Accommodation as established by the Corporation.

If a Resident elects to transfer to a Living Accommodation of the same type as the Living Accommodation previously occupied, the Corporation will repaint and re-carpet, if needed, such Living Accommodation at its expense prior to occupancy.

Living Accommodations. Residents do not acquire ownership in any property at Salemtowne under the Residence and Services Agreement.

Guests. Guests are welcome at Salemtowne. Guests may use Salemtowne guest accommodations, subject to availability and additional fees. Guests may also stay in a Resident's Independent Living Accommodation for visits of limited duration. At all times, the Resident shall be responsible for any injury to others or damage to the property of others or of Salemtowne caused by a Resident's guest(s). Salemtowne reserves the right and authority to limit or terminate the stay of any guest at any time and for any reason. Except

for short-term guests (less than two weeks), no person other than a Resident may reside in the Living Accommodation without the written approval of Salemtowne Management.

Pets. Residents, who wish to have pets, are responsible for notifying the Admissions office, completing necessary paperwork and following current policies and guidelines. Pets are not allowed in Assisted Living or Health Care Center accommodations. Salemtowne reserves the right to amend or terminate policies and guidelines related to pets, in its discretion.

Smoking. Smoking is not allowed in buildings, on the grounds or common areas within the Salemtowne community as prescribed in community policies and guidelines. Smoking is not allowed in Assisted Living Center and Health Care Center Living Accommodations. Salemtowne reserves the right to amend or terminate policies and guidelines related to smoking in its discretion.

IV. Financial Information

Financial Overview & Statements

An overview of the financial results of Salemtowne's operations is contained at the end of this section:

- the audited financial statements for the most recent fiscal year (as of March 31, 2020)
- summary of calculation of obligation to provide future services (CCRC) as of March 31, 2020
- the financial feasibility study (including financial projections for the five (5) years following the date of the audited financial statements (for the fiscal years ended March 31, 2019-2023))

Reserves and Trusts.

Salemtowne continues to develop funds that are to be used for assistance to residents who are approved for financial assistance. As of March 31, 2020, the principal of these funds was approximately \$10,770,109, consisting of both donor and board designated amounts. The income from these funds constitutes several sources of Salemtowne's financial assistance. Other sources of assistance income include annual Salemtowne Offering on Mother's Day solicitations and Giving Tree solicitations at Christmas, as well as ongoing memorial gifts; local church support; and corporate and foundation grants. Salemtowne does not guarantee that the principal of board designated funds will remain committed solely for financial assistance.

Salemtowne had restricted \$6,402,000 ⁽¹⁾ as the operating reserve fund required by N.C. General Statute 58-64-33 and expects to continue to meet the requirement into the future.

Salemtowne will meet its operating reserve requirements separate and apart from using financial assistance funds. Income from the Financial Assistance Endowment and annual contributions for financial assistance are used to provide charitable assistance to persons who otherwise would not be able to afford residency at Salemtowne.

Investment of funds is currently in interest-bearing checking accounts and professionally managed mutual funds, money market accounts, stocks and bonds. Future investment strategies will, of course, depend upon future market conditions and demands for funds.

Overall policies and decisions relative to reserve funds and investments are under the direction of the Finance Committee of the Board of Trustees.

Trusts. Salemtowne is the beneficiary of several trusts and other split-interest agreements. Upon receipt of a beneficial interest in a trust or other split-interest agreement, the present value of the interest is included in "contributions" on the "Statements of Operations" and "Statements of Changes in Net Assets," and is carried at the asset's present value on the "Balance Sheet." The value of these assets totaled \$484,352 at fiscal year ended March 31, 2020. At this time, all trusts and split-interest agreements are administered by third parties. Additional information related to reserves and trusts is presented in the notes to the audited financial statements included herein.

Explanations of Material Differences. Following is an explanation of the material differences between (i) the forecasted financial statements of projected revenue and expenses and cash flows of Salemtowne for 2020 contained as a part of the Disclosure Statement dated as of August 28, 2019 filed with the North Carolina Department of Insurance and (ii) the actual results of operations for fiscal 20120as shown in the audited financial statements of Salemtowne contained at the end of this section.

Material differences are defined as 5% or greater of the forecasted amount, but not less than \$30,000. Set forth below is a comparison of such information.

Note: At fiscal year ended March 31, 2020, Navigation by Salemtowne had enrolled 65 members.

Note: Due to rounding to "thousands", there may be slight differences in the statements below and the actual statements issued.

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	Forecast (000s) 2020	Audit (000s) 2020	Material Differences		Notes
			\$	%	
Revenues, gains, and other support:					
Net resident services	\$ 24,491	\$ 22,769	\$ (1,722)	-7.0%	(2)
Amortization of Advanced Fees	2,627	2,858	231	8.8%	(3)
Contributions	500	558	58	11.6%	(4)
Net assets released from restrictions used for benevolent assistance		552	552		(5)
Realized Investment Income	843	2,080	1,237	146.7%	(6)
Other income	89	325	236	265.2%	(7)
Navigation by Salemtowne					
Net resident services	393	351	(42)	-10.7%	(8)
Amortization of Advanced Fees	72	109	37	51.4%	(8)
Total revenues, gains, and other support	29,015	29,602	587	2.0%	(1)
Expenses:					
Program services - provision for housing and related services:					
Healthcare, assisted living, and clinic	9,692	8,211	(1,481)	-15.3%	(9)
Dining services	3,122	3,401	279	8.9%	(10)
Housekeeping, grounds and maintenance	4,358	4,153	(205)	-4.7%	
Healthcare activities, fitness, events, and volunteers	657	772	115	17.5%	(9)
Navigation by Salemtowne	580	441	(139)	-24.0%	(11)
Depreciation and amortization	4,777	4,773	(4)	-0.1%	
Interest	3,198	3,523	325	10.2%	(12)
Loss on sale of equipment	-	5	5		
Supporting services:					
Administration and general	4,604	5,000	396	8.6%	(9)
Development, community relations and admissions	1,724	1,206	(518)	-30.0%	(13)
Total expenses	32,712	31,485	(1,227)	-3.8%	
Other changes in unrestricted net assets:					
Loss on impairment of property and equipment	-	-	-		
Unrealized gains (losses) on investments	-	(2,396)	(2,396)		(5,6)
Increase (decrease) in unrestricted net assets	\$ (3,697)	\$ (4,279)	\$ (2,396)	64.8%	

- (1.) Total actual revenue, gains, and other support is within 2% compared to the forecast.
- (2.) Net Resident Services 7% below projection due to the delay in the opening of the expansion units as well as decreased Rehab Census due to COVID-19.
- (3.) Actual amortization of deferred entrance fees was higher than forecast due to higher than expected termination income.
- (4.) Contributions and in-kind contributions are forecasted in the unrestricted, temporarily restricted and permanently restricted funds to align with prior year's activity which results totaled higher than the forecast. Temporarily and permanent restricted donations exceeded the prior year's actual results.
- (5.) Net assets released from restrictions & Unrealized gains on investments are not forecasted according to professional standards.
- (6.) The net of realized and unrealized net gains (losses) on investments is 137% less than projected due to market losses in February & March 2020.

- (7.) Other Income is higher than projected due to more than expected unit upgrades for the expansion units.
- (8.) Amortization of Membership and Net Resident Service Revenue related to Navigation by Salemtowne is separated in the forecast however when combined to align with the audit and the variance is approximately (\$5,000) or 1%.
- (9.) Healthcare expenses are 15.3% lower than expected due to staffing efficiencies in the Healthcare center as well as reallocation of some positions to Administration and General as well as Healthcare Activities, fitness events, and volunteers.
- (10.) Dining Services was higher forecast due to higher than forecasted due to higher than forecasted salaries needed for the opening and operation of the Health Care Center.
- (11.) Navigation was lower than forecast due to less than forecasted utilization of services by the membership.
- (12.) Interest expense is higher than forecast due to a short term line of credit not included in the forecast.
- (13.) Development, community relations and admission were lower than forecast due to lower than forecasted marketing fees as well as allocation to some marketing fees to the Woodlands Independent Living Project.

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	Forecast (000s) 2020	Audit (000s) 2020	Material Differences		Notes
			\$	%	
Operating activities					
Change in net assets	\$ (3,247)	\$ (4,674)	\$ (1,427)	44%	
Adjustments to reconcile change in net assets to net cash provided by operating activities:					
Depreciation and amortization	\$ 4,738	\$ 4,734	\$ (4)	0%	
Amortization	\$ 82	\$ 82	\$ -	0%	
Amortization of bond premium and discount	\$ (232)	\$ (68)	\$ 164	-71%	(1)
Amortization of deferred entrance fees	\$ (2,699)	\$ (2,967)	\$ (268)	10%	(2)
(Gain) Loss on disposal of equipment		\$ 5	\$ 5		
Realized gains on investments		\$ (1,460)	\$ (1,460)		(3)
Net unrealized (gains) losses on investments		\$ 2,396	\$ 2,396		(3)
Loss on impairment of property and equipment			\$ -		
Net changes in:					
Accounts receivable	\$ 1,258	\$ (673)	\$ (1,931)	-153%	(4)
Other receivable	\$ (56)	\$ (233)	\$ (177)	316%	(5)
Prepaid expense and other current assets	\$ (333)	\$ (291)	\$ 42	-13%	(6)
Accounts payable	\$ (1,995)	\$ (1,956)	\$ 39	-2%	
Accrued expenses	\$ 157	\$ 1,848	\$ 1,691	1077%	(7)
Accrued Interest Payable	\$ 954	\$ 1,015	\$ 61	6%	(8)
Entrance Fees received	\$ 3,894	\$ 3,153	\$ (741)	-19%	(9)
Membership fees received – Navigation	\$ 1,108	\$ 443	\$ (665)	-60%	(10)
(Decrease) in resident deposits	\$ (132)	\$ 387	\$ 519	-393%	(11)
Assets in split-interest agreement		\$ 62	\$ 62		
Net cash provided by operating activities	\$ 3,497	\$ 1,803	\$ (1,694)	-48%	
Investing activities					
Purchases of property and equipment	\$ (28,176)	\$ (27,135)	\$ 1,041	-4%	
Interest cost capitalized during project period	\$ (1,996)		\$ 1,996	-100%	(12)
(Increase) decrease in investments	\$ 5,255	\$ 1,184	\$ (4,071)	-77%	(13)
Net cash provided by (used in) investing activities	\$ (24,917)	\$ (25,951)	\$ (1,034)	4%	
Financing activities					
Entrance Fees Received from Initial Entrance Fees	\$ 1,205	\$ 2,357			
Change in Refundable portoin of Entrance Fees	\$ (42)	\$ (58)	\$ (16)	38%	(14)
Proceeds from (payments on) - Line of Credit		\$ 1,000	\$ 1,000		(15)
Proceeds from (payments on) - Other Debt	\$ (36)	\$ (36)	\$ -	0%	
Proceeds from (payments on) - Bond Obligations	\$ (1,335)	\$ (1,335)	\$ -	0%	
Net cash provided by (used in) financing activities	\$ (208)	\$ 1,928	\$ 2,136	-1027%	
Net increase in cash and cash equivalents	\$ (21,628)	\$ (22,220)	\$ (592)	3%	
Cash and cash equivalents at beginning of year	\$ 22,641	\$ 41,291	\$ 18,650	82%	
Cash and cash equivalents at end of year	\$ 1,013	\$ 19,071	\$ 18,058	1783%	

(1.) Discount on Series 2018 Bonds differed from Feasibility Study when priced.

(2.) Amortization of Entrance Fees, refer to Comment (3) under the statement of revenues and expenses.

- (3.) Intentionally left blank.
- (4.) Accounts receivable, refer to Comment (3) under the Balance Sheet.
- (5.) Other receivable, refer to Comment (5) under the Balance Sheet.
- (6.) Prepaid Expenses, refer to Comment (4) under the Balance Sheet.
- (7.) Accrued expense, see comment (10) under the balance sheet.
- (8.) Accrued Interest Payable – Includes Line of Credit, notes and capital Leases.
- (9.) Entrance fees received – lower than expected existing unit turnover
- (10.) Membership Fees received Navigation – lower than expected new members enrolled.
- (11.) Change in Resident Deposits, see comment (15) under the balance sheet.
- (12.) Interest Cost Capitalized – Item not broken out on Audit. Included in Property and Equipment.
- (13.) Investments, see comment (7) under the balance sheet.
- (14.) Change in Refundable portion of Entrance Fees, see comment (11) under the balance sheet.
- (15.) Line of Credit, see comment (12) under the balance sheet.

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	Forecast (000s) 2020	Audit (000s) 2020	Material Differences \$ %		Notes
Assets					
Current Assets					
Cash	\$ 1,013	\$ 1,073	\$ 60	6%	(1)
Current portion of assets limited as to use	2,302	4,873	2,571	53%	(2)
Accounts receivable, net of allowance	819	2,750	1,931	70%	(3)
Prepaid and other current assets	407	365	(42)	-12%	(4)
Other receivables	271	447	176	39%	(5)
Total current assets	4,812	9,508	4,696	49%	
Assets limited as to use, net of current portion	10,147	13,124	2,977	23%	(2)
Restricted statutory operating reserve	11,992	6,375	(5,617)	-88%	(6)
Total assets limited to use, net of current portion	22,139	19,499	(2,640)	-14%	
Property & equipment, net	107,016	105,054	(1,962)	-2%	
Investments	4,429	\$ 6,981	2,552	37%	(7)
Development Costs - Navigation	169	\$ 169	-	0%	
Assets in split interest agreements	546	\$ 484	(62)	-13%	(8)
Total other assets	715	653	(62)	-9%	
Total assets	\$ 139,111	\$ 141,695	2,584	2%	
Liabilities & Net Assets					
Current Liabilities					
Accounts payable	1,017	\$ 2,131	1,114	52%	(9)
Accrued expenses	1,355	3,046	1,691	56%	(10)
Accrued interest payable	2,455	2,516	61	2%	
Refundable Advance Fees	246	302	56	19%	(11)
Line of Credit	500	1,500	1,000	67%	(12)
Current portion of lease obligation	28	28	-	0%	
Current portion of note payable	10	10	-	0%	
Current portion of bonds payable	11,145	3,752	(7,393)	-197%	(13)
Total current liabilities	16,756	13,285	(3,471)	-26%	
Bonds payable, excluding current portion	87,979	95,501	7,522	8%	(13)
Other Debt Obligations, excluding current portion	59	94	35	37%	(14)
Deposits	1,892	2,412	520	22%	(15)
Refundable advance fees	1,469	1,312	(157)	-12%	(16)
Deferred revenue from advance fees	20,871	20,433	(438)	-2%	
Total liabilities	129,026	133,037	4,011	3%	
Net assets					
Unrestricted	5,773	5,193	(580)	-11%	(17)
With Donor Restrictions	4,312	3,465	(847)	-24%	(17)
Total net assets	10,085	8,658	(1,427)	-16%	
Total liabilities and net assets	\$ 139,111	\$ 141,695	2,584	2%	

- (1.) Cash and Cash equivalents are higher than forecasted due to timing of payables and increased collection of Accounts Receivables.
- (2.) Assets limited as to use higher than forecasted due to funds remaining in the Construction Fund as well as collection of Entrance Fees for the Expansion Units being held to redeem the short term Bonds.
- (3.) Accounts receivable is higher than forecasted due to the timing of A/R collections as well as the timing of collection of some entrance fees related to the expansion project.
- (4.) Pre-paid expenses and other current assets lower than forecast due to the timing of payments related to adjustment of the policy period for General Insurance as well as the Premiums paid for Workers' Compensation Insurance.
- (5.) Other receivable is higher than forecast due to the monies due to be reimbursed for previous sales tax paid and on timing of the payment of invoices, specifically with the construction.
- (6.) Restricted Statutory Operating Reserve is lower due to meeting the requirements for a lower reserve due to census.
- (7.) Investments is lower than forecast due to the increased operating capital needed to offset the longer A/R cycle related to the Short Term Rehab as well as the market loss experienced at the end of the Fiscal Year.
- (8.) Assets in split-interest agreements are forecasted to align with prior year's activity.
- (9.) Accounts payable is higher than the forecast due to timing on construction invoices related to the new project.
- (10.) Increased Accrued Expenses is related to retainage due to the Construction company on the Expansion units.
- (11.) Refundable advance fees are higher than forecasted due to the higher than expected move-ins to the expansion project during the fiscal year.
- (12.) The Line of Credit was forecasted lower in Fiscal Year 2020 and is used for cash flow management.
- (13.) Current Portion of Bonds payable is higher and Long Term Portion is lower due to higher than expected Entrance Fee collection on the advance units due to redeem the short term bonds.
- (14.) Other Debt Obligations increased due to Capital Lease for Equipment recorded in 2020.

- (15.) Deposits are higher than forecasted due to the collection of 10% deposits of the entrance fees of the Independent Living Project as well as deposits on existing residences as well as entrance fees paid not yet charged.
- (16.) Refundable Advance Fees lower than projected due to less 50% and 90% refundable entrance fees being selected.
- (17.) In fiscal year 2019, Salemtowne reclassified temporary, permanently, and undesignated restricted assets.

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Estimated Number of Residents

There were 371 residents living at Salemtowne as of March 31, 2020.

Other Material Information, As Applicable

Salemtowne is not the subject of any bankruptcy filing, receivership, liquidation or the like. Salemtowne is not involved in any legal proceeding.

Tax Consequences

NO INFORMATION IS PROVIDED HEREIN WITH RESPECT TO THE TAX CONSEQUENCES OF ENTERING INTO A RESIDENCE AND SERVICES AGREEMENT UNDER APPLICABLE FEDERAL, STATE OR LOCAL LAWS. THE DECISION BY A RESIDENT TO ENTER INTO A RESIDENCE AND SERVICES AGREEMENT MAY HAVE MATERIAL TAX CONSEQUENCES TO THE RESIDENT. EACH RESIDENT IS URGED TO CONSULT HIS OR HER OWN TAX ADVISOR WITH RESPECT TO ANY TAX CONSEQUENCES OF ENTERING INTO A RESIDENCE AND SERVICES AGREEMENT.

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Navigation at Home

(Continuing Care at Home Program)

BACKGROUND

Moravian Home, Incorporated d/b/a/ Salemtowne (“Salemtowne” or “Corporation”) is a private, continuing care retirement community that has received licensure from the North Carolina Department of Insurance to operate a continuing care services program without lodging pursuant to Chapter 64 Article 58 Paragraph 7.

This continuing care program is marketed and referred to as “Navigation by Salemtowne” (or “Program”). The Program is being marketed in Forsyth County, where the Salemtowne continuing care retirement community is located, and in the following counties surrounding Forsyth County: Davie, Davidson, Stokes, Iredell, Wilkes, Guilford, Rowan, Surry and Yadkin.

Mission Statement

Navigation by Salemtowne’s mission is to provide coordination of care for older adults who wish to remain in their own homes in their later years. Salemtowne’s goal is to combine the security of a continuing care retirement community with the freedom and autonomy of living at home. We strive to support older adults to stay healthy and independent throughout their years through education, physical activities and socialization, and the coordination of care when necessary.

Navigation by Salemtowne is operated by Salemtowne, a North Carolina non-profit corporation, and is governed by the Corporation’s Board of Trustees and managed by the management and staff of the Corporation.

PROGRAM DESCRIPTION

Navigation by Salemtowne is a membership-based program providing care coordination and access to a range of services, programs and support, such as home care, assisted living, or nursing care to members in their own home or supportive facilities as needs change.

There is a choice of 3 membership plan options for a one-time membership fee, and an on-going monthly fee for services, which includes care coordination, health and wellness programs, social and educational programs, and a referral service. There is also a fee-for-service option.

ELIGIBILITY

The Program is non-discriminatory and is open to individuals of all races, religions, creed, color, sex or national origin. A prospective member must be at least 62 years of age and live within the designated service area of Forsyth, Davie, Davidson, Stokes, Iredell, Wilkes, Guilford, Rowan, Surry and Yadkin counties, complete a Membership Application, Financial Application, Medical Application, and pass a health assessment by the Program’s Care Coordination Team. A home assessment may be required prior to approval. If the home environment is considered to be unsafe, the prospective member will be required to make the recommended changes prior to approval for membership.

Medical insurance through federal, state, or private plans for medical and/or surgical and hospitalization must be maintained by each member at member’s expense.

Should the member desire to become a resident of the Salemtowne continuing care retirement community, the member will be subject to the entry requirements of the retirement community and

applicable payment of fees. Subject to the terms of the Member Services Agreement, Member may remain a member of the Program and continue to pay the Monthly Fee, or terminate the Member Services Agreement.

SERVICES

The Program provides members the following services to the extent provided for in the Program plan selected by the member and subject to the fees, cost and expenses and other terms and conditions set forth in the Member Services Agreement.

Care Coordination: Members are assigned a personal Wellness Navigator who works in conjunction with the Care Coordination Team to coordinate covered services and support the member in order to enable the member to remain in his or her home for as long as safely possible. The Wellness Navigator will prepare an individual care plan, updated at least annually, and check in with the member regularly.

Home Inspection: During the first year of membership and every other year thereafter, unless circumstances of a member's health condition justify more frequent inspections, Navigation by Salemtowne will provide a functional inspection of the member's home for the purpose of ascertaining any functional and safety problems. Any recommended changes or corrections are the Member's sole responsibility.

Home Site Services: Home site services include home health care services, homemaker services, companion services, emergency response system, and temporary meals will be provided as deemed appropriate by the Care Coordination team. A member must exhibit at least one or more deficiencies in an activity of daily living (ADL) to be eligible for services. Activities of daily living include bathing, dressing, eating, transferring, walking/mobility, grooming and continence.

Meals: A maximum of two (2) meals per day for a maximum of one (1) week will be provided when due to a medical need as determined to be appropriate by the Care Coordination team.

Emergency Response System: An emergency response system with 24-hour coverage and monitored by a contracted provider will be provided when determined to be appropriate by the Care Coordination team.

Facility-Based Services: When determined to be appropriate by the Care Coordination team and prescribed by a physician, Navigation by Salemtowne will arrange for facility-based assisted living in a semi-private room or skilled nursing care in a semi-private room at Salemtowne retirement community or other Program participating facility in accordance with the plan selected by the member.

Adult Day Care: Adult day care services will be provided at a Program approved provider when determined to be appropriate by the Care Coordination team and to the extent provided for in the plan selected by the member.

Transportation: If a member is unable to drive, or instructed by his/her physician not to drive to and from medically necessary outpatient surgery or short procedures Navigation by Salemtowne will provide transportation. This does not include transportation for regular physician office visits, dialysis, and routine specialist appointments.

Common Facilities: Members have access to all common facilities that are available for the use and benefit of residents of Salemtowne retirement community where there is capacity and such use shall be subject to change or restriction from time to time at the sole discretion of Salemtowne. These may include a central dining room, library and computer center, heated swimming pool, chapel, multi-purpose auditorium, lounges, arts and crafts room, and others as described in the current literature. Members will be responsible for dining and applicable activity charges.

Lifestyle and Wellness Programs: Lifestyle and wellness programs will be offered from time to time, free of charge or with an applicable fee, including but not limited to, exercise classes, wellness seminars, speakers and day excursions.

Activities and Leisure Events: Planned and scheduled social, recreational, spiritual, educational, cultural, leisure, arts and crafts, and other special activities and programs designed to meet the needs of the Members will be offered free of charge or with an applicable fee.

Referral Service: A referral service for other services, such as landscape maintenance, legal, financial planning, home maintenance and rental of medical equipment will be available. Vendors will bill the Member directly for any services.

Other Services and Programs for Additional Charge: Other services and programs will be available to members at member's expense. A list of services and charges currently available is included in the Member Services Agreement.

SERVICE PROVIDERS

Navigation by Salemtowne utilizes industry professionals and service providers to provide services such as home care services, homemaker and companion services, and transportation for its members.

LIMITATION OF PROGRAM PAYMENT

Non-Institutional Health Care Services: The Program may limit payment for home health care, homemaker services, companion services, emergency response system, meals and adult day care if the cost of such services for any day exceeds the then current private pay daily rate for a private room in the nursing home facility at Salemtowne retirement community.

Care in Other Assisted Living or Nursing Care Facilities: If a member chooses care in an assisted living or nursing home facility other than Salemtowne retirement community or a Program participating facility, the member will continue to pay the Monthly Fee for the Program and the Program will pay for charges incurred at the facility for the level of service as defined in the Member Services Agreement. If the cost of such services for any day exceeds the then current private pay daily rate for a private room in the nursing home facility at Salemtowne retirement community the member will be responsible for paying the difference between the cost of services at the facility and the then current private pay daily rate for a private room in the nursing home facility in Salemtowne retirement community, or transfer to Salemtowne retirement community or other Program participating facility.

CHANGES IN LEVEL OF CARE

Assisted Living or Nursing Home: A member may be transferred to a Program participating

assisted living or nursing home facility temporarily or permanently if it is determined by the Care Coordination team based on a physical and mental assessment that the member is no longer mentally and/or physically able to function safely in his or her home, and shall be made only after consultation to the extent practical with the member or member's representative, and the member's attending physician.

Hospital, Center or Institution: A member diagnosed to be psychotic or mentally ill, or as having a highly contagious or dangerous disease may be transferred to a hospital, center, or institution equipped to give such care, which care will be at the expense of the member and will be made only after consultation to the extent possible with the member or member's representative, and the member's attending physician.

MEMBERSHIP PLANS AND FEES

Navigation by Salemtowne offers four plan options: All Inclusive plan, Security plan, Co-pay plan and Beacon (Home Site Services) plan.

Members pay a one-time actuarially priced non-transferable, non-interest bearing Membership Fee based on the member's age at time of enrollment and plan option chosen, as well as an ongoing Monthly Fee. The Monthly Fee varies with the plan option chosen. The table below shows the Membership Fee and Monthly Fee effective June 1, 2020, for the four plan options for singles and couples (living in the same home) age 65, 75 and 85. All fees are per person.

Navigation by Salemtowne Program Sample Pricing								
	<u>All Inclusive⁽¹⁾</u>		<u>Security⁽¹⁾</u>		<u>Co-Pay⁽¹⁾</u>		<u>Beacon⁽¹⁾</u>	
Age	Single	Couple	Single	Couple	Single	Couple	Single	Couple
65	\$36,622	\$34,791	\$29,625	\$28,114	\$24,278	\$23,064	\$22,042	\$20,940
75	\$59,352	\$56,385	\$48,571	\$46,142	\$37,812	\$35,921	\$34,325	\$32,609
85	\$83,309	\$79,144	\$68,291	\$64,877	\$51,684	\$49,100	\$44,846	\$42,604
Monthly Fee	\$612	\$581	\$535	\$508	\$471	\$447	\$446	\$424

Each member of a couple receives a 5% discount on the Membership and Monthly Fee.

Grandfathered monthly fees for members prior to April 30, 2017 are as follows beginning June 1, 2019

	<u>All Inclusive Plan</u>	<u>Security Plan</u>	<u>Co-Pay Plan</u>	<u>Beacon Plan</u>
Grandfathered Monthly Fee	\$576 single \$547 couple	\$486 single \$462 couple	\$443 single \$421 couple	N/A

The following table summarizes the service coverage levels for the above plan options:

Type of Service	All Inclusive	Security	Co-Pay	Beacon
Care Coordination	100%	100%	100%	100%
Home Site Services:				
Home Care Aide	100%	85%	50%	65%
Companion / Homemaker	100%	85%	50%	65%
Live in Companion	100%	85%	50%	65%
Adult Day Care	100%	85%	50%	65%
Delivered Meals (limited)	100%	100%	100%	100%
Emergency Response System	100%	100%	100%	100%
Home Inspection	100%	100%	100%	100%
Transportation (limited)	100%	100%	100%	100%
Assisted Living or Nursing Home Care^{1, 2}	100%	70%	50%	0%

¹ Percentages listed that are covered by the Corporation are limited to a cap equal to the then current negotiated private pay daily rate for a private room in the Nursing Home Facility at Salemtowne retirement community. The cap is applied on a monthly basis.

² Applies to Nursing Home or Assisted Living Care provided at Salemtowne retirement community or at a Program-Participating Facility.

Consultative Care Plan

The Consultative Care Plan is a fee-for-service plan available for individuals who do not medically qualify for the All Inclusive, Security, Co-Pay, or Beacon membership plan, but would like their own Wellness Navigator to coordinate their care on an as-needed basis. Consultative Care Plan members must live in the same home as a qualified member who has entered into a separate Member Services Agreement in order to be eligible. There is a one-time non-refundable membership fee of \$5,562 which provides access to a personal Wellness Navigator, 24 hours a day, 7 days a week, and the establishment of a care plan for the member. In addition, members will be charged a Wellness Navigator fee of \$105 per hour for care coordination and scheduling of any needed home or facility-based services.

Consultative Care Plan members are responsible for all costs associated with home or facility based services including, but not limited to, home health care, health care aide services, homemaker, companion, emergency response system, transportation, meals, adult day care, assisted living, and nursing home care. Providers of such services will contract directly with Consultative Care members. The Program shall have no responsibility for payment of any such services.

ADJUSTMENTS IN FEES

Monthly Fees are usually adjusted annually but may be adjusted from time to time in order to continue operating on a sound financial basis and maintain the Program's high standard of services. The Program will provide 30 days written notice to all members of any such increase in the Monthly Fee or other fees.

Historic Changes in Major Fees

The following table shows average changes in the monthly service fees over the life of the program which began in 2014. Note that it is the average dollar amount of the CHANGE in fees from year to year that is shown – NOT the fees themselves. All changes during this period occurred once per year on June 1st.

Standard Monthly Service Fee Historic Changes

	2019-2020	2018-2019	2017-2018	2016 - 2017	2015 - 2016
Member (\$ change per mo.)	\$15	\$20	\$20	\$50	\$12
Approx. Percent Increase	3.0%	3.5%	3.5%	9%	3%
Consultative Care	3%	2%	1.8%	2%	3%

RESCISSION PERIOD

The Member Services Agreement may be rescinded by giving written notice to the Program within 30 days following the latter of the execution of the Member Services Agreement or the receipt of the Disclosure Statement.

TERMINATION

By Member: The member may terminate the Member Services Agreement for any reason by providing written notice of such termination at least 30 days in advance of the termination date. In the case of the death of the member, the Member Services Agreement shall automatically terminate.

By Navigation by Salemtowne: The Corporation may terminate the Member Services Agreement if: 1) there has been a material misrepresentation or omission made by the Member in the Member's Membership and/or Financial Applications or Personal Health History form; 2) the Member fails to make payment to the Program of any fees or charges due within 30 days of the date due; 3) the Member does not abide by the rules and regulations adopted by Program and/or Corporation; or 4) the Member breaches any of the terms and conditions of this Agreement; 5) the Member permanently relocates outside the designated service area, or 6) the care coordination team reasonably determines that the member poses a danger to him/herself or to others and member or member's designated representative refuses to allow the transfer of the member from the home site or facility to another facility.

REFUNDS

During the Rescission Period: A refund of the Membership Fee paid, less a non-refundable fee of \$1,000, less the Monthly Fee and additional fees or portion applicable to the time this Agreement was in effect, will be paid within 30 days following receipt of the written notice.

Within the First 48 Months: If the Member Services Agreement is terminated for any reason during the first 48 months following the Effective Date, the Member, or Member's estate, will receive a refund of the Membership Fee paid less: 1) a non-refundable fee of 4% of the Membership Fee, and 2) less a percentage of the Membership Fee for each month the Agreement

remained in effect (full or partial without prorating and including the month in which the refund is payable), and 3) less any additional co-payments, deductibles, fees, cost and expenses accrued.

The Membership Fee shall amortize as follows:

- Home Site Services2% per month
- Any time spent in an Assisted Living Facility or Home Site
Services of equal cost in excess of one month.....3% per month
- Any time spent in a Nursing Home Facility or Home Site
Services of equal cost in excess of one month.....4% per month

Any refund due shall be refunded within 120 days of the date of termination of this Agreement.

The Program will have the right to set-off against any refund payable to the member for the membership fee, for any deferred monthly fees, any other additional service fees or amounts payable to the Program under the Member Services Agreement and other agreements between the member and the Program or any affiliate of the Program and any costs or expenses that might be due, payable or incurred by the member.

After 48 Months: If the Member Services Agreement is terminated after the first 48 months or after the Membership Fee has fully amortized in accordance with the amortization percentages set forth above, following the Effective Date, no refund shall be given.

No Refund: If the member is under the Consultative Care Plan, there will be no refund of the Membership Fee after the 30-day rescission period.

Ability to Apply Net Membership Fee to Independent Living Entrance Fee-Beacon Plan Only. The full amount of the Membership Fee for the Beacon Plan paid pursuant to this Agreement less: 1) a non-refundable fee of 4% of the Beacon Plan Membership Fee, 2) any fees, costs or expenses paid or incurred by the Corporation for Services provided under this Agreement and/or 3) any co-payments, deductibles, fees, costs or expenses due and owing to the Corporation by the Member under this Agreement may be credited towards any future Salemtowne retirement community entry fees for an independent living unit, accommodation or residence at Salemtowne but not for any assisted living, skilled nursing, memory care or other unit at Salemtowne or any other community or facility.

FINANCIAL ASSISTANCE

The Member Services Agreement will not be terminated solely because of a member's financial inability to pay the Monthly Fee or other charges by reason of circumstances beyond the member's control.

The Corporation will make reasonable effort to acquire the funds necessary to meet the member's Monthly Fees and other charges. However, the resources of the Program to provide care for members are limited, and the Program reserves the right to terminate the membership of any member who cannot pay the Monthly Fee and other charges in connection with such person's membership and use of services in the Program. Any determination by the Corporation with regard

to the granting or the continuation of financial assistance shall be within the sole discretion of the Corporation.

Upon termination of the Agreement for any reason the Member or Member's estate will be liable to the Program for the full amount of the subsidy the Member received.

COMPLIANCE WITH APPLICABLE LAWS

Navigation by Salemtowne operates in full compliance with all laws, rules, regulations and ordinances promulgated by lawful governmental authorities.

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Appendix A1

Audited Financial Statements as of March 31, 2020 and 2019

Moravian Home, Incorporated (d/b/a Salemtowne)

Financial Statements

Years Ended March 31, 2020 and 2019

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Independent Auditors' Report

Board of Trustees
Moravian Home, Incorporated (d/b/a Salemtowne)
Winston-Salem, North Carolina

We have audited the accompanying financial statements of Moravian Home, Incorporated (d/b/a Salemtowne) (the "Community"), which comprise the balance sheets as of March 31, 2020 and 2019, and the related statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Moravian Home, Incorporated (d/b/a Salemtowne) as of March 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Emphasis of Matter – New Accounting Pronouncements

As discussed in Note 1 to the financial statements, in fiscal year 2020, the Community changed its method of classification and presentation of restricted cash in the statement of cash flows as well as its method for accounting for investments in equity securities (excluding equity method investments) due to the adoption of Accounting Standard Update 2016-01 “Financial Instruments – Recognition and Measurement of Financial Assets and Financial Liabilities.” Our opinion is not modified with respect to these matters.

Dixon Hughes Goodman LLP

**Greenville, South Carolina
July 28, 2020**

Moravian Home, Incorporated (d/b/a Salemtowne)**Balance Sheets****March 31, 2020 and 2019**

	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,073,186	\$ 1,236,304
Current portion of assets limited as to use	4,872,690	1,500,867
Accounts receivable, net of allowance for uncollectible accounts of \$704,000 and \$810,000 in 2020 and 2019, respectively	2,749,829	2,077,039
Other receivables	447,197	214,334
Prepaid and other current assets	364,692	74,089
Total current assets	9,507,594	5,102,633
Assets limited as to use, net of current portion:		
Funds held by trustee under bond indenture, net	13,123,845	38,553,873
Restricted statutory operating reserve	6,375,000	5,791,000
Total assets limited as to use, net of current portion	19,498,845	44,344,873
Property and equipment, net	105,053,832	81,581,902
Investments	6,981,118	9,684,107
Other assets:		
Development costs - Navigation by Salemtowne net of accumulated amortization of approximately \$222,000 and \$183,000 in 2020 and 2019, respectively	168,886	208,037
Assets in split-interest agreements	484,352	546,118
Total other assets	653,238	754,155
Total assets	\$ 141,694,627	\$ 141,467,670

See accompanying notes.

Moravian Home, Incorporated (d/b/a Salemtowne)**Balance Sheets****March 31, 2020 and 2019****(Continued)**

	2020	2019
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 2,130,600	\$ 3,011,683
Accrued expenses	3,046,062	1,197,676
Accrued interest payable	2,516,040	1,500,867
Refundable advance fees	301,682	245,624
Line of credit	1,500,000	500,000
Current portion of lease obligation	28,141	26,309
Current portion of note payable	10,100	9,469
Current portion of bonds payable	3,751,650	1,335,000
Total current liabilities	13,284,275	7,826,628
Bonds payable, excluding current portion	95,501,092	99,277,846
Note payable, excluding current portion	25,794	35,316
Capital lease obligation, excluding current portion	68,414	97,280
Deposits	2,411,927	2,024,574
Refundable advance fees, excluding current portion	1,312,114	1,476,415
Deferred revenue from advance fees	20,433,240	17,397,423
Total liabilities	133,036,856	128,135,482
Net assets:		
Without donor restrictions	5,193,209	9,470,485
With donor restrictions	3,464,562	3,861,703
Total net assets	8,657,771	13,332,188
Total liabilities and net assets	\$ 141,694,627	\$ 141,467,670

See accompanying notes.

Moravian Home, Incorporated (d/b/a Salemtowne)**Statements of Operations****Years Ended March 31, 2020 and 2019**

	2020	2019
Revenues, gains, and other support:		
Net resident services, including amortization of advance fees of approximately \$2,858,000 in 2020 and \$2,139,000 in 2019	\$ 25,626,917	\$ 23,935,517
Contributions	557,719	395,359
In-kind contributions	-	105,137
Net assets released from restrictions used for operations and benevolent assistance	552,438	111,493
Interest and dividends	620,230	914,812
Net realized gains from sale of investments	1,460,422	478,441
Navigation program income, including amortization of advance fees of approximately \$109,000 in 2020 and \$165,000 in 2019	460,300	483,056
Other income	324,728	249,321
Total revenues, gains, and other support	<u>29,602,754</u>	<u>26,673,136</u>
Expenses:		
Program services - provision for housing and related services:		
Healthcare, assisted living and clinic	8,211,141	8,878,022
Dining services	3,400,696	3,475,984
Housekeeping, grounds and maintenance	4,153,236	4,040,470
Healthcare activities, fitness, events, and volunteers	772,426	878,663
Navigation program expenses	440,606	551,777
Depreciation and amortization of development costs	4,772,743	4,832,614
Interest	3,522,573	2,999,638
Loss on sale of equipment	4,503	30,609
Supporting services:		
Administration and general	5,000,245	5,301,481
Development, community relations and admissions	1,205,988	963,019
Total expenses	<u>31,484,157</u>	<u>31,952,277</u>
Operating loss	(1,881,403)	(5,279,141)
Non-operating gains (losses):		
Net unrealized gains (losses) on investments	<u>(2,395,873)</u>	<u>80,130</u>
Excess of revenues under expenses	<u>\$ (4,277,276)</u>	<u>\$ (5,199,011)</u>

See accompanying notes.

Moravian Home, Incorporated (d/b/a Salemtowne)
Statements of Changes in Net Assets
Years Ended March 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Net assets without donor restrictions:		
Excess of revenues under expenses	\$ (4,277,276)	\$ (5,199,011)
Loss on impairment of property and equipment	-	(4,588,843)
	<u>(4,277,276)</u>	<u>(9,787,854)</u>
Decrease in net assets without donor restrictions		
Net assets with donor restrictions:		
Contributions and investment income	220,982	458,699
Net assets released from restrictions	(552,438)	(111,493)
Change in value of split-interest agreements	(65,685)	(34,039)
	<u>(397,141)</u>	<u>313,167</u>
Increase (decrease) in net assets with donor restrictions		
Change in net assets	(4,674,417)	(9,474,687)
Net assets at beginning of year	<u>13,332,188</u>	<u>22,806,875</u>
Net assets at end of year	<u>\$ 8,657,771</u>	<u>\$ 13,332,188</u>

Moravian Home, Incorporated (d/b/a Salemtowne)
Statements of Cash Flows
Years Ended March 31, 2020 and 2019

	2020	2019 (As Adjusted)
Operating activities:		
Change in net assets	\$ (4,674,417)	\$ (9,474,687)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization of advance fees	(2,966,779)	(2,304,266)
Depreciation	4,733,592	4,832,614
Amortization	82,486	85,693
Amortization of bond discount/premium	(68,439)	(232,608)
In-kind contributions	-	(105,137)
Advance fees received	3,596,103	4,879,743
Loss on disposal of equipment	4,503	30,609
Realized gains on investments	(1,460,422)	(485,486)
Net unrealized (gains) losses on investments	2,395,873	(81,310)
Loss on impairment of property and equipment	-	4,588,843
Net changes in:		
Accounts receivable	(672,790)	(742,538)
Other receivables	(232,863)	84,735
Prepaid and other current assets	(290,603)	182,325
Accounts payable	(1,956,357)	(63,508)
Accrued expenses	1,848,386	129,174
Accrued interest payable	1,015,173	(127,307)
Room deposits	387,353	408,709
Assets in split-interest agreements	61,766	34,039
Net cash provided by operating activities	<u>1,802,565</u>	<u>1,639,637</u>
Investing activities:		
Net change in investments	1,183,538	1,163,772
Purchase of property and equipment	(27,134,751)	(5,930,580)
Net cash used by investing activities	<u>(25,951,213)</u>	<u>(4,766,808)</u>
Financing activities:		
Principal payments on bonds payable	(1,335,000)	(1,315,000)
Proceeds from bonds payable	-	38,250,000
Principal payments on note payable	(8,891)	(7,349)
Principal payments on lease obligation	(27,034)	(20,495)
Proceeds from line of credit	1,500,000	250,000
Repayments on line of credit	(500,000)	-
Bond issuance costs	-	(976,789)
Discount on bonds payable	-	(633,411)
Entrance fees received on new units	2,356,650	-
Refunds of advance fees	(58,400)	-
Net cash provided by financing activities	<u>1,927,325</u>	<u>35,546,956</u>

See accompanying notes.

Moravian Home, Incorporated (d/b/a Salemtowne)
Statements of Cash Flows
Years Ended March 31, 2020 and 2019

(Continued)

	2020	2019 (As Adjusted)
Net increase (decrease) in cash and cash equivalents	(22,221,323)	32,419,785
Cash and cash equivalents, beginning of year	41,291,044	8,871,259
Cash and cash equivalents, end of year	<u>\$ 19,069,721</u>	<u>\$ 41,291,044</u>
Supplemental cash flow disclosure information:		
Cash paid for interest, including capitalized interest of approximately \$1,634,000 and \$689,000 in 2020 and 2019, respectively	<u>\$ 4,142,203</u>	<u>\$ 3,288,344</u>
Noncash investing and financing activities:		
Contributed investments	<u>\$ -</u>	<u>\$ 105,137</u>
Purchase of property and equipment through a capital lease	<u>\$ -</u>	<u>\$ 144,084</u>
Purchase of property and equipment through a note payable	<u>\$ -</u>	<u>\$ 52,134</u>
Additions of property and equipment included in accounts payable	<u>\$ 1,075,274</u>	<u>\$ 1,329,741</u>
Reconciliation of amounts included in the statements of cash flows as cash, cash equivalents, and restricted cash to the balance sheet:		
Cash and cash equivalents	\$ 1,073,186	\$ 1,236,304
Assets limited as to use	<u>17,996,535</u>	<u>40,054,740</u>
Cash, cash equivalents, and restricted cash—end of year	<u>\$ 19,069,721</u>	<u>\$ 41,291,044</u>

See accompanying notes.

Notes to Financial Statements

1. Description of Organization and Summary of Significant Accounting Policies

Organization

Moravian Home, Incorporated (d/b/a Salemtowne) (the “Community”) is a non-profit organization located in Winston-Salem, North Carolina, that provides housing, health care, and other related services to residents through the ownership and operation of a retirement community containing independent living cottages and apartments, assisted living apartments, and a health care center. The Community is subject to various laws and regulations enacted by the state of North Carolina regarding its activities.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid instruments, including short-term debt securities and money market funds with original maturities of three months or less when purchased.

Investments in Equity Securities

Investments in equity securities with readily determinable fair values are measured at fair value in the balance sheet. The fair values of investments are determined based upon quoted market prices. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in investment income without donor restrictions and changes in net assets with donor restrictions. All changes in unrealized gains and losses on investments are included in non-operating gains (losses). Contributed investments are recorded at the fair market value at the date of receipt.

Deferred Financing Costs and Original Issue Premium/Discount

Deferred financing costs for the 2015 Bond series and the 2018 Bond series are being amortized over the term of the related financing. The original issue premium/discount in connection with the 2015 Bond series and 2018 Bond series financing is being amortized over the term of the related financing using the straight-line method, which approximates the effective interest method. Deferred financing costs and the original issue premium/discount for the 2016 Bond series are being amortized over the average life of the bonds of 8.305 years.

Assets Limited as to Use

Assets limited as to use by Board designation include amounts set aside for future capital expenditures, debt service obligations, and general reserves. The Board also has set aside an amount to meet the operating reserve requirements of N. C. General Statute Chapter 58, Article 64.

Assets limited as to use under bond indenture agreement consist of the proceeds of borrowing available to pay accrued interest as well as funds set aside for debt service and principal fund reserves and the new project account.

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation. Contributed property is recorded at the estimated fair value at the date of receipt. Depreciation is computed under the straight-line method and is based on estimated useful lives of 40 years for buildings, 8 to 10 years for principal equipment, 3 to 5 years for minor equipment and 5 years for vehicles. The cost of maintenance and repairs is expensed as incurred. Interest costs incurred on borrowed funds during the period of construction of capital assets are capitalized as a component of the cost of acquiring and constructing those assets.

The Community periodically assesses the realizability of its long-lived assets and evaluates such assets for impairment whenever events or changes in circumstances indicate the carrying amount of any asset may not be recoverable. For assets to be held, impairment is determined to exist if estimated future cash flows, undiscounted and without interest charges, are less than carrying amount. For assets to be disposed of, impairment is determined to exist if the estimated net realizable value is less than the carrying amount. At March 31, 2019, the Community has determined that approximately \$4,600,000 of impairment existed on a building. This impairment loss is reflected in the statements of operations. No impairment was identified and recorded for the year ended March 31, 2020.

Deposits on Unoccupied Units

Deposits for cottage and apartment accommodations to be occupied in the future are deferred when received. A portion of the deposit is refundable if the resident terminates the continuing care contract.

Deferred Revenue from Advance Fees

Fees paid by a resident upon entering into a continuing care contract, net of the portion thereof which is refundable to the resident, are recorded as deferred revenue and amortized into net resident services revenue using the straight-line method over the estimated remaining life expectancy of the resident, adjusted on an annual basis. When a resident terminates occupancy, any unamortized advance fees, net of refundable amounts, are recognized as net resident service revenue.

Obligation to Provide Future Services

The Community enters into continuing care contracts with various residents. A continuing care contract is an agreement between a resident and the Community specifying the services and facilities to be provided over the resident's remaining life. Under the contracts, the Community has the ability to increase fees as deemed necessary. As of the end of each year, the Community calculates the present value of the estimated net cost of future services to be provided, including the cost of facilities to current residents, and compares the amount with the deferred revenue from advance fees at that date. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from advance fees, a liability (obligation to provide future services) is recorded. No liability has been recorded as of March 31, 2020 or 2019, because the present value of the estimated net costs of future services and use of facilities is less than deferred revenues from advances fees. The present value of the net cost of future services and use of facilities was discounted at 5.5% in both 2020 and 2019.

Nets Assets with Donor Restrictions

Net assets with donor restrictions are those whose use by the Community has been limited by donors to a specific time period, purpose, or have been restricted by donors to be maintained by the Community in perpetuity. Board designated net assets without donor restrictions have been restricted by the Board of Trustees for use for financial assistance and campus expansion, but could later be designated for other purposes by the Board of Trustees.

Net appreciation on endowment funds is reported as an increase in net assets without donor restrictions unless such net appreciation is restricted by the donor or by law. Net realized appreciation on endowment funds is classified in the accompanying financial statements as part of net assets without donor restrictions or net assets with donor restrictions based on restrictions established by donors and state law.

Net Resident Services Revenue

Net resident services revenue represents the estimated net realizable amounts from patients, third-party payors, and others for services rendered, and includes estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations. Historically, such adjustments for the Community have been immaterial in relation to the financial statements as a whole.

Revenues under third-party payor agreements are subject to examination and retroactive adjustments. Provisions for estimated third-party payor settlements are provided in the period the related services are rendered. Differences between the amounts accrued and subsequent settlements are recorded in operations in the year of settlement.

Navigation by Salemtowne

Navigation by Salemtowne's mission is to provide coordination of care for older adults who wish to remain in their own homes in their later years. The Community's goal is to combine the security of a continuing care retirement community with the freedom and autonomy of living at home. The Community supports older adults to stay healthy and independent throughout their years through education, physical activities and socialization, and the coordination of care when necessary. The Community admitted its first member into the Navigation by Salemtowne program in fiscal year 2015.

Donor Restrictions

The Community reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), donor restricted net assets are reclassified to net assets without donor restrictions and reported in the statements of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period as received are reflected as unrestricted contributions in the accompanying financial statements.

The Community reports contributions of property and equipment (or other long-lived assets) as support without donor restriction unless explicit donor stipulations specify how the donated assets must be used. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and contributions of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long these assets must be maintained, the Community reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Benevolent Assistance

The Community provides benevolent assistance to residents who are unable to pay. Such residents are identified based on financial information obtained from the resident and subsequent review and analysis. The Community utilizes certain net assets with donor restrictions, as well as earnings from certain net assets with donor restrictions and board designated net assets, to fund the care of such residents.

Excess of Revenues Under Expenses

The statements of operations includes excess of revenues under expenses. Changes in net assets without donor restrictions which are excluded from excess of revenues under expenses, consistent with industry practice, include changes in unrealized gains and losses on investments other than trading securities, net assets released from restrictions for purchase of property and equipment, contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for purposes of acquiring such assets), and impairment losses on property and equipment.

Income Tax Status

The Community is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. The Community has determined that it does not have any material unrecognized tax benefits or obligations as of March 31, 2020. In addition, the Community qualified for the charitable contribution deduction under Section 170(b)(1)(a) and is classified as an organization that is not a private foundation under Section 509(a)(2).

Subsequent Events

The Community evaluated the effect subsequent events would have on the financial statements through July 28, 2020, which is the date the financial statements were issued.

Reclassification

Certain amounts in the 2019 financial statements were reclassified in order to conform to the 2020 presentation.

New Accounting Pronouncements

Restricted Cash

During fiscal year 2020, the Community adopted Accounting Standards Update (ASU) No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires amounts generally described as restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This guidance is intended to improve the classification and presentation of changes in restricted cash on the statements of cash flows and will provide more consistent application of accounting principles generally accepted in the United States ("GAAP") by reducing diversity in practice. The ASU also requires an entity to disclose information about the nature of restricted cash. The statement of cash flows for the year ended March 31, 2019 has been adjusted to reflect retrospective application of the new accounting guidance. Previously, the Community reflected changes in funds held by a trustee under bond indenture in investing activities. The Community has retrospectively removed these changes from the investing activities section of the statement of cash flows, resulting in a decrease in cash used by investing activities from \$36,153,405 to \$4,766,808. In addition, total ending cash presented on the statement of cash flows as of March 31, 2019 increased from \$1,236,304 (exclusive of restricted cash and restricted cash equivalents) to \$41,291,044 (inclusive of restricted cash and restricted cash equivalents).

Financial Instruments

In 2016, the FASB issued ASU No. 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which requires entities to measure substantially all equity securities at fair value and recognize changes in fair value in the performance indicator. Prior to issuance of this ASU, the Community recorded unrealized gains and losses related to equity investments below the performance indicator. The Community adopted the new standard effective April 1, 2019 using the modified retrospective method. The adoption of the ASU did not have a significant impact on the Community's financial statements.

2. Revenue Recognition

The Community generates revenues, primarily by providing housing and health services to its residents. The following streams of revenue are recognized as follows:

Monthly service fees:

The life care contracts that residents select require an advanced fee and monthly fees based upon the type of space they are applying for. Resident fee revenue for recurring and routine monthly services is generally billed monthly in advance. Payment terms are usually due within 30 days. The services provided encompass social, recreational, dining along with assisted living and nursing care and these performance obligations are earned each month. Under ASC Topic 606, management has determined that the performance obligation for the standing obligation to provide the appropriate level of care is the predominate component and does not contain a lease component under ASC Topic 840. Resident fee revenue for non-routine or additional services are billed monthly in arrears and recognized when the service is provided.

Entrance fees:

The nonrefundable entrance fees are recognized as deferred revenue upon receipt of the payment and included in liabilities in the balance sheet until the performance obligations are satisfied. The refundable portion of an entrance fee is not considered part of the transaction price and as such is recorded as a liability in the balance sheet. Additionally, management has determined the contracts do not contain a significant financing component as the advanced payment assures residents the access to health care in the future. These deferred amounts are then amortized on a straight-line basis into revenue on a monthly basis over the life of the resident as the performance obligation is the material right associated with access to future services as described in FASB ASC 606-10-55 paragraph 42 and 51.

Health care services:

In the facility, the Community provides assisted and nursing care to residents who are covered by government and commercial payers. The Community is paid fixed daily rates from government payers. The fixed daily rates and other fees are billed in arrears monthly. The monthly fees represent the most likely amount to be received from the 3rd party payors. Most rates are predetermined from Medicare and Medicaid. Under ASC Topic 606, management has elected to utilize the portfolio approach in aggregating the revenues under these revenue streams.

The Community disaggregates its revenue from contracts with customers by payor source, as the Community believes it best depicts how the nature, timing and uncertainty of its revenues and cash flows are affected by economic factors. See details on a reportable segment basis in the table below:

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	Year Ended March 31, 2020			
	Independent Living	Assisted Living & Memory Care	Skilled Nursing	Total
Private pay	\$ 9,410,525	\$ 4,044,319	\$ 6,036,729	\$ 19,491,573
Government reimbursement	-	-	5,045,289	5,045,289
Other third-party payor programs	-	-	1,090,055	1,090,055
Total	<u>\$ 9,410,525</u>	<u>\$ 4,044,319</u>	<u>\$ 12,172,073</u>	<u>\$ 25,626,917</u>

	Year Ended March 31, 2019			
	Independent Living	Assisted Living & Memory Care	Skilled Nursing	Total
Private pay	\$ 7,770,524	\$ 3,529,249	\$ 5,760,000	\$ 17,059,773
Government reimbursement	-	-	6,820,210	6,820,210
Other third-party payor programs	-	-	55,534	55,534
Total	<u>\$ 7,770,524</u>	<u>\$ 3,529,249</u>	<u>\$ 12,635,744</u>	<u>\$ 23,935,517</u>

3. Fair Values of Assets and Liabilities

Fair value as defined under generally accepted accounting principles is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Generally accepted accounting principles establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

- Level 1: Observable inputs such as quoted prices in active markets.
- Level 2: Inputs other than quoted prices in active markets that are either directly or indirectly observable.
- Level 3: Unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Community's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

Asset Measured at Fair Value on a Recurring Basis

When quoted prices are available in active markets for identical instruments, investment securities are classified within Level 1 of the fair value hierarchy. Level 1 investments include common stocks, fixed income mutual funds, and exchange-traded funds which are valued based on prices readily available in active markets in which those securities are traded. Level 1 investments also include money market funds which are valued based on transacted values.

The Community does not have any financial assets or liabilities measured at fair value on a recurring basis categorized as Level 2 or Level 3. There were no transfers in or out of Level 3 during 2020 and 2019. There were no changes during 2020 and 2019 to the Community's valuation techniques used to measure asset and liability fair values on a recurring basis.

Moravian Home, Incorporated
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Notes to Financial Statements

The following tables set forth by level within the fair value hierarchy the Community's assets accounted for at fair value on a recurring basis on March 31, 2020 and 2019.

	March 31, 2020			
	Level 1	Level 2	Level 3	Total
Income and money market funds	\$ 15,495,281	\$ -	\$ -	\$ 15,495,281
Common stocks	3,916,000	-	-	3,916,000
Fixed income mutual funds	7,222,258	-	-	7,222,258
Exchange-traded funds	<u>1,366,020</u>	<u>-</u>	<u>-</u>	<u>1,366,020</u>
Total	<u>\$ 27,999,559</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,999,559</u>

The Community has \$4,426,280 of cash balances included in cash and cash equivalents, assets limited as to use and investments as of March 31, 2020, which is not included in the fair value hierarchy.

	March 31, 2019			
	Level 1	Level 2	Level 3	Total
Income and money market funds	\$ 40,133,720	\$ -	\$ -	\$ 40,133,720
Common stocks	4,618,964	-	-	4,618,964
Fixed income mutual funds	6,493,542	-	-	6,493,542
Exchange-traded funds	<u>1,211,413</u>	<u>-</u>	<u>-</u>	<u>1,211,413</u>
Total	<u>\$ 52,457,639</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,457,639</u>

The Community has \$4,308,512 of cash balances included in cash and cash equivalents, assets limited as to use and investments as of March 31, 2019, which is not included in the fair value hierarchy.

4. Investments and Assets Limited as to Use

Assets limited as to use and investments are stated at fair value and include the following at March 31:

	2020	2019
Assets held in professionally managed trust accounts:		
Short-term income and money market funds	\$ 18,848,375	\$ 43,205,928
Common stocks and fixed income mutual funds	11,138,258	11,112,506
Exchange-traded funds	<u>1,366,020</u>	<u>1,211,413</u>
Total assets limited as to use and investments	<u>\$ 31,352,653</u>	<u>\$ 55,529,847</u>

Investments in equity securities (common stocks, fixed income mutual funds and exchange-traded funds) have a market value of \$12,504,278 with a cost of \$12,244,496 at March 31, 2020. This resulted in a net unrealized gain of \$259,782. Investments in equity securities have a market value of \$12,323,919 with a cost of \$9,666,235 at March 31, 2019. This resulted in a net unrealized gain of \$2,657,684.

The Community allocates its investment portfolios between investments and various categories of assets limited as to use. The allocation of these assets between limited as to use and investments is set forth in the following table at March 31:

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	<u>2020</u>	<u>2019</u>
Assets limited to use:		
Board designated:		
Restricted statutory operating reserve	<u>\$ 6,375,000</u>	<u>\$ 5,791,000</u>
Under bond indenture agreement:		
Accrued interest fund	2,672,159	3,469,042
Debt service reserve fund	6,353,876	6,353,876
Escrow fund	3,159,847	1,423,033
Principal fund	692,491	554,539
Project fund	5,118,162	28,254,250
	<u>17,996,535</u>	<u>40,054,740</u>
Total assets limited as to use	24,371,535	45,845,740
Total investments	<u>6,981,118</u>	<u>9,684,107</u>
Total assets limited as to use and investments	<u>\$ 31,352,653</u>	<u>\$ 55,529,847</u>

Investment income (loss) for the years ended March 31 follows:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 620,230	\$ 921,819
Net realized gains on sale of investments	1,460,422	485,486
Net unrealized gains (losses) on investments	<u>(2,395,873)</u>	<u>81,310</u>
Total investment income (loss)	<u>\$ (315,221)</u>	<u>\$ 1,488,615</u>

The Community has adopted investment policies and monitors the allocation of investments between types of investments including corporate bonds, equities, and mutual funds.

5. Property and Equipment

A summary of property and equipment at March 31 is as follows:

	<u>2020</u>	<u>2019</u>
Land and improvements	\$ 4,107,227	\$ 4,092,560
Buildings	112,973,677	100,637,777
Furniture and equipment	5,853,839	5,678,022
Vehicles	521,431	450,090
Construction in progress	18,917,616	8,311,795
	<u>142,373,790</u>	<u>119,170,244</u>
Accumulated depreciation	<u>(37,319,958)</u>	<u>(37,588,342)</u>
	<u>\$ 105,053,832</u>	<u>\$ 81,581,902</u>

Interest expense capitalized was \$1,634,803 and \$688,907 for the years ended March 31, 2020 and 2019, respectively.

6. Bonds Payable

In August 2015, the Series 2015 Bonds were issued in the amount of \$42,585,000 by the North Carolina Medical Care Commission, the proceeds from which were loaned to the Community pursuant to a Loan Agreement. The Series 2015 Bonds are limited obligations of the Commission payable solely from revenues of the Community assigned to the Trustee pursuant to the Loan Agreement and Deed of Trust, and to the extent provided in the Trust Agreement, the monies on deposit in certain funds and accounts created by the Trust Agreement.

The Series 2015 Bonds were used to fund a debt service reserve, pay issuance costs and provide funds for a previous expansion project.

In September 2016, the Series 2016A Bonds were issued in the amount of \$23,470,000 by the North Carolina Medical Care Commission, the proceeds from which were used to (a) refund all of the outstanding Series 2006 Bonds (b) fund a debt service reserve fund, and (c) pay certain expenses incurred in connection with the issuance of the bonds.

In October 2018, the Series 2018 Bonds were issued in the amount of \$38,250,000 by the North Carolina Medical Care Commission, the proceeds from which were used to (a) finance a current expansion project (b) fund a debt service reserve fund (c) pay a portion of the interest accruing on the bonds during the construction of the expansion project, and (d) pay certain expenses incurred in connection with the issuance of the bonds.

A summary of the Bonds outstanding at March 31 is as follows:

	<u>2020</u>	<u>2019</u>
Series 2015:		
Term bonds with interest rates and October 1 due dates as follows:		
5.250%, 2035	\$ 4,000,000	\$ 4,000,000
5.250%, 2037	11,840,000	11,840,000
5.375%, 2045	26,745,000	26,745,000
Series 2016A:		
Serial bonds with principal payments beginning in October 2017 with interest rates of 1.50% to 2.125% and payments ranging from \$350,000 to \$1,315,000. Repaid in October 2019.	-	350,000
Term bonds with interest rates and October 1 due dates as follows:		
5.000%, 2020	1,395,000	2,380,000
5.000%, 2026	8,685,000	8,685,000
3.250%, 2026	1,200,000	1,200,000
5.000%, 2030	6,915,000	6,915,000
3.625%, 2030	1,400,000	1,400,000
Series 2018:		
Term bonds with interest rates and October 1 due dates as follows:		
3.55%, 2024	8,375,000	8,375,000
4.00%, 2025	5,000,000	5,000,000
4.50%, 2033	1,350,000	1,350,000
5.00%, 2038	2,635,000	2,635,000
5.00%, 2043	3,360,000	3,360,000
5.00%, 2048	<u>17,530,000</u>	<u>17,530,000</u>

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	<u>2020</u>	<u>2019</u>
Total bonds payable	100,430,000	101,765,000
Less current portion of bonds payable	(3,751,650)	(1,335,000)
Deferred financing costs, net	(1,548,000)	(1,591,335)
Unamortized original issue premium and discount, net	<u>370,742</u>	<u>439,181</u>
	<u>\$ 95,501,092</u>	<u>\$ 99,277,846</u>

The Series 2015 Bonds maturing on October 1, 2035, 2037, and 2045 will be subject to mandatory redemption in part by lot on October 1 in the years and amounts set forth in the bond financing agreement.

The Series 2016A Bonds maturing on October 1, 2020, 2026, and 2030 will be subject to mandatory redemption in part by lot on October 1 in the years and amounts set forth in the bond financing agreement.

The Series 2018 Bonds maturing on October 1, 2024, 2025, 2033, 2038, 2043, and 2048 will be subject to mandatory redemption on part by lot on October 1 in the year and amounts set forth in the bond financing agreement. Furthermore, initial entrance fees received on new units associated with the expansion project will be used to redeem the bonds in accordance with the terms of the bond financing agreement.

Under the Loan Agreement, the Community granted the Commission a security interest in all assets of the Community.

The Master Trust Indentures requires the maintenance of a 1.20 long-term debt service coverage ratio and contains other covenants restricting, among other things, incurrence of indebtedness, existence of liens on property, consolidation and merger, and transfer of assets. The Loan Agreements requires the maintenance of a liquidity ratio of 150 days cash on hand. The Community was in compliance with the long-term debt service coverage ratio and days cash on hand at March 31, 2020.

Payment of principal on the bonds by the Community is as follows:

Fiscal Year

2021	\$ 3,751,650
2022	1,460,000
2023	1,530,000
2024	1,605,000
2025	7,698,350
Thereafter	<u>84,385,000</u>
	<u>\$ 100,430,000</u>

7. Lines of Credit

At March 31, 2017, the Community entered into a revolving line of credit agreement with a local bank, which allows for borrowing up to \$250,000. At November 8, 2018, the line of credit was increased to allow for borrowings up to \$500,000. Interest accrued at a floating rate of prime, plus a margin (6.50% at March 31, 2019) and was due and payable monthly commencing on December 5, 2018. The line of credit matured on March 1, 2020 at which time all outstanding principal and accrued interest was due. The outstanding balance at March 31, 2019 was \$500,000 with the balance being repaid during 2020.

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In February 2020, the Community entered into a revolving line of credit agreement with a local bank, which allows for borrowing up to \$1,500,000. Interest accrues at a floating rate of prime plus a margin of 1.5% and is due and payable monthly commencing on March 2020. The line of credit matures on February 1, 2021 at which time all outstanding principal and accrued interest is due. The outstanding balance at March 31, 2020 was \$1,500,000.

8. Refundable Fees

The Community offers three different continuing care contracts, 1) a standard rate plan, 2) a 50% refundable plan, and 3) a 90% refundable plan. The non-refundable portions of these fees are recorded as deferred revenue. The refundable portion is treated as a long-term liability. Refunds of refundable entrance fees are paid upon termination of the agreement (provided the resident's independent living unit is reoccupied) or within twenty-four months, whichever occurs first.

The Community's continuing care contracts provide for reimbursement of a portion of the advance fee upon termination of the agreement in the event of move-out, death, or termination by the Community. For a standard contract, the refundable amount is equal to the entrance fee less a non-refundable fee of 4% of the initial entrance fee. The remaining balance becomes non-refundable at a rate of 2% for each month of occupancy for up to 48 months, at which time there is no refundable amount. For a 50% refundable contract, the refundable amount is equal to the entrance fee less a non-refundable fee of 4% of the initial entrance fee with the remaining balance subject to amortization of 2% percent for each month of occupancy, for up to 23 months at which point the 50% refundable amount remains refundable. For a 90% refundable contract, the refundable amount is equal to the entrance fee less a non-refundable fee of 4% of the initial entrance fee with the remaining balance subject to amortization of 1% for each month of occupancy, for up to 6 months at which point the 90% refundable amount remains refundable.

Based on the status of continuing care contracts in effect at March 31, 2020 and 2019, the actual amount of contractual refund obligations which existed at those dates was approximately \$10,860,000 and \$9,012,000, respectively.

The amount of the contractual refund obligations that is expected to be refunded, based on historical experience, is classified as refundable advance fees.

9. Net Assets with Donor Restrictions

Net assets are available for the following purposes or periods at March 31:

	<u>2020</u>	<u>2019</u>
Split-interest agreements (time-restricted)	\$ 209,100	\$ 187,979
Pathways debt reduction	11,432	323,579
Single Sisters Preservation of the Community Fund	52,605	52,089
Other	94,827	179,831
Pathways trails	40,191	39,797
Lucille Fogle (walking trails, sidewalks and care of residents)	<u>14,404</u>	<u>14,263</u>
	<u>\$ 422,559</u>	<u>\$ 797,538</u>

Moravian Home, Incorporated
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Notes to Financial Statements

Net assets restricted to investments in perpetuity, the income from which is expendable to support residents in financial need, personnel recruiting (health care) and general obligations. Principal balance invested for these purposes at March 31 consisted of:

	<u>2020</u>	<u>2019</u>
Financial assistance	\$ 2,379,418	\$ 2,360,935
Restricted endowments	46,987	46,987
Single Sisters Preservation of the Community Fund	169,354	169,354
Split-interest agreements	317,494	358,139
Babcock Campus (protected conservation area)	<u>128,750</u>	<u>128,750</u>
	<u>\$ 3,042,003</u>	<u>\$ 3,064,165</u>

10. Split Interest Agreements

The Community is a beneficiary of certain split-interest agreements, all of which are held or controlled by various third parties. The estimated present value of the future distributions the Community expects to receive from irrevocable split-interest agreements is recorded as an asset in the financial statements. Changes in the value of irrevocable split-interest agreement are recorded as changes in net assets.

The irrevocable split-interest agreements in which the Community has a beneficial interest are categorized as follows:

Charitable Remainder Trust – A charitable remainder trust provides for the payment of distribution to the grantor or other designated beneficiaries over the trust's term. The term of all charitable remainder trusts which name the Community as a remainder beneficiary are the lifetimes of the respective distribution recipients. At the end of the respective trust's terms, the remaining assets in which the Community has an interest will be distributed to the Community.

Upon receipt of a beneficial interest in a charitable remainder trust, the present value of such interest is recorded as contribution income. The annual change in the present value of the beneficial interest is recorded as a change in value of split-interest agreements on the statement of changes in net assets. Such valuations are based on estimated mortality rates, projected investment returns, and other assumptions that could change in the near term.

Beneficial Interest in Perpetual Trust – Beneficial interest in perpetual trust represents assets held in trust and administered by a third party, from which the Community has the irrevocable right to receive a share of income from the trust's assets in perpetuity. The assets are stated as the fair value of the Community's share of trust assets, which is an approximation of the present value of the estimated future distributions from this trust.

Upon receipt of an irrevocable interest in the income of a perpetual trust administered by a third party, the Community records the fair value of estimated future distributions from the trust as contribution income with donor restrictions. Over the term of the perpetual trust, income distributions to the Community are included in investment income. Annual changes in the fair value of trust assets are recorded as gain or loss on the statement of changes in net assets with donor restrictions. Such valuations are based on estimated mortality rates and other assumptions that could change in the near future.

11. Statutory Operating Reserve Requirements

North Carolina General Statute Chapter 58, Article 64 sets forth minimum operating reserve requirements. Under this legislation, the Community is required to maintain an operating reserve at least equal to 25% or 50% of the upcoming year's total operating costs as defined by the statute based on whether the occupancy in independent living and assisted living is above or below 90%. At March 31, 2020 and 2019, management estimated that \$6,375,000 and \$5,791,000 respectively, would be required to meet the 25% operating reserve requirement. The Board of Trustees has designated \$6,375,000 and \$5,791,000 at March 31, 2020 and 2019, respectively, as this reserve.

12. Retirement Savings Plan

The Community maintains a defined contribution retirement savings plan for eligible associates. If associates elect to make contributions to the plan, the Community matched them dollar for dollar up to 3% of gross salary and then at the rate of \$.50 per dollar for the next 2% of gross salary. For the years ended March 31, 2020 and 2019, the Community made contributions totaling approximately \$170,000 and \$151,000, respectively.

13. Benevolent Assistance, Community Outreach and Other Contractual Adjustments

The Community maintains records to identify and monitor benevolent assistance provided. Records include costs to assist Salemtowne residents with entrance and monthly fees, medical expenses, meals, transportation, housekeeping and other programs and activities. The Community also provides financial assistance (Community Outreach) to community not-for-profit organizations who support or provide services to older persons. Benevolent assistance and Community Outreach included in the attached financial statements totals \$1,303,006 and \$1,507,093 for the years ended March 31, 2020 and 2019, respectively.

Residents in the health center and assisted living levels of care may be eligible to participate in the North Carolina Medicaid or federal Medicare programs. Contractual adjustments represent the difference between the Community's standard rates and the rates paid by third party payors. For the years ended March 31, 2020 and 2019, net patient service revenue was reduced by third party payor contractual adjustments (primarily Medicaid and Medicare) of approximately \$5,523,000 and \$7,261,000, respectively.

14. Concentrations of Credit Risk

The Community maintains its cash accounts at commercial banks. The cash balances in each bank are insured by Federal Deposit Insurance Corporation up to \$250,000. The funds on deposit with the brokerage accounts are insured by the Securities Investor Protection Corporation up to \$500,000. At times, amounts on deposit may be in excess of the insured limits.

15. Commitments and Contingencies

The Community has in place insurance coverage for possible litigation in the ordinary course of business related to professional liability claims. Management believes that claims, if asserted, would be settled within the limits of coverage, which is on a claims-made basis, with insurance limits of \$1,000,000 per claim and \$3,000,000 in the aggregate. Should the Community not renew its claims-made policy, or replace it with equivalent insurance, occurrences incurred during its term but asserted after its expiration would be uninsured, unless the Community obtains tail coverage. No claims were outstanding during the year or at year-end, therefore, the Community believes that an accrual for unasserted claims is not necessary.

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

16. Endowment Funds

The Community's endowments consist of individual funds established for a variety of purposes including support for residents in financial need, personnel recruiting, buildings, and other general obligations. The endowments include both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles ("GAAP"), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of the Community has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Community classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with SPMIFA, the Community considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

The duration and preservation of the fund:

- The purposes of the organization and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the organization.
- The investment policies of the organization.

**Moravian Home, Incorporated
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Notes to Financial Statements**

Endowment Net Asset Composition by Type of Fund as of March 31, 2020

	Board Designated Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets	<u>\$ 7,305,547</u>	<u>\$ 3,464,562</u>	<u>\$ 10,770,109</u>

Changes in Endowment Net Assets for the Year Ended March 31, 2020

	Board Designated Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 7,143,534	\$ 3,861,703	\$ 11,005,237
Contributions to principal and investment income	162,013	220,983	382,996
Net assets released from restriction	-	(552,438)	(552,438)
Change in value of split-interest agreements	-	(65,686)	(65,686)
Endowment net assets, end of year	<u>\$ 7,305,547</u>	<u>\$ 3,464,562</u>	<u>\$ 10,770,109</u>

Endowment Net Asset Composition by Type of Fund as of March 31, 2019

	Board Designated Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets	<u>\$ 7,143,534</u>	<u>\$ 3,861,703</u>	<u>\$ 11,005,237</u>

Changes in Endowment Net Assets for the Year Ended March 31, 2019

	Board Designated Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 7,275,981	\$ 3,548,536	\$ 10,824,517
Contributions to principal and investment income	-	458,699	458,699
Net assets released from restriction	(132,447)	(111,493)	(243,940)
Change in value of split-interest agreements	-	(34,039)	(34,039)
Endowment net assets, end of year	<u>\$ 7,143,534</u>	<u>\$ 3,861,703</u>	<u>\$ 11,005,237</u>

Return Objectives and Risk Parameters

The Community has adopted investment and spending policies for endowment assets that attempt to emphasize long-term growth of principal while avoiding excessive risk. Short-term volatility will be tolerated in as much as it is consistent with the volatility of a comparable market index. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity as well as board-designated funds.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Community relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Community targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Community has a policy of utilizing the interest and dividends earned on these endowments for their restricted purposes. The Community believes the investment policy established will facilitate the growth of these endowed funds and allow for earnings on these endowed funds to be used consistent with the intent of the donors.

17. Liquidity and Availability

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

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

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

Financial assets available for general expenditure within one year of the balance sheet date, consist of the following:

Asset Categories	2020	2019
Cash and cash equivalents	\$ 1,073,186	1,236,304
Accounts receivable	2,749,829	2,077,039
Other receivables	447,197	214,334
Investments and assets limited as to use	31,352,653	55,529,847
Less: Held by trustee	(17,996,535)	(40,054,740)
Less: Reserves required by state statute	(6,375,000)	(5,791,000)
Less: Restricted by donor	<u>(3,464,562)</u>	<u>(3,861,703)</u>
	<u>\$ 7,786,768</u>	<u>\$ 9,350,081</u>

18. Subsequent Events

The outbreak and spread of the COVID-19 virus was classified as a pandemic by the World Health Organization in March 2020. The spread of the virus may disrupt the Community's business along with the business of the Community's residents and suppliers. As of the balance sheet date, the Community has significant receivable balances outstanding. The full economic impact of this pandemic has not been determined, including the impact on the creditworthiness of the Community's payors. Additionally, the Community carries a significant balance of marketable equity securities. As of the balance sheet date, the economic uncertainty caused by the outbreak has resulted in significant market volatility. The financial statements do not reflect any adjustments as a result of the increase in economic uncertainty.

In response to the COVID-19 pandemic, the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law on March 27, 2020. One provision of the CARES Act is the establishment of the Paycheck Protection Program (PPP) under the Small Business Administration's 7(a) program. The PPP provides for loans to be made to small businesses effected by the COVID-19 pandemic. If certain criteria are met, small businesses receiving PPP loans may have all or a portion of the loans forgiven, effectively converting the outstanding balance and accrued interest to a grant. Any portion of PPP loans not forgiven have a term of five years and bear interest at 1.0%, with repayments deferred for six months. In April 2020, the Community received a PPP loan of approximately \$2,500,000. It is uncertain at this time what portion of the PPP loan may be forgiven, if any. However, management is tracking the use of these funds in a manner to help ensure the maximum amount of loan forgiveness. Additionally, the Community received three grants from the Department of Health and Human Services for a total of \$780,000 for COVID related expenses.

Moravian Home, Incorporated
(d/b/a Salemtowne)
Notes to Financial Statements

19. Schedule of Expenses by Natural Classification and Function

The following is a schedule of expenses by both natural classification and function for the year ended March 31, 2020:

	Program Services				Administrative and General	Marketing	Total
	Independent	Assisted Living	Skilled Nursing	Total			
Salaries and benefits	\$ 3,176,863	\$ 1,284,286	\$ 6,038,283	\$ 10,499,432	\$ 2,680,286	\$ 553,207	\$ 13,732,925
Medical and personal care	70,384	49,956	1,997,387	2,117,727	4,465	-	2,122,192
Food services	729,383	5,059	628,168	1,362,610	57,261	44,811	1,464,682
Facilities services	400,228	659	87,466	488,353	29,460	-	517,813
Supplies	163,905	25,779	327,845	517,529	47,229	30,255	595,013
Utilities	691,608	-	177,998	869,606	220,109	-	1,089,715
Administration	1,049,755	4,346	173,732	1,227,833	1,921,349	222,745	3,371,927
Marketing	-	-	5,107	5,107	5,867	283,600	294,574
Depreciation and amortization	-	-	-	-	4,748,949	-	4,748,949
Interest expense	-	-	-	-	3,546,367	-	3,546,367
Total expense	<u>\$ 6,282,126</u>	<u>\$ 1,370,085</u>	<u>\$ 9,435,986</u>	<u>\$ 17,088,197</u>	<u>\$ 13,261,342</u>	<u>\$ 1,134,618</u>	<u>\$ 31,484,157</u>

The following is a schedule of expenses by both natural classification and function for the year ended March 31, 2019:

	Program Services				Administrative and General	Marketing	Total
	Independent	Assisted Living	Skilled Nursing	Total			
Salaries and benefits	\$ 2,290,451	\$ 1,156,238	\$ 5,860,836	\$ 9,307,525	\$ 3,535,013	\$ 429,640	\$ 13,272,178
Medical and personal care	121,349	25,468	2,437,259	2,584,076	16,359	-	2,600,435
Food services	739,707	3,788	648,120	1,391,615	69,743	49,958	1,511,316
Facilities services	36,178	3,494	80,457	120,129	352,658	-	472,787
Supplies	70,469	9,527	120,836	200,832	122,298	2,461	325,591
Utilities	14,523	17,244	255,471	287,238	788,744	-	1,075,982
Administration	86,547	86,491	1,065,632	1,238,670	3,164,260	110,109	4,513,039
Marketing	442	-	1,883	2,325	145,429	200,943	348,697
Depreciation and amortization	-	-	-	-	4,832,614	-	4,832,614
Interest expense	-	-	-	-	2,999,638	-	2,999,638
Total expense	<u>\$ 3,359,666</u>	<u>\$ 1,302,250</u>	<u>\$ 10,470,494</u>	<u>\$ 15,132,410</u>	<u>\$ 16,026,756</u>	<u>\$ 793,111</u>	<u>\$ 31,952,277</u>



Appendix A2

Interim Financial Statements as of June 30, 2020
(Unaudited)

Moravian Home, Inc. dba Salemtowne
Financial Statements and Analysis
For the Three Periods April 1 through June 30, 2020
Balance Sheet
Internal-not audited

Acct Description	FYE2020	FYE 2021	
	March YTD	June	
	Act	Act	Change \$
Cash & Cash Equivalents	\$ 1,073,184	\$ 1,780,494	\$ 707,309
Current Portion of Assets Limited as to Use	4,670,293	10,835,777	6,165,484
Accounts Receivable:			
Residents & Third Party	2,869,124	1,367,343	(1,501,780)
Other	327,904	384,179	56,276
Investments	6,981,118	8,972,307	1,991,190
Prepaid & Other Current Assets	368,870	355,035	(13,835)
Current Assets	16,290,492	23,695,135	7,404,643
Assets Whose Use is Limited (AWUIL):			
Statutory Operating Reserve	6,375,000	6,375,000	-
Bonds - Net Current Debt Service	922,759	1,210,490	287,730
Bonds - Project Funds	5,994,020	2,858,278	(3,135,742)
Bonds - Debt Service Reserve	6,353,876	6,353,876	-
Bonds - Issuance Cost, net	21,927	21,875	(52)
Assets Whose Use is Limited	19,667,582	16,819,519	(2,848,063)
Non Current:			
Property & Equipment net of Accumulated Depreciation	104,865,718	105,402,640	536,922
Cost of Acquiring Continuing Care Contracts, net	357,001	368,713	11,712
Assets in Split Interest Agreements	484,352	484,352	-
Non Current Assets	105,707,071	106,255,706	548,634
Total Assets	\$ 141,665,145	\$ 146,770,360	\$ 5,105,215

Moravian Home, Inc. dba Salemtowne
Financial Statements and Analysis
For the Three Periods April 1 through June 30, 2020
Balance Sheet
Internal-not audited

Acct Description	FYE2020	FYE 2021	
	March YTD	June	
	Act	Act	Change \$
Accounts Payable	\$ 2,097,216	\$ 650,376	\$ (1,446,840)
Accrued Expenses	3,046,062	2,897,899	(148,163)
Note Payable Investment Fund	-	-	-
Short Term Debt	1,538,479	39,202	(1,499,277)
Accrued Interest Payable	2,516,041	1,284,223	(1,231,818)
Bonds Payable-Current	3,751,650	14,179,400	10,427,750
Current Liabilities	12,949,448	19,051,101	6,101,653
Long Term:			
Bonds Payable - Long Term	96,678,350	86,250,600	(10,427,750)
Bond Discount & Premium	(1,177,532)	(1,154,543)	22,989
Deposits	2,435,586	1,240,924	(1,194,662)
Refundable Entrance Fees	1,613,796	1,613,796	-
Deferred Revenue	20,409,581	27,797,333	7,387,752
Stimulus / Cares Act	-	54,687	54,687
PPP Funding	-	2,513,055	2,513,055
Capital Lease	68,967	61,558	(7,409)
Notes Payable	25,968	23,301	(2,667)
Long Term Liabilities	120,054,716	118,400,710	(1,654,006)
Total Liabilities	133,004,164	137,451,811	4,447,647
Net Assets:			
Unrestricted	5,598,885	6,226,327	627,442
Perm Restricted	2,639,533	2,639,533	-
Temp Restricted	422,563	452,689	30,126
Total Net Assets	8,660,981	9,318,549	657,568
Total Liabilities and Net Assets	\$ 141,665,145	\$ 146,770,360	\$ 5,105,215

Moravian Home, Inc. dba Salemtowne
Financial Statements and Analysis
For the Three Periods April 1 through June 30, 2020
Income Statement

Internal-not audited

	<u>June YTD</u>
	\$
<u>Acct Description</u>	<u>Actual</u>
Revenue:	
Residential	1,693,925
Assisted Living	527,562
Memory Support	480,152
Health Care	3,181,616
Home Care	58,935
Dining	220,604
Other Operating	9,719
Navigation by Salemtowne	101,956
Total Operating Revenue	<u>6,274,469</u>
Earned Entrance Fees	728,398
Benevolent Assistance	(54,609)
Investment Income	2,011,820
Unrestricted Contribution	(3,335)
Non-Operating Revenue	<u>2,682,274</u>
Total Revenue	<u>\$ 8,956,743</u>
Expense:	
Resident Care	1,625,683
Clinic	22,112
Marketing	283,310
Reception	39,080
Beauty Shop	11,512
Dining Services	798,206
Life Enrichment	119,289
Maintenance & Grounds	616,398
Housekeeping & Laundry	236,993
Transportation	49,183
Welcome Center	47,614
Administration	439,830
Employee Taxes & Benefits	752,055
Finance	244,798
Information Systems	184,558
Human Resources	128,913
Resident Council	5,561
Development	29,478
Non Departmental Expenses	1,405
Total Operating Expense	<u>5,635,978</u>
(Gain)/Loss-Fixed Assets	-
Asset Impairment	-
Interest Expenses	1,257,726
Depreciation and Amortization	1,447,896
Total Expenses	<u>\$ 8,341,600</u>
Net Operating Income	<u>638,491</u>
Earnings before D&A	<u>2,063,039</u>
Net Earnings	<u><u>\$ 615,143</u></u>

Moravian Home, Inc. dba Salemtowne
Financial Statements and Analysis
For the Three Periods April 1 through June 30, 2020
Income Statement

Internal-not audited

	<u>June YTD</u>
	\$
<u>Acct Description</u>	<u>Actual</u>
Other Changes to Unrestricted Net Assets	
Board Designated Contributions	12,299
Assets Released fr Restriction	-
TR - Assets Released from Restrictions	842
Allocation of Released Assets	(842)
PR - Assets Released from Restrictions	-
PR - Inc/(Loss) Value Split Int Per	-
TR - Inc/(Loss) Value Split Int Temp	-
Other Changes to Unrestricted Net Assets	-
Increase (Decrease) in Unrestricted Net Assets	<u>627,442</u>
Temporarily Restricted Assets:	
TR - Assets Released from Restrictions	
TR - Contributions and Bequests	30,126
TR - Gains(Losses) on Investments	-
Increase (Decrease) in Temporarily Restricted Net Assets	<u>30,126</u>
Permanently Restricted Assets:	
PR - Contributions and Bequests	
Restricted - Donor	-
Restricted - Unidentified	-
PR - Gains(Losses) on Investments	-
Increase (Decrease) in Permanently Restricted Net Assets	<u>-</u>
Net Increase (Decrease) in Net Assets	<u>\$ 657,568</u>

Moravian Home, Inc. dba Salemtowne
Financial Statements and Analysis
For the Three Periods April 1 through June 30, 2020
Statement of Cashflows

	June
Cash Flow From Operating Activities	
Change in Net Assets	657,568
Adjustments to reconcile changes in net assets to	-
Amortization of advance fees	(723,398)
Depreciation	1,413,497
Amortization	(11,712)
Amortization of Bond Discount/Premium	22,989
In-Kind Contributions	-
Advance Fees - Existing Units	755,220
Advance Fees - Navigation	181,661
Deferred Operating Revenue	52,105
Loss on Disposal of Equipment	-
Unrealized (Gains)/Losses in Investments	(2,011,820)
Net Change in:	
Accounts Receivables	1,501,780
Other Receivables	(56,276)
Prepaid and Other Current Assets	13,835
Accounts Payable	(1,446,840)
Accrued Expenses	(148,163)
Accrued Interest Payable	(1,231,818)
Room Deposits (Existing Units)	(18,102)
Assets in Split-Interest Agreements	-
Net cash provided by operating activities	<u>(1,049,473)</u>
Cash Flows from Investing Activities	
Net change in investments	20,630
Purchase of Property and Equipment	(1,950,419)
Net cash provided by investing activities	<u>(1,929,789)</u>
Cash Flows from Financing Activities	
Proceeds/(Payments on) - Bonds Payable	-
Proceeds/(Payments on) - Notes Payable	2,510,587
Proceeds/(Payments on) - Capital Leases	(6,885)
Proceeds/(Payments on) - Line of Credit	(1,500,000)
Net Change in:	
Advance Fees (Expansion Units)	7,176,850
Room Deposits (Expansion Units)	(1,176,560)
Advance Fee Refund Liability	-
Bond Trustee Held Accounts	(3,317,421)
Total Cash Flow from Financing Activities	<u>3,686,571</u>
Total Cash Flow	<u>\$ 707,309</u>



Appendix A3

Summary of Calculation of Obligation to Provide Future Service as of
March 31, 2020 (Continuing Care Retirement Community)



Moravian Home Incorporated, d/b/a Salem Towne

Calculation of Obligation
to Provide Future Services

As of March 31, 2020

Report Date: JULY 22, 2020

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SECTION I - INTRODUCTION & EXECUTIVE SUMMARY

Continuing Care Actuaries, LLC (Continuing Care Actuaries) was retained by the management of Moravian Home Incorporated, d/b/a Salemtowne (Salemtowne), a non-profit continuing care retirement community located in Winston-Salem, North Carolina, to calculate the community's Obligation to Provide Future Services and the Use of Facilities to Current Residents (the Obligation) as defined by the AICPA *Health Care Auditing Guidelines*. This calculation was done as of March 31, 2020. This report includes an actuarial based financial projection that measures Salemtowne's Obligation to provide future services to current residents.

In order to calculate the community's Obligation, we projected existing residents through various levels of care until move-out or death. The population projection uses actual resident data to develop assumptions about demographic characteristics of existing residents. The rates of population movement utilized in these projections were developed based on a review of Salemtowne resident demographic experience for the historical period of April 1, 1990 through March 31, 2020 and the Continuing Care Actuaries demographic database for CCRC residents. The Continuing Care Actuaries database contains demographic transfer and mortality experience of over 600,000 CCRC resident life years. This information was then aggregated to create reasonable assumptions consistent with Salemtowne's operational and administrative practices.

The population assumptions were then used to develop a closed group population projection that reflects only the activity of the current group of Salemtowne's residents. A closed group does not have any new residents entering the community, so as residents die or voluntarily withdraw, the projected group size declines. Closed group projections can be used to anticipate individual revenues and expenses over the life of the group. These calculations can be helpful in setting fees and estimating the present value of future liabilities. The population projection forms the basis of the financial projection that was prepared for the obligation calculation as recommended by the AICPA.

We combined the results of our population projection with projected unit revenue and expense items for Salemtowne to develop the net present value of future cash outflows. This value, together with unamortized deferred revenue, unamortized costs of acquiring the initial continuing-care contracts, and allocable depreciation, produces the Obligation.

Resident data regarding units, age, gender and couples' ratio was provided by Salemtowne management representatives. Assumptions regarding expected mortality and morbidity experience were derived from actual historical resident movements and the Continuing Care Actuaries database. Financial information regarding revenues, expenses and depreciation was provided by Salemtowne management and consisted of the budget for fiscal year 2021. No secondary due diligence was conducted by Continuing Care Actuaries as to the accuracy of these assumptions.

Continuing Care Actuaries has calculated the Obligation for Future Services for Current Residents at Salemtowne as of March 31, 2020 to be (\$9,799,000). Since this is a liability calculation, the negative result represents a surplus.

As the Audit Guide specifies that a CCRC should only include a Future Service Obligation amount in financial statements if such amount is positive, Salemtowne's resulting Future Service Obligation amount for financial statements purposes as of March 31, 2020 is \$0.

It should be noted that this surplus is based on the assumptions that monthly fees and operating expenses, not including interest expense, depreciation and amortization, will increase 3.0% each year throughout the projection period. The surplus pertains only to the Obligation calculation and does not demonstrate the financial feasibility of the entire community since debt principal repayments, general and administrative expenses and some revenues are not included in the Obligation calculation. It should also be noted that the Obligation calculation is based on the assumption that Salemtowne will reach and maintain approximately 95% occupancy (211.8 out of 223 available units) in the independent living units.

The results of our study are based on estimates of the demographic and economic assumptions of the most likely outcome. Considerable uncertainty and variability are inherent in such estimates. Accordingly, the subsequent emergence of actual resident movements and of actual revenues and expenses may not conform to the assumptions used in our analysis. Consequently, the subsequent development of these items may vary considerably from expected.

Management should scrutinize future developments that may cause the Obligation to become a liability. These developments include higher apartment vacancy rates, higher expense inflation, and higher nursing care utilization and longer life expectancies at all levels of care than assumed in the current projection.

SECTION II - METHODOLOGY AND ASSUMPTIONS

The first step of our actuarial work was to develop the resident demographic assumptions as input to the population projections. These assumptions, which include mortality rates, morbidity rates, and withdrawal rates, are applied to the current and future resident populations in order to track the resident movements through various levels of care until death or move-out. Note that the Obligation calculation excludes those units and beds occupied by private pay or per diem residents.

Based on the demographic experience of Salemtowne since April 1, 1990, we have incorporated nursing transfer, withdrawal, and death rates by adjusting the expected rates from the Continuing Care Actuaries database to reflect Salemtowne's anticipated experience.

The second step in our actuarial review was to develop open and closed group population projections based on derived demographic assumptions. Existing residents as of March 31, 2020 were projected through the various levels of care until death or move-out. Apartment turnovers due to deaths, transfers, and move-outs were projected, and the derivative new entrants "admitted" into the community. Similar to the existing residents, each generation, or year, of new entrants was tracked through the various levels of care until death or move-out. In addition, apartment turnovers due to deaths, transfers, and move-outs of all generations of new entrants were calculated using our population projection system. Our open group projection assumes that the independent living units at Salemtowne will reach and maintain approximately 95% occupancy throughout the foreseeable future. We developed population projections based on the expected scenario, which is based on the most likely outcome.

The final step in our actuarial analysis was to develop the present value of the Future Service Obligation. This calculation is presented in Section III. This calculation is necessary in order to comply with Chapter 14 of the American Institute of Certified Public Accountants (AICPA) Audit and Accounting Guide for Health Care Organizations (the Audit Guide). The Obligation calculation excludes most of the general and administrative expenses and allocates a portion of the depreciation charge based on historical costs to the existing residents.

Salemtowne management supplied Continuing Care Actuaries with revenue and expense information based on their fiscal year 2021 budget. We combined the revenue and expense assumptions with the results of the population projection to develop projected cash in-flows and cash out-flows. We have assumed a constant discount rate of 5.5%. The 3.0% inflation rate and monthly fee increase assumptions were determined to be most appropriate. Exhibit A contains key financial assumptions.

EXHIBIT A
FINANCIAL ASSUMPTIONS

FY 2021 ANNUAL REVENUES

All Contracts	
Independent Living Unit - Per Unit – Grandfather Fees	\$37,817
Independent Living Unit - Per Second Resident – Grandfather Fees	13,230
Independent Living Unit - Per Unit – 2016-2017 Fees	\$34,571
Independent Living Unit - Per Second Resident – 2016-2017 Fees	7,164
Independent Living Unit - Per Unit – 2017-2018 Fees	\$38,755
Independent Living Unit - Per Second Resident – 2017-2018 Fees	8,182
Assisted Living Unit - Per Resident	80,584
Skilled Nursing Facility - Per Patient	131,673

FY 2021 ANNUAL EXPENSES

Independent Living Unit - Per Unit	\$14,643
Independent Living Unit - Per Resident	17,763
Assisted Living Unit - Per Resident	57,606
Skilled Nursing Facility - Per Patient	97,008
Monthly Service Increase Rate	3.0%
Inflation Rate	3.0%
Investment Earnings Rate	2.0%
Discount Rate	5.5%
Allocable Depreciation	\$25,712,000
Unamortized Deferred Revenue	\$20,433,000
Unamortized Costs of Acquiring Initial Continuing-Care Contracts	\$0

RESULTS

The Obligation to Provide Future Services to Current Residents calculation consists of thirteen pages. The nineteenth and final page summarizes the actual calculation with the Obligation found on the last line. A positive value represents a liability, while a negative value represents an asset or a surplus.

Pages seven through nine contain both the open and closed group population projections from the Continuing Care Actuaries population projection system. Each row represents the average number of residents that occupy the facility throughout each fiscal year.

Pages ten through twelve illustrate the revenue and expense assumptions. The revenue summary represents the amount collected per resident or per unit per year. Similarly, the expense summary represents the expense per resident or per unit per year. The interest summary contains the total interest payments and the amount allocated to the closed group of residents.

Pages thirteen through fifteen summarize the projected cash inflows and cash outflows. These values are obtained from the revenue and expense assumptions applied to the closed group population.

Pages sixteen through eighteen develop the net cash outflows as well as their present value as of March 31, 2020. These pages additionally project each year's facility depreciation charge and the amount allocated to the closed group of residents.

SECTION III

FUTURE SERVICE OBLIGATION CALCULATION

**RESIDENT LEVEL OF
CARE INFORMATION**

	YEAR									
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>
<u>Community Configuration</u>										
Independent Living	226	226	226	226	226	226	226	226	226	226
Assisted Living	54	54	54	54	54	54	54	54	54	54
Health Care Center	100	100	100	100	100	100	100	100	100	100
<u>Total Community Occupancy Projection</u>										
Independent Living Residents	258.2	271.5	272.1	265.9	261.0	257.3	254.4	252.3	250.9	249.9
Total ILU Units Occupied	188.0	205.4	211.8	211.8	211.8	211.8	211.8	211.8	211.8	211.8
Assisted Living - Permanent	26.2	17.8	14.4	13.2	12.9	13.0	13.2	13.5	13.7	13.8
Assisted Living - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<u>Assisted Living - Direct Admit</u>	<u>23.4</u>	<u>31.8</u>	<u>35.2</u>	<u>36.4</u>	<u>36.7</u>	<u>36.6</u>	<u>36.4</u>	<u>36.1</u>	<u>35.9</u>	<u>35.8</u>
Assisted Living - Total	49.6	49.6	49.6	49.6	49.6	49.6	49.6	49.6	49.6	49.6
Health Care Center - Permanent	33.6	36.3	35.8	34.9	34.3	34.3	34.7	35.2	35.6	35.9
Health Care Center - Temporary	6.5	6.7	6.7	6.7	6.7	6.8	6.9	6.8	6.8	6.9
<u>Health Care Center - Direct Admit</u>	<u>52.9</u>	<u>50.1</u>	<u>50.5</u>	<u>51.4</u>	<u>51.9</u>	<u>51.9</u>	<u>51.5</u>	<u>51.0</u>	<u>50.6</u>	<u>50.2</u>
Health Care Center - Total	93.0	93.0	93.0	93.0	93.0	93.0	93.0	93.0	93.0	93.0
Total Residents	394.3	407.5	408.0	401.8	396.9	393.0	390.2	388.1	386.6	385.6
<u>Closed Group Occupancy Projection</u>										
Independent Living Residents	233.0	202.4	174.6	149.5	127.0	106.9	89.1	73.6	60.2	48.7
Total ILU Units Occupied	168.4	151.2	134.6	118.5	103.3	89.1	76.0	64.1	53.5	44.1
Assisted Living - Permanent	26.0	17.1	12.6	10.3	8.9	7.9	7.1	6.3	5.6	4.9
Assisted Living - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Health Care Center - Permanent	33.3	34.6	31.9	28.4	25.1	22.3	20.0	17.9	15.9	14.0
Health Care Center - Temporary	5.7	5.2	4.7	4.2	3.7	3.3	2.8	2.4	2.0	1.7
Total Residents	292.3	254.1	219.2	188.2	161.0	137.1	116.2	97.8	81.7	67.6

**RESIDENT LEVEL OF
CARE INFORMATION**

	YEAR									
	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>	<u>2036</u>	<u>2037</u>	<u>2038</u>	<u>2039</u>	<u>2040</u>
<u>Community Configuration</u>										
Independent Living	226	226	226	226	226	226	226	226	226	226
Assisted Living	54	54	54	54	54	54	54	54	54	54
Health Care Center	100	100	100	100	100	100	100	100	100	100
<u>Total Community Occupancy Projection</u>										
Independent Living Residents	249.3	249.0	248.9	248.9	249.0	249.1	249.2	249.3	249.4	249.5
Total ILU Units Occupied	211.8	211.8	211.8	211.8	211.8	211.8	211.8	211.8	211.8	211.8
Assisted Living - Permanent	13.9	14.0	14.0	14.0	14.0	14.0	13.9	13.9	13.8	13.8
Assisted Living - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<u>Assisted Living - Direct Admit</u>	<u>35.7</u>	<u>35.6</u>	<u>35.6</u>	<u>35.6</u>	<u>35.6</u>	<u>35.6</u>	<u>35.7</u>	<u>35.7</u>	<u>35.8</u>	<u>35.8</u>
Assisted Living - Total	49.6	49.6	49.6	49.6	49.6	49.6	49.6	49.6	49.6	49.6
Health Care Center - Permanent	36.1	36.2	36.3	36.3	36.4	36.5	36.5	36.5	36.4	36.3
Health Care Center - Temporary	6.9	6.9	7.0	7.0	7.0	7.0	6.9	6.9	6.9	6.9
<u>Health Care Center - Direct Admit</u>	<u>49.9</u>	<u>49.8</u>	<u>49.7</u>	<u>49.7</u>	<u>49.6</u>	<u>49.5</u>	<u>49.5</u>	<u>49.6</u>	<u>49.7</u>	<u>49.8</u>
Health Care Center - Total	93.0	93.0	93.0	93.0	93.0	93.0	93.0	93.0	93.0	93.0
Total Residents	385.0	384.7	384.5	384.5	384.6	384.7	384.9	385.0	385.1	385.1
<u>Closed Group Occupancy Projection</u>										
Independent Living Residents	39.1	31.1	24.5	19.1	14.6	11.0	8.2	6.0	4.3	3.0
Total ILU Units Occupied	36.0	29.1	23.2	18.2	14.1	10.7	8.0	5.9	4.2	3.0
Assisted Living - Permanent	4.2	3.6	3.0	2.5	2.0	1.6	1.3	1.0	0.7	0.5
Assisted Living - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Health Care Center - Permanent	12.1	10.3	8.7	7.2	6.0	5.0	4.1	3.3	2.6	2.0
Health Care Center - Temporary	1.4	1.2	1.0	0.8	0.7	0.5	0.4	0.3	0.2	0.1
Total Residents	55.4	45.0	36.2	28.8	22.7	17.6	13.5	10.2	7.6	5.5

**RESIDENT LEVEL OF
CARE INFORMATION**

	YEAR									
	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050
<u>Community Configuration</u>										
Independent Living	226	226	226	226	226	226	226	226	226	226
Assisted Living	54	54	54	54	54	54	54	54	54	54
Health Care Center	100	100	100	100	100	100	100	100	100	100
<u>Total Community Occupancy Projection</u>										
Independent Living Residents	249.5	249.5	249.5	249.5	249.5	249.5	249.5	249.5	249.5	249.5
Total ILU Units Occupied	211.8	211.8	211.8	211.8	211.8	211.8	211.8	211.8	211.8	211.8
Assisted Living - Permanent	13.7	13.7	13.7	13.7	13.7	13.7	13.7	13.7	13.6	13.6
Assisted Living - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<u>Assisted Living - Direct Admit</u>	<u>35.9</u>	<u>35.9</u>	<u>35.9</u>	<u>35.9</u>	<u>35.9</u>	<u>35.9</u>	<u>35.9</u>	<u>35.9</u>	<u>36.0</u>	<u>36.0</u>
Assisted Living - Total	49.6	49.6	49.6	49.6	49.6	49.6	49.6	49.6	49.6	49.6
Health Care Center - Permanent	36.2	36.1	36.0	36.0	36.0	35.9	35.9	35.9	35.9	35.9
Health Care Center - Temporary	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9
<u>Health Care Center - Direct Admit</u>	<u>49.9</u>	<u>50.0</u>	<u>50.1</u>	<u>50.1</u>	<u>50.1</u>	<u>50.2</u>	<u>50.2</u>	<u>50.2</u>	<u>50.2</u>	<u>50.2</u>
Health Care Center - Total	93.0	93.0	93.0	93.0	93.0	93.0	93.0	93.0	93.0	93.0
Total Residents	385.2	385.2	385.2	385.2	385.2	385.2	385.2	385.2	385.2	385.2
<u>Closed Group Occupancy Projection</u>										
Independent Living Residents	2.1	1.4	1.0	0.6	0.4	0.3	0.2	0.1	0.1	0.0
Total ILU Units Occupied	2.1	1.4	0.9	0.6	0.4	0.3	0.2	0.1	0.1	0.0
Assisted Living - Permanent	0.4	0.3	0.2	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Assisted Living - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Health Care Center - Permanent	1.4	1.0	0.7	0.5	0.4	0.3	0.2	0.1	0.1	0.1
Health Care Center - Temporary	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Residents	3.9	2.7	1.9	1.3	0.8	0.6	0.4	0.2	0.2	0.1

	YEAR									
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
<u>Closed Group Occupancy Projection - Grandfather</u>										
Independent Living Residents	54.2	45.1	37.4	30.8	25.2	20.5	16.6	13.4	10.7	8.5
Total ILU Units Occupied	44.4	37.6	31.6	26.4	21.9	18.1	14.8	12.1	9.8	7.9
Assisted Living - Permanent	16.3	9.2	5.6	3.7	2.6	2.0	1.6	1.3	1.1	0.9
Assisted Living - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Health Care Center - Permanent	21.0	17.9	14.0	10.6	8.1	6.3	5.0	4.0	3.3	2.7
Health Care Center - Temporary	1.6	1.4	1.2	1.0	0.8	0.7	0.6	0.5	0.4	0.3
Total Residents	91.4	72.2	57.0	45.1	35.9	28.8	23.2	18.7	15.1	12.1
<u>Closed Group Occupancy Projection - 2016-2017 New Fee Program</u>										
Independent Living Residents	80.6	70.3	60.9	52.3	44.6	37.6	31.3	25.8	21.0	16.9
Total ILU Units Occupied	59.1	53.4	47.8	42.4	37.1	32.1	27.4	23.1	19.1	15.7
Assisted Living - Permanent	7.5	5.2	4.0	3.4	3.0	2.7	2.5	2.2	2.0	1.7
Assisted Living - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Health Care Center - Permanent	9.1	10.1	9.8	9.0	8.2	7.5	6.9	6.3	5.6	5.0
Health Care Center - Temporary	2.0	1.8	1.6	1.4	1.3	1.1	1.0	0.8	0.7	0.6
Total Residents	97.1	85.6	74.6	64.7	55.8	47.8	40.7	34.3	28.6	23.6
<u>Closed Group Occupancy Projection - 2017-2018 Fee Program</u>										
Independent Living Residents	98.2	86.9	76.3	66.6	57.6	49.3	41.9	35.2	29.2	24.1
Total ILU Units Occupied	64.8	60.2	55.3	50.1	44.9	39.7	34.7	29.9	25.5	21.4
Assisted Living - Permanent	2.6	3.4	3.7	3.7	3.5	3.3	3.1	2.8	2.5	2.3
Assisted Living - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Health Care Center - Permanent	2.9	6.0	7.6	8.4	8.6	8.4	8.1	7.6	7.0	6.3
Health Care Center - Temporary	2.2	2.0	1.8	1.7	1.5	1.4	1.2	1.1	0.9	0.8
Total Residents	103.6	96.2	87.6	78.6	69.7	61.1	53.0	45.5	38.7	32.6

	YEAR									
	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>	<u>2036</u>	<u>2037</u>	<u>2038</u>	<u>2039</u>	<u>2040</u>
<u>Closed Group Occupancy Projection - Grandfather</u>										
Independent Living Residents	6.7	5.3	4.1	3.1	2.3	1.7	1.3	0.9	0.6	0.4
Total ILU Units Occupied	6.3	5.0	3.9	3.0	2.3	1.7	1.2	0.9	0.6	0.4
Assisted Living - Permanent	0.7	0.6	0.5	0.4	0.3	0.3	0.2	0.1	0.1	0.1
Assisted Living - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Health Care Center - Permanent	2.3	1.9	1.5	1.3	1.0	0.8	0.7	0.5	0.4	0.3
Health Care Center - Temporary	0.3	0.2	0.2	0.1	0.1	0.1	0.1	0.0	0.0	0.0
Total Residents	9.7	7.8	6.1	4.8	3.7	2.8	2.1	1.6	1.1	0.8
<u>Closed Group Occupancy Projection - 2016-2017 New Fee Program</u>										
Independent Living Residents	13.5	10.6	8.2	6.3	4.8	3.5	2.6	1.8	1.3	0.9
Total ILU Units Occupied	12.6	10.1	7.9	6.1	4.6	3.5	2.5	1.8	1.3	0.9
Assisted Living - Permanent	1.5	1.3	1.0	0.9	0.7	0.5	0.4	0.3	0.2	0.2
Assisted Living - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Health Care Center - Permanent	4.3	3.7	3.1	2.5	2.1	1.7	1.4	1.1	0.8	0.6
Health Care Center - Temporary	0.5	0.4	0.3	0.3	0.2	0.2	0.1	0.1	0.1	0.0
Total Residents	19.3	15.5	12.4	9.7	7.5	5.8	4.3	3.2	2.3	1.6
<u>Closed Group Occupancy Projection - 2017-2018 Fee Program</u>										
Independent Living Residents	19.6	15.8	12.6	9.9	7.7	5.9	4.5	3.3	2.4	1.7
Total ILU Units Occupied	17.8	14.6	11.8	9.4	7.4	5.7	4.4	3.3	2.4	1.7
Assisted Living - Permanent	2.0	1.7	1.5	1.3	1.0	0.9	0.7	0.5	0.4	0.3
Assisted Living - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Health Care Center - Permanent	5.6	4.9	4.2	3.6	3.0	2.5	2.1	1.7	1.4	1.1
Health Care Center - Temporary	0.7	0.6	0.5	0.4	0.3	0.3	0.2	0.2	0.1	0.1
Total Residents	27.2	22.4	18.3	14.8	11.8	9.3	7.2	5.6	4.2	3.1

	YEAR									
	<u>2041</u>	<u>2042</u>	<u>2043</u>	<u>2044</u>	<u>2045</u>	<u>2046</u>	<u>2047</u>	<u>2048</u>	<u>2049</u>	<u>2050</u>
<u>Closed Group Occupancy Projection - Grandfather</u>										
Independent Living Residents	0.3	0.2	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Total ILU Units Occupied	0.3	0.2	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Assisted Living - Permanent	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Assisted Living - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Health Care Center - Permanent	0.2	0.2	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Health Care Center - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Residents	0.6	0.4	0.3	0.2	0.1	0.1	0.1	0.0	0.0	0.0
<u>Closed Group Occupancy Projection - 2016-2017 New Fee Program</u>										
Independent Living Residents	0.6	0.4	0.3	0.2	0.1	0.1	0.0	0.0	0.0	0.0
Total ILU Units Occupied	0.6	0.4	0.3	0.2	0.1	0.1	0.0	0.0	0.0	0.0
Assisted Living - Permanent	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Assisted Living - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Health Care Center - Permanent	0.4	0.3	0.2	0.2	0.1	0.1	0.0	0.0	0.0	0.0
Health Care Center - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Residents	1.1	0.8	0.5	0.4	0.2	0.2	0.1	0.1	0.0	0.0
<u>Closed Group Occupancy Projection - 2017-2018 Fee Program</u>										
Independent Living Residents	1.2	0.9	0.6	0.4	0.3	0.2	0.1	0.1	0.0	0.0
Total ILU Units Occupied	1.2	0.9	0.6	0.4	0.3	0.2	0.1	0.1	0.0	0.0
Assisted Living - Permanent	0.2	0.2	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Assisted Living - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Health Care Center - Permanent	0.8	0.6	0.4	0.3	0.2	0.2	0.1	0.1	0.1	0.0
Health Care Center - Temporary	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Residents	2.3	1.6	1.1	0.8	0.5	0.4	0.2	0.2	0.1	0.1

**REVENUE AND EXPENSE
ASSUMPTIONS**

	YEAR									
<u>REVENUES</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>
Inflation		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
<u>Independent Living Unit</u>										
Annual Fee Per Unit - Grandfather	\$37,817	\$38,951	\$40,120	\$41,324	\$42,563	\$43,840	\$45,155	\$46,510	\$47,905	\$49,343
Annual Fee Per Second Resident - Grandfather	13,230	13,627	14,036	14,457	14,891	15,338	15,798	16,272	16,760	17,263
Annual Fee Per Unit - 2016-2017 Fees	34,571	35,608	36,677	37,777	38,910	40,078	41,280	42,518	43,794	45,108
Annual Fee Per Second Resident - 2016-2017 Fees	7,164	7,379	7,600	7,829	8,063	8,305	8,554	8,811	9,075	9,348
Annual Fee Per Unit - 2017-2018 Fees	38,755	39,917	41,115	42,348	43,619	44,927	46,275	47,663	49,093	50,566
Annual Fee Per Second Resident - 2017-2018 Fees	8,182	8,427	8,680	8,940	9,209	9,485	9,769	10,062	10,364	10,675
Per Assisted Living Resident	80,584	83,002	85,492	88,057	90,699	93,419	96,222	99,109	102,082	105,144
Per Health Care Center Resident	131,673	135,623	139,691	143,882	148,199	152,645	157,224	161,941	166,799	171,803
<u>Investment Income</u>										
Asset Base	\$12,728,876	\$12,728,876	\$12,728,876	\$12,728,876	\$12,728,876	\$12,728,876	\$12,728,876	\$12,728,876	\$12,728,876	\$12,728,876
Earnings Rate	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Investment Income	254,578	254,578	254,578	254,578	254,578	254,578	254,578	254,578	254,578	254,578
Allocated Other Income	188,691	158,745	136,739	119,249	103,272	88,828	75,831	64,161	53,769	44,617
<u>EXPENSES</u>										
Inflation		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
<u>Independent Living Unit</u>										
Per Unit	\$14,643	\$15,082	\$15,534	\$16,000	\$16,480	\$16,975	\$17,484	\$18,009	\$18,549	\$19,105
Per Resident	17,763	18,296	18,845	19,411	19,993	20,593	21,210	21,847	22,502	23,177
Per Assisted Living Resident	57,606	59,335	61,115	62,948	64,836	66,782	68,785	70,849	72,974	75,163
Per Health Care Center Resident	97,008	99,918	102,916	106,003	109,184	112,459	115,833	119,308	122,887	126,574
<u>Interest Expense</u>										
Total Interest Expense	\$3,208,644	\$3,138,894	\$3,068,957	\$3,095,694	\$2,918,857	\$2,838,444	\$2,753,957	\$2,665,644	\$2,573,363	\$2,476,538
Allocated Interest Expense	2,378,224	1,957,292	1,648,406	1,450,084	1,184,063	990,399	820,326	671,820	543,514	434,033

**REVENUE AND EXPENSE
ASSUMPTIONS**

	YEAR									
<u>REVENUES</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>	<u>2036</u>	<u>2037</u>	<u>2038</u>	<u>2039</u>	<u>2040</u>
Inflation	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
<u>Independent Living Unit</u>										
Annual Fee Per Unit - Grandfather	\$50,823	\$52,347	\$53,918	\$55,535	\$57,201	\$58,918	\$60,685	\$62,506	\$64,381	\$66,312
Annual Fee Per Second Resident - Grandfather	17,780	18,314	18,863	19,429	20,012	20,612	21,231	21,868	22,524	23,199
Annual Fee Per Unit - 2016-2017 Fees	46,461	47,855	49,290	50,769	52,292	53,861	55,477	57,141	58,855	60,621
Annual Fee Per Second Resident - 2016-2017 Fees	9,628	9,917	10,214	10,521	10,836	11,162	11,496	11,841	12,197	12,562
Annual Fee Per Unit - 2017-2018 Fees	52,083	53,646	55,255	56,913	58,620	60,379	62,190	64,056	65,977	67,957
Annual Fee Per Second Resident - 2017-2018 Fees	10,996	11,325	11,665	12,015	12,376	12,747	13,129	13,523	13,929	14,347
Per Assisted Living Resident	108,299	111,548	114,894	118,341	121,891	125,548	129,314	133,194	137,190	141,305
Per Health Care Center Resident	176,957	182,266	187,734	193,366	199,167	205,142	211,296	217,635	224,164	230,889
<u>Investment Income</u>										
Asset Base	\$12,728,876	\$12,728,876	\$12,728,876	\$12,728,876	\$12,728,876	\$12,728,876	\$12,728,876	\$12,728,876	\$12,728,876	\$12,728,876
Earnings Rate	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Investment Income	254,578	254,578	254,578	254,578	254,578	254,578	254,578	254,578	254,578	254,578
Allocated Other Income	36,638	29,765	23,938	19,055	15,002	11,673	8,956	6,763	5,010	3,633
<u>EXPENSES</u>										
Inflation	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
<u>Independent Living Unit</u>										
Per Unit	\$19,678	\$20,269	\$20,877	\$21,503	\$22,148	\$22,813	\$23,497	\$24,202	\$24,928	\$25,676
Per Resident	23,873	24,589	25,326	26,086	26,869	27,675	28,505	29,360	30,241	31,148
Per Assisted Living Resident	77,418	79,741	82,133	84,597	87,135	89,749	92,441	95,215	98,071	101,013
Per Health Care Center Resident	130,371	134,282	138,310	142,460	146,734	151,136	155,670	160,340	165,150	170,104
<u>Interest Expense</u>										
Total Interest Expense	\$2,375,238	\$2,269,144	\$2,167,819	\$2,061,244	\$1,948,894	\$1,830,769	\$1,706,344	\$1,575,355	\$1,437,544	\$1,288,925
Allocated Interest Expense	341,840	265,305	203,841	154,280	114,846	83,948	60,031	41,849	28,291	18,393

**REVENUE AND EXPENSE
ASSUMPTIONS**

	YEAR									
REVENUES	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050
Inflation	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
<u>Independent Living Unit</u>										
Annual Fee Per Unit - Grandfather	\$68,302	\$70,351	\$72,461	\$74,635	\$76,874	\$79,180	\$81,556	\$84,002	\$86,522	\$89,118
Annual Fee Per Second Resident - Grandfather	23,895	24,612	25,351	26,111	26,894	27,701	28,532	29,388	30,270	31,178
Annual Fee Per Unit - 2016-2017 Fees	62,439	64,313	66,242	68,229	70,276	72,384	74,556	76,793	79,096	81,469
Annual Fee Per Second Resident - 2016-2017 Fees	12,939	13,328	13,727	14,139	14,563	15,000	15,450	15,914	16,391	16,883
Annual Fee Per Unit - 2017-2018 Fees	69,995	72,095	74,258	76,486	78,780	81,144	83,578	86,085	88,668	91,328
Annual Fee Per Second Resident - 2017-2018 Fees	14,777	15,220	15,677	16,147	16,632	17,131	17,645	18,174	18,719	19,281
Per Assisted Living Resident	145,544	149,911	154,408	159,040	163,812	168,726	173,788	179,001	184,371	189,903
Per Health Care Center Resident	237,815	244,950	252,298	259,867	267,663	275,693	283,964	292,483	301,257	310,295
<u>Investment Income</u>										
Asset Base	\$12,728,876	\$12,728,876	\$12,728,876	\$12,728,876	\$12,728,876	\$12,728,876	\$12,728,876	\$12,728,876	\$12,728,876	\$12,728,876
Earnings Rate	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Investment Income	254,578	254,578	254,578	254,578	254,578	254,578	254,578	254,578	254,578	254,578
Allocated Other Income	2,579	1,794	1,229	835	562	373	244	158	100	63
EXPENSES										
Inflation	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
<u>Independent Living Unit</u>										
Per Unit	\$26,446	\$27,240	\$28,057	\$28,898	\$29,765	\$30,658	\$31,578	\$32,525	\$33,501	\$34,506
Per Resident	32,083	33,045	34,037	35,058	36,109	37,193	38,308	39,458	40,641	41,861
Per Assisted Living Resident	104,043	107,165	110,380	113,691	117,102	120,615	124,233	127,960	131,799	135,753
Per Health Care Center Resident	175,208	180,464	185,878	191,454	197,198	203,114	209,207	215,483	221,948	228,606
<u>Interest Expense</u>										
Total Interest Expense	\$1,132,512	\$967,500	\$973,619	\$610,600	\$417,637	\$214,194	\$214,194	\$214,194	\$214,194	\$214,194
Allocated Interest Expense	11,475	6,819	4,699	2,003	921	314	205	133	84	53

PROJECTED CASH INFLOWS

	YEAR									
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>
Independent Living Units	\$9,195,266	\$8,180,707	\$7,234,750	\$6,356,813	\$5,544,462	\$4,797,132	\$4,114,498	\$3,495,765	\$2,941,362	\$2,451,194
Independent Living Units (Subsidy)	0	0	0	0	0	0	0	0	0	0
Assisted Living Units	2,097,100	1,418,773	1,081,207	908,696	809,598	740,414	682,028	626,531	570,038	512,545
Health Care Center	5,134,454	5,393,118	5,109,750	4,681,718	4,266,265	3,908,782	3,592,255	3,288,359	2,988,557	2,688,939
Investment Income	188,691	158,745	136,739	119,249	103,272	88,828	75,831	64,161	53,769	44,617
TOTAL CASH INFLOWS	\$16,615,511	\$15,151,343	\$13,562,447	\$12,066,476	\$10,723,596	\$9,535,156	\$8,464,612	\$7,474,817	\$6,553,726	\$5,697,295

PROJECTED CASH OUTFLOWS

	YEAR									
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>
Independent Living Units	\$6,603,961	\$5,984,032	\$5,380,569	\$4,798,437	\$4,241,161	\$3,713,080	\$3,218,962	\$2,761,931	\$2,345,748	\$1,972,631
Assisted Living Units	1,499,127	1,014,220	772,909	649,588	578,747	529,290	487,553	447,880	407,496	366,397
Health Care Center	3,782,746	3,973,314	3,764,546	3,449,198	3,143,118	2,879,747	2,646,550	2,422,659	2,201,783	1,981,043
Interest Expense	2,378,224	1,957,292	1,648,406	1,450,084	1,184,063	990,399	820,326	671,820	543,514	434,033
TOTAL CASH OUTFLOWS	\$14,264,057	\$12,928,858	\$11,566,430	\$10,347,308	\$9,147,090	\$8,112,517	\$7,173,391	\$6,304,290	\$5,498,540	\$4,754,103

PROJECTED CASH INFLOWS

	YEAR									
	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>	<u>2036</u>	<u>2037</u>	<u>2038</u>	<u>2039</u>	<u>2040</u>
Independent Living Units	\$2,023,211	\$1,653,710	\$1,337,103	\$1,067,593	\$840,788	\$652,528	\$498,833	\$375,523	\$278,005	\$202,399
Independent Living Units (Subsidy)	0	0	0	0	0	0	0	0	0	0
Assisted Living Units	455,321	398,626	344,610	294,201	247,647	205,272	166,480	131,585	101,041	75,118
Health Care Center	2,388,151	2,089,304	1,809,819	1,556,747	1,329,243	1,125,349	941,791	775,543	623,378	485,826
Investment Income	36,638	29,765	23,938	19,055	15,002	11,673	8,956	6,763	5,010	3,633
TOTAL CASH INFLOWS	\$4,903,321	\$4,171,405	\$3,515,470	\$2,937,595	\$2,432,679	\$1,994,822	\$1,616,060	\$1,289,414	\$1,007,434	\$766,976

PROJECTED CASH OUTFLOWS

	YEAR									
	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>	<u>2036</u>	<u>2037</u>	<u>2038</u>	<u>2039</u>	<u>2040</u>
Independent Living Units	\$1,642,634	\$1,354,495	\$1,104,590	\$889,225	\$705,281	\$549,967	\$421,285	\$316,912	\$234,133	\$170,175
Assisted Living Units	325,490	284,961	246,347	210,312	177,032	146,740	119,009	94,065	72,230	53,699
Health Care Center	1,759,441	1,539,269	1,333,362	1,146,914	979,303	829,087	693,853	571,372	459,266	357,926
Interest Expense	341,840	265,305	203,841	154,280	114,846	83,948	60,031	41,849	28,291	18,393
TOTAL CASH OUTFLOWS	\$4,069,404	\$3,444,030	\$2,888,141	\$2,400,731	\$1,976,463	\$1,609,742	\$1,294,178	\$1,024,198	\$793,921	\$600,193

PROJECTED CASH INFLOWS

	YEAR									
	<u>2041</u>	<u>2042</u>	<u>2043</u>	<u>2044</u>	<u>2045</u>	<u>2046</u>	<u>2047</u>	<u>2048</u>	<u>2049</u>	<u>2050</u>
Independent Living Units	\$145,059	\$102,329	\$71,045	\$48,540	\$32,639	\$21,573	\$14,025	\$8,992	\$5,690	\$3,565
Independent Living Units (Subsidy)	0	0	0	0	0	0	0	0	0	0
Assisted Living Units	54,385	38,496	26,800	18,461	12,543	8,398	5,553	3,646	2,341	1,471
Health Care Center	367,830	271,259	196,896	143,019	103,279	73,884	52,123	36,188	24,534	16,141
Investment Income	2,579	1,794	1,229	835	562	373	244	158	100	63
TOTAL CASH INFLOWS	\$569,853	\$413,879	\$295,971	\$210,855	\$149,021	\$104,227	\$71,945	\$48,984	\$32,665	\$21,240

PROJECTED CASH OUTFLOWS

	YEAR									
	<u>2041</u>	<u>2042</u>	<u>2043</u>	<u>2044</u>	<u>2045</u>	<u>2046</u>	<u>2047</u>	<u>2048</u>	<u>2049</u>	<u>2050</u>
Independent Living Units	\$121,639	\$85,461	\$59,021	\$40,137	\$26,827	\$17,594	\$11,333	\$7,187	\$4,499	\$2,809
Assisted Living Units	38,878	27,519	19,158	13,197	8,966	6,003	3,970	2,606	1,674	1,051
Health Care Center	270,994	199,847	145,061	105,367	76,089	54,433	38,401	26,661	18,075	11,892
Interest Expense	11,475	6,819	4,699	2,003	921	314	205	133	84	53
TOTAL CASH OUTFLOWS	\$442,986	\$319,646	\$227,939	\$160,705	\$112,803	\$78,344	\$53,909	\$36,587	\$24,332	\$15,805

**PRESENT VALUE OF NET
CASH OUTFLOWS (INFLOWS)**

	YEAR									
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>
Net Cash Outflows (Inflows)	(\$2,351,454)	(\$2,222,485)	(\$1,996,016)	(\$1,719,168)	(\$1,576,507)	(\$1,422,639)	(\$1,291,222)	(\$1,170,527)	(\$1,055,186)	(\$943,193)
Discount Rate	0.974	0.923	0.875	0.829	0.786	0.745	0.706	0.669	0.634	0.601
Present Value of Net Cash Outflows (Inflows)	(2,289,339)	(2,050,974)	(1,745,955)	(1,425,393)	(1,238,967)	(1,059,756)	(911,716)	(783,408)	(669,396)	(567,155)
Present Value of Net Cash Outflows	-\$15,078,267	@	5.5%							

DEPRECIATION COST

	YEAR									
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>
Depreciation	\$5,444,520	\$5,444,520	\$5,444,520	\$5,444,520	\$5,444,520	\$5,444,520	\$5,444,520	\$5,444,520	\$5,444,520	\$5,444,520
Allocated Depreciation	4,035,439	3,394,990	2,924,375	2,550,321	2,208,623	1,899,720	1,621,770	1,372,178	1,149,924	954,194

**PRESENT VALUE OF NET
CASH OUTFLOWS (INFLOWS)**

	YEAR									
	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>	<u>2036</u>	<u>2037</u>	<u>2038</u>	<u>2039</u>	<u>2040</u>
Net Cash Outflows (Inflows)	(\$833,917)	(\$727,375)	(\$627,329)	(\$536,865)	(\$456,216)	(\$385,080)	(\$321,882)	(\$265,217)	(\$213,513)	(\$166,783)
Discount Rate	0.570	0.540	0.512	0.485	0.460	0.436	0.413	0.392	0.371	0.352
Present Value of Net Cash Outflows (Inflows)	(475,305)	(392,966)	(321,248)	(260,589)	(209,899)	(167,934)	(133,055)	(103,916)	(79,297)	(58,712)
Present Value of Net Cash Outflows										

DEPRECIATION COST

	YEAR									
	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>	<u>2036</u>	<u>2037</u>	<u>2038</u>	<u>2039</u>	<u>2040</u>
Depreciation	\$5,444,520	\$5,444,520	\$5,444,520	\$5,444,520	\$5,444,520	\$5,444,520	\$5,444,520	\$5,444,520	\$5,444,520	\$5,444,520
Allocated Depreciation	783,565	636,565	511,951	407,510	320,839	249,653	191,544	144,633	107,150	77,693

**PRESENT VALUE OF NET
CASH OUTFLOWS (INFLOWS)**

	YEAR									
	<u>2041</u>	<u>2042</u>	<u>2043</u>	<u>2044</u>	<u>2045</u>	<u>2046</u>	<u>2047</u>	<u>2048</u>	<u>2049</u>	<u>2050</u>
Net Cash Outflows (Inflows)	(\$126,867)	(\$94,233)	(\$68,032)	(\$50,151)	(\$36,218)	(\$25,884)	(\$18,036)	(\$12,397)	(\$8,333)	(\$5,435)
Discount Rate	0.334	0.316	0.300	0.284	0.269	0.255	0.242	0.229	0.217	0.206
Present Value of Net Cash Outflows (Inflows)	(42,333)	(29,804)	(20,395)	(14,251)	(9,755)	(6,608)	(4,365)	(2,844)	(1,812)	(1,120)
Present Value of Net Cash Outflows										

DEPRECIATION COST

	YEAR									
	<u>2041</u>	<u>2042</u>	<u>2043</u>	<u>2044</u>	<u>2045</u>	<u>2046</u>	<u>2047</u>	<u>2048</u>	<u>2049</u>	<u>2050</u>
Depreciation	\$5,444,520	\$5,444,520	\$5,444,520	\$5,444,520	\$5,444,520	\$5,444,520	\$5,444,520	\$5,444,520	\$5,444,520	\$5,444,520
Allocated Depreciation	55,165	38,374	26,274	17,859	12,009	7,974	5,223	3,377	2,145	1,338

OBLIGATION TO PROVIDE FUTURE SERVICES AND THE USE OF FACILITIES TO CURRENT RESIDENTS

Present Value of Net Cash Outflows	- \$15,078,000
Less:	
Unamortized deferred revenue at March 31, 2020	20,433,000
Plus:	
Allocable depreciation	25,712,000
Unamortized costs of acquiring initial continuing-care contracts	0
Obligation to provide future services and the use of facilities to current residents	- \$9,799,000



Appendix A4

Summary of Calculation of Obligation to Provide Future Service as of
March 31, 2020 (CCRC @ Home Program)



Navigation by Salemtowne

Calculation of the Obligation
To Provide Future Services

HEALTH CARE AUDIT GUIDELINE

As of March 31, 2020

Report Date: JULY 22, 2020

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I. INTRODUCTION & EXECUTIVE SUMMARY

Continuing Care Actuaries, LLC ("Continuing Care Actuaries") was engaged by Navigation by Salemtowne to calculate the Obligation to Provide Future Services and the Use of Facilities to current residents (the "Obligation") as defined by the AICPA Health Care Accounting Guide. This calculation was performed as of March 31, 2020. This report includes an actuarial based financial projection that measures Navigation by Salemtowne's obligation to provide future services to current members.

The population projection uses actual member data to develop future assumptions about demographic characteristics of existing members. In order to calculate the liabilities, we projected existing members through the home and various levels of care until lapse or death. The rates of population movement utilized in these population projections were developed based on a review of Navigation by Salemtowne's member demographic experience for the historical period of September 2014 through March 2020 and the Continuing Care Actuaries' demographic database for at Home members. This information was then aggregated to create reasonable assumptions consistent with Navigation by Salemtowne's operational and administrative practices.

The population assumptions were then used to develop a closed group population projection, which reflects only the activity of the current group of Navigation by Salemtowne's members. A closed group does not have any new members entering the program, so as members die or voluntarily withdrawal, the projected group size declines. Closed group projections can be used to anticipate individual revenues and expenses over the life of the group. The population projections form the basis of the financial projection, which was prepared for the obligation calculation as recommended by the AICPA.

We combined the results of our population projection with projected revenues and projected expenses for Navigation by Salemtowne to develop the net present value of future cash outflows. This value, together with unamortized deferred revenue, unamortized costs of acquiring the initial continuing-care contracts, and allocable depreciation, produces the amount of the Obligation.

Navigation by Salemtowne management representatives provided data regarding resident ages and permanent living location. Assumptions regarding expected mortality and morbidity were derived from actual Navigation by Salemtowne historical data and the Continuing Care Actuaries' at Home database. Financial information regarding revenues and expenses was provided by Navigation by Salemtowne management and consisted of the Navigation by Salemtowne budget for fiscal year 2021. No secondary due diligence was conducted by Continuing Care Actuaries as to the accuracy of these assumptions.

RESULTS

Continuing Care Actuaries has calculated the Obligation for Future Services for Current Residents at Navigation by Salemtowne as of March 31, 2020 to be (\$2,018,145) based on AICPA standards. Since this is a liability calculation, the negative result represents a surplus and means that based on current assumptions regarding future population and financial activity, the present value of Navigation by Salemtowne's current and future resources is adequate to cover future contractual obligations for all current members, as defined by the AICPA in the Health Care Audit Guide. For financial statement purposes, the amount to be booked as an obligation is \$0.

It should be noted that this surplus is based on the assumptions that monthly fees and operating expenses, not including interest expense, depreciation and amortization, will increase 3.0% each year throughout the projection period. The surplus pertains only to the Obligation calculation and does not demonstrate the financial feasibility of the entire community since debt principal repayments, general and administrative expenses and some revenues are not included in the Obligation calculation.

The results of our study are based on estimates of the demographic and economic assumptions of the most likely outcome. Considerable uncertainty and variability are inherent in such estimates. Accordingly, the subsequent emergence of actual resident movements and of actual revenues and expenses may not conform to the assumptions used in our analysis. Consequently, the subsequent development of these items may vary considerably from expected results.

Management should scrutinize future developments, which may cause the Obligation liability to increase. These developments include higher program withdrawal rates, higher expense inflation, higher nursing care utilization, and longer life expectancies than assumed in the current projection.

If you have any questions or comments, please contact Brad Paulis or Dave Bond at (410) 833-4220.

Sincerely yours,



Dave Bond, F.S.A., M.A.A.A.
Managing Partner

II. METHODOLOGY AND ASSUMPTIONS

The first step of our actuarial review was to develop the demographic assumptions as input to the population projections. These assumptions, which include mortality rates, morbidity rates, and withdrawal rates, are applied to the current and future member populations in order to track the resident movements through various levels of care until death or withdrawal from the program.

In order to develop these demographic assumptions, we collected historical member information relating to deaths, transfers, and voluntary withdrawals. These events were compiled and applied against the number of life years of the member population in order to develop historical decrement rates.

The second step in our actuarial review was to develop a closed group population projection based on the derived demographic assumptions. Existing members as of March 31, 2020 were projected through the various levels of care until death or withdrawal. Lapses due to deaths and voluntary withdrawals were projected.

The final step in our actuarial analysis was to develop the present values of the Future Service Obligation. This calculation will be presented in Section III. This calculation is necessary in order to comply with the Healthcare Accounting Guide promulgated by the AICPA. The AICPA requires that a program recognize future contract losses. The Obligation calculation excludes most of the general and administrative expenses and allocates a portion of the depreciation charge based on historical costs to the existing residents.

Navigation by Salemtowne management supplied Continuing Care Actuaries with revenue and expense information based on their fiscal year 2021 budget. We combined the revenue and expense assumptions with the results of the population projection to develop expected cash flows. We have assumed a constant discount rate of 5.5%. The 3.0% inflation rate and monthly fee increase assumptions were determined to be most appropriate. Exhibit A contains key financial assumptions.

EXHIBIT A
FINANCIAL ASSUMPTIONS

ANNUAL REVENUES FISCAL YEAR 2021

Home Per Member	\$8,360
Assisted Living Per Member	9,581
Skilled Nursing Per Member	21,022
At Home CoPays Per Member	160

ANNUAL EXPENSES FISCAL YEAR 2021

Home Per Member	\$3,124
Care Costs Per Member	1,039
Assisted Living Per Member	62,093
Skilled Nursing Per Member	136,238

Monthly Service Fee Increase Rate	3.0%
Inflation Rate	3.0%
Discount Rate	5.5%

Allocable Depreciation	\$0
Unamortized Initial Acquisition Costs	0
Deferred Member Fees	1,325,999

III. FUTURE SERVICE OBLIGATION CALCULATION

The Obligation to Provide Future Services to Current Residents calculation consists of thirteen pages numbered 6 through 15. The last page summarizes the actual calculation with the Obligation found on the last line. A positive value represents a liability, while a negative value represents an asset or a surplus.

Pages six through eight contain both the open and closed group population projections from the Continuing Care Actuaries' population projection system. Each row represents the average number of members that occupy the community throughout each fiscal year.

Pages nine through eleven illustrate the revenue and expense assumptions. The first three lines represent the amount collected per member each year. Similarly, the expense summary represents the expense per member per year. The interest summary contains the total interest payments and the amount allocated to the closed group of members. The bottom section develops the projected cash inflows and cash outflows. These values are obtained from the revenue and expense assumptions applied to the closed group population.

Pages twelve through fourteen develop the net cash outflows as well as their present value as of the Fiscal Year ending March 31. These pages additionally project each year's community depreciation charge and the amount allocated to the closed group of members.

RESIDENT LEVEL OF CARE INFORMATION	YEAR									
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>
<u>Total Community Occupancy Projection</u>										
At Home Members	71.9	93.0	112.6	130.7	147.5	162.9	176.9	189.8	197.9	199.9
Total Member Homes	54.0	67.7	80.7	93.1	104.9	115.9	126.3	135.9	142.5	145.3
Assisted Living - Lifecare	0.1	0.4	0.7	1.0	1.2	1.4	1.7	1.9	2.1	2.2
Assisted Living - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<u>Assisted Living - Direct Admits</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Assisted Living - Total	0.1	0.4	0.7	1.0	1.2	1.4	1.7	1.9	2.1	2.2
Health Care Center - Lifecare	0.0	0.1	0.2	0.3	0.4	0.5	0.6	0.6	0.7	0.8
Health Care Center - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<u>Health Care Center - Direct Admits</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Health Care Center - Total	0.0	0.1	0.2	0.3	0.4	0.5	0.6	0.6	0.7	0.8
Total Residents	72.1	93.5	113.5	132.0	149.0	164.8	179.2	192.3	200.7	203.0
<u>Closed Group Occupancy Projection</u>										
At Home Members	60.1	57.9	55.0	51.8	48.4	44.9	41.5	38.1	34.8	31.6
Total Member Homes	46.5	45.3	43.8	41.9	39.8	37.6	35.3	33.0	30.6	28.1
Assisted Living - Lifecare	0.1	0.3	0.5	0.5	0.5	0.6	0.6	0.6	0.6	0.5
Assisted Living - Lifecare Second Persons	0.1	0.2	0.2	0.3	0.2	0.2	0.2	0.2	0.2	0.1
Assisted Living - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Health Care Center - Lifecare	0.0	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Health Care Center - Lifecare Second Persons	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Health Care Center - Temporary	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Residents	60.2	58.2	55.6	52.5	49.1	45.7	42.3	38.9	35.5	32.3

**RESIDENT LEVEL OF
CARE INFORMATION**

	YEAR									
	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>	<u>2036</u>	<u>2037</u>	<u>2038</u>	<u>2039</u>	<u>2040</u>
<u>Total Community Occupancy Projection</u>										
At Home Members	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0
Total Member Homes	146.7	147.9	148.8	149.5	150.1	150.5	150.7	150.8	150.8	150.7
Assisted Living - Lifecare	2.3	2.5	2.6	2.6	2.7	2.8	2.9	2.9	3.0	3.0
Assisted Living - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<u>Assisted Living - Direct Admits</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Assisted Living - Total	2.3	2.5	2.6	2.6	2.7	2.8	2.9	2.9	3.0	3.0
Health Care Center - Lifecare	0.9	0.9	0.9	0.9	1.0	1.0	1.0	1.0	1.0	1.1
Health Care Center - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<u>Health Care Center - Direct Admits</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Health Care Center - Total	0.9	0.9	0.9	0.9	1.0	1.0	1.0	1.0	1.0	1.1
Total Residents	203.2	203.3	203.5	203.6	203.7	203.8	203.9	204.0	204.0	204.1
<u>Closed Group Occupancy Projection</u>										
At Home Members	28.5	25.5	22.7	20.0	17.6	15.3	13.2	11.3	9.6	8.0
Total Member Homes	25.7	23.3	21.0	18.8	16.6	14.6	12.7	10.9	9.3	7.9
Assisted Living - Lifecare	0.5	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.2
Assisted Living - Lifecare Second Persons	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Assisted Living - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Health Care Center - Lifecare	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Health Care Center - Lifecare Second Persons	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Health Care Center - Temporary	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Residents	29.1	26.1	23.3	20.6	18.1	15.8	13.6	11.7	9.9	8.3

**RESIDENT LEVEL OF
CARE INFORMATION**

	YEAR									
	<u>2041</u>	<u>2042</u>	<u>2043</u>	<u>2044</u>	<u>2045</u>	<u>2046</u>	<u>2047</u>	<u>2048</u>	<u>2049</u>	<u>2050</u>
<u>Total Community Occupancy Projection</u>										
At Home Members	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0
Total Member Homes	150.6	150.4	150.3	150.1	149.9	149.8	149.6	149.5	149.5	149.4
Assisted Living - Lifecare	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1
Assisted Living - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<u>Assisted Living - Direct Admits</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Assisted Living - Total	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1
Health Care Center - Lifecare	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Health Care Center - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<u>Health Care Center - Direct Admits</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Health Care Center - Total	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Total Residents	204.1	204.2	204.2	204.2	204.2	204.2	204.2	204.2	204.2	204.2
<u>Closed Group Occupancy Projection</u>										
At Home Members	6.7	5.5	4.4	3.6	2.8	2.2	1.7	1.3	1.0	0.7
Total Member Homes	6.6	5.4	4.4	3.5	2.8	2.2	1.7	1.3	1.0	0.7
Assisted Living - Lifecare	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0
Assisted Living - Lifecare Second Persons	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Assisted Living - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Health Care Center - Lifecare	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Health Care Center - Lifecare Second Persons	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Health Care Center - Temporary	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Residents	6.9	5.7	4.6	3.7	3.0	2.3	1.8	1.4	1.0	0.8

**REVENUE AND EXPENSE
ASSUMPTIONS**

	YEAR									
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>
REVENUES										
Inflation		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Home Per Member	\$8,360	\$8,611	\$8,870	\$9,136	\$9,410	\$9,692	\$9,983	\$10,282	\$10,591	\$10,908
Per Assisted Living Resident	9,581	9,868	10,164	10,469	10,783	11,107	11,440	11,783	12,137	12,501
Per Health Care Center Resident	21,022	21,652	22,302	22,971	23,660	24,370	25,101	25,854	26,629	27,428
Home Care Copays Per Member	160	251	395	477	532	581	632	685	754	844
<u>Investment & Other Income</u>										
Asset Base	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Earnings Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Investment Income	0	0	0	0	0	0	0	0	0	0
Allocated Investment Income	0	0	0	0	0	0	0	0	0	0
Total Other Income	0	0	0	0	0	0	0	0	0	0
Allocated Other Income	0	0	0	0	0	0	0	0	0	0
EXPENSES										
Home Per Member	\$3,124	\$2,487	\$2,117	\$1,878	\$1,715	\$2,149	\$2,037	\$1,956	\$1,932	\$1,970
Care Costs Per Member	1,039	1,626	2,562	3,089	3,446	3,763	4,093	4,440	4,889	5,471
Per Assisted Living Resident	62,093	63,955	65,874	67,850	69,886	71,982	74,142	76,366	78,657	81,017
Per Health Care Center Resident	136,238	140,325	144,535	148,871	153,337	157,937	162,676	167,556	172,583	177,760

**REVENUE AND EXPENSE
ASSUMPTIONS**

	YEAR									
REVENUES	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Inflation	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Home Per Member	\$11,236	\$11,573	\$11,920	\$12,278	\$12,646	\$13,025	\$13,416	\$13,818	\$14,233	\$14,660
Per Assisted Living Resident	12,876	13,262	13,660	14,070	14,492	14,927	15,374	15,836	16,311	16,800
Per Health Care Center Resident	28,251	29,099	29,972	30,871	31,797	32,751	33,733	34,745	35,788	36,861
Home Care Copays Per Member	941	1,027	1,103	1,172	1,234	1,302	1,363	1,418	1,466	1,510
<u>Investment & Other Income</u>										
Asset Base	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Earnings Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Investment Income	0	0	0	0	0	0	0	0	0	0
Allocated Investment Income	0	0	0	0	0	0	0	0	0	0
Total Other Income	0	0	0	0	0	0	0	0	0	0
Allocated Other Income	0	0	0	0	0	0	0	0	0	0
EXPENSES										
Home Per Member	\$2,028	\$2,089	\$2,152	\$2,216	\$2,283	\$2,351	\$2,422	\$2,494	\$2,569	\$2,646
Care Costs Per Member	6,097	6,656	7,150	7,596	7,998	8,437	8,835	9,190	9,502	9,784
Per Assisted Living Resident	83,447	85,951	88,529	91,185	93,920	96,738	99,640	102,629	105,708	108,880
Per Health Care Center Resident	183,093	188,586	194,243	200,070	206,073	212,255	218,622	225,181	231,937	238,895

**REVENUE AND EXPENSE
ASSUMPTIONS**

	YEAR									
REVENUES	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050
Inflation	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Home Per Member	\$15,100	\$15,553	\$16,019	\$16,500	\$16,995	\$17,505	\$18,030	\$18,571	\$19,128	\$19,702
Per Assisted Living Resident	17,304	17,823	18,358	18,909	19,476	20,060	20,662	21,282	21,920	22,578
Per Health Care Center Resident	37,967	39,106	40,279	41,488	42,733	44,014	45,335	46,695	48,096	49,539
Home Care Copays Per Member	1,550	1,587	1,623	1,656	1,688	1,720	1,752	1,784	1,817	1,851
<u>Investment & Other Income</u>										
Asset Base	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Earnings Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Investment Income	0	0	0	0	0	0	0	0	0	0
Allocated Investment Income	0	0	0	0	0	0	0	0	0	0
Total Other Income	0	0	0	0	0	0	0	0	0	0
Allocated Other Income	0	0	0	0	0	0	0	0	0	0
EXPENSES										
Home Per Member	\$2,726	\$2,807	\$2,892	\$2,978	\$3,068	\$3,160	\$3,255	\$3,352	\$3,453	\$3,556
Care Costs Per Member	10,046	10,288	10,516	10,733	10,942	11,149	11,355	11,563	11,776	11,997
Per Assisted Living Resident	112,146	115,510	118,976	122,545	126,221	130,008	133,908	137,925	142,063	146,325
Per Health Care Center Resident	246,061	253,443	261,047	268,878	276,944	285,253	293,810	302,625	311,703	321,054

PROJECTED CASH INFLOWS

	YEAR									
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>
Member Homes	\$388,880	\$390,432	\$388,150	\$382,559	\$374,580	\$364,571	\$352,679	\$339,011	\$323,718	\$306,991
Assisted Living	1,107	3,144	4,637	5,463	5,835	6,133	6,447	6,699	6,889	6,555
Health Care Center	375	1,416	2,921	4,088	4,597	4,892	5,039	5,091	5,088	5,241
Investment Income	0	0	0	0	0	0	0	0	0	0
Home Care CoPays	9,633	14,512	21,744	24,673	25,726	26,097	26,213	26,113	26,245	26,644
TOTAL CASH INFLOWS	399,996	409,505	417,452	416,783	410,738	401,693	390,378	376,914	361,940	345,431

PROJECTED CASH OUTFLOWS

	YEAR									
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>
Member Homes	\$187,639	\$143,897	\$116,425	\$97,238	\$82,987	\$96,572	\$84,546	\$74,558	\$67,225	\$62,168
At Home Care	62,430	94,051	140,923	159,903	166,725	169,130	169,883	169,237	170,093	172,675
Assisted Living	7,175	20,378	30,051	35,407	37,816	39,749	41,781	43,416	44,648	42,483
Health Care Center	2,434	9,180	18,929	26,491	29,795	31,704	32,658	32,993	32,975	33,965
TOTAL CASH OUTFLOWS	259,677	267,506	306,328	319,040	317,323	337,155	328,868	320,203	314,941	311,291

PROJECTED CASH INFLOWS

	YEAR									
	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>	<u>2036</u>	<u>2037</u>	<u>2038</u>	<u>2039</u>	<u>2040</u>
Member Homes	\$289,054	\$270,157	\$250,558	\$230,520	\$210,306	\$190,173	\$170,376	\$151,151	\$132,721	\$115,285
Assisted Living	6,031	5,865	5,723	5,548	5,335	5,086	4,805	4,498	4,168	3,822
Health Care Center	5,292	5,015	4,725	4,469	4,212	3,936	3,639	3,361	3,117	2,866
Investment Income	0	0	0	0	0	0	0	0	0	0
Home Care CoPays	26,769	26,180	25,024	23,487	21,688	19,906	17,986	16,000	14,015	12,106
TOTAL CASH INFLOWS	327,146	307,216	286,029	264,025	241,540	219,101	196,806	175,010	154,021	134,079

PROJECTED CASH OUTFLOWS

	YEAR									
	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>	<u>2036</u>	<u>2037</u>	<u>2038</u>	<u>2039</u>	<u>2040</u>
Member Homes	\$57,713	\$53,250	\$48,802	\$44,412	\$40,116	\$35,951	\$31,950	\$28,144	\$24,559	\$21,219
At Home Care	173,484	169,668	162,177	152,217	140,555	129,006	116,562	103,693	90,831	78,456
Assisted Living	39,088	38,011	37,089	35,957	34,576	32,963	31,143	29,150	27,014	24,771
Health Care Center	34,294	32,499	30,619	28,966	27,296	25,510	23,582	21,785	20,198	18,572
TOTAL CASH OUTFLOWS	304,579	293,428	278,688	261,551	242,543	223,430	203,238	182,772	162,602	143,018

PROJECTED CASH INFLOWS

	YEAR									
	<u>2041</u>	<u>2042</u>	<u>2043</u>	<u>2044</u>	<u>2045</u>	<u>2046</u>	<u>2047</u>	<u>2048</u>	<u>2049</u>	<u>2050</u>
Member Homes	\$99,016	\$84,054	\$70,496	\$58,388	\$47,724	\$38,476	\$30,584	\$23,946	\$18,449	\$13,986
Assisted Living	3,465	3,103	2,744	2,394	2,070	1,763	1,472	1,215	998	803
Health Care Center	2,605	2,340	2,075	1,816	1,570	1,339	1,123	927	757	613
Investment Income	0	0	0	0	0	0	0	0	0	0
Home Care CoPays	10,318	8,677	7,200	5,895	4,761	3,792	2,977	2,303	1,754	1,315
TOTAL CASH INFLOWS	115,404	98,174	82,514	68,493	56,124	45,369	36,156	28,391	21,958	16,717

PROJECTED CASH OUTFLOWS

	YEAR									
	<u>2041</u>	<u>2042</u>	<u>2043</u>	<u>2044</u>	<u>2045</u>	<u>2046</u>	<u>2047</u>	<u>2048</u>	<u>2049</u>	<u>2050</u>
Member Homes	\$18,143	\$15,345	\$12,831	\$10,603	\$8,650	\$6,965	\$5,531	\$4,327	\$3,332	\$2,526
At Home Care	66,867	56,232	46,663	38,207	30,855	24,573	19,296	14,927	11,366	8,520
Assisted Living	22,456	20,110	17,782	15,518	13,414	11,423	9,539	7,872	6,465	5,206
Health Care Center	16,885	15,166	13,448	11,766	10,174	8,678	7,275	6,008	4,905	3,970
TOTAL CASH OUTFLOWS	124,351	106,854	90,723	76,093	63,093	51,639	41,641	33,134	26,069	20,222

PRESENT VALUE OF NET CASH OUTFLOWS (INFLOWS)	YEAR									
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>
Net Cash Outflows (Inflows)	(\$140,319)	(\$141,998)	(\$111,124)	(\$97,743)	(\$93,415)	(\$64,538)	(\$61,510)	(\$56,711)	(\$46,999)	(\$34,140)
Discount Rate	0.974	0.923	0.875	0.829	0.786	0.745	0.706	0.669	0.634	0.601
5.50%										
Present Value of Net Cash Outflows (Inflows)	(136,612)	(131,040)	(97,202)	(81,040)	(73,414)	(48,076)	(43,432)	(37,955)	(29,816)	(20,529)
Present Value of Net Cash Outflows	(692,146)									
DEPRECIATION COST	YEAR									
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>
Depreciation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Allocated Depreciation	0	0	0	0	0	0	0	0	0	0

PRESENT VALUE OF NET CASH OUTFLOWS (INFLOWS)	YEAR									
	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>	<u>2036</u>	<u>2037</u>	<u>2038</u>	<u>2039</u>	<u>2040</u>
Net Cash Outflows (Inflows)	(\$22,567)	(\$13,788)	(\$7,342)	(\$2,474)	\$1,003	\$4,328	\$6,432	\$7,761	\$8,581	\$8,940
Discount Rate	0.570	0.540	0.512	0.485	0.460	0.436	0.413	0.392	0.371	0.352
5.50%										
Present Value of Net Cash Outflows (Inflows)	(12,862)	(7,449)	(3,760)	(1,201)	461	1,888	2,659	3,041	3,187	3,147

Present Value of Net Cash Outflows

DEPRECIATION COST	YEAR									
	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>	<u>2036</u>	<u>2037</u>	<u>2038</u>	<u>2039</u>	<u>2040</u>
Depreciation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Allocated Depreciation	0	0	0	0	0	0	0	0	0	0

PRESENT VALUE OF NET CASH OUTFLOWS (INFLOWS)	YEAR									
	<u>2041</u>	<u>2042</u>	<u>2043</u>	<u>2044</u>	<u>2045</u>	<u>2046</u>	<u>2047</u>	<u>2048</u>	<u>2049</u>	<u>2050</u>
Net Cash Outflows (Inflows)	\$8,947	\$8,680	\$8,209	\$7,600	\$6,968	\$6,270	\$5,485	\$4,743	\$4,111	\$3,505
Discount Rate	0.334	0.316	0.300	0.284	0.269	0.255	0.242	0.229	0.217	0.206
5.50%										
Present Value of Net Cash Outflows (Inflows)	2,986	2,745	2,461	2,160	1,877	1,601	1,327	1,088	894	722
Present Value of Net Cash Outflows										
DEPRECIATION COST	YEAR									
	<u>2041</u>	<u>2042</u>	<u>2043</u>	<u>2044</u>	<u>2045</u>	<u>2046</u>	<u>2047</u>	<u>2048</u>	<u>2049</u>	<u>2050</u>
Depreciation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Allocated Depreciation	0	0	0	0	0	0	0	0	0	0

OBLIGATION TO PROVIDE FUTURE SERVICES AND THE USE OF FACILITIES TO CURRENT RESIDENTS

Present Value of Net Cash Outflows	(\$692,146)
Less:	
Unamortized deferred revenue at March 31, 2020	1,325,999
Plus:	
Allocable depreciation	0
Unamortized costs of acquiring initial continuing-care contracts	0
Obligation to provide future services and the use of facilities to current residents	(2,018,145)



Appendix A5

Independent Accountants' Compilation Report as of August 28, 2020 for
the years ending 2021 through 2025.

Moravian Home, Incorporated
(d/b/a Salemtowne)

Compilation of a Financial Projection

For Each of the Five Years
Ending March 31, 2025

(with Independent Accountants'
Compilation Report thereon)

Moravian Home, Incorporated d/b/a Salemtowne

Compilation of a Financial Projection

Five Years Ending March 31, 2025

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INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Board of Trustees
Moravian Home, Incorporated d/b/a Salemtowne
Winston-Salem, North Carolina

Management of Moravian Home, Incorporated d/b/a Salemtowne (the "Corporation") ("Management") is responsible for the accompanying financial projection of the Corporation, which comprises the projected balance sheets as of and for each of the five years ending March 31, 2025 and the related projected statements of operations, changes in net assets, and cash flows for each of the years then ending, and the related summaries of significant assumptions and rationale in accordance with guidelines for the presentation of a financial projection established by the American Institute of Certified Public Accountants ("AICPA").

The accompanying projection and this report were prepared to comply with the requirements of North Carolina General Statutes, Chapter 58, Article 64 and should not be used for any other purpose.

We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the financial projection nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by Management. Accordingly, we do not express an opinion, a conclusion, or provide any form of assurance on this financial projection. The projected results may not be achieved as there will usually be differences between the prospective and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

Furthermore, even if the following hypothetical assumption ("Hypothetical Assumption") that new units associated with the independent living expansion project (the "Project") are successfully marketed and occupied at the assumed occupancy levels and that adequate demand for services exists to support the assumed utilization occurs during the projection period, there will usually be differences between the projected and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

The highly contagious respiratory disease named "coronavirus disease 2019" ("COVID-19") and associated pandemic has resulted in significant disruption of the United States' economy and financial markets, increased demands for health care services and safety protocols and has curtailed certain aspects of public life. What, if any, long-term impact of COVID-19 on the economy, the senior living industry, and the Corporation is unknown as the date of this report. The financial projection is based on Management's assumptions that, while there are impacts to the Corporation for fiscal year ending March 31, 2021, there will not be any long-term impact to the Corporation as a result of COVID-19.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

Dixon Hughes Goodman LLP

September 2, 2020
Atlanta, Georgia

Moravian Home, Incorporated d/b/a Salemtowne

Projected Statements of Operations and Changes in Net Assets For the Years Ending March 31, (In Thousands of Dollars)

	2021	2022	2023	2024	2025
Revenue, gains, and other support:					
Net resident service revenue:					
Independent living revenue	\$ 9,607	\$ 10,440	\$ 10,736	\$ 11,036	\$ 11,367
Home health, assisted living, memory care, and nursing revenue	16,641	17,939	18,477	19,032	19,602
Amortization of deferred entrance fees	3,917	5,542	6,283	7,082	7,924
Contributions	248	248	248	248	248
Grants - Coronavirus Aid, Relief and Economic Security Act	776	-	-	-	-
Investment income	670	810	841	897	974
Paycheck Protection Program Grant Income	2,513	-	-	-	-
Other support	89	97	100	102	106
Navigation by Salemtowne Program:					
Amortization of membership fees - Navigation	96	166	215	264	316
Net resident service revenue	406	547	702	866	1,039
Other income	5	6	6	6	6
Total revenue, gains, and other support	34,968	35,795	37,608	39,533	41,582
Expenses:					
Program services - provision for housing and related services:					
Assisted living	554	571	588	606	624
Healthcare	6,214	6,400	6,592	6,790	6,994
Memory support	449	462	476	490	505
Home Care	204	228	235	242	250
Navigation by Salemtowne	181	217	224	230	237
Clinic	107	110	113	117	120
Dining services	3,593	3,765	3,868	3,976	4,093
Housekeeping	1,155	1,196	1,231	1,267	1,305
Maintenance	2,704	2,836	2,922	3,010	3,100
Transportation	264	272	280	288	297
Welcome Center	192	198	204	210	216
Life enrichment program	560	577	595	612	631
Beauty shop	38	39	40	41	42
Navigation by Salemtowne - amortization	39	39	39	39	13
Depreciation	5,750	5,869	5,991	6,117	6,247
Interest expense:					
Series 2016 Bonds	2,269	2,269	2,269	2,269	2,269
Series 2017 Bonds	905	835	763	688	610
Series 2018 Bonds	1,341	1,237	1,237	1,237	1,237
Capital loan	9	-	-	-	-
Amortization	(189)	(189)	(189)	(189)	(189)
Supporting services:					
Administration and general	2,170	2,323	2,393	2,465	2,539
Information Systems	863	906	951	999	1,049
Employee Benefits	3,062	3,182	3,278	3,376	3,477
Finance	877	888	914	942	970
Human Resources	706	727	749	772	795
Reception	134	138	142	147	151
Development	192	198	204	210	216
Admissions	1,615	1,371	1,412	1,455	1,498
Total expenses	35,983	36,664	37,521	38,406	39,296
Operating gain (loss)	(1,015)	(869)	87	1,127	2,286
Excess of revenues over (under) expenses	(1,015)	(869)	87	1,127	2,286
Net assets without donor restrictions:					
Excess of revenues under over (under) expenses	(1,015)	(869)	87	1,127	2,286
Increase (decrease) in net assets without donor restrictions	(1,015)	(869)	87	1,127	2,286
Net assets with donor restrictions:					
Increase (decrease) in net assets with donor restrictions	-	-	-	-	-
Change in net assets	(1,015)	(869)	87	1,127	2,286
Net assets, beginning of year	8,658	7,643	6,774	6,861	7,988
Net assets, end of year	\$ 7,643	\$ 6,774	\$ 6,861	\$ 7,988	\$ 10,274

See Summary of Significant Projection Assumptions and Rationale and Independent Accountants' Compilation Report

Moravian Home, Incorporated d/b/a Salemtowne

Projected Statements of Cash Flows For the Years Ending March 31, (In Thousands of Dollars)

	2021	2022	2023	2024	2025
Cash flows from operating activities:					
Change in net assets	(1,015)	(869)	87	1,127	2,286
Adjustments to reconcile change in net assets to net cash provided by operating activities:					
Depreciation	5,750	5,869	5,991	6,117	6,247
Amortization of bond issuance costs	43	43	43	43	43
Amortization of bond premium and discount	(232)	(232)	(232)	(232)	(232)
Amortization of deferred development - Navigation	39	39	39	39	13
Amortization of deferred entrance fees	(3,917)	(5,542)	(6,283)	(7,082)	(7,924)
Amortization of membership fees - Navigation	(96)	(166)	(215)	(264)	(316)
Accrued interest	(260)	(35)	(37)	(38)	(40)
Net changes in:					
Accounts receivable	551	(187)	(81)	(77)	(96)
Other receivable	164	(8)	(9)	(9)	(9)
Prepaid expense and other current assets	(60)	(12)	(13)	(14)	(14)
Accounts payable	(1,068)	31	33	34	36
Accrued expenses	(1,629)	41	44	46	47
Entrance Fees received from re-occupancy (non-refundable)	4,419	5,174	5,712	6,036	6,342
Membership fees received - Navigation	1,158	1,193	1,229	1,265	1,303
Membership fees refunded - Navigation	(35)	(35)	(35)	(35)	(35)
Decrease in resident deposits	(2,172)	-	-	-	-
Net cash provided by operating activities	1,640	5,304	6,273	6,956	7,651
Cash flows from investing activities:					
Purchases of property and equipment	(2,310)	(2,380)	(2,451)	(2,525)	(2,600)
Change in designated for Statutory Operating Reserve	(27)	(240)	(202)	(208)	(215)
Net (increase) decrease in investments	(7,107)	(847)	(1,737)	(2,328)	(2,903)
Net cash provided by (used in) investing activities	(9,444)	(3,467)	(4,390)	(5,061)	(5,718)
Cash flows from financing activities					
Entrance Fees received from re-occupancy (refundable)	443	519	575	607	638
Entrance Fees received from Initial Entrance Fees (non-refundable)	14,305	-	-	-	-
Entrance Fees received from Initial Entrance Fees (refundable)	564	-	-	-	-
Refunds of Entrance Fees	(595)	(642)	(663)	(678)	(700)
Refunds of Initial Entrance Fees	(122)	(224)	(231)	(185)	(153)
Principal payment of Line of Credit	(1,500)	-	-	-	-
Principal payments on debt - Other Debt Obligations	(133)	-	-	-	-
Principal payments on debt - Bond Obligations	(14,770)	(1,460)	(1,530)	(1,605)	(1,680)
Net cash used in financing activities	(1,808)	(1,807)	(1,849)	(1,861)	(1,895)
Change in cash, cash equivalents, and restricted cash	(9,612)	30	34	34	38
Cash, cash equivalents, and restricted cash at beginning of year	19,070	9,458	9,488	9,522	9,556
Cash, cash equivalents, and restricted cash at end of year	\$ 9,458	\$ 9,488	\$ 9,522	\$ 9,556	\$ 9,594
Reconciliation of cash, cash equivalents, and restricted cash:					
Cash and cash equivalents	\$ 1,063	\$ 1,093	\$ 1,126	\$ 1,161	\$ 1,196
Assets limited as to use, current	2,299	2,299	2,300	2,299	2,302
Debt Service Reserve Fund - Series 2015	2,331	2,331	2,331	2,331	2,331
Debt Service Reserve Fund - Series 2016	2,272	2,272	2,272	2,272	2,272
Debt Service Reserve Fund - Series 2018	1,253	1,253	1,253	1,253	1,253
Resident Deposits	240	240	240	240	240
Cash, cash equivalents, and restricted cash	\$ 9,458	\$ 9,488	\$ 9,522	\$ 9,556	\$ 9,594

See Summary of Significant Projection Assumptions and Rationale and Independent Accountants' Compilation Report

Moravian Home, Incorporated d/b/a Salemtowne

Projected Balance Sheets For the Years Ending March 31, (In Thousands of Dollars)

	2021	2022	2023	2024	2025
Assets					
Current assets					
Cash and cash equivalents	\$ 1,063	\$ 1,093	\$ 1,126	\$ 1,161	\$ 1,196
Assets limited as to use, current	2,299	2,299	2,300	2,299	2,302
Accounts receivable, net of allowance for doubtful accounts	2,198	2,386	2,467	2,544	2,640
Prepaid expenses and other current assets	425	437	451	464	478
Other receivable	283	292	300	310	319
Total current assets	6,268	6,507	6,644	6,778	6,935
Investments	14,088	14,936	16,673	19,001	21,905
Assets limited as to use:					
Debt Service Reserve Fund - Series 2015	2,331	2,331	2,331	2,331	2,331
Debt Service Reserve Fund - Series 2016	2,272	2,272	2,272	2,272	2,272
Debt Service Reserve Fund - Series 2018	1,253	1,253	1,253	1,253	1,253
Designated for Statutory Operating Reserve	6,402	6,642	6,844	7,052	7,267
Resident Deposits	240	240	240	240	240
Total assets limited as to use	12,498	12,738	12,940	13,148	13,363
Property and equipment, gross	144,684	147,064	149,515	152,040	154,640
Less: accumulated depreciation	(43,069)	(48,937)	(54,929)	(61,046)	(67,294)
Property and equipment, net	101,615	98,127	94,586	90,994	87,346
Navigation - Development Costs	130	91	52	13	-
Assets in split-interest agreements	484	484	484	484	484
Total assets	\$ 135,083	\$ 132,883	\$ 131,379	\$ 130,418	\$ 130,033
Liabilities and Net Assets					
Current liabilities					
Accounts payable	\$ 1,063	\$ 1,093	\$ 1,126	\$ 1,161	\$ 1,196
Accrued expenses	1,417	1,458	1,502	1,548	1,595
Accrued interest payable	2,256	2,221	2,185	2,146	2,106
Refundable Entrance Fees	302	302	302	302	302
Current maturities of long-term debt	1,460	1,530	1,605	1,680	1,765
Total current liabilities	6,498	6,604	6,720	6,837	6,964
Long-term liabilities:					
Long-term debt, net of current portion - Series 2015 Bonds	42,585	42,585	42,585	42,585	42,585
Long-term debt, net of current portion - Series 2016 Bonds	16,740	15,210	13,605	11,925	10,160
Long-term debt, net of current portion - Series 2018 Bonds	24,875	24,875	24,875	24,875	24,875
Debt issuance costs	(1,505)	(1,462)	(1,419)	(1,376)	(1,333)
Bond discount and premium	137	(94)	(329)	(560)	(792)
Total long-term debt, net of financing costs	82,832	81,114	79,317	77,449	75,495
Deposits	240	240	240	240	240
Deferred revenue from membership fees - Navigation Program	2,353	3,345	4,323	5,289	6,242
Deferred revenue from entrance fees	33,915	33,547	32,975	31,929	30,347
Refundable entrance fees	1,602	1,259	943	686	471
Total liabilities	127,440	126,109	124,518	122,430	119,759
Net Assets					
Without donor restrictions	4,178	3,309	3,396	4,523	6,809
With donor restrictions	3,465	3,465	3,465	3,465	3,465
Total net assets	7,643	6,774	6,861	7,988	10,274
Total liabilities and net assets	\$ 135,083	\$ 132,883	\$ 131,379	\$ 130,418	\$ 130,033

See Summary of Significant Projection Assumptions and Rationale and Independent Accountants' Compilation Report

Moravian Homes, Incorporated d/b/a Salemtowne

Summary of Significant Projection Assumptions and Rationale

For Each of the Five Years Ending March 31, 2025

Basis of Presentation

The accompanying financial projection presents, to the best knowledge and belief of management of Moravian Home, Incorporated d/b/a Salemtowne (the “Corporation”) (“Management”), the expected financial position, results of operations, and cash flows of the Corporation as of and for each of the five years ending March 31, 2025. Accordingly, the accompanying projection reflects Management’s judgment as of September 2, 2020, the date of this report, of the expected conditions and its course of action during the projection period assuming that the hypothetical assumption defined below occurs. However, even if the hypothetical assumption stated below were to occur, there will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

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

Basis of Presentation – The prospective financial statements included in the projection have been prepared in accordance with the accounting principles generally accepted in the United States of America. Significant accounting policies are described in the appropriate assumptions and notes to the prospective financial statements. The assumptions described are not all-inclusive.

Hypothetical Assumptions – A hypothetical assumption is an assumption used in a financial projection to present a condition or course of action that is not necessarily expected to occur but is consistent with the purpose of the presentation. Hypothetical assumptions are not derived from sources, which are based upon supporting documentation such as contracts, agreements, or other empirical data. Management has prepared its financial projection assuming the hypothetical assumption occurs that new units associated with the independent living expansion project (the “Project”) are successfully marketed and occupied at the assumed occupancy levels and that adequate demand for services exists to support the utilization assumed in the projection.

Background of the Corporation

The Corporation owns and operates a continuing care retirement community (“CCRC”) known as Salemtowne (the “Community”) in Winston-Salem, North Carolina. The mission of the Community is to promote the well-being of its residents by providing a caring environment. Affiliated with the Moravian Church in America, Southern Province, the Community is an ecumenical community that reflects the Moravian values of individual respect, hospitality, life-long learning, and love of the arts.

See Independent Accountants’ Compilation Report

The Corporation is exempt from income tax as an entity described in Section 501(c)(3) of the Internal Revenue Code. The business and affairs of the Corporation are directed by a self-perpetuating Board of Trustees (the “Board”) composed of not less than 12 and not more than 18 members. The Board currently meets six times per year and at such other times as the Board may determine necessary. No members of the Board are employees of the Community.

The Community

The Community is situated on approximately 117 acres of land located in northwest Winston-Salem near historic Bethabara, the first Moravian settlement in North Carolina. The Community opened in 1972 and consists of the following residential living units available for occupancy:

- 95 independent living apartments (the “Existing Independent Living Apartments”) and 73 independent living cottages (the “Independent Living Cottages” and, collectively with the Existing Independent Living Apartments, the “Existing Independent Living Units”);
- 46 licensed assisted living beds, currently configured in 34 units (the “Assisted Living Units”);
- 20 memory support units (the “Memory Support Units”); and,
- A 100-bed nursing care facility (the “Nursing Care Center” and the “Nursing Beds”).

In addition, the Community includes common areas and amenities such as a community center, fitness center, walking trails, art galleries, computer room, dining rooms, beauty/barber shops, gift shop, libraries, game rooms, and an aquatic center with indoor pool.

The Memory Support Units and the Nursing Beds opened in July 2017. The Assisted Living Units, the Memory Support Units, and the Nursing Care Center are collectively referred to as the “Health Center.” Ten Assisted Living Units, 10 Memory Support Units, and 16 Nursing Beds are sheltered beds and not open for direct admission.

The Community is currently licensed for 46 assisted living beds. In order to meet the needs of assisted living residents desiring more space, Management began joining two adjacent rooms to create larger suites. Suites may accommodate singles, couples, or be reconfigured for two unrelated residents. As of August 2020, the Assisted Living Units were composed of 22 rooms and 12 larger suites, for a total of 34 units (with 46 licensed beds).

The following table summarizes the type, number, approximate square footage, monthly fees (“Monthly Fees”) and entrance fees (“Entrance Fees”) for the Existing Independent Living Units effective June 1, 2020.

Table 1 Existing Independent Living Unit Configuration				
Type of Unit	Units	Square Footage	Entrance Fees ⁽¹⁾⁽²⁾⁽³⁾	Monthly Fees ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾
Existing Independent Living Apartments ⁽⁶⁾				
<i>Vogler Building/Bahnson Hall</i>				
Forsyth (1 bedroom)	11	530	\$73,500 – 93,500	\$2,199
Winston A (2 bedroom)	16	790	\$100,900 – 111,500	\$2,480
West End (1 bedroom, den & laundry)	5	790	\$101,000 – 109,500	\$2,480
Buena Vista (2 bedroom, den & laundry)	4	1,055	\$140,400 – 152,200	\$2,769
<i>Driscoll Apartment Building</i>				
Reynolda (1 bedroom)	15	751	\$129,100 – 162,900	\$2,613
Sherwood (1 bedroom w/den)	9	936	\$154,100 – 167,100	\$2,904
Piedmont (2 bedroom)	21	1,073	\$188,200 – 205,600	\$3,270
Brookstown (2 bedroom corner)	4	1,107	\$185,200 – 196,600	\$3,275
Twin City (2 bedroom w/den)	10	1,240	\$205,600 – 216,500	\$3,508
Total Existing Independent Living Apartments	95			
Independent Living Cottages				
<i>Wachovia Village</i>				
Hatteras (2 bedroom)	8	1,172	\$166,900 – 175,600	\$2,968
Emerald (2 bedroom w/den)	14	1,356	\$200,200 – 221,100	\$3,094
<i>Salem Village</i>				
Bethania (2 bedroom w/den)	2	1,533	\$262,300 – 275,200	\$3,638
Hickory A (2 bedroom w/sunroom)	9	1,560	\$249,800 – 280,100	\$3,454
Hickory B (2 bedroom w/den)	1	1,755	\$312,600	\$3,806
Catawba (2-3 bedroom w/den & sunroom)	19	1,678 – 3,210	\$268,600 – 410,100	\$3,638 – 4,301
<i>Bethabara Place</i>				
Mitchell (2 bedroom)	1	1,440	\$274,300	\$3,452
Shenandoah (2 bedroom w/den)	4	1,617 – 1,698	\$308,000 – 323,400	\$3,635 – 3,756
Appalachian (2 bedroom w/sunroom)	7	1,640 – 1,750	\$303,200 – 323,800	\$3,695 – 3,763
Rutherford (2 bedroom w/den & sunroom)	7	1,817 – 2,100	\$336,000 – 397,800	\$3,635 – 3,756
Watauga (2 bedroom w/den & sunroom)	1	3,200	\$413,500	\$4,504
Total Independent Living Cottages	73			
Total Existing Independent Living Units	168			

Source: Management

- (1) The Community offers three Entrance Fee plans under the Residency Agreement: a declining refundable Entrance Fee plan (the “Traditional Amortizing Plan”, shown in the table for Entrance Fees and Monthly Fees), a 50% refundable plan (the “50% Refundable Plan”), and a 90% refundable plan (the “90% Refundable Plan”). The number of contracts available for the 50% Refundable Plan and the 90% Refundable Plan are limited and subject to availability.
- (2) Pricing is effective as of June 1, 2020 (fiscal year 2021). Second person monthly fees are \$914 for the Existing Independent Living Apartments and \$715 for the Independent Living Cottages.
- (3) Entrance Fees for the 50% Refundable Plan and the 90% Refundable Plan are offered at a 1.65x multiple and 1.80x multiple, respectively, above the Traditional Amortizing Plan pricing. Independent Living Monthly Fees for the 90% Refundable Plan equal the Monthly Fees for the Traditional Amortizing Plan and are discounted by 10 percent for the 50% Refundable Plan.

Notes to Table (continued)

- (4) Single occupancy Residents who entered the Community prior to May 1, 2014 pay grandfathered Monthly Fee rates which average \$2,669 for the Existing Independent Living Apartments and \$3,604 for the Independent Living Cottages as of June 1, 2020. Second person occupants pay an additional average fee of \$660 in the Existing Independent Living Apartments and \$1,004 in the Independent Living Cottages as of June 1, 2020. Residents of the Existing Independent Living Apartments receive a \$345 meal allowance and Residents in Independent Living Cottages may opt out of the meal allowance plan.
- (5) Single occupancy Residents who entered the Community between May 1, 2014 and May 31, 2017 pay grandfathered Monthly Fee rates that average \$2,327 for the Existing Independent Living Apartments and \$3,180 for the Independent Living Cottages as of June 1, 2020. The second person Monthly Fee averages \$342 in the Existing Independent Living Apartments and \$336 in the Independent Living Cottages as of June 1, 2020. Residents of the Existing Independent Living Apartments receive a \$345 meal allowance and Residents in Independent Living Cottages may opt out of the meal allowance plan.
- (6) In addition to the 168 Independent Living Units shown, the Community has two studio apartments which are no longer in service.

The following table summarizes the type, number, approximate square footage, the Monthly Fees and daily fees ("Daily Fees") for the Health Center effective June 1, 2020.

Table 2
Health Center Configuration

Type of Unit	Units	Beds	Square Footage (room)	Monthly Fees ⁽¹⁾⁽²⁾
Assisted Living Units				
Assisted living room	22	22	262	\$5,325
Assisted living suite	12	24	524	\$7,064 ⁽³⁾
Total Assisted Living Beds/Units:	34 ⁽⁴⁾⁽⁵⁾	46		
Memory Support Units				
Private room	20 ⁽⁵⁾	20	270 – 300	\$8,670
Total Memory Support Units:	20	20		
Nursing Care Center			Daily Fees ⁽¹⁾⁽⁶⁾	
Private room	100	100	270 – 300	\$373
Total Nursing Beds:	100	100		
Total Health Center	154	166		

Source: Management

- (1) Monthly and Daily Fees shown are for direct admission into the Health Center. Residents on the current fee program who transfer to the Health Center receive a discount of 20% on the Monthly Fee for the Assisted Living Units and Memory Support Units and the Daily Fee for the Nursing Beds.
- (2) Residents who transferred into assisted living prior to May 1, 2014 pay a grandfathered Monthly Fee of \$4,807 for an assisted living room and \$6,476 for an assisted living suite (with a previously paid entrance fee). Residents who were in residency from May 1, 2014 to February 28, 2015 with continuing stays in the Assisted Living Units pay a grandfathered Monthly Fee of \$4,807 for an assisted living room and \$5,805 for an assisted living suite (with a previously paid entrance fee).
- (3) Single occupancy rate for an assisted living suite. A couple residing in an assisted living suite would be required to pay two times the assisted living room rate of \$5,325.
- (4) Management has completed combinations of assisted living rooms to create larger suites. As of June 30, 2020, a total of 34 Assisted Living Units (46 licensed beds) are available for occupancy.
- (5) Ten Assisted Living Units and 10 Memory Support Units are sheltered beds and not open to direct admit residents.
- (6) The Monthly Fees shown are for direct admissions. Certain contract residents who transferred from the previously operating nursing beds receive a discount of 20% on the Daily Fee. One hundred (100) Nursing Beds are certified for Medicare and 20 Nursing Beds are also certified for Medicaid. Sixteen Nursing Beds are sheltered beds and not open to direct admit residents.

The Project

The Corporation completed the construction of 56 new independent living apartment units (the “New Independent Living Units”) in two four-story buildings with underground parking (the “Project”) in April 2020.

The following table summarizes the unit types, approximate square footages, Monthly Fees and Entrance Fees for the New Independent Living Units:

Table 3				
The New Independent Living Units Configuration				
Unit Type	Number of Units	Square Footage	Monthly Fees ⁽¹⁾⁽³⁾	Entrance Fee ⁽¹⁾⁽²⁾⁽⁴⁾⁽⁵⁾
				Traditional Amortizing Plan
<u>Apartments</u>				
Beech (1 Bed w/ Den)	12	1,215	\$3,409	\$208,370
Beech (1 Bed w/ Den) - 4 th Floor	4	1,215	\$3,409	\$234,830
Dogwood (2 Bed)	6	1,395	\$3,573	\$263,500
Dogwood (2 Bed) - 4 th Floor	2	1,395	\$3,573	\$302,090
Hawthorne (2 Bed)	6	1,490	\$3,662	\$281,140
Hawthorne (2 Bed) - 4 th Floor	2	1,490	\$3,662	\$323,030
Pine (2 Bed w/ Den)	6	1,640	\$3,814	\$318,620
Pine (2 Bed w/ Den) - 4 th Floor	2	1,640	\$3,814	\$373,750
Sycamore (2 Bed w/ Sunroom)	6	1,750	\$3,967	\$338,470
Sycamore (2 Bed w/ Sunroom) - 4 th Floor	2	1,750	\$3,967	\$395,800
Willow (2 Bed w/ Sunroom)	6	1,750	\$4,043	\$373,750
Willow (2 Bed w/ Sunroom) - 4 th Floor	2	1,750	\$4,043	\$445,410
Total/Average	56	1,494	\$3,697	\$295,943

Source: Management

- (1) Monthly Fees and Entrance Fees are as of June 1, 2020 (fiscal year 2021). Second person Entrance Fees and Monthly Fees are assumed to be \$10,000 and \$731, respectively, for the New Independent Living Units.
- (2) Three Entrance Fee plans under the Residency Agreement are available for the New Independent Living Units: a Traditional Amortizing Plan (shown in the table), a 50% Refundable Plan, and a 90% refundable plan. The number of contracts available for the 50% Refundable Plan and the 90% Refundable Plan are limited and subject to availability.
- (3) Independent Living Monthly Fees for the 90% Refundable Plan are equal to the Monthly Fees for the Traditional Amortizing Plan and are discounted by 10 percent for the 50% Refundable Plan.
- (4) Entrance Fees for the 50% Refundable Plan and the 90% Refundable Plan are offered at a 1.65x multiple and 1.80x multiple, respectively, above the Traditional Amortizing Plan pricing.
- (5) Entrance Fees for Charter Residents (hereinafter defined) are five percent lower than the Entrance Fees shown. Entrance Fees are assumed to increase three percent annually.

For the purpose of this report, the Existing Independent Living Units and the New Independent Living Units are collectively defined as the “Independent Living Units”.

Timeline of the Project

The anticipated timeline for construction and fill-up of the New Independent Living units is shown below.

Table 4	
Anticipated Construction and Fill-Up Timelines of the New Independent Living Units	
Construction Commenced	October 2018
Construction Completed	April 2020
Available for Occupancy	March-April 2020
Achieve Stabilized Occupancy	May 2021

Source: Management

Navigation by Salemtowne Program

The Corporation offers a “Continuing Care Services without Lodging” program (“Navigation by Salemtowne”), which is designed to provide an option for seniors to age in their homes and access home and community-based services as needed. Services provided on a capitated basis may include skilled home health care, homemaker, companion, emergency response system, meals, and adult day care. Members of Navigation by Salemtowne (“Members”) have access to many of the amenities of the Community. Members must reside in their own home in the program’s designated service area to participate in Navigation by Salemtowne. Four plan options, providing varying coverage levels for program services, are offered to potential Members of Navigation by Salemtowne as follows: “All Inclusive”, “Security”, “Co-Pay”, and “Beacon” (collectively, the “Navigation Payment Plans”). The following table shows the percentage of service cost covered for the Navigation Payment Plans.

Table 5				
Navigation Payment Plans				
Service	All Inclusive	Security	Co-Pay	Beacon
	Percentage of Service Cost Covered			
Care Coordination	100%	100%	100%	100%
Home Health Aide	100%	85%	50%	65%
Companion Care	100%	85%	50%	65%
Live-in Companion	100%	85%	50%	65%
Adult Day Care	100%	85%	50%	65%
Delivered Meals	100%	100%	100%	100%
Emergency Response System	100%	100%	100%	100%
Home Inspections	100%	100%	100%	100%
Transportation	100%	100%	100%	100%
Residential or Assisted Living Care	100%	70%	50%	0%
Nursing Home Care	100%	70%	50%	0%

Source: Management

Members pay an initial membership fee (the “Membership Fee”) and an ongoing monthly fee (the “Navigation by Salemtowne Monthly Fee”), which vary based on the plan option chosen. The table below shows the Membership Fee and Navigation by Salemtowne Monthly Fee for the four plan options for singles and couples aged 65, 75, and 85, effective as of June 1, 2020 (fiscal year 2021).

Table 6
Navigation by Salemtowne Program Sample Pricing

Age	<u>All Inclusive ⁽¹⁾</u>		<u>Security ⁽¹⁾</u>		<u>Co-Pay ⁽¹⁾</u>		<u>Beacon ⁽¹⁾</u>	
	Couple		Couple		Couple		Couple	
	Single	(ea. person)	Single	(ea. person)	Single	(ea. person)	Single	(ea. person)
65	\$36,622	\$34,791	\$29,625	\$28,144	\$24,278	\$23,064	\$22,042	\$20,940
75	\$59,352	\$56,385	\$48,571	\$46,142	\$37,812	\$35,921	\$34,325	\$32,609
85	\$83,309	\$79,144	\$68,291	\$64,877	\$51,684	\$49,100	\$44,846	\$42,604
Monthly Fee	\$612	\$581	\$535	\$508	\$471	\$447	\$446	\$424

Source: Management

(1) Pricing is effective as of June 1, 2020 (fiscal year 2021).

For the purposes of Management’s projection, 60 percent of Members are assumed to choose the All-Inclusive Plan, 15 percent are assumed to choose the Security Plan, 25 percent are assumed to choose the Co-Pay Plan, and zero percent are assumed to choose the Beacon Plan.

The assumed utilization of home health and other healthcare-related services have been provided by the Corporation’s actuary, Continuing Care Actuaries, LLC (the “Actuary”), based upon the Actuary’s experience with similar programs.

COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the highly contagious respiratory disease named “coronavirus disease 2019” (“COVID-19”) to be a pandemic, and on March 13, 2020, a national emergency was declared in the United States. The Centers for Disease Control and Prevention has confirmed the spread of COVID-19 to the United States, including North Carolina. In response, the federal government and a large number of state governments, including North Carolina, have imposed strict measures to curtail certain aspects of public life in an effort to contain COVID-19.

In addition to the direct impact to the health care industry, global investment and financial markets (including in the United States) have experienced substantial volatility, with significant declines attributed to COVID-19 concerns and associated economic impacts of the curtailment of public life described above. As with nearly all industries and companies operating through the COVID-19 pandemic, the Corporation expects to encounter further volatility and disruption in its operations and in the local, national and global economies.

An outbreak of an infectious disease, including the growth in the magnitude or severity of COVID-19 cases in the Corporation’s service area, could result in an abnormally high demand for health care services. Further, the changing global economic conditions or global health concerns surrounding the COVID-19 pandemic may also affect the Corporation’s partners, suppliers, distributors and payors, potentially disrupting or delaying the Corporation’s supply chain, and reimbursement by private payors.

The extent of COVID-19’s effect on the Corporation’s operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult to predict considering the rapidly evolving landscape. As a result, the potential impact of the COVID-19 pandemic could materially adversely impact the Corporation’s financial condition, liquidity and results of operations, as well as national and local economies.

Under provision of the Coronavirus Aid, Relief, and Economy Security (“CARES Act”), as of August 1, 2020, the Corporation had received approximately \$776,000 in Public Health and Social Services Emergency Fund stimulus payments, as a provider of Medicare reimbursed nursing services, to reimburse the Corporation for healthcare related expenses and lost revenue that are attributable to COVID-19. The Corporation obtained an approximate \$2,513,000 Paycheck Protection Program Grant Income from a participating bank created under the CARES Act as amended by the Flexibility Act. Management has included both the CARES Act stimulus payment and the proceeds from the Paycheck Protection Program Grant Income in its forecast for fiscal year 2021 but has not estimated any additional impact of COVID-19 for the remainder of the forecast period.

Description of the Reservation Agreement and Residency Agreement

To be accepted for admission to the Independent Living Units, a prospective resident must be at least 62 years of age at the time residency is established (in the case of double occupancy, at least one of the persons must be 62 years of age or older), meet health qualifications to live independently at the Community, and exhibit an ability meet their financial obligations as a resident of the selected Independent living Unit.

Reservation Agreement

To reserve an Independent Living Unit, a prospective resident is required to execute a reservation agreement (the “Reservation Agreement”), provide self-disclosure of his or her finances, and place a deposit equal to 10 percent of the Entrance Fee (the “Entrance Fee Deposit”) on the selected Independent Living Unit (the “Depositor”). The remaining 90 percent of the Entrance Fee is due on or before the occupancy date of the Independent Living Unit (the “Occupancy Date”). The Reservation Agreement reserves the right of the prospective resident to choose the selected Independent Living Unit (the “Residence”) and indicate his or her intent to execute a residence and services agreement (the “Residency Agreement”).

Residency Agreement

The Residency Agreement is a contract under which the Corporation is obligated, upon payment by the resident of an Entrance Fee and ongoing payments of the Monthly Fee, to provide certain services to the resident of an Independent Living Unit (the “Resident”).

Payment of the Entrance Fee and Monthly Fee entitles the Resident to occupy the selected Independent Living Unit and receive the following services and amenities:

- Flexible dining plan (depending on dining allowance option chosen or required);
- Weekly housekeeping service (in certain buildings);
- Weekly bed and bath linen service (in certain buildings);
- All utilities, except telephone and internet service;
- Basic cable television service;
- 24-hour medical emergency call system, security, and fire protection;
- One unassigned parking space;
- Storage (based on living accommodation);
- Maintenance of grounds and equipment owned by the Corporation;
- Limited local medical transportation;
- Social, recreational, spiritual, educational, and recreational programs;
- U.S. Mailbox in a central location;
- Use of the common areas; and
- Priority access to the Health Center.

In addition to the services included in the Monthly Fee, certain services are available to Residents at an additional cost including, but not limited to, special transportation, extra meals, visits with the on-site physician, dental care, and rehabilitation care.

The Resident is expected to obtain and maintain Medicare Parts A and B (or an equivalent substitute policy approved by the Corporation) and suitable supplemental medical insurance.

Entrance Fee Options

The Corporation offers three Entrance Fee plans under the Residency Agreement. The Entrance Fee options and related amortization schedules are as follows:

Entrance Fee Option	Amortization Schedule
Traditional Amortizing Plan	The Traditional Amortizing Plan amortizes four percent upon initial occupancy and two percent for each month of occupancy up to 48 months. After 48 months, the Entrance Fee is no longer refundable.
50% Refundable Plan (subject to availability)	The 50% Refundable Plan amortizes four percent upon initial occupancy and two percent for each month of occupancy up to 23 months. Thereafter, 50 percent of the Entrance Fee is refundable.
90% Refundable Plan (subject to availability)	The 90% Refundable Plan amortizes four percent upon initial occupancy and one percent for each month of occupancy up to six months. Thereafter, 90 percent of the Entrance Fee is refundable.

Source: Management

Entrance Fees are not subject to a refund at the time of the Resident's transfer to the Health Center. Any refund due to the Resident is to be made within 30 days of the date the Resident's Independent Living Unit is reserved by a prospective Resident and such prospective Resident paid the applicable Entrance Fee.

The Traditional Amortizing Plan is the predominant plan sold by the Corporation.

The following table summarizes the Entrance Fee Plans and refund options selected by Residents of the Community and Management's assumed utilization for the projection.

Table 7
Utilization of Residency Agreement Options

Plan Type	Residents ⁽¹⁾		Management's Projected Assumption – Future New Entrants
	Number	Percent of Total	Percent of Total
<u>Prior to May 1, 2014</u>			
Traditional Amortizing Plan	50	17.1%	N/A
50% Refundable Plan	–	0.0%	N/A
90% Refundable Plan	–	0.0%	N/A
<u>Between May 1, 2014 and May 31, 2017</u>			
Traditional Amortizing Plan	74	25.3%	N/A
50% Refundable Plan	1	0.4%	N/A
90% Refundable Plan	5	1.7%	N/A
<u>June 1, 2017 to current</u>			
Traditional Amortizing Plan	161	55.1%	92.0%
50% Refundable Plan	1	0.4%	4.0%
90% Refundable Plan	–	0.0%	4.0%
Total	292	100.0%	100.0%

Source: Management

N/A – Not Applicable

(1) Includes all Residents at the Community as of July 31, 2020.

Termination by the Resident Prior to Occupancy Date

The Residency Agreement can be terminated at any time prior to assuming occupancy at the Community for any reason by giving written notice to the Corporation. The Corporation would issue any refunds due within 60 days of receiving a written termination letter.

Termination by the Resident After the Occupancy Date

After the Occupancy Date, the Resident may terminate the Residency Agreement by providing 14 days written notification. Upon termination, any refund due to the Resident is to be refunded within 30 days from the date the Residence is reserved by a prospective Resident and such prospective Resident paid the applicable Entrance Fee.

Charter Benefit Program

The Corporation has offered a Charter Benefit Program (the “Charter Benefit Program”) to initial prospective residents for the New Independent Living Units (the “Charter Residents”). As of July 31, 2020, there were 14 Charter Residents.

Since the inception of the Charter Benefit Program in June 2017, two Charter Benefit Programs have been offered. The first Charter Benefit Program, which includes 8 Depositors, began in June 2017 and ended September 15, 2017 (the “Tier I Program”). The second Charter Benefit Program, which includes 6 Depositors, began September 16, 2017 and ended May 31, 2018 (the “Tier II Program”).

The benefits of the Charter Benefit Program included:

- Lock in 2017 Entrance Fee pricing;
- Waiver of the \$10,000 second person Entrance Fee;
- Priority admission to the Health Center (after current Residents);
- Complimentary meal allowance up to \$600 per person until move-in;
- Use of fitness center and community spaces;
- Five hours of maintenance assistance upon move-in;
- Salemtowne news and events updates;
- Gift certificates for use in the gift shop;
- \$3,500 credit for choice of upgrades or reimbursement of moving/organizer expenses (Tier II Program only); and
- A dinner party for up to eight guests in a private dining room at the Community or a 25-guest open house in the Residence or New Independent Living Unit social space.

In addition, the Tier I Program also included the following:

- A wellness evaluation;
- \$5,000 in upgrades or custom features during the personalization process;
- Reimbursement for moving expenses; and
- Six-month satisfaction guarantee or the Resident receives a refund of his or her Entrance Fee based on the first day of occupancy (requires 30-day written notice and move-out within the first six months).

On June 1, 2018, Management implemented Entrance Fee price increases of approximately five percent over Charter Benefit Entrance Fee pricing for new Depositors who sign up through Project construction completion (“June 1, 2018 Pricing”). Upon the Community opening, Management intends to implement an additional increase of Entrance Fees, of approximately five percent, for new Depositors and attrition Residents (“Standard Pricing”).

Management assumes 50 percent of Depositors are to pay the Entrance Fee associated with the Charter Benefit Program, 25 percent of Depositors are to pay the Entrance Fee associated with June 1, 2018 Pricing and 25 percent of Depositors are to pay the Entrance Fee associated with Standard Pricing.

Access to the Health Center

The Community provides accommodations for Residents in the Health Center. Admission to the Health Center is restricted to persons 62 years of age or older, other than admission to the temporary rehabilitation beds, which is restricted to persons 55 years of age or older.

Residents who have paid an Entrance Fee on or after May 1, 2014 and are transferring from the Independent Living Units are to receive the following benefits:

- Priority admission to the Health Center; and
- Twenty percent discount on Monthly Fee/Daily Fee for all private pay stays in the Health Center.

Residents who entered the Community prior to May 1, 2014 receive the following benefits:

- Priority admission to the Health Center;
- Reduced Monthly/Daily Fees for services provided in the Assisted Living Units and Memory Support Units; and
- Twenty-four (24) grace healthcare days each fiscal year in the Nursing Beds (“Grace Days”) at no charge for Residents who have paid an Entrance Fee and have a temporary stay. Unused Grace Days cannot be carried forward into future years. Grace Days are not available to permanent residents of the Assisted Living Units or Nursing Beds.

Direct Admissions to the Health Center

Individuals entering directly into the Health Center (“Direct Admit Residents”) from outside the Community are not required to pay an Entrance Fee. Direct Admit Residents may be admitted to the Health Center for short-term respite or rehabilitation stays if beds are available in excess of those needed to satisfy the needs of Residents. Residents of the Community requiring care in the Health Center will have priority access to the Health Center over Direct Admit Residents.

Assisted Living Services

Residents in the Assisted Living Units are to receive the following: three meals daily; meal service to room, if required; dining room assistance; assistance with bathing and grooming; wheelchair assistance; weekly housekeeping; personal laundry service; monitoring of vital signs according to physician’s orders; medication delivery by a nurse or medical technician; 24-hour on duty LPNs and CNAs; nursing assessment; multi-disciplinary care planning; and access to the fitness center.

Nursing Services

Residents in the Nursing Beds are to receive the following: three meals daily; meal service to room, if required; dining room assistance; assistance with bathing and grooming; wheelchair assistance; daily housekeeping; personal laundry service; medication delivery by a nurse; monitoring of vital signs according to physician’s order; nursing assessment; multi-disciplinary care planning; whirlpool tub; 24-hour skilled nursing care by RNs, CNAs, and LPNs; and access to the fitness center.

Membership Agreement – Navigation by Salemtowne Program

The Corporation has a Membership Services Agreement (the “Membership Agreement”) for individuals wishing to enroll in the Navigation by Salemtowne program. The Corporation will accept persons at least 62 years of age into the Navigation by Salemtowne program who are able to meet the financial and medical obligations as a Member in the program. A prospective Member must complete a “Member Application” and sign a medical release form allowing the Corporation to request the past four years of medical records from the Member prospect’s personal physician. Members are expected to obtain and maintain Medicare Parts A and B (or an equivalent substitute policy approved by the Corporation) and suitable supplemental medical insurance.

In exchange for payment of the Membership Fee, the Navigation by Salemtowne Monthly Fee, and the payment of certain co-pays, deductibles, fees, costs and expenses, depending on the type of plan selected by the Member, the Corporation is to provide the Member the following services and programs:

- Access to the Community, including limited select on-campus amenities and common areas;
- Activities and leisure events including but not limited to: social, recreational, spiritual, educational and cultural activities, and exercise and health programs;
- Care coordination, including a care plan developed by the care coordination team to meet the Member’s particular needs;
- Home inspection, conducted the first year of membership and every other year thereafter (unless required more frequently), to determine if any functional or safety issues exist which could jeopardize the well-being of the Member;
- Transportation to and from outpatient surgery or medical office procedures, if the Member is unable to drive. This does not include transportation for regular physician office visits, dialysis, and routine specialist appointments;
- Referrals for other services such as landscape maintenance, financial planning, and home maintenance. Members pay for these services;
- Lifestyle and wellness programs, such as exercise classes, arts and crafts, and wellness seminars; and
- Other services deemed to be appropriate by the care coordination team such as:
 - Home site services, such as skilled home care, homemaker services, and companion services, if the Member requires assistance with one or more Activities of Daily Living;
 - Emergency response system;
 - Delivery of up to two meals per day for a maximum of one week;
 - Adult day care services;
 - Facility-based assisted living and nursing home services at either the Community or a similar facility approved by the Community. Should the Member move to accommodations other than the Health Center and the cost is higher, the Member would pay the difference between the cost of services at the chosen facility and the current negotiated private pay daily rate for a private room at the Health Center. Member is to continue to pay the Monthly Fee of the Navigation by Salemtowne program.

Other services and programs are available to Members for an additional charge, such as private transportation, catering, and other designated services.

If the Membership Agreement is terminated during the first 48 months, the Member, or the Member's estate, is to receive a refund of the Membership Fee, less (1) a four percent administration fee, (2) one percent of the Membership Fee for each month (full or partial without prorating) the Membership Agreement remained in effect, and (3) any additional fees accrued. If the Membership Agreement is terminated after the first 48 months, the Member is due no refund of the Membership Fee. Any refund is due to the Member no later than 120 days after the effective date of termination, unless the Membership Agreement is terminated by the Community, in which case the refund is to be paid within 60 days.

In the case of a Member's financial inability to continue to pay the Navigation by Salemtowne Monthly Fee because of reasons beyond the Member's control, the Corporation may choose to subsidize all or part of the Navigation by Salemtowne Monthly Fee and other costs so long as this subsidy does not impair the Corporation's ability to attain its objectives while operating on a sound financial basis.

Summary of Significant Accounting Policies

- (a) Basis of Accounting - The Corporation maintains its accounting and financial records according to the accrual basis of accounting.
- (b) Cash and Cash Equivalents - Cash and cash equivalents, excluding those classified as investments and assets whose use is limited, include certain investments in highly liquid instruments, including short-term debt securities and money market funds with original maturities of three months or less when purchased.
- (c) Investments - Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheet. The fair values of investments are determined based upon quoted market prices. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in investment income without donor restrictions and changes in net assets with donor restrictions. Management has not included any unrealized gains or losses on investments within its projection.
- (d) Assets Limited as to Use - Assets limited as to use by Board designation include amounts set aside for future capital expenditures, debt service obligations, and general reserves. The Board also has set aside an amount to meet the operating reserve requirements of North Carolina General Statute Chapter 58, Article 64. Assets limited as to use under bond indenture agreement consist of the proceeds of borrowing available to pay accrued interest as well as funds set aside for debt service, issuance, and principal fund reserves.

North Carolina General Statute § 58-64-33 requires CCRCs to maintain an operating reserve (the “Statutory Operating Reserve”) equal to 50 percent of the total operating costs in a given year, or 25 percent of such total operating costs if occupancy as of a certain date exceeds 90 percent of the independent and assisted living unit capacity. The Statutory Operating Reserve shall only be released upon the submittal of a detailed request and must be approved by the Department. This law provides security to residents that the Community is able to meet its contractual obligations to provide continuing care. Management’s projection shows sufficient cash and investment balances to comply with the Statutory Operating Reserve requirement throughout the projection period.

- (e) Property and Equipment - Property and equipment is stated at cost less accumulated depreciation. Contributed property is recorded at the estimated fair value at the date of receipt. Depreciation is computed under the straight-line method and is based on estimated useful lives of 40 years for buildings, 8 to 10 years for principal equipment, 5 years for minor equipment, and 5 years for vehicles. The cost of maintenance and repairs is expensed as incurred.
- (f) Costs of Borrowing - Net interest costs incurred on borrowed funds related to the Project during the construction period are capitalized as components of the costs of acquiring those assets.

- (g) Deferred Marketing Costs - Management has implemented ASU No. 2014-09 “Revenue from Contracts with Customers” and adjusted the treatment of deferred marketing costs. Previously, all marketing costs incurred by the Corporation in acquiring initial Resident contracts were capitalized and amortized on a straight-line basis over a period of approximately the average life expectancy of the initial Residents. Under the new Standard, only incremental marketing expenditures incurred specifically to obtain the Resident contract can be capitalized. For purposes of the projection, Management assumes all future marketing costs are to be expensed when incurred.
- (h) Deferred Financing Costs and Original Issue Premium/Discount - Costs associated with the issuance of the related financing are assumed to be capitalized and amortized over the expected life of the bonds using the straight-line method, which approximates the effective interest method. Debt issuance costs are netted against the related debt on the balance sheet and the amortization is included in interest expense on the statement of operations.
- (i) Obligation to Provide Future Services - The Community enters into continuing care contracts with residents. A continuing care contract is an agreement between a resident and the Community specifying the services and facilities to be provided over the resident’s remaining life. Under each contract, the Community has the ability to increase fees as deemed necessary. As of the end of each year, the Community calculates the present value of the estimated net cost of future services to be provided to current residents, including the cost of facilities, and compares the amount with the balance of deferred revenue from entrance fees at that date. If the present value of the net cost of future services and use of facilities exceeds the balance of deferred revenue from entrance fees, a liability (obligation to provide future services) is recorded. Management has calculated that the value will not exceed the balance of deferred revenue from entrance fees; therefore, no liability for the obligation to provide future services is required to be recorded for the projection period.
- (j) Income Taxes - The Community is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the accompanying projected financial statements do not reflect a provision or liability for federal and state income taxes.
- (k) Deferred Revenue from Entrance Fees - Fees paid by a resident upon entering into a continuing care contract, net of the portion thereof which is refundable to the resident, are recorded as deferred revenue and amortized into net resident services revenue using the straight-line method over the estimated remaining life expectancy of the resident, adjusted on an annual basis.
- (l) Refundable Entrance Fees – Refundable Entrance Fees received are deferred and the refundable portion of the Entrance Fee is maintained as a liability, reflecting the Corporation’s future obligation for repayment.

- (m) Benevolent Assistance - The Community has a policy of providing benevolent assistance to Residents who are unable to pay. Such residents are identified based on financial information obtained from the Resident and subsequent review and analysis. The Community maintains certain net assets with donor restrictions, as well as earnings from net assets with donor restrictions and board designated net assets, to fund the care of such residents. Management has projected benevolent assistance based on historical experience at the Community.
- (n) Revenue Recognition - Management has implemented ASU No. 2014-09 “Revenue from Contracts with Customers” and recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance in ASU 2014-09 supersedes the FASB’s prior revenue recognition requirements and most industry-specific guidance. For purposes of the projection, Management has implemented ASU 2014-09.
- (o) Lease Accounting - The Financial Accounting Standards Board (“FASB”) issued ASU No. 2016-02, Lease Accounting Standard in February 2016. ASU 2016-02 requires all leases with lease terms over twelve months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of operations. The Corporation is currently in the process of evaluating the impact of adoption of this ASU and has not made final determinations. Therefore, for purposes of the projection ASU 2016-02 has not been implemented by the Corporation.
- (p) Restricted Cash - During fiscal year 2020, the Corporation adopted Accounting Standards Update (ASU) No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash, which requires amounts generally described as restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This guidance is intended to improve the classification and presentation of changes in restricted cash on the statements of cash flows and will provide more consistent application of GAAP by reducing diversity in practice. The ASU also requires an entity to disclose information about the nature of restricted cash.
- (q) Not-for-Profit Accounting - The FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, to improve the presentation of financial statements of not-for-profit entities. The standard addresses key qualitative and quantitative matters including net asset classes, investment return, expenses, liquidity and availability of resources, and presentation of operating cash flows. The amendments in ASU 2016-14 are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Management has implemented ASU No. 2016-14.

Summary of Revenue and Entrance Fee Assumptions*Independent Living Revenue*

Independent living service revenue is based upon charges for services provided to Residents of the Independent Living Units. Resident service revenue for Independent Living Units is based upon the assumed occupancy and the Monthly Fee of the respective unit. Management assumes that Monthly Fees for the Independent Living Units increase 3.0 percent annually during the projection period.

Assumed Independent Living Unit Utilization

The Existing Independent Living Apartments and the Independent Living Cottages are assumed to achieve and maintain an overall 94 percent occupancy level during the projection period. The following table summarizes the projected utilization of the Existing Independent Living Apartments and the Independent Living Cottages.

Table 8							
Utilization of the Existing Independent Living Units							
Years ended	Existing Independent Living Apartments			Independent Living Cottages			Total ILU ⁽¹⁾
	<u>Occupied</u>	<u>Available</u>	<u>% Occupied</u>	<u>Occupied</u>	<u>Available</u>	<u>% Occupied</u>	<u>% Occupied</u>
<i>Historical</i>							
2019	85.3	95.0	89.8%	69.6	73.0	95.3%	92.2%
2020	89.0	95.0	93.7%	70.4	73.0	96.4%	94.9%
2021 ⁽²⁾	92.8	95.0	97.7%	72.0	73.0	98.6%	98.1%
<i>Projected</i>							
2021	89.2	95.0	93.9%	69.4	73.0	95.1%	94.4%
2022	89.2	95.0	93.9%	69.4	73.0	95.1%	94.4%
2023	89.2	95.0	93.9%	69.4	73.0	95.1%	94.4%
2024	89.2	95.0	93.9%	69.4	73.0	95.1%	94.4%
2025	89.2	95.0	93.9%	69.4	73.0	95.1%	94.4%

Source: Management

(1) One Independent Living Apartment and one Independent Living Cottage are currently offered as a rental contract.

(2) Year to date occupancy is through June 30, 2020.

The New Independent Living Units are assumed to achieve and maintain 94.6 percent occupancy by February 2022 and remain at that level throughout the remainder of the projection. The following table summarizes the projected utilization of the New Independent Living Units.

Table 9			
Utilization of New Independent Living Units			
Years Ending March 31,	Average Number of Units Occupied	Average Number of Units Available	Average Occupancy Percentage
<i>Historical</i>			
2020 ⁽¹⁾	6.2	28.0	22.1%
2021 ⁽²⁾⁽³⁾	19.9	56.0	35.5%
<i>Projected</i>			
2021	41.8	56.0	74.6%
2022	52.9	56.0	94.5%
2023	53.0	56.0	94.6%
2024	53.0	56.0	94.6%
2025	53.0	56.0	94.6%

Source: Management

(1) 28 of the New Independent Living Units became available for occupancy in March 2020.

(2) The remaining New Independent Living Units became available for occupancy in April 2020 and are anticipated to fill by May 2021.

(3) Year to date occupancy is through June 30, 2020.

The assumed number of Independent Living Units becoming available due to resident turnover, the double occupancy rate, the number of annual resident Entrance Fee refunds, and the movement of Residents into the Health Center are provided by the Actuary.

The double occupancy rate for the Existing Independent Living Units is assumed to approximate 39 percent in 2021 and throughout the projection period, and the double occupancy rate for the New Independent Living Units is assumed to approximate 59 percent in 2021, decreasing to 44 percent in 2025, as provided by the Actuary.

The following table summarizes the move-in assumptions for the New Independent Living Units during the projection period through stabilized occupancy.

Table 10			
Fill-Up Schedule (Net of Move-outs) – New Independent Living Units			
Fiscal Year/Month	New Independent Living Units ⁽¹⁾⁽²⁾	Cumulative Occupied	Cumulative Occupancy
2020			
March 2020	9.0	9.0	16.1%
2021			
April 2020	9.0	18.0	32.1%
May 2020	8.0	26.0	46.4%
June 2020	11.0	37.0	66.1%
July 2020	4.0	41.0	73.2%
August 2020	2.0	43.0	76.8%
September 2020	2.0	45.0	80.4%
October 2020	1.0	46.0	82.1%
November 2020	1.0	47.0	83.9%
December 2020	1.0	48.0	85.7%
January 2021	1.0	49.0	87.5%
February 2021	1.0	50.0	89.3%
March 2021	1.0	51.0	91.1%
2022			
April 2021	1.0	52.0	92.9%
May 2021	1.0	53.0	94.6%
Total	53.0		94.6%

Source: Management

(1) Cumulative occupancy based on 56 New Independent Living Units.

(2) The move-in assumptions for the New Independent Living Units are based on historical experience of the Community and discussions with current Depositors on anticipated move-in timelines.

Entrance Fee and Membership Fee Receipts and Refunds

The assumed turnover for the Independent Living Units due to death, withdrawal or transfer to assisted living, memory support, or nursing accommodations, and double occupancy of the Independent Living Units has been provided by the Actuary. Refunds of Entrance Fees are generated upon termination of the Residency Agreement and withdrawal from the Community, subject to the re-occupancy of the vacated Independent Living Units. Entrance Fees may be generated from Independent Living Units turning over without a corresponding refund because the Resident has not withdrawn from the Community but has permanently transferred to the Health Center. The assumed number and amount of refunds for the Independent Living Units is provided

by the Actuary. The following table presents the assumed Entrance Fees and Membership Fees received and Entrance Fees and Membership Fees refunded.

Table 11
Entrance Fee and Membership Fee Receipts and Refunds
(In Thousands)

Fiscal Year Ending March 31,	2021	2022	2023	2024	2025
<i>Fees Received</i>					
<u><i>Membership Fees for Navigation by Salemtowne ⁽¹⁾</i></u>					
Number of Membership Fees received	23.4	23.4	23.4	23.4	23.4
Membership Fees received	\$1,158	\$1,193	\$1,229	\$1,265	\$1,303
<u><i>Independent Living Unit Entrance Fees Initial: ⁽²⁾</i></u>					
Number of Entrance Fees received	53.2	-	-	-	-
Entrance Fees received	\$14,869	-	-	-	-
<u><i>Turnover:</i></u>					
Number of Entrance Fees received	23.7	25.8	26.9	27.2	27.5
Entrance Fees received	\$4,862	\$5,693	\$6,287	\$6,643	\$6,980
Total Fees Received	\$20,889	\$6,886	\$7,516	\$7,908	\$8,283
<i>Fees Refunded</i>					
Membership Fee Refunds	(35)	(35)	(35)	(35)	(35)
CCRC Entrance Fee Refunds	(717)	(866)	(894)	(863)	(853)
Total Fees Refunded	\$ (752)	\$ (901)	\$ (929)	\$ (898)	\$ (888)
Total Entrance Fees and Membership Fees Received, Net of Refunds	\$20,137	\$5,985	\$6,587	\$7,010	\$7,395

Source: Management and the Actuary

(1) The Navigation by Salemtowne Program Membership Fee includes first and second person entrance fees received.

(2) Management assumes that all initial entrance fees related to the Project will be received in fiscal year 2021 although move-ins will occur in fiscal years 2021 and 2022.

Entrance Fees for the Independent Living Units and Membership Fees for the Navigation by Salemtowne program are assumed to increase 3.0 percent annually during the projection period.

Assisted Living and Memory Support Revenue

Assisted Living Units and Memory Support Units fees are assumed to be generated from services provided to Residents transferring from the Independent Living Units as well as direct admissions from the local surrounding area.

Residents permanently transferring from the Independent Living Units to the Assisted Living Units and Memory Support Units are to pay the rate based on the Health Care Benefit stated in the Residency Agreement. Management assumes the Monthly Fees for the Assisted Living Units and Memory Support Units inflate 3.0 percent annually during the projection period. The following table summarizes the historical and projected utilization of the Assisted Living Units and Memory Support Units.

Table 12
Utilization of Assisted Living Units and Memory Support Units

Year Ending March 31,	<u>Assisted Living Units</u>			<u>Memory Support Units</u>		
	Average Units Occupied	Average Units Available	Average Occupancy	Average Units Occupied	Average Units Available	Average Occupancy
<i>Historical</i>						
2019 ^{(1) (2)}	30.7	36.0	85.3%	16.8	20.0	84.0%
2020 ⁽²⁾	30.4	35.0	86.9%	19.9	20.0	99.5%
2021 ⁽³⁾	33.4	35.0	95.4%	19.5	20.0	97.5%
<i>Projected</i>						
2021 ⁽⁴⁾	30.6	34.0	90.0%	19.0	20.0	95.0%
2022	30.6	34.0	90.0%	19.0	20.0	95.0%
2023	30.6	34.0	90.0%	19.0	20.0	95.0%
2024	30.6	34.0	90.0%	19.0	20.0	95.0%
2025	30.6	34.0	90.0%	19.0	20.0	95.0%

Source: Management

- (1) For fiscal year 2019, the Assisted Living Units were composed of 26 rooms and 10 larger suites, for a total of 36 units (with 46 licensed beds).
- (2) During fiscal year 2020, the Assisted Living Units were reconfigured to 24 rooms and 11 larger suites, for a total of 35 units (with 46 licensed beds).
- (3) Year to date occupancy is through June 30, 2020.
- (4) Management anticipates the Assisted Living Units will be further reconfigured during fiscal year 2021 to 22 rooms and 12 larger suites, for a total of 34 units (with 46 licensed beds).

Nursing Revenue

Skilled nursing revenue is based upon charges for services provided to Residents transferring from the Independent Living Units, Assisted Living Units, and New Memory Support Units. Management assumes that the Daily Fees increase annually throughout the projection period as follows: 3.00 percent for private pay, 3.00 percent for Medicare, and 3.00 percent for Medicaid. The following table summarizes the average historical and assumed utilization of the Nursing Beds.

Table 13
Nursing Bed Utilization

Year Ending March 31,	Average Private Residents	Average Medicaid Residents	Average Medicare & Insurance Residents	Average Nursing Beds Occupied	Average Nursing Beds Available	Average Occupancy Percentage
<i>Historical</i>						
2019	46.9	8.1	35.3	90.3	100.0	90.3%
2020	49.3	6.1	37.4	92.9	100.0	92.9%
2021 ⁽¹⁾	45.8	4.5	23.1	73.4	100.0	73.4%
<i>Projected</i>						
2021	48.0	9.0	36.0	93.0	100.0	93.0%
2022	48.0	9.0	36.0	93.0	100.0	93.0%
2023	48.0	9.0	36.0	93.0	100.0	93.0%
2024	48.0	9.0	36.0	93.0	100.0	93.0%
2025	48.0	9.0	36.0	93.0	100.0	93.0%

Source: Management

(1) Year to date occupancy is through June 30, 2020

Navigation by Salemtowne Program

Management began accepting Members into the Navigation by Salemtowne program in fiscal year 2015. As of June 30, 2020 there were 64 members in Navigation. Management assumes an additional 23 Members annually during the projection period.

Coronavirus Aid, Relief, and Economy Security Act

Under provision of the CARES Act, as of August 1, 2020, the Corporation had received approximately \$776,000 in Public Health and Social Services Emergency Fund stimulus payments, as a provider of Medicare reimbursed nursing services, to reimburse the Corporation for healthcare related expenses and lost revenue that are attributable to COVID-19. Management assumes recognition of these payments are grant revenue during the fiscal year ending March 31, 2021.

Paycheck Protection Program Grant Income

The Corporation has received proceeds of approximately \$2,513,000 from a participating bank under the Paycheck Protection Program created under the CARES Act as amended by the Flexibility Act. Funds received are assumed to be recognized as grant income ("Grant Income"). The Paycheck Protection Program Grant Income is unsecured, and an interest rate of one percent per annum would apply if the Paycheck Protection Program Grant Income is deemed a loan.

The Cares Act and the subsequent Flexibility Act provide that the Paycheck Protection Program Grant Income is anticipated to be earned, rather than a loan, if certain conditions are substantially met, including, among other things, during the 24-week period after the Paycheck Protection Program Grant Income was made, at least 60 percent of the Paycheck Protection Program Grant Income proceeds were used for eligible payroll costs and the average number of full-time employees of the Corporation was not reduced during an applicable reference period. The Corporation intends to submit a timely forgiveness application to the Small Business Administration ("SBA") and anticipates meeting all of the conditions of the Paycheck Protection Program Grant Income. For purposes of the forecast, the Paycheck Protection Program Grant Income is assumed to be earned and classified as grant revenue during fiscal year ending March 31, 2021.

Investment Income

During the projection period, Management assumes an average annual rate of return of 3.0 percent on the Corporation's cash, investments, board designated funds and operating reserve accounts; 1.25 percent on the proceeds of the Series 2015 Bonds deposited in the Debt Service Reserve Fund; 1.25 percent on the proceeds of the Series 2016 Bonds deposited in the Debt Service Reserve Fund; and 2.50 percent on the proceeds of the Series 2018 Bonds deposited in the Debt Service Reserve Fund.

Other Income

Other revenue consists of revenues from additional resident meals and snacks, guest meals, guest apartment rentals, barber and beauty fees, and other miscellaneous sources. These revenues are projected by Management to increase 3.0 percent annually throughout the projection period.

Summary of Expense Assumptions

Operating expenses are estimated by Management based upon the historical experience of the Corporation. Staff salaries and wages are projected by Management based on its historical experience and prevailing local salary and wage rates. Salary and wage costs are assumed to increase 3.0 percent annually throughout the projection period. The cost of employee fringe benefits, consisting primarily of payroll taxes, health insurance and other costs are assumed to approximate 25.9 percent of salaries and wages throughout the projection.

The following table summarizes the staffing levels during the projection period for all departments.

Table 14		
Schedule of Staffing Levels (FTE's)		
Department	Staffing 2021	Staffing 2025
Administrative	35.8	36.0
Assisted living & memory support	23.5	23.5
Healthcare	101.4	104.7
Dining service	59.5	59.5
Housekeeping and laundry	32.0	32.0
Maintenance	9.0	9.0
Activities	12.5	12.5
Marketing	7.6	7.6
Other	13.3	13.3
Total FTE's	294.6	298.1

Source: Management

Other non-salary operating expenses are assumed to include ongoing marketing costs, raw food costs, utilities, supplies, maintenance, building and general liability insurance, legal and accounting fees, and other miscellaneous expenses. The cost of these non-salary operating expenses is assumed by Management to increase 3.0 percent annually throughout the projection period.

Assets Limited as to Use

The following funds and accounts are assumed to be held in association with the Series 2015 Bonds, the Series 2016 Bonds, and the Series 2018 Bonds:

- Assets Limited as to Use, current: Contains the bond principal and interest payments to be used for payment of debt service on the Series 2015 Bonds, the Series 2016 Bonds, and the Series 2018 Bonds.
- Debt Service Reserve Fund – Series 2015: Funded by proceeds received from the Series 2015 Bonds.
- Debt Service Reserve Fund – Series 2016: Funded by proceeds received upon closing of the Series 2016A Bonds.
- Debt Service Reserve Fund – Series 2018: Funded by proceeds received upon closing of the Series 2018 Bonds.

In addition, the Corporation maintains the following funds and accounts based on restrictions of the Board, outside donors, or other legal or regulatory requirements and include the following:

- Designated for Statutory Operating Reserve: North Carolina General Statute § 58-64-33 requires CCRC's to maintain an operating reserve (the "Statutory Operating Reserve") equal to 50 percent of the total operating costs in a given year, or 25 percent of such total operating costs if occupancy as of a certain date exceeds 90 percent of the independent and assisted living unit capacity.

The following summarizes the calculation of the Statutory Operating Reserve:

(in Thousands)	2021	2022	2023	2024	2025
Projected operating expense	\$ 35,983	\$ 36,664	\$ 37,521	\$ 38,406	\$ 39,296
Add: Debt service on long-term debt	1,395	1,460	1,530	1,605	1,680
Subtract: Depreciation and amortization	(5,600)	(5,719)	(5,841)	(5,967)	(6,071)
Subtract: Debt service accounted for by way of another reserve	(6,170)	(5,836)	(5,836)	(5,838)	(5,836)
Projected operating expenses-adjusted	25,608	26,569	27,374	28,206	29,069
Operating reserve % required	25%	25%	25%	25%	25%
Operating reserve (rounded)	\$ 6,402	\$ 6,642	\$ 6,844	\$ 7,052	\$ 7,267
Independent Living & Assisted Living Units					
Available units	278	278	278	278	278
Occupied units as of last day of the year	259	261	261	261	261
Occupancy percentage	93%	94%	94%	94%	94%

Source: Management

- Resident Deposits: Deposits for Independent Living Units to be occupied in the future are held in this fund.

Property and Equipment and Depreciation Expense

The Corporation is assumed to incur routine capital additions during the projection period to be capitalized as property and equipment. Depreciation expense is computed based on the straight-line method for buildings and equipment over the estimated average useful lives of the related assets.

The Corporation's property and equipment costs, net of accumulated depreciation, during the projection period are summarized in the table below.

Table 15
Schedule of Property and Equipment
(In Thousands)

Years Ending March 31,	2021	2022	2023	2024	2025
Property and equipment, net beginning balance	\$142,374	\$144,684	\$147,064	\$149,515	\$152,040
Routine capital additions	2,310	2,380	2,451	2,525	2,600
Property and equipment, gross	144,684	147,064	149,515	152,040	154,640
Accumulated depreciation, net	(43,069)	(48,937)	(54,929)	(61,046)	(67,294)
Property and equipment, net Ending Balance	\$101,615	\$98,127	\$94,586	\$90,994	\$87,346

Source: Management

Long-Term Debt and Interest Expense*Series 2015 Bonds*

In 2015, the North Carolina Medical Care Commission (the "Commission") issued, at a discount, tax-exempt, fixed rate Retirement Facilities First Mortgage Revenue Bonds (the "Series 2015 Bonds"), the proceeds of which were used to fund the construction of the new Nursing Beds and Memory Support Units. As of March 31, 2020, approximately \$42,585,000 of the Series 2015 Bonds were outstanding. Principal on the Series 2015 Bonds is to be paid annually commencing October 1, 2031 with a final maturity on October 1, 2045. Interest on the Series 2015 Bonds is payable April 1 and October 1 of each year, at coupon rates ranging from 5.25 to 5.375 percent per annum and yields ranging from 5.25 to 5.45 percent per annum.

Series 2016 Bonds

In 2016, the Commission issued, at a premium, tax-exempt, fixed rate Retirement Facilities First Mortgage Revenue Refunding Bonds (the “Series 2016 Bonds”), the proceeds of which were used to refund then outstanding debt. As of March 31, 2020, approximately \$19,595,000 of the Series 2016 Bonds were outstanding. Principal on the Series 2016 Bonds is paid annually on October 1st with a final maturity on October 1, 2030. Interest on the Series 2016 Bonds is payable April 1 and October 1 of each year, at coupon rates ranging from 1.50 to 5.00 percent per annum and yields ranging from 1.50 to 3.75 percent per annum.

Series 2018 Bonds

In 2018, the Commission issued Retirement Facilities First Mortgage Revenue Refunding Bonds (the “Series 2018 Bonds”), the proceeds of which were used to fund Project costs. The Series 2018 Bonds consist of \$24,875,000 of non-rated tax-exempt Series 2018A Bonds (the “Series 2018A Bonds”) and \$13,375,000 of non-rated fixed rate Tax-Exempt Mandatory Paydown Securities Series 2018B Bonds (TEMPSSM) (the “Series 2018B Bonds”).

The Series 2018A Bonds were issued at a premium, with coupon rates ranging from 4.50 to 5.00 percent per annum. Interest on the Series 2018A Bonds is payable April 1 and October 1 of each year beginning April 1, 2019. Principal on the Series 2018A Bonds is to be paid annually commencing October 1, 2031 with a final maturity on October 1, 2048.

The Series 2018B Bonds consist of \$5,000,000 of Series 2018B-1 Bonds (the “Series 2018B-1 Bonds”) and \$8,375,000 of Series 2018B-2 Bonds (the “Series 2018B-2 Bonds”) with interest rates ranging from 3.55 to 4.00 percent per annum. Interest on the Series 2018B Bonds are payable April 1 and October 1 of each year beginning April 1, 2019. The Series 2018B-1 Bonds have a maximum stated maturity of October 1, 2025 and anticipated to be redeemed in full by March 31, 2021. The Series 2018B-2 Bonds have a maximum stated maturity of October 1, 2024 and anticipated to be redeemed in full by October 1, 2020.

Other Debt Obligations

The Corporation entered into the following debt obligations during fiscal year ending March 31, 2019:

- A capital lease obligation (the “Capital Lease”) for computer equipment purchases of approximately \$144,000 with an annual interest rate of 7.37 percent and monthly installments totaling approximately \$2,880, with a maturity date of May 31, 2023, collateralized by the equipment.
- A vehicle loan (the “Vehicle Loan”) of approximately \$52,000 with an annual interest rate of 7.77 percent and monthly installments totaling approximately \$1,050, with a maturity date of July 31, 2023, collateralized by the vehicle.

The Vehicle Loan and Capital Lease are defined collectively as the “Other Debt Obligations”. Management assumes the Other Debt Obligations are to be satisfied during the fiscal year ended March 31, 2021, and no material additional debt obligations will be incurred during the projection period.

The following table presents the assumed annual debt service for the Series 2015 Bonds, the Series 2016 Bonds, Series 2018 Bonds, and Other Debt Obligations during the projection period and thereafter.

Table 16
Schedule of Annual Debt Service
(In Thousands)

Years Ending March 31,	Series 2015 Bonds		Series 2016 Bonds		Series 2018 Bonds		Other Debt Obligations		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Debt Service
2021	\$ -	\$2,269	\$1,395	\$940	\$13,375	\$1,710	\$133	\$9	\$19,831
2022	-	2,269	1,460	870	-	1,355	-	-	5,954
2023	-	2,269	1,530	800	-	1,237	-	-	5,836
2024	-	2,269	1,605	727	-	1,237	-	-	5,838
2025	-	2,269	1,680	650	-	1,237	-	-	5,836
Thereafter	42,585	34,037	11,925	2,068	24,875	24,938	-	-	140,428
TOTAL	\$42,585	\$45,382	\$19,595	\$6,055	\$38,250	\$31,714	\$133	\$9	\$183,723

Source: Management

Bank Line of Credit

In February 2020, the Community entered into a revolving line of credit agreement with a local bank, which allows for borrowing up to \$1,500,000. Interest accrues at a floating rate of prime plus a margin of 1.5% and is due and payable monthly commencing March 2020. The line of credit matures on February 1, 2021 at which time all outstanding principal and accrued interest is due. The outstanding balance at March 31, 2020 was \$1,500,000. Management paid-off the outstanding balance of \$1,500,000 in June 2020 and intends to renew the Line of Credit throughout the projection period for cash management purposes. For purposes of the projection, Management assumes that the Line of Credit will have a zero balance at the end of each fiscal year during the projection period.

Current Assets and Current Liabilities

Operating expenses exclude amortization, depreciation, other non-cash expenses and interest expense. Operating revenues include Monthly Fees and Health Center per diem fees. Working capital components have been estimated based on industry standards and Management's historical experience as follows:

Table 17
Working Capital – Days on Hand

Accounts receivable	30	days of operating revenues
Other receivables	4	days of operating revenues
Prepaid expenses	6	day of operating expenses
Accounts payable	15	days of operating expenses
Other accrued expenses	20	days of operating expenses

Source: Management



Appendix A6

Actuary Report for Population and Entrance Fee Projections

August 14, 2018

Brian Tuckmantel
Chief Financial Officer
Salemtowne Retirement Community
190 Moravian Way Drive
Winston-Salem, NC 27106

Subject: *Salemtowne Population and Entrance Fee Projection*

Dear Brian:

The following report contains two population projections for Salemtowne, the existing open group population in Appendix A, the expansion open group in Appendix B, and a projection of Entrance Fees received and refunded for the existing and expansion units in Appendix C. Based on prior discussions, we have used the following assumptions. Note that any changes in these assumptions would alter our projections.

Contract Assumptions

- There are two different sets of contract groups: the Charter group and the Opening group.
- For the Charter and Opening groups, Salemtowne will offer 90% Refundable, 50% Refundable, and Traditional contracts.

Future new entrants were assumed to choose the various contracts by the following distribution:

<u>Plan</u>	
Traditional	92.0%
90% Refundable	4.0%
<u>50% Refundable</u>	<u>4.0%</u>
Total	100.0%

Population Assumptions

- The fiscal year end is March 31.
- This study is evaluated as of March 31, 2018.
- The Community will contain 226 Independent Living Units, 66 Assisted Living Units, and 100 Skilled Nursing Beds.
- The projected fill up schedule for Independent Living is as follows:

[illegible]

- New entrant couples are assumed to occupy 30% of new ILUs.
- The assumed single male average age of new entrants is 84.0, single females are 83.0, and couples are 81.0 for males and 79.0 for females.
- Occupancy projections are based on the management's best assessment of market conditions available at this time. Should actual conditions change in the future, additional resources may be necessary to achieve projected results.

Appendices A and B

Appendices A and B summarize the projections for the Independent Living Units and subsequent population flows to Assisted Living and Skilled Nursing of the open group. The population projection on pages A-1 to A-7 and B-1 to B-7, summarize the location and expected demographic phenomena in Independent Living, Assisted Living, and Skilled Nursing for all residents. Direct Admit residents are not included in either of these projections.

Under the assumptions, Independent Living is expected to reach and maintain 95.0% occupancy as seen on pages A-1 and B-1 of the Appendices. The maximum occupancy of Assisted Living and Skilled Nursing by Lifecare residents can be found on pages A-2 and B-2.

Pages A-3 and B-3 provide the total number of days residents will spend at each level of care and Pages A-4 and B-4 give the average ages of residents at each level of care. Pages A-5 to A-7 and B-5 to B-7 provide a breakdown of residential movement at each level of care.

Actual experience may vary and management should track actual versus expected nursing utilization, since higher utilization by Lifecare residents will result in lower nursing revenue. The results of our study are based on estimates of demographic and economic assumptions of the most likely outcome.

Considerable uncertainty and variability are inherent in such estimates. Accordingly, the subsequent emergence of actual residential movements and actual revenues and expenses may not conform to the assumptions used in our analysis. Consequently, the subsequent development of these items may vary considerably from expected results.

Management should scrutinize future developments, which may cause significant variances in the projections. These developments include higher apartment vacancy rates, higher inflation, higher nursing care utilization and/or longer life expectancies than those assumed in the current projection.

Sincerely yours,



Dave Bond, F.S.A., M.A.A.A.
Managing Partner

Appendix A

Existing Open Group Population Projection As of March 31, 2018

Salemtowne -- Open Group Projection 2018

Fiscal Year Ending 3/31	Community Occupancy Summary					
	Independent Living Unit					
	Number of Residents	Number of Units	Occupancy Rate	Density Ratio	Units Released	New Units Occupied
2019	210.0	161.0	94.2%	1.30	20.3	24.3
2020	204.0	161.0	94.2%	1.27	22.1	22.1
2021	200.7	161.0	94.2%	1.25	22.7	22.7
2022	198.6	161.0	94.2%	1.23	22.6	22.6
2023	197.1	161.0	94.2%	1.22	22.2	22.2
2024	195.7	161.0	94.2%	1.22	21.8	21.8
2025	194.3	161.0	94.2%	1.21	21.6	21.6
2026	193.0	161.0	94.2%	1.20	21.6	21.6
2027	191.8	161.0	94.2%	1.19	21.8	21.8
2028	190.9	161.0	94.2%	1.19	22.0	22.0
2029	190.2	161.0	94.2%	1.18	22.3	22.3
2030	189.7	161.0	94.2%	1.18	22.5	22.5
2031	189.4	161.0	94.2%	1.18	22.8	22.8
2032	189.2	161.0	94.2%	1.18	23.0	23.0
2033	189.2	161.0	94.2%	1.18	23.1	23.1
2034	189.2	161.0	94.2%	1.18	23.2	23.2
2035	189.3	161.0	94.2%	1.18	23.2	23.2
2036	189.3	161.0	94.2%	1.18	23.2	23.2
2037	189.4	161.0	94.2%	1.18	23.1	23.1
2038	189.4	161.0	94.2%	1.18	23.1	23.1
2039	189.5	161.0	94.2%	1.18	23.0	23.0
2040	189.5	161.0	94.2%	1.18	23.2	23.2
2041	189.6	161.0	94.2%	1.18	23.2	23.2
2042	189.6	161.0	94.2%	1.18	23.1	23.1
2043	189.6	161.0	94.2%	1.18	23.1	23.1
2044	189.6	161.0	94.2%	1.18	23.1	23.1
2045	189.6	161.0	94.2%	1.18	23.0	23.0
2046	189.6	161.0	94.2%	1.18	23.0	23.0
2047	189.6	161.0	94.2%	1.18	23.0	23.0
2048	189.6	161.0	94.2%	1.18	23.0	23.0

Fiscal Year Ending 3/31	Community Occupancy Summary							
	Assisted Living Unit				Skilled Nursing Facility			
	Number of Permanent Residents	2nd Person Subset Permanent	Number of Temporary Residents	Occupancy Rate	Number of Permanent Residents	2nd Person Subset Permanent	Number of Temporary Residents	Occupancy Rate
2019	14.2	7.5	0.0	30.9%	32.7	10.3	6.5	46.6%
2020	12.6	5.2	0.0	27.4%	33.2	10.9	6.0	46.6%
2021	11.2	3.6	0.0	24.4%	32.0	9.8	5.6	44.7%
2022	10.4	2.8	0.0	22.6%	30.2	8.5	5.3	42.2%
2023	9.9	2.4	0.0	21.6%	28.5	7.5	5.2	40.1%
2024	9.7	2.3	0.0	21.2%	27.3	7.0	5.1	38.6%
2025	9.7	2.3	0.0	21.1%	26.6	6.8	5.1	37.7%
2026	9.8	2.3	0.0	21.2%	26.3	6.8	5.1	37.3%
2027	9.9	2.2	0.0	21.5%	26.3	6.8	5.1	37.4%
2028	10.1	2.2	0.0	21.9%	26.6	6.7	5.2	37.8%
2029	10.2	2.1	0.0	22.3%	26.9	6.6	5.2	38.2%
2030	10.4	2.1	0.0	22.6%	27.1	6.5	5.3	38.6%
2031	10.5	2.1	0.0	22.8%	27.4	6.3	5.3	38.9%
2032	10.6	2.0	0.0	23.0%	27.5	6.2	5.3	39.1%
2033	10.6	2.0	0.0	23.0%	27.6	6.1	5.3	39.2%
2034	10.6	2.0	0.0	23.0%	27.6	6.0	5.3	39.2%
2035	10.5	1.9	0.0	22.9%	27.6	5.9	5.3	39.2%
2036	10.5	1.9	0.0	22.8%	27.6	5.9	5.3	39.1%
2037	10.4	1.9	0.0	22.7%	27.5	5.9	5.3	39.0%
2038	10.4	1.9	0.0	22.6%	27.4	5.9	5.3	38.9%
2039	10.4	1.9	0.0	22.5%	27.3	5.9	5.3	38.8%
2040	10.4	1.9	0.0	22.6%	27.3	5.9	5.3	38.8%
2041	10.4	1.9	0.0	22.6%	27.4	5.9	5.3	38.8%
2042	10.4	1.9	0.0	22.6%	27.4	5.9	5.3	38.8%
2043	10.4	1.9	0.0	22.6%	27.4	5.9	5.2	38.8%
2044	10.4	1.9	0.0	22.6%	27.3	5.9	5.2	38.8%
2045	10.4	1.9	0.0	22.6%	27.3	5.9	5.2	38.8%
2046	10.4	1.9	0.0	22.5%	27.3	5.9	5.2	38.7%
2047	10.4	1.9	0.0	22.5%	27.3	5.9	5.2	38.7%
2048	10.4	1.9	0.0	22.5%	27.2	5.9	5.2	38.7%

Fiscal Year Ending 3/31	Number of Days In Each Level of Care							
	Independent Living Unit Days	Assisted Living Unit			Skilled Nursing Facility			
		Permanent Days		Temporary Contract Days	Permanent Days		Temporary Days	
		Contract Residents	2nd Person Subset		Contract Residents	2nd Person Subset	Contract Residents	Direct Admit Residents
2019	77,801	5,336	3,009	0	11,259	3,160	2,381	0
2020	75,604	4,896	2,314	0	12,029	3,873	2,175	0
2021	73,894	4,352	1,611	0	11,902	3,789	2,037	0
2022	72,920	3,948	1,171	0	11,343	3,349	1,940	0
2023	72,268	3,711	954	0	10,718	2,921	1,883	0
2024	71,725	3,593	868	0	10,201	2,642	1,856	0
2025	71,213	3,549	839	0	9,845	2,513	1,854	0
2026	70,725	3,554	827	0	9,650	2,476	1,865	0
2027	70,277	3,592	817	0	9,599	2,473	1,878	0
2028	69,893	3,650	805	0	9,654	2,466	1,892	0
2029	69,587	3,712	791	0	9,758	2,440	1,905	0
2030	69,365	3,770	775	0	9,865	2,395	1,923	0
2031	69,223	3,816	758	0	9,956	2,340	1,932	0
2032	69,145	3,847	743	0	10,026	2,287	1,938	0
2033	69,113	3,860	729	0	10,071	2,241	1,941	0
2034	69,111	3,861	718	0	10,091	2,205	1,941	0
2035	69,125	3,852	711	0	10,091	2,180	1,936	0
2036	69,148	3,839	706	0	10,078	2,164	1,931	0
2037	69,169	3,823	704	0	10,056	2,155	1,927	0
2038	69,184	3,807	704	0	10,029	2,151	1,925	0
2039	69,195	3,793	704	0	9,998	2,151	1,923	0
2040	69,211	3,794	704	0	9,985	2,151	1,923	0
2041	69,231	3,801	705	0	9,991	2,153	1,920	0
2042	69,245	3,801	706	0	9,995	2,155	1,919	0
2043	69,254	3,798	707	0	9,994	2,157	1,917	0
2044	69,259	3,795	707	0	9,988	2,158	1,916	0
2045	69,262	3,791	707	0	9,979	2,158	1,916	0
2046	69,264	3,788	707	0	9,970	2,158	1,915	0
2047	69,266	3,786	707	0	9,961	2,157	1,914	0
2048	69,267	3,784	706	0	9,954	2,156	1,914	0

Salemtowne -- Open Group Projection 2018

Fiscal Year Ending 3/31	Average Age of Residents at the End of the Year									
	Independent Living Unit		Assisted Living Unit				Skilled Nursing Facility			
			Contract Residents		Direct Admit Residents		Contract Residents		Direct Admit Residents	
	Males	Females	Males	Females	Males	Females	Males	Females	Males	Females
2019	85.59	86.34	92.13	91.20	0.00	0.00	90.44	91.08	0.00	0.00
2020	85.27	86.17	92.50	91.65	N/A	N/A	91.67	91.72	N/A	N/A
2021	85.09	86.02	91.94	91.52	N/A	N/A	92.01	91.97	N/A	N/A
2022	85.05	85.93	90.94	91.04	N/A	N/A	91.84	91.91	N/A	N/A
2023	85.14	85.90	89.87	90.45	N/A	N/A	91.34	91.65	N/A	N/A
2024	85.30	85.94	89.05	89.88	N/A	N/A	90.66	91.29	N/A	N/A
2025	85.49	86.03	88.59	89.43	N/A	N/A	89.97	90.87	N/A	N/A
2026	85.68	86.14	88.39	89.15	N/A	N/A	89.44	90.48	N/A	N/A
2027	85.85	86.25	88.36	89.05	N/A	N/A	89.13	90.22	N/A	N/A
2028	85.97	86.37	88.44	89.08	N/A	N/A	88.99	90.11	N/A	N/A
2029	86.06	86.47	88.57	89.18	N/A	N/A	88.99	90.09	N/A	N/A
2030	86.10	86.55	88.72	89.33	N/A	N/A	89.07	90.15	N/A	N/A
2031	86.10	86.61	88.88	89.48	N/A	N/A	89.17	90.25	N/A	N/A
2032	86.09	86.64	89.01	89.62	N/A	N/A	89.26	90.37	N/A	N/A
2033	86.05	86.66	89.10	89.73	N/A	N/A	89.33	90.48	N/A	N/A
2034	86.01	86.67	89.16	89.81	N/A	N/A	89.36	90.57	N/A	N/A
2035	85.98	86.67	89.17	89.87	N/A	N/A	89.37	90.64	N/A	N/A
2036	85.94	86.67	89.16	89.90	N/A	N/A	89.36	90.70	N/A	N/A
2037	85.92	86.66	89.12	89.90	N/A	N/A	89.34	90.73	N/A	N/A
2038	85.90	86.65	89.07	89.89	N/A	N/A	89.31	90.75	N/A	N/A
2039	85.89	86.65	89.03	89.86	N/A	N/A	89.29	90.74	N/A	N/A
2040	85.87	86.63	88.99	89.86	N/A	N/A	89.26	90.73	N/A	N/A
2041	85.86	86.61	88.96	89.86	N/A	N/A	89.24	90.73	N/A	N/A
2042	85.85	86.60	88.94	89.85	N/A	N/A	89.22	90.73	N/A	N/A
2043	85.85	86.59	88.93	89.83	N/A	N/A	89.20	90.72	N/A	N/A
2044	85.84	86.58	88.92	89.82	N/A	N/A	89.19	90.71	N/A	N/A
2045	85.84	86.57	88.91	89.81	N/A	N/A	89.18	90.70	N/A	N/A
2046	85.84	86.56	88.91	89.79	N/A	N/A	89.18	90.69	N/A	N/A
2047	85.83	86.55	88.91	89.79	N/A	N/A	89.17	90.67	N/A	N/A
2048	85.83	86.55	88.90	89.78	N/A	N/A	89.17	90.66	N/A	N/A

Salemtowne -- Open Group Projection 2018

Fiscal Year Ending 3/31	Summary of the Independent Living Unit Population Movements						
	Beginning Number of Residents	New Entrants	Deaths	With- drawals	Permanent Transfers to Assisted Living Unit	Permanent Transfers to Skilled Nursing Facility	Ending Number of Permanent Residents
2019	216.0	31.6	12.0	2.6	8.2	14.8	210.0
2020	210.0	28.8	11.1	2.7	7.4	13.6	204.0
2021	204.0	29.5	10.5	2.8	6.7	12.7	200.7
2022	200.7	29.4	10.2	2.9	6.3	12.0	198.6
2023	198.6	28.9	9.9	2.9	6.1	11.5	197.1
2024	197.1	28.4	9.8	2.9	6.0	11.1	195.7
2025	195.7	28.1	9.7	2.9	6.0	10.9	194.3
2026	194.3	28.1	9.7	2.8	6.1	10.9	193.0
2027	193.0	28.3	9.6	2.8	6.1	10.9	191.8
2028	191.8	28.6	9.5	2.8	6.2	11.0	190.9
2029	190.9	29.0	9.5	2.8	6.3	11.1	190.2
2030	190.2	29.3	9.5	2.8	6.4	11.1	189.7
2031	189.7	29.6	9.5	2.8	6.4	11.2	189.4
2032	189.4	29.9	9.5	2.8	6.5	11.2	189.2
2033	189.2	30.0	9.5	2.8	6.5	11.3	189.2
2034	189.2	30.1	9.5	2.8	6.5	11.3	189.2
2035	189.2	30.1	9.5	2.8	6.5	11.3	189.3
2036	189.3	30.1	9.5	2.8	6.4	11.3	189.3
2037	189.3	30.1	9.5	2.8	6.4	11.3	189.4
2038	189.4	30.0	9.5	2.8	6.4	11.2	189.4
2039	189.4	29.9	9.5	2.8	6.4	11.2	189.5
2040	189.5	30.2	9.5	2.8	6.4	11.3	189.5
2041	189.5	30.1	9.5	2.8	6.4	11.3	189.6
2042	189.6	30.1	9.5	2.8	6.4	11.3	189.6
2043	189.6	30.0	9.5	2.8	6.4	11.2	189.6
2044	189.6	30.0	9.5	2.8	6.4	11.2	189.6
2045	189.6	30.0	9.5	2.8	6.4	11.2	189.6
2046	189.6	29.9	9.5	2.8	6.4	11.2	189.6
2047	189.6	29.9	9.5	2.8	6.4	11.2	189.6
2048	189.6	29.9	9.5	2.8	6.4	11.2	189.6

Fiscal Year Ending 3/31	Summary of the Contract Assisted Living Unit Population Movements				
	Beginning Number of Residents	Permanent Transfers from Independent Living	Deaths	Permanent Transfers to Skilled Nursing Facility	Ending Number of Permanent Residents
2019	15.0	8.2	2.9	6.1	14.2
2020	14.2	7.4	3.0	6.0	12.6
2021	12.6	6.7	2.8	5.3	11.2
2022	11.2	6.3	2.5	4.7	10.4
2023	10.4	6.1	2.2	4.3	9.9
2024	9.9	6.0	2.1	4.1	9.7
2025	9.7	6.0	2.0	4.0	9.7
2026	9.7	6.1	2.0	4.0	9.8
2027	9.8	6.1	1.9	4.1	9.9
2028	9.9	6.2	2.0	4.1	10.1
2029	10.1	6.3	2.0	4.2	10.2
2030	10.2	6.4	2.0	4.2	10.4
2031	10.4	6.4	2.1	4.3	10.5
2032	10.5	6.5	2.1	4.3	10.6
2033	10.6	6.5	2.1	4.3	10.6
2034	10.6	6.5	2.2	4.3	10.6
2035	10.6	6.5	2.2	4.3	10.5
2036	10.5	6.4	2.2	4.3	10.5
2037	10.5	6.4	2.2	4.3	10.4
2038	10.4	6.4	2.2	4.3	10.4
2039	10.4	6.4	2.1	4.3	10.4
2040	10.4	6.4	2.1	4.3	10.4
2041	10.4	6.4	2.1	4.3	10.4
2042	10.4	6.4	2.1	4.3	10.4
2043	10.4	6.4	2.1	4.3	10.4
2044	10.4	6.4	2.1	4.3	10.4
2045	10.4	6.4	2.1	4.3	10.4
2046	10.4	6.4	2.1	4.3	10.4
2047	10.4	6.4	2.1	4.3	10.4
2048	10.4	6.4	2.1	4.3	10.4

Salemtowne -- Open Group Projection 2018

Fiscal Year Ending 3/31	Summary of the Contract Skilled Nursing Facility Population Movements				
	Beginning Number of Residents	Permanent Transfers from Independent Living	Permanent Transfers from Assisted Living	Deaths	Ending Number of Permanent Residents
2019	29.0	14.8	6.1	17.2	32.7
2020	32.7	13.6	6.0	19.0	33.2
2021	33.2	12.7	5.3	19.3	32.0
2022	32.0	12.0	4.7	18.5	30.2
2023	30.2	11.5	4.3	17.4	28.5
2024	28.5	11.1	4.1	16.4	27.3
2025	27.3	10.9	4.0	15.7	26.6
2026	26.6	10.9	4.0	15.2	26.3
2027	26.3	10.9	4.1	14.9	26.3
2028	26.3	11.0	4.1	14.8	26.6
2029	26.6	11.1	4.2	14.9	26.9
2030	26.9	11.1	4.2	15.1	27.1
2031	27.1	11.2	4.3	15.2	27.4
2032	27.4	11.2	4.3	15.4	27.5
2033	27.5	11.3	4.3	15.5	27.6
2034	27.6	11.3	4.3	15.6	27.6
2035	27.6	11.3	4.3	15.6	27.6
2036	27.6	11.3	4.3	15.6	27.6
2037	27.6	11.3	4.3	15.6	27.5
2038	27.5	11.2	4.3	15.6	27.4
2039	27.4	11.2	4.3	15.6	27.3
2040	27.3	11.3	4.3	15.6	27.3
2041	27.3	11.3	4.3	15.5	27.4
2042	27.4	11.3	4.3	15.5	27.4
2043	27.4	11.2	4.3	15.5	27.4
2044	27.4	11.2	4.3	15.5	27.3
2045	27.3	11.2	4.3	15.5	27.3
2046	27.3	11.2	4.3	15.5	27.3
2047	27.3	11.2	4.3	15.5	27.3
2048	27.3	11.2	4.3	15.5	27.2

Appendix B

Expansion Open Group Population Projection As of March 31, 2018

Salemtowne Expansion -- Open Group Projection 2018

Fiscal Year Ending 3/31	Community Occupancy Summary					
	Independent Living Unit					
	Number of Residents	Number of Units	Occupancy Rate	Density Ratio	Units Released	New Units Occupied
2019	0.0	0.0	0.0%	#DIV/0!	0.0	0.0
2020	5.8	4.5	8.0%	1.30	0.0	4.5
2021	53.0	41.0	73.2%	1.29	1.1	37.6
2022	67.8	53.0	94.6%	1.28	3.2	15.2
2023	66.7	53.0	94.6%	1.26	4.7	4.7
2024	65.7	53.0	94.6%	1.24	5.4	5.4
2025	64.8	53.0	94.6%	1.22	5.9	5.9
2026	64.0	53.0	94.6%	1.21	6.3	6.3
2027	63.4	53.0	94.6%	1.20	6.7	6.7
2028	63.0	53.0	94.6%	1.19	7.0	7.0
2029	62.7	53.0	94.6%	1.18	7.2	7.2
2030	62.6	53.0	94.6%	1.18	7.4	7.4
2031	62.5	53.0	94.6%	1.18	7.5	7.5
2032	62.5	53.0	94.6%	1.18	7.6	7.6
2033	62.6	53.0	94.6%	1.18	7.7	7.7
2034	62.6	53.0	94.6%	1.18	7.7	7.7
2035	62.7	53.0	94.6%	1.18	7.7	7.7
2036	62.7	53.0	94.6%	1.18	7.7	7.7
2037	62.7	53.0	94.6%	1.18	7.7	7.7
2038	62.8	53.0	94.6%	1.18	7.7	7.7
2039	62.8	53.0	94.6%	1.18	7.7	7.7
2040	62.8	53.0	94.6%	1.18	7.6	7.6
2041	62.8	53.0	94.6%	1.18	7.6	7.6
2042	62.8	53.0	94.6%	1.18	7.6	7.6
2043	62.8	53.0	94.6%	1.18	7.6	7.6
2044	62.8	53.0	94.6%	1.18	7.6	7.6
2045	62.8	53.0	94.6%	1.18	7.6	7.6
2046	62.8	53.0	94.6%	1.18	7.6	7.6
2047	62.8	53.0	94.6%	1.18	7.6	7.6
2048	62.8	53.0	94.6%	1.18	7.6	7.6

Salemtowne Expansion -- Open Group Projection 2018

Fiscal Year Ending 3/31	Community Occupancy Summary							
	Assisted Living Unit				Skilled Nursing Facility			
	Number of Permanent Residents	2nd Person Subset Permanent	Number of Temporary Residents	Occupancy Rate	Number of Permanent Residents	2nd Person Subset Permanent	Number of Temporary Residents	Occupancy Rate
2019	0.0	0.0	0.0	0.0%	0.0	0.0	0.0	0.0%
2020	0.0	0.0	0.0	0.0%	0.0	0.0	0.0	0.0%
2021	0.2	0.1	0.0	0.4%	0.4	0.2	0.5	1.1%
2022	0.8	0.2	0.0	1.6%	1.7	0.7	1.0	3.2%
2023	1.4	0.4	0.0	3.1%	3.2	1.2	1.3	5.4%
2024	2.1	0.6	0.0	4.5%	4.7	1.7	1.4	7.3%
2025	2.5	0.7	0.0	5.5%	5.9	2.0	1.5	8.8%
2026	2.8	0.7	0.0	6.2%	6.8	2.1	1.6	10.0%
2027	3.1	0.7	0.0	6.7%	7.5	2.2	1.7	10.9%
2028	3.2	0.7	0.0	7.0%	8.0	2.2	1.7	11.6%
2029	3.3	0.7	0.0	7.3%	8.4	2.2	1.7	12.0%
2030	3.4	0.7	0.0	7.4%	8.6	2.1	1.7	12.4%
2031	3.5	0.7	0.0	7.5%	8.8	2.0	1.8	12.6%
2032	3.5	0.7	0.0	7.6%	8.9	2.0	1.8	12.7%
2033	3.5	0.6	0.0	7.6%	9.0	2.0	1.8	12.8%
2034	3.5	0.6	0.0	7.5%	9.0	1.9	1.8	12.8%
2035	3.5	0.6	0.0	7.5%	9.0	1.9	1.8	12.8%
2036	3.4	0.6	0.0	7.5%	9.0	1.9	1.8	12.8%
2037	3.4	0.6	0.0	7.4%	9.0	1.9	1.7	12.8%
2038	3.4	0.6	0.0	7.4%	9.0	1.9	1.7	12.8%
2039	3.4	0.6	0.0	7.4%	9.0	1.9	1.7	12.7%
2040	3.4	0.6	0.0	7.4%	8.9	1.9	1.7	12.7%
2041	3.4	0.6	0.0	7.4%	8.9	1.9	1.7	12.7%
2042	3.4	0.6	0.0	7.4%	8.9	1.9	1.7	12.7%
2043	3.4	0.6	0.0	7.4%	8.9	1.9	1.7	12.7%
2044	3.4	0.6	0.0	7.4%	8.9	1.9	1.7	12.7%
2045	3.4	0.6	0.0	7.4%	8.9	1.9	1.7	12.7%
2046	3.4	0.6	0.0	7.4%	8.9	1.9	1.7	12.7%
2047	3.4	0.6	0.0	7.4%	8.9	1.9	1.7	12.7%
2048	3.4	0.6	0.0	7.4%	8.9	1.9	1.7	12.6%

Salemtowne Expansion -- Open Group Projection 2018

Fiscal Year Ending 3/31	Number of Days In Each Level of Care							
	Independent Living Unit Days	Assisted Living Unit			Skilled Nursing Facility			
		Permanent Days		Temporary Contract Days	Permanent Days		Temporary Days	
		Contract Residents	2nd Person Subset		Contract Residents	2nd Person Subset	Contract Residents	Direct Admit Residents
2019	0	0	1,644	0	0	1,278	0	0
2020	44	0	0	0	1	0	1	0
2021	6,260	36	12	0	79	33	192	0
2022	17,394	173	57	0	382	152	380	0
2023	23,366	401	126	0	895	342	464	0
2024	24,184	638	191	0	1,451	527	509	0
2025	23,821	833	235	0	1,937	665	549	0
2026	23,511	979	258	0	2,327	753	585	0
2027	23,266	1,082	267	0	2,622	797	610	0
2028	23,085	1,153	267	0	2,837	808	623	0
2029	22,962	1,202	261	0	2,994	800	631	0
2030	22,886	1,235	254	0	3,108	782	637	0
2031	22,847	1,255	247	0	3,185	759	641	0
2032	22,836	1,265	240	0	3,234	738	643	0
2033	22,842	1,269	235	0	3,265	721	643	0
2034	22,857	1,268	232	0	3,284	709	643	0
2035	22,875	1,264	230	0	3,294	702	641	0
2036	22,892	1,258	229	0	3,296	699	639	0
2037	22,906	1,253	229	0	3,292	698	638	0
2038	22,917	1,247	229	0	3,284	699	636	0
2039	22,923	1,243	230	0	3,276	700	635	0
2040	22,927	1,240	230	0	3,269	702	635	0
2041	22,928	1,239	231	0	3,263	703	634	0
2042	22,928	1,237	231	0	3,258	704	634	0
2043	22,927	1,237	231	0	3,254	704	634	0
2044	22,926	1,237	231	0	3,252	704	634	0
2045	22,925	1,237	231	0	3,251	704	634	0
2046	22,924	1,236	231	0	3,250	703	634	0
2047	22,924	1,236	231	0	3,249	703	634	0
2048	22,925	1,236	230	0	3,247	702	633	0

Salemtowne Expansion -- Open Group Projection 2018

Fiscal Year Ending 3/31	Average Age of Residents at the End of the Year									
	Independent Living Unit		Assisted Living Unit				Skilled Nursing Facility			
			Contract Residents		Direct Admit Residents		Contract Residents		Direct Admit Residents	
	Males	Females	Males	Females	Males	Females	Males	Females	Males	Females
2019	N/A	N/A	#DIV/0!	#DIV/0!	0.00	0.00	#DIV/0!	#DIV/0!	0.00	0.00
2020	82.83	82.56	83.31	84.12	N/A	N/A	83.41	83.43	N/A	N/A
2021	82.83	82.56	83.32	84.13	N/A	N/A	83.43	83.44	N/A	N/A
2022	83.28	83.02	84.07	84.78	N/A	N/A	84.24	84.17	N/A	N/A
2023	83.94	83.69	84.78	85.41	N/A	N/A	85.03	84.92	N/A	N/A
2024	84.63	84.40	85.52	86.05	N/A	N/A	85.82	85.71	N/A	N/A
2025	85.18	85.00	86.26	86.67	N/A	N/A	86.55	86.48	N/A	N/A
2026	85.60	85.49	86.96	87.24	N/A	N/A	87.20	87.20	N/A	N/A
2027	85.89	85.88	87.59	87.77	N/A	N/A	87.75	87.86	N/A	N/A
2028	86.07	86.18	88.13	88.25	N/A	N/A	88.23	88.44	N/A	N/A
2029	86.16	86.40	88.56	88.68	N/A	N/A	88.63	88.97	N/A	N/A
2030	86.17	86.55	88.89	89.04	N/A	N/A	88.95	89.41	N/A	N/A
2031	86.14	86.65	89.12	89.34	N/A	N/A	89.19	89.79	N/A	N/A
2032	86.09	86.70	89.26	89.57	N/A	N/A	89.35	90.09	N/A	N/A
2033	86.04	86.72	89.33	89.75	N/A	N/A	89.44	90.33	N/A	N/A
2034	85.99	86.72	89.34	89.88	N/A	N/A	89.48	90.52	N/A	N/A
2035	85.95	86.71	89.31	89.95	N/A	N/A	89.48	90.66	N/A	N/A
2036	85.92	86.69	89.27	89.99	N/A	N/A	89.46	90.76	N/A	N/A
2037	85.90	86.67	89.21	89.99	N/A	N/A	89.43	90.81	N/A	N/A
2038	85.88	86.65	89.16	89.98	N/A	N/A	89.40	90.84	N/A	N/A
2039	85.88	86.63	89.12	89.95	N/A	N/A	89.37	90.84	N/A	N/A
2040	85.87	86.61	89.09	89.92	N/A	N/A	89.35	90.83	N/A	N/A
2041	85.87	86.60	89.07	89.90	N/A	N/A	89.33	90.81	N/A	N/A
2042	85.87	86.59	89.07	89.88	N/A	N/A	89.32	90.79	N/A	N/A
2043	85.87	86.58	89.06	89.86	N/A	N/A	89.31	90.77	N/A	N/A
2044	85.87	86.58	89.06	89.85	N/A	N/A	89.31	90.76	N/A	N/A
2045	85.86	86.57	89.06	89.84	N/A	N/A	89.31	90.75	N/A	N/A
2046	85.86	86.57	89.06	89.84	N/A	N/A	89.31	90.74	N/A	N/A
2047	85.85	86.56	89.06	89.84	N/A	N/A	89.30	90.73	N/A	N/A
2048	85.84	86.55	89.06	89.83	N/A	N/A	89.30	90.72	N/A	N/A

Salemtowne Expansion -- Open Group Projection 2018

Fiscal Year Ending 3/31	Summary of the Independent Living Unit Population Movements						
	Beginning Number of Residents	New Entrants	Deaths	With- drawals	Permanent Transfers to Assisted Living Unit	Permanent Transfers to Skilled Nursing Facility	Ending Number of Permanent Residents
2019	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2020	0.0	5.9	0.0	0.0	0.0	0.0	5.8
2021	5.8	48.9	0.5	0.5	0.2	0.5	53.0
2022	53.0	19.7	1.6	1.1	0.7	1.4	67.8
2023	67.8	6.1	2.4	1.4	1.1	2.2	66.7
2024	66.7	7.0	2.7	1.4	1.4	2.6	65.7
2025	65.7	7.6	2.9	1.2	1.6	2.9	64.8
2026	64.8	8.2	3.0	1.1	1.8	3.2	64.0
2027	64.0	8.7	3.0	1.0	1.9	3.3	63.4
2028	63.4	9.1	3.0	1.0	2.0	3.4	63.0
2029	63.0	9.4	3.0	1.0	2.0	3.5	62.7
2030	62.7	9.6	3.1	1.0	2.1	3.6	62.6
2031	62.6	9.8	3.1	1.0	2.1	3.6	62.5
2032	62.5	9.9	3.1	1.0	2.1	3.7	62.5
2033	62.5	10.0	3.1	1.1	2.1	3.7	62.6
2034	62.6	10.0	3.1	1.1	2.1	3.7	62.6
2035	62.6	10.0	3.1	1.1	2.1	3.7	62.7
2036	62.7	10.0	3.1	1.1	2.1	3.7	62.7
2037	62.7	10.0	3.1	1.1	2.1	3.7	62.7
2038	62.7	10.0	3.1	1.1	2.1	3.7	62.8
2039	62.8	10.0	3.1	1.1	2.1	3.7	62.8
2040	62.8	9.9	3.1	1.1	2.1	3.7	62.8
2041	62.8	9.9	3.1	1.1	2.1	3.7	62.8
2042	62.8	9.9	3.1	1.1	2.1	3.7	62.8
2043	62.8	9.9	3.1	1.1	2.1	3.7	62.8
2044	62.8	9.9	3.1	1.1	2.1	3.7	62.8
2045	62.8	9.9	3.1	1.1	2.1	3.7	62.8
2046	62.8	9.9	3.1	1.1	2.1	3.7	62.8
2047	62.8	9.9	3.1	1.1	2.1	3.7	62.8
2048	62.8	9.9	3.1	1.1	2.1	3.7	62.8

Salemtowne Expansion -- Open Group Projection 2018

Fiscal Year Ending 3/31	Summary of the Contract Assisted Living Unit Population Movements				
	Beginning Number of Residents	Permanent Transfers from Independent Living	Deaths	Permanent Transfers to Skilled Nursing Facility	Ending Number of Permanent Residents
2019	0.0	0.0	0.0	0.0	0.0
2020	0.0	0.0	0.0	0.0	0.0
2021	0.0	0.2	0.0	0.0	0.2
2022	0.2	0.7	0.0	0.1	0.8
2023	0.8	1.1	0.1	0.3	1.4
2024	1.4	1.4	0.2	0.5	2.1
2025	2.1	1.6	0.4	0.7	2.5
2026	2.5	1.8	0.5	1.0	2.8
2027	2.8	1.9	0.5	1.1	3.1
2028	3.1	2.0	0.6	1.2	3.2
2029	3.2	2.0	0.6	1.3	3.3
2030	3.3	2.1	0.7	1.4	3.4
2031	3.4	2.1	0.7	1.4	3.5
2032	3.5	2.1	0.7	1.4	3.5
2033	3.5	2.1	0.7	1.4	3.5
2034	3.5	2.1	0.7	1.4	3.5
2035	3.5	2.1	0.7	1.4	3.5
2036	3.5	2.1	0.7	1.4	3.4
2037	3.4	2.1	0.7	1.4	3.4
2038	3.4	2.1	0.7	1.4	3.4
2039	3.4	2.1	0.7	1.4	3.4
2040	3.4	2.1	0.7	1.4	3.4
2041	3.4	2.1	0.7	1.4	3.4
2042	3.4	2.1	0.7	1.4	3.4
2043	3.4	2.1	0.7	1.4	3.4
2044	3.4	2.1	0.7	1.4	3.4
2045	3.4	2.1	0.7	1.4	3.4
2046	3.4	2.1	0.7	1.4	3.4
2047	3.4	2.1	0.7	1.4	3.4
2048	3.4	2.1	0.7	1.4	3.4

Salemtowne Expansion -- Open Group Projection 2018

Fiscal Year Ending 3/31	Summary of the Contract Skilled Nursing Facility Population Movements				
	Beginning Number of Residents	Permanent Transfers from Independent Living	Permanent Transfers from Assisted Living	Deaths	Ending Number of Permanent Residents
2019	0.0	0.0	0.0	0.0	0.0
2020	0.0	0.0	0.0	0.0	0.0
2021	0.0	0.5	0.0	0.0	0.4
2022	0.4	1.4	0.1	0.3	1.7
2023	1.7	2.2	0.3	0.9	3.2
2024	3.2	2.6	0.5	1.7	4.7
2025	4.7	2.9	0.7	2.5	5.9
2026	5.9	3.2	1.0	3.2	6.8
2027	6.8	3.3	1.1	3.8	7.5
2028	7.5	3.4	1.2	4.2	8.0
2029	8.0	3.5	1.3	4.5	8.4
2030	8.4	3.6	1.4	4.7	8.6
2031	8.6	3.6	1.4	4.8	8.8
2032	8.8	3.7	1.4	5.0	8.9
2033	8.9	3.7	1.4	5.0	9.0
2034	9.0	3.7	1.4	5.1	9.0
2035	9.0	3.7	1.4	5.1	9.0
2036	9.0	3.7	1.4	5.1	9.0
2037	9.0	3.7	1.4	5.1	9.0
2038	9.0	3.7	1.4	5.1	9.0
2039	9.0	3.7	1.4	5.1	9.0
2040	9.0	3.7	1.4	5.1	8.9
2041	8.9	3.7	1.4	5.1	8.9
2042	8.9	3.7	1.4	5.1	8.9
2043	8.9	3.7	1.4	5.1	8.9
2044	8.9	3.7	1.4	5.1	8.9
2045	8.9	3.7	1.4	5.1	8.9
2046	8.9	3.7	1.4	5.1	8.9
2047	8.9	3.7	1.4	5.1	8.9
2048	8.9	3.7	1.4	5.1	8.9

Appendix C

Entrance Fees Received and Refunded As of March 31, 2018

Salemtowne Existing
Entrance Fee Details

<u>SUMMARY: Traditional 0% Contracts</u>							
FYE	Number of	Amount of	Average	Number of	Amount of	Net	Cumulative Net
<u>3/31</u>	<u>Entrance Fees</u>	<u>Entrance Fees</u>	<u>Entrance Fee</u>	<u>Entrance Fees</u>	<u>Entrance Fees</u>	<u>Entrance Fees</u>	<u>Entrance Fees</u>
	<u>Received</u>	<u>Received</u>	<u>Received</u>	<u>Refunded</u>	<u>Refunded</u>		
2019	22.35	3,971,606	177,724	19.60	378,978	3,592,628	3,592,628
2020	20.38	3,730,002	183,056	18.63	193,696	3,536,306	7,128,934
2021	20.86	3,932,949	188,548	18.47	274,669	3,658,280	10,787,215
2022	20.80	4,039,075	194,204	18.65	306,297	3,732,778	14,519,993
2023	20.43	4,085,922	200,030	18.98	312,853	3,773,069	18,293,062
2024	20.06	4,133,805	206,031	19.17	318,804	3,815,000	22,108,062
2025	19.89	4,221,917	212,212	19.51	323,634	3,898,283	26,006,345
2026	19.90	4,350,262	218,578	19.88	330,063	4,020,198	30,026,544
2027	20.04	4,511,109	225,136	20.27	339,198	4,171,911	34,198,455
2028	20.25	4,694,998	231,890	20.64	350,897	4,344,101	38,542,556
2029	20.49	4,893,430	238,846	20.97	364,542	4,528,888	43,071,444
2030	20.74	5,102,888	246,012	21.24	379,552	4,723,336	47,794,780
2031	20.96	5,311,196	253,392	21.48	395,328	4,915,867	52,710,647
2032	21.13	5,516,100	260,994	21.68	411,328	5,104,772	57,815,419
2033	21.24	5,709,881	268,824	21.80	427,046	5,282,835	63,098,254
2034	21.30	5,898,035	276,889	21.84	442,228	5,455,807	68,554,060
2035	21.32	6,081,743	285,195	21.84	456,884	5,624,859	74,178,920
2036	21.32	6,262,689	293,751	21.80	471,142	5,791,547	79,970,467
2037	21.27	6,434,982	302,564	21.72	485,001	5,949,981	85,920,448
2038	21.22	6,613,674	311,640	21.62	498,629	6,115,045	92,035,493

Salemtowne Existing
Entrance Fee Details

<u>SUMMARY: 90% Refundable Contracts</u>							
FYE	Number of	Amount of	Average	Number of	Amount of	Net	Cumulative Net
<u>3/31</u>	<u>Entrance Fees</u>	<u>Entrance Fees</u>	<u>Entrance Fee</u>	<u>Entrance Fees</u>	<u>Entrance Fees</u>	<u>Entrance Fees</u>	<u>Entrance Fees</u>
	<u>Received</u>	<u>Received</u>	<u>Received</u>	<u>Refunded</u>	<u>Refunded</u>		
2019	0.97	302,187	311,017	0.85	205,536	96,651	96,651
2020	0.89	283,805	320,348	0.81	202,018	81,787	178,438
2021	0.91	299,246	329,958	0.80	206,937	92,310	270,748
2022	0.90	307,321	339,857	0.81	215,406	91,915	362,663
2023	0.89	310,885	350,053	0.83	225,347	85,539	448,202
2024	0.87	314,529	360,554	0.83	233,696	80,833	529,034
2025	0.86	321,233	371,371	0.85	243,966	77,267	606,301
2026	0.87	330,998	382,512	0.86	254,858	76,140	682,441
2027	0.87	343,237	393,988	0.88	266,317	76,920	759,360
2028	0.88	357,228	405,807	0.90	277,916	79,312	838,673
2029	0.89	372,326	417,981	0.91	289,576	82,750	921,423
2030	0.90	388,263	430,521	0.92	301,014	87,250	1,008,673
2031	0.91	404,113	443,436	0.93	312,380	91,733	1,100,406
2032	0.92	419,703	456,739	0.94	323,614	96,089	1,196,495
2033	0.92	434,447	470,442	0.95	334,424	100,023	1,296,518
2034	0.93	448,764	484,555	0.95	344,603	104,160	1,400,678
2035	0.93	462,741	499,092	0.95	354,730	108,011	1,508,689
2036	0.93	476,509	514,064	0.95	364,837	111,672	1,620,361
2037	0.92	489,618	529,486	0.94	374,774	114,844	1,735,205
2038	0.92	503,214	545,371	0.94	384,756	118,458	1,853,663

Salemtowne Existing
Entrance Fee Details

<u>SUMMARY: 50% Refundable Contracts</u>							
FYE	Number of	Amount of	Average	Number of	Amount of	Net	Cumulative Net
<u>3/31</u>	<u>Entrance Fees</u>	<u>Entrance Fees</u>	<u>Entrance Fee</u>	<u>Entrance Fees</u>	<u>Entrance Fees</u>	<u>Entrance Fees</u>	<u>Entrance Fees</u>
	<u>Received</u>	<u>Received</u>	<u>Received</u>	<u>Refunded</u>	<u>Refunded</u>		
2019	0.97	284,920	293,245	0.85	110,026	174,893	174,893
2020	0.89	267,587	302,042	0.81	109,619	157,968	332,861
2021	0.91	282,146	311,104	0.80	112,219	169,927	502,788
2022	0.90	289,760	320,437	0.81	116,798	172,961	675,750
2023	0.89	293,121	330,050	0.83	122,074	171,046	846,796
2024	0.87	296,556	339,951	0.83	126,494	170,062	1,016,858
2025	0.86	302,877	350,150	0.85	131,944	170,933	1,187,791
2026	0.87	312,084	360,654	0.86	137,759	174,325	1,362,115
2027	0.87	323,623	371,474	0.88	143,907	179,716	1,541,832
2028	0.88	336,815	382,618	0.90	150,154	186,661	1,728,493
2029	0.89	351,050	394,097	0.91	156,451	194,599	1,923,092
2030	0.90	366,077	405,920	0.92	162,644	203,433	2,126,525
2031	0.91	381,021	418,097	0.93	168,803	212,218	2,338,742
2032	0.92	395,720	430,640	0.94	174,891	220,830	2,559,572
2033	0.92	409,622	443,559	0.95	180,748	228,874	2,788,446
2034	0.93	423,120	456,866	0.95	186,266	236,854	3,025,300
2035	0.93	436,299	470,572	0.95	191,753	244,546	3,269,847
2036	0.93	449,280	484,689	0.95	197,225	252,055	3,521,902
2037	0.92	461,640	499,230	0.94	202,602	259,038	3,780,940
2038	0.92	474,459	514,207	0.94	208,003	266,456	4,047,396

Salemtowne Existing
Entrance Fee Details

<u>SUMMARY: Total</u>							
FYE	Number of Entrance Fees	Amount of Entrance Fees	Average Entrance Fee	Number of Entrance Fees	Amount of Entrance Fees	Net Entrance Fees	Cumulative Net Entrance Fees
<u>3/31</u>	<u>Received</u>	<u>Received</u>	<u>Received</u>	<u>Refunded</u>	<u>Refunded</u>		
2019	24.29	4,558,713	187,677	21.30	694,540	3,864,172	3,864,172
2020	22.15	4,281,394	193,307	20.25	505,333	3,776,061	7,640,233
2021	22.67	4,514,341	199,106	20.08	593,824	3,920,517	11,560,750
2022	22.61	4,636,155	205,079	20.27	638,500	3,997,655	15,558,405
2023	22.20	4,689,928	211,232	20.63	660,274	4,029,654	19,588,059
2024	21.81	4,744,889	217,569	20.83	678,994	4,065,895	23,653,954
2025	21.62	4,846,027	224,096	21.21	699,544	4,146,483	27,800,437
2026	21.63	4,993,344	230,819	21.61	722,681	4,270,663	32,071,100
2027	21.78	5,177,968	237,743	22.04	749,421	4,428,547	36,499,647
2028	22.01	5,389,042	244,876	22.43	778,967	4,610,075	41,109,721
2029	22.27	5,616,807	252,222	22.79	810,569	4,806,238	45,915,959
2030	22.55	5,857,228	259,789	23.09	843,210	5,014,018	50,929,977
2031	22.78	6,096,329	267,582	23.35	876,511	5,219,818	56,149,795
2032	22.97	6,331,523	275,610	23.56	909,833	5,421,691	61,571,486
2033	23.09	6,553,950	283,878	23.70	942,218	5,611,732	67,183,218
2034	23.15	6,769,918	292,394	23.74	973,098	5,796,821	72,980,038
2035	23.18	6,980,783	301,166	23.74	1,003,366	5,977,417	78,957,455
2036	23.17	7,188,478	310,201	23.70	1,033,204	6,155,274	85,112,730
2037	23.12	7,386,240	319,507	23.61	1,062,376	6,323,864	91,436,593

Salemtowne Expansion Project
Entrance Fee Details

<u>SUMMARY: Traditional 0% Contracts</u>							
FYE	Number of Entrance Fees	Amount of Entrance Fees	Average Entrance Fee	Number of Entrance Fees	Amount of Entrance Fees	Net	Cumulative Net
<u>3/31</u>	<u>Received</u>	<u>Received</u>	<u>Received</u>	<u>Refunded</u>	<u>Refunded</u>	<u>Entrance Fees</u>	<u>Entrance Fees</u>
2020	4.15	1,155,732	278,692	0.11	11,723	1,144,009	1,144,009
2021	34.57	9,940,575	287,533	1.01	100,165	9,840,410	10,984,419
2022	13.97	4,182,883	299,475	2.29	179,964	4,002,919	14,987,338
2023	4.29	1,387,049	323,384	3.15	174,470	1,212,579	16,199,917
2024	4.95	1,650,035	333,086	3.82	117,075	1,532,960	17,732,877
2025	5.41	1,855,225	343,078	4.44	73,087	1,782,138	19,515,014
2026	5.80	2,050,584	353,371	5.03	64,413	1,986,172	21,501,186
2027	6.13	2,231,664	363,972	5.51	69,032	2,162,632	23,663,817
2028	6.41	2,401,190	374,891	5.91	75,001	2,326,189	25,990,006
2029	6.63	2,561,489	386,138	6.25	80,588	2,480,901	28,470,907
2030	6.81	2,707,793	397,722	6.52	85,778	2,622,014	31,092,922
2031	6.93	2,840,009	409,654	6.73	90,539	2,749,470	33,842,391
2032	7.02	2,961,341	421,943	6.89	94,878	2,866,463	36,708,854
2033	7.07	3,072,234	434,602	6.99	98,836	2,973,398	39,682,252
2034	7.09	3,175,575	447,640	7.06	102,478	3,073,098	42,755,350
2035	7.10	3,273,930	461,069	7.09	105,878	3,168,052	45,923,402
2036	7.09	3,368,244	474,901	7.11	109,101	3,259,143	49,182,545
2037	7.08	3,461,207	489,148	7.11	112,218	3,348,989	52,531,533
2038	7.06	3,556,507	503,822	7.09	115,314	3,441,193	55,972,726

Salemtowne Expansion Project
Entrance Fee Details

<u>SUMMARY: 90% Refundable Contracts</u>							
FYE	Number of Entrance Fees	Amount of Entrance Fees	Average Entrance Fee	Number of Entrance Fees	Amount of Entrance Fees	Net Entrance Fees	Cumulative Net Entrance Fees
<u>3/31</u>	<u>Received</u>	<u>Received</u>	<u>Received</u>	<u>Refunded</u>	<u>Refunded</u>		
2020	0.18	90,446	501,630	0.00	1,269	89,176	89,176
2021	1.50	777,935	517,544	0.04	11,550	766,385	855,561
2022	0.61	327,346	539,039	0.10	26,100	301,246	1,156,808
2023	0.19	108,548	582,075	0.14	36,107	72,442	1,229,249
2024	0.22	129,129	599,537	0.17	44,031	85,099	1,314,348
2025	0.24	145,187	617,523	0.19	51,719	93,468	1,407,816
2026	0.25	160,476	636,049	0.22	59,386	101,090	1,508,906
2027	0.27	174,647	655,130	0.24	66,342	108,305	1,617,211
2028	0.28	187,914	674,784	0.26	72,604	115,310	1,732,521
2029	0.29	200,458	695,028	0.27	78,289	122,169	1,854,690
2030	0.30	211,908	715,878	0.28	83,466	128,441	1,983,132
2031	0.30	222,255	737,355	0.29	88,116	134,139	2,117,271
2032	0.31	231,750	759,475	0.30	92,247	139,503	2,256,774
2033	0.31	240,429	782,260	0.30	95,938	144,491	2,401,265
2034	0.31	248,516	805,727	0.31	99,276	149,240	2,550,505
2035	0.31	256,213	829,899	0.31	102,465	153,748	2,704,253
2036	0.31	263,594	854,796	0.31	105,554	158,039	2,862,293
2037	0.31	270,869	880,440	0.31	108,482	162,387	3,024,680
2038	0.31	278,327	906,853	0.31	111,423	166,904	3,191,584

Salemtowne Expansion Project
Entrance Fee Details

<u>SUMMARY: 50% Refundable Contracts</u>							
FYE	Number of Entrance Fees	Amount of Entrance Fees	Average Entrance Fee	Number of Entrance Fees	Amount of Entrance Fees	Net	Cumulative Net
<u>3/31</u>	<u>Received</u>	<u>Received</u>	<u>Received</u>	<u>Refunded</u>	<u>Refunded</u>	<u>Entrance Fees</u>	<u>Entrance Fees</u>
2020	0.18	82,911	459,841	0.00	1,118	81,793	81,793
2021	1.50	713,128	474,429	0.04	9,553	703,575	785,369
2022	0.61	300,076	494,134	0.10	17,561	282,516	1,067,884
2023	0.19	99,506	533,584	0.14	20,795	78,711	1,146,595
2024	0.22	118,372	549,592	0.17	24,107	94,265	1,240,860
2025	0.24	133,092	566,079	0.19	28,118	104,975	1,345,835
2026	0.25	147,107	583,062	0.22	32,243	114,865	1,460,699
2027	0.27	160,098	600,554	0.24	35,987	124,110	1,584,810
2028	0.28	172,259	618,570	0.26	39,362	132,897	1,717,707
2029	0.29	183,759	637,127	0.27	42,429	141,330	1,859,037
2030	0.30	194,255	656,241	0.28	45,223	149,032	2,008,070
2031	0.30	203,740	675,928	0.29	47,732	156,008	2,164,078
2032	0.31	212,444	696,206	0.30	49,963	162,481	2,326,559
2033	0.31	220,399	717,093	0.30	51,958	168,441	2,495,000
2034	0.31	227,813	738,605	0.31	53,764	174,049	2,669,048
2035	0.31	234,869	760,763	0.31	55,489	179,380	2,848,428
2036	0.31	241,635	783,586	0.31	57,160	184,475	3,032,903
2037	0.31	248,304	807,094	0.31	58,744	189,560	3,222,463
2038	0.31	255,141	831,307	0.31	60,338	194,803	3,417,266

Salemtowne Expansion Project
Entrance Fee Details

<u>SUMMARY: Total</u>							
<u>FYE</u> <u>3/31</u>	<u>Number of</u> <u>Entrance Fees</u> <u>Received</u>	<u>Amount of</u> <u>Entrance Fees</u> <u>Received</u>	<u>Average</u> <u>Entrance Fee</u> <u>Received</u>	<u>Number of</u> <u>Entrance Fees</u> <u>Refunded</u>	<u>Amount of</u> <u>Entrance Fees</u> <u>Refunded</u>	<u>Net</u> <u>Entrance Fees</u>	<u>Cumulative Net</u> <u>Entrance Fees</u>
0% Replacements	0.01	2,069	295,943				
0% 1st Gen	4.14	1,153,662	278,662				
90% Replacements	0.00	162	532,681				
90% 1st Gen	0.18	90,284	501,578				
50% Replacements	0.00	148	488,305				
<u>50% 1st Gen</u>	<u>0.18</u>	<u>82,763</u>	<u>459,793</u>				
2020	4.51	1,329,089	294,855	0.12	14,110	1,314,979	1,314,979
0% Replacements	0.99	302,367	304,821				
0% 1st Gen	33.58	9,638,208	287,022				
90% Replacements	0.04	23,663	548,661				
90% 1st Gen	1.46	754,272	516,625				
50% Replacements	0.04	21,692	502,954				
<u>50% 1st Gen</u>	<u>1.46</u>	<u>691,437</u>	<u>473,587</u>				
2021	37.58	11,431,638	304,209	1.10	121,268	11,310,370	12,625,349
0% Replacements	2.93	919,095	313,965				
0% 1st Gen	11.04	3,263,788	295,633				
90% Replacements	0.13	71,927	565,121				
90% 1st Gen	0.48	255,419	532,124				
50% Replacements	0.13	65,935	518,043				
<u>50% 1st Gen</u>	<u>0.48</u>	<u>234,141</u>	<u>487,794</u>				
2022	15.18	4,810,306	316,844	2.49	223,625	4,586,681	17,212,029
2023	4.66	1,595,103	342,140	3.43	231,372	1,363,731	18,575,761
2024	5.38	1,897,536	352,404	4.15	185,213	1,712,324	20,288,085
2025	5.88	2,133,505	362,976	4.83	152,924	1,980,580	22,268,665
2026	6.31	2,358,167	373,866	5.46	156,041	2,202,126	24,470,791
2027	6.66	2,566,408	385,082	5.99	171,361	2,395,047	26,865,838
2028	6.96	2,761,363	396,634	6.43	186,966	2,574,397	29,440,235
2029	7.21	2,945,707	408,533	6.79	201,306	2,744,400	32,184,635
2030	7.40	3,113,955	420,789	7.09	214,467	2,899,488	35,084,123
2031	7.54	3,266,004	433,413	7.32	226,387	3,039,617	38,123,740
2032	7.63	3,405,536	446,415	7.49	237,088	3,168,447	41,292,188
2033	7.68	3,533,062	459,808	7.60	246,732	3,286,330	44,578,517
2034	7.71	3,651,904	473,602	7.67	255,518	3,396,387	47,974,904
2035	7.72	3,765,011	487,810	7.71	263,832	3,501,180	51,476,084
2036	7.71	3,873,472	502,444	7.73	271,815	3,601,657	55,077,741
2037	7.69	3,980,380	517,517	7.72	279,445	3,700,936	58,778,676
2038	7.67	4,089,975	533,043	7.71	287,075	3,802,900	62,581,576



Appendix B1

Residence and Services Agreement – Direct Entry to Independent Living



Independent Living Residence and Services Agreement

(With continuing care in the Assisted Living and Health Care Centers)

Resident(s): _____

Living Accommodation: _____

1000 Salemtowne Drive · Winston-Salem, NC 27106 · 336-767-8130 · Fax 336-767-4090 · www.salemtowne.org

INDEPENDENT LIVING RESIDENCE AND SERVICES AGREEMENT

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INDEPENDENT LIVING RESIDENCE AND SERVICES AGREEMENT

This Agreement (the "Agreement") is made this *(date of occupancy)* _____ day of _____, _____ by and between MORAVIAN HOME, INCORPORATED d/b/a SALEMTOWNE, a North Carolina nonprofit corporation (hereinafter the "Corporation", "Salemtowne", "we", us" or "our") and _____ (hereinafter "Resident", "you", "your" or when two persons "Resident", "you" or "your" shall apply to both persons, except where the context otherwise requires).

WHEREAS, the Corporation is a continuing care retirement community located at 1000 Salemtowne Drive in Winston Salem, North Carolina, known as "Salemtowne"; and

WHEREAS, you desire to become a Resident of Salemtowne and to use and enjoy the facilities, programs and services provided by the Corporation subject to the terms and conditions of this Agreement;

NOW, THEREFORE, you and the Corporation agree as follows:

I. ACCOMMODATIONS AND SERVICES

Subject to the terms and conditions set forth in this Agreement, we agree to provide you the Living Accommodation, services and programs at Salemtowne described as follows:

A. **Living Accommodation.** Unit number *(address)* _____, a(n) *(cottage or apartment type of Living Accommodation)* _____ (as described in materials presented to you and as shown to you during a physical tour), located at *(name of village or building)* _____ in Salemtowne (hereinafter referred to as the "Living Accommodation"). You have the exclusive right to occupy and use the Living Accommodation subject to the terms and conditions set forth in this Agreement and applicable state and federal laws. You, with the prior written consent of the Corporation and subject to the terms and conditions of this Agreement, may from time to time transfer from one Living Accommodation in Salemtowne to another. Transfer charges may apply. In the event of such a transfer, the reference to the "Living Accommodation" designated above shall be automatically amended to reflect such a transfer.

B. **Security.** We will use reasonable care in providing security on the premises of Salemtowne. We will furnish an emergency call system that is monitored twenty-four (24) hours a day. Smoke detectors are provided in all Living Accommodations. We are not responsible for theft, loss or damage to your personal property. You are responsible for securing your Living Accommodation.

Initials _____
Corporation Resident(s)

- C. **Utilities.** We will furnish ordinary electricity, heating, air conditioning, water, sewer, gas, basic cable television service and trash removal. You are responsible for any telephone and internet installation charges and the cost of telephone and internet services.
- D. **Furnishings and Appliances.** The Corporation will provide furnishings and appliances in the Living Accommodation as described in the literature published by the Corporation regarding Salemtowne. All other furniture and furnishings for the Living Accommodation shall be provided by the Resident and shall be maintained by you at your risk.
- E. **Dining.** You will have access to three (3) nutritionally well-balanced meals each day. These meals, as well as any dining plans, are offered by the Corporation in accordance with the Corporation's policies and procedures, which may be changed and amended by the Corporation.

Delivery service and meals containing substitute or special diets will be provided when approved by the Corporation. An extra charge may be made for special diets, dietary supplements and for delivery service.

- F. **Housekeeping Services.** We agree to maintain the Living Accommodation by providing weekly housekeeping and trash removal for Independent Living and Assisted Living Residents. Housekeeping includes vacuuming, dusting, cleaning of baths and kitchen and changing of bed and bath linens, and trash removal. Daily services will be provided in the Health Care Center and Westerly Place Memory Care Support Assisted Living Center ("Westerly Place"). Additional housekeeping services may be made available at your expense.
- G. **Laundry.** Laundry facilities will be provided free of charge for personal laundry. You are responsible for arranging and paying for dry cleaning services.

Bed and bath linens and linen laundry service (washing, drying and folding) will be provided for Residents in Bahnson Hall and Vogler Building apartments, the Assisted Living Center, Westerly Place and the Health Care Center. The costs of these services are included in the Monthly/Daily Fees.

Salemtowne is not responsible for loss or damage to personal items laundered by Salemtowne.

- H. **Maintenance and Repairs.** We will maintain and keep in repair the improvements, furnishings, appliances, and equipment owned by the Corporation. Maintenance and repair of your personal property is your responsibility. You will be responsible for the cost of repairing any damage to property of the Corporation caused by your negligence or intentional acts and/or the negligence or intentional acts of any guest of yours, ordinary wear and tear excepted.
- I. **Alterations to Living Accommodation.** Any structural or physical change or redecoration of any kind within the Living Accommodation will require the prior approval of the Corporation. The cost of any change, repairs or maintenance for that change and the subsequent cost to return the Living Accommodation to its original condition in the event of such change, or redecoration, will be paid by you. Any such improvement or change will

be owned by the Corporation and will not be considered in determining the amount of any refund to you upon termination of this Agreement.

- J. Use of and Changes to Living Accommodation.** The Corporation has the right to change the Living Accommodation to meet requirements of any applicable statutes, laws, or regulations. The Living Accommodation may not be used in any manner in violation of any zoning ordinances or other governmental laws or regulations.
- K. Groundskeeping.** We will furnish basic groundskeeping service for the grounds of Salemtowne, including lawn, tree and shrubbery care. Subject to approval by the Corporation, you may plant and maintain certain areas designated for such purpose by the Corporation. The cost of these plantings and maintenance of such plantings will be at your expense.
- L. Parking.** The Corporation will provide one (1) unassigned parking area for your personal vehicle and limited parking for guests.
- M. Mail.** Mail will be delivered by the postal service to Salemtowne. The postal service delivers mail directly to the central mail areas for independent Living Accommodations. Salemtowne staff deliver mail directly to Assisted Living Center, Westerly Place and the Health Care Center.
- Package deliveries vary by carrier. If a carrier does not deliver packages directly to the Resident's Living Accommodation, Salemtowne staff will notify the Resident so that the package can be picked up from a central location. Salemtowne staff will deliver packages directly to Assisted Living Center, Westerly Place, and Health Care Center Residents.
- N. Storage.** Additional storage space is provided on a "first come first serve" basis for some independent living apartment building Living Accommodations. Additional charges may be incurred for storage. Additional storage space is not provided for cottages, Bahnson Hall, the Assisted Living Center or Health Care Center Living Accommodations.
- O. Common Facilities.** We will provide common facilities for the use and/or benefit of all Residents, so long as there are no contraindications identified by a Resident's physician, physician assistant or nurse practitioner. Such common facilities currently include an enclosed swimming pool and exercise facility, dining rooms, mailroom, multi-purpose rooms, library, computer area, game/television area, lounges, and sitting areas.
- P. Transportation.** We will provide local transportation for scheduled medical appointments Monday through Friday between 9:00 a.m. and 4:30 p.m. except holidays. Forty-eight (48) hours' notice is required. Additional charges will be incurred for appointments exceeding four (4) per month and those appointments outside of normal service hours noted above. Additional charges will be incurred for Residents who require staff accompaniment.

We will provide local transportation for Residents as part of the Activity program for the following: weekly shopping, scheduled meal outings, day trips, and other special events. An additional charge may be made for transportation for special, personal or group trips.

- Q. Activities.** Physical, social, intellectual and spiritual activities will be available to Residents. Additional charges may be incurred for some programs.
- R. Other Services Available.** Residents engaging third parties for services within Salemtowne may do so only with prior notification and authorization by Salemtowne (i.e., companions, private duty nurses, maintenance workers, etc.). This is not an all-inclusive listing of services you may request or utilize. With respect to services not listed, consult schedule of charges or the Finance Office.
- S. Limitation to Services.** You hereby acknowledge and agree that the Corporation is prohibited by law from furnishing certain types of services, based upon applicable statutes, administrative regulations, and interpretations of statutes and regulations by the North Carolina Department of Health and Human Services, Division of Health Service Regulation, Adult Care Licensure Section. You agree that if you need services that the Corporation is not legally authorized or does not otherwise provide, you shall be discharged from Salemtowne. Except as otherwise expressly stated in this Agreement, you are responsible to arrange and pay for health and medical care services not provided by the Corporation, including, without limitation, hospital services, physicians' services, private duty personnel, medications, vitamins, eye glasses, eye examinations, hearing aids, ear examinations, dental work, dental examinations, orthopedic appliances, laboratory tests, x-ray services or any rehabilitative therapies.
- T. Professional Management of Salemtowne and its Facilities.** The Corporation will employ management and staff and/or agents ("Staff") to manage the operations of Salemtowne and its facilities.
- U. Nursing and Health Care.** We will provide nursing and health care for each Resident as follows:
- 1. Babcock Health Care Center.** The Health Care Center will be provided for the benefit of the Residents. The Corporation is licensed by the North Carolina Department of Health and Human Services, Division of Health Service Regulation to operate intermediate and skilled nursing care for Residents who are temporarily ill or who require long-term nursing care. Private accommodations will be provided for Residents in the Health Care Center. Some of the beds in the Health Care Center are certified for Medicare and Medicaid reimbursement.
 - Twenty-four (24) hour nursing staff maintained in the Babcock Health Care Center.
 - Charges for Health Care Center accommodations and services are described in the Schedule of Fees and other literature published by the Corporation and distributed to Residents at least annually.
 - Temporary care (up to 30 days) is also available in the Health Care Center for treatment of short-term illnesses or injuries.
 - 2. Resident's Attending Physician.** Residents may choose their own personal physician and are responsible for charges for services by such physicians and any consultants.

3. **Other Healthcare Services.** Other health care services may be made available to the Resident at the Resident's expense, including, but not limited to: pharmacy services, radiology services, dental services, laboratory tests, physical therapy, occupational therapy, therapeutic activities, rehabilitative treatments, wheelchairs, medical equipment and supplies. The cost of such services shall not be covered by the Monthly/Daily Fees described herein.
4. **Clinic and Related Services.** We maintain a clinic for Residents in which nursing staff offer certain non-emergency medical treatment during scheduled time periods.
5. **On-Site Emergency Call Response.** Each Living Accommodation is equipped with an emergency call system. Salemtowne nursing staff will respond to emergency calls.
6. **Emergency Medical Care.** We will notify your physician when emergency medical care is necessary. If acute medical care is necessary or upon physician's or your request, you will be transferred to a local hospital emergency room. In the event of an emergency, Salemtowne staff will summon emergency medical services to assist you by calling "911" or otherwise summoning appropriate medical personnel from outside Salemtowne. You authorize Salemtowne to provide to you any care and assistance deemed by Salemtowne to be in your best interests under the circumstances and to take any such action that is reasonably prudent in the event of an emergency, subject to any advance directives contained in a document that you have furnished to the Corporation.
7. **Resident Health Record.** Salemtowne shall maintain a health record for Resident that contains health and other personal information that is pertinent to the Services which Salemtowne is providing. All information and records regarding Resident are confidential and are only disclosed in accordance with applicable law, including the HIPAA Privacy Rule. Resident may review Resident's health record and authorize others to review the Resident's health record.
8. **Masten Assisted Living Center.** The Assisted Living Center will be provided for the benefit of the Residents. The Corporation is licensed by the North Carolina Department of Health and Human Services, Division of Health Service Regulation to provide support services for Residents who require assistance with activities of daily living. Private accommodations will be provided for Residents in the Assisted Living Center. The Assisted Living Center is licensed to provide services to individuals who require some assistance with activities of daily living, including but not limited to: bathing, dressing, and medication administration, dining room assistance, monitoring of vital signs, and nursing assessments.
9. **Westerly Place Memory Care Support Assisted Living Center.** The Westerly Place Memory Care Support Assisted Living Center will be provided for the benefit of the Residents. The Corporation is licensed by the North Carolina Department of Health and Human Services, Division of Health Service Regulation to provide support services for Residents who require assistance with Alzheimer's, memory care, or dementia. Private accommodations will be provided for Residents in the Westerly Place Memory Care Support Assisted Living Center.

10. Resident's Consent to Receive Health Care Services. Resident authorizes Salemtowne to provide those health care-related services that are specifically set forth in this Agreement. Resident also authorizes Salemtowne to obtain all necessary clinical and/or financial information from Resident's attending physician, and any other health care providers treating Resident, including, but not limited to, any hospital or nursing facility from which Resident may be transferring or may transfer in the future and hereby authorizes such health care provider(s) to provide such health care information to Salemtowne.

V. Services. The services and facilities that are provided through the Entrance and Monthly/Daily Fees (may also be described further herein) are summarized below:

These services are provided to all Residents, regardless of level of accommodation, and are included in the monthly/daily fees. (Fees will not be reduced or unbundled for services that Residents decline such as dining.)

- Flexible dining plan (depending on dining allowance option chosen or required)
- Limited parking
- Limited storage (based on Living Accommodation *)
- Computer/internet access
- Complimentary Wi-Fi access in common areas
- All utilities, except telephone and internet service
- Basic Cable television service
- Housekeeping service
- Maintenance service
- Limited local medical transportation
- Social, spiritual, intellectual, and recreational programs
- Pastoral care
- On-site delivery of pharmaceuticals and pharmaceutical consultations
- Routine nursing services through the clinic
- Nutritional consultation
- Emergency nursing services
- 24-hour medical emergency call system and fire protection
- Check Cashing
- Notary Public services

* Additional storage space is not provided for cottages, Bahnson Hall, the Assisted Living Center, Westerly Place or Health Care Center Living Accommodations.

The following additional services are provided with the Monthly/Daily Fee to the Assisted Living Center, Westerly Place and Health Care Center Residents. (Fees will not be reduced or unbundled for services that Residents decline such as meals or laundry.)

Assisted Living Center

- Three meals daily
- Meal service to room, if required
- Dining room assistance
- Assistance with bathing and grooming
- Weekly housekeeping service
- Personal laundry service
- Medication delivery by a nurse or medication technician
- Monitoring of vital signs according to physician's order
- Nursing evaluation
- Multi-disciplinary care planning
- Access to Fitness Center
- Personal lockable space to secure your valuables

Westerly Place

- Three meals daily
- Meal service to room, if required
- Dining room assistance
- Assistance with bathing and grooming
- Daily housekeeping service
- Personal laundry service
- Medication delivery by a nurse or medication technician
- Monitoring of vital signs according to physician's order
- Nursing evaluation
- Multi-disciplinary care planning
- Access to Fitness Center
- Personal lockable space to secure your valuables

Health Care Center

- Three meals daily
- Meal service to room, if required
- Dining room assistance
- Assistance with bathing and grooming
- Wheelchair assistance
- Daily housekeeping service
- Personal laundry service
- Medication delivery by a nurse
- Monitoring of vital signs according to physician's order
- Nursing evaluation
- Multi-disciplinary care planning
- Whirlpool tub
- Skilled care by RNs, LPNs and CNAs on duty 24 hours per day
- Access to Fitness Center
- Personal lockable space to secure your valuables

II. FINANCIAL ARRANGEMENTS

- A. **Entrance Fee Choices.** You agree to pay the Corporation one of the following Entrance Fees (**selected option checked below**) as a condition of becoming a Resident of Salemtowne. This Entrance Fee is refundable in whole or in part as described below and in Section VI of this Agreement.

Entrance Fee Option	Amount of Entrance Fee	Amortization Schedule
Standard Refund Entrance Fee	\$ _____	2% a month for 48 months less 4% non-refundable fee.
50% Refund Entrance Fee	\$ _____	2% per month for 23 months less 4% non-refundable fee. Refund never less than 50% of original entrance fee.
90% Refund Entrance Fee	\$ _____	1% per month for 6 months less 4% non-refundable fee. Refund never less than 90% of original entrance fee.

Initials _____
Corporation Resident(s)

It is agreed that

\$ _____, representing the Application Fee **and**

\$ _____, representing 10% of the Entrance Fee **and**

\$ _____, representing 100% of the cost of non-standard features

are payable upon execution of a Reservation Agreement or prior to the installation of the applicable non-standard features, whichever occurs earlier.

The Entrance Fee balance and unpaid non-standard feature costs will be due and payable 10 days prior to the date of occupancy. We will give you reasonable notice prior to the projected date of occupancy. Occupancy is defined as the first day that a Resident either resides in the Living Accommodation or the first day that the Resident's furnishings or belongings occupy the Living Accommodation or a storage area at Salemtowne.

Notwithstanding the foregoing, unless we agree in writing to other arrangements, you must take occupancy within thirty (30) days after the date the Living Accommodation is available for occupancy in accordance with the Reservation Agreement. If you do not take occupancy by such time, you shall accept financial responsibility for the Living Accommodation and pay the balance of the Entrance Fee, balance of any Non-Standard Costs, **and** begin paying the applicable Monthly / Daily Fees beginning with the 30th day after the date the Living Accommodation is available for occupancy, unless this Agreement is terminated prior to the 30th day after the date the Living Accommodation is available for occupancy.

The Corporation has consented to your request to add the following non-standard features in your Living Accommodation and you agree to pay the following amount to cover the additional costs, maintenance and removal of these features. This additional amount is not subject to any refund provision herein.

<u>Non-Standard Features Added:</u>	<u>Cost</u>
	\$
	\$
	\$
	\$
	\$
Total of Non-Standard Features Added	\$

Initials _____
Corporation Resident(s)

- B. Monthly/Daily Fee.** In addition to the Entrance Fee and any other charges provided for under this Agreement, you agree to pay a Monthly/Daily Fee during the term of this Agreement which shall be payable in advance by the 10th day of each month. As of the date of this Agreement, the Monthly/Daily Fee associated with the Living Accommodation will be:

**Estimated
Monthly Fee**

Monthly Fee Resident (includes dining allowance plan) (current dining allowance value is \$_____)	\$
Monthly Fee for 2 nd Resident occupying Living Accommodation (includes dining allowance plan), if applicable	\$
Total Estimated Monthly Fee for Living Accommodation	\$

No credit will be provided to you should you refuse services, which are included in the Monthly/Daily Fee, such as laundry, housekeeping, dining, etc.

Initials _____
Corporation Resident(s)

- C. **Adjustments in the Monthly/Daily Fee.** The Corporation usually sets fees annually but shall have the authority to adjust the Monthly/Daily Fee from time to time during the term of this Agreement as it, in its discretion, deems necessary. Any such increase in the Monthly/Daily Fee or other charges may be made by the Corporation upon thirty (30) days' written notice to the Resident.

In the event that it should be determined that the Corporation is required to pay ad valorem taxes upon its property, the Monthly/Daily Fee may be adjusted to reflect the amount of such taxes. You will pay all taxes assessed on your personal property.

In the event Salemtowne is assessed sales or use tax on Monthly/Daily Fee and/or fees for other services, you agree to pay Salemtowne the amount of such taxes.

- D. **Schedule of Fees.** You have been given a current copy of the Schedule of Fees as adopted by the Board of Trustees of the Corporation. You understand that these fees may change from time to time.

- E. **Monthly Statements.** We will furnish you with monthly statements showing the total amount of fees and other charges owed by you, which shall be payable by the 10th of the month. Late payments are subject to an interest charge of one and one-half percent (1.5%) per month from the first of the month. In the event the Corporation initiates any legal actions or proceedings to collect payments due from you under this Agreement, you shall be responsible to pay all attorneys' fees and costs incurred by the Corporation in pursuing the enforcement of your financial obligations under this Agreement. The Corporation offers and encourages an automatic bank draft for the Monthly/Daily Fees. The Corporation may terminate this Agreement if you have a past due amount upon thirty (30) days' written notice. Termination of this Agreement does not end the obligation of you or your estate to pay all amounts due, no matter when incurred.

You, and your current and future responsible parties (i.e., power(s) of attorney, executor(s)) on your behalf, from your assets and income agree to pay all costs, expenses, and reasonable attorneys' fees, in the event same must be expended in the collection of any sums due and owed by you to the Corporation.

The Corporation reserves the right, with thirty (30) days' notice, to change the billing date and the payment due date. For a partial first month, the Monthly/Daily Fee is pro-rated on a per diem basis. Thereafter, Monthly/Daily Fees are paid in advance and are pro-rated at termination.

- F. **Assisted Living Center, Health Care Center and Westerly Place Fees and Charges.**

1. **Priority Entry.** Residents are provided priority entry over non-Residents for entry to the Health Care Center, the Assisted Living Center or Westerly Place. Salemtowne will make every effort to accommodate Residents in the Health Care Center, the Assisted Living Center or Westerly Place but cannot guarantee availability of accommodations. In the event the Health Care Center, the Assisted Living Center or Westerly Place, as applicable, is fully occupied when Resident is in need of care, Resident agrees to relocate to an alternate health care facility ("a Comparable Facility"). In the event of

relocation, Salemtowne will make every effort to transfer Resident back to Salemtowne when accommodations become available.

Upon your relocation to a Comparable Facility, you will continue to be responsible for the Monthly/Daily Fee (unless their Living Accommodation is surrendered). Salemtowne will not be responsible for the charges associated with the alternate health care accommodations.

2. **Room and Bed Discount Program.** If You are admitted to the Health Care Center, Westerly Place or the Assisted Living Center, You are entitled to participate in the Room and Bed Discount Program, which provides Residents, who have paid an Entrance Fee and have a stay in the Health Care Center, Westerly Place or Assisted Living Center a 20% discount from published rates.

- G. **Application for Benefits.** If requested by Salemtowne, you will apply for any or all federal, state, and local benefits for which you may be eligible or entitled; and if requested by Salemtowne, you will apply for any or all such benefits toward the cost of your care at Salemtowne. These benefits may include: Medicare, Medicaid, prescription, and Veterans benefits.

Residents who receive Medicaid funding and who reside in a Medicaid certified accommodation must have their Social Security, pension or other monthly income paid directly to Salemtowne. Salemtowne will administer and manage these funds, on behalf of Resident in accordance with applicable laws and regulations, to pay for the residence and services provided to Resident.

- H. **Assignment of Benefits.** You will from time to time authorize any provider of medical and health services, including Salemtowne, to receive reimbursement as provided under Medicare/Medicaid, any or all Federal, State and local benefits for which you may be eligible or entitled, and any supplementary insurance programs. If requested by Salemtowne, you will from time to time make assignments to the provider of medical and other health services of all benefits otherwise accruing to you under Medicare/Medicaid, or other programs and supplementary extended coverage plans to compensate for services rendered. Resident irrevocably authorizes Salemtowne to make claims and to take other actions to secure receipt by Salemtowne of all payments from a third-party payor to reimburse Salemtowne for its charges for the stay and care of Resident.

- I. **Managed Care.** If you have chosen to participate in a managed care program as an alternative to Medicare Part A, Medicare Part B, or other programs, and supplemental insurance coverage, the terms of this Agreement governing nursing care will include the following provisions:

1. **Participating Provider.** If Salemtowne is a participating provider with your managed care program, the Corporation agrees to be reimbursed at the rate negotiated with your managed care program.
2. **Not a Participating Provider.** If Salemtowne is not an approved participating provider with your managed care program and you choose to receive health care services at a managed care participating provider, then you agree that you must relocate for as long

as necessary for those services to be provided, and be responsible for all costs. In addition, while receiving health care services at the managed care participating provider, you agree that unless this Agreement is terminated, you will continue to pay the Monthly/Daily Fee for your Living Accommodation, unless your Living Accommodation has been surrendered.

3. **No Negotiated Managed Care Rate.** If Salemtowne is not a participating provider in your managed care program and a negotiated rate is not agreed upon by Salemtowne and you would still like to receive health care and services at Salemtowne, then you will be responsible for the full amount of applicable charges not paid by your insurance carrier.
4. **Medicaid.** In the event you receive financial assistance through the Medicaid program while occupying a Medicaid certified bed in the Health Care Center, you will be charged in advance for your liability portion established by the local county department of social services. You will be responsible for all charges for additional items and services requested by you and furnished to you which are not covered under the Medicaid program. Charges shall be made only as permitted under the Social Security Act and applicable regulations.

III. **ENTRY REQUIREMENTS**

You will become approved for residency at Salemtowne upon satisfaction of the following provisions:

- A. **Age.** The entry requirements for residency at Salemtowne are nondiscriminatory except as to age, and Salemtowne is open to both married and single men and women of all races and religions. Entry to independent living is restricted to persons 62 years of age or older, except in the case of double occupancy at least one Resident must be 62 years of age or older. Entry to the Assisted Living Center, Westerly Place and the Health Care Center is restricted to persons 62 years of age or older except for residents who enter into the Health Care Center for rehabilitation which is restricted to persons 55 years of age or older.
- B. **Personal Interview.** You shall have an interview with a representative from Salemtowne (including nursing evaluation) prior to taking residency at Salemtowne. Upon review of all information required to be furnished herein, additional personal interviews may be requested by the Corporation.
- C. **Application, Health History and Financial Statement.** You shall submit for review by the Corporation, an Application for Entry, a personal health history and a Confidential Financial Statement, all on forms furnished by the Corporation.
- D. **Notification.** We shall review the application materials as well as the results of the Personal Interview(s) and will notify you whether you meet the entry requirements. We will also notify you as early as possible of the date on which the Living Accommodation is expected to be available for occupancy.
- E. **Health Requirements.** Prior to residency at Salemtowne, you shall submit a report of a physical examination from a physician selected by you. Such report shall include a

statement by such physician that you are able to care for yourself without assistance with activities of daily living. We may require you to have another physical examination by our Medical Director or by another physician approved by the Corporation. You shall be responsible for the costs of such physical examinations. If your health as disclosed by such physical examination differs materially from that disclosed in your Application for Entry and Personal Health History, the Corporation shall have the right to decline entry and to terminate this Agreement, or in the discretion of the Corporation, to permit you to take occupancy of accommodations at Salemtowne suitable to your needs.

F. Psychiatric Illness, Dangerous Communicable Disease, Drug or Alcohol Abuse.

Salemtowne is not designed to care for persons who have an active psychiatric illness, a dangerous communicable disease or who require treatment for drug or alcohol abuse. Should Salemtowne, in consultation with the Medical Director, determine that your physical or psychiatric illness, or that your condition as a result of drug or alcohol abuse, is such that your continued presence is either dangerous or detrimental to your life, health or safety, or the life, health, peace or safety of others in the community, then Salemtowne may transfer you to another facility of your choosing and/or require you to terminate your residency at Salemtowne.

G. Financial Requirements. You must have assets and income which will be sufficient under foreseeable circumstances to pay the financial obligations under this Agreement and to meet your ordinary living expenses. We may require you to furnish current financial information at any time prior to and subsequent to occupancy.

H. Financial Resources. You, your current and future responsible parties (i.e., power(s) of attorney, executor(s)) will abide by any and all financial arrangements made with the Corporation for the purpose of securing your ability to pay any and all charges for residing at Salemtowne. You agree not to make any gift or other transfer of assets for the purpose of evading your obligations under this Agreement, or if such gift or transfer would render you unable to meet such obligations under this Agreement. Gifts or transfers of assets in this manner, which result in your inability to meet your financial obligations in accordance with this Agreement, will entitle Salemtowne to terminate this Agreement with thirty (30) days' notice, and you or your responsible parties, as applicable, will be liable for any unpaid amounts.

I. Power of Attorney. You agree to execute and maintain in effect a durable power of attorney that is valid under North Carolina law and will survive your incapacity or disability. This durable power of attorney will designate an attorney-in-fact and an alternate attorney-in-fact who will act for you in managing your financial affairs and in filing for insurance or other benefits under private and public assistance programs as full and complete a manner as you could do if acting personally for yourself. **You will deliver a copy of a fully executed power of attorney to Salemtowne prior to occupancy.** You will not revoke or amend this durable power of attorney except upon execution of a replacement durable power of attorney, a fully executed copy of which will be delivered to Salemtowne. This document also may address at your option, other affairs, such as decisions concerning medical care.

- J. Will.** You agree to execute a Will, and to provide to Salemtowne a copy of such sections of the Will and any revisions, as applicable during the term of this Agreement to document the name(s) of the person(s) to be contacted in the event of your death (i.e. executor(s)).

In the event of your death, while you are a resident of Salemtowne under this Agreement, only the executor(s) named in your Will (or such person or entity designated by such executor(s)) will be allowed to remove or dispose of your furnishings and belongings in your Living Accommodation and any related storage areas at Salemtowne. Members of your family or those to whom you have granted power of attorney will not be allowed access to your personal property after your death, unless they are the executor(s) named in your Will.

- K. Funeral and Burial.** Salemtowne will not be responsible for making funeral or burial arrangements and is not responsible for related expenses.

- L. Advance Directives.** You are encouraged to execute a Living Will and a Health Care Power of Attorney and deliver a fully executed copy thereof to Salemtowne, as well as any revisions as applicable, during the term of this Agreement.

- M. Appointment of Guardian.** If you become unable to care for your business and financial affairs, the Corporation reserves the right to institute action for the determination of your incompetence and the appointment of a guardian to fulfill the terms of this Agreement; unless such needed arrangements have already been made. The cost of the legal proceedings, including attorneys' fees, shall be paid by you or your estate.

- N. Emergency Notifications.** You agree to provide Salemtowne with the following information prior to the date of occupancy as well as updates of this information during the term of this Agreement:

- Names, addresses and phone numbers of persons to notify in an emergency (minimum of two are required);
- Names of persons having the right of entry into your residence;
- Name, address and phone number of funeral home (prior arrangements are encouraged);
- Names, addresses and phone numbers of lawyer and executor;
- Names, addresses and phone numbers for powers of attorney; and
- Names, addresses and phone numbers for emergency pet contacts, if applicable.

- O. Contents and Accuracy of Resident's Application.** Salemtowne has accepted Resident based on the information contained in Resident's Application and has agreed to enter this Agreement. In signing this Agreement, Resident understands and agrees that the information provided in the Resident's Application is part of this Agreement, and is a basis upon which Salemtowne has agreed to enter into the Agreement. Resident hereby affirms that all the information provided in the Resident's Application is true and correct to the best of the knowledge of each person who signs the Agreement, and each also acknowledges

that any material misrepresentation or omission in Resident's Application shall render this Agreement voidable at the option of Salemtowne. Resident agrees to submit updated copies of the information requested in the Resident's Application, when requested by Salemtowne from time to time during the term of this Agreement.

IV. **TERMS OF RESIDENCY**

- A. **Rights of Resident.** You have the right to occupy and enjoy the Living Accommodation described herein during your lifetime unless this Agreement shall be terminated as provided herein. It is understood that this Agreement does not transfer or grant any interest in the real or personal property owned by the Corporation other than the right to use or occupy the Living Accommodation in accordance with the terms hereof. The Living Accommodation may not be used for commercial purposes. The Living Accommodation may not be occupied or used in any manner in violation of any ordinance, law or regulation.
- B. **Subordination.** You agree that all of your rights under this Agreement shall at all times be subordinate and junior to the lien of all mortgages or other documents creating liens encumbering the Corporation, which have been or will be executed by us. Upon request, you agree to execute, acknowledge and deliver to such lender or lenders such further written evidence of such subordination as such lenders may reasonably require. You shall not be liable for any such indebtedness.
- C. **Resident.** When Resident consists of more than one person, the rights and obligations of each are joint and severally except as the context otherwise requires.
- D. **Policies, Rules and Regulations.** You understand and agree that: (i) in order for Salemtowne to operate in the best interests of the entire community, it is essential that we have cooperation of and compliance with applicable policies, rules and regulations by you, your family, guests, responsible party and others who may intervene, speak or act or purport to intervene, speak or act, for or on behalf of you or who may come on the premises of Salemtowne in any capacity or for any purpose in connection with or as a result of your residency at Salemtowne; (ii) a continuing or repeated failure or refusal by any such persons to so cooperate and comply may result in a determination by Salemtowne that it is impracticable or impossible for Salemtowne to continue to accommodate you as a Resident; and (iii) upon such determination by Salemtowne, we shall have the right to terminate this Agreement. Salemtowne reserves the right to make changes to policies, rules and regulations at its sole discretion. The Corporation reserves the right to amend or change its policies, rules and regulations from time to time. By signing this Agreement, you or your responsible party acknowledges receipt of a copy of the Resident Handbook.
- E. **Weapons.** No weapons of any type shall be brought on to the Salemtowne property by you or your guests without the express prior written permission of the Corporation.
- F. **Resident Representation.** Residents have the right of self-organization through a Residents' council which may convene to review the interests of the Resident population. You shall have Resident representation on the Salemtowne Board of Trustees as outlined in the Bylaws of Salemtowne.

- G. Guests and Visitors.** Guests and visitors are welcome at Salemtowne. Guests may use Salemtowne guest accommodations, subject to availability and additional charges. Guests may also stay in your Living Accommodation for visits of limited duration (less than two weeks, except with Salemtowne approval). Guests approved for stays in your Living Accommodation for longer than two weeks may result in additional charges. No other person, except the Resident(s), may reside in the accommodation without the approval from the Corporation.

At all times, you shall be responsible for any injury to others or damage to the property of others or Salemtowne caused by you or your guest(s). Salemtowne reserves the right and authority to limit or terminate the stay of any guest at any time and for any reason.

- H. Relationships Between Residents and Staff.** Salemtowne is built on mutual respect and instructs its Staff to be cordial and helpful to Residents. The relationship is to remain professional. Staff must not be delayed or deterred by Residents in the performance of their duties. Management is solely responsible for the supervision of staff. Complaints or requests for special assistance must be made to the appropriate supervisor. By signing this Agreement, you or your responsible party acknowledges receipt of a copy of the Corporation's grievance procedure.

Giving gratuities or bequests to Staff or Staff's families is not permitted. Residents will not employ Salemtowne Staff nor hire former Salemtowne Staff without the prior written consent of Salemtowne Management.

- I. Loss of Property.** The Corporation maintains insurance on all of its property and its operations to include general public liability insurance, property insurance including coverage for acts of God, vandalism and theft, professional liability insurance and worker's compensation.

The Corporation will not be responsible for the loss of any property belonging to the Resident or their guest(s) due to theft, mysterious disappearance, fire or any other cause. You will have the responsibility for obtaining "renters insurance" to cover such losses.

- J. Right of Entry.** Salemtowne recognizes your right to privacy, and shall limit entry to your Living Accommodation to legitimate emergencies and to scheduled work, including housekeeping, repairs, maintenance, and inspections. You hereby authorize Staff or agents of Salemtowne to enter your Living Accommodation, upon reasonable notice for all such purposes.

- K. Appliances.** Salemtowne is not obligated to determine your ability to safely utilize the appliances, if any, in your Living Accommodation. However, should we determine that you have demonstrated an inability to safely utilize appliances in your Living Accommodation; we will have the right to turn off the power servicing such appliance(s) and/or to remove any and all such appliances. In any such instance, you shall remain obligated to pay for the full Month/Daily Fee for your Living Accommodation, any extra meals and any fire alarm charges issued by the fire department.

- L. Changes in Living Accommodations.** The Corporation has the right to change the Living Accommodation to meet requirements of any applicable statutes, laws or regulations.

M. Occupancy by Two Residents. In the event that two Residents occupy a Living Accommodation under the terms of this Agreement, upon the permanent transfer to the Health Care Center or the Assisted Living Center or the death of one of such Residents, or in the event of the termination of this Agreement with respect to one of such Residents, such as in the case of death or divorce, the Agreement shall continue in effect as to the remaining or surviving Resident who shall have the option to retain the same Living Accommodation or to move to a smaller Living Accommodation, in which event there will be no refund of the Entrance Fee. The remaining or surviving Resident will thereafter pay the Monthly/Daily Fee for one Resident associated with the Living Accommodation occupied by the Resident. No refund will be payable with respect to the Living Accommodation surrendered, except as provided in the Termination and Refund Provisions of Section VI. Any fees paid for a second Resident are not transferable to a future second Resident such as in the case of a subsequent marriage.

N. Health Insurance. You will maintain eligible Medicare coverage and one supplemental health insurance policy or equivalent insurance coverage, which adequately covers hospital, medical, prescriptions, and skilled nursing deductibles and co-payments required of your primary insurance plan. Both your primary and supplemental health insurance policies must recognize Salemtowne as a health care provider, or you will assume the financial responsibility for services provided that otherwise could be covered.

You will be responsible for ensuring that the health insurance coverage does not lapse, and will provide Salemtowne with evidence of such coverage upon request. If your health insurance coverage should lapse, Salemtowne may require that you reapply for suitable coverage. If you are unable to obtain adequate new coverage, Salemtowne will charge you for any costs of medical and other health care services provided that otherwise would have been covered by an approved policy.

O. Filing for and Rights to Insurance Benefits. Salemtowne is a participating provider with Medicare, Medicaid and Blue Medicare only.

- Salemtowne will file claims with Medicare for all covered services. By law, the patient is responsible for payment of the deductible, co-insurance, and any **non-covered** service. Non-covered services include, but are not limited to beauty shop charges.
- As a courtesy, Salemtowne will file claims to your secondary insurance carrier for your Medicare Parts A & B co-insurance, unless we are prohibited from filing due to participation requirements of the carrier.
- The Medicare Part A co-insurance will be billed on your monthly Salemtowne statement as services are rendered prior to any insurance filings. You are responsible for payment of all Medicare Part A co-insurance billed by Salemtowne upon receipt of the bill. Payments received from your insurance carrier for Medicare Part A co-insurance will be applied to your monthly Salemtowne statement when received.
- Medicare Part B co-insurance (i.e. therapy co-insurance) not paid by a Resident's insurance carrier within ninety (90) days of the date of service will become due and

payable by Resident unless the claim is subject to Medicare, Medicaid, or an insurance plan in which Salemtowne participates.

- Co-pays related to Blue Medicare plans will be billed on the Salemtowne statement as services are rendered and are due and payable upon receipt of the bill.
- In the event a Resident's health insurance determines a service is "not covered", the Resident will be responsible for payment. Salemtowne tries to inform Residents when services may not be covered; however, it is the Resident's responsibility to understand his/her policy limitations.
- Charges not paid by a Resident's insurance company within ninety (90) days of the date of service will become due and payable by the Resident unless the claim is subject to Medicare, Medicaid, or an insurance plan in which Salemtowne participates.
- If, for any reason, Salemtowne cannot apply directly for benefits payable under insurance required by this Agreement, you agree to make such application and to pay Salemtowne the proceeds received.
- **Salemtowne reserves the right, in its discretion, to eliminate or change its participation with any and all insurance plans.**

P. Addition of a New Occupant/Sharing Occupancy After Admission/Entry.

1. Addition of a Resident Occupant - If a Resident, while occupying a Living Accommodation, wishes to share a Living Accommodation with a person who is also a Resident, the two Residents may, with the prior written consent of the Corporation, occupy the Living Accommodation of either Resident and shall surrender the Living Accommodation not to be occupied by them. No refund will be payable with respect to the Living Accommodation surrendered, except as provided in the Termination and Refund Provisions of Section VI. Such Residents will pay the Monthly/Daily Fee for double occupancy associated with the Living Accommodation occupied by them.
2. Addition of a Non-Resident Occupant - In the event that a Resident wishes to share a Living Accommodation with a person who is not a Resident ("Non-Resident"), the Non-Resident may become a Resident if such individual meets all of the then current requirements for entry to Salemtowne; enters into a then current version of the Residence and Services Agreement with the Corporation; and pays an Entrance Fee in an amount determined by the Corporation in its sole discretion. The Resident and new Resident shall pay the Monthly/Daily Fee for double occupancy associated with the Living Accommodation occupied by them. If the Non-Resident does not meet the requirements of Salemtowne for entry as a Resident, the Resident may terminate this Agreement in the manner as provided in Section VI. B. with respect to a voluntary termination.

Q. Combination of Living Accommodations. Various circumstances may make it desirable that a Living Accommodation occupied by a Resident be combined with an adjoining Living Accommodation to form one combined Living Accommodation. You agree that if a determination is made by the Corporation that it is desirable to combine your Living Accommodation with a Living Accommodation which adjoins your Living Accommodation, you will surrender occupancy of your Living Accommodation, within a reasonable time after receiving notice of such determination. In the event that the Corporation makes such determination and notifies you of such, you have the option to (i) transfer into the combined Living Accommodation when such combined Living Accommodation is ready for occupancy, or (ii) transfer to another Living Accommodation, when available, of the same type as the Living Accommodation previously occupied by you.

If you elect to occupy the combined Living Accommodation and the Entrance Fee established for such combined Living Accommodation exceeds the Entrance Fee paid by you for your previous Living Accommodation, you shall pay the amount of such excess upon taking occupancy. You will pay the Monthly/Daily Fee associated with the combined Living Accommodation as established by the Corporation.

If you elect to transfer to a Living Accommodation of the same type as the Living Accommodation previously occupied, the Corporation will repaint and re-carpet, if needed, such Living Accommodation at our expense prior to occupancy.

R. Transfer to Another Living Accommodation. You may move to a different Living Accommodation at Salemtowne, when it becomes available, upon payment of such fees, consent by the Corporation and compliance with such guidelines regarding transfers as may be adopted by the Corporation. Salemtowne reserves the right to amend such policies, guidelines and fees, in its discretion.

If you transfer to another Living Accommodation, you are responsible for paying any difference in the Entrance Fee, if the amount of the Entrance Fee of the new Living Accommodation is greater than the Entrance Fee for the previous Living Accommodation to be vacated. If the Entrance Fee for the new Living Accommodation is smaller than the Entrance Fee for the previous Living Accommodation to be vacated, no refund will be paid for the difference.

S. Room or Unit Assignment in Assisted Living Center, Westerly Place or Health Care Center. You understand that you acquire no ownership in any property at Salemtowne under this Agreement; also, that no particular room or unit in the Assisted Living Center, Westerly Place or the Health Care Center is subject to reservation or permanent assignment, and that we may change your room or unit assignment in the Assisted Living Center, Westerly Place or the Health Care Center. Though we retain the right to change your room or unit assignment, we agree that we will make changes only as we find such changes to be necessary or advisable.

T. Moving Costs. You are responsible for arranging and paying for all packing and moving costs for moves into, within and out of Salemtowne. Assistance may be provided by Salemtowne at an additional cost.

U. **Pets.** Residents may bring pets to Salemtowne if they complete necessary paperwork, pay the current pet deposit and follow current policies and guidelines. “Pets” shall be defined as household dogs, cats, tropical fish, or caged birds. No other animals will be permitted without written approval from the Corporation. Pets must be approved by Salemtowne prior to bringing the pet on campus. Pets may not be a nuisance or pose a health or safety risk to other residents or staff of Salemtowne and must be properly cared for at all times. Failure to comply with the pet policy may necessitate the removal of the pet from the Community. If the pet is not removed after a removal request has been made by the Corporation, Salemtowne reserves the right to terminate this Agreement. You shall be responsible for all damages caused by your pet, and you agree to have your pet in control at all times when outside of your residence. Salemtowne reserves the right to amend or terminate policies and guidelines related to pets, in its discretion.

V. **Smoking/Tobacco Products.** Salemtowne is a “Tobacco Free” Community. Smoking and use of tobacco products are not permitted anywhere on Salemtowne property including, campus buildings (Babcock Health Care Center, Masten Assisted Living Center, and Community Center, etc), building entrances or common areas. The same applies to Salemtowne’s Babcock campus. The only exceptions are:

- Independent Living Residents and their personal visitors may continue to smoke in their own private residences. In the event concentrated oxygen is required by the Resident, smoking will no longer be permitted in that residence.
- The Health Care Center Administrator may permit smoking for a Resident, if so, a designated smoking area would be created outside. However, the prohibition will remain in effect for a family member or caregiver who may accompany the Resident to the designated area.

W. **Absences.** Monthly/Daily fees are not subject to change or credit if a Resident is away from the Living Accommodation for any period of time for Assisted Living or Health Care accommodations. (For example, vacations, hospital stays, etc.)

You agree to inform Salemtowne (Clinic, Billing Office & Dining Services) when you are going to be away for three (3) days or more, and to give us the names of people we can contact in an emergency. In order to provide adequate time for medications to be available, if applicable, you must provide at least 24 hours advance notice of an absence.

You will be entitled to an “away” discount on your Independent Living Monthly/Daily Fee, when You (and the 2nd resident, if applicable) are (both) away from your Independent Living Residence for more than thirty (30) consecutive days, in accordance with the program in place at the time of the absence. The “away” discount program is subject to change. No credit or additional carry forward for missed meals will be given during absences. As of the date of this Disclosure Statement, this “away” discount is \$150 per month per Living Accommodation.

V. **TRANSFERS OR CHANGES IN LEVELS OF CARE.** (A change in Living Accommodations within independent living or to the Assisted Living Center, Westerly Place or the Health Care Center will require no additional residence and services agreement. This

Agreement will remain in effect, subject to any applicable amendments referred to in this Agreement.)

- A. Transfer to Health Care Center, Westerly Place or Assisted Living Center.** You agree that the Corporation shall have authority to determine that you should be transferred from your Living Accommodation to the Health Care Center, Westerly Place or the Assisted Living Center or a separate area within each center. Such determinations shall be based on the professional opinion of the Resident's physician and the Resident Review Committee of Salemtowne and shall be made only after consultation to the extent practical with the Resident, the Resident's physician, a representative of the Resident's family or the Resident's responsible party.

In the event that you are permanently transferred to the Assisted Living Center, Westerly Place, or the Health Care Center, your Entrance Fee will not be subject to refund at the time of the transfer. Entrance Fees are subject to refund when a resident leaves the community in accordance with section VI.

- B. Transfer to Hospital or Other Facility.** If it is determined by your physician that you need care beyond that which can be provided by Salemtowne you may be transferred to a hospital, center or institution equipped to give such care, which care will be at your expense. Such transfer will be made only after consultation to the extent practical with the Resident, the Resident's physician, a representative of the Resident's family or the Resident's responsible party.

In the event it becomes necessary for you to be transferred to a hospital, Salemtowne will provide any information available to meet the provisions of any hospital admissions agreement, and you agree that Salemtowne has the right to provide such information, which may include part or all of your records.

- C. Surrender of Living Accommodation.** If a determination is made by the Corporation that any transfer described in this Section is permanent in nature, you agree to surrender the Living Accommodation and any storage areas, which were occupied by you prior to such transfer, within 30 days of the determination.

You are responsible for the costs of transfer and moving as well as the Monthly/Daily Fee through the last day of occupancy of the Living Accommodation being vacated. For the purposes of this Section V. C., occupancy is defined as the last day that a Resident either resides in the Living Accommodation or the last day that the Resident's furnishings or belongings occupy the Living Accommodation or a storage area at Salemtowne.

If the Corporation subsequently determines based upon the opinion of your physician that you can resume occupancy in accommodations comparable to those occupied by you prior to such transfer you shall have priority to such accommodations as soon as they become available and you will be responsible for applicable fees as determined by the Corporation.

VI. TERMINATION AND REFUND PROVISIONS

- A. Termination Prior to Occupancy.** This Agreement may be terminated by you at any time prior to taking occupancy at Salemtowne for any reason by giving written notice to the

Corporation. This Agreement will automatically be canceled due to death or physical or mental conditions that would make you ineligible for entry to Salemtowne.

This Agreement may be terminated by the Corporation at any time prior to the date that you take occupancy if the Corporation determines that you do not meet the physical, mental or financial requirements for entry.

In the event of such termination (including death, illness, injury, or incapacity), you shall receive a refund of the Entrance Fee paid in accordance with Section II. Any such refund shall be paid by the Corporation within sixty (60) days following termination pursuant to this paragraph.

B. Voluntary Termination. Except as provided in subsection A of this Section VI., you may terminate this Agreement at any time by giving the Corporation written notice of such termination. Fourteen (14) days advance notice is required for independent living, Westerly Place and the Assisted Living Center and five (5) days advance notice is required for the Health Care Center. If required notice is given, or if no written notice is given, you will be responsible for paying the Monthly/Daily Fee for the applicable Living Accommodation for the full notice period and for each day of occupancy except you shall only be charged for the days of occupancy when a delay in discharge or transfer would jeopardize your health or safety or that of others at Salemtowne. Any refund of the Entrance Fee due to the Resident following voluntary termination of this Agreement will be made in accordance with Section II A.

C. Abandoned Living Accommodation. You may be deemed to have abandoned the Living Accommodation and terminated this Agreement if you do not occupy a residence at Salemtowne for a period of one continuous year.

In the event of such termination (including death, illness, injury, or incapacity), you shall receive a refund of the Entrance Fee paid in accordance with Section II. Any such refund shall be paid by the Corporation within sixty (60) days following termination pursuant to this paragraph.

D. Temporary Absence. Temporary absence because of illness, trips or other will not affect your rights to retain occupancy of your Living Accommodation, as long as applicable Monthly/Daily Fees are paid.

E. Termination Upon Death. In the event of your death and you are not survived by a co-Resident residing at Salemtowne, who has signed this Agreement, this Agreement shall terminate and, subject to your continuing obligations described herein, the portion, if any, of the Entrance Fee paid by you to be refunded shall be determined in the same manner described in Section II. herein.

Any refund to which you are entitled shall be paid to your Estate unless you execute a designation and name a trust, revocable by you at the time of your death, to receive applicable refunds. Should you execute a revocable trust subsequent to signing this agreement, you or your estate's executor may submit a written beneficiary designation form designating a trust, revocable by you at the time of your death, to receive applicable refunds.

In the event of your death and you are survived by a co-Resident residing at Salemtowne who has signed this Agreement, then this Agreement shall not terminate and no refund will be payable.

In the event a refund becomes due, the date that the deceased Resident's responsible party/estate executor removes all personal belongings from the Living Accommodation shall determine the termination date. Any refund due the Resident's estate under this paragraph will be made at such time as such Resident's Living Accommodation shall have been reserved by a prospective Resident and such prospective Resident shall have paid to the Corporation such prospective Resident's full Entrance Fee; provided, however, that the Resident's estate shall continue to be obligated to pay the applicable Monthly/Daily Fee for such Resident's Living Accommodation until such Resident's Living Accommodation is vacated and left in good condition except for normal wear and tear.

- F. Termination by the Corporation.** We may terminate this Agreement at any time (i) if there has been a material misrepresentation or omission made by you during the application process; (ii) if you fail to make payment to the Corporation of any fees or charges due the Corporation within thirty (30) days after receiving written notice of your failure to pay such fees or charges; (iii) if you do not abide by the rules and regulations adopted by the Corporation or breach any of the terms and conditions of this Agreement; (iv) if the health or safety of other individuals in the Corporation is endangered if you remain in Salemtowne, as determined by a physician, physician assistant or nurse practitioner; or (v) the discharge is necessary for your welfare and your needs cannot be met by the Corporation as documented by your physician, physician assistant or nurse practitioner.

In addition, Resident hereby acknowledges that it is the policy of Salemtowne to conduct sex offender screening for every prospective resident, regardless of independent status or level of care, at the time of application for admission to Salemtowne and again prior to entering into a Residence and Services Agreement. If the screening shows that the prospective resident is identified as a sex offender, Salemtowne will deny admission of Resident on that basis and not execute a Residence and Services Agreement. In addition, Resident hereby acknowledges and agrees that if, after Salemtowne and Resident have entered into a Residence and Services Agreement, Salemtowne becomes aware that Resident is listed on any sex offender registry, Salemtowne may terminate this Agreement with Resident and remove Resident from Salemtowne. If there is more than one resident who is a party to this Agreement, the termination of this Agreement in such instance shall only apply to the resident listed on the sex offender registry.

Following termination of this Agreement pursuant to this Section VI.F., you will be responsible for paying the Monthly/Daily Fee for the applicable Living Accommodation for the full notice period and for each day of occupancy. Any refund of the Entrance Fee due to the Resident following voluntary termination of this Agreement by the Corporation will be made in accordance with this Section VI.

Except in cases of emergency, you will receive a notice of the termination by the Corporation at least thirty (30) days prior to the effective date of termination. You may be entitled to appeal the Corporation's decision to terminate this Agreement and, except in

cases of emergency, the Corporation will not discharge you before the final decision resulting from the appeal has been rendered.

G. Condition of Living Accommodation. At the effective date of termination of this Agreement, you will vacate the Living Accommodation, including any storage areas at Salemtowne, and will leave both in good condition except for normal wear and tear. You, or your estate, will be liable to the Corporation for any costs incurred in restoring the Living Accommodation and storage areas to good condition except for normal wear and tear. Such costs may be deducted from any refundable portion of the Entrance Fee due to you or your estate, if any.

H. Removal of Personal Property. In the event of termination of this Agreement, you agree to surrender the Living Accommodation and any storage areas, which were occupied by you, within thirty (30) days of the notice of termination.

The Corporation reserves the right to remove your belongings from the Living Accommodation and any storage areas. You will pay a reasonable storage fee or the actual cost of external storage, whichever is applicable. The Corporation is not responsible for any damages incurred to your property if storage becomes necessary. Unclaimed property will become the property of Salemtowne after thirty (30) days following the termination of this agreement and will be disposed of at the sole discretion of the Corporation.

In the event of your death, while you are a Resident of Salemtowne under this Agreement, only the executor(s) named in your Will (or such person or entity designated by such executor(s)) will be allowed to remove or dispose of your furnishings and belongings in your Living Accommodation and any related storage areas at Salemtowne. Members of your family or those to whom you have granted Power of Attorney will not be allowed access to your personal property after your death, unless they are the executor(s) named in your Will.

I. Refund.

1. Refund of Entrance Fee. You or your estate, or a revocable trust designated by you may be entitled to a refund of the Entrance Fee, provided you or your estate have met all of your obligations under this Agreement. Your refund, if applicable, shall be calculated in accordance with the following:

- ☐ **Standard Refund Entrance Fee.** Your Entrance Fee refund, if applicable, shall be equal to the Entrance Fee less a non-refundable fee of four percent (4%) of the Entrance Fee; the remaining balance is subject to amortization of two percent (2%) for each month of occupancy, as defined herein, for up to forty-eight (48) months, except for accrued expenses that will be deducted. In calculating amortization for purposes of this section, a period of more than fifteen (15) days will be considered as a full month; fifteen (15) days or less will be disregarded for purposes of this calculation. No refund of the Entrance Fee shall be paid after forty-eight (48) months of occupancy.
- ☐ **50% Refund Entrance Fee.** Your Entrance Fee refund, if applicable, shall be equal to the Entrance Fee less a non-refundable fee of four percent (4%) of the

Entrance Fee; the remaining balance is subject to amortization of two percent (2%) for each month of occupancy, as defined herein, for up to twenty-three (23) months. In calculating amortization for purposes of this section, a period of more than fifteen (15) days will be considered as a full month; fifteen (15) days or less will be disregarded for purposes of this calculation. The refunded Entrance Fee will never be less than 50% of the original Entrance Fee, except for accrued expenses that will be deducted.

- **90% Refund Entrance Fee.** Your Entrance Fee refund, if applicable, shall be equal to the Entrance Fee less a non-refundable fee of four percent (4%) of the Entrance Fee; the remaining balance is subject to amortization of one percent (1%) for each month of occupancy, as defined herein, for up to six (6) months. In calculating amortization for purposes of this section, a period of more than fifteen (15) days will be considered as a full month; fifteen (15) days or less will be disregarded for purposes of this calculation. The refunded Entrance Fee will never be less than 90% of the original Entrance Fee, except for accrued expenses that will be deducted.

The cost to repair damages to the Living Accommodation and storage areas in excess of normal wear and tear, the cost of storage paid by the Corporation and any amounts due and unpaid relating to the cost of care provided by Salemtowne or any third party health care provider, including without limitation, the Monthly/Daily Fee or other amounts payable to Salemtowne which remain outstanding and the amount of any charges due by Salemtowne on behalf of the Resident, or by the Resident, to the pharmacy, rehabilitation services or any other third party, will be deducted from any applicable refund.

Any refund due you under this paragraph will be made within thirty (30) days from the date that your Living Accommodation shall have been reserved by a prospective Resident and such prospective Resident shall have paid to the Corporation such prospective Resident's full Entrance Fee.

If, after an extended period of time, a Living Accommodation has not been reoccupied, the Corporation may return, in its sole discretion, the applicable refundable portion of your Entrance Fee, to you or your estate. If a refund is returned prior to a former Living Accommodation being reoccupied, it will be reduced by ten percent (10%) of its original value.

Entrance Fees will not be refunded upon transfer to the Assisted Living Center or the Health Care Center.

2. **Refund of Fee Related to Cost of Care.** You or your estate, or a revocable trust designated by you may be entitled to a refund of that portion of the fee which is related to the cost of health care services provided by Salemtowne or any third party health care provider less any amounts payable to Salemtowne or any third party health care provider through the date the refund is due hereunder. In the case of your death, any refund of the amount of the fee related to the cost of health care services provided by Salemtowne will be made no later than thirty (30) days from the date of your death.

If the Agreement is terminated by the Corporation in an emergency situation (i.e. because the Corporation is no longer able to meet your urgent health care needs, or termination is necessary to protect your health and safety or that of another person at Salemtowne), the refund of the amount of the fee related to the cost of health care services will be made within fourteen (14) days after you leave Salemtowne.

If you terminate this Agreement, any refund shall be made within fourteen (14) days from the date of notice of termination or, if no notice is given, within fourteen (14) days after you leave Salemtowne.

Nothing in this Section shall apply in the event of a transfer to the Assisted Living Center or the Health Care Center.

- J. Release from Obligations Upon Termination.** Upon termination of this Agreement, Salemtowne is released from any further obligations to you except for the payment of any refund which may be due under this Agreement.

VII. RIGHT OF RESCISSION

Notwithstanding anything herein to the contrary, this Agreement may be rescinded by you giving written notice of such rescission to the Corporation within thirty (30) days following the later of the execution of this Agreement or the receipt of a disclosure statement that meets the requirements of Section 58-64-1, et seq. of the North Carolina General Statutes. In the event of such rescission, you shall receive a refund in an amount equal to the Entrance Fee less a non-refundable fee of four percent 4% of the Entrance Fee less any Monthly/Daily Fees (in accordance with Section II herein) or portion thereof applicable to any period a Living Accommodation or storage area was actually occupied by you or your belongings. In the event of such rescission, you shall not receive a refund of any amounts paid for non-standard features added to the Living Accommodation. You will not be required to move into Salemtowne before the expiration of such thirty (30) day period. Notwithstanding anything to the contrary in this Agreement, any such refund shall be paid by the Corporation within fourteen (14) days following receipt of written notice of rescission pursuant to this paragraph.

VIII. FINANCIAL ASSISTANCE

- A. Subsidy.** In connection with its charitable mission, it is the desire of the Board of Trustees of Salemtowne that no one leave Salemtowne because of lack of funds. Any disposition of Resident's assets in any way other than for care at Salemtowne or related living/medical expenses to the extent that Resident cannot adequately provide for Resident's expenses or care will nullify this desire on the part of Salemtowne and entitle Salemtowne to terminate Resident's right to reside in Salemtowne.

Salemtowne will make reasonable efforts to acquire the funds necessary to meet Salemtowne's fees for care. However, the resources of Salemtowne to provide care for Residents are not unlimited, and Salemtowne reserves the right to terminate the residency of any person, including Resident, who cannot pay the full cost of Salemtowne's Monthly/Daily Fees and charges, and other costs in connection with such person's stay at Salemtowne.

In the event that a Resident presents facts which in the opinion of the Corporation justify special financial consideration, the Corporation will give careful consideration to subsidizing in whole or in part the Monthly/Daily Fees and other Salemtowne charges payable by the Resident hereunder so long as such subsidy can be made without impairing the ability of the Corporation to attain its objectives while operating on a sound financial basis.

In the event that the Corporation may subsidize in whole or in part the Monthly/Daily Fees and other Salemtowne charges payable by the Resident hereunder, the Resident will be required to execute a separate Financial Assistance Agreement with the Corporation.

In the event that we continue to provide the services to you under the terms of this Agreement despite your financial inability to continue to pay the Monthly/Daily Fee or other Salemtowne charges payable under the terms of this Agreement, Salemtowne shall be entitled to require you to move to a smaller or less costly Living Accommodation.

Any determination by the Corporation with regard to the granting or continuation of financial assistance shall be within the sole discretion of the Corporation, under a separate agreement.

- B. Recovery of Subsidies Provided by Salemtowne.** When a Resident dies or moves out of the community, if said Resident's fees have been subsidized wholly or partly by Salemtowne, the Resident or Resident's estate, if any, will be liable to Salemtowne for the full amount of the subsidy the Resident received for the entire time of residency. This paragraph will apply whether or not the Resident is in residence at Salemtowne at the time of death. This Agreement will operate as a lifetime assignment, transfer and conveyance to Salemtowne of so much of Resident's property as is necessary to cover such liability. Any amount due Salemtowne under this paragraph may be deducted from any refund payable to Resident or to the Resident's estate.
- C. Financial Assistance Funds.** The Corporation has established funds which will be used to assist Residents who would otherwise not be able to live at Salemtowne. Such funds may be used for the purposes of providing financial assistance, but no Resident shall have any claim to or expectation of receiving or continuing to receive any such assistance.

IX. GENERAL

- A. Compliance with Applicable Laws.** Resident and Salemtowne will comply with all laws, rules, regulations and ordinances promulgated by lawful governmental authorities.
- B. Confidentiality.** The Corporation has the responsibility to keep all of the personal, medical and financial information you have supplied to it confidential. You consent to the release of any of your personal and medical records maintained by the Corporation (i) to the Corporation's employees, staff and agents; (ii) to persons and organizations from whom you receive health care services; (iii) to third-party payors of health care services provided by the Corporation or other organizations; and (iv) to others deemed reasonably necessary by the Corporation for purposes of treatment, payment and operations of the Corporation, consistent with applicable state and federal health care privacy laws. You understand and

agree that authorized agents of the state or federal government, including the Long Term Care Ombudsman, may obtain your records without your written consent or authorization. Release of your records for other purposes shall be made in accordance with applicable law, with a specific authorization from you or your legal representative where required.

- C. **Assignment.** Your rights and privileges under this Agreement to the facilities, services and programs of the Corporation are personal to you and may not be transferred or assigned by you or otherwise.
- D. **Resident has no Tenancy Interest or Management Rights in Salemtowne.** The absolute rights of management are reserved by the Corporation, its Board of Trustees and its administrators as delegated by said Board of Trustees. The Corporation reserves the right to accept or deny any person for residency. Residents do not have the right to determine entry or terms of entry of any other Resident. Salemtowne reserves the right to amend, implement or terminate policies and/or guidelines related to the operation of the community in its sole discretion.

This Agreement gives Resident the right to live in Salemtowne and to receive or have access to the services and amenities described in the Agreement. However, it does not give Resident the rights of a “tenant” as that term is defined by North Carolina state law. Salemtowne retains the exclusive authority to make all management decisions with regard to the management of Salemtowne, including decisions about admission and discharges, setting charges, Salemtowne’s policies and procedures, and the scope of services offered by Salemtowne, consistent with state law and the terms of this Agreement.

- E. **Moravian Affiliation.** Salemtowne is affiliated with the Moravian Church in America, Southern Province (“Southern Province”). The Southern Province is not responsible for the financial and contractual obligations of Salemtowne.
- F. **Indemnity.** You agree to indemnify, defend and hold us harmless from claims, damages or expenses, including attorneys’ fees and court costs, resulting from any injury or death to persons and any damages to property caused by, resulting from, attributable to or in any way connected with your negligent or intentional act or omission or those of your guests, including private duty nurses, companions, or other.
- G. **Limitation on Liability.** You understand and agree that the services provided by the Corporation and others within Salemtowne are not designed to protect you from the everyday, normal risks and responsibilities of living, including, but not limited to, such general accidents and situations such as falling, choking on food, and weight loss and/or dehydration resulting from your failure to partake of food and drink. Additionally, you understand and agree that the services provided by the Corporation do not include one-on-one monitoring of you, and that your expectations will be consistent with this understanding. The Corporation shall exercise reasonable care toward you based on your known condition. However, you agree that the Corporation is not an insurer of your welfare and safety. You agree that you will exercise due care to protect yourself from harm.

- H. Separability.** The invalidity of any restriction, condition or other provision of this Agreement, or any part of the same, shall not impair or affect in any way the validity or enforceability of the rest of this Agreement.
- I. Resident Contracted Services.** If you wish to privately employ outside assistance, including Salemtowne employed Staff, for whatever reason, all Salemtowne policies must be upheld, and prior written approval by Salemtowne management must be obtained. You agree to hold Salemtowne harmless in all situations related to the provisions of such outside services. The Corporation has the right to require termination of such a service at any time.
- J. Resident Handbook.** You will be given a current copy of the Resident's Handbook as adopted by the Corporation. You understand that these documents will change from time to time but that they are the procedural documents for those occupying Living Accommodations at Salemtowne.
- K. Entire Agreement.** This Agreement constitutes the entire contract between the Corporation and Resident. The Corporation shall not be liable or bound in any manner by any statements, representations or promises made by any person representing or assuming to represent the Corporation, unless such statements, representations or promises are set forth in this Agreement or in an amendment to this Agreement signed by Salemtowne's President/CEO and by you. Electronic (e.g., pdf) versions of this Agreement shall have the same legal effect as originals, and all of which, when fully executed, shall constitute one and the same instrument.
- L. Successors and Assigns.** Except as set forth herein, this Agreement shall bind and inure to the benefit of the successors and assigns of the Corporation and the heirs, executors, responsible parties, powers of attorney, administrators and assigns of you.
- M. Capacity.** This Agreement has been executed on our behalf by our duly authorized agent, and no officer, trustee, agent or employee of ours shall have any personal liability hereunder to you under any circumstances. If Resident is, or becomes, unable to understand or communicate his or her health care or financial decision, and is determined by Resident's attending physician to be incapacitated, then in the absence of Resident's prior designation of an authorized legal representative, or upon the unwillingness or inability of a designated legal representative to act, Salemtowne shall have the right to commence a legal proceeding to adjudicate Resident incapacitated and to have a court appoint a guardian for Resident. The cost of the legal proceedings, including attorneys' fees, shall be paid by Resident or Resident's estate.
- N. Tax Considerations.** You should consult with your tax advisor regarding the tax considerations associated with this Agreement.
- O. Governing Law.** This Agreement shall be governed by the laws of the State of North Carolina without regard to conflict of laws principles.
- P. Amendments and Partial Invalidation.** Generally, this Agreement can be changed only by mutual written consent. However, we can make changes without your consent to keep the Agreement in compliance with applicable laws and regulations; provided, that the changes we make do not substantially reduce your benefits under the Agreement, we

provide notice of such change not less than thirty (30) days before the change, and we provide an amendment to this contract for your review and signature. If any provision in this Agreement is invalidated, all other provisions will remain in force.

- Q. Governing Law; Venue; Disputes.** This Agreement shall be governed by, interpreted, construed and enforced in accordance with the laws of the State of North Carolina, without giving effect to any choice of law or conflict of law rules or provisions that would cause the application of laws or any jurisdiction other than North Carolina. Except to the extent that the parties have agreed to an alternative mechanism for the resolution of a dispute, to the full extent permitted by law, any action, suit or proceeding arising out of or relating to this Agreement shall be brought and enforced in the courts of the State of North Carolina located in Forsyth County or of the United States District Court for the Middle District of North Carolina, and the parties hereby irrevocably submit to the exclusive jurisdiction of such courts and irrevocably waive any objection that they may now or hereafter have to the laying of venue of any such action or proceeding in such courts.
- R. Gender.** Throughout this Agreement, the use of the masculine gender shall include the feminine, and the use of singular shall include the plural.
- S. Interpretation.** Headings are for convenience and reference purposes only and shall not affect the interpretation of any provision of this Agreement.
- T. Waivers.** Neither the failure nor any delay on the part of any party to exercise any right, remedy, power, or privilege (“Right”) under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any Right preclude any other or further exercise of the same or of any Right, nor shall any waiver of any Right with respect to any other occurrence. No waiver shall be effective unless it is in writing and is signed by the party asserted to have granted such waiver.
- U. Survival.** Those rights and obligations that have accrued as a result of the operation of this Agreement shall survive its termination, as shall those rights and obligations that by their terms survive termination and any provisions that must survive to give effect to their terms, as shall any obligation of Resident to pay costs or expenses of his or her stay at Salemtowne that remain unpaid as of such termination.
- V. Notice Provisions.** Any notices, consents, or other communications to the Corporation hereunder (collectively “notices”) will be in writing and addressed as follows:

Salemtowne:

Office of the President/CEO
Salemtowne
1000 Salemtowne Drive
Winston Salem, North Carolina 27106

Resident:

Your address for the purpose of giving notice prior to your move to Salemtowne is the address appearing after your signature below. Your address for the purpose of giving notice after your move to Salemtowne will be the current Living

Accommodation address at the applicable time. You are responsible for notifying us of any changes in address and/or telephone number.

[Signatures Follow on Next Page]

Salemtowne will stand behind all of the statements, promises and representations in this Agreement, but no others. If you feel something has been promised to you, but it is not specifically mentioned in this Agreement, now is the time to discuss it – before you sign this Agreement.

I (we) understand this matter involves a financial commitment and associated risk as well as a legally binding contract. I (we) was (were) encouraged to consult with an attorney and/or financial advisor who could advise me (us) concerning this Agreement.

THE UNDERSIGNED RESIDENT(S) ACKNOWLEDGES RECEIPT OF SALEMTOWNE'S CURRENT DISCLOSURE STATEMENT. THE DISCLOSURE STATEMENT WAS RECEIVED PRIOR TO THE EXECUTION OF THIS AGREEMENT OR PRIOR TO OR AT THE TIME OF THE TRANSFER OF ANY MONEY OR OTHER PROPERTY TO SALEMTOWNE, WHICHEVER OCCURRED FIRST.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in duplicate, as of the day and year first above written, one duplicate copy of this Agreement being retained by each party.

Your signature below certifies that you have read, understand and accept this Agreement as of this (*current date*) _____ day of _____, _____.

SALEMTOWNE	RESIDENT(S) (or Resident(s)'s Attorney in Fact) (*)
_____ By (signature)	_____ (signature) (SEAL)
_____ Printed Name	_____ (signature) (SEAL)
_____ Title	_____ Current Address: Street
	_____ City, State, Zip Code
	_____ Telephone

(*) If Attorney-in-Fact signs on behalf of the Resident(s), a Filed Power of Attorney document must be attached to this Agreement.

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Appendix B2

Residence and Services Agreement – Direct Entry to Masten Assisted
Living Center



Masten Assisted Living Center

Residence and Services Agreement

(With continuance of care in the Health Care Center)

Resident: _____

Living Accommodation: _____

**MASTEN ASSISTED LIVING CENTER
RESIDENCE AND SERVICES AGREEMENT**

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**MASTEN ASSISTED LIVING
RESIDENCE AND SERVICES AGREEMENT**

This Agreement (the "Agreement") is made this *(date of occupancy)* _____ day of _____, _____ by and between MORAVIAN HOME, INCORPORATED d/b/a SALEMTOWNE, a North Carolina nonprofit corporation (hereinafter the "Corporation", "Salemtowne", "we", "us" or "our") and _____ (hereinafter "Resident", "you", "your").

WHEREAS, the Corporation is a continuing care retirement community located at 1000 Salemtowne Drive in Winston Salem, North Carolina, known as "Salemtowne"; and

WHEREAS, you desire to become a resident of Salemtowne's Masten Assisted Living Center ("Assisted Living Center") and to use and enjoy the facilities, programs and services provided by the Corporation subject to the terms and conditions of this Agreement.

NOW, THEREFORE, you and the Corporation agree as follows:

I. ACCOMMODATIONS AND SERVICES

Subject to the terms and conditions set forth in this Agreement, we agree to provide you the Living Accommodation, services and programs at Salemtowne described as follows:

- A. Living Accommodation.** Unit *(street address)* _____, an apartment type of Living Accommodation (as described in materials presented to you and as shown to you during a physical tour), located in Salemtowne's Assisted Living Center (hereinafter referred to as the "Living Accommodation"). You have the exclusive right to occupy and use the Living Accommodation subject to the terms and conditions set forth in this Agreement and applicable state and federal laws. You, with the prior written consent of the Corporation and subject to the terms and conditions of this Agreement, may from time to time transfer from one Living Accommodation at Salemtowne to another. Transfer charges may apply. In the event of such a transfer, the reference to the "Living Accommodation" designated above shall be automatically amended to reflect such a transfer.
- B. Dual Occupancy.** In the event that two Residents occupy a Living Accommodation under the terms of this Agreement, upon the death of one of such Residents, or in the event of the termination of this Agreement with respect to one of such Residents, such as in the case of death or divorce, the Agreement shall continue in effect as to the remaining or surviving Resident who shall have the option to retain the same Living Accommodation or to move to a smaller Living Accommodation, in which event there will be no refund of the Entrance Fee. The remaining or surviving Resident will thereafter pay the Monthly/Daily Fee for one Resident associated with the Living Accommodation occupied by the Resident. No refund will be payable with respect to the Living Accommodation surrendered, except as provided in the Termination and Refund Provisions of Section VI. Any fees paid for a second Resident are not transferable to a future second Resident such as in the case of a subsequent marriage.
- C. Security.** We will use reasonable care in providing security on the premises of Salemtowne. We will furnish an emergency call system that is monitored twenty-four (24) hours a day. Smoke detectors are provided in all Living Accommodations. We are not responsible for theft, loss or damage to your personal property. You are responsible for securing your Living Accommodation.

Initials _____

Corporation Resident(s)

- D. Utilities.** We will furnish ordinary electricity, heating, air conditioning, water, sewer, gas, basic cable television service and trash removal. You are responsible for any telephone and internet installation charges and the cost of telephone and internet services. Notwithstanding the foregoing, the Corporation shall provide a telephone for use by the Residents in a private location for non-toll calls.
- E. Furnishings and Appliances.** The Corporation will provide furnishings and appliances in the Living Accommodation as described in the literature published by the Corporation regarding Salemtowne. All other furniture and furnishings for the Living Accommodation shall be provided by you, shall be maintained by you at your risk and must be approved by Salemtowne, and shall be subject to all applicable laws, regulations, rules, policies and procedures.
- F. Meals.** The Corporation will make available to you three (3) nutritionally well-balanced meals each day. Three (3) snacks are also available to you on a scheduled and unscheduled basis. These meals and snacks are included in your Monthly/Daily Fee. If your physician or another appropriately licensed health professional orders a modified diet, the Corporation shall provide a modified diet to you that meets the physician's specifications.
- G. Housekeeping Services.** We agree to maintain the Living Accommodation by providing weekly housekeeping services for Assisted Living Center Residents and daily housekeeping services for Westerly Place Memory Care Support Assisted Living Center ("Westerly Place") and Health Care Center Residents. Housekeeping includes vacuuming, dusting, cleaning of bath and changing of bed and bath linens, and trash removal. Additional housekeeping services may be made available at your expense.
- H. Laundry.** Bed and bath linens as well as linen laundry service and personal laundry service (washing, drying and folding) will be provided for Residents in the Assisted Living Center, Westerly Place and the Health Care Center. The costs of these services are included in the Monthly/Daily Fee. You are responsible for arranging and paying for dry cleaning services. Salemtowne is not responsible for loss or damage to personal items laundered by Salemtowne.
- I. Maintenance and Repairs.** We will maintain and keep in repair the improvements, furnishings, appliances, and equipment owned by the Corporation. Maintenance and repair of your personal property is your responsibility. You will be responsible for the cost of repairing any damage to property of the Corporation caused by your negligence or intentional acts and/or the negligence or intentional acts of any guest of yours, ordinary wear and tear excepted.
- J. Alterations to Living Accommodation.** Any structural or physical change or redecoration of any kind within the Living Accommodation will require the prior approval of the Corporation. The cost of any change, repairs or maintenance for that change and the subsequent cost to return the Living Accommodation to its original condition in the event of such change, or redecoration, will be paid by you. Any such improvement or change will be owned by the Corporation and will not be considered in determining the amount of any refund to you upon termination of this Agreement.
- K. Use of and Changes to Living Accommodation.** The Corporation has the right to change the Living Accommodation to meet requirements of any applicable statutes, laws, or regulations. The Living Accommodation may not be used in any manner in violation of any zoning ordinances or other governmental laws or regulations.

L. Groundskeeping. We will furnish basic groundskeeping service for the grounds of Salemtowne, including lawn, tree and shrubbery care. Subject to approval by the Corporation, you may plant and maintain certain areas designated for such purpose by the Corporation. The cost of these plantings and maintenance of such plantings will be at your expense.

M. Parking. The Corporation will provide one (1) unassigned parking area for your personal vehicle and limited parking for guests.

N. Mail. Mail will be delivered by the postal service to Salemtowne. Salemtowne staff delivers mail directly to Assisted Living Center, Westerly Place and the Health Care Center.

Package deliveries vary by carrier. If a carrier does not deliver packages directly to the resident's Living Accommodation, Salemtowne staff will deliver packages directly to Assisted Living Center, Westerly Place and Health Care Center Residents.

O. Common Facilities. We will provide common facilities for the use and/or benefit of all Residents, so long as there are no contraindications identified by a Resident's physician, physician assistant or nurse practitioner. Such common facilities currently include an enclosed swimming pool and exercise facility, dining rooms, mailroom, multi-purpose rooms, library, computer area, game/television area, lounges, and sitting areas.

P. Transportation. We will provide local (within a 15-mile radius of Salemtowne) medical transportation for scheduled medical appointments Monday through Friday between 9:00 a.m. and 4:30 p.m. except some holidays. Forty-eight (48) hours' notice is required. Additional charges will be incurred for Residents who require staff accompaniment or transportation beyond a 15-mile radius of Salemtowne.

We will provide local transportation for Residents as part of the Activity program for the following: weekly shopping, scheduled meal outings, day trips, and other special events. An additional charge may be made for transportation for special, personal or group trips.

Q. Activities. Physical, social, intellectual, and spiritual activities will be available to Residents. Additional charges may be incurred for some programs.

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R. Services. The following services are provided with the Monthly/Daily Fee to the Assisted Living Center, Westerly Place and Health Care Center Residents. (Fees will not be reduced or unbundled for services that Residents decline such as meals or laundry.)

Assisted Living Center	Westerly Place	Health Care Center
• Three meals daily	• Three meals daily	• Three meals daily
• Meal service to room, if required	• Meal service to room, if required	• Meal service to room, if required
• Dining room assistance	• Dining room assistance	• Dining room assistance
• Assistance with bathing and grooming	• Assistance with bathing and grooming	• Assistance with bathing and grooming
• Weekly housekeeping service	• Daily housekeeping service	• Wheelchair assistance
• Personal laundry service	• Personal laundry service	• Daily housekeeping service
• Medication delivery by a nurse or medication technician	• Medication delivery by a nurse or medication technician	• Personal laundry service
• Monitoring of vital signs according to physician's order	• Monitoring of vital signs according to physician's order	• Medication delivery by a nurse
• Nursing evaluation	• Nursing evaluation	• Monitoring of vital signs according to physician's order
• Multi-disciplinary care planning	• Multi-disciplinary care planning	• Nursing evaluation
• Access to Fitness Center	• Access to Fitness Center	• Multi-disciplinary care planning
• Personal lockable space to secure your valuables	• Personal lockable space to secure your valuables	• Whirlpool tub
		• Skilled care by RNs, LPNs and CNAs on duty 24 hours per day
		• Access to Fitness Center
		• Personal lockable space to secure your valuables

- S. Other Services Available.** Residents engaging third parties for services within Salemtowne may do so only with prior notification and authorization by Salemtowne (i.e., companions, private duty nurses, maintenance workers, etc.). This is not an all-inclusive listing of services you may request or utilize. With respect to services not listed, consult schedule of charges or the Finance Office.
- T. Limitation to Services.** You hereby acknowledge and agree that the Corporation is prohibited by law from furnishing certain types of services, based upon applicable statutes, administrative regulations, and interpretations of statutes and regulations by the North Carolina Department of Health and Human Services, Division of Health Service Regulation, Adult Care Licensure Section. You agree that if you need services that the Corporation is not legally authorized or does not otherwise provide, you shall be discharged from Salemtowne. Except as otherwise expressly stated in this Agreement, you are responsible to arrange and pay for health and medical care services not provided by the Corporation, including, without limitation, hospital services, physicians' services, private duty personnel, medications, vitamins, eye glasses, eye examinations, hearing aids, ear examinations, dental work, dental examinations, orthopedic appliances, laboratory tests, x-ray services or any rehabilitative therapies.
- U. Professional Management of Salemtowne and its Facilities.** The Corporation will employ management and staff and/or agents ("Staff") to manage the operations of Salemtowne and its facilities.
- V. Nursing and Health Care.** We will provide nursing and health care for each Resident as follows:
- 1. Babcock Health Care Center.** The Health Care Center will be provided for the benefit of the Residents. The Corporation is licensed by the North Carolina Department of Health and Human Services, Division of Health Service Regulation to operate intermediate and skilled nursing care for Residents who are temporarily ill or who require long-term nursing care. Private accommodations will be provided for Residents in the Health Care Center. Some of the beds in the Health Care Center are certified for Medicare and Medicaid reimbursement.
 - Twenty-four (24) hour nursing staff maintained in the Babcock Health Care Center.
 - Charges for Health Care Center accommodations and services are described in the Schedule of Fees and other literature published by the Corporation and distributed to Residents at least annually.
 - Temporary care (up to 30 days) is also available in the Health Care Center for treatment of short-term illnesses or injuries.
 - 2. Resident's Attending Physician.** Residents may choose their own personal physician and are responsible for charges for services by such physicians and any consultants.
 - 3. Other Healthcare Services.** Other health care services may be made available to the Resident at the Resident's expense, including, but not limited to: pharmacy services, radiology services, dental services, laboratory tests, physical therapy, occupational therapy, therapeutic activities, rehabilitative treatments, wheelchairs, medical equipment and supplies. The cost of such services shall not be covered by the Monthly/Daily Fees described herein.

4. **On-Site Emergency Call Response.** Each Living Accommodation is equipped with an emergency call system. Salemtowne nursing staff will respond to emergency calls.
5. **Emergency Medical Care.** We will notify your physician when emergency medical care is necessary. If acute medical care is necessary or upon physician's or your request, you will be transferred to a local hospital emergency room. In the event of an emergency, Salemtowne staff will summon emergency medical services to assist you by calling "911" or otherwise summoning appropriate medical personnel from outside Salemtowne. You authorize Salemtowne to provide to you any care and assistance deemed by Salemtowne to be in your best interests under the circumstances and to take any such action that is reasonably prudent in the event of an emergency, subject to any advance directives contained in a document that you have furnished to the Corporation.
6. **Resident Health Record.** Salemtowne shall maintain a health record for Resident that contains health and other personal information that is pertinent to the Services which Salemtowne is providing. All information and records regarding Resident are confidential and are only disclosed in accordance with applicable law, including the HIPAA Privacy Rule. Resident may review Resident's health record and authorize others to review the Resident's health record.
7. **Resident's Consent to Receive Health Care Services.** Resident authorizes Salemtowne to provide those health care-related services that are specifically set forth in this Agreement. Resident also authorizes Salemtowne to obtain all necessary clinical and/or financial information from Resident's attending physician, and any other health care providers treating Resident, including, but not limited to, any hospital or nursing facility from which Resident may be transferring or may transfer in the future and hereby authorizes such health care provider(s) to provide such health care information to Salemtowne.

II. FINANCIAL ARRANGEMENTS

- A. **Entrance Fee.** You hereby agree to pay to the Corporation a non-refundable Entrance Fee in the amount of \$ _____, which is required for direct entry into our Assisted Living Center.
- B. **Non-Standard Features.** The Corporation has consented to your request to add the following non-standard features in your Living Accommodation and you agree to pay the following amount to cover the additional costs, maintenance and removal of these features. This additional amount is not subject to any refund provision herein and is payable prior to the installation of the applicable non-standard features.

Non-Standard Features Added:

Cost

	\$
	\$
	\$
	\$
Total of Non-Standard Features Added	\$

- C. **Monthly/Daily Fee.** You agree to pay a Monthly/Daily Fee during the term of this Agreement which shall be payable in advance by the 10th day of each month. As of the date of this Agreement, the Monthly/Daily Fee associated with the Living Accommodation will be approximately \$ _____.

The Monthly/Daily Fee will begin on the date of Occupancy. Occupancy is defined as the first day that a Resident either resides in the Living Accommodation or the first day that the Resident's furnishings or belongings are placed in the Living Accommodation or in a storage area at Salemtowne.

No credit will be provided to you should you refuse services, which are included in the Monthly/Daily Fee, such as laundry, housekeeping and meals.

- D. **Vacations and/or Time Away from Living Accommodation.** Monthly/Daily Fees are not subject to change or credit if Resident is away from the Living Accommodation for any period of time. (For example, vacations, hospital stays, etc.)

Initials _____

Corporation Resident(s)

- E. Adjustments in the Monthly/Daily Fee.** The Corporation usually sets fees annually but shall have the authority to adjust the Monthly/Daily Fee from time to time during the term of this Agreement as it, in its discretion, deems necessary. Any such increase in the Monthly/Daily Fee or other charges may be made by the Corporation upon thirty (30) days' written notice to the Resident.

In the event that it should be determined that the Corporation is required to pay ad valorem taxes upon its property, the Monthly/Daily Fee may be adjusted to reflect the amount of such taxes. You will pay all taxes assessed on your personal property.

In the event Salemtowne is assessed sales or use tax on Monthly/Daily Fee and/or fees for other services, you agree to pay Salemtowne the amount of such taxes.

- F. Schedule of Fees.** You have been given a current copy of the Schedule of Fees as adopted by the Board of Trustees of the Corporation. You understand that these fees may change from time to time.

- G. Monthly Statements.** We will furnish you with monthly statements showing the total amount of fees and other charges owed by you, which shall be payable by the 10th of the month. Late payments are subject to an interest charge of one and one-half percent (1.5%) per month from the first of the month. In the event the Corporation initiates any legal actions or proceedings to collect payments due from you under this Agreement, you shall be responsible to pay all attorneys' fees and costs incurred by the Corporation in pursuing the enforcement of your financial obligations under this Agreement. The Corporation offers and encourages an automatic bank draft for the Monthly/Daily Fees. The Corporation may terminate this Agreement if you have a past due amount upon thirty (30) days' written notice. Termination of this Agreement does not end the obligation of you or your estate to pay all amounts due, no matter when incurred.

You, and your current and future responsible parties (i.e., power(s) of attorney, executor(s)) on your behalf, from your assets and income agree to pay all costs, expenses, and reasonable attorneys' fees, in the event same must be expended in the collection of any sums due and owed by you to the Corporation.

The Corporation reserves the right, with thirty (30) days' notice, to change the billing date and the payment due date. For a partial first month, the Monthly/Daily Fee is pro-rated on a per diem basis. Thereafter, Monthly/Daily Fees are paid in advance and are pro-rated at termination.

- H. Assisted Living Center, Health Care Center and Westerly Place Priority Entry.** Residents are provided priority entry over non-Residents for entry to the Health Care Center, the Assisted Living Center or Westerly Place. Salemtowne will make every effort to accommodate Residents in the Health Care Center, the Assisted Living Center or Westerly Place but cannot guarantee availability of accommodations. In the event the Health Care Center, the Assisted Living Center or Westerly Place, as applicable, is fully occupied when Resident is in need of care, Resident agrees to relocate to an alternate health care facility ("a Comparable Facility"). In the event of relocation, Salemtowne will make every effort to transfer Resident back to Salemtowne when accommodations become available.

Upon your relocation to a Comparable Facility, you will continue to be responsible for the Monthly/Daily Fee (unless their Living Accommodation is surrendered). Salemtowne will not be responsible for the charges associated with the alternate health care accommodations.

- I. Application for Benefits.** If requested by Salemtowne, you will apply for any or all federal, state, and local benefits for which you may be eligible or entitled; and if requested by Salemtowne, you will apply for any or all such benefits toward the cost of your care at Salemtowne. These benefits may include: Medicare, Medicaid, prescription, and Veterans benefits.

Residents who receive Medicaid funding and who reside in a Medicaid certified accommodation must have their Social Security, pension or other monthly income paid directly to Salemtowne. Salemtowne will administer and manage these funds, on behalf of Resident in accordance with applicable laws and regulations, to pay for the residence and services provided to Resident.

- J. Assignment of Benefits.** You will from time to time authorize any provider of medical and health services, including Salemtowne, to receive reimbursement as provided under Medicare/Medicaid, any or all Federal, State and local benefits for which you may be eligible or entitled, and any supplementary insurance programs. If requested by Salemtowne, you will from time to time make assignments to the provider of medical and other health services of all benefits otherwise accruing to you under Medicare/Medicaid, or other programs and supplementary extended coverage plans to compensate for services rendered. Resident irrevocably authorizes Salemtowne to make claims and to take other actions to secure receipt by Salemtowne of all payments from a third-party payor to reimburse Salemtowne for its charges for the stay and care of Resident.

- K. Managed Care.** If you have chosen to participate in a managed care program as an alternative to Medicare Part A, Medicare Part B, or other programs and supplemental insurance coverage, the terms of this Agreement governing nursing care will include the following provisions:

1. **Participating Provider.** If Salemtowne is a participating provider with your managed care program, the Corporation agrees to be reimbursed at the rate negotiated with your managed care program.
2. **Not a Participating Provider.** If Salemtowne is not an approved participating provider with your managed care program and you choose to receive health care services at a managed care participating provider, then you agree that you must relocate for as long as necessary for those services to be provided, and be responsible for all costs. In addition, while receiving health care services at the managed care participating provider, you agree that unless this Agreement is terminated, you will continue to pay the Monthly/Daily Fee for your Living Accommodation, unless your Living Accommodation has been surrendered to us.
3. **No Negotiated Managed Care Rate.** If Salemtowne is not a participating provider in your managed care program and a negotiated rate is not agreed upon by Salemtowne and you would still like to receive health care and services at Salemtowne, then you will be responsible for the full amount of applicable charges not paid by your insurance carrier.
4. **Medicaid.** In the event you receive financial assistance through the Medicaid program while occupying a Medicaid certified bed in the Health Care Center, you will be charged in advance for your liability portion established by the local county department of social services. You will be responsible for all charges for additional items and services requested by you and furnished to you which are not covered under the Medicaid program. Charges shall be made only as permitted under the Social Security Act and applicable regulations.

III. ENTRY REQUIREMENTS

You will become qualified for entry to Salemtowne upon satisfaction of the following provisions:

- A. **Age.** The entry requirements for residency at Salemtowne are nondiscriminatory except as to age, and Salemtowne is open to both married and single men and women of all races and religions. Entry to the Assisted Living Center, Westerly Place and the Health Care Center is restricted to persons 62 years of age or older except for residents who enter into the Health Care Center for rehabilitation which is restricted to persons 55 years of age or older.
- B. **Personal Interview.** You shall have an interview with a representative from Salemtowne (including nursing evaluation) prior to taking residency at Salemtowne. Upon review of all information required to be furnished herein, additional personal interviews may be requested by the Corporation.
- C. **Application, Health History and Financial Statement.** You shall submit for review by the Corporation an Application for Entry, a personal health history, and a Confidential Financial Statement, all on forms furnished by the Corporation.
- D. **Notification.** We shall review the application materials as well as the results of the personal interviews and will notify you whether you meet the entry requirements. We will also notify you as early as possible of the date on which the Living Accommodation is expected to be available for occupancy.
- E. **Health Requirements.** Prior to residency at Salemtowne, you shall submit a report of a physical examination (FL-2) from a physician selected by you. Such report shall include a statement by such physician that you require assisted Living Accommodations. We may require you to have another physical examination by our Medical Director or by another physician approved by the Corporation. You shall be responsible for the costs of such physical examinations. If your health as disclosed by such physical examination differs materially from that disclosed in your Application for Entry and FL-2, the Corporation shall have the right to decline entry and terminate this Agreement, or in the discretion of the Corporation, to permit you to take occupancy of accommodations at Salemtowne suitable to your needs.
- F. **Psychiatric Illness, Dangerous Communicable Disease, Drug or Alcohol Abuse.**

Salemtowne is prohibited by state law from admitting or retaining Residents with the following conditions:

- Residents who are ventilator-dependent;
- Residents requiring continuous licensed nursing care;
- Residents whose physicians certify that adult care home placement is no longer appropriate for them; and
- Residents whose needs cannot be met in Salemtowne's assisted living communities.

In addition, Salemtowne is not designed to care for persons who have an active psychiatric illness, a dangerous communicable disease or who require treatment for drug or alcohol abuse. Should Salemtowne, in consultation with the Medical Director, determine that your physical or psychiatric illness, or that your condition as a result of drug or alcohol abuse, is such that your continued presence is either dangerous or detrimental to your life, health or safety, or the life, health, peace or safety of others in the community, then Salemtowne may

transfer you to another facility of your choosing and/or require you to terminate your residency at Salemtowne.

- G. Financial Requirements.** You must have assets and income, which will be sufficient under foreseeable circumstances to pay the financial obligations under this Agreement and to meet your ordinary living expenses. We may require you to furnish current financial information at any time prior to and subsequent to occupancy.
- H. Financial Resources.** You, your current and future responsible parties (i.e., power(s) of attorney, executor(s)) will abide by any and all financial arrangements made with the Corporation for the purpose of securing your ability to pay any and all charges for residing at Salemtowne. You agree not to make any gift or other transfer of assets for the purpose of evading your obligations under this Agreement, or if such gift or transfer would render you unable to meet such obligations under this Agreement. Gifts or transfers of assets in this manner, which result in your inability to meet your financial obligations in accordance with this Agreement, will entitle Salemtowne to terminate this Agreement with thirty (30) days' notice, and you or your responsible parties, as applicable, will be liable for any unpaid amounts.
- I. Power of Attorney.** You agree to execute and maintain in effect a durable power of attorney that is valid under North Carolina law and will survive your incapacity or disability. This durable power of attorney will designate an attorney-in-fact and an alternate attorney-in fact who will act for you in managing your financial affairs and in filing for insurance or other benefits under private and public assistance programs as full and complete a manner as you could do if acting personally for yourself. **You will deliver a copy of a fully executed power of attorney to Salemtowne prior to occupancy.** You will not revoke or amend this durable power of attorney except upon execution of a replacement durable power of attorney, a fully executed copy of which will be delivered to Salemtowne. This document also may address at your option, other affairs, such as decisions concerning medical care.
- J. Will.** You agree to execute a Will, and to provide to Salemtowne a copy of such sections of the Will and any revisions, as applicable during the term of this Agreement to document the name(s) of the person(s) to be contacted in the event of your death (i.e., executor(s)).
- In the event of your death, while you are a resident of Salemtowne under this Agreement, only the executor(s) named in your Will (or such person or entity designated by such executor(s)) will be allowed to remove or dispose of your furnishings and belongings in your Living Accommodation and any related storage areas at Salemtowne. Members of your family or those to whom you have granted power of attorney will not be allowed access to your personal property after your death, unless they are the executor(s) named in your Will.
- K. Funeral and Burial.** Salemtowne will not be responsible for making funeral or burial arrangements and is not responsible for related expenses.
- L. Advance Directives.** You are encouraged to execute a Living Will and a Health Care Power of Attorney and deliver a fully executed copy thereof to Salemtowne, as well as any revisions as applicable, during the term of this Agreement.
- M. Appointment of Guardian.** If you become unable to care for your business and financial affairs, the Corporation reserves the right to institute action for the determination of your incompetence and the appointment of a guardian to fulfill the terms of this Agreement; unless such needed arrangements have already been made. The cost of the legal proceedings, including attorneys' fees, shall be paid by you or your estate.

N. **Emergency Notifications.** You agree to provide Salemtowne with the following information prior to the date of occupancy as well as updates of this information during the term of this Agreement:

- Names, addresses and phone numbers of persons to notify in an emergency (minimum of two are required);
- Names of persons having the right of entry into your residence;
- Name, address and phone number of funeral home (prior arrangements are encouraged);
- Names, addresses and phone numbers of lawyer and executor; and
- Names, addresses and phone numbers for powers of attorney.

O. **Contents and Accuracy of Resident's Application.** Salemtowne has accepted Resident based on the information contained in Resident's Application, and has agreed to enter this Agreement. In signing this Agreement, Resident understands and agrees that the information provided in the Resident's Application is part of this Agreement, and is a basis upon which Salemtowne has agreed to enter into the Agreement. Resident hereby affirms that all the information provided in the Resident's Application is true and correct to the best of the knowledge of each person who signs the Agreement, and each also acknowledges that any material misrepresentation or omission in Resident's Application shall render this Agreement voidable at the option of Salemtowne. Resident agrees to submit updated copies of the information requested in the Resident's Application, when requested by Salemtowne from time to time during the term of this Agreement.

IV. **TERMS OF RESIDENCY**

A. **Rights of Resident.** You shall have each of the rights set forth in the Statement of Residents' Bill of Rights, which is attached as Exhibit A hereto (the "Bill of Rights"). By signing this Agreement, you or your responsible party acknowledges receipt of a copy of the Bill of Rights. In addition, you have the right to occupy and enjoy the Living Accommodation described herein during your lifetime unless this Agreement shall be terminated as provided herein. It is understood that this Agreement does not transfer or grant any interest in the real or personal property owned by the Corporation other than the right to use or occupancy of the Living Accommodation in accordance with the terms hereof. The Living Accommodation may not be used for commercial purposes. The Living Accommodation may not be occupied or used in any manner in violation of any ordinance, law or regulation.

B. **Subordination.** You agree that all of your rights under this Agreement shall at all times be subordinate and junior to the lien of all mortgages or other documents creating liens encumbering the Corporation, which have been or will be executed by us. Upon request, you agree to execute, acknowledge and deliver to such lender or lenders such further written evidence of such subordination as such lenders may reasonably require. You shall not be liable for any such indebtedness.

C. **Policies, Rules and Regulations.** You understand and agree that: (i) in order for Salemtowne to operate in the best interests of the entire community, it is essential that we have cooperation of and compliance with applicable policies, rules and regulations by you, your family, guests, responsible party and others who may intervene, speak or act or purport to intervene, speak or act, for or on behalf of you or who may come on the premises of Salemtowne in any capacity or for any purpose in connection with or as a result of your residency at Salemtowne; (ii) a continuing or repeated failure or refusal by any such persons

to so cooperate and comply may result in a determination by Salemtowne that it is impracticable or impossible for Salemtowne to continue to accommodate you as a resident; and (iii) upon such determination by Salemtowne, we shall have the right to terminate this Agreement. The Corporation reserves the right to amend or change its policies, rules and regulations from time to time. By signing this Agreement, you or your responsible party acknowledges receipt of a copy of the Resident Handbook.

- D. Weapons.** No weapons of any type shall be brought on to the Salemtowne property by you or your guests without the express prior written permission of the Corporation.
- E. Resident Representation.** Residents have the right of self-organization through a Residents' council, which may convene to review the interests of the resident population. You shall have resident representation on the Salemtowne Board of Trustees as outlined in the Bylaws of Salemtowne.
- F. Guests and Visitors.** Guests and visitors are welcome at Salemtowne. Guests may use Salemtowne guest accommodations, subject to availability and additional charges. At all times, you shall be responsible for any injury to others or damage to the property of others or Salemtowne caused by you or your guest(s). Salemtowne reserves the right and authority to limit or terminate the stay of any guest at any time and for any reason. No other person, except the Resident(s), may reside in the accommodation without the approval from the Corporation.
- G. Relationships Between Residents and Staff.** Salemtowne is built on mutual respect and instructs its Staff to be cordial and helpful to Residents. The relationship is to remain professional. Staff must not be delayed or deterred by Residents in the performance of their duties. Management is solely responsible for the supervision of staff. Complaints or requests for special assistance must be made to the appropriate supervisor. By signing this Agreement, you or your responsible party acknowledges receipt of a copy of the Corporation's grievance procedure.
- Giving gratuities or bequests to Staff or Staff's families is not permitted. Residents will not employ Salemtowne Staff nor hire former Salemtowne Staff without the prior written consent of Salemtowne Management.
- H. Loss of Property.** The Corporation maintains insurance on all of its property and its operations to include general public liability insurance, property insurance including coverage for acts of God, vandalism and theft, professional liability insurance and worker's compensation.
- The Corporation will not be responsible for the loss of any property belonging to the Resident due to theft, mysterious disappearance, fire or any other cause. You will have the responsibility for obtaining "renters insurance" to cover such losses.
- I. Right of Entry.** Salemtowne recognizes your right to privacy, and shall limit entry to your Living Accommodation to legitimate emergencies and to scheduled work, including housekeeping, repairs, maintenance, and inspections. You hereby authorize Staff or agents of Salemtowne to enter your Living Accommodation, upon reasonable notice for all such purposes.
- J. Appliances.** Salemtowne is not obligated to determine your ability to safely utilize the appliances, if any, in your Living Accommodation. However, should we determine that you have demonstrated an inability to safely utilize appliances in your Living Accommodation; we will have the right to turn off the power servicing such appliance(s) and/or to remove any

and all such appliances. In any such instance, you shall remain obligated to pay for the full Month/Daily Fee for your Living Accommodation, any extra meals and any fire alarm charges issued by the fire department.

K. Changes in Living Accommodations. The Corporation has the right to change the Living Accommodation to meet requirements of any applicable statutes, laws or regulations.

L. Health Insurance. You will maintain eligible Medicare coverage and one supplemental health insurance policy or equivalent insurance coverage, which adequately covers hospital, medical, prescription and skilled nursing deductibles and co-payments required of your primary insurance plan. Both your primary and supplemental health insurance policies must recognize Salemtowne as a health care provider, or you will assume the financial responsibility for services provided that otherwise could be covered.

You will be responsible for ensuring that the health insurance coverage does not lapse, and will provide Salemtowne with evidence of such coverage upon request. If your health insurance coverage should lapse, Salemtowne may require that you reapply for suitable coverage. If you are unable to obtain adequate new coverage, Salemtowne will charge you for any costs of medical and other health care services provided that otherwise would have been covered by an approved policy.

M. Filing for and Rights to Insurance Benefits. Salemtowne is a participating provider with Medicare, Medicaid and Blue Medicare only.

- Salemtowne will file claims with Medicare for all covered services. By law, the patient is responsible for payment of the deductible, co-insurance, and any non-covered service. Non-covered services include, but are not limited to, beauty shop charges.
- As a courtesy, Salemtowne will file claims to your secondary insurance carrier for your Medicare Parts A & B co-insurance, unless we are prohibited from filing due to participation requirements of the carrier.
- The Medicare Part A co-insurance will be billed on your monthly Salemtowne statement as services are rendered prior to any insurance filings. You are responsible for payment of all Medicare Part A co-insurance billed by Salemtowne upon receipt of the bill. Payments received from your insurance carrier for Medicare Part A co-insurance will be applied to your monthly Salemtowne statement when received.
- Medicare Part B co-insurance (i.e., therapy co-insurance) not paid by a Resident's insurance carrier within ninety (90) days of the date of service will become due and payable by Resident unless the claim is subject to Medicare, Medicaid, or an insurance plan in which Salemtowne participates.
- Co-pays related to Blue Medicare plans will be billed on the Salemtowne statement as services are rendered and are due and payable upon receipt of the bill.
- In the event a Resident's health insurance determines a service is "not covered", the Resident will be responsible for payment. Salemtowne tries to inform Residents when services may not be covered; however, it is the Resident's responsibility to understand his/her policy limitations.

- Charges not paid by a Resident's insurance company within ninety (90) days of the date of service will become due and payable by the Resident unless the claim is subject to Medicare, Medicaid, or an insurance plan in which Salemtowne participates.
- If, for any reason, Salemtowne cannot apply directly for benefits payable under insurance required by this Agreement, you agree to make such application and to pay Salemtowne the proceeds received.
- **Salemtowne reserves the right, in its discretion, to eliminate or change its participation with any and all insurance plans.**

N. Combination of Living Accommodations. Various circumstances may make it desirable that a Living Accommodation occupied by a Resident be combined with an adjoining Living Accommodation to form one combined Living Accommodation. You agree that if a determination is made by the Corporation that it is desirable to combine your Living Accommodation with a Living Accommodation, which adjoins your Living Accommodation, you will surrender occupancy of your Living Accommodation, within a reasonable time after receiving notice of such determination. In the event that the Corporation makes such determination and notifies you of such, you have the option to (i) transfer into the combined Living Accommodation when such combined Living Accommodation is ready for occupancy, or (ii) transfer to another Living Accommodation, when available, of the same type as the Living Accommodation previously occupied by you. You will pay the Monthly/Daily Fee associated with the combined Living Accommodation as established by the Corporation.

If you elect to transfer to a Living Accommodation of the same type as the Living Accommodation previously occupied, the Corporation will re-paint and re-carpet, if needed, such Living Accommodation at our expense prior to occupancy.

O. Transfer to Another Living Accommodation. You may move to a different Assisted Living Center Accommodation at Salemtowne, when it becomes available, upon payment of such fees, consent by the Corporation and compliance with such guidelines regarding transfers as may be adopted by the Corporation. Salemtowne reserves the right to amend such policies, guidelines and fees, in its discretion.

P. Transfer to a Westerly Place or Heath Care Center Living Accommodation. Should your needs change, you may request entry to a Westerly Place or Health Care Center Living Accommodation, when it becomes available, upon payment of such fees, consent by the Corporation and compliance with such guidelines regarding transfers as may be adopted by the Corporation. Fees and guidelines may be changed from time to time by the Corporation.

Q. Transfer to an Independent Living Accommodation. Should your needs change, you may request entry to an independent Living Accommodation. You would be required to complete the applicable entry process, provide requested information and execute a separate residence and services agreement. You would be required to pay an Entrance Fee at the time of transfer to an independent Living Accommodation. Fees and guidelines may be changed from time to time by the Corporation. Salemtowne reserves the right to amend such policies, guidelines and fees, in its discretion.

R. Room or Unit Assignment in Assisted Living Center, Westerly Place or Health Care Center. You understand that you acquire no ownership in any property at Salemtowne under this Agreement; also, that no particular room or unit in the Assisted Living Center, Westerly Place or the Health Care Center is subject to reservation or permanent assignment, and that

we may change your room or unit assignment in the Assisted Living Center, Westerly Place or the Health Care Center. Though we retain the right to change your room or unit assignment, we agree that we will make changes only as we find such changes to be necessary or advisable.

- S. **Moving Costs.** You are responsible for arranging and paying for all packing and moving costs for moves into, within and out of Salemtowne. Assistance may be provided by Salemtowne at an additional cost.

T. **Pets/Smoking.**

1. **Pets.** Subject to the Corporation's policies and procedures, pets may visit but are not allowed to live in the Assisted Living Center, Westerly Place or Health Care Center Living Accommodations.
2. **Smoking / Tobacco Products.** Salemtowne is a "Tobacco Free" Community. Smoking and use of tobacco products are not permitted anywhere on Salemtowne property, including campus buildings (Babcock Health Care Center, Masten Assisted Living Center, Westerly Place Memory Care Support Assisted Living Center, and Community Center, etc.), building entrances or common areas. The only exception is:
 - The Health Care Center Administrator may permit smoking for a Resident, and if so, a designated smoking area would be created outside. However, the prohibition will remain in effect for a family member or caregiver who may accompany the Resident to the designated area.

- U. **Absences.** You agree to inform Salemtowne when you are going to be away for any length of time. In order to provide adequate time for medications to be available, if applicable, you must provide at least twenty-four (24) hours advance notice of an absence. No credits (i.e., missed meals) will be given during absences for assisted living and health care Residents. The Corporation is not responsible for any obligations or expenses incurred by you outside of Salemtowne.

V. **TRANSFERS OR CHANGES IN LEVELS OF CARE.** (A change in Living Accommodations to Westerly Place or to the Health Care Center will require no additional residence and services agreement. This Agreement will remain in effect.)

- A. **Transfer to Westerly Place or Babcock Health Care Center.** You agree that the Corporation shall have authority to determine that you should be transferred from your Living Accommodation to the Health Care Center or Westerly Place or a separate area within the Assisted Living Center. Such determinations shall be based on the professional opinion of the Resident's physician and the Resident Review Committee of Salemtowne and shall be made only after consultation to the extent practical with the Resident, the Resident's physician, a representative of the Resident's family or the Resident's responsible party.

- B. **Transfer to Hospital or Other Facility.** If it is determined by your physician that you need care beyond that which can be provided by Salemtowne you may be transferred to a hospital, center or institution equipped to give such care, which care will be at your expense. Such transfer will be made only after consultation to the extent practical with the Resident, the Resident's physician, a representative of the Resident's family or the Resident's responsible party.

In the event it becomes necessary for you to be transferred to a hospital, Salemtowne will provide any information available to meet the provisions of any hospital admissions

agreement and you agree that Salemtowne has the right to provide such information, which may include part or all of your records.

- C. **Surrender of Living Accommodation.** If a determination is made by the Corporation that any transfer described in this Section V is permanent in nature, you agree to surrender the Living Accommodation and any storage areas, which were occupied by you prior to such transfer, within thirty (30) days of such determination.

You are responsible for the costs of transfer and moving as well as the Monthly/Daily Fee through the last day of occupancy of the Living Accommodation being vacated.

If the Corporation subsequently determines based upon the opinion of your physician that you can resume occupancy in accommodations comparable to those occupied by you prior to such transfer you shall have priority to such accommodations as soon as they become available and you will be responsible for applicable fees as determined by the Corporation.

VI. **TERMINATION PROVISIONS**

- A. **Termination Prior to Occupancy.** This Agreement may be rescinded by you at any time prior to taking occupancy at Salemtowne for any reason by giving written notice to the Corporation. This Agreement will automatically be canceled due to death or physical or mental conditions that would make you ineligible for entry to Salemtowne. This Agreement may be terminated by the Corporation at any time prior to the date that you take occupancy if the Corporation determines that you no longer meet the physical, mental or financial requirements for entry.

In the event of such termination (including death or physical or mental conditions making you ineligible for entry to Salemtowne), you shall not receive a refund of any amounts paid for non-standard features added to the Living Accommodation. Notwithstanding anything to the contrary in this Agreement, if the Resident has paid the applicable Monthly/Daily Fee prior to occupying the Living Accommodation, any refund of such amounts (expressly excluding any amounts paid for non-standard features added to the Living Accommodation) shall be paid by Salemtowne within fourteen (14) days following such termination pursuant to this paragraph.

- B. **Voluntary Termination.** Except as provided in subsection A in this Section VI herein, you may terminate this Agreement by giving the Corporation prior written notice of such termination. Fourteen (14) days' notice (non-refundable fee) is required for the Assisted Living Center and Westerly Place and five (5) days' notice (non-refundable fee) is required for the Health Care Center. If required notice is given, or if no written notice is given, you will be responsible for paying the Monthly/Daily Fee for the applicable Living Accommodation for the full notice period (non-refundable fee) and for each day of occupancy, except you shall only be charged for the days of occupancy when a delay in discharge or transfer would jeopardize your health or safety or that of others at Salemtowne. Any refund due following termination will be made in accordance with Section VI.I.
- C. **Abandoned Living Accommodation.** You may be deemed to have abandoned the Living Accommodation and terminated this Agreement if you do not occupy a residence at Salemtowne for a period of one continuous year.
- D. **Temporary Absence.** Temporary absence because of illness, trips or otherwise will not affect your rights to retain occupancy of Living Accommodation, as long as applicable Monthly/Daily Fees are paid.

- E. Termination Upon Death.** In the event of your death, this Agreement shall terminate as of the date that your Living Accommodation is vacated; provided, however, that the Resident's estate shall be obligated to pay the applicable Monthly/Daily Fee for such Resident's nights spent in the Living Accommodation.

In the event of such termination, you shall not receive a refund of any amounts paid for non-standard features added to the Living Accommodation. Any refund due following the Resident's death, will be made in accordance with Section VI.I.

Any refund to which you are entitled shall be paid to your estate unless you execute a designation and name a trust, revocable by you at the time of your death, to receive applicable refunds. Should you execute a revocable trust subsequent to signing this Agreement, you or your estate's executor may submit a written beneficiary designation form designating a trust, revocable by you at the time of your death, to receive applicable refunds.

- F. Termination by the Corporation.** We may terminate this Agreement at any time (i) if there has been a material misrepresentation or omission made by you during the application process; (ii) if you fail to make payment to the Corporation of any fees or charges due the Corporation within thirty (30) days after receiving written notice of your failure to pay such fees or charges; (iii) if you do not abide by the rules and regulations adopted by the Corporation or breach any of the terms and conditions of this Agreement; (iv) if the health or safety of other individuals in the Corporation is endangered if you remain in Salemtowne, as determined by a physician, physician assistant or nurse practitioner; or (v) the discharge is necessary for your welfare and your needs cannot be met by the Corporation as documented by your physician, physician assistant or nurse practitioner.

In addition, Resident hereby acknowledges that it is the policy of Salemtowne to conduct sex offender screening for every prospective resident, regardless of independent status or level of care, at the time of application for admission to Salemtowne and again prior to entering into a Residence and Services Agreement. If the screening shows that the prospective resident is identified as a sex offender, Salemtowne will deny admission of Resident on that basis and not execute a Residence and Services Agreement. In addition, Resident hereby acknowledges and agrees that if, after Salemtowne and Resident have entered into a Residence and Services Agreement, Salemtowne becomes aware that Resident is listed on any sex offender registry, Salemtowne may terminate this Agreement with Resident and remove Resident from Salemtowne. If there is more than one resident who is a party to this Agreement, the termination of this Agreement in such instance shall only apply to the resident listed on the sex offender registry.

Following termination of this Agreement pursuant to this Section VI.F., you will be responsible for paying the Monthly/Daily Fee for the applicable Living Accommodation for the full 30-day notice period; provided, however, that if you move out of the Living Accommodation after receiving notice of the Corporation's intent to terminate, you shall only be charged for the nights spent in the Living Accommodation. Except in cases of emergency, you will receive a notice of the termination by the Corporation at least thirty (30) days prior to the effective date of termination. If this Agreement is terminated due to an emergency, you shall only be charged for the nights spent in the Living Accommodation. You may be entitled to appeal the Corporation's decision to terminate this Agreement and, except in cases of emergency, the Corporation will not discharge you before the final decision resulting from the appeal has been rendered.

- G. Condition of Living Accommodation.** At the effective date of termination of this Agreement, you will vacate the Living Accommodation and will leave it in good condition except for normal wear and tear. You, or your estate, will be liable to the Corporation for any

costs incurred in restoring the Living Accommodation and storage areas to good condition except for normal wear and tear. Such costs may be deducted from any refundable portion of the Entrance Fee due to you or your estate, if any.

- H. Removal of Personal Property.** In the event of termination of this Agreement, you agree to surrender the Living Accommodation and any storage areas, which were occupied by you, within thirty (30) days of the notice of termination.

In the event you are discharged from Salemtowne, the Corporation reserves the right to remove your belongings from the Living Accommodation and any storage areas. You will pay a reasonable storage fee or the actual cost of external storage, whichever is applicable. The Corporation is not responsible for any damages incurred to your property if storage becomes necessary. Unclaimed property will become the property of Salemtowne after thirty (30) days following the termination of this Agreement and will be disposed of at the sole discretion of the Corporation.

In the event of your death, while you are a resident of Salemtowne under this Agreement, only the executor(s) named in your Will (or such person or entity designated by such executor(s)) will be allowed to remove or dispose of your furnishings and belongings in your Living Accommodation and any related storage areas at Salemtowne. Members of your family or those to whom you have granted Power of Attorney will not be allowed access to your personal property after your death, unless they are the executor(s) named in your Will.

- I. Refund.** You or your estate, or a revocable trust designated by you may be entitled to a refund of any amounts related to the cost of health care services provided by Salemtowne or any third-party health care provider less any amounts payable to Salemtowne or any third party health care provider through the date the refund is due hereunder. This refund shall not include the cost of non-standard features that were added to your Living Accommodation at your request. Any refund will be made no later than thirty (30) days from the date of your death.

If the Agreement is terminated by the Corporation in an emergency situation (i.e., because the Corporation is no longer able to meet your urgent health care needs, or termination is necessary to protect your health and safety or that of another person at Salemtowne), the refund will be made within fourteen (14) days after you leave Salemtowne. If you terminate this Agreement, any refund shall be made within fourteen (14) days from the date of notice of termination or, if no notice is given, within fourteen (14) days after you leave Salemtowne.

- J. Release from Obligations Upon Termination.** Upon termination of this Agreement, Salemtowne is released from any further obligations to you except for the payment of any refund, which may be due under this Agreement.

VII. RIGHT OF RESCISSION

Notwithstanding anything herein to the contrary, this Agreement may be rescinded by you giving written notice of such rescission to the Corporation within thirty (30) days following the later of the execution of this Agreement or the receipt of a disclosure statement that meets the requirements of Section 58-64-1, *et seq.* of the North Carolina General Statutes. In the event of such rescission, you shall not receive a refund of any amounts paid for non-standard features added to the Living Accommodation. You will not be required to move into Salemtowne before the expiration of such thirty (30) day period. Notwithstanding anything to the contrary in this Agreement, any refund that may be due to you following rescission of this Agreement, shall be paid by the Corporation within fourteen (14) days following receipt of written notice of rescission pursuant to this paragraph.

VIII. FINANCIAL ASSISTANCE

- A. Subsidy.** In connection with its charitable mission, it is the desire of the Board of Trustees of Salemtowne that no one leave Salemtowne because of lack of funds. Any disposition of Resident's assets in any way other than for care at Salemtowne or related living/medical expenses to the extent that Resident cannot adequately provide for Resident's expenses or care will nullify this desire on the part of Salemtowne and entitle Salemtowne to terminate Resident's right to reside in Salemtowne.

Salemtowne will make reasonable efforts to acquire the funds necessary to meet Salemtowne's fees for care. However, the resources of Salemtowne to provide care for Residents are not unlimited, and Salemtowne reserves the right to terminate the residency of any person, including Resident, who cannot pay the full cost of Salemtowne's Monthly/Daily Fees and charges, and other Salemtowne costs in connection with such person's stay at Salemtowne.

In the event that a Resident presents facts which in the opinion of the Corporation justify special financial consideration, the Corporation will give careful consideration to subsidizing in whole or in part the Monthly/Daily Fees and other Salemtowne charges payable by the Resident hereunder so long as such subsidy can be made without impairing the ability of the Corporation to attain its objectives while operating on a sound financial basis.

In the event that the Corporation may subsidize in whole or in part, the Monthly/Daily Fees and other Salemtowne charges payable by the Resident hereunder, the Resident will be required to execute a separate Financial Assistance Agreement with the Corporation.

In the event that we continue to provide the services to you under the terms of this Agreement despite your financial inability to continue to pay the Monthly/Daily Fee or other Salemtowne charges payable under the terms of this Agreement, Salemtowne shall be entitled to require you to move to a smaller or less costly Living Accommodation.

Any determination by the Corporation with regard to the granting or continuation of financial assistance shall be within the sole discretion of the Corporation, under a separate agreement.

- B. Recovery of Subsidies Provided by Salemtowne.** When a Resident dies or moves out of the community, if said Resident's fees have been subsidized wholly or partly by Salemtowne, the Resident or Resident's estate, if any, will be liable to Salemtowne for the full amount of the subsidy the Resident received for the entire time of residency. This paragraph will apply whether or not the Resident is in residence at Salemtowne at the time of death. This Agreement will operate as a lifetime assignment, transfer and conveyance to Salemtowne of so much of Resident's property as is necessary to cover such liability. Any amount due Salemtowne under this paragraph may be deducted from any refund payable to Resident or to the Resident's estate.
- C. Financial Assistance Funds.** The Corporation has established funds, which will be used to assist Residents who would otherwise not be able to live at Salemtowne. Such funds may be used for the purposes of providing financial assistance, but no Resident shall have any claim to or expectation of receiving or continuing to receive any such assistance.

IX. GENERAL

- A. **Compliance with Applicable Laws.** Resident and Salemtowne will operate in full compliance with all laws, rules, regulations and ordinances promulgated by lawful governmental authorities.
- B. **Confidentiality.** The Corporation has the responsibility to keep all of the personal, medical and financial information you have supplied to it confidential. You consent to the release of any of your personal and medical records maintained by the Corporation (i) to the Corporation's employees, staff and agents; (ii) to persons and organizations from whom you receive health care services; (iii) to third-party payors of health care services provided by the Corporation or other organizations; and (iv) to others deemed reasonably necessary by the Corporation for purposes of treatment, payment and operations of the Corporation, consistent with applicable state and federal health care privacy laws. You understand and agree that authorized agents of the state or federal government, including the Long Term Care Ombudsman, may obtain your records without your written consent or authorization. Release of your records for other purposes shall be made in accordance with applicable law, with a specific authorization from you or your legal representative where required.
- C. **Assignment.** Your rights and privileges under this Agreement to the facilities, services and programs of the Corporation are personal to you and may not be transferred or assigned by you or otherwise.
- D. **Resident has no Tenancy Interest or Management Rights in Salemtowne.** The absolute rights of management are reserved by the Corporation, its Board of Trustees and its administrators as delegated by said Board of Trustees. The Corporation reserves the right to accept or deny any person for residency. Residents do not have the right to determine entry or terms of entry of any other Resident. Salemtowne reserves the right to amend, implement or terminate policies and/or guidelines related to the operation of the community in its sole discretion.
- This Agreement gives Resident the right to live in Salemtowne and to receive or have access to the services and amenities described in the Agreement. However, it does not give Resident the rights of a "tenant" as that term is defined by North Carolina state law. Salemtowne retains the exclusive authority to make all management decisions with regard to the management of Salemtowne, including decisions about admission and discharges, setting charges, Salemtowne's policies and procedures, and the scope of services offered by Salemtowne, consistent with state law and the terms of this Agreement.
- E. **Moravian Affiliation.** Salemtowne is affiliated with the Moravian Church in America, Southern Province ("Southern Province"). The Southern Province is not responsible for the financial and contractual obligations of Salemtowne.
- F. **Indemnity.** You agree to indemnify, defend and hold us harmless from claims, damages or expenses, including attorneys' fees and court costs, resulting from any injury or death to persons and any damages to property caused by, resulting from, attributable to or in any way connected with your negligent or intentional act or omission or those of your guests, including private duty nurses, companions or other.
- G. **Limitation on Liability.** You understand and agree that the services provided by the Corporation and others within Salemtowne are not designed to protect you from the everyday, normal risks and responsibilities of living, including, but not limited to, such general accidents and situations such as falling, choking on food, and weight loss and/or dehydration resulting from your failure to partake of food and drink. Additionally, you

understand and agree that the services provided by the Corporation do not include one-on-one monitoring of you, and that your expectations will be consistent with this understanding. The Corporation shall exercise reasonable care toward you based on your known condition. However, you agree that the Corporation is not an insurer of your welfare and safety. You agree that you will exercise due care to protect yourself from harm.

- H. **Separability.** The invalidity of any restriction, condition or other provision of this Agreement, or any part of the same, shall not impair or affect in any way the validity or enforceability of the rest of this Agreement.
- I. **Resident Contracted Services.** If you wish to privately employ outside assistance, including Salemtowne employed Staff, for whatever reason, all Salemtowne policies must be upheld, and prior written approval by Salemtowne management must be obtained. You agree to hold Salemtowne harmless in all situations related to the provisions of such outside services. The Corporation has the right to require termination of such a service at any time.
- J. **Resident Handbook.** You will be given a current copy of the Resident Handbook as adopted by the Corporation. You understand that these documents will change from time to time but that they are the procedural documents for those occupying Living Accommodations at Salemtowne.
- K. **Entire Agreement.** This Agreement constitutes the entire contract between the Corporation and Resident. The Corporation shall not be liable or bound in any manner by any statements, representations or promises made by any person representing or assuming to represent the Corporation, unless such statements, representations or promises are set forth in this Agreement or in an amendment to this Agreement signed by Salemtowne's President/CEO and by you. Electronic (e.g., pdf) versions of this Agreement shall have the same legal effect as originals, and all of which, when fully executed, shall constitute one and the same instrument.
- L. **Successors and Assigns.** Except as set forth herein, this Agreement shall bind and inure to the benefit of the successors and assigns of the Corporation and the heirs, executors, responsible parties, powers of attorney, administrators and assigns of you.
- M. **Capacity.** This Agreement has been executed on our behalf by our duly authorized agent, and no officer, trustee, agent or employee of ours shall have any personal liability hereunder to you under any circumstances. If Resident is, or becomes, unable to understand or communicate his or her health care or financial decision, and is determined by Resident's attending physician to be incapacitated, then in the absence of Resident's prior designation of an authorized legal representative, or upon the unwillingness or inability of a designated legal representative to act, Salemtowne shall have the right to commence a legal proceeding to adjudicate Resident incapacitated and to have a court appoint a guardian for Resident. The cost of the legal proceedings, including attorneys' fees, shall be paid by Resident or Resident's estate.
- N. **Tax Considerations.** You should consult with your tax advisor regarding the tax considerations associated with this Agreement.
- O. **Governing Law.** This Agreement shall be governed by the laws of the State of North Carolina without regard to conflict of laws principles.
- P. **Amendments and Partial Invalidation.** Generally, this Agreement can be changed only by mutual written consent. However, we can make changes without your consent to keep the Agreement in compliance with applicable laws and regulations; provided, that the changes we

make do not substantially reduce your benefits under the Agreement, we provide notice of such change not less than thirty (30) days before the change, and we provide an amendment to this contract for your review and signature. If any provision in this Agreement is invalidated, all other provisions will remain in force.

- Q. Governing Law; Venue; Disputes.** This Agreement shall be governed by, interpreted, construed and enforced in accordance with the laws of the State of North Carolina, without giving effect to any choice of law or conflict of law rules or provisions that would cause the application of laws or any jurisdiction other than North Carolina. Except to the extent that the parties have agreed to an alternative mechanism for the resolution of a dispute, to the full extent permitted by law, any action, suit or proceeding arising out of or relating to this Agreement shall be brought and enforced in the courts of the State of North Carolina located in Forsyth County or of the United States District Court for the Middle District of North Carolina, and the parties hereby irrevocably submit to the exclusive jurisdiction of such courts and irrevocably waive any objection that they may now or hereafter have to the laying of venue of any such action or proceeding in such courts.
- R. Gender.** Throughout this Agreement, the use of the masculine gender shall include the feminine, and the use of singular shall include the plural.
- S. Interpretation.** Headings are for convenience and reference purposes only and shall not affect the interpretation of any provision of this Agreement.
- T. Waivers.** Neither the failure nor any delay on the part of any party to exercise any right, remedy, power, or privilege ("Right") under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any Right preclude any other or further exercise of the same or of any Right, nor shall any waiver of any Right with respect to any other occurrence. No waiver shall be effective unless it is in writing and is signed by the party asserted to have granted such waiver.
- U. Survival.** Those rights and obligations that have accrued as a result of the operation of this Agreement shall survive its termination, as shall those rights and obligations that by their terms survive termination and any provisions that must survive to give effect to their terms, as shall any obligation of Resident to pay costs or expenses of his or her stay at Salemtowne that remain unpaid as of such termination.
- V. Notice Provisions.** Any notices, consents, or other communications to the Corporation hereunder (collectively "notices") will be in writing and addressed as follows:

Salemtowne:

Office of the President/CEO
Salemtowne
1000 Salemtowne Drive
Winston Salem, North Carolina 27106

Resident:

Your address for the purpose of giving notice prior to your move to Salemtowne is the address appearing after your signature below.

Your address for the purpose of giving notice after your move to Salemtowne will be the current Living Accommodation address at the applicable time of notice.

You are responsible for notifying us of any changes in address and/or telephone number.

[Signatures Follow on Next Page]

Salemtowne will stand behind all of the statements, promises and representations in this Agreement, but no others. If you feel something has been promised to you, but it is not specifically mentioned in this Agreement, now is the time to discuss it – before you sign this Agreement.

I (we) understand this matter involves a financial commitment and associated risk as well as a legally binding contract. I (we) was (were) encouraged to consult with an attorney and/or financial advisor who could advise me (us) concerning this Agreement.

THE UNDERSIGNED RESIDENT(S) ACKNOWLEDGES RECEIPT OF SALEMTOWNE'S CURRENT DISCLOSURE STATEMENT. THE DISCLOSURE STATEMENT WAS RECEIVED PRIOR TO THE EXECUTION OF THIS AGREEMENT OR PRIOR TO OR AT THE TIME OF THE TRANSFER OF ANY MONEY OR OTHER PROPERTY TO SALEMTOWNE, WHICHEVER OCCURRED FIRST.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in duplicate, as of the day and year first above written, one duplicate copy of this Agreement being retained by each party.

Your signature below certifies that you have read, understand and accept this Agreement as of this (current date) _____ day of _____, ____.

SALEMTOWNE	RESIDENT(S) (or Resident(s)'s Attorney in Fact) (*)
_____ By (signature)	_____ (signature) (SEAL)
_____ Printed Name	_____ (signature) (SEAL)
_____ Title	_____ Current Address: Street
	_____ City, State, Zip Code
	_____ Telephone

(*) If Attorney-in-Fact signs on behalf of the Resident(s), a Filed Power of Attorney document must be attached to this Agreement.

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EXHIBIT A
RESIDENTS' BILL OF RIGHTS

Based on North Carolina General Statute Section 131D-21

Salemtowne shall treat its residents in accordance with the provisions of Article 3 of Chapter 131D of the North Carolina General Statutes. Every resident of Salemtowne shall have the following rights:

1. To be treated with respect, consideration, dignity, and full recognition of his or her individuality and right to privacy.
2. To receive care and services which are adequate, appropriate, and in compliance with relevant federal and State laws and rules and regulations.
3. To receive upon admission and during his or her stay a written statement of the services provided by Salemtowne and the charges for these services.
4. To be free of mental and physical abuse, neglect, and exploitation.
5. Except in emergencies, to be free from chemical and physical restraint unless authorized for a specified period of time by a physician according to clear and indicated medical need.
6. To have his or her personal and medical records kept confidential and not disclosed except as permitted or required by applicable State or federal law.
7. To receive a reasonable response to his or her requests from the Salemtowne administrator and staff.
8. To associate and communicate privately and without restriction with people and groups of his or her own choice on his or her own or their initiative at any reasonable hour.
9. To have access at any reasonable hour to a telephone where he or she may speak privately.
10. To send and receive mail promptly and unopened, unless the resident requests that someone open and read mail, and to have access at his or her expense to writing instruments, stationery, and postage.
11. To be encouraged to exercise his or her rights as a resident and citizen, and to be permitted to make complaints and suggestions without fear of coercion or retaliation.
12. To have and use his or her own possessions where reasonable and have an accessible, lockable space provided for security of personal valuables. This space shall be accessible only to the resident, the administrator, or supervisor-in-charge.
13. To manage his or her personal needs funds unless such authority has been delegated to another. If authority to manage personal needs funds has been delegated to Salemtowne, the resident has the right to examine the account at any time.
14. To be notified when Salemtowne is issued a provisional license or notice of revocation of license by the North Carolina Department of Health and Human Services and the basis on which the provisional license or notice of revocation of license was issued. The resident's responsible family member or guardian shall also be notified.
15. To have freedom to participate by choice in accessible community activities and in social, political, medical, and religious resources and to have freedom to refuse such participation.

16. To receive upon admission to Salemtowne a copy of this Declaration of Residents' Bill of Rights.
17. To not be transferred or discharged from Salemtowne except for medical reasons, the residents' own or other residents' welfare, nonpayment for the stay, or when the transfer is mandated under State or federal law. The resident shall be given at least 30 days' advance notice to ensure orderly transfer or discharge, except in the case of jeopardy to the health or safety of the resident or others in the home. The resident has the right to appeal Salemtowne's attempt to transfer or discharge the resident pursuant to rules adopted by the Medical Care Commission, and the resident shall be allowed to remain in Salemtowne until resolution of the appeal unless otherwise provided by law. The Medical Care Commission shall adopt rules pertaining to the transfer and discharge of residents that offer protections to residents for safe and orderly transfer and discharge.

FILING A COMPLAINT

We encourage residents and families to bring problems and concerns to our attention as they occur. We will do our best to resolve your concerns and feel that is best accomplished the sooner we are aware that a problem exists. You may report your concerns verbally or by using the Concern Form. If you feel that your concerns have not been resolved through the Salemtowne staff, you have the right to contact the following agencies:

- the local Long Term Care Ombudsman or the Nursing Homes Community Advisory Committee at (336) 703-2020
- the Division of Facility Services in Raleigh at (800) 624-3004



Appendix B3

Residence and Services Agreement – Direct Entry to Westerly Memory
Support



**Westerly Place Memory Support
Assisted Living Center**

Residence and Services Agreement

(With continuance of care in the Health Care Center)

Resident: _____

Living Accommodation: _____

1000 Salemtowne Drive · Winston-Salem, NC 27106 · 336-767-8130 · Fax 336-767-4090 · www.salemtowne.org

WESTERLY PLACE RESIDENCE AND SERVICES AGREEMENT

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**WESTERLY PLACE MEMORY CARE SUPPORT ASSISTED LIVING
RESIDENCE AND SERVICES AGREEMENT**

This Agreement (the "Agreement") is made this *(date of occupancy)* _____ day of _____, _____ by and between MORAVIAN HOME, INCORPORATED d/b/a SALEMTOWNE, a North Carolina nonprofit corporation (hereinafter the "Corporation", "Salemtowne", "we", "us" or "our") and _____ (hereinafter "Resident", "you", "your").

WHEREAS, the Corporation is a continuing care retirement community located at 1000 Salemtowne Drive in Winston Salem, North Carolina, known as "Salemtowne"; and

WHEREAS, you desire to become a resident of Salemtowne's Westerly Place Memory Care Support Assisted Living Center ("Westerly Place") and to use and enjoy the facilities, programs and services provided by the Corporation subject to the terms and conditions of this Agreement.

NOW, THEREFORE, you and the Corporation agree as follows:

I. ACCOMMODATIONS AND SERVICES

Subject to the terms and conditions set forth in this Agreement, we agree to provide you the Living Accommodation, services and programs at Salemtowne described as follows:

A. Living Accommodation. Unit *(street address)* _____, an apartment type of Living Accommodation (as described in materials presented to you and as shown to you during a physical tour), located in Salemtowne's Westerly Place (hereinafter referred to as the "Living Accommodation"). You have the exclusive right to occupy and use the Living Accommodation subject to the terms and conditions set forth in this Agreement and applicable state and federal laws. You, with the prior written consent of the Corporation and subject to the terms and conditions of this Agreement, may from time to time transfer from one Living Accommodation at Salemtowne to another. Transfer charges may apply. In the event of such a transfer, the reference to the "Living Accommodation" designated above shall be automatically amended to reflect such a transfer.

B. Security. We will use reasonable care in providing security on the premises of Salemtowne. We will furnish an emergency call system that is monitored twenty-four (24) hours a day. Smoke detectors are provided in all Living Accommodations. We are not responsible for theft, loss or damage to your personal property. You are responsible for securing your Living Accommodation.

Initials _____

Corporation Resident(s)

- C. **Utilities.** We will furnish ordinary electricity, heating, air conditioning, water, sewer, gas, basic cable television service and trash removal. You are responsible for any telephone and internet installation charges and the cost of telephone and internet services. Notwithstanding the foregoing, the Corporation shall provide a telephone for use by the Residents in a private location for non-toll calls.
- D. **Furnishings and Appliances.** The Corporation will provide furnishings and appliances in the Living Accommodation as described in the literature published by the Corporation regarding Salemtowne. All other furniture and furnishings for the Living Accommodation shall be provided by you, shall be maintained by you at your risk and must be approved by Salemtowne, and shall be subject to all applicable laws, regulations, rules, policies and procedures.
- E. **Meals.** The Corporation will make available to you three (3) nutritionally well-balanced meals each day. Three (3) snacks are also available to you on a scheduled and unscheduled basis. These meals and snacks are included in your Monthly/Daily Fee. If your physician or another appropriately licensed health professional orders a modified diet, the Corporation shall provide a modified diet to you that meets the physician's specifications.
- F. **Housekeeping Services.** We agree to maintain the Living Accommodation by providing daily housekeeping services for Westerly Place and Health Care Center Residents. Housekeeping includes vacuuming, dusting, cleaning of bath and changing of bed and bath linens, and trash removal. Additional housekeeping services may be made available at your expense.
- G. **Laundry.** Bed and bath linens as well as linen laundry service and personal laundry service (washing, drying and folding) will be provided for Residents in Westerly Place and the Health Care Center. The costs of these services are included in the Monthly/Daily Fee. You are responsible for arranging and paying for dry cleaning services. Salemtowne is not responsible for loss or damage to personal items laundered by Salemtowne.
- H. **Maintenance and Repairs.** We will maintain and keep in repair the improvements, furnishings, appliances, and equipment owned by the Corporation. Maintenance and repair of your personal property is your responsibility. You will be responsible for the cost of repairing any damage to property of the Corporation caused by your negligence or intentional acts and/or the negligence or intentional acts of any guest of yours, ordinary wear and tear excepted.
- I. **Alterations to Living Accommodation.** Any structural or physical change or redecoration of any kind within the Living Accommodation will require the prior approval of the Corporation. The cost of any change, repairs or maintenance for that change and the subsequent cost to return the Living Accommodation to its original condition in the event of such change, or redecoration, will be paid by you. Any such improvement or change will be owned by the Corporation and will not be considered in determining the amount of any refund to you upon termination of this Agreement.

J. Use of and Changes to Living Accommodation. The Corporation has the right to change the Living Accommodation to meet requirements of any applicable statutes, laws, or regulations. The Living Accommodation may not be used in any manner in violation of any zoning ordinances or other governmental laws or regulations.

K. Groundskeeping. We will furnish basic groundskeeping service for the grounds of Salemtowne, including lawn, tree and shrubbery care. Subject to approval by the Corporation, you may plant and maintain certain areas designated for such purpose by the Corporation. The cost of these plantings and maintenance of such plantings will be at your expense.

L. Mail. Mail will be delivered by the postal service to Salemtowne. Salemtowne staff delivers mail directly to Westerly Place and Health Care Center.

Package deliveries vary by carrier. If a carrier does not deliver packages directly to the resident's Living Accommodation, Salemtowne staff will deliver packages directly to Westerly Place and Health Care Center Residents.

M. Common Facilities. We will provide common facilities for the use and/or benefit of all Residents, so long as there are no contraindications identified by a Resident's physician, physician assistant or nurse practitioner. Such common facilities currently include an enclosed swimming pool and exercise facility, dining rooms, mailroom, multi-purpose rooms, library, computer area, game/television area, lounges, and sitting areas.

N. Transportation. We will provide local (within a 15-mile radius of Salemtowne) medical transportation for scheduled medical appointments Monday through Friday between 9:00 a.m. and 4:30 p.m. except some holidays. Forty-eight (48) hours' notice is required. Additional charges will be incurred for Residents who require staff accompaniment or transportation beyond a 15-mile radius of Salemtowne.

We will provide local transportation for Residents as part of the Activity program for the following: weekly shopping, scheduled meal outings, day trips, and other special events. An additional charge may be made for transportation for special, personal or group trips.

O. Activities. Physical, social, intellectual, and spiritual activities will be available to Residents. Additional charges may be incurred for some programs.

[Remainder of Page Intentionally Blank]

P. Services. The following services are provided with the Monthly/Daily Fee to Westerly Place and Health Care Center Residents. (Fees will not be reduced or unbundled for services that Residents decline such as meals or laundry.)

Westerly Place

- Three meals daily
- Meal service to room, if required
- Dining room assistance
- Assistance with bathing and grooming
- Daily housekeeping service
- Personal laundry service
- Medication delivery by a nurse or medication technician
- Monitoring of vital signs according to physician's order
- Nursing evaluation
- Multi-disciplinary care planning
- Access to Fitness Center
- Personal lockable space to secure your valuables

Health Care Center

- Three meals daily
- Meal service to room, if required
- Dining room assistance
- Assistance with bathing and grooming
- Wheelchair assistance
- Daily housekeeping service
- Personal laundry service
- Medication delivery by a nurse
- Monitoring of vital signs according to physician's order
- Nursing evaluation
- Multi-disciplinary care planning
- Whirlpool tub
- Skilled care by RNs, LPNs and CNAs on duty 24 hours per day
- Access to Fitness Center
- Personal lockable space to secure your valuables

- Q. Other Services Available.** Residents engaging third parties for services within Salemtowne may do so only with prior notification and authorization by Salemtowne (i.e., companions, private duty nurses, maintenance workers, etc.). This is not an all-inclusive listing of services you may request or utilize. With respect to services not listed, consult schedule of charges or the Finance Office.
- R. Limitation to Services.** You hereby acknowledge and agree that the Corporation is prohibited by law from furnishing certain types of services, based upon applicable statutes, administrative regulations, and interpretations of statutes and regulations by the North Carolina Department of Health and Human Services, Division of Health Service Regulation, Adult Care Licensure Section. You agree that if you need services that the Corporation is not legally authorized or does not otherwise provide, you shall be discharged from Salemtowne. Except as otherwise expressly stated in this Agreement, you are responsible to arrange and pay for health and medical care services not provided by the Corporation, including, without limitation, hospital services, physicians' services, private duty personnel, medications, vitamins, eye glasses, eye examinations, hearing aids, ear examinations, dental work, dental examinations, orthopedic appliances, laboratory tests, x-ray services or any rehabilitative therapies.
- S. Professional Management of Salemtowne and its Facilities.** The Corporation will employ management and staff and/or agents ("Staff") to manage the operations of Salemtowne and its facilities.
- T. Nursing and Health Care.** We will provide nursing and health care for each Resident as follows:
- 1. Babcock Health Care Center.** The Health Care Center will be provided for the benefit of the Residents. The Corporation is licensed by the North Carolina Department of Health and Human Services, Division of Health Service Regulation to operate intermediate and skilled nursing care for Residents who are temporarily ill or who require long-term nursing care. Private accommodations will be provided for Residents in the Health Care Center. Some of the beds in the Health Care Center are certified for Medicare and Medicaid reimbursement.
 - Twenty-four (24) hour nursing staff maintained in the Babcock Health Care Center.
 - Charges for Health Care Center accommodations and services are described in the Schedule of Fees and other literature published by the Corporation and distributed to Residents at least annually.
 - Temporary care (up to 30 days) is also available in the Health Care Center for treatment of short-term illnesses or injuries.

2. **Resident's Attending Physician.** Residents may choose their own personal physician and are responsible for charges for services by such physicians and any consultants.
3. **Other Healthcare Services.** Other health care services may be made available to the Resident at the Resident's expense, including, but not limited to: pharmacy services, radiology services, dental services, laboratory tests, physical therapy, occupational therapy, therapeutic activities, rehabilitative treatments, wheelchairs, medical equipment and supplies. The cost of such services shall not be covered by the Monthly/Daily Fees described herein.
4. **On-Site Emergency Call Response.** Each Living Accommodation is equipped with an emergency call system. Salemtowne nursing staff will respond to emergency calls.
5. **Emergency Medical Care.** We will notify your physician when emergency medical care is necessary. If acute medical care is necessary or upon physician's or your request, you will be transferred to a local hospital emergency room. In the event of an emergency, Salemtowne staff will summon emergency medical services to assist you by calling "911" or otherwise summoning appropriate medical personnel from outside Salemtowne. You authorize Salemtowne to provide to you any care and assistance deemed by Salemtowne to be in your best interests under the circumstances and to take any such action that is reasonably prudent in the event of an emergency, subject to any advance directives contained in a document that you have furnished to the Corporation.
6. **Resident Health Record.** Salemtowne shall maintain a health record for Resident that contains health and other personal information that is pertinent to the Services which Salemtowne is providing. All information and records regarding Resident are confidential and are only disclosed in accordance with applicable law, including the HIPAA Privacy Rule. Resident may review Resident's health record and authorize others to review the Resident's health record.
7. **Resident's Consent to Receive Health Care Services.** Resident authorizes Salemtowne to provide those health care-related services that are specifically set forth in this Agreement. Resident also authorizes Salemtowne to obtain all necessary clinical and/or financial information from Resident's attending physician, and any other health care providers treating Resident, including, but not limited to, any hospital or nursing facility from which Resident may be transferring or may transfer in the future and hereby authorizes such health care provider(s) to provide such health care information to Salemtowne.

[Remainder of Page Intentionally Blank]

II. FINANCIAL ARRANGEMENTS

- A. **Entrance Fee.** You hereby agree to pay to the Corporation a non-refundable Entrance Fee in the amount of \$ _____, which is required for direct entry into our Westerly Place.
- B. **Non-Standard Features.** The Corporation has consented to your request to add the following non-standard features in your Living Accommodation and you agree to pay the following amount to cover the additional costs, maintenance and removal of these features. This additional amount is not subject to any refund provision herein and is payable prior to the installation of the applicable non-standard features.

<u>Non-Standard Features Added:</u>	<u>Cost</u>
--	--------------------

	\$
	\$
	\$
	\$
Total of Non-Standard Features Added	\$

- C. **Monthly/Daily Fee.** You agree to pay a Monthly/Daily Fee during the term of this Agreement which shall be payable in advance by the 10th day of each month. As of the date of this Agreement, the Monthly/Daily Fee associated with the Living Accommodation will be approximately \$ _____.

The Monthly/Daily Fee will begin on the date of Occupancy. Occupancy is defined as the first day that a Resident either resides in the Living Accommodation or the first day that the Resident's furnishings or belongings are placed in the Living Accommodation or in a storage area at Salemtowne.

No credit will be provided to you should you refuse services, which are included in the Monthly/Daily Fee, such as laundry, housekeeping and meals.

- D. **Vacations and/or Time Away from Living Accommodation.** Monthly/Daily Fees are not subject to change or credit if Resident is away from the Living Accommodation for any period of time. (For example, vacations, hospital stays, etc.)

Initials _____

Corporation Resident(s)

- E. Adjustments in the Monthly/Daily Fee.** The Corporation usually sets fees annually but shall have the authority to adjust the Monthly/Daily Fee from time to time during the term of this Agreement as it, in its discretion, deems necessary. Any such increase in the Monthly/Daily Fee or other charges may be made by the Corporation upon thirty (30) days' written notice to the Resident.

In the event that it should be determined that the Corporation is required to pay ad valorem taxes upon its property, the Monthly/Daily Fee may be adjusted to reflect the amount of such taxes. You will pay all taxes assessed on your personal property.

In the event Salemtowne is assessed sales or use tax on Monthly/Daily Fee and/or fees for other services, you agree to pay Salemtowne the amount of such taxes.

- F. Schedule of Fees.** You have been given a current copy of the Schedule of Fees as adopted by the Board of Trustees of the Corporation. You understand that these fees may change from time to time.

- G. Monthly Statements.** We will furnish you with monthly statements showing the total amount of fees and other charges owed by you, which shall be payable by the 10th of the month. Late payments are subject to an interest charge of one and one-half percent (1.5%) per month from the first of the month. In the event the Corporation initiates any legal actions or proceedings to collect payments due from you under this Agreement, you shall be responsible to pay all attorneys' fees and costs incurred by the Corporation in pursuing the enforcement of your financial obligations under this Agreement. The Corporation offers and encourages an automatic bank draft for the Monthly/Daily Fees. The Corporation may terminate this Agreement if you have a past due amount upon thirty (30) days' written notice. Termination of this Agreement does not end the obligation of you or your estate to pay all amounts due, no matter when incurred.

You, and your current and future responsible parties (i.e., power(s) of attorney, executor(s)) on your behalf, from your assets and income agree to pay all costs, expenses, and reasonable attorneys' fees, in the event same must be expended in the collection of any sums due and owed by you to the Corporation.

The Corporation reserves the right, with thirty (30) days' notice, to change the billing date and the payment due date. For a partial first month, the Monthly/Daily Fee is pro-rated on a per diem basis. Thereafter, Monthly/Daily Fees are paid in advance and are pro-rated at termination.

- H. Health Care Center Priority Entry.** Residents are provided priority entry over non-Residents for entry to the Health Care Center. Salemtowne will make every effort to accommodate Residents in the Health Care Center but cannot guarantee availability of accommodations. In the event the Health Care Center is fully occupied when Resident is in need of care, Resident agrees to relocate to an alternate health care facility ("a Comparable Facility"). In the event of relocation, Salemtowne will make every effort to transfer Resident back to Salemtowne when accommodations become available.

Upon your relocation to a Comparable Facility, you will continue to be responsible for the Monthly/Daily Fee (unless their Living Accommodation is surrendered). Salemtowne will not be responsible for the charges associated with the alternate health care accommodations.

- I. Application for Benefits.** If requested by Salemtowne, you will apply for any or all federal, state, and local benefits for which you may be eligible or entitled; and if requested by Salemtowne, you will apply for any or all such benefits toward the cost of your care at Salemtowne. These benefits may include: Medicare, Medicaid, prescription, and Veterans benefits.

Residents who receive Medicaid funding and who reside in a Medicaid certified accommodation must have their Social Security, pension or other monthly income paid directly to Salemtowne. Salemtowne will administer and manage these funds, on behalf of Resident in accordance with applicable laws and regulations, to pay for the residence and services provided to Resident.

- J. Assignment of Benefits.** You will from time to time authorize any provider of medical and health services, including Salemtowne, to receive reimbursement as provided under Medicare/Medicaid, any or all Federal, State and local benefits for which you may be eligible or entitled, and any supplementary insurance programs. If requested by Salemtowne, you will from time to time make assignments to the provider of medical and other health services of all benefits otherwise accruing to you under Medicare/Medicaid, or other programs and supplementary extended coverage plans to compensate for services rendered. Resident irrevocably authorizes Salemtowne to make claims and to take other actions to secure receipt by Salemtowne of all payments from a third-party payor to reimburse Salemtowne for its charges for the stay and care of Resident.

- K. Managed Care.** If you have chosen to participate in a managed care program as an alternative to Medicare Part A, Medicare Part B, or other programs and supplemental insurance coverage, the terms of this Agreement governing nursing care will include the following provisions:

1. **Participating Provider.** If Salemtowne is a participating provider with your managed care program, the Corporation agrees to be reimbursed at the rate negotiated with your managed care program.
2. **Not a Participating Provider.** If Salemtowne is not an approved participating provider with your managed care program and you choose to receive health care services at a managed care participating provider, then you agree that you must relocate for as long as necessary for those services to be provided, and be responsible for all costs. In addition, while receiving health care services at the managed care participating provider, you agree that unless this Agreement is terminated, you will continue to pay the Monthly/Daily Fee for your Living Accommodation, unless your Living Accommodation has been surrendered to us.
3. **No Negotiated Managed Care Rate.** If Salemtowne is not a participating provider in your managed care program and a negotiated rate is not agreed upon

by Salemtowne and you would still like to receive health care and services at Salemtowne, then you will be responsible for the full amount of applicable charges not paid by your insurance carrier.

4. **Medicaid.** In the event you receive financial assistance through the Medicaid program while occupying a Medicaid certified bed in the Health Care Center, you will be charged in advance for your liability portion established by the local county department of social services. You will be responsible for all charges for additional items and services requested by you and furnished to you which are not covered under the Medicaid program. Charges shall be made only as permitted under the Social Security Act and applicable regulations.

III. ENTRY REQUIREMENTS

You will become qualified for entry to Salemtowne upon satisfaction of the following provisions:

- A. **Age.** The entry requirements for residency at Salemtowne are nondiscriminatory except as to age, and Salemtowne is open to both married and single men and women of all races and religions. Entry to the Health Care Center and Westerly Place is restricted to persons 62 years of age or older except for residents who enter into the Health Care Center for rehabilitation which is restricted to persons 55 years of age or older.
- B. **Personal Interview.** You shall have an interview with a representative from Salemtowne (including nursing evaluation) prior to taking residency at Salemtowne. Upon review of all information required to be furnished herein, additional personal interviews may be requested by the Corporation.
- C. **Application, Health History and Financial Statement.** You shall submit for review by the Corporation an Application for Entry, a personal health history, and a Confidential Financial Statement, all on forms furnished by the Corporation.
- D. **Notification.** We shall review the application materials as well as the results of the personal interviews and will notify you whether you meet the entry requirements. We will also notify you as early as possible of the date on which the Living Accommodation is expected to be available for occupancy.
- E. **Health Requirements.** Prior to residency at Salemtowne, you shall submit a report of a physical examination (FL-2) from a physician selected by you. Such report shall include a statement by such physician that you require assisted Living Accommodations. We may require you to have another physical examination by our Medical Director or by another physician approved by the Corporation. You shall be responsible for the costs of such physical examinations. If your health as disclosed by such physical examination differs materially from that disclosed in your Application for Entry and FL-2, the Corporation shall have the right to decline entry and terminate this Agreement, or in the discretion of the Corporation, to permit you to take occupancy of accommodations at Salemtowne suitable to your needs.

F. Psychiatric Illness, Dangerous Communicable Disease, Drug or Alcohol Abuse.

Salemtowne is prohibited by state law from admitting or retaining Residents with the following conditions:

- Residents who are ventilator-dependent;
- Residents requiring continuous licensed nursing care;
- Residents whose physicians certify that adult care home placement is no longer appropriate for them; and
- Residents whose needs cannot be met in Salemtowne's assisted living communities.

In addition, Salemtowne is not designed to care for persons who have an active psychiatric illness, a dangerous communicable disease or who require treatment for drug or alcohol abuse. Should Salemtowne, in consultation with the Medical Director, determine that your physical or psychiatric illness, or that your condition as a result of drug or alcohol abuse, is such that your continued presence is either dangerous or detrimental to your life, health or safety, or the life, health, peace or safety of others in the community, then Salemtowne may transfer you to another facility of your choosing and/or require you to terminate your residency at Salemtowne.

G. Financial Requirements. You must have assets and income, which will be sufficient under foreseeable circumstances to pay the financial obligations under this Agreement and to meet your ordinary living expenses. We may require you to furnish current financial information at any time prior to and subsequent to occupancy.

H. Financial Resources. You, your current and future responsible parties (i.e., power(s) of attorney, executor(s)) will abide by any and all financial arrangements made with the Corporation for the purpose of securing your ability to pay any and all charges for residing at Salemtowne. You agree not to make any gift or other transfer of assets for the purpose of evading your obligations under this Agreement, or if such gift or transfer would render you unable to meet such obligations under this Agreement. Gifts or transfers of assets in this manner, which result in your inability to meet your financial obligations in accordance with this Agreement, will entitle Salemtowne to terminate this Agreement with thirty (30) days' notice, and you or your responsible parties, as applicable, will be liable for any unpaid amounts.

I. Power of Attorney. You agree to execute and maintain in effect a durable power of attorney that is valid under North Carolina law and will survive your incapacity or disability. This durable power of attorney will designate an attorney-in-fact and an alternate attorney-in fact who will act for you in managing your financial affairs and in filing for insurance or other benefits under private and public assistance programs as full and complete a manner as you could do if acting personally for yourself. **You will deliver a copy of a fully executed power of attorney to Salemtowne prior to occupancy.** You will not revoke or amend this durable power of attorney except

upon execution of a replacement durable power of attorney, a fully executed copy of which will be delivered to Salemtowne. This document also may address at your option, other affairs, such as decisions concerning medical care.

- J. Will.** You agree to execute a Will, and to provide to Salemtowne a copy of such sections of the Will and any revisions, as applicable during the term of this Agreement to document the name(s) of the person(s) to be contacted in the event of your death (i.e., executor(s)).

In the event of your death, while you are a resident of Salemtowne under this Agreement, only the executor(s) named in your Will (or such person or entity designated by such executor(s)) will be allowed to remove or dispose of your furnishings and belongings in your Living Accommodation and any related storage areas at Salemtowne. Members of your family or those to whom you have granted power of attorney will not be allowed access to your personal property after your death, unless they are the executor(s) named in your Will.

- K. Funeral and Burial.** Salemtowne will not be responsible for making funeral or burial arrangements and is not responsible for related expenses.

- L. Advance Directives.** You are encouraged to execute a Living Will and a Health Care Power of Attorney and deliver a fully executed copy thereof to Salemtowne, as well as any revisions as applicable, during the term of this Agreement.

- M. Appointment of Guardian.** If you become unable to care for your business and financial affairs, the Corporation reserves the right to institute action for the determination of your incompetence and the appointment of a guardian to fulfill the terms of this Agreement; unless such needed arrangements have already been made. The cost of the legal proceedings, including attorneys' fees, shall be paid by you or your estate.

- N. Emergency Notifications.** You agree to provide Salemtowne with the following information prior to the date of occupancy as well as updates of this information during the term of this Agreement:

- Names, addresses and phone numbers of persons to notify in an emergency (minimum of two are required);
- Names of persons having the right of entry into your residence;
- Name, address and phone number of funeral home (prior arrangements are encouraged);
- Names, addresses and phone numbers of lawyer and executor; and
- Names, addresses and phone numbers for powers of attorney.

- O. Contents and Accuracy of Resident's Application.** Salemtowne has accepted Resident based on the information contained in Resident's Application, and has agreed to enter this Agreement. In signing this Agreement, Resident understands and

agrees that the information provided in the Resident's Application is part of this Agreement, and is a basis upon which Salemtowne has agreed to enter into the Agreement. Resident hereby affirms that all the information provided in the Resident's Application is true and correct to the best of the knowledge of each person who signs the Agreement, and each also acknowledges that any material misrepresentation or omission in Resident's Application shall render this Agreement voidable at the option of Salemtowne. Resident agrees to submit updated copies of the information requested in the Resident's Application, when requested by Salemtowne from time to time during the term of this Agreement.

IV. TERMS OF RESIDENCY

- A. Rights of Resident.** You shall have each of the rights set forth in the Statement of Residents' Bill of Rights, which is attached as Exhibit A hereto (the "Bill of Rights"). By signing this Agreement, you or your responsible party acknowledges receipt of a copy of the Bill of Rights. In addition, you have the right to occupy and enjoy the Living Accommodation described herein during your lifetime unless this Agreement shall be terminated as provided herein. It is understood that this Agreement does not transfer or grant any interest in the real or personal property owned by the Corporation other than the right to use or occupancy of the Living Accommodation in accordance with the terms hereof. The Living Accommodation may not be used for commercial purposes. The Living Accommodation may not be occupied or used in any manner in violation of any ordinance, law or regulation.
- B. Subordination.** You agree that all of your rights under this Agreement shall at all times be subordinate and junior to the lien of all mortgages or other documents creating liens encumbering the Corporation, which have been or will be executed by us. Upon request, you agree to execute, acknowledge and deliver to such lender or lenders such further written evidence of such subordination as such lenders may reasonably require. You shall not be liable for any such indebtedness.
- C. Policies, Rules and Regulations.** You understand and agree that: (i) in order for Salemtowne to operate in the best interests of the entire community, it is essential that we have cooperation of and compliance with applicable policies, rules and regulations by you, your family, guests, responsible party and others who may intervene, speak or act or purport to intervene, speak or act, for or on behalf of you or who may come on the premises of Salemtowne in any capacity or for any purpose in connection with or as a result of your residency at Salemtowne; (ii) a continuing or repeated failure or refusal by any such persons to so cooperate and comply may result in a determination by Salemtowne that it is impracticable or impossible for Salemtowne to continue to accommodate you as a resident; and (iii) upon such determination by Salemtowne, we shall have the right to terminate this Agreement. The Corporation reserves the right to amend or change its policies, rules and regulations from time to time. By signing this Agreement, you or your responsible party acknowledges receipt of a copy of the Resident Handbook.
- D. Weapons.** No weapons of any type shall be brought on to the Salemtowne property by you or your guests without the express prior written permission of the Corporation.

E. Resident Representation. Residents have the right of self-organization through a Residents' council, which may convene to review the interests of the resident population. You shall have resident representation on the Salemtowne Board of Trustees as outlined in the Bylaws of Salemtowne.

F. Guests and Visitors. Guests and visitors are welcome at Salemtowne. Guests may use Salemtowne guest accommodations, subject to availability and additional charges. At all times, you shall be responsible for any injury to others or damage to the property of others or Salemtowne caused by you or your guest(s). Salemtowne reserves the right and authority to limit or terminate the stay of any guest at any time and for any reason. No other person, except the Resident(s), may reside in the accommodation without the approval from the Corporation.

G. Relationships Between Residents and Staff. Salemtowne is built on mutual respect and instructs its Staff to be cordial and helpful to Residents. The relationship is to remain professional. Staff must not be delayed or deterred by Residents in the performance of their duties. Management is solely responsible for the supervision of staff. Complaints or requests for special assistance must be made to the appropriate supervisor. By signing this Agreement, you or your responsible party acknowledges receipt of a copy of the Corporation's grievance procedure.

Giving gratuities or bequests to Staff or Staff's families is not permitted. Residents will not employ Salemtowne Staff nor hire former Salemtowne Staff without the prior written consent of Salemtowne Management.

H. Loss of Property. The Corporation maintains insurance on all of its property and its operations to include general public liability insurance, property insurance including coverage for acts of God, vandalism and theft, professional liability insurance and worker's compensation.

The Corporation will not be responsible for the loss of any property belonging to the Resident due to theft, mysterious disappearance, fire or any other cause. You will have the responsibility for obtaining "renters insurance" to cover such losses.

I. Right of Entry. Salemtowne recognizes your right to privacy, and shall limit entry to your Living Accommodation to legitimate emergencies and to scheduled work, including housekeeping, repairs, maintenance, and inspections. You hereby authorize Staff or agents of Salemtowne to enter your Living Accommodation, upon reasonable notice for all such purposes.

J. Appliances. Salemtowne is not obligated to determine your ability to safely utilize the appliances, if any, in your Living Accommodation. However, should we determine that you have demonstrated an inability to safely utilize appliances in your Living Accommodation; we will have the right to turn off the power servicing such appliance(s) and/or to remove any and all such appliances. In any such instance, you shall remain obligated to pay for the full Month/Daily Fee for your Living Accommodation, any extra meals and any fire alarm charges issued by the fire department.

K. Changes in Living Accommodations. The Corporation has the right to change the Living Accommodation to meet requirements of any applicable statutes, laws or regulations.

L. Health Insurance. You will maintain eligible Medicare coverage and one supplemental health insurance policy or equivalent insurance coverage, which adequately covers hospital, medical, prescription and skilled nursing deductibles and co-payments required of your primary insurance plan. Both your primary and supplemental health insurance policies must recognize Salemtowne as a health care provider, or you will assume the financial responsibility for services provided that otherwise could be covered.

You will be responsible for ensuring that the health insurance coverage does not lapse, and will provide Salemtowne with evidence of such coverage upon request. If your health insurance coverage should lapse, Salemtowne may require that you reapply for suitable coverage. If you are unable to obtain adequate new coverage, Salemtowne will charge you for any costs of medical and other health care services provided that otherwise would have been covered by an approved policy.

M. Filing for and Rights to Insurance Benefits. Salemtowne is a participating provider with Medicare, Medicaid and Blue Medicare only.

- Salemtowne will file claims with Medicare for all covered services. By law, the patient is responsible for payment of the deductible, co-insurance, and any non-covered service. Non-covered services include, but are not limited to, beauty shop charges.
- As a courtesy, Salemtowne will file claims to your secondary insurance carrier for your Medicare Parts A & B co-insurance, unless we are prohibited from filing due to participation requirements of the carrier.
- The Medicare Part A co-insurance will be billed on your monthly Salemtowne statement as services are rendered prior to any insurance filings. You are responsible for payment of all Medicare Part A co-insurance billed by Salemtowne upon receipt of the bill. Payments received from your insurance carrier for Medicare Part A co-insurance will be applied to your monthly Salemtowne statement when received.
- Medicare Part B co-insurance (i.e., therapy co-insurance) not paid by a Resident's insurance carrier within ninety (90) days of the date of service will become due and payable by Resident unless the claim is subject to Medicare, Medicaid, or an insurance plan in which Salemtowne participates.
- Co-pays related to Blue Medicare plans will be billed on the Salemtowne statement as services are rendered and are due and payable upon receipt of the bill.
- In the event a Resident's health insurance determines a service is "not covered", the Resident will be responsible for payment. Salemtowne tries to inform

Residents when services may not be covered; however, it is the Resident's responsibility to understand his/her policy limitations.

- Charges not paid by a Resident's insurance company within ninety (90) days of the date of service will become due and payable by the Resident unless the claim is subject to Medicare, Medicaid, or an insurance plan in which Salemtowne participates.
- If, for any reason, Salemtowne cannot apply directly for benefits payable under insurance required by this Agreement, you agree to make such application and to pay Salemtowne the proceeds received.
- **Salemtowne reserves the right, in its discretion, to eliminate or change its participation with any and all insurance plans.**

N. Transfer to Another Living Accommodation. You may move to a different Westerly Place Accommodation at Salemtowne, when it becomes available, upon payment of such fees, consent by the Corporation and compliance with such guidelines regarding transfers as may be adopted by the Corporation. Salemtowne reserves the right to amend such policies, guidelines and fees, in its discretion.

O. Transfer to a Health Care Center Living Accommodation. Should your needs change, you may request entry to a Health Care Center Living Accommodation, when it becomes available, upon payment of such fees, consent by the Corporation and compliance with such guidelines regarding transfers as may be adopted by the Corporation. Fees and guidelines may be changed from time to time by the Corporation.

P. Transfer to an Independent Living Accommodation. Should your needs change, you may request entry to an independent Living Accommodation. You would be required to complete the applicable entry process, provide requested information and execute a separate residence and services agreement. You would be required to pay an Entrance Fee at the time of transfer to an independent Living Accommodation. Fees and guidelines may be changed from time to time by the Corporation. Salemtowne reserves the right to amend such policies, guidelines and fees, in its discretion.

Q. Room Assignment in Health Care Center and Westerly Place. You understand that you acquire no ownership in any property at Salemtowne under this Agreement; also, that no particular room or unit in Westerly Place or the Health Care Center is subject to reservation or permanent assignment, and that we may change your room assignment in Westerly Place or the Health Care Center. Though we retain the right to change your room assignment, we agree that we will make changes only as we find such changes to be necessary or advisable.

R. Moving Costs. You are responsible for arranging and paying for all packing and moving costs for moves into, within and out of Salemtowne. Assistance may be provided by Salemtowne at an additional cost.

S. Pets/Smoking.

1. Pets. Subject to the Corporation's policies and procedures, pets may visit but are not allowed to live in Westerly Place or Health Care Center Living Accommodations.
2. Smoking / Tobacco Products. Salemtowne is a "Tobacco Free" Community. Smoking and use of tobacco products are not permitted anywhere on Salemtowne property, including campus buildings (Babcock Health Care Center, Masten Assisted Living Center, Westerly Place Memory Care Support Assisted Living Center, and Community Center, etc.), building entrances or common areas. The only exception is:
 - The Health Care Center Administrator may permit smoking for a Resident, and if so, a designated smoking area would be created outside. However, the prohibition will remain in effect for a family member or caregiver who may accompany the Resident to the designated area.

T. Absences. You agree to inform Salemtowne when you are going to be away for any length of time. In order to provide adequate time for medications to be available, if applicable, you must provide at least twenty-four (24) hours advance notice of an absence. No credits (i.e., missed meals) will be given during absences for assisted living and health care Residents. The Corporation is not responsible for any obligations or expenses incurred by you outside of Salemtowne.

V. TRANSFERS OR CHANGES IN LEVELS OF CARE. (A change in Living Accommodations within Westerly Place or to the Health Care Center will require no additional residence and services agreement. This Agreement will remain in effect.)

A. Transfer within Westerly Place or to Masten Assisted Living Center or Babcock Health Care Center. You agree that the Corporation shall have authority to determine that you should be transferred from your Living Accommodation to the Health Care Center, Masten Assisted Living Center, or a separate area within Westerly Place. Such determinations shall be based on the professional opinion of the Resident's physician and the Resident Review Committee of Salemtowne and shall be made only after consultation to the extent practical with the Resident, the Resident's physician, a representative of the Resident's family or the Resident's responsible party.

B. Transfer to Hospital or Other Facility. If it is determined by your physician that you need care beyond that which can be provided by Salemtowne you may be transferred to a hospital, center or institution equipped to give such care, which care will be at your expense. Such transfer will be made only after consultation to the extent practical with the Resident, the Resident's physician, a representative of the Resident's family or the Resident's responsible party.

In the event it becomes necessary for you to be transferred to a hospital, Salemtowne will provide any information available to meet the provisions of any hospital

admissions agreement and you agree that Salemtowne has the right to provide such information, which may include part or all of your records.

- C. **Surrender of Living Accommodation.** If a determination is made by the Corporation that any transfer described in this Section V is permanent in nature, you agree to surrender the Living Accommodation and any storage areas, which were occupied by you prior to such transfer, within thirty (30) days of such determination.

You are responsible for the costs of transfer and moving as well as the Monthly/Daily Fee through the last day of occupancy of the Living Accommodation being vacated.

If the Corporation subsequently determines based upon the opinion of your physician that you can resume occupancy in accommodations comparable to those occupied by you prior to such transfer you shall have priority to such accommodations as soon as they become available and you will be responsible for applicable fees as determined by the Corporation.

VI. **TERMINATION PROVISIONS**

- A. **Termination Prior to Occupancy.** This Agreement may be rescinded by you at any time prior to taking occupancy at Salemtowne for any reason by giving written notice to the Corporation. This Agreement will automatically be canceled due to death or physical or mental conditions that would make you ineligible for entry to Salemtowne. This Agreement may be terminated by the Corporation at any time prior to the date that you take occupancy if the Corporation determines that you no longer meet the physical, mental or financial requirements for entry.

In the event of such termination (including death or physical or mental conditions making you ineligible for entry to Salemtowne), you shall not receive a refund of any amounts paid for non-standard features added to the Living Accommodation. Notwithstanding anything to the contrary in this Agreement, if the Resident has paid the applicable Monthly/Daily Fee prior to occupying the Living Accommodation, any refund of such amounts (expressly excluding any amounts paid for non-standard features added to the Living Accommodation) shall be paid by Salemtowne within fourteen (14) days following such termination pursuant to this paragraph.

- B. **Voluntary Termination.** Except as provided in subsection A in this Section VI herein, you may terminate this Agreement by giving the Corporation prior written notice of such termination. Fourteen (14) days' notice (non-refundable fee) is required for Westerly Place and five (5) days' notice (non-refundable fee) is required for the Health Care Center. If required notice is given, or if no written notice is given, you will be responsible for paying the Monthly/Daily Fee for the applicable Living Accommodation for the full notice period (non-refundable fee) and for each day of occupancy, except you shall only be charged for the days of occupancy when a delay in discharge or transfer would jeopardize your health or safety or that of others at Salemtowne. Any refund due following termination will be made in accordance with Section VI.I.

- C. **Abandoned Living Accommodation.** You may be deemed to have abandoned the Living Accommodation and terminated this Agreement if you do not occupy a residence at Salemtowne for a period of one continuous year.
- D. **Temporary Absence.** Temporary absence because of illness, trips or otherwise will not affect your rights to retain occupancy of Living Accommodation, as long as applicable Monthly/Daily Fees are paid.
- E. **Termination Upon Death.** In the event of your death, this Agreement shall terminate as of the date that your Living Accommodation is vacated; provided, however, that the Resident's estate shall be obligated to pay the applicable Monthly/Daily Fee for such Resident's nights spent in the Living Accommodation.

In the event of such termination, you shall not receive a refund of any amounts paid for non-standard features added to the Living Accommodation. Any refund due following the Resident's death, will be made in accordance with Section VI.I.

Any refund to which you are entitled shall be paid to your estate unless you execute a designation and name a trust, revocable by you at the time of your death, to receive applicable refunds. Should you execute a revocable trust subsequent to signing this agreement, you or your estate's executor may submit a written beneficiary designation form designating a trust, revocable by you at the time of your death, to receive applicable refunds.

- F. **Termination by the Corporation.** We may terminate this Agreement at any time (i) if there has been a material misrepresentation or omission made by you during the application process; (ii) if you fail to make payment to the Corporation of any fees or charges due the Corporation within thirty (30) days after receiving written notice of your failure to pay such fees or charges; (iii) if you do not abide by the rules and regulations adopted by the Corporation or breach any of the terms and conditions of this Agreement; (iv) if the health or safety of other individuals in the Corporation is endangered if you remain in Salemtowne, as determined by a physician, physician assistant or nurse practitioner; or (v) the discharge is necessary for your welfare and your needs cannot be met by the Corporation as documented by your physician, physician assistant or nurse practitioner.

In addition, Resident hereby acknowledges that it is the policy of Salemtowne to conduct sex offender screening for every prospective resident, regardless of independent status or level of care, at the time of application for admission to Salemtowne and again prior to entering into a Residence and Services Agreement. If the screening shows that the prospective resident is identified as a sex offender, Salemtowne will deny admission of Resident on that basis and not execute a Residence and Services Agreement. In addition, Resident hereby acknowledges and agrees that if, after Salemtowne and Resident have entered into a Residence and Services Agreement, Salemtowne becomes aware that Resident is listed on any sex offender registry, Salemtowne may terminate this Agreement with Resident and remove Resident from Salemtowne. If there is more than one resident who is a party to this Agreement, the termination of this Agreement in such instance shall only apply to the resident listed on the sex offender registry.

Following termination of this Agreement pursuant to this Section VI.F., you will be responsible for paying the Monthly/Daily Fee for the applicable Living Accommodation for the full 30-day notice period; provided, however, that if you move out of the Living Accommodation after receiving notice of the Corporation's intent to terminate, you shall only be charged for the nights spent in the Living Accommodation. Except in cases of emergency, you will receive a notice of the termination by the Corporation at least thirty (30) days prior to the effective date of termination. If this Agreement is terminated due to an emergency, you shall only be charged for the nights spent in the Living Accommodation. You may be entitled to appeal the Corporation's decision to terminate this Agreement and, except in cases of emergency, the Corporation will not discharge you before the final decision resulting from the appeal has been rendered.

G. Condition of Living Accommodation. At the effective date of termination of this Agreement, you will vacate the Living Accommodation and will leave it in good condition except for normal wear and tear. You, or your estate, will be liable to the Corporation for any costs incurred in restoring the Living Accommodation and storage areas to good condition except for normal wear and tear. Such costs may be deducted from any refundable portion of the Entrance Fee due to you or your estate, if any.

H. Removal of Personal Property. In the event of termination of this Agreement, you agree to surrender the Living Accommodation and any storage areas, which were occupied by you, within thirty (30) days of the notice of termination.

In the event you are discharged from Salemtowne, the Corporation reserves the right to remove your belongings from the Living Accommodation and any storage areas. You will pay a reasonable storage fee or the actual cost of external storage, whichever is applicable. The Corporation is not responsible for any damages incurred to your property if storage becomes necessary. Unclaimed property will become the property of Salemtowne after thirty (30) days following the termination of this Agreement and will be disposed of at the sole discretion of the Corporation.

In the event of your death, while you are a resident of Salemtowne under this Agreement, only the executor(s) named in your Will (or such person or entity designated by such executor(s)) will be allowed to remove or dispose of your furnishings and belongings in your Living Accommodation and any related storage areas at Salemtowne. Members of your family or those to whom you have granted Power of Attorney will not be allowed access to your personal property after your death, unless they are the executor(s) named in your Will.

I. Refund. You or your estate, or a revocable trust designated by you may be entitled to a refund of any amounts related to the cost of health care services provided by Salemtowne or any third-party health care provider less any amounts payable to Salemtowne or any third party health care provider through the date the refund is due hereunder. This refund shall not include the cost of non-standard features that were added to your Living Accommodation at your request. Any refund will be made no later than thirty (30) days from the date of your death.

If the Agreement is terminated by the Corporation in an emergency situation (i.e., because the Corporation is no longer able to meet your urgent health care needs, or termination is necessary to protect your health and safety or that of another person at Salemtowne), the refund will be made within fourteen (14) days after you leave Salemtowne. If you terminate this Agreement, any refund shall be made within fourteen (14) days from the date of notice of termination or, if no notice is given, within fourteen (14) days after you leave Salemtowne.

- J. Release from Obligations Upon Termination.** Upon termination of this Agreement, Salemtowne is released from any further obligations to you except for the payment of any refund, which may be due under this Agreement.

VII. RIGHT OF RESCISSION

Notwithstanding anything herein to the contrary, this Agreement may be rescinded by you giving written notice of such rescission to the Corporation within thirty (30) days following the later of the execution of this Agreement or the receipt of a disclosure statement that meets the requirements of Section 58-64-1, *et seq.* of the North Carolina General Statutes. In the event of such rescission, you shall not receive a refund of any amounts paid for non-standard features added to the Living Accommodation. You will not be required to move into Salemtowne before the expiration of such thirty (30) day period. Notwithstanding anything to the contrary in this Agreement, any refund that may be due to you following rescission of this Agreement, shall be paid by the Corporation within fourteen (14) days following receipt of written notice of rescission pursuant to this paragraph.

VIII. FINANCIAL ASSISTANCE

- A. Subsidy.** In connection with its charitable mission, it is the desire of the Board of Trustees of Salemtowne that no one leave Salemtowne because of lack of funds. Any disposition of Resident's assets in any way other than for care at Salemtowne or related living/medical expenses to the extent that Resident cannot adequately provide for Resident's expenses or care will nullify this desire on the part of Salemtowne and entitle Salemtowne to terminate Resident's right to reside in Salemtowne.

Salemtowne will make reasonable efforts to acquire the funds necessary to meet Salemtowne's fees for care. However, the resources of Salemtowne to provide care for Residents are not unlimited, and Salemtowne reserves the right to terminate the residency of any person, including Resident, who cannot pay the full cost of Salemtowne's Monthly/Daily Fees and charges, and other Salemtowne costs in connection with such person's stay at Salemtowne.

In the event that a Resident presents facts which in the opinion of the Corporation justify special financial consideration, the Corporation will give careful consideration to subsidizing in whole or in part the Monthly/Daily Fees and other Salemtowne charges payable by the Resident hereunder so long as such subsidy can be made without impairing the ability of the Corporation to attain its objectives while operating on a sound financial basis.

In the event that the Corporation may subsidize in whole or in part, the Monthly/Daily Fees and other Salemtowne charges payable by the Resident hereunder, the Resident will be required to execute a separate Financial Assistance Agreement with the Corporation.

In the event that we continue to provide the services to you under the terms of this Agreement despite your financial inability to continue to pay the Monthly/Daily Fee or other Salemtowne charges payable under the terms of this Agreement, Salemtowne shall be entitled to require you to move to a smaller or less costly Living Accommodation.

Any determination by the Corporation with regard to the granting or continuation of financial assistance shall be within the sole discretion of the Corporation, under a separate agreement.

- B. Recovery of Subsidies Provided by Salemtowne.** When a Resident dies or moves out of the community, if said Resident's fees have been subsidized wholly or partly by Salemtowne, the Resident or Resident's estate, if any, will be liable to Salemtowne for the full amount of the subsidy the Resident received for the entire time of residency. This paragraph will apply whether or not the Resident is in residence at Salemtowne at the time of death. This Agreement will operate as a lifetime assignment, transfer and conveyance to Salemtowne of so much of Resident's property as is necessary to cover such liability. Any amount due Salemtowne under this paragraph may be deducted from any refund payable to Resident or to the Resident's estate.
- C. Financial Assistance Funds.** The Corporation has established funds, which will be used to assist Residents who would otherwise not be able to live at Salemtowne. Such funds may be used for the purposes of providing financial assistance, but no Resident shall have any claim to or expectation of receiving or continuing to receive any such assistance.

IX. GENERAL

- A. Compliance with Applicable Laws.** Resident and Salemtowne will operate in full compliance with all laws, rules, regulations and ordinances promulgated by lawful governmental authorities.
- B. Confidentiality.** The Corporation has the responsibility to keep all of the personal, medical and financial information you have supplied to it confidential. You consent to the release of any of your personal and medical records maintained by the Corporation (i) to the Corporation's employees, staff and agents; (ii) to persons and organizations from whom you receive health care services; (iii) to third-party payors of health care services provided by the Corporation or other organizations; and (iv) to others deemed reasonably necessary by the Corporation for purposes of treatment, payment and operations of the Corporation, consistent with applicable state and federal health care privacy laws. You understand and agree that authorized agents of the state or federal government, including the Long Term Care Ombudsman, may obtain your records without your written consent or authorization. Release of your

records for other purposes shall be made in accordance with applicable law, with a specific authorization from you or your legal representative where required.

- C. **Assignment.** Your rights and privileges under this Agreement to the facilities, services and programs of the Corporation are personal to you and may not be transferred or assigned by you or otherwise.
- D. **Resident has no Tenancy Interest or Management Rights in Salemtowne.** The absolute rights of management are reserved by the Corporation, its Board of Trustees and its administrators as delegated by said Board of Trustees. The Corporation reserves the right to accept or deny any person for residency. Residents do not have the right to determine entry or terms of entry of any other Resident. Salemtowne reserves the right to amend, implement or terminate policies and/or guidelines related to the operation of the community in its sole discretion.

This Agreement gives Resident the right to live in Salemtowne and to receive or have access to the services and amenities described in the Agreement. However, it does not give Resident the rights of a “tenant” as that term is defined by North Carolina state law. Salemtowne retains the exclusive authority to make all management decisions with regard to the management of Salemtowne, including decisions about admission and discharges, setting charges, Salemtowne’s policies and procedures, and the scope of services offered by Salemtowne, consistent with state law and the terms of this Agreement.

- E. **Moravian Affiliation.** Salemtowne is affiliated with the Moravian Church in America, Southern Province (“Southern Province”). The Southern Province is not responsible for the financial and contractual obligations of Salemtowne.
- F. **Indemnity.** You agree to indemnify, defend and hold us harmless from claims, damages or expenses, including attorneys’ fees and court costs, resulting from any injury or death to persons and any damages to property caused by, resulting from, attributable to or in any way connected with your negligent or intentional act or omission or those of your guests, including private duty nurses, companions or other.
- G. **Limitation on Liability.** You understand and agree that the services provided by the Corporation and others within Salemtowne are not designed to protect you from the everyday, normal risks and responsibilities of living, including, but not limited to, such general accidents and situations such as falling, choking on food, and weight loss and/or dehydration resulting from your failure to partake of food and drink. Additionally, you understand and agree that the services provided by the Corporation do not include one-on-one monitoring of you, and that your expectations will be consistent with this understanding. The Corporation shall exercise reasonable care toward you based on your known condition. However, you agree that the Corporation is not an insurer of your welfare and safety. You agree that you will exercise due care to protect yourself from harm.
- H. **Separability.** The invalidity of any restriction, condition or other provision of this Agreement, or any part of the same, shall not impair or affect in any way the validity or enforceability of the rest of this Agreement.

- I. Resident Contracted Services.** If you wish to privately employ outside assistance, including Salemtowne employed Staff, for whatever reason, all Salemtowne policies must be upheld, and prior written approval by Salemtowne management must be obtained. You agree to hold Salemtowne harmless in all situations related to the provisions of such outside services. The Corporation has the right to require termination of such a service at any time.
- J. Resident Handbook.** You will be given a current copy of the Resident Handbook as adopted by the Corporation. You understand that these documents will change from time to time but that they are the procedural documents for those occupying Living Accommodations at Salemtowne.
- K. Entire Agreement.** This Agreement constitutes the entire contract between the Corporation and Resident. The Corporation shall not be liable or bound in any manner by any statements, representations or promises made by any person representing or assuming to represent the Corporation, unless such statements, representations or promises are set forth in this Agreement or in an amendment to this Agreement signed by Salemtowne's President/CEO and by you. Electronic (e.g., pdf) versions of this Agreement shall have the same legal effect as originals, and all of which, when fully executed, shall constitute one and the same instrument.
- L. Successors and Assigns.** Except as set forth herein, this Agreement shall bind and inure to the benefit of the successors and assigns of the Corporation and the heirs, executors, responsible parties, powers of attorney, administrators and assigns of you.
- M. Capacity.** This Agreement has been executed on our behalf by our duly authorized agent, and no officer, trustee, agent or employee of ours shall have any personal liability hereunder to you under any circumstances. If Resident is, or becomes, unable to understand or communicate his or her health care or financial decision, and is determined by Resident's attending physician to be incapacitated, then in the absence of Resident's prior designation of an authorized legal representative, or upon the unwillingness or inability of a designated legal representative to act, Salemtowne shall have the right to commence a legal proceeding to adjudicate Resident incapacitated and to have a court appoint a guardian for Resident. The cost of the legal proceedings, including attorneys' fees, shall be paid by Resident or Resident's estate.
- N. Tax Considerations.** You should consult with your tax advisor regarding the tax considerations associated with this Agreement.
- O. Governing Law.** This Agreement shall be governed by the laws of the State of North Carolina without regard to conflict of laws principles.
- P. Amendments and Partial Invalidation.** Generally, this Agreement can be changed only by mutual written consent. However, we can make changes without your consent to keep the Agreement in compliance with applicable laws and regulations; provided, that the changes we make do not substantially reduce your benefits under the Agreement, we provide notice of such change not less than thirty (30) days before the change, and we provide an amendment to this contract for your review and

signature. If any provision in this Agreement is invalidated, all other provisions will remain in force.

- Q. Governing Law; Venue; Disputes.** This Agreement shall be governed by, interpreted, construed and enforced in accordance with the laws of the State of North Carolina, without giving effect to any choice of law or conflict of law rules or provisions that would cause the application of laws or any jurisdiction other than North Carolina. Except to the extent that the parties have agreed to an alternative mechanism for the resolution of a dispute, to the full extent permitted by law, any action, suit or proceeding arising out of or relating to this Agreement shall be brought and enforced in the courts of the State of North Carolina located in Forsyth County or of the United States District Court for the Middle District of North Carolina, and the parties hereby irrevocably submit to the exclusive jurisdiction of such courts and irrevocably waive any objection that they may now or hereafter have to the laying of venue of any such action or proceeding in such courts.
- R. Gender.** Throughout this Agreement, the use of the masculine gender shall include the feminine, and the use of singular shall include the plural.
- S. Interpretation.** Headings are for convenience and reference purposes only and shall not affect the interpretation of any provision of this Agreement.
- T. Waivers.** Neither the failure nor any delay on the part of any party to exercise any right, remedy, power, or privilege (“Right”) under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any Right preclude any other or further exercise of the same or of any Right, nor shall any waiver of any Right with respect to any other occurrence. No waiver shall be effective unless it is in writing and is signed by the party asserted to have granted such waiver.
- U. Survival.** Those rights and obligations that have accrued as a result of the operation of this Agreement shall survive its termination, as shall those rights and obligations that by their terms survive termination and any provisions that must survive to give effect to their terms, as shall any obligation of Resident to pay costs or expenses of his or her stay at Salemtowne that remain unpaid as of such termination.
- V. Notice Provisions.** Any notices, consents, or other communications to the Corporation hereunder (collectively “notices”) will be in writing and addressed as follows:

Salemtowne:

Office of the President/CEO
Salemtowne
1000 Salemtowne Drive
Winston Salem, North Carolina 27106

Resident:

Your address for the purpose of giving notice prior to your move to Salemtowne is the address appearing after your signature below.

Your address for the purpose of giving notice after your move to Salemtowne will be the current Living Accommodation address at the applicable time of notice.

You are responsible for notifying us of any changes in address and/or telephone number.

[Signatures Follow on Next Page]

Salemtowne will stand behind all of the statements, promises and representations in this Agreement, but no others. If you feel something has been promised to you, but it is not specifically mentioned in this Agreement, now is the time to discuss it – before you sign this Agreement.

I (we) understand this matter involves a financial commitment and associated risk as well as a legally binding contract. I (we) was (were) encouraged to consult with an attorney and/or financial advisor who could advise me (us) concerning this Agreement.

THE UNDERSIGNED RESIDENT(S) ACKNOWLEDGES RECEIPT OF SALEMTOWNE’S CURRENT DISCLOSURE STATEMENT. THE DISCLOSURE STATEMENT WAS RECEIVED PRIOR TO THE EXECUTION OF THIS AGREEMENT OR PRIOR TO OR AT THE TIME OF THE TRANSFER OF ANY MONEY OR OTHER PROPERTY TO SALEMTOWNE, WHICHEVER OCCURRED FIRST.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in duplicate, as of the day and year first above written, one duplicate copy of this Agreement being retained by each party.

Your signature below certifies that you have read, understand and accept this Agreement as of this *(current date)* _____ day of _____, ____.

SALEMTOWNE	RESIDENT(S) (or Resident(s)’s Attorney in Fact) (*)
_____ By (signature)	_____ (signature) (SEAL)
_____ Printed Name	_____ (signature) (SEAL)
_____ Title	_____ Current Address: Street
	_____ City, State, Zip Code
	_____ Telephone

(*) If Attorney-in-Fact signs on behalf of the Resident(s), a Filed Power of Attorney document must be attached to this Agreement.

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EXHIBIT A
RESIDENTS' BILL OF RIGHTS

Based on North Carolina General Statute Section 131D-21

Salemtowne shall treat its residents in accordance with the provisions of Article 3 of Chapter 131D of the North Carolina General Statutes. Every resident of Salemtowne shall have the following rights:

1. To be treated with respect, consideration, dignity, and full recognition of his or her individuality and right to privacy.
2. To receive care and services which are adequate, appropriate, and in compliance with relevant federal and State laws and rules and regulations.
3. To receive upon admission and during his or her stay a written statement of the services provided by Salemtowne and the charges for these services.
4. To be free of mental and physical abuse, neglect, and exploitation.
5. Except in emergencies, to be free from chemical and physical restraint unless authorized for a specified period of time by a physician according to clear and indicated medical need.
6. To have his or her personal and medical records kept confidential and not disclosed except as permitted or required by applicable State or federal law.
7. To receive a reasonable response to his or her requests from the Salemtowne administrator and staff.
8. To associate and communicate privately and without restriction with people and groups of his or her own choice on his or her own or their initiative at any reasonable hour.
9. To have access at any reasonable hour to a telephone where he or she may speak privately.
10. To send and receive mail promptly and unopened, unless the resident requests that someone open and read mail, and to have access at his or her expense to writing instruments, stationery, and postage.
11. To be encouraged to exercise his or her rights as a resident and citizen, and to be permitted to make complaints and suggestions without fear of coercion or retaliation.
12. To have and use his or her own possessions where reasonable and have an accessible, lockable space provided for security of personal valuables. This space shall be accessible only to the resident, the administrator, or supervisor-in-charge.
13. To manage his or her personal needs funds unless such authority has been delegated to another. If authority to manage personal needs funds has been delegated to Salemtowne, the resident has the right to examine the account at any time.
14. To be notified when Salemtowne is issued a provisional license or notice of revocation of license by the North Carolina Department of Health and Human Services and the basis on which the provisional license or notice of revocation of license was issued. The resident's responsible family member or guardian shall also be notified.
15. To have freedom to participate by choice in accessible community activities and in social, political, medical, and religious resources and to have freedom to refuse such participation.

16. To receive upon admission to Salemtowne a copy of this Declaration of Residents' Bill of Rights.
17. To not be transferred or discharged from Salemtowne except for medical reasons, the residents' own or other residents' welfare, nonpayment for the stay, or when the transfer is mandated under State or federal law. The resident shall be given at least 30 days' advance notice to ensure orderly transfer or discharge, except in the case of jeopardy to the health or safety of the resident or others in the home. The resident has the right to appeal Salemtowne's attempt to transfer or discharge the resident pursuant to rules adopted by the Medical Care Commission, and the resident shall be allowed to remain in Salemtowne until resolution of the appeal unless otherwise provided by law. The Medical Care Commission shall adopt rules pertaining to the transfer and discharge of residents that offer protections to residents for safe and orderly transfer and discharge.

FILING A COMPLAINT

We encourage residents and families to bring problems and concerns to our attention as they occur. We will do our best to resolve your concerns and feel that is best accomplished the sooner we are aware that a problem exists. You may report your concerns verbally or by using the Concern Form. If you feel that your concerns have not been resolved through the Salemtowne staff, you have the right to contact the following agencies:

- the local Long Term Care Ombudsman or the Nursing Homes Community Advisory Committee at (336) 703-2020
- the Division of Facility Services in Raleigh at (800) 624-3004



Appendix B4

Residence and Services Agreement – Direct Entry to Health Care Center



Babcock Health Care Center

Residence and Services Agreement

(With continuance of care in the Assisted Living Center)

Resident: _____

Living Accommodation: _____

**HEALTH CARE CENTER
RESIDENCE AND SERVICES AGREEMENT**

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HEALTH CARE CENTER RESIDENCE AND SERVICES AGREEMENT

This Agreement (the "Agreement") is made this *(date of occupancy)* _____ day of _____, _____ by and between MORAVIAN HOME, INCORPORATED d/b/a SALEMTOWNE, a North Carolina nonprofit corporation (hereinafter the "Corporation", "Salemtowne", "we", "us" or "our") and _____ (hereinafter "Resident", "you", "your").

WHEREAS, the Corporation is a continuing care retirement community located at 1000 Salemtowne Drive in Winston Salem, North Carolina, known as "Salemtowne"; and

WHEREAS, you desire to become a resident of Salemtowne's Health Care Center and to use and enjoy the facilities, programs and services provided by the Corporation subject to the terms and conditions of this Agreement;

NOW, THEREFORE, you and the Corporation agree as follows:

I. ACCOMMODATIONS AND SERVICES

Subject to the terms and conditions set forth in this Agreement, we agree to provide you the Living Accommodation, services and programs at Salemtowne described as follows:

A. Living Accommodation. Unit number _____, a bed accommodation (as described in materials presented to you and as shown to you during a physical tour), located in the Babcock Health Care Center in Salemtowne (hereinafter referred to as the "Living Accommodation"). You have the exclusive right to occupy and use the Living Accommodation subject to the terms and conditions set forth in this Agreement and applicable state and federal law. You, with the prior written consent of the Corporation and subject to the terms and conditions of this Agreement, may from time to time transfer from one Living Accommodation in Salemtowne to another. Transfer charges may apply. In the event of such a transfer, the reference to the "Living Accommodation" designated above shall be automatically amended to reflect such a transfer.

B. Security. We will use reasonable care in providing security on the premises of Salemtowne. We will furnish an emergency call system that is monitored twenty-four (24) hours a day. Smoke detectors are provided in all Living Accommodations. We are not responsible for theft, loss or damage to your personal property. You are responsible for securing your Living Accommodation.

Initials _____

Corporation Resident(s)

- C. **Utilities.** We will furnish ordinary electricity, heating, air conditioning, water, sewer, gas, basic cable television service and trash removal. You are responsible for any telephone and internet installation charges and the cost of telephone and internet services. Notwithstanding the foregoing, the Corporation shall provide a telephone for use by the Residents in a private location for non-toll calls.
- D. **Furnishings and Appliances.** The Corporation will provide furnishings and appliances in the Living Accommodation as described in the literature published by the Corporation regarding Salemtowne. All other furniture and furnishings for the Living Accommodation shall be provided by you, shall be maintained by you at your risk and must be approved by Salemtowne, and shall be subject to all applicable laws, regulations, rules, policies and procedures.
- E. **Meals.** The Corporation will make available to you three (3) nutritionally well-balanced meals each day. Three (3) snacks are also available to you on a scheduled and unscheduled basis. These meals and snacks are included in your Monthly/Daily Fee. If your physician or another appropriately licensed health professional orders a modified diet, the Corporation shall provide a modified diet to you that meets the physician's specifications.
- F. **Housekeeping Services.** We agree to maintain the Living Accommodation by providing weekly housekeeping services for Assisted Living Center Residents and daily housekeeping services for Westerly Place Memory Care Support Assisted Living Center ("Westerly Place") and Health Care Center Residents. Housekeeping includes vacuuming, dusting, cleaning of bath and changing of bed and bath linens, and trash removal. Additional housekeeping services may be made available at your expense.
- G. **Laundry.** Bed and bath linens as well as linen laundry service and personal laundry service (washing, drying and folding) will be provided for Residents in the Assisted Living Center, Westerly Place and the Health Care Center. The costs of these services are included in the Monthly/Daily Fee. You are responsible for arranging and paying for dry cleaning services. Salemtowne is not responsible for loss or damage to personal items laundered by Salemtowne.
- H. **Maintenance and Repairs.** We will maintain and keep in repair the improvements, furnishings, appliances, and equipment owned by the Corporation. Maintenance and repair of your personal property is your responsibility. You will be responsible for the cost of repairing any damage to property of the Corporation caused by your negligence or intentional acts and/or the negligence or intentional acts of any guest of yours, ordinary wear and tear excepted.
- I. **Alterations to Living Accommodation.** Any structural or physical change or redecoration of any kind within the Living Accommodation will require the prior approval of the Corporation. The cost of any change, repairs or maintenance for that change and the subsequent cost to return the Living Accommodation to its original condition in the event of such change, or redecoration, will be paid by you. Any such

improvement or change will be owned by the Corporation and will not be considered in determining the amount of any refund to you upon termination of this Agreement.

- J. Use of and Changes to Living Accommodation.** The Corporation has the right to change the Living Accommodation to meet requirements of any applicable statutes, laws, or regulations. The Living Accommodation may not be used in any manner in violation of any zoning ordinances or other governmental laws or regulations.
- K. Groundskeeping.** We will furnish basic groundskeeping service for the grounds of Salemtowne, including lawn, tree and shrubbery care. Subject to approval by the Corporation, you may plant and maintain certain areas designated for such purpose by the Corporation. The cost of these plantings and maintenance of such plantings will be at your expense.
- L. Parking.** The Corporation will provide one (1) unassigned parking area for your personal vehicle and limited parking for guests.
- M. Mail.** Mail will be delivered by the postal service to Salemtowne. Salemtowne staff delivers mail directly to Assisted Living Center, Westerly Place and Health Care Center.

Package deliveries vary by carrier. If a carrier does not deliver packages directly to the resident's Living Accommodation, Salemtowne staff will deliver packages directly to Assisted Living Center, Westerly Place and Health Care Center Residents.

- N. Common Facilities.** We will provide common facilities for the use and/or benefit of all Residents, so long as there are no contraindications identified by a Resident's physician, physician assistant or nurse practitioner. Such common facilities currently include an enclosed swimming pool and exercise facility, dining rooms, mailroom, multi-purpose rooms, library, computer area, game/television area, lounges, and sitting areas.
- O. Transportation.** We will provide local (within a 15-mile radius of Salemtowne) medical transportation for scheduled medical appointments Monday through Friday between 9:00 a.m. and 4:30 p.m. except some holidays. Forty-eight (48) hours' notice is required. Additional charges will be incurred for Residents who require staff accompaniment or transportation beyond a 15-mile radius of Salemtowne.

We will provide local transportation for Residents as part of the Activity program for the following: weekly shopping, scheduled meal outings, day trips, and other special events. An additional charge may be made for transportation for special, personal or group trips.

- P. Activities.** Physical, social, intellectual and spiritual activities will be available to Residents. Additional charges may be incurred for some programs.

[Remainder of Page Intentionally Blank]

Q. Services. The following services are provided with the Monthly/Daily Fee to the Assisted Living Center, Westerly Place and Health Care Center Residents. (Fees will not be reduced or unbundled for services that Residents decline such as meals or laundry.)

Assisted Living Center	Westerly Place	Health Care Center
• Three meals daily	• Three meals daily	• Three meals daily
• Meal service to room, if required	• Meal service to room, if required	• Meal service to room, if required
• Dining room assistance	• Dining room assistance	• Dining room assistance
• Assistance with bathing and grooming	• Assistance with bathing and grooming	• Assistance with bathing and grooming
• Weekly housekeeping service	• Daily housekeeping service	• Wheelchair assistance
• Personal laundry service	• Personal laundry service	• Daily housekeeping service
• Medication delivery by a nurse or medication technician	• Medication delivery by a nurse or medication technician	• Personal laundry service
• Monitoring of vital signs according to physician's order	• Monitoring of vital signs according to physician's order	• Medication delivery by a nurse
• Nursing evaluation	• Nursing evaluation	• Monitoring of vital signs according to physician's order
• Multi-disciplinary care planning	• Multi-disciplinary care planning	• Nursing evaluation
• Access to Fitness Center	• Access to Fitness Center	• Multi-disciplinary care planning
• Personal lockable space to secure your valuables	• Personal lockable space to secure your valuables	• Whirlpool tub
		• Skilled care by RNs, LPNs and

CNAs on duty 24 hours per day

- Access to Fitness Center
- Personal lockable space to secure your valuables

R. Other Services Available. Residents engaging third parties for services within Salemtowne may do so only with prior notification and authorization by Salemtowne (i.e., companions, private duty nurses, maintenance workers, etc.). This is not an all-inclusive listing of services you may request or utilize. With respect to services not listed, consult schedule of charges or the Finance Office.

S. Limitation to Services. You hereby acknowledge and agree that the Corporation is prohibited by law from furnishing certain types of services, based upon applicable statutes, administrative regulations, and interpretations of statutes and regulations by the North Carolina Department of Health and Human Services, Division of Health Service Regulation, Adult Care Licensure Section. You agree that if you need services that the Corporation is not legally authorized or does not otherwise provide, you shall be discharged from Salemtowne. Except as otherwise expressly stated in this Agreement, you are responsible to arrange and pay for health and medical care services not provided by the Corporation, including, without limitation, hospital services, physicians' services, private duty personnel, medications, vitamins, eye glasses, eye examinations, hearing aids, ear examinations, dental work, dental examinations, orthopedic appliances, laboratory tests, x-ray services or any rehabilitative therapies.

T. Professional Management of Salemtowne and its Facilities. The Corporation will employ management and staff and/or agents ("Staff") to manage the operations of Salemtowne and its facilities.

U. Nursing and Health Care. We will provide nursing and health care for each Resident as follows:

- 1. Babcock Health Care Center.** The Health Care Center will be provided for the benefit of the Residents. The Corporation is licensed by the North Carolina Department of Health and Human Services, Division of Health Service Regulation to operate intermediate and skilled nursing care for Residents who are temporarily ill or who require long-term nursing care. Private accommodations will be provided for Residents in the Health Care Center. Some of the beds in the Health Care Center are certified for Medicare and Medicaid reimbursement.

- Twenty-four (24) hour nursing staff maintained in the Babcock Health Care Center.
 - Charges for Health Care Center accommodations and services are described in the Schedule of Fees and other literature published by the Corporation and distributed to Residents at least annually.
 - Temporary care (up to 30 days) is also available in the Health Care Center for treatment of short-term illnesses or injuries.
2. **Resident's Attending Physician.** Residents may choose their own personal physician and are responsible for charges for services by such physicians and any consultants.
 3. **Other Healthcare Services.** Other health care services may be made available to the Resident at the Resident's expense, including, but not limited to: pharmacy services, radiology services, dental services, laboratory tests, physical therapy, occupational therapy, therapeutic activities, rehabilitative treatments, wheelchairs, medical equipment and supplies. The cost of such services shall not be covered by the Monthly/Daily Fees described herein.
 4. **On-Site Emergency Call Response.** Each Living Accommodation is equipped with an emergency call system. Salemtowne nursing staff will respond to emergency calls.
 5. **Emergency Medical Care.** We will notify your physician when emergency medical care is necessary. If acute medical care is necessary or upon physician's or your request, you will be transferred to a local hospital emergency room. In the event of an emergency, Salemtowne staff will summon emergency medical services to assist you by calling "911" or otherwise summoning appropriate medical personnel from outside Salemtowne. You authorize Salemtowne to provide to you any care and assistance deemed by Salemtowne to be in your best interests under the circumstances and to take any such action that is reasonably prudent in the event of an emergency, subject to any advance directives contained in a document that you have furnished to the Corporation.
 6. **Resident Health Record.** Salemtowne shall maintain a health record for Resident that contains health and other personal information that is pertinent to the Services which Salemtowne is providing. All information and records regarding Resident are confidential and are only disclosed in accordance with applicable law, including the HIPAA Privacy Rule. Resident may review Resident's health record and authorize others to review the Resident's health record.
 7. **Masten Assisted Living Center.** The Assisted Living Center will be provided for the benefit of the Residents. The Corporation is licensed by the North Carolina Department of Health and Human Services, Division of Health Service Regulation to operate 46 beds to provide support services for Residents who

require assistance with activities of daily living. Private accommodations will be provided for Residents in the Assisted Living Center. The Assisted Living Center is licensed to provide services to individuals who require some assistance with activities of daily living, including but not limited to: bathing, dressing, medication administration, dining room assistance, monitoring of vital signs, and nursing assessments.

8. **Westerly Place Memory Care Support Assisted Living Center.** The Westerly Place Memory Care Support Assisted Living Center will be provided for the benefit of the Residents. The Corporation is licensed by the North Carolina Department of Health and Human Services, Division of Health Service Regulation to provide support services for Residents who require assistance with Alzheimer's, memory care, or dementia. Private accommodations will be provided for Residents in the Westerly Place Memory Care Support Assisted Living Center.
9. **Resident's Consent to Receive Health Care Services.** Resident authorizes Salemtowne to provide those health care-related services that are specifically set forth in this Agreement. Resident also authorizes Salemtowne to obtain all necessary clinical and/or financial information from Resident's attending physician, and any other health care providers treating Resident, including, but not limited to, any hospital or nursing facility from which Resident may be transferring or may transfer in the future and hereby authorizes such health care provider(s) to provide such health care information to Salemtowne.

II. **FINANCIAL ARRANGEMENTS**

- A. **Entrance Fee.** No Entrance Fee is required for direct admission into our Health Care Center.
- B. **Non-Standard Features.** The Corporation has consented to your request to add the following non-standard features in your Living Accommodation and you agree to pay the following amount to cover the additional costs, maintenance and removal of these features. This additional amount is not subject to refund and is payable prior to the installation of the applicable non-standard features.

Non-Standard Features Added:	Cost
	\$
	\$
	\$
	\$
Total of Non-Standard Features Added	\$

- C. **Monthly/Daily Fee.** You agree to pay a Monthly/Daily Fee during the term of this agreement which shall be payable in advance by the 10th day of each month. As of the date of this Agreement, the Monthly/Daily Fee associated with the Living Accommodation will be approximately \$ _____.

The Monthly/Daily Fee will begin on the date of occupancy. Occupancy is defined as the first day that a Resident either resides in the Living Accommodation or the first day that the Resident's furnishings or belongings are placed in the Living Accommodation or in a storage area at Salemtowne.

No credit will be provided to you should you refuse services, which are included in the Monthly/Daily Fee, such as laundry, housekeeping and meals.

Initials _____

Corporation Resident(s)

- D. **Vacations and/or Time Away from Living Accommodation.** Monthly/Daily Fees not subject to change or credit if a Resident is away from the Living Accommodation for any period of time. (For example, vacations, hospital stays, etc.)

- E. **Adjustments in the Monthly/Daily Fee.** The Corporation usually sets fees annually but shall have the authority to adjust the Monthly/Daily Fee from time to time during the term of this Agreement as it, in its discretion, deems necessary. Any such increase in the Monthly/Daily Fee or other charges may be made by the Corporation upon thirty (30) days' written notice to the Resident.

In the event that it should be determined that the Corporation is required to pay ad valorem taxes upon its property, the Monthly/Daily Fee may be adjusted to reflect the amount of such taxes. You will pay all taxes assessed on your personal property.

In the event Salemtowne is assessed sales or use tax on Monthly/Daily Fee and/or fees for other services, you agree to pay Salemtowne the amount of such taxes.

- F. **Schedule of Fees.** You have been given a current copy of the Schedule of Fees as adopted by the Board of Trustees of the Corporation. You understand that these fees may change from time to time.

- G. **Monthly Statements.** We will furnish you with monthly statements showing the total amount of fees and other charges owed by you, which shall be payable by the 10th of the month. Late payments are subject to an interest charge of one and one-half percent (1.5%) per month from the first of the month. In the event the Corporation initiates any legal actions or proceedings to collect payments due from you under this Agreement, you shall be responsible to pay all attorneys' fees and costs incurred by the Corporation in pursuing the enforcement of your financial obligations under this

Agreement. The Corporation offers and encourages an automatic bank draft for the Monthly/Daily Fees. The Corporation may terminate this Agreement if you have a past due amount upon thirty (30) days' written notice. Termination of this Agreement does not end the obligation of you or your estate to pay all amounts due, no matter when incurred.

You, and your current and future responsible parties (i.e., power(s) of attorney, executor(s)) on your behalf, from your assets and income agree to pay all costs, expenses, and reasonable attorneys' fees, in the event same must be expended in the collection of any sums due and owed by you to the Corporation.

The Corporation reserves the right, with thirty (30) days' notice, to change the billing date and the payment due date. For a partial first month, the Monthly/Daily Fee is pro-rated on a per diem basis. Thereafter, Monthly/Daily Fees are paid in advance and are pro-rated at termination.

H. Assisted Living Center, Health Care Center and Westerly Place Priority Entry.

Residents are provided priority entry over non-Residents for entry to the Health Care Center, the Assisted Living Center or Westerly Place. Salemtowne will make every effort to accommodate Residents in the Health Care Center, the Assisted Living Center or Westerly Place but cannot guarantee availability of accommodations. In the event the Health Care Center, the Assisted Living Center or Westerly Place, as applicable, is fully occupied when Resident is in need of care, Resident agrees to relocate to an alternate health care facility ("a Comparable Facility"). In the event of relocation, Salemtowne will make every effort to transfer Resident back to Salemtowne when accommodations become available.

Upon your relocation to a Comparable Facility, you will continue to be responsible for the Monthly/Daily Fee (unless their Living Accommodation is surrendered). Salemtowne will not be responsible for the charges associated with the alternate health care accommodations.

I. Application for Benefits. If requested by Salemtowne, you will apply for any or all federal, state, and local benefits for which you may be eligible or entitled; and if requested by Salemtowne, you will apply for any or all such benefits toward the cost of your care at Salemtowne. These benefits may include: Medicare, Medicaid, prescription, and Veterans benefits.

Residents who receive Medicaid funding and who reside in a Medicaid certified accommodation must have their Social Security, pension or other monthly income paid directly to Salemtowne. Salemtowne will administer and manage these funds, on behalf of the Resident in accordance with applicable laws and regulations, to pay for the residence and services provided to Resident.

J. Assignment of Benefits. You will from time to time authorize any provider of medical and health services, including Salemtowne, to receive reimbursement as provided under Medicare/Medicaid, any or all Federal, State and local benefits for which you may be eligible or entitled, and any supplementary insurance programs. If

requested by Salemtowne, you will from time to time make assignments to the provider of medical and other health services of all benefits otherwise accruing to you under Medicare/Medicaid, or other programs and supplementary extended coverage plans to compensate for services rendered. Resident irrevocably authorizes Salemtowne to make claims and to take other actions to secure receipt by Salemtowne of all payments from a third-party payor to reimburse Salemtowne for its charges for the stay and care of Resident.

K. Managed Care. If you have chosen to participate in a managed care program as an alternative to Medicare Part A, Medicare Part B, or other programs, and supplemental insurance coverage, the terms of this Agreement governing nursing care will include the following provisions:

1. **Participating Provider.** If Salemtowne is a participating provider with your managed care program, the Corporation agrees to be reimbursed at the rate negotiated with your managed care program.
2. **Not a Participating Provider.** If Salemtowne is not an approved participating provider with your managed care program and you choose to receive health care services at a managed care participating provider, then you agree that you must relocate for as long as necessary for those services to be provided, and be responsible for all costs. In addition, while receiving health care services at the managed care participating provider, you agree that unless this Agreement is terminated, you will continue to pay the Monthly/Daily Fee for your Living Accommodation, unless your Living Accommodation has been surrendered to us.
3. **No Negotiated Managed Care Rate.** If Salemtowne is not a participating provider in your managed care program and a negotiated rate is not agreed upon by Salemtowne and you would still like to receive health care and services at Salemtowne, then you will be responsible for the full amount of applicable charges not paid by your insurance carrier.
4. **Medicaid.** In the event you receive financial assistance through the Medicaid program while occupying a Medicaid certified bed in the Health Care Center, you will be charged in advance for your liability portion established by the local county department of social services. You will be responsible for all charges for additional items and services requested by you and furnished to you which are not covered under the Medicaid program. Charges shall be made only as permitted under the Social Security Act and applicable regulations.

III. ENTRY REQUIREMENTS

You will become qualified for entry to Salemtowne upon satisfaction of the following provisions:

- A. Age.** The entry requirements for residence at Salemtowne are nondiscriminatory except as to age, and Salemtowne is open to both married and single men and women of all races and religions. Entry to the Assisted Living Center, Westerly Place and the Health Care Center is restricted to persons 62 years of age or older except for

residents who enter into the Health Care Center for rehabilitation which is restricted to persons 55 years of age or older.

- B. Personal Interview.** You shall have an interview with a representative from Salemtowne (including nursing evaluation) prior to taking residency at Salemtowne. Upon review of all information required to be furnished herein, additional personal interviews may be requested by the Corporation.
- C. Application, Health History and Financial Statement.** You shall submit for review, by the Corporation, an Application for Admission, a personal health history, and a Confidential Financial Statement, all on forms furnished by the Corporation.
- D. Notification.** We shall review the application materials as well as the results of the personal interviews and will notify you whether you meet the entry requirements. We will also notify you as early as possible of the date on which the Living Accommodation is expected to be available for occupancy.
- E. Health Requirements.** Prior to residency at Salemtowne, you shall submit a report of a physical examination (FL-2) made by a physician selected by you. Such report shall include a statement by such physician that you require health care accommodations. We may require you to have another physical examination by our Medical Director or by another physician approved by the Corporation. You shall be responsible for the costs of such physical examinations. If your health as disclosed by such physical examination differs materially from that disclosed in your Application for Entry and FL-2, the Corporation shall have the right to decline entry and to terminate this Agreement, or in the discretion of the Corporation, to permit you to take occupancy of accommodations at Salemtowne suitable to your needs.
- F. Psychiatric Illness, Dangerous Communicable Disease, Drug or Alcohol Abuse.** Salemtowne is not designed to care for persons who have an active psychiatric illness, a dangerous communicable disease or who require treatment for drug or alcohol abuse. Should Salemtowne, in consultation with the Medical Director, determine that your physical or psychiatric illness, or that your condition as a result of drug or alcohol abuse, is such that your continued presence is either dangerous or detrimental to your life, health or safety, or the life, health, peace or safety of others in the community, then Salemtowne may transfer you to another facility of your choosing and/or require you to terminate your residency at Salemtowne.
- G. Financial Requirements.** You must have assets and income which will be sufficient under foreseeable circumstances to pay the financial obligations under this Agreement and to meet your ordinary living expenses. We may require you to furnish current financial information at any time prior to and subsequent to occupancy.
- H. Financial Resources.** You, your current and future responsible parties (i.e., power(s) of attorney, executor(s)) will abide by any and all financial arrangements made with the Corporation for the purpose of securing your ability to pay any and all charges for residing at Salemtowne. You agree not to make any gift or other transfer of assets for the purpose of evading your obligations under this Agreement, or if such gift or

transfer would render you unable to meet such obligations under this Agreement. Gifts or transfers of assets in this manner, which result in your inability to meet your financial obligations in accordance with this Agreement, will entitle Salemtowne to terminate this Agreement with thirty (30) days' notice, and you or your responsible parties, as applicable, will be liable for any unpaid amounts.

- I. Power of Attorney.** You agree to execute and maintain in effect a durable power of attorney that is valid under North Carolina law and will survive your incapacity or disability. This durable power of attorney will designate an attorney-in-fact and an alternate attorney-in fact who will act for you in managing your financial affairs and in filing for insurance or other benefits under private and public assistance programs as full and complete a manner as you could do if acting personally for yourself. **You will deliver a copy of a fully executed power of attorney to Salemtowne prior to occupancy.** You will not revoke or amend this durable power of attorney except upon execution of a replacement durable power of attorney, a fully executed copy of which will be delivered to Salemtowne. This document also may address at your option, other affairs, such as decisions concerning medical care.
- J. Will.** You agree to execute a Will, and to provide to Salemtowne a copy of such sections of the Will and any revisions, as applicable during the term of this Agreement to document the name(s) of the person(s) to be contacted in the event of your death (i.e., executor(s)).

In the event of your death, while you are a resident of Salemtowne under this Agreement, only the executor(s) named in your Will (or such person or entity designated by such executor(s)) will be allowed to remove or dispose of your furnishings and belongings in your Living Accommodation and any related storage areas at Salemtowne. Members of your family or those to whom you have granted power of attorney will not be allowed access to your personal property after your death, unless they are the executor(s) named in your Will.

- K. Funeral and Burial.** Salemtowne will not be responsible for making funeral or burial arrangements and is not responsible for related expenses.
- L. Advance Directives.** You are encouraged to execute a Living Will and a Health Care Power of Attorney and deliver a fully executed copy thereof to Salemtowne, as well as any revisions as applicable, during the term of this Agreement.
- M. Appointment of Guardian.** If you become unable to care for your business and financial affairs, the Corporation reserves the right to institute action for the determination of your incompetence and the appointment of a guardian to fulfill the terms of this Agreement; unless such needed arrangements have already been made. The cost of the legal proceedings, including attorneys' fees, shall be paid by you or your estate.
- N. Emergency Notifications.** You agree to provide Salemtowne with the following information prior to the date of occupancy as well as updates of this information during the term of this Agreement:

- Names, addresses and phone numbers of persons to notify in an emergency (minimum of two are required);
- Names of persons having the right of entry into your residence;
- Name, address and phone number of funeral home (prior arrangements are encouraged);
- Names, addresses and phone numbers of lawyer and executor; and
- Names, addresses and phone numbers for powers of attorney.

O. Contents and Accuracy of Resident's Application. Salemtowne has accepted Resident based on the information contained in Resident's Application, and has agreed to enter this Agreement. In signing this Agreement, Resident understands and agrees that the information provided in the Resident's Application is part of this Agreement, and is a basis upon which Salemtowne has agreed to enter into the Agreement. Resident hereby affirms that all the information provided in the Resident's Application is true and correct to the best of the knowledge of each person who signs the Agreement, and each also acknowledges that any material misrepresentation or omission in Resident's Application shall render this Agreement voidable at the option of Salemtowne. Resident agrees to submit updated copies of the information requested in the Resident's Application, when requested by Salemtowne from time to time during the term of this Agreement. The Corporation reserves the right to amend or change its policies, rules and regulations from time to time. By signing this Agreement, you or your responsible party acknowledges receipt of a copy of the Resident Handbook.

IV. TERMS OF RESIDENCY

- A. Rights of Resident.** You shall have each of the rights set forth in the Statement of Residents' Bill of Rights, which is attached as Exhibit A hereto (the "Bill of Rights"). By signing this Agreement, you or your responsible party acknowledges receipt of a copy of the Bill of Rights. In addition, you have the right to occupy and enjoy the Living Accommodation described herein during your lifetime unless this Agreement shall be terminated as provided herein. It is understood that this Agreement does not transfer or grant any interest in the real or personal property owned by the Corporation other than the right to use or occupancy of the Living Accommodation in accordance with the terms hereof. The Living Accommodation may not be used for commercial purposes. The Living Accommodation may not be occupied or used in any manner in violation of any ordinance, law or regulation.
- B. Subordination.** You agree that all of your rights under this Agreement shall at all times be subordinate and junior to the lien of all mortgages or other documents creating liens encumbering the Corporation, which have been or will be executed by us. Upon request, you agree to execute, acknowledge and deliver to such lender or

lenders such further written evidence of such subordination as such lenders may reasonably require. You shall not be liable for any such indebtedness.

- C. Policies, Rules and Regulations.** You understand and agree that: (i) in order for Salemtowne to operate in the best interests of the entire community, it is essential that we have cooperation of and compliance with applicable policies, rules and regulations by you, your family, guests, responsible party and others who may intervene, speak or act or purport to intervene, speak or act, for or on behalf of you or who may come on the premises of Salemtowne in any capacity or for any purpose in connection with or as a result of your residency at Salemtowne; (ii) a continuing or repeated failure or refusal by any such persons to so cooperate and comply may result in a determination by Salemtowne that it is impracticable or impossible for Salemtowne to continue to accommodate you as a resident; and (iii) upon such determination by Salemtowne, we shall have the right to terminate this Agreement. The Corporation reserves the right to amend or change its policies, rules and regulations from time to time. By signing this Agreement, you or your responsible party acknowledges receipt of a copy of the Resident Handbook.
- D. Weapons.** No weapons of any type shall be brought on to the Salemtowne property by you or your guests without the express prior written permission of the Corporation.
- E. Resident Representation.** Residents have the right of self-organization through a Residents' council which may convene to review the interests of the resident population. You shall have resident representation on the Salemtowne Board of Trustees as outlined in the Bylaws of Salemtowne.
- F. Guests and Visitors.** Guests and visitors are welcome at Salemtowne. Guests may use Salemtowne guest accommodations, subject to availability and additional charges. At all times, you shall be responsible for any injury to others or damage to the property of others or Salemtowne caused by you or your guest(s). Salemtowne reserves the right and authority to limit or terminate the stay of any guest at any time and for any reason. No other person, except the Resident(s), may reside in the accommodation without the approval from the Corporation.
- G. Relationships Between Residents and Staff.** Salemtowne is built on mutual respect and instructs its Staff to be cordial and helpful to Residents. The relationship is to remain professional. Staff must not be delayed or deterred by Residents in the performance of their duties. Management is solely responsible for the supervision of staff. Complaints or requests for special assistance must be made to the appropriate supervisor. By signing this Agreement, you or your responsible party acknowledges receipt of a copy of the Corporation's grievance procedure.

Giving gratuities or bequests to Staff or Staff's families is not permitted. Residents will not employ Salemtowne Staff nor hire former Salemtowne Staff without the prior written consent of Salemtowne Management.

H. Loss of Property. The Corporation maintains insurance on all of its property and its operations to include general public liability insurance, property insurance including coverage for acts of God, vandalism and theft, professional liability insurance and worker's compensation.

The Corporation will not be responsible for the loss of any property belonging to the Resident or their guest(s) due to theft, mysterious disappearance, fire or any other cause. You will have the responsibility for obtaining "renters insurance" to cover such losses.

I. Right of Entry. Salemtowne recognizes your right to privacy, and shall limit entry to your Living Accommodation to legitimate emergencies and to scheduled work, including housekeeping, repairs, maintenance, and inspections. You hereby authorize Staff or agents of Salemtowne to enter your Living Accommodation, upon reasonable notice for all such purposes.

J. Appliances. Salemtowne is not obligated to determine your ability to safely utilize the appliances, if any, in your Living Accommodation. However, should we determine that you have demonstrated an inability to safely utilize appliances in your Living Accommodation; we will have the right to turn off the power servicing such appliance(s) and/or to remove any and all such appliances. In any such instance, you shall remain obligated to pay for the full Month/Daily Fee for your Living Accommodation, any extra meals and any fire alarm charges issued by the fire department.

K. Changes in Living Accommodations. The Corporation has the right to change the Living Accommodation to meet requirements of any applicable statutes, laws or regulations.

L. Health Insurance. You will maintain eligible Medicare coverage and one supplemental health insurance policy or equivalent insurance coverage, which adequately covers hospital, medical, prescription, and skilled nursing deductibles and co-payments required of your primary insurance plan. Both your primary and supplemental health insurance policies must recognize Salemtowne as a health care provider, or you will assume the financial responsibility for services provided that otherwise could be covered.

You will be responsible for ensuring that the health insurance coverage does not lapse, and will provide Salemtowne with evidence of such coverage upon request. If your health insurance coverage should lapse, Salemtowne may require that you reapply for suitable coverage. If you are unable to obtain adequate new coverage, Salemtowne will charge you for any costs of medical and other health care services provided that otherwise would have been covered by an approved policy.

M. Filing for and Rights to Insurance Benefits. Salemtowne is a participating provider with Medicare, Medicaid and Blue Medicare only.

- Salemtowne will file claims with Medicare for all covered services. By law, the patient is responsible for payment of the deductible, co-insurance, and any non-covered service. Non-covered services include, but are not limited to, beauty shop charges.
- As a courtesy, Salemtowne will file claims to your secondary insurance carrier for your Medicare Parts A & B co-insurance, unless we are prohibited from filing due to participation requirements of the carrier.
- The Medicare Part A co-insurance will be billed on your monthly Salemtowne statement as services are rendered prior to any insurance filings. You are responsible for payment of all Medicare Part A co-insurance billed by Salemtowne upon receipt of the bill. Payments received from your insurance carrier for Medicare Part A co-insurance will be applied to your monthly Salemtowne statement when received.
- Medicare Part B co-insurance (i.e. therapy co-insurance) not paid by a Resident's insurance carrier within ninety (90) days of the date of service will become due and payable by Resident unless the claim is subject to Medicare, Medicaid, or an insurance plan in which Salemtowne participates.
- Co-pays related to Blue Medicare plans will be billed on the Salemtowne statement as services are rendered and are due and payable upon receipt of the bill.
- In the event a Resident's health insurance determines a service is "not covered", the Resident will be responsible for payment. Salemtowne tries to inform Residents when services may not be covered; however, it is Resident's responsibility to understand his/her policy limitations.
- Charges not paid by a Resident's insurance company within ninety (90) days of the date of service will become due and payable by the Resident unless the claim is subject to Medicare, Medicaid, or an insurance plan in which Salemtowne participates.
- If, for any reason, Salemtowne cannot apply directly for benefits payable under insurance required by this Agreement, you agree to make such application and to pay Salemtowne the proceeds received.
- **Salemtowne reserves the right, in its discretion, to eliminate or change its participation with any and all insurance plans.**

N. Combination of Living Accommodations. Various circumstances may make it desirable that a Living Accommodation occupied by a Resident be combined with an adjoining Living Accommodation to form one combined Living Accommodation. You agree that if a determination is made by the Corporation that it is desirable to combine your Living Accommodation with a Living Accommodation, which adjoins

your Living Accommodation, you will surrender occupancy of your Living Accommodation, within a reasonable time after receiving notice of such determination. In the event that the Corporation makes such determination and notifies you of such, you have the option to (i) transfer into the combined Living Accommodation when such combined Living Accommodation is ready for occupancy, or (ii) transfer to another Living Accommodation, when available, of the same type as the Living Accommodation previously occupied by you. You will pay the Monthly/Daily Fee associated with the combined Living Accommodation as established by the Corporation.

If you elect to transfer to a Living Accommodation of the same type as the Living Accommodation previously occupied, the Corporation will re-paint and re-carpet, if needed, such Living Accommodation at our expense prior to occupancy.

- O. Transfer to Another Living Accommodation.** You may move to a different Health Care Center Living Accommodation at Salemtowne, when it becomes available, upon payment of such fees, consent by the Corporation and compliance with such guidelines regarding transfers as may be adopted by the Corporation. Fees and guidelines may be changed from time to time by the Corporation.
- P. Transfer to an Assisted Living or Westerly Place Accommodation.** Should your needs change, you may request entry to an Assisted Living or Westerly Place Accommodation, when it becomes available, upon payment of such fees, consent by the Corporation and compliance with such guidelines regarding transfers as may be adopted by the Corporation. Fees and guidelines may be changed from time to time by the Corporation.
- Q. Transfer to an Independent Living Accommodation.** Should your needs change, you may request entry to an independent Living Accommodation. You would be required to complete the applicable entry process, provide requested information and execute a separate residence and services agreement. You would be required to pay an Entrance Fee at the time of transfer to an independent Living Accommodation. Fees and guidelines may be changed from time to time by the Corporation. Salemtowne reserves the right to amend such policies, guidelines and fees in its discretion.
- R. Room or Unit Assignment in Assisted Living Center, Westerly Place or Health Care Center.** You understand that you acquire no ownership in any property at Salemtowne under this Agreement; also, that no particular room or unit in the Assisted Living Center, Westerly Place or the Health Care Center is subject to reservation or permanent assignment, and that we may change your room or unit assignment in the Assisted Living Center, Westerly Place or the Health Care Center. Though we retain the right to change your room or unit assignment, we agree that we will make changes only as we find such changes to be necessary or advisable.
- S. Moving Costs.** You are responsible for arranging and paying for all packing and moving costs for moves into, within and out of Salemtowne. Assistance may be provided by Salemtowne at an additional cost.

T. Pets/Smoking.

1. Pets. Subject to the Corporation's policies and procedures, pets may visit but are not allowed to live in the Assisted Living Center, Westerly Place or Health Care Center Living Accommodations.
2. Smoking / Tobacco Products. Salemtowne is a "Tobacco Free" Community. Smoking and use of tobacco products are not permitted anywhere on Salemtowne property, including campus buildings (Babcock Health Care Center, Masten Assisted Living Center, Westerly Place Memory Care Support Assisted Living Center, and Community Center, etc.), building entrances or common areas. The only exception is:
 - The Health Care Center Administrator may permit smoking for a Resident, and if so, a designated smoking area would be created outside. However, the prohibition will remain in effect for a family member or caregiver who may accompany the Resident to the designated area.

U. Absences. You agree to inform Salemtowne when you are going to be away for any length of time. In order to provide adequate time for medications to be available, if applicable, you must provide at least twenty-four (24) hours advance notice of an absence. No credits (i.e., missed meals) will be given during absences for assisted living and health care Residents. The Corporation is not responsible for any obligations or expenses incurred by you outside of Salemtowne.

V. **TRANSFERS OR CHANGES IN LEVELS OF CARE.** (A change in Living Accommodations within the Health Care Center or to the Assisted Living Center will require no additional residence and services agreement. This Agreement will remain in effect.)

A. **Transfer within the Babcock Health Care Center or to Masten Assisted Living Center or to Westerly Place Memory Care Support Assisted Living Center.** You agree that the Corporation shall have authority to determine that you should be transferred from your Living Accommodation to the Assisted Living Center, Westerly Place or a separate area within each center. Such determinations shall be based on the professional opinion of the Resident's physician and the Resident Review Committee of Salemtowne and shall be made only after consultation to the extent practical with the Resident, the Resident's physician, a representative of the Resident's family or the Resident's responsible party.

B. **Transfer to Hospital or Other Facility.** If it is determined by your physician that you need care beyond that which can be provided by Salemtowne you may be transferred to a hospital, center or institution equipped to give such care, which care will be at your expense. Such transfer will be made only after consultation to the extent practical with the Resident, the Resident's physician, a representative of the Resident's family or the Resident's responsible party.

In the event it becomes necessary for you to be transferred to a hospital, Salemtowne will provide any information available to meet the provisions of any hospital admissions agreement and you agree that Salemtowne has the right to provide such information, which may include part or all of your records.

- C. **Surrender of Living Accommodation.** If a determination is made by the Corporation that any transfer described in this Section V is permanent in nature, you agree to surrender the Living Accommodation and any storage areas, which were occupied by you prior to such transfer, within thirty (30) days of such determination.

You are responsible for the costs of transfer and moving as well as the Monthly/Daily Fee through the last day of occupancy of the Living Accommodation being vacated.

If the Corporation subsequently determines based upon the opinion of your physician that you can resume occupancy in accommodations comparable to those occupied by you prior to such transfer you shall have priority to such accommodations as soon as they become available and you will be responsible for applicable fees as determined by the Corporation.

VI. **TERMINATION PROVISIONS**

- A. **Termination Prior to Occupancy.** This Agreement may be rescinded by you at any time prior to taking occupancy at Salemtowne for any reason by giving written notice to the Corporation. This Agreement will automatically be canceled due to death or physical or mental conditions that would make you ineligible for entry to Salemtowne.

This Agreement may be terminated by the Corporation at any time prior to the date that you take occupancy if the Corporation determines that you no longer meet the physical, mental or financial requirements for admission.

In the event of such termination (including death or physical or mental conditions making you ineligible for admission to Salemtowne), you shall not receive a refund of any amounts paid for non-standard features added to the Living Accommodation. Notwithstanding anything to the contrary in this Agreement, if the Resident has paid the applicable Monthly/Daily Fee prior to occupying the Living Accommodation, any refund of such amounts (expressly excluding any amounts paid for non-standard features added to the Living Accommodation) shall be paid by Salemtowne within fourteen (14) days following such termination pursuant to this paragraph.

- B. **Voluntary Termination.** Except as provided in subsection A in this Section VI herein, you may terminate this Agreement by giving the Corporation prior written notice of such termination. Fourteen (14) days' notice (non-refundable fee) is required for the Assisted Living Center and Westerly Place and five (5) days' notice (non-refundable fee) is required for the Health Care Center. If required notice is given, or if no written notice is given, you will be responsible for paying the Monthly/Daily Fee for the applicable Living Accommodation for the full notice period (non-refundable fee) and for each day of occupancy, except you shall only be charged for the days of occupancy when a delay in discharge or transfer would

jeopardize your health or safety or that of others at Salemtowne. Any refund due following termination will be made in accordance with Section VI.I.

- C. **Abandoned Living Accommodation.** You may be deemed to have abandoned the Living Accommodation and terminated this Agreement if you do not occupy a residence at Salemtowne for a period of one continuous year.
- D. **Temporary Absence.** Temporary absence because of illness, trips or otherwise will not affect your rights to retain occupancy of Living Accommodation, as long as applicable Monthly/Daily Fees are paid.
- E. **Termination Upon Death.** In the event of your death, this Agreement shall terminate as of the date that your Living Accommodation is vacated; provided, however, that the Resident's estate shall be obligated to pay the applicable Monthly/Daily Fee for such Resident's nights spent in the Living Accommodation.

In the event of such termination, you shall not receive a refund of any amounts paid for non-standard features added to the Living Accommodation. Any refund due following the Resident's death, will be made in accordance with Section VI.I.

Any refund to which you are entitled shall be paid to your estate unless you execute a designation and name a trust, revocable by you at the time of your death, to receive applicable refunds. Should you execute a revocable trust subsequent to signing this Agreement, you or your estate's executor may submit a written beneficiary designation form designating a trust, revocable by you at the time of your death, to receive applicable refunds.

- F. **Termination by the Corporation.** We may terminate this Agreement at any time (i) if there has been a material misrepresentation or omission made by you during the application process; (ii) if you fail to make payment to the Corporation of any fees or charges due the Corporation within thirty (30) days after receiving written notice of your failure to pay such fees or charges; (iii) if you do not abide by the rules and regulations adopted by the Corporation or breach any of the terms and conditions of this Agreement; (iv) if the health or safety of other individuals in the Corporation is endangered if you remain in Salemtowne, as determined by a physician, physician assistant or nurse practitioner; or (v) the discharge is necessary for your welfare and your needs cannot be met by the Corporation as documented by your physician, physician assistant or nurse practitioner.

In addition, Resident hereby acknowledges that it is the policy of Salemtowne to conduct sex offender screening for every prospective resident, regardless of independent status or level of care, at the time of application for admission to Salemtowne and again prior to entering into a Residence and Services Agreement. If the screening shows that the prospective resident is identified as a sex offender, Salemtowne will deny admission of Resident on that basis and not execute a Residence and Services Agreement. In addition, Resident hereby acknowledges and agrees that if, after Salemtowne and Resident have entered into a Residence and Services Agreement, Salemtowne becomes aware that Resident is listed on any sex

offender registry, Salemtowne may terminate this Agreement with Resident and remove Resident from Salemtowne. If there is more than one resident who is a party to this Agreement, the termination of this Agreement in such instance shall only apply to the resident listed on the sex offender registry.

Following termination of this Agreement pursuant to this Section VI.F., you will be responsible for paying the Monthly/Daily Fee for the applicable Living Accommodation for the full 30-day notice period; provided, however, that if you move out of the Living Accommodation after receiving notice of the Corporation's intent to terminate, you shall only be charged for the nights spent in the Living Accommodation. Except in cases of emergency, you will receive a notice of the termination by the Corporation at least thirty (30) days prior to the effective date of termination. If this Agreement is terminated due to an emergency, you shall only be charged for the nights spent in the Living Accommodation. You may be entitled to appeal the Corporation's decision to terminate this Agreement and, except in cases of emergency, the Corporation will not discharge you before the final decision resulting from the appeal has been rendered.

G. Condition of Living Accommodation. At the effective date of termination of this Agreement, you will vacate the Living Accommodation and will leave it in good condition except for normal wear and tear. You, or your estate, will be liable to the Corporation for any costs incurred in restoring the Living Accommodation and storage areas to good condition except for normal wear and tear. Such costs may be deducted from any refundable portion of the Entrance Fee due to you or your estate, if any.

H. Removal of Personal Property. In the event of termination of this Agreement, you agree to surrender the Living Accommodation and any storage areas, which were occupied by you, within five (5) days of the notice of termination.

In the event you are discharged from Salemtowne, the Corporation reserves the right to remove your belongings from the Living Accommodation and any storage areas. You will pay a reasonable storage fee or the actual cost of external storage, whichever is applicable. The Corporation is not responsible for any damages incurred to your property if storage becomes necessary. Unclaimed property will become the property of Salemtowne after five (5) days following the termination of this Agreement and will be disposed of at the sole discretion of the Corporation.

In the event of your death, while you are a resident of Salemtowne under this Agreement, only the executor(s) named in your Will (or such person or entity designated by such executor(s)) will be allowed to remove or dispose of your furnishings and belongings in your Living Accommodation and any related storage areas at Salemtowne. Members of your family or those to whom you have granted Power of Attorney will not be allowed access to your personal property after your death, unless they are the executor(s) named in your Will.

I. Refund. You or your estate, or a revocable trust designated by you, may be entitled to a refund of any amounts related to the cost of health care services provided by

Salemtowne or any third party health care provider less any amounts payable to Salemtowne or any third party health care provider through the date the refund is due hereunder. This refund shall not include the cost of non-standard features that were added to your Living Accommodation at your request. Any refund will be made no later than thirty (30) days from the date of your death.

If the Agreement is terminated by the Corporation in an emergency situation (i.e., because the Corporation is no longer able to meet your urgent health care needs, or termination is necessary to protect your health and safety or that of another person at Salemtowne), the refund will be made within fourteen (14) days after you leave Salemtowne. If you terminate this Agreement, any refund shall be made within fourteen (14) days from the date of notice of termination or, if no notice is given, within fourteen (14) days after you leave Salemtowne.

- J. Release from Obligations Upon Termination.** Upon termination of this Agreement, Salemtowne is released from any further obligations to you except for the payment of any refund which may be due under this Agreement.

VII. RIGHT OF RESCISSION

Notwithstanding anything herein to the contrary, this Agreement may be rescinded by you giving written notice of such rescission to the Corporation within thirty (30) days following the later of the execution of this Agreement or the receipt of a disclosure statement that meets the requirements of Section 58-64-1, et seq. of the North Carolina General Statutes. In the event of such rescission, you shall not receive a refund of any amounts paid for non-standard features added to the Living Accommodation. You will not be required to move into Salemtowne before the expiration of such thirty (30) day period. Notwithstanding anything to the contrary in this Agreement, any refund that may be due to you following rescission of this Agreement, shall be paid by the corporation within fourteen (14) days following receipt of written notice of rescission pursuant to this paragraph.

VIII. FINANCIAL ASSISTANCE

- A. Subsidy.** In connection with its charitable mission, it is the desire of the Board of Trustees of Salemtowne that no one leave Salemtowne because of lack of funds. Any disposition of Resident's assets in any way other than for care at Salemtowne or related living/medical expenses to the extent that Resident cannot adequately provide for Resident's expenses or care will nullify this desire on the part of Salemtowne and entitle Salemtowne to terminate Resident's right to reside in Salemtowne. Salemtowne will make reasonable efforts to acquire the funds necessary to meet Salemtowne's fees for care. However, the resources of Salemtowne to provide care for Residents are not unlimited, and Salemtowne reserves the right to terminate the residency of any person, including Resident, who cannot pay the full cost of Salemtowne's Monthly/Daily Fees and charges, and other Salemtowne costs in connection with such person's stay at Salemtowne.

In the event that a Resident presents facts which in the opinion of the corporation justify special financial consideration, the Corporation will give careful consideration to subsidizing in whole or in part the Monthly/Daily Fees and other Salemtowne charges payable by the Resident hereunder so long as such subsidy can be made without impairing the ability of the Corporation to attain its objectives while operating on a sound financial basis.

In the event that the Corporation may subsidize in whole or in part the Monthly/Daily Fees and other Salemtowne charges payable by the Resident hereunder, the Resident will be required to execute a separate Financial Assistance Agreement with the Corporation.

In the event that we continue to provide the services to you under the terms of this Agreement despite your financial inability to continue to pay the Monthly/Daily Fee or other Salemtowne charges payable under the terms of this Agreement, Salemtowne shall be entitled to require you to move to a smaller or less costly Living Accommodation.

Any determination by the Corporation with regard to the granting or continuation of financial assistance shall be within the sole discretion of the Corporation, under a separate agreement.

- B. Recovery of Subsidies Provided by Salemtowne.** When a Resident dies or moves out of the community, if said Resident's fees have been subsidized wholly or partly by Salemtowne, the Resident or Resident's estate, if any, will be liable to Salemtowne for the full amount of the subsidy the Resident received for the entire time of residency. This paragraph will apply whether or not the Resident is in residence at Salemtowne at the time of death. This Agreement will operate as a lifetime assignment, transfer and conveyance to Salemtowne of so much of Resident's property as is necessary to cover such liability. Any amount due Salemtowne under this paragraph may be deducted from any refund payable to Resident or to the Resident's estate.
- C. Financial Assistance Funds.** The Corporation has established funds which will be used to assist Residents who would otherwise not be able to live at Salemtowne. Such funds may be used for the purposes of providing financial assistance but no Resident shall have any claim to or expectation of receiving or continuing to receive any such assistance.

IX. GENERAL

- A. Compliance with Applicable Laws.** Resident and Salemtowne will operate in full compliance with all laws, rules, regulations and ordinances promulgated by lawful governmental authorities.
- B. Confidentiality.** The Corporation has the responsibility to keep all of the personal, medical and financial information you have supplied to it confidential. You consent to the release of any of your personal and medical records maintained by the

Corporation (i) to the Corporation's employees, staff and agents; (ii) to persons and organizations from whom you receive health care services; (iii) to third-party payors of health care services provided by the Corporation or other organizations; and (iv) to others deemed reasonably necessary by the Corporation for purposes of treatment, payment and operations of the Corporation, consistent with applicable state and federal health care privacy laws. You understand and agree that authorized agents of the state or federal government, including the Long Term Care Ombudsman, may obtain your records without your written consent or authorization. Release of your records for other purposes shall be made in accordance with applicable law, with a specific authorization from you or your legal representative where required.

C. **Assignment.** Your rights and privileges under this Agreement to the facilities, services and programs of the Corporation are personal to you and may not be transferred or assigned by you or otherwise.

D. **Resident has no Tenancy Interest or Management Rights in Salemtowne.** The absolute rights of management are reserved by the Corporation, its Board of Trustees and its administrators as delegated by said Board of Trustees. The Corporation reserves the right to accept or deny any person for residency. Residents do not have the right to determine entry or terms of entry of any other Resident. Salemtowne reserves the right to amend, implement or terminate policies and/or guidelines related to the operation of the community in its sole discretion.

This Agreement gives Resident the right to live in Salemtowne and to receive or have access to the services and amenities described in the Agreement. However, it does not give Resident the rights of a "tenant" as that term is defined by North Carolina state law. Salemtowne retains the exclusive authority to make all management decisions with regard to the management of Salemtowne, including decisions about admission and discharges, setting charges, Salemtowne's policies and procedures, and the scope of services offered by Salemtowne, consistent with state law and the terms of this Agreement.

E. **Moravian Affiliation.** Salemtowne is affiliated with the Moravian Church in America, Southern Province ("Southern Province"). The Southern Province is not responsible for the financial and contractual obligations of Salemtowne.

F. **Indemnity.** You agree to indemnify, defend and hold us harmless from claims, damages or expenses, including attorneys' fees and court costs, resulting from any injury or death to persons and any damages to property caused by, resulting from, attributable to or in any way connected with your negligent or intentional act or omission or those of your guests, including private duty nurses, companions, or other.

G. **Limitation on Liability.** You understand and agree that the services provided by the Corporation and others within Salemtowne are not designed to protect you from the everyday, normal risks and responsibilities of living, including, but not limited to, such general accidents and situations such as falling, choking on food, and weight loss and/or dehydration resulting from your failure to partake of food and drink. Additionally, you understand and agree that the services provided by the Corporation

do not include one-on-one monitoring of you, and that your expectations will be consistent with this understanding. The Corporation shall exercise reasonable care toward you based on your known condition. However, you agree that the Corporation is not an insurer of your welfare and safety. You agree that you will exercise due care to protect yourself from harm.

- H. Separability.** The invalidity of any restriction, condition or other provision of this Agreement, or any part of the same, shall not impair or affect in any way the validity or enforceability of the rest of this Agreement.
- I. Resident Contracted Services.** If you wish to privately employ outside assistance, including Salemtowne employed Staff, for whatever reason, all Salemtowne policies must be upheld, and prior written approval by Salemtowne management must be obtained. You agree to hold Salemtowne harmless in all situations related to the provisions of such outside services. The Corporation has the right to require termination of such a service at any time.
- J. Resident Handbook.** You will be given a current copy of the Resident's Handbook as adopted by the Corporation. You understand that these documents will change from time to time but that they are the procedural documents for those occupying Living Accommodations at Salemtowne.
- K. Entire Agreement.** This Agreement constitutes the entire contract between the Corporation and Resident. The Corporation shall not be liable or bound in any manner by any statements, representations or promises made by any person representing or assuming to represent the Corporation, unless such statements, representations or promises are set forth in this Agreement or in an amendment to this Agreement signed by Salemtowne's President/CEO and by you. Electronic (e.g., pdf) versions of this Agreement shall have the same legal effect as originals, and all of which, when fully executed, shall constitute one and the same instrument.
- L. Successors and Assigns.** Except as set forth herein, this Agreement shall bind and inure to the benefit of the successors and assigns of the Corporation and the heirs, executors, responsible parties, powers of attorney, administrators and assigns of you.
- M. Capacity.** This Agreement has been executed on our behalf by our duly authorized agent, and no officer, trustee, agent or employee of ours shall have any personal liability hereunder to you under any circumstances. If Resident is, or becomes, unable to understand or communicate his or her health care or financial decision, and is determined by Resident's attending physician to be incapacitated, then in the absence of Resident's prior designation of an authorized legal representative, or upon the unwillingness or inability of a designated legal representative to act, Salemtowne shall have the right to commence a legal proceeding to adjudicate Resident incapacitated and to have a court appoint a guardian for Resident. The cost of the legal proceedings, including attorneys' fees, shall be paid by Resident or Resident's estate.

- N. **Tax Considerations.** You should consult with your tax advisor regarding the tax considerations associated with this Agreement.
- O. **Governing Law.** This Agreement shall be governed by the laws of the State of North Carolina without regard to conflict of laws principles.
- P. **Amendments and Partial Invalidation.** Generally, this Agreement can be changed only by mutual written consent. However, we can make changes without your consent to keep the Agreement in compliance with applicable laws and regulations; provided, that the changes we make do not substantially reduce your benefits under the Agreement, we provide notice of such change not less than thirty (30) days before the change, and we provide an amendment to this contract for your review and signature. If any provision in this Agreement is invalidated, all other provisions will remain in force.
- Q. **Governing Law; Venue; Disputes.** This Agreement shall be governed by, interpreted, construed and enforced in accordance with the laws of the State of North Carolina, without giving effect to any choice of law or conflict of law rules or provisions that would cause the application of laws or any jurisdiction other than North Carolina. Except to the extent that the parties have agreed to an alternative mechanism for the resolution of a dispute, to the full extent permitted by law, any action, suit or proceeding arising out of or relating to this Agreement shall be brought and enforced in the courts of the State of North Carolina located in Forsyth County or of the United States District Court for the Middle District of North Carolina, and the parties hereby irrevocably submit to the exclusive jurisdiction of such courts and irrevocably waive any objection that they may now or hereafter have to the laying of venue of any such action or proceeding in such courts.
- R. **Waivers.** Neither the failure nor any delay on the part of any party to exercise any right, remedy, power, or privilege ("Right") under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any Right preclude any other or further exercise of the same or of any Right, nor shall any waiver of any Right with respect to any other occurrence. No waiver shall be effective unless it is in writing and is signed by the party asserted to have granted such waiver.
- S. **Survival.** Those rights and obligations that have accrued as a result of the operation of this Agreement shall survive its termination, as shall those rights and obligations that by their terms survive termination and any provisions that must survive to give effect to their terms, as shall any obligation of Resident to pay costs or expenses of his or her stay at Salemtowne that remain unpaid as of such termination.
- T. **Gender.** Throughout this Agreement, the use of the masculine gender shall include the feminine, and the use of singular shall include the plural.
- U. **Interpretation.** Headings are for convenience and reference purposes only and shall not affect the interpretation of any provision of this Agreement.

V. Notice Provisions. Any notices, consents, or other communications to the Corporation hereunder (collectively “notices”) will be in writing and addressed as follows:

Salemtowne:

Office of the President/CEO
Salemtowne
1000 Salemtowne Drive
Winston Salem, North Carolina 27106

Resident:

Your address for the purpose of giving notice prior to your move to Salemtowne is the address appearing after your signature below.

Your address for the purpose of giving notice after your move to Salemtowne will be the current Living Accommodation address at the applicable time of notice.

You are responsible for notifying us of any changes in address and/or telephone number.

[Signatures Follow on Next Page]

Salemtowne will stand behind all of the statements, promises and representations in this Agreement, but no others. If you feel something has been promised to you, but it is not specifically mentioned in this Agreement, now is the time to discuss it – before you sign this Agreement.

I (we) understand this matter involves a financial commitment and associated risk as well as a legally binding contract. I (we) was (were) encouraged to consult with an attorney and/or financial advisor who could advise me (us) concerning this Agreement.

THE UNDERSIGNED RESIDENT(S) ACKNOWLEDGES RECEIPT OF SALEMTOWNE’S CURRENT DISCLOSURE STATEMENT. THE DISCLOSURE STATEMENT WAS RECEIVED PRIOR TO THE EXECUTION OF THIS AGREEMENT OR PRIOR TO OR AT THE TIME OF THE TRANSFER OF ANY MONEY OR OTHER PROPERTY TO SALEMTOWNE, WHICHEVER OCCURRED FIRST.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in duplicate, as of the day and year first above written, one duplicate copy of this Agreement being retained by each party.

Your signature below certifies that you have read, understand and accept this Agreement as of this *(current date)* _____ day of _____, _____.

SALEMTOWNE	RESIDENT(S) (or Resident(s)’s Attorney in Fact) (*)
_____ By (signature)	_____ (signature) (SEAL)
_____ Printed Name	_____ (signature) (SEAL)
_____ Title	_____ Current Address: Street
	_____ City, State, Zip Code
	_____ Telephone

(*) If Attorney-in-Fact signs on behalf of the Resident(s), a Filed Power of Attorney document must be attached to this Agreement.

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EXHIBIT A
RESIDENTS' BILL OF RIGHTS

Based on North Carolina General Statute Section 131E-117

Salemtowne shall treat its residents in accordance with the provisions of Article 3 of Chapter 131E of the North Carolina General Statutes. Every resident of Salemtowne shall have the following rights:

1. To be treated with consideration, respect, and full recognition of personal dignity and individuality;
2. To receive care, treatment and services which are adequate, appropriate, and in compliance with relevant federal and State statutes and rules;
3. To receive at the time of admission and during the stay, a written statement of the services provided by Salemtowne, including those required to be offered on an as-needed basis, and of related charges. Charges for services not covered under Medicare or Medicaid shall be specified. Upon receiving this statement, the patient shall sign a written receipt which must be on file at Salemtowne and available for inspection;
4. To have on file in the patient's record a written or verbal order of the attending physician containing any information as the attending physician deems appropriate or necessary, together with the proposed schedule of medical treatment. The patient shall give prior informed consent to participation in experimental research. Written evidence of compliance with this subdivision, including signed acknowledgements by the patient, shall be retained by Salemtowne in the patient's file;
5. To receive respect and privacy in the patient's medical care program. Case discussion, consultation, examination, and treatment shall remain confidential and shall be conducted discreetly. Personal and medical records shall be confidential and the written consent of the patient shall be obtained for their release to any individual, other than family members, except as needed in case of the patient's transfer to another health care institution or as required by law or third party payment contract;
6. To be free from mental and physical abuse and, except in emergencies, to be free from chemical and physical restraints unless authorized for a specified period of time by a physician according to clear and indicated medical need;
7. To receive from the administrator or staff of Salemtowne a reasonable response to all requests;
8. To associate and communicate privately and without restriction with persons and groups of the patient's choice on the patient's initiative or that of the persons or groups at any reasonable hour; to send and receive mail promptly and unopened, unless the patient is unable to open and read personal mail; to have access at any reasonable hour to a telephone where the patient may speak privately; and to have access to writing instruments, stationery, and postage;
9. To manage the patient's financial affairs unless authority has been delegated to another pursuant to a power of attorney, or written agreement, or some other person or agency has been appointed for this purpose pursuant to law. Nothing shall prevent the patient and facility from entering a written agreement for Salemtowne to manage the patient's financial affairs. In the event that Salemtowne manages the patient's financial affairs, it shall have an accounting available for

inspection and shall furnish the patient with a quarterly statement of the patient's account. The patient shall have reasonable access to this account at reasonable hours; the patient or facility may terminate the agreement for Salemtowne to manage the patient's financial affairs at any time upon five days' notice.

10. To enjoy privacy in visits by the patient's spouse, and, if both are inpatients of Salemtowne, they shall be afforded the opportunity where feasible to share a room;
11. To enjoy privacy in the patient's room;
12. To present grievances and recommend changes in policies and services, personally or through other persons or in combination with others, on the patient's personal behalf or that of others to Salemtowne's staff, the community advisory committee, the administrator, the Department, or other persons or groups without fear of reprisal, restraint, interference, coercion, or discrimination;
13. To not be required to perform services for Salemtowne without personal consent and the written approval of the attending physician;
14. To retain, to secure storage for, and to use personal clothing and possessions, where reasonable;
15. To not be transferred or discharged from a facility except for medical reasons, the patient's own or other patients' welfare, nonpayment for the stay, or when the transfer or discharge is mandated under Title XVIII (Medicare) or Title XIX (Medicaid) of the Social Security Act. The patient shall be given at least five days' advance notice to ensure orderly transfer or discharge, unless the attending physician orders immediate transfer, and these actions, and the reasons for them, shall be documented in the patient's medical record;
16. To be notified within 10 days after Salemtowne has been issued a provisional license because of violation of licensure regulations or received notice of revocation of license by the North Carolina Department of Health and Human Services and the basis on which the provisional license or notice of revocation of license was issued. The patient's responsible family member or guardian shall also be notified.

FILING A COMPLAINT

We encourage residents and families to bring problems and concerns to our attention as they occur. We will do our best to resolve your concerns and feel that is best accomplished the sooner we are aware that a problem exists. You may report your concerns verbally or by using the Concern Form. If you feel that your concerns have not been resolved through the Salemtowne staff, you have the right to contact the following agencies:

- the local Long Term Care Ombudsman or the Nursing Homes Community Advisory Committee at (336) 703-2020
- the Division of Facility Services in Raleigh at (800) 624-3004



Appendix B5

Short-term Residence and Services Agreement – Health Care Center or
Masten Assisted Living Center



Short-Term Residence and Services Agreement

(Babcock Health Care Center, Westerly Place Memory Care Assisted Living Center or Masten Assisted Living Center)

Resident(s): _____

Living Accommodation: _____

1000 Salemtowne Drive · Winston-Salem, NC 27106 · 336-767-8130 · Fax 336-767-4090 · www.salemtowne.org

SHORT TERM RESIDENCE AND SERVICES AGREEMENT

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Short-Term Residence and Services Agreement

This Agreement (the "Agreement") is made this *(date of occupancy)* _____ day of _____, _____ by and between MORAVIAN HOME, INCORPORATED d/b/a SALEMTOWNE, a North Carolina nonprofit corporation (hereinafter the "Corporation", "Salemtowne", "we", us" or "our") and _____ (hereinafter "Resident", "you", "your" or when two persons "Resident", "you" or "your" shall apply to both persons, except where the context otherwise requires).

WHEREAS, the Corporation is a continuing care retirement community located at 1000 Salemtowne Drive in Winston Salem, North Carolina, known as "Salemtowne"; and

WHEREAS, you desire to become a resident of Salemtowne's Babcock Health Care Center ("Heath Care Center"), Westerly Place Memory Care Assisted Living Center ("Westerly Place") or Masten Assisted Living Center ("Assisted Living Center") on a short-term basis for the period of _____ *(date of occupancy)* through _____ and to use and enjoy the facilities, programs and services provided by the Corporation subject to the terms and conditions of this Agreement;

NOW, THEREFORE, you and the Corporation agree as follows:

I. ACCOMMODATIONS AND SERVICES

Subject to the terms and conditions set forth in this Agreement, we agree to provide you the Living Accommodation, services and programs at Salemtowne described as follows:

- A. **Living Accommodation.** Unit *(number or address)* _____, an accommodation (as described in materials presented to you and as shown to you during a physical tour), located in the *(building)* _____ at Salemtowne (hereinafter referred to as the "Living Accommodation"). You have the exclusive right to occupy and use the Living Accommodation subject to the terms and conditions set forth in this Agreement.
- B. **Long-Term Permanent Entry.** Should you desire permanent entry to the Health Care Center, Assisted Living Center or the retirement facilities of Salemtowne, you will need to complete the Salemtowne entry process of making separate application, approval of the application and execution of a separate residence and services agreement.
- C. **Security.** We will use reasonable care in providing security on the premises of Salemtowne. We will furnish an emergency call system that is monitored twenty-four (24) hours a day. Smoke detectors are provided in all Living Accommodations. We are not responsible for theft, loss or damage to your personal property. You are responsible for securing your Living Accommodation.

Initials _____	_____
Corporation	Resident(s)

- D. Utilities.** We will furnish ordinary electricity, heating, air conditioning, water, sewer, gas, basic cable television service and trash removal. You are responsible for any telephone and internet installation charges and the cost of telephone and internet services. Notwithstanding the foregoing, the Corporation shall provide a telephone for use by the Residents in a private location for non-toll calls.
- E. Furnishings and Appliances.** The Corporation will provide furnishings and appliances in the Living Accommodation as described in the literature published by the Corporation regarding Salemtowne. All other furniture and furnishings for the Living Accommodation shall be provided by the Resident, shall be maintained by you at your risk and must be approved by Salemtowne, and shall be subject to all applicable laws, regulations, rules, policies and procedures.
- F. Meals.** The Corporation will make available to you three (3) nutritionally well-balanced meals each day. Three (3) snacks are also available to you on a scheduled and unscheduled basis. These meals and snacks are included in your Monthly/Daily Fee. If your physician or another appropriately licensed health professional orders a modified diet, the Corporation shall provide a modified diet to you that meets the physician's specifications.
- G. Housekeeping Services.** We agree to maintain the Living Accommodation by providing weekly housekeeping services for Assisted Living Center Residents and daily housekeeping services for Westerly Place Memory Care Support Assisted Living Center ("Westerly Place") and Health Care Center Residents. Housekeeping includes vacuuming, dusting, cleaning of bath and changing of bed and bath linens, and trash removal. Additional housekeeping services may be made available at your expense.
- H. Laundry.** Bed and bath linens as well as linen laundry service and personal laundry service (washing, drying and folding) will be provided for Residents in the Assisted Living Center, Westerly Place and the Health Care Center. The costs of these are included in the Monthly/Daily Fee. You are responsible for arranging and paying for dry cleaning services. Salemtowne is not responsible for loss or damage to personal items laundered by Salemtowne.
- I. Maintenance and Repairs.** We will maintain and keep in repair the improvements, furnishings, appliances, and equipment owned by the Corporation. Maintenance and repair of your personal property is your responsibility. You will be responsible for the cost of repairing any damage to property of the Corporation caused by your negligence or intentional acts and/or the negligence or intentional acts of any guest of yours, ordinary wear and tear excepted.
- J. Alterations to Living Accommodation.** Any structural or physical change or redecoration of any kind within the Living Accommodation will require the prior approval of the Corporation. The cost of any change, repairs or maintenance for that change and the subsequent cost to return the Living Accommodation to its original condition in the event of such change, or redecoration, will be paid by you. Any such

improvement or change will be owned by the Corporation and will not be considered in determining the amount of any refund to you upon termination of this Agreement.

K. Use of and Changes to Living Accommodation. The Corporation has the right to change the Living Accommodation to meet requirements of any applicable statutes, laws, or regulations. The Living Accommodation may not be used in any manner in violation of any zoning ordinances or other governmental laws or regulations.

L. Parking. The Corporation will provide one (1) unassigned parking area for your personal vehicle and limited parking for guests.

M. Mail. Mail will be delivered by the postal service to Salemtowne. Salemtowne staff delivers mail directly to the Assisted Living Center, Westerly Place and Health Care Center accommodation.

Package deliveries vary by carrier. If a carrier does not deliver packages directly to the resident's Living Accommodation, Salemtowne staff will deliver packages directly to Assisted Living Center, Westerly Place and Health Care Center Residents.

N. Common Facilities. We will provide common facilities for the use and/or benefit of all Residents, so long as there are no contraindications identified by a Resident's physician, physician assistant or nurse practitioner. Such common facilities currently include an enclosed swimming pool and exercise facility, dining rooms, mailroom, multi-purpose rooms, library, computer area, game/television area, lounges, and sitting areas.

O. Transportation. We will provide local (within a 15-mile radius of Salemtowne) medical transportation for scheduled medical appointments Monday through Friday between 9:00 a.m. and 4:30 p.m. except some holidays. Forty-eight (48) hours' notice is required. Additional charges will be incurred for Residents who require staff accompaniment or transportation beyond a 15-mile radius of Salemtowne.

P. Activities. Physical, social, intellectual and spiritual activities will be available to Residents. Additional charges may be incurred for some programs.

[Remainder of Page Intentionally Blank]

Q. Services. The following services are provided with the Monthly/Daily Fee to the Assisted Living Center, Westerly Place and Health Care Center Residents. (Fees will not be reduced or unbundled for services that Residents decline such as meals or laundry.)

Assisted Living Center	Westerly Place	Health Care Center
• Three meals daily	• Three meals daily	• Three meals daily
• Meal service to room, if required	• Meal service to room, if required	• Meal service to room, if required
• Dining room assistance	• Dining room assistance	• Dining room assistance
• Assistance with bathing and grooming	• Assistance with bathing and grooming	• Assistance with bathing and grooming
• Weekly housekeeping service	• Daily housekeeping service	• Wheelchair assistance
• Personal laundry service	• Personal laundry service	• Daily housekeeping service
• Medication delivery by a nurse or medication technician	• Medication delivery by a nurse or medication technician	• Personal laundry service
• Monitoring of vital signs according to physician's order	• Monitoring of vital signs according to physician's order	• Medication delivery by a nurse
• Nursing evaluation	• Nursing evaluation	• Monitoring of vital signs according to physician's order
• Multi-disciplinary care planning	• Multi-disciplinary care planning	• Nursing evaluation
• Access to Fitness Center	• Access to Fitness Center	• Multi-disciplinary care planning
• Personal lockable space to secure your valuables	• Personal lockable space to secure your valuables	• Whirlpool tub
		• Skilled care by RNs, LPNs and CNAs on duty 24 hours per day
		• Access to Fitness Center
		• Personal lockable space to secure your valuables

- R. Other Services Available.** Residents engaging third parties for services within Salemtowne may do so only with prior notification and authorization by Salemtowne (i.e., companions, private duty nurses, maintenance workers, etc.). This is not an all-inclusive listing of services you may request or utilize. With respect to services not listed, consult schedule of charges or the Finance Office.
- S. Limitation to Services.** You hereby acknowledge and agree that the Corporation is prohibited by law from furnishing certain types of services, based upon applicable statutes, administrative regulations, and interpretations of statutes and regulations by the North Carolina Department of Health and Human Services, Division of Health Service Regulation, Adult Care Licensure Section. You agree that if you need services that the Corporation is not legally authorized or does not otherwise provide, you shall be discharged from Salemtowne. Except as otherwise expressly stated in this Agreement, you are responsible to arrange and pay for health and medical care services not provided by the Corporation, including, without limitation, hospital services, physicians' services, private duty personnel, medications, vitamins, eye glasses, eye examinations, hearing aids, ear examinations, dental work, dental examinations, orthopedic appliances, laboratory tests, x-ray services or any rehabilitative therapies.
- T. Professional Management of Salemtowne and its Facilities.** The Corporation will employ management and staff and/or agents ("Staff") to manage the operations of Salemtowne and its facilities.
- U. Nursing and Health Care.** We will provide nursing and health care for each Resident as follows:
- 1. Babcock Health Care Center.** The Health Care Center will be provided for the benefit of the Residents. The Corporation is licensed by the North Carolina Department of Health and Human Services, Division of Health Service Regulation to operate intermediate and skilled nursing care for Residents who are temporarily ill or who require long-term nursing care. Private accommodations will be provided for Residents in the Health Care Center. Some of the beds in the Health Care Center are certified for Medicare and Medicaid reimbursement.
 - Twenty-four (24) hour nursing staff maintained in the Babcock Health Care Center.
 - Charges for Health Care Center accommodations and services are described in the Schedule of Fees and other literature published by the Corporation and distributed to Residents at least annually.
 - 2. Resident's Attending Physician.** Residents may choose their own personal physician and are responsible for charges for services by such physicians and any consultants.
 - 3. Other Healthcare Services.** Other health care services may be made available to the Resident at the Resident's expense, including, but not limited to: pharmacy services, radiology services, dental services; laboratory tests; physical therapy; occupational therapy, including therapeutic activities; rehabilitative treatments; and wheelchairs and other medical equipment and supplies. The cost of such services shall not be covered by the Monthly/Daily Fees described herein.

4. **On-Site Emergency Call Response.** Each Living Accommodation is equipped with an emergency call system. Salemtowne nursing staff will respond to emergency calls.
5. **Emergency Medical Care.** We will notify your physician when emergency medical care is necessary. If acute medical care is necessary or upon physician's or your request, you will be transferred to a local hospital emergency room. In the event of an emergency, Salemtowne staff will summon emergency medical services to assist you by calling "911" or otherwise summoning appropriate medical personnel from outside Salemtowne. You authorize Salemtowne to provide to you any care and assistance deemed by Salemtowne to be in your best interests under the circumstances and to take any such action that is reasonably prudent in the event of an emergency, subject to any advance directives contained in a document that you have furnished to the Corporation.
6. **Resident Health Record.** Salemtowne shall maintain a health record for Resident that contains health and other personal information that is pertinent to the Services which Salemtowne is providing. All information and records regarding Resident are confidential and are only disclosed in accordance with applicable law, including the HIPAA Privacy Rule. Resident may review Resident's health record and authorize others to review the Resident's health record.
7. **Masten Assisted Living Center.** The Assisted Living Center will be provided for the benefit of the Residents. The Corporation is licensed by the North Carolina Department of Health and Human Services, Division of Health Service Regulation to operate 46 beds to provide support services for Residents who require assistance with activities of daily living. Private accommodations will be provided for Residents in the Assisted Living Center. The Assisted Living Center is licensed to provide services to individuals who require some assistance with activities of daily living, including but not limited to: bathing, dressing, medication administration, dining room assistance, monitoring of vital signs, and nursing assessments.
8. **Westerly Place Memory Care Support Assisted Living Center .** The Westerly Place Memory Care Support Assisted Living Center will be provided for the benefit of the Residents. The Corporation is licensed by the North Carolina Department of Health and Human Services, Division of Health Service Regulation to provide support services for Residents who require assistance with Alzheimer's, memory care, or dementia. Private accommodations will be provided for Residents in the Westerly Place Memory Care Support Assisted Living Center.
9. **Resident's Consent to Receive Health Care Services.** Resident authorizes Salemtowne to provide those health care-related services that are specifically set forth in this Agreement. Resident also authorizes Salemtowne to obtain all necessary clinical and/or financial information from Resident's attending physician, and any other health care providers treating Resident, including, but not limited to, any hospital or nursing facility from which Resident may be transferring or may transfer in the future and hereby authorizes such health care provider(s) to provide such health care information to Salemtowne.

II. FINANCIAL ARRANGEMENTS

(There is no Entrance Fee for short-term direct entries into the Health Care or Assisted Living Centers.)

A. Monthly/Daily Fee. You agree to pay a Monthly/Daily Fee during the term of this Agreement. This fee shall be due and payable upon entry (except for a Medicare qualified stay). Should additional/ancillary charges be incurred during the term of this agreement that have not been paid in advance, such charges will be due and payable by the 10th day of the subsequent month. As of the date of this Agreement the Monthly/Daily Fee associated with the Living Accommodation will be \$ _____.

The Monthly/Daily Fee will begin on the date of occupancy. Occupancy is defined as the first day that a Resident either resides in the Living Accommodation or the first day that the Resident's furnishings or belongings are placed in the Living Accommodation.

No credit will be provided to you should you refuse services, which are included in the Monthly/Daily Fee, such as laundry, housekeeping and meals.

Initials _____
Corporation Resident(s)

[Remainder of Page Intentionally Blank]

B. Vacations and/or Time Away from Living Accommodation. Monthly/Daily Fees are not subject to change or credit if Resident is away from the Living Accommodation for any period of time. (For example, vacations, hospital stays, etc.)

C. Adjustments in the Monthly/Daily Fee. The Corporation usually sets fees annually but shall have the authority to adjust the Monthly/Daily Fee from time to time during the term of this Agreement as it, in its discretion, deems necessary. Any such increase in the Monthly/Daily Fee or other charges may be made by the Corporation upon thirty (30) days' written notice to the Resident.

In the event that it should be determined that the Corporation is required to pay ad valorem taxes upon its property, the Monthly/Daily Fee may be adjusted to reflect the amount of such taxes. You will pay all taxes assessed on your personal property.

In the event Salemtowne is assessed sales or use tax on Monthly/Daily Fee and/or fees for other services, you agree to pay Salemtowne the amount of such taxes.

D. Schedule of Fees. You have been given a current copy of the Schedule of Fees as adopted by the Board of Trustees of the Corporation. You understand that these fees may change from time to time.

E. Monthly Statements. We will furnish you with monthly statements showing the total amount of fees and other charges owed by you, which shall be payable by the 10th of the month. Late payments are subject to an interest charge of one and one-half percent (1.5%) per month from the first of the month. In the event the Corporation initiates any legal actions or proceedings to collect payments due from you under this Agreement, you shall be responsible to pay all attorneys' fees and costs incurred by the Corporation in pursuing the enforcement of your financial obligations under this Agreement. The Corporation offers and encourages an automatic bank draft for the Monthly/Daily Fees. The Corporation may terminate this Agreement if you have a past due amount upon thirty (30) days' written notice. Termination of this Agreement does not end the obligation of you or your estate to pay all amounts due, no matter when incurred.

You, and your current and future responsible parties (i.e., power(s) of attorney, executor(s)) on your behalf, from your assets and income agree to pay all costs, expenses, and reasonable attorneys' fees, in the event same must be expended in the collection of any sums due and owed by you to the Corporation.

The Corporation reserves the right, with thirty (30) days' notice, to change the billing date and the payment due date. For a partial first month, the Monthly/Daily Fee is pro-rated on a per diem basis. Thereafter, Monthly/Daily Fees are paid in advance and are pro-rated at termination.

F. Assisted Living Center, Health Care Center and Westerly Place Priority Entry. Residents are provided priority entry over non-Residents for entry to the Health Care Center, the Assisted Living Center or Westerly Place. Salemtowne will make every effort to accommodate Residents in the Health Care Center, the Assisted Living Center or Westerly Place but cannot guarantee availability of accommodations. In the event the Health Care Center, the Assisted Living Center or Westerly Place, as applicable, is fully occupied when

Resident is in need of care, Resident agrees to relocate to an alternate health care facility (“a Comparable Facility”). In the event of relocation, Salemtowne will make every effort to transfer Resident back to Salemtowne when accommodations become available.

Upon your relocation to a Comparable Facility, you will continue to be responsible for the Monthly/Daily Fee (unless their Living Accommodation is surrendered). Salemtowne will not be responsible for the charges associated with the alternate health care accommodations.

- G. Assignment of Benefits.** You will from time to time authorize any provider of medical and health services, including Salemtowne, to receive reimbursement as provided under Medicare/Medicaid, any or all Federal, State and local benefits for which you may be eligible or entitled, and any supplementary insurance programs. If requested by Salemtowne, you will from time to time make assignments to the provider of medical and other health services of all benefits otherwise accruing to you under Medicare/Medicaid, or other programs and supplementary extended coverage plans to compensate for services rendered. Resident irrevocably authorizes Salemtowne to make claims and to take other actions to secure receipt by Salemtowne of all payments from a third-party payor to reimburse Salemtowne for its charges for the stay and care of Resident.
- H. Managed Care.** If you have chosen to participate in a managed care program as an alternative to Medicare Part A, Medicare Part B, and supplemental insurance coverage, the terms of this Agreement governing nursing care will include the following provisions:
- 1. Participating Provider.** If Salemtowne is a participating provider with your managed care program, the Corporation agrees to be reimbursed at the rate negotiated with your managed care program.
 - 2. Not a Participating Provider.** If Salemtowne is not an approved participating provider with your managed care program and you choose to receive health care services at a managed care participating provider, then you agree that you must relocate for as long as necessary for those services to be provided, and be responsible for all costs for health care services. In addition, while receiving health care services at the managed care participating provider, you agree that unless this Agreement is terminated, you will continue to pay the Monthly/Daily Fee for your Living Accommodation, unless your Living Accommodation has been surrendered to us.
 - 3. No Negotiated Managed Care Rate.** If Salemtowne is not a participating provider in your managed care program and a negotiated rate is not agreed upon by Salemtowne and you would still like to receive health care and services at Salemtowne, then you will be responsible for the full amount of applicable charges not paid by your insurance carrier.
 - 4. Medicaid.** In the event you receive financial assistance through the Medicaid program while occupying a Medicaid certified bed in the Health Care Center, you will be charged in advance for your liability portion established by the local county department of social services. You will be responsible for all charges for additional items and services requested by you and furnished to you which are not covered under the Medicaid program. Charges shall be made only as permitted under the Social Security Act and applicable regulations.

III. ENTRY REQUIREMENTS

You will become qualified for entry to Salemtowne upon satisfaction of the following provisions:

- A. **Age.** The entry requirements for residence at Salemtowne are nondiscriminatory except as to age, and Salemtowne is open to both married and single men and women of all races and religions. Entry to the Assisted Living Center, Westerly Place and the Health Care Center is restricted to persons 62 years of age or older except for residents who enter into the Health Care Center for rehabilitation which is restricted to persons 55 years of age or older.
- B. **Health Requirements.** Prior to residency at Salemtowne, you shall submit a report of a physical examination (FL-2) from a physician selected by you. Such report shall include a statement by such physician that you require assisted living or health care accommodations. We may require you to have another physical examination by our Medical Director or by another physician approved by the Corporation. You shall be responsible for the costs of such physical examinations. If your health as disclosed by such physical examination differs materially from that disclosed in your FL-2, the Corporation shall have the right to decline entry and to terminate this Agreement, or in the discretion of the Corporation, to permit you to take occupancy of accommodations at Salemtowne suitable to your needs.
- C. **Psychiatric Illness, Dangerous Communicable Disease, Drug or Alcohol Abuse.** Salemtowne is not designed to care for persons who have an active psychiatric illness, a dangerous communicable disease or who require treatment for drug or alcohol abuse. Should Salemtowne, in consultation with the Medical Director, determine that your physical or psychiatric illness, or that your condition as a result of drug or alcohol abuse, is such that your continued presence is either dangerous or detrimental to your life, health or safety, or the life, health, peace or safety of others in the community, then Salemtowne may transfer you to another facility of your choosing and/or require you to terminate your residency at Salemtowne.
- D. **Financial Requirements.** You must have assets and income which will be sufficient under foreseeable circumstances to pay the financial obligations under this Agreement and to meet your ordinary living expenses. We may require you to furnish current financial information at any time prior to and subsequent to occupancy.
- E. **Financial Resources.** You, your current and future responsible parties (i.e., power(s) of attorney, executor(s)) will abide by any and all financial arrangements made with the Corporation for the purpose of securing your ability to pay any and all charges for residing at Salemtowne. You agree not to make any gift or other transfer of assets for the purpose of evading your obligations under this Agreement, or if such gift or transfer would render you unable to meet such obligations under this Agreement. Gifts or transfers of assets in this manner, which result in your inability to meet your financial obligations in accordance with this Agreement, will entitle Salemtowne to terminate this Agreement with thirty (30) days' notice, and you or your responsible parties, as applicable, will be liable for any unpaid amounts.
- F. **Power of Attorney.** You agree to execute and maintain in effect a durable power of attorney that is valid under North Carolina law and will survive your incapacity or disability. This durable power of attorney will designate an attorney-in-fact and an alternate attorney-in fact who will act for you in managing your financial affairs and in filing for insurance or other benefits under private and public assistance programs as full and complete a manner as you

could do if acting personally for yourself. **You will deliver a copy of a fully executed power of attorney to Salemtowne prior to occupancy.** You will not revoke or amend this durable power of attorney except upon execution of a replacement durable power of attorney, a fully executed copy of which will be delivered to Salemtowne. This document also may address at your option, other affairs, such as decisions concerning medical care.

G. Will. In the event of your death, while you are a resident of Salemtowne under this Agreement, only the executor(s) named in your Will (or such person or entity designated by such executor(s)) will be allowed to remove or dispose of your furnishings and belongings in your Living Accommodation and any related storage areas at Salemtowne. Members of your family or those to whom you have granted power of attorney will not be allowed access to your personal property after your death, unless they are the executor(s) named in your Will.¹

H. Funeral and Burial. Salemtowne will not be responsible for making funeral or burial arrangements and is not responsible for related expenses.

I. Advance Directives. You are encouraged to execute a Living Will and a Health Care Power of Attorney and deliver a fully executed copy thereof to Salemtowne, as well as any revisions as applicable, during the term of this Agreement.

J. Appointment of Guardian. If you become unable to care for your business and financial affairs, the Corporation reserves the right to institute action for the determination of your incompetence and the appointment of a guardian to fulfill the terms of this Agreement; unless such needed arrangements have already been made. The cost of the legal proceedings, including attorneys' fees, shall be paid by you or your estate.

K. Emergency Notifications. You agree to provide Salemtowne with the following information prior to the date of occupancy as well as updates of this information during the term of this Agreement:

- Names, addresses and phone numbers of persons to notify in an emergency (minimum of two are required);
- Names of persons having the right of entry into your residence;
- Name, address and phone number of funeral home (prior arrangements are encouraged);
- Names, addresses and phone numbers of lawyer and executor; and
- Names, addresses and phone numbers for powers of attorney.

L. Contents and Accuracy of Resident's Application. If Resident submits an Application:

1. Salemtowne has accepted Resident based on the information contained in Resident's Application, and has agreed to enter this Agreement;

¹ NTD: Please confirm Section G is required in the Short Term Agreement.

2. In signing this Agreement, Resident understands and agrees that the information provided in the Resident's Application is part of this Agreement, and is a basis upon which Salemtowne has agreed to enter into the Agreement;
3. Resident hereby affirms that all the information provided in the Resident's Application is true and correct to the best of the knowledge of each person who signs the Agreement, and each also acknowledges that any material misrepresentation or omission in Resident's Application shall render this Agreement voidable at the option of Salemtowne; and
4. Resident will submit updated copies of the information requested in the Resident's Application, when requested by Salemtowne from time to time during the term of this Agreement.

IV. TERMS OF RESIDENCY

- A. **Rights of Resident.** You shall have each of the rights set forth in the Statement of Residents' Bill of Rights or Statement of Patients' Bill of Rights, as applicable, which are attached as Exhibit A and Exhibit B hereto, respectively, (collectively, the "Bills of Rights"). By signing this Agreement, you or your responsible party acknowledges receipt of copies of the Bills of Rights. In addition, you have the right to occupy and enjoy the Living Accommodation described herein during your lifetime unless this Agreement shall be terminated as provided herein. It is understood that this Agreement does not transfer or grant any interest in the real or personal property owned by the Corporation other than the right to use or occupancy of the Living Accommodation in accordance with the terms hereof. The Living Accommodation may not be used for commercial purposes. The Living Accommodation may not be occupied or used in any manner in violation of any ordinance, law or regulation.
- B. **Subordination.** You agree that all of your rights under this Agreement shall at all times be subordinate and junior to the lien of all mortgages or other documents creating liens encumbering the Corporation, which have been or will be executed by us. Upon request, you agree to execute, acknowledge and deliver to such lender or lenders such further written evidence of such subordination as such lenders may reasonably require. You shall not be liable for any such indebtedness.
- C. **Policies, Rules and Regulations.** You understand and agree that: (i) in order for Salemtowne to operate in the best interests of the entire community, it is essential that we have cooperation of and compliance with applicable policies, rules and regulations by you, your family, guests, responsible party and others who may intervene, speak or act or purport to intervene, speak or act, for or on behalf of you or who may come on the premises of Salemtowne in any capacity or for any purpose in connection with or as a result of your residency at Salemtowne; (ii) a continuing or repeated failure or refusal by any such persons to so cooperate and comply may result in a determination by Salemtowne that it is impracticable or impossible for Salemtowne to continue to accommodate you as a resident; and (iii) upon such determination by Salemtowne, we shall have the right to terminate this Agreement. The Corporation reserves the right to amend or change its policies, rules and regulations from time to time.
- D. **Weapons.** No weapons of any type shall be brought on to the Salemtowne property by you or your guests without the express prior written permission of the Corporation.

E. Resident Representation. Residents have the right of self-organization through a Residents' council, which may convene to review the interests of the resident population. You shall have resident representation on the Salemtowne Board of Trustees as outlined in the Bylaws of Salemtowne.

F. Guests and Visitors. Guests and visitors are welcome at Salemtowne. Guests may use Salemtowne guest accommodations, subject to availability and additional charges. At all times, you shall be responsible for any injury to others or damage to the property of others or Salemtowne caused by you or your guest(s). Salemtowne reserves the right and authority to limit or terminate the stay of any guest at any time and for any reason. No other person, except the Resident(s), may reside in the accommodation without the approval from the Corporation.

G. Relationships Between Residents and Staff. Salemtowne is built on mutual respect and instructs its Staff to be cordial and helpful to Residents. The relationship is to remain professional. Staff must not be delayed or deterred by Residents in the performance of their duties. Management is solely responsible for the supervision of staff. Complaints or requests for special assistance must be made to the appropriate supervisor. By signing this Agreement, you or your responsible party acknowledges receipt of a copy of the Corporation's grievance procedure.

Giving gratuities or bequests to Staff or Staff's families is not permitted. Residents will not employ Salemtowne Staff nor hire former Salemtowne Staff without the prior written consent of Salemtowne Management.

H. Loss of Property. The Corporation maintains insurance on all of its property and its operations to include general public liability insurance, property insurance including coverage for acts of God, vandalism and theft, professional liability insurance and worker's compensation.

The Corporation will not be responsible for the loss of any property belonging to the Resident due to theft, mysterious disappearance, fire or any other cause. You will have the responsibility for obtaining "renters insurance" to cover such losses.

I. Right of Entry. Salemtowne recognizes your right to privacy, and shall limit entry to your Living Accommodation to legitimate emergencies and to scheduled work, including housekeeping, repairs, maintenance, and inspections. You hereby authorize Staff or agents of Salemtowne to enter your Living Accommodation, upon reasonable notice for all such purposes.

J. Appliances. Salemtowne is not obligated to determine your ability to safely utilize the appliances, if any, in your Living Accommodation. However, should we determine that you have demonstrated an inability to safely utilize appliances in your Living Accommodation; we will have the right to turn off the power servicing such appliance(s) and/or to remove any and all such appliances. In any such instance, you shall remain obligated to pay for the Full Month/Daily Fee for your Living Accommodation, any extra meals and any fire alarm charges issued by the fire department.

K. Changes in Living Accommodations. The Corporation has the right to change the Living Accommodation to meet requirements of any applicable statutes, laws or regulations. The

Living Accommodation may not be used in any manner in violation of any zoning ordinances or other governmental laws or regulations.

- L. Health Insurance.** You will maintain eligible Medicare coverage and one supplemental health insurance policy or equivalent insurance coverage, which adequately covers hospital, medical, prescription and skilled nursing deductibles and co-payments required of your primary insurance plan. Both your primary and supplemental health insurance policies must recognize Salemtowne as a health care provider, or you will assume the financial responsibility for services provided that otherwise could be covered.

You will be responsible for ensuring that the health insurance coverage does not lapse, and will provide Salemtowne with evidence of such coverage upon request. If your health insurance coverage should lapse, Salemtowne may require that you reapply for suitable coverage. If you are unable to obtain adequate new coverage, Salemtowne will charge you for any costs of medical and other health care services provided that otherwise would have been covered by an approved policy.

- M. Filing for and Rights to Insurance Benefits.** Salemtowne is a participating provider with Medicare, Medicaid and Blue Medicare only.

- Salemtowne will file claims with Medicare for all covered services. By law, the patient is responsible for payment of the deductible, co-insurance, and any **non-covered** service. Non-covered services include, but are not limited to beauty shop charges.
- As a courtesy, Salemtowne will file claims to your secondary insurance carrier for your Medicare Parts A & B co-insurance, unless we are prohibited from filing due to participation requirements of the carrier.
- The Medicare Part A co-insurance will be billed on your monthly Salemtowne statement as services are rendered prior to any insurance filings. You are responsible for payment of all Medicare Part A co-insurance billed by Salemtowne upon receipt of the bill. Payments received from your insurance carrier for Medicare Part A co-insurance will be applied to your monthly Salemtowne statement when received.
- Medicare Part B co-insurance (i.e. therapy co-insurance) not paid by a Resident's insurance carrier within ninety (90) days of the date of service will become due and payable by Resident unless the claim is subject to Medicare, Medicaid, or an insurance plan in which Salemtowne participates.
- Co-pays related to Blue Medicare plans will be billed on the Salemtowne statement as services are rendered and are due and payable upon receipt of the bill.
- In the event a Resident's health insurance determines a service is "not covered", the Resident will be responsible for payment. Salemtowne tries to inform Residents when services may not be covered; however, it is the resident's responsibility to understand his/her policy limitations.
- Charges not paid by a Resident's insurance company within ninety (90) days of the date of service will become due and payable by the Resident unless the claim is subject to Medicare, Medicaid, or an insurance plan in which Salemtowne participates.

- If, for any reason, Salemtowne cannot apply directly for benefits payable under insurance required by this Agreement, you agree to make such application and to pay Salemtowne the proceeds received.
- **Salemtowne reserves the right, in its discretion, to eliminate or change its participation with any and all insurance plans.**

N. Room or Unit Assignment in Assisted Living Center, Westerly Place or Health Care Center. You understand that you acquire no ownership in any property at Salemtowne under this Agreement; also, that no particular room or unit in the Assisted Living Center, Westerly Place or the Health Care Center is subject to reservation or permanent assignment, and that we may change your room or unit assignment in the Assisted Living Center, Westerly Place or the Health Care Center. Though we retain the right to change your room or unit assignment, we agree that we will make changes only as we find such changes to be necessary or advisable.

O. Moving Costs. You are responsible for arranging and paying for all packing and moving costs for moves into, within and out of Salemtowne. Assistance may be provided by Salemtowne at an additional cost.

P. Pets/Smoking.

1. **Pets.** Subject to the Corporation's policies and procedures, pets may visit but are not allowed to live in the Assisted Living Center, Westerly Place or Health Care Center Living Accommodations.
2. **Smoking / Tobacco Products.** Salemtowne is a "Tobacco Free" Community. Smoking and use of tobacco products are not permitted anywhere on Salemtowne property, including campus buildings (Babcock Health Care Center, Masten Assisted Living Center, Westerly Place Memory Care Support Assisted Living Center, and Community Center, etc.), building entrances or common areas. The only exception is:
 - The Health Care Center Administrator may permit smoking for a Resident, and if so, a designated smoking area would be created outside. However, the prohibition will remain in effect for a family member or caregiver who may accompany the Resident to the designated area.

Q. Absences. You agree to inform Salemtowne when you are going to be away for any length of time. In order to provide adequate time for medications to be available, if applicable, you must provide at least twenty-four (24) hours advance notice of an absence. No credits (i.e., missed meals) will be given during absences for assisted living and health care Residents. The Corporation is not responsible for any obligations or expenses incurred by you outside of Salemtowne.

V. TRANSFERS OR CHANGES IN LEVELS OF CARE

A. Transfer to Health Care Center, Westerly Place or Assisted Living Center. You agree that the Corporation shall have authority to determine that you should be transferred from your Living Accommodation to the Health Care Center, Westerly Place or the Assisted

Living Center or a separate area within each center. Such determinations shall be based on the professional opinion of the Resident's physician and the Resident Review Committee of Salemtowne and shall be made only after consultation to the extent practical with the Resident, the Resident's physician, a representative of the Resident's family or the Resident's responsible party.

- B. Transfer to Hospital or Other Facility.** If it is determined by your physician that you need care beyond that which can be provided by Salemtowne you may be transferred to a hospital, center or institution equipped to give such care, which care will be at your expense. Such transfer will be made only after consultation to the extent practical with the Resident, the Resident's physician, a representative of the Resident's family or the Resident's responsible party.

In the event it becomes necessary for you to be transferred to a hospital, Salemtowne will provide any information available to meet the provisions of any hospital admissions agreement and you agree that Salemtowne has the right to provide such information, which may include part or all of your records.

- C. Surrender of Living Accommodation.** If a determination is made by the Corporation that any transfer described in this Section V is permanent in nature, you agree to surrender the Living Accommodation and any storage areas, which were occupied by you prior to such transfer, within thirty (30) days of such determination.

You are responsible for the costs of transfer and moving as well as the Monthly/Daily Fee through the last day of occupancy of the Living Accommodation being vacated.

If the Corporation subsequently determines based upon the opinion of your physician that you can resume occupancy in accommodations comparable to those occupied by you prior to such transfer you shall have priority to such accommodations as soon as they become available and you will be responsible for applicable fees as determined by the Corporation.

VI. TERM AND TERMINATION

- A. Term.** This Agreement shall commence on the date set forth in the first paragraph above and shall continue, unless earlier terminated as provided herein, through the date set forth in the third paragraph of this Agreement. The parties may, by mutual written agreement, extend the term of this Agreement.
- B. Termination Prior to Occupancy.** This Agreement may be rescinded by you at any time prior to taking occupancy at Salemtowne for any reason by giving written notice to the Corporation. This Agreement will automatically be canceled due to death or physical or mental conditions that would make you ineligible for entry to Salemtowne. This Agreement may be terminated by the Corporation at any time prior to the date that you take occupancy if the Corporation determines that you no longer meet the physical, mental or financial requirements for entry.

In the event of such termination (including death or physical or mental conditions making you ineligible for entry to Salemtowne), you shall not receive a refund of any amounts paid for non-standard features added to the Living Accommodation. Notwithstanding anything to the contrary in this Agreement, if the Resident has paid the applicable Monthly/Daily Fee prior to occupying the Living Accommodation, any refund of such amounts (expressly

excluding any amounts paid for non-standard features added to the Living Accommodation) shall be paid by Salemtowne within fourteen (14) days following such termination pursuant to this paragraph.

- C. Voluntary Termination.** At any time, you may terminate this Agreement by giving the Corporation five (5) days prior written notice of such termination. If required notice is given, or if no written notice is given, you will be responsible for paying the Monthly/Daily Fee for the applicable Living Accommodation for the full notice period and for each day of occupancy except when a delay in discharge or transfer would jeopardize your health or safety or that of others at Salemtowne. Any refund due the following voluntary termination pursuant to this Section will be made in accordance with Section VIII.I.
- D. Temporary Absence.** Temporary absence because of illness, trips or otherwise will not affect your rights to retain occupancy of Living Accommodation, as long as applicable Monthly/Daily Fees are paid.
- E. Termination Upon Death.** In the event of your death, this Agreement shall terminate as of the date that your Living Accommodation is vacated; provided, however, that the Resident's estate shall be obligated to pay the applicable Monthly/Daily Fee for such Resident's nights spent in the Living Accommodation.

In the event of such termination, you shall not receive a refund of any amounts paid for non-standard features added to the Living Accommodation. Any refund due following the Resident's death, will be made in accordance with Section VI.I.

Any refund to which you are entitled shall be paid to your estate unless you execute a designation and name a trust, revocable by you at the time of your death, to receive applicable refunds. Should you execute a revocable trust subsequent to signing this Agreement, you or your estate's executor may submit a written beneficiary designation form designating a trust, revocable by you at the time of your death, to receive applicable refunds.

- F. Termination by the Corporation.** We may terminate this Agreement at any time (i) if there has been a material misrepresentation or omission made by you during the application process; (ii) if you fail to make payment to the Corporation of any fees or charges due the Corporation within thirty (30) days after receiving written notice of your failure to pay such fees or charges; (iii) if you do not abide by the rules and regulations adopted by the Corporation or breach any of the terms and conditions of this Agreement; (iv) if the health or safety of other individuals in the Corporation is endangered if you remain in Salemtowne, as determined by a physician, physician assistant or nurse practitioner; (v) or the discharge is necessary for your welfare and your needs cannot be met by the Corporation as documented by your physician, physician assistant or nurse practitioner.

In addition, Resident hereby acknowledges that it is the policy of Salemtowne to conduct sex offender screening for every prospective resident, regardless of independent status or level of care, at the time of application for admission to Salemtowne and again prior to entering into a Residence and Services Agreement. If the screening shows that the prospective resident is identified as a sex offender, Salemtowne will deny admission of Resident on that basis and not execute a Residence and Services Agreement. In addition, Resident hereby acknowledges and agrees that if, after Salemtowne and Resident have entered into a Residence and Services Agreement, Salemtowne becomes aware that Resident is listed on any sex offender registry, Salemtowne may terminate this Agreement with Resident and

remove Resident from Salemtowne. If there is more than one resident who is a party to this Agreement, the termination of this Agreement in such instance shall only apply to the resident listed on the sex offender registry.

Following termination of this Agreement pursuant to this Section VI.F., you will be responsible for paying the Monthly/Daily Fee for the applicable Living Accommodation for the full notice period and for each day of occupancy. Except in cases of emergency, you will receive a notice of the termination by the Corporation at least thirty (30) days prior to the effective date of termination. You may be entitled to appeal the Corporation's decision to terminate this Agreement and, except in cases of emergency, the Corporation will not discharge you before the final decision resulting from the appeal has been rendered.

G. Condition of Living Accommodation. At the effective date of termination of this Agreement, you will vacate the Living Accommodation and will leave it in good condition except for normal wear and tear. You, or your estate, will be liable to the Corporation for any costs incurred in restoring the Living Accommodation and storage areas to good condition except for normal wear and tear. Such costs may be deducted from any refundable portion of the Entrance Fee due to you or your estate, if any.

H. Removal of Personal Property. In the event of termination of this Agreement, you agree to surrender the Living Accommodation and any storage areas, which were occupied by you, within five (5) days of the notice of termination.

In the event you are discharged from Salemtowne, the Corporation reserves the right to remove your belongings from the Living Accommodation and any storage areas. You will pay a reasonable storage fee or the actual cost of external storage, whichever is applicable. The Corporation is not responsible for any damages incurred to your property if storage becomes necessary. Unclaimed property will become the property of Salemtowne after five (5) days following the termination of this Agreement and will be disposed of at the sole discretion of the Corporation.

In the event of your death, while you are a resident of Salemtowne under this Agreement, only the executor(s) named in your Will (or such person or entity designated by such executor(s)) will be allowed to remove or dispose of your furnishings and belongings in your Living Accommodation and any related storage areas at Salemtowne. Members of your family or those to whom you have granted Power of Attorney will not be allowed access to your personal property after your death, unless they are the executor(s) named in your Will.

I. Refund. You or your estate, or a revocable trust designated by you, may be entitled to a refund of any amounts related to the cost of health care services provided by Salemtowne or any third party health care provider less any amounts payable to Salemtowne or any third party health care provider through the date the refund is due hereunder. This refund shall not include the cost of non-standard features that were added to your Living Accommodation at your request. Any refund will be made no later than thirty (30) days from the date of your death.

If the Agreement is terminated by the Corporation in an emergency situation (i.e., because the Corporation is no longer able to meet your urgent health care needs, or termination is necessary to protect your health and safety or that of another person at Salemtowne), the refund will be made within fourteen (14) days after you leave Salemtowne. If you terminate

this Agreement, any refund shall be made within fourteen (14) days from the date of notice of termination or, if no notice is given, within fourteen (14) days after you leave Salemtowne.

- J. Release from Obligations Upon Termination.** Upon termination of this Agreement, Salemtowne is released from any further obligations to you except for the payment of any refund which may be due under this Agreement.

VII. GENERAL

- A. Compliance with Applicable Laws.** Resident and Salemtowne will operate in full compliance with all laws, rules, regulations and ordinances promulgated by lawful governmental authorities.
- B. Confidentiality.** The Corporation has the responsibility to keep all of the personal, medical and financial information you have supplied to it confidential. You consent to the release of any of your personal and medical records maintained by the Corporation (i) to the Corporation's employees, staff and agents; (ii) to persons and organizations from whom you receive health care services; (iii) to third-party payors of health care services provided by the Corporation or other organizations; and (iv) to others deemed reasonably necessary by the Corporation for purposes of treatment, payment and operations of the Corporation, consistent with applicable state and federal health care privacy laws. You understand and agree that authorized agents of the state or federal government, including the Long Term Care Ombudsman, may obtain your records without your written consent or authorization. Release of your records for other purposes shall be made in accordance with applicable law, with a specific authorization from you or your legal representative where required.
- C. Assignment.** Your rights and privileges under this Agreement to the facilities, services and programs of the Corporation are personal to you and may not be transferred or assigned by you or otherwise.
- D. Resident has no Tenancy Interest or Management Rights in Salemtowne.** The absolute rights of management are reserved by the Corporation, its Board of Trustees and its administrators as delegated by said Board of Trustees. The Corporation reserves the right to accept or deny any person for residency. Residents do not have the right to determine entry or terms of entry of any other Resident. Salemtowne reserves the right to amend, implement or terminate policies and/or guidelines related to the operation of the community in its sole discretion.

This Agreement gives Resident the right to live in Salemtowne and to receive or have access to the services and amenities described in the Agreement. However, it does not give Resident the rights of a "tenant" as that term is defined by North Carolina state law. Salemtowne retains the exclusive authority to make all management decisions with regard to the management of Salemtowne, including decisions about admission and discharges, setting charges, Salemtowne's policies and procedures, and the scope of services offered by Salemtowne, consistent with state law and the terms of this Agreement.

- E. Moravian Affiliation.** Salemtowne is affiliated with the Moravian Church in America, Southern Province ("Southern Province"). The Southern Province is not responsible for the financial and contractual obligations of Salemtowne.

- F. Indemnity.** You agree to indemnify, defend and hold us harmless from claims, damages or expenses, including attorneys' fees and court costs, resulting from any injury or death to persons and any damages to property caused by, resulting from, attributable to or in any way connected with your negligent or intentional act or omission or those of your guests, including private duty nurses, companions or others.
- G. Limitation on Liability.** You understand and agree that the services provided by the Corporation and others within Salemtowne are not designed to protect you from the everyday, normal risks and responsibilities of living, including, but not limited to, such general accidents and situations such as falling, choking on food, and weight loss and/or dehydration resulting from your failure to partake of food and drink. Additionally, you understand and agree that the services provided by the Corporation do not include one-on-one monitoring of you, and that your expectations will be consistent with this understanding. The Corporation shall exercise reasonable care toward you based on your known condition. However, you agree that the Corporation is not an insurer of your welfare and safety. You agree that you will exercise due care to protect yourself from harm.
- H. Separability.** The invalidity of any restriction, condition or other provision of this Agreement, or any part of the same, shall not impair or affect in any way the validity or enforceability of the rest of this Agreement.
- I. Resident Contracted Services.** If you wish to privately employ outside assistance, including Salemtowne employed Staff, for whatever reason, all Salemtowne policies must be upheld, and prior written approval by Salemtowne management must be obtained. You agree to hold Salemtowne harmless in all situations related to the provisions of such outside services. The Corporation has the right to require termination of such a service at any time.
- J. Entire Agreement.** This Agreement constitutes the entire contract between the Corporation and Resident. The Corporation shall not be liable or bound in any manner by any statements, representations or promises made by any person representing or assuming to represent the Corporation, unless such statements, representations or promises are set forth in this Agreement or in an amendment to this Agreement signed by Salemtowne's President/CEO and by you. Electronic (e.g., pdf) versions of this Agreement shall have the same legal effect as originals, and all of which, when fully executed, shall constitute one and the same instrument.
- K. Successors and Assigns.** Except as set forth herein, this Agreement shall bind and inure to the benefit of the successors and assigns of the Corporation and the heirs, executors, responsible parties, powers of attorney, administrators and assigns of you.
- L. Capacity.** This Agreement has been executed on our behalf by our duly authorized agent, and no officer, trustee, agent or employee of ours shall have any personal liability hereunder to you under any circumstances. If Resident is, or becomes, unable to understand or communicate his or her health care or financial decision, and is determined by Resident's attending physician to be incapacitated, then in the absence of Resident's prior designation of an authorized legal representative, or upon the unwillingness or inability of a designated legal representative to act, Salemtowne shall have the right to commence a legal proceeding to adjudicate Resident incapacitated and to have a court appoint a guardian for Resident. The cost of the legal proceedings, including attorneys' fees, shall be paid by Resident or Resident's estate.

- M. Tax Considerations.** You should consult with your tax advisor regarding the tax considerations associated with this Agreement.
- N. Governing Law.** This Agreement shall be governed by the laws of the State of North Carolina without regard to conflict of laws principles.
- O. Amendments and Partial Invalidation.** Generally, this Agreement can be changed only by mutual written consent. However, we can make changes without your consent to keep the Agreement in compliance with applicable laws and regulations; provided, that the changes we make do not substantially reduce your benefits under the Agreement, we provide notice of such change not less than thirty (30) days before the change, and we provide an amendment to this contract for your review and signature. If any provision in this Agreement is invalidated, all other provisions will remain in force.
- P. Waivers.** Neither the failure nor any delay on the part of any party to exercise any right, remedy, power, or privilege (“Right”) under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any Right preclude any other or further exercise of the same or of any Right, nor shall any waiver of any Right with respect to any other occurrence. No waiver shall be effective unless it is in writing and is signed by the party asserted to have granted such waiver.
- Q. Survival.** Those rights and obligations that have accrued as a result of the operation of this Agreement shall survive its termination, as shall those rights and obligations that by their terms survive termination and any provisions that must survive to give effect to their terms, as shall any obligation of Resident to pay costs or expenses of his or her stay at Salemtowne that remain unpaid as of such termination.
- R. Governing Law; Venue; Disputes.** This Agreement shall be governed by, interpreted, construed and enforced in accordance with the laws of the State of North Carolina, without giving effect to any choice of law or conflict of law rules or provisions that would cause the application of laws or any jurisdiction other than North Carolina. Except to the extent that the parties have agreed to an alternative mechanism for the resolution of a dispute, to the full extent permitted by law, any action, suit or proceeding arising out of or relating to this Agreement shall be brought and enforced in the courts of the State of North Carolina located in Forsyth County or of the United States District Court for the Middle District of North Carolina, and the parties hereby irrevocably submit to the exclusive jurisdiction of such courts and irrevocably waive any objection that they may now or hereafter have to the laying of venue of any such action or proceeding in such courts.
- S. Gender.** Throughout this Agreement, the use of the masculine gender shall include the feminine, and the use of singular shall include the plural.
- T. Interpretation.** Headings are for convenience and reference purposes only and shall not affect the interpretation of any provision of this Agreement.

U. Notice Provisions. Any notices, consents, or other communications to the Corporation hereunder (collectively “notices”) will be in writing and addressed as follows:

Salemtowne:

Office of the President/CEO
Salemtowne
1000 Salemtowne Drive
Winston Salem, North Carolina 27106

Resident:

Your address for the purpose of giving notice prior to your move to Salemtowne is the address appearing after your signature below.

Your address for the purpose of giving notice after your move to Salemtowne will be the current Living Accommodation address at the applicable time of notice.

You are responsible for notifying us of any changes in address and/or telephone number.

[Signatures Follow on Next Page]

Salemtowne will stand behind all of the statements, promises and representations in this Agreement, but no others. If you feel something has been promised to you, but it is not specifically mentioned in this Agreement, now is the time to discuss it – before you sign this Agreement.

I (we) understand this matter involves a financial commitment and associated risk as well as a legally binding contract. I (we) was (were) encouraged to consult with an attorney and/or financial advisor who could advise me (us) concerning this Agreement.

THE UNDERSIGNED RESIDENT(S) ACKNOWLEDGES RECEIPT OF SALEMTOWNE'S CURRENT DISCLOSURE STATEMENT. THE DISCLOSURE STATEMENT WAS RECEIVED PRIOR TO THE EXECUTION OF THIS AGREEMENT OR PRIOR TO OR AT THE TIME OF THE TRANSFER OF ANY MONEY OR OTHER PROPERTY TO SALEMTOWNE, WHICHEVER OCCURRED FIRST.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in duplicate, as of the day and year first above written, one duplicate copy of this Agreement being retained by each party.

Your signature below certifies that you have read, understand and accept this Agreement as of this (current date) _____ day of _____, _____.

SALEMTOWNE	RESIDENT(S) (or Resident(s)'s Attorney in Fact) (*)
_____ By (signature)	_____ (signature) (SEAL)
_____ Printed Name	_____ (signature) (SEAL)
_____ Title	_____ Current Address: Street
	_____ City, State, Zip Code
	_____ Telephone

(*) If Attorney-in-Fact signs on behalf of the Resident(s), a Filed Power of Attorney document must be attached to this Agreement.

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EXHIBIT A
RESIDENTS' BILL OF RIGHTS

Based on North Carolina General Statute Section 131D-21

Salemtowne shall treat its residents in accordance with the provisions of Article 3 of Chapter 131D of the North Carolina General Statutes. Every resident of Salemtowne shall have the following rights:

1. To be treated with respect, consideration, dignity, and full recognition of his or her individuality and right to privacy.
2. To receive care and services which are adequate, appropriate, and in compliance with relevant federal and State laws and rules and regulations.
3. To receive upon admission and during his or her stay a written statement of the services provided by Salemtowne and the charges for these services.
4. To be free of mental and physical abuse, neglect, and exploitation.
5. Except in emergencies, to be free from chemical and physical restraint unless authorized for a specified period of time by a physician according to clear and indicated medical need.
6. To have his or her personal and medical records kept confidential and not disclosed except as permitted or required by applicable State or federal law.
7. To receive a reasonable response to his or her requests from the Salemtowne administrator and staff.
8. To associate and communicate privately and without restriction with people and groups of his or her own choice on his or her own or their initiative at any reasonable hour.
9. To have access at any reasonable hour to a telephone where he or she may speak privately.
10. To send and receive mail promptly and unopened, unless the resident requests that someone open and read mail, and to have access at his or her expense to writing instruments, stationery, and postage.
11. To be encouraged to exercise his or her rights as a resident and citizen, and to be permitted to make complaints and suggestions without fear of coercion or retaliation.
12. To have and use his or her own possessions where reasonable and have an accessible, lockable space provided for security of personal valuables. This space shall be accessible only to the resident, the administrator, or supervisor-in-charge.
13. To manage his or her personal needs funds unless such authority has been delegated to another. If authority to manage personal needs funds has been delegated to Salemtowne, the resident has the right to examine the account at any time.
14. To be notified when Salemtowne is issued a provisional license or notice of revocation of license by the North Carolina Department of Health and Human Services and the basis on which the provisional license or notice of revocation of license was issued. The resident's responsible family member or guardian shall also be notified.
15. To have freedom to participate by choice in accessible community activities and in social, political, medical, and religious resources and to have freedom to refuse such participation.

16. To receive upon admission to Salemtowne a copy of this Declaration of Residents' Bill of Rights.
17. To not be transferred or discharged from Salemtowne except for medical reasons, the residents' own or other residents' welfare, nonpayment for the stay, or when the transfer is mandated under State or federal law. The resident shall be given at least 30 days' advance notice to ensure orderly transfer or discharge, except in the case of jeopardy to the health or safety of the resident or others in the home. The resident has the right to appeal Salemtowne's attempt to transfer or discharge the resident pursuant to rules adopted by the Medical Care Commission, and the resident shall be allowed to remain in Salemtowne until resolution of the appeal unless otherwise provided by law. The Medical Care Commission shall adopt rules pertaining to the transfer and discharge of residents that offer protections to residents for safe and orderly transfer and discharge.

FILING A COMPLAINT

We encourage residents and families to bring problems and concerns to our attention as they occur. We will do our best to resolve your concerns and feel that is best accomplished the sooner we are aware that a problem exists. You may report your concerns verbally or by using the Concern Form. If you feel that your concerns have not been resolved through the Salemtowne staff, you have the right to contact the following agencies:

- the local Long Term Care Ombudsman or the Nursing Homes Community Advisory Committee at (336) 703-2020
- the Division of Facility Services in Raleigh at (800) 624-3004

EXHIBIT B
PATIENTS' BILL OF RIGHTS

Based on North Carolina General Statute Section 131E-117

Salemtowne shall treat its residents in accordance with the provisions of Article 3 of Chapter 131E of the North Carolina General Statutes. Every resident of Salemtowne shall have the following rights:

1. To be treated with consideration, respect, and full recognition of personal dignity and individuality;
 2. To receive care, treatment and services which are adequate, appropriate, and in compliance with relevant federal and State statutes and rules;
 3. To receive at the time of admission and during the stay, a written statement of the services provided by Salemtowne, including those required to be offered on an as-needed basis, and of related charges. Charges for services not covered under Medicare or Medicaid shall be specified. Upon receiving this statement, the patient shall sign a written receipt which must be on file at Salemtowne and available for inspection;
 4. To have on file in the patient's record a written or verbal order of the attending physician containing any information as the attending physician deems appropriate or necessary, together with the proposed schedule of medical treatment. The patient shall give prior informed consent to participation in experimental research. Written evidence of compliance with this subdivision, including signed acknowledgements by the patient, shall be retained by Salemtowne in the patient's file;
 5. To receive respect and privacy in the patient's medical care program. Case discussion, consultation, examination, and treatment shall remain confidential and shall be conducted discreetly. Personal and medical records shall be confidential and the written consent of the patient shall be obtained for their release to any individual, other than family members, except as needed in case of the patient's transfer to another health care institution or as required by law or third party payment contract;
 6. To be free from mental and physical abuse and, except in emergencies, to be free from chemical and physical restraints unless authorized for a specified period of time by a physician according to clear and indicated medical need;
 7. To receive from the administrator or staff of Salemtowne a reasonable response to all requests;
 8. To associate and communicate privately and without restriction with persons and groups of the patient's choice on the patient's initiative or that of the persons or groups at any reasonable hour; to send and receive mail promptly and unopened, unless the patient is unable to open and read personal mail; to have access at any reasonable hour to a telephone where the patient may speak privately; and to have access to writing instruments, stationery, and postage;
 9. To manage the patient's financial affairs unless authority has been delegated to another pursuant to a power of attorney, or written agreement, or some other person or agency has been appointed for this purpose pursuant to law. Nothing shall prevent the patient and facility from entering a written agreement for Salemtowne to manage the patient's financial affairs. In the event that Salemtowne manages the patient's financial affairs, it shall have an accounting available for
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inspection and shall furnish the patient with a quarterly statement of the patient's account. The patient shall have reasonable access to this account at reasonable hours; the patient or facility may terminate the agreement for Salemtowne to manage the patient's financial affairs at any time upon five days' notice.

10. To enjoy privacy in visits by the patient's spouse, and, if both are inpatients of Salemtowne, they shall be afforded the opportunity where feasible to share a room;
11. To enjoy privacy in the patient's room;
12. To present grievances and recommend changes in policies and services, personally or through other persons or in combination with others, on the patient's personal behalf or that of others to Salemtowne's staff, the community advisory committee, the administrator, the Department, or other persons or groups without fear of reprisal, restraint, interference, coercion, or discrimination;
13. To not be required to perform services for Salemtowne without personal consent and the written approval of the attending physician;
14. To retain, to secure storage for, and to use personal clothing and possessions, where reasonable;
15. To not be transferred or discharged from a facility except for medical reasons, the patient's own or other patients' welfare, nonpayment for the stay, or when the transfer or discharge is mandated under Title XVIII (Medicare) or Title XIX (Medicaid) of the Social Security Act. The patient shall be given at least five days' advance notice to ensure orderly transfer or discharge, unless the attending physician orders immediate transfer, and these actions, and the reasons for them, shall be documented in the patient's medical record;
16. To be notified within 10 days after Salemtowne has been issued a provisional license because of violation of licensure regulations or received notice of revocation of license by the North Carolina Department of Health and Human Services and the basis on which the provisional license or notice of revocation of license was issued. The patient's responsible family member or guardian shall also be notified.

FILING A COMPLAINT

We encourage residents and families to bring problems and concerns to our attention as they occur. We will do our best to resolve your concerns and feel that is best accomplished the sooner we are aware that a problem exists. You may report your concerns verbally or by using the Concern Form. If you feel that your concerns have not been resolved through the Salemtowne staff, you have the right to contact the following agencies:

- the local Long Term Care Ombudsman or the Nursing Homes Community Advisory Committee at (336) 703-2020
- the Division of Facility Services in Raleigh at (800) 624-3004



Appendix B6

Navigation Member Services Agreement



Member Services Agreement

Member: _____

Address: _____

- Check Plan Selected:
- ☐ All Inclusive Plan
 - ☐ All-Inclusive Plus Plan
 - ☐ Enhanced Plan
 - ☐ Classic Plan
 - ☐ Bridge Plan

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MEMBER SERVICES AGREEMENT

This Member Services Agreement (together with all attachments, exhibits and schedules attached hereto and incorporated herein the “Agreement”) is made this ____ day of _____ 20__ (“Effective Date”) by and between MORAVIAN HOME, INCORPORATED d/b/a NAVIGATION AT HOME, a North Carolina nonprofit corporation (hereinafter the “Corporation”), and _____ hereinafter “Member”, “You”), whose place of residence is at “Home”, “Home Site”). Home or Home Site does not include any assisted living, skilled nursing, memory care, rehabilitation, hospice or any other similar unit, accommodation or residence at Salemtowne or any other community or facility.

WHEREAS, Corporation operates a continuing care retirement community (CCRC) located at 1000 Salemtowne Drive in Winston-Salem, North Carolina, known as “Salemtowne”; and

WHEREAS, Corporation has established a program known as Navigation at Home (“Program”) which allows for its members to remain in their private residence while enjoying the traditional benefits of a continuing care retirement community; and

WHEREAS, You desire to become a Member of the Program and to use and enjoy certain facilities, programs and services provided by the Program subject to the terms and conditions of this Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Member and Corporation agree as follows:

I. DEFINITIONS

All terms not defined here shall have the meanings ascribed to them in the Agreement, or their common meaning.

ADL (Activities of Daily Living) Deficiencies means deficiencies, as determined by the Care Coordination Team, in activities of daily living, such as bathing, dressing, eating, transferring, walking, mobility, grooming and continence.

Adult Day Care Services means a facility that offers a program of services in a congregate setting for a scheduled number of hours per week. Elements of an adult day care program may include transportation, meals and activities (both health related and social).

Assisted Living Facility is a residential facility licensed by the state of North Carolina for persons in need of assistance with activities of daily living.

Care Coordination Team means the persons appointed by the Program comprised of the Director of Care Coordination (or his/her designee), a representative of administration, the Program’s Medical Director (or his/her designee) and other clinical professionals.

The Care Coordination Team may, at the Program’s sole discretion, change titles and personnel from time to time.

Care Plan means the written plan of long-term care services, including type of service,

start date, quantity, frequency, duration of service, name of Program Approved Provider or Facility and any special considerations, which is developed and approved by the Care Coordination Team for Member based on a comprehensive needs assessment. The Care Plan is agreed to and signed by Member.

Companion means a person designated by the Program to provide Companion Services to a Member at the Member's Home, when the Member lives alone or when his or her family is temporarily away from home.

Companion Services means those services provided by a Companion when assistance, such as supervision of activities of daily living (ADLs) and/or medication reminders, is needed. The Companion can also do cooking, dishwashing, laundry, light housekeeping and errands, as well as conversation and social time while present in the Home for eligible services.

Deferred Fees means any fees owed by Member which are to be paid at a later date.

Designated Representative means the person authorized by the Member to make decisions on his/her behalf.

Designated Service Area means the Program's area of coverage for Services, as defined by the Program. The Designated Service Area may be altered from time to time at the sole discretion of the Program. No change in the Designated Service Area by the Program will adversely affect this Agreement as long as the Member does not relocate out of the Designated Service Area existing as of the date of the Member's execution of this Agreement.

Determined To Be Appropriate means the Care Coordination Team, utilizing industry standards and accepted standards of healthcare practice, has assessed a Member's medical and functional status and concluded that Services are necessary and will be provided by the Program.

Effective Date means the date set forth in the first paragraph of this Agreement.

Emergency Response System means an in-home 24 hour electronic alarm system activated by a signal to a central switchboard. This system allows a Member who is deemed to be at high risk to secure immediate help in the event of a medical, physical, emotional or environmental emergency.

Facility means Assisted Living Facility or Skilled Nursing Facility.

Facility-Based Services means Services provided in a Facility other than the Home Site, including Assisted Living and Nursing Home Facilities.

Home Care Aide or Home Care Agency means a qualified person or provider licensed to provide Home Care Aide Services and designated by the Program to provide Home Care Aide Services to a Member at the Member's Home Site.

Home Care Aide Services may include assistance with bathing and dressing, an

established activity regimen, such as range of motion exercises, nutritional needs, such as feeding assistance, and simple maintenance of the Member's environment.

Homemaker is a person designated by the Program to provide Homemaker Services to the Member at the Member's Home Site.

Homemaker Services are services provided by a Homemaker, which may include assistance with day-to-day chore activities in the Home Site, such as cooking, dishwashing, laundry, light housekeeping and errands.

Home or Home Site means the Member's place of residence as specifically indicated in the first paragraph of this Agreement. Home or Home Site does not include any assisted living, skilled nursing, memory care, rehabilitation, hospice or any other similar unit, accommodation or residence at Salemtowne or any other community or facility.

Home Site Services means Services provided by the Program in a Member's Home or Home Site as defined herein.

Long-term Care Insurance Policy means an insurance policy that covers the costs of long-term care services and support and that is acceptable to and approved by Corporation.

Medical Director means a physician appointed from time to time by the Program to oversee the provision of medical and health care services provided to Members.

Medical Record means all records relating to the Member's medical history and condition, which may be maintained by the Program or by a Program Participating Facility or a Program Approved Provider.

Medicare means the Health Insurance for the Aging Act, Title XVIII of the Social Security Amendment of 1965, as amended, and regulations promulgated thereunder in effect from time to time.

Medicare-Covered Services means all hospital, skilled nursing, home care and medical services covered and paid for by Medicare Parts A and B and the Member's MediGap or secondary insurance.

Medicare Supplemental Coverage means a private health insurance plan, which is certified by the Secretary of Health and Human Services as meeting federal requirements for Medicare supplemental policies. In general, Medicare Supplemental Coverage, also referred to as MediGap Insurance or Secondary Insurance, pays some of the balance of the costs of care covered by Medicare parts A and B when full costs are not paid by Medicare. It pays for certain deductibles and copayments.

Member means the person accepted into the Program having signed a Member Services Agreement and paid the Membership Fee.

Member's Designated Representative means any person appointed by Member to represent Member's interests, or granted a power of attorney or appointed guardian by a court.

Nursing Home Facility means a facility licensed by the state of North Carolina to provide various levels of nursing or convalescent care.

Permanent Member means a Member who has resided in an Assisted Living or Nursing Home Facility for 100 consecutive days, and has been determined to be a Permanent Member with respect to such Facility by the Care Coordination Team.

Program-Approved Provider means a health care services firm having an agreement with the Program to supply Services to Members.

Program-Participating Facility means an Assisted Living or Nursing Home Facility having an agreement with the Program to supply Facility-Based Services to Members.

Program Plan means the All Inclusive, All Inclusive Plus, Enhanced, Classic Plan or Bridge Plan selected in this Agreement.

Provide means that the Program will directly, or through a Program-Participating Facility or other provider make Services available at the Program's cost, subject to any applicable co-payments and deductibles or other costs to be paid by the Member as set forth in this Agreement, including Attachment A.

Referral Service means a service provided under the Program whereby the Program, acting as an intermediary between Member and third party vendors of such services, makes referrals to Member for such services as he/she may choose, **at costs payable in full by Member.**

Residential Healthcare means a Nursing Home Facility having an agreement with the Program.

Services mean care coordination, Member home inspection, Home Site Services (including home health care, Homemaker Services, Companion Services, Emergency Response System, meals and Adult Day Care), Facility-Based Services (including Assisted Living and Nursing Home), limited transportation services, Referral Services and lifestyle and wellness programs, that are provided to Member in the Program subject to the payment of all applicable co-payments, deductibles, fees, costs and expenses by Member to the Corporation and the provisions of this Agreement.

Care Navigator means the person appointed by the Program to handle the needs of the Member for Services, for conducting assessments and for making recommendations for Services subject to review and final determination of the Member's eligibility for Services by the Care Coordination Team.

II. ACCOMMODATIONS AND SERVICES

By execution of this Agreement and subject to the payment of any and all applicable co-payments, deductibles, fees, costs and expenses by the Member to the Corporation, Program will provide to Member the Services described in this Agreement and in Attachment A, in a manner consistent with the objective of enabling Member to maintain his or her own living arrangement in their Home for as long as is practical and to assist in arranging for Facility-Based Services if needed.

Member agrees to accept and pay for the Services in the manner set forth in this Agreement, including but not limited to Attachment A, and to abide by the rules and regulations of the Program with respect to the Services, which such rules and regulations may be changed from time-to-time by the Program.

Corporation agrees to provide Member the Services set forth below and included in Attachment A, to the extent provided for in the Program Plan selected by the Member and subject to the terms and conditions set forth in this Agreement, including, but not limited to, the payment of all applicable co-payments, deductibles, fees, costs, and expenses to the Corporation by the Member:

- A. **Residence.** Member shall remain in his or her existing Home or subsequent Home of his or her choice within the Designated Service Area to remain eligible for all Services of the Program.

Should the Member desire to become a resident of Salemtowne continuing care retirement community, the Member will be subject to, and shall comply with, the entry requirements of the retirement community and applicable payment of fees including, but not limited to, providing the Corporation updated medical and financial information in order to determine Member's ability to live independently and to afford the additional entry fee and higher monthly service fees required for residency in the particular reserved unit. The Corporation reserves the right to decline Your admission to Salemtowne for residency if Your medical and financial circumstances have changed so that you are not able to live independently or are not able to afford the additional entry fee and higher monthly service fees required for residency in the particular reserved unit. Member shall have the right to continue or terminate this Agreement. Should Member terminate this Agreement, any unamortized portion of the Membership Fee made pursuant to this Agreement less any fees due and owing to the Corporation under this Agreement may be credited towards any future Salemtowne retirement community entry fees.

- B. **Care Coordination.** A Care Navigator will be assigned to the Member. Under the direction of the assigned Care Navigator, the Care Coordination Team, in consultation with the Member and/or the Member's Designated Representative, shall prepare a Care Plan to meet the Member's particular needs from time to time during the term of this Agreement. All decisions involving the Member's participation in various medical and health care services or temporary or permanent transfer from the Home Site to Facility-Based Services will be made by the Care Coordination Team following consultation with the Member or the Member's Designated Representative. The amount of the co-payments, deductibles, costs, fees and expenses covered by the Corporation for such care coordination services is set forth

in Attachment A hereto. All costs, fees and expenses not covered by the Corporation are the responsibility of the Member.

- C. **Member Home Inspection.** During the first year of membership and every other year thereafter (unless circumstances of a Member's health condition justify more frequent inspections), Program will provide a functional inspection of the Home Site for the purpose of ascertaining any functional and safety problems, and will make recommendations to the Member based on the inspection. Program may require, based on circumstances of previous inspections or Member's health condition, that the Member permit Program to provide a functional inspection of the Home Site. Program does not, however, represent that it will undertake steps necessary to effectuate any of such recommendations. Any recommended changes or corrections are the Member's sole responsibility. It is the Member's choice to make such recommended changes or corrections to his/her Home Site. To aid the Member in securing necessary goods or services, Program will make available a list of possible vendors of such goods and services. The Member is solely responsible for the full cost of any of the repairs or improvements to his/her Home Site as a result of the Member's home inspection. If Member refuses any reasonable recommendation of the Care Coordination Team, Program shall have no responsibility or liability for the consequences of such refusal. The amount of the co-payments, deductibles, costs, fees and expenses covered by the Corporation for such Home Site inspection services is set forth in Attachment A hereto. All co-payments, deductibles, costs, fees and expenses not covered by the Corporation are the responsibility of the Member.
- D. **Home Site Services.** Home Site Services (as more specifically described in items 1 through 5 below) will be provided as Determined To Be Appropriate by the Care Coordination Team. Member must exhibit at least one or more ADL Deficiencies to be eligible for the following Home Site Services, and Member must use a Program-Approved Provider to be eligible for coverage. Program may require an examination by the Medical Director (or his or her designee) to determine eligibility for Home Site Services. The amount of the co-payments, deductibles, costs, fees and expenses covered by the Corporation for such Home Site Services is set forth in Attachment A hereto. All co-payments, deductibles, costs, fees and expenses not covered by the Corporation are the responsibility of the Member.
1. **Home Care Aide Services.** Program will provide non-Medicare covered home care services, including personal care provided by a licensed Home Care Aide or Home Care Agency as Determined To Be Appropriate by the Care Coordination Team and to the extent provided for in the Program Plan selected by the Member.
 2. **Homemaker Services.** Program will provide Homemaker Services as Determined To Be Appropriate by the Care Coordination Team and to the extent indicated in the Program Plan selected by the Member.
 3. **Companion Services.** Program will provide Companion Services as Determined To Be Appropriate by the Care Coordination Team and to the extent indicated in the Program Plan selected by the Member.

4. **Emergency Response System.** If Determined To Be Appropriate by the Care Coordination Team, Program will provide an emergency response system with 24 hour coverage.
 5. **Meals.** If due to a medical need and if Determined To Be Appropriate by the Care Coordination Team, Program will provide the Member with a maximum of two (2) meals per day delivered to the Home Site for a maximum of one (1) week after each event causing the medical need.
- E. **Facility-Based Services.** When Determined To Be Appropriate by the Care Coordination Team and prescribed by a physician, Program will provide or cause to be provided, Facility-Based Services, including Assisted Living Facility Services in a semi-private accommodation and Nursing Home Facility Services in a semi-private accommodation and/or Adult Day Care Services. Program may require an examination of Member by the Program's Medical Director (or his/her designee) to determine eligibility for Facility-Based Services.
- As determined to be appropriate by the Care Coordination Team, these Facility-Based Services will be provided either in the Salemtowne retirement community's Assisted Living and Nursing Home Facilities, or in similar Program-Participating Facilities approved by the Program. Any and all co-payments, deductibles, costs, expenses and fees relating to the provision of Facility-Based Services, including Assisted Living Facility Services, Nursing Home Facility Services and/or Adult Day Care Services, including, but not limited to, any ancillary charges such as laundry, prescription drugs, medical supplies, telephone, television, or internet, shall be the sole responsibility of the Member to the extent provided for in the Program Plan selected by the Member.
- F. **Transportation Services.** If the Member is unable to drive or instructed by his/her physician not to drive, Program will provide transportation to and from medically necessary outpatient surgery or short procedures which may include, but are not limited to, cataract removal, and surgical biopsies. This does **not** include transportation for regular physician office visits, dialysis, and routine specialist appointments. The amount of the co-payments, deductibles, costs, fees and expenses covered by the Corporation for such transportation services is set forth in Attachment A hereto. All co-payments, deductibles, costs, fees and expenses not covered by the Corporation are the responsibility of the Member.
- G. **Common Facilities.** Member shall have access to certain common facilities that are otherwise available for the use and benefit of residents of Salemtowne retirement community, which may include a central dining room, library and computer center, heated swimming pool, chapel, multi-purpose auditorium, lounges, arts and crafts room, and others as described in the current literature. Use of the common facilities will be available for use by the Member where there is capacity and such use shall be subject to change or restriction from time to time at the sole discretion of the Corporation. Member will be responsible for dining and applicable activity charges.
- H. **Lifestyle and Wellness Programs.** Lifestyle and wellness programs will be offered from time to time, free of charge or with an applicable fee for service, including but not limited

to, exercise classes, wellness seminars, speakers and day excursions. Members will be advised of the schedules and the cost of these programs on an as-offered basis.

- I. **Activities and Leisure Events.** Program will provide planned and scheduled social, recreational, spiritual, educational, cultural, leisure, arts and crafts, exercise, health, day excursions, and other special activities or programs designed to meet the needs of the Members. Some of these programs may include a fee. Member will be responsible for these additional fees, if any.
- J. **Referral Service For Additional Services.** In addition to the Services outlined in this Agreement, a Referral Service for other services is available. These may include landscape maintenance, legal, financial planning, home maintenance and rental of medical equipment. Each vendor will charge Member accordingly for the agreed upon service.
- K. **Other Services and Programs at Additional Charge.** Other services and programs will be available to the Member at the Member's expense, including but not limited to private transportation, catering, and other special services. The availability and charges for additional services are determined by Program.

III. AGREEMENT REQUIREMENTS AND PROCEDURES

- A. **Condition of Membership.** Navigation at Home is available to persons 62 years of age or older who meet all eligibility requirements established by Program. As a condition of membership Member must continue to meet all eligibility requirements established by Program, including but not limited to qualifications to ensure that Program can accommodate Member's health needs through the Program. Member agrees to provide such additional information that Program may require from time to time to supplement the Application.
- B. **Representations.** The Member affirms that the representations made in the Membership and Financial Applications and Personal Health History form are true and correct and may be relied upon by the Program as a basis for entering into this Agreement.
- C. **Medical Insurance.** Member agrees to obtain and maintain in force, at Member's expense, the maximum coverage available to Member under Medicare Parts A and B, or other similar programs, and one Medicare supplemental insurance policy. If Member is not eligible for Medicare Parts A and B, Member will obtain and maintain in force a health insurance policy approved by the Program that is equivalent to both Medicare parts A and B, and supplemental coverage. If Member fails to arrange for or maintain such medical insurance coverage, Program may, in Program's sole discretion, terminate this Agreement. Should Member fail to obtain or maintain the insurance required by the Program, Member shall be responsible for any portion of such expense that would have been covered by this insurance. Member shall furnish to Program evidence of such coverage as it may from time to time request. All changes in insurance coverage must be submitted in writing to the Program within ten (10) calendar days.

D. Long-term Care Insurance (All Inclusive Plus Plan Only).

1. If Member has selected the All Inclusive Plus Plan under this Agreement as indicated in Section V.A. of this Agreement, Corporation has agreed to a discounted Monthly Fee (see Section V. B. and Attachment [A]) in consideration for Member obtaining and maintaining a Long-Term Care Insurance Policy and for future payments to Corporation from the Long-Term Care Insurance Policy for Services rendered to Member by Corporation.
2. Member agrees to obtain and maintain in force at all times during the term of this Agreement, at Member's expense, a Long-Term Care Insurance Policy. Member shall furnish to Program evidence of such coverage as it may from time to time request. All changes in insurance coverage must be submitted in writing to Program within ten (10) calendar days of any such change.
3. Member agrees to cooperate with Corporation in filing claims for payment under the Long-Term Care Insurance Policy. If for any reason Corporation cannot apply directly for payment under the Long-Term Care Insurance Policy, Member will do so. Reimbursement from the Long-Term Care Insurance Policy shall become the property of Corporation to the extent that Corporation has provided Services to Member. Member hereby assigns to Corporation payments made under the Long-Term Care Insurance Policy in an amount equal to the cost of Services either rendered by Corporation to Member or rendered by a Program-Approved Provider or Program-Participating Facility and paid for by Corporation. If Member receives payment under the Long-Term Care Insurance Policy, he or she shall pay such amount to Corporation as reimbursement for any and all costs incurred by Corporation in providing Services to Member. Corporation may, but shall not be required to, pay on Member's behalf premiums in connection with the Long-Term Care Insurance Policy, and Member agrees to reimburse Corporation for the cost of such premiums paid by Corporation.
4. If Member fails to arrange for or maintain such Long-Term Care Insurance Policy, Corporation may, in Corporation's sole discretion, terminate this Agreement as outlined in Section VII B of this Agreement; provided, however, that prior to terminating this Agreement, Member shall have ten (10) calendar days to either (i) reinstate Member's Long-Term Care Insurance Policy or obtain a new Long-Term Care Insurance Policy or (ii) pay Corporation an amount equal to: (x) the aggregate amount of the discount Member has received, which will be calculated by multiplying the monthly discount set forth on Attachment [A] by the number of months that have elapsed from the Effective Date of this Agreement to the date that is ten (10) calendar days after the date Member's Long-Term Care Insurance Policy was terminated or discontinued ("Measurement Period"); less (y) the aggregate amount of all payments Corporation has received from the Long-Term Care Insurance Policy during the Measurement Period for Services provided to Member under this Agreement ("Net Aggregate Discount"). In the event Member elects to pay Corporation the Net Aggregate Discount, this Agreement will continue in full force and effect, subject to the terms of this Agreement; provided, however, Member will no longer pay a discounted Monthly Fee but will pay Corporation the then

prevailing full Monthly Fee without any discount each month during the term of this Agreement.

5. Should Member fail to obtain or maintain the Long-Term Insurance Policy required by the Program at any time, Corporation shall not be liable and Member accepts full responsibility for payment of any and all Services, which are not covered by the Policy but would have been covered, had the Policy remained in force and which are not included in the All Inclusive Plus Plan as set forth in Attachment A.
 6. In the event this Agreement is terminated by Corporation pursuant to Section III. D. 4. of this Agreement, Member shall forfeit any and all refund under Section VIII of this Agreement.
- E. **Limitation of Liability in Case of Refusal to Leave Home Site.** If the Care Coordination Team determines that the Member should move to a Program Participating Facility for the health and safety of the Member, and Member refuses to make such move, or if a Member refuses any other reasonable recommendation of the Care Coordination Team, the Program shall have no responsibility or liability for the consequences of such refusal.
- F. **Accident or Illness Outside of Designated Service Area.** If an accident or illness occurs while Member is outside of the Designated Service Area, Member shall make every reasonable effort to notify the Program as soon as possible. If medical care is required, Member shall arrange to return to Home Site or, if approved by the Care Coordination Team, to a Program Participating Facility as soon as reasonably possible. To the extent provided for in the Program Plan selected by the Member, the Program will be responsible for the costs of nursing care services covered under this Agreement that are incurred by Member in a Nursing Home Facility as a result of such accident or illness for a forty-five (45) day period of time after Member is admitted. The Program's responsibility for Nursing Home Facility charges will be limited to the then current negotiated private pay daily rate for a private bed for the same level of care at Salem Towne retirement community's Nursing Home Facility. Member will be responsible for any and all other costs such as hospital costs, physician fees, and transport, as well as any other costs not specifically stated in this Agreement, which shall be paid by Member or Member's personal insurance.
- G. **Right of Subrogation.** In case of accident or injury to Member caused by third parties, Member agrees to begin suit for damages within three months following written notice by the Corporation to Member, of the Corporation's interest in such suit. If Member fails to begin suit, Member hereby grants power of attorney to the Corporation, which power shall not be affected by the disability of Member, at its election to bring any claims or initiate legal action, if necessary, against the person who has caused injury to Member for compensation for the injury or expenses thereby caused. Member agrees to execute such further authorizations as shall be desirable to prosecute such claims or causes of action. The Corporation, at its election, may sue on and enforce any cause of action for Member, for injury or damages so resulting, in the name of the Member or in its own name.

After all costs and damages incurred by the Program (including reasonable costs of care furnished to Member by the Program because of such accident or injury) shall have been

paid for and reimbursed to the Corporation by such subrogation, the balance of any collection made will be refunded or credited to Member's account, or in the event of the death of Member, will be paid to Member's estate. The Corporation may limit its election as provided above to claims for recovery of the costs incurred by it, and in such event, the Corporation shall not be obligated to assert any claim of Member arising out of such accident or injury beyond the costs incurred by the Program.

- H. **Annual Physical Examination.** Program encourages Member to undergo an annual physical examination performed by Member's personal physician. Member is responsible for the cost of any such physical examination. Program encourages that a medical report be submitted by Member's personal physician to his/her Care Navigator.

IV. TRANSFERS OR CHANGES IN LEVELS OF CARE

- A. **Transfer to Assisted Living or Nursing Home Facility.** The Member agrees that the Program shall have authority to determine if the Member should be transferred from the Member's Home Site to an Assisted Living or Nursing Home Facility. Such determination shall be based on a physical and mental assessment to determine the appropriate level of care for the Member and shall be made only after consultation to the extent possible with the Member or the Member's Designated Representative, and the Member's attending physician. All co-payments, deductibles, costs of Services in these Facilities will be paid by Member, except as otherwise set forth in this Agreement, including Attachment A, and the Program Plan selected.
- B. **Transfer to Hospital or Other Facility.** Should a Member be diagnosed to be psychotic or mentally ill, or as having a highly contagious or dangerous disease, or it is determined that their continued presence in their Home Site or Facility where the Member resides is either dangerous or determined to be detrimental to the health or peace of the Member, staff or residents of the Facility, the Program shall have the authority to transfer the Member to a hospital, center, or institution equipped to give such care, which care will be at the expense of the Member. Such transfer of the Member will be made only after consultation to the extent possible with the Member, or in the case of incompetency, with Member's Designated Representative, and the Member's attending physician.
- C. **Permanent Transfer From Living Accommodation.** A Member may be transferred permanently to a Program Participating Assisted Living or Nursing Home Facility if it is determined by the Care Coordination Team that the Member is no longer mentally and/or physically able to function safely in his or her Home. All decisions involving permanent transfer from Member's current living accommodation (including Home Site, Assisted Living Facility, Nursing Home Facility or hospital) to another accommodation will be made by the Care Coordination Team in consultation with the Member, or in case of incompetency, with the Member's Designated Representative, and the Member's attending physician.

V. FEES, TERMS AND CONDITIONS

- A. **Membership Fee.** The Member agrees to pay the Program a one-time nontransferable, non-interest bearing Membership Fee of \$_____ (“Membership Fee”) as a condition of becoming a Member in the Program. This Membership Fee is payment for the _____ Program Plan, the payments and benefits of which are described in this Agreement, including Attachment A.
- B. **Monthly Fee.** In addition to the Membership Fee, Member agrees to pay a monthly fee (“Monthly Fee”) for the term of this Agreement, which shall be payable in advance by the tenth (10th) day of each month. As of the date of this Agreement, the Monthly Fee associated with the Program Plan selected will be \$_____ per month. After paying the Membership Fee, Member will commence paying the Monthly Fee. Monthly Fees are not subject to change or credit if a Member is away from the Home Site for any period of time.
- C. **Adjustments in the Monthly Fee and Other Fees.** The Monthly Fee and other costs, fees and expenses charged by the Corporation are made to provide the Services described in this Agreement and are intended to meet the cost of administration, staffing, and other expenses associated with the operation and management of the Program. The Program will usually set fees, costs and expenses annually but shall have the authority to adjust the Monthly Fee and the other costs, fees, and expenses charged by the Corporation from time to time as necessary to continue operating on a sound financial basis and to maintain the quality of services called for herein. The Program, upon thirty (30) days written notice to the Member, may make any such increases in the Monthly Fee and other costs, fees, and expenses charged by the Corporation.
- D. **Monthly Statements.** At the beginning of each month, the Program will furnish the Member with monthly statements showing the Monthly Fee and additional co-payments, deductibles, service fees, costs and expenses owed by the Member that shall be payable by the tenth (10th) day of the month. Program may charge interest at a rate of one and one-half percent (1.5%) per month on any unpaid balance. In the event Member does not make payment on a timely basis, Member agrees to pay attorney’s fees, if any, incurred by the Program in the collection of such fees, costs and expenses. Member may not withhold Monthly Fees for any reason. In the event of non-payment of the Monthly Fee and/or additional service fees, costs, and expenses, Program reserves the right to terminate this Agreement.

Initials _____
Corporation Member

- E. **Care in Other Assisted Living or Nursing Care Facilities.** If a Member transfers to a Facility other than at Salemtowne retirement community or other Program Participating Facility, the Program may limit payment of charges incurred at the Facility for the level of services defined within this Agreement if the cost of such services for any day exceeds the then current negotiated private pay daily rate for a private room in the Nursing Home Facility at Salemtowne retirement community. The Member may either transfer to the Assisted Living Facility or Nursing Home Facility at Salemtowne retirement community or other Program Participating Facility, or pay the difference between the cost of services at the Facility and the then current negotiated private pay daily rate for a private room in the Nursing Home Facility at Salemtowne retirement community. Member will continue to pay the Monthly Fee for the Program. Member will also be solely responsible for any and all co-payments, deductibles, fees, costs and expenses relating to such transfer.
- F. **Care in Other Facilities.** Should Member need a level of care beyond that which Salemtowne retirement community or other similar facility is licensed to provide and Member requires transfer to another facility, all co-payments, deductibles, fees, costs, and expenses that result from such transfer and care shall be borne entirely by Member.
- G. **Limitation of Program Payment for Non-Institutional Health Care Services.** Program may limit payment for Home Site Services (Home Care Aide, Homemaker, Companion, Emergency Response System, meals and Adult Day Care) if the aggregate cost of such services for any day exceeds the then current negotiated private pay daily rate for a private room in the Nursing Home Facility at Salemtowne retirement community.
- The Member may either transfer to a Program-Participating Facility or pay the difference between the cost of Home Site Services and the then current negotiated private pay daily rate for a private room in the Nursing Home Facility in Salemtowne retirement community.
- H. **Assignment of Reimbursements.** Member agrees to apply for any federal, state, and local reimbursements for which Member may be eligible or entitled. The Program shall have the right to bill, or have Program Providers bill, Medicare, Medicaid and other third party payers for any covered supplies and services provided by the Program. Any reimbursement for such supplies or services received by the Member shall be assigned to or paid to the Program to cover any co-payments, deductibles, fees, costs and expenses incurred by the Program or other Program Participating Facility. The Member is responsible for all co-payments, deductibles, fees, costs and expenses incurred while this Agreement remains in force, and the Member will pay any disputed or denied claims within thirty (30) days of the date of service.
- I. **Excess Costs.** Except as specifically provided by this Agreement, Member shall be solely responsible for services not covered by Medicare Parts A and B and Medicare Supplemental Coverage and for payments exceeding Medicare and Member's Supplemental Coverage limits, including but not limited to: audiological tests and hearing aids; eye glasses and refractions; dentistry; dentures; dental inlays; organ transplants; orthopedic appliances; occupational, physical and speech therapy; podiatry; hospitalization and professional care for psychiatric disorders; treatment for alcohol or drug abuse medications; chiropractors; renal dialysis; extraordinary treatments; and experimental treatments as reasonably determined by Medical Director. Member will be responsible for the cost of all services and

supplies not expressly provided for by the Program as set forth in this Agreement. Such services and supplies include, but are not limited to, the cost of all prescription medicines, physician services, private duty nursing services, out-patient services, physical therapy, occupational therapy, speech therapy, IV therapy, respiratory therapy, oxygen, hospitals, eye glasses, hearing aids, dentistry, orthopedic appliances, therapy for psychiatric disorders, treatment for mental illness, incontinent supplies, renal dialysis, personal laundry, non-medical supplies, routine or emergency transportation, or any services not specifically provided for by this Agreement. The Program may rent and charge to Member any specialized or personalized equipment, such as wheelchairs, walkers, kidney machine or respiratory equipment.

- J. **Non-Payment.** If Member fails to make any of the Monthly Fee payments at the required time, or pay any other amounts due to the Program on the monthly statement provided to Member by the Program within thirty (30) days after it is billed to the Member, the Program may give written notice to the Member to pay all such amounts. If the Member fails to comply with such notice within fifteen (15) days, the Program may terminate this Agreement, and provide the Member with any applicable refund set forth in Section VIII.
- K. **Transfer of Property.** The Member agrees not to make any gift or other transfer of assets for the purpose of evading the Member's obligations under this Agreement, or if such gift or transfer would render such Member unable to meet such obligations under this Agreement.
- L. **Amount Due.** Member or Member's estate shall be liable to the Program for the full amount of any unpaid fees, including, but not limited to, Monthly Fees, additional service fees, and Deferred Fees. This Agreement shall operate as a lifetime assignment, transfer and conveyance to the Program of so much of such Member's property as is necessary to cover such liability.
- M. **Financial Assistance.** This Agreement will not be terminated solely because of a Member's financial inability to continue to pay the Monthly Fees or other charges payable to the Program by reason of circumstances beyond the Member's control, provided, however, this declaration shall not be construed as qualifying the right of the Program to terminate this Agreement and in accordance with the terms thereof.

In the event that a Member presents facts which, in the opinion of the Program, justify special financial consideration, the Program will give careful consideration to subsidizing in whole or in part the Monthly Fee and other Program charges payable by the Member hereunder so long as such subsidy can be made without impairing the ability of the Program to attain its objectives while operating on a sound financial basis. In the event that the Program subsidizes, in whole or in part, the Fees and other Program charges payable by the Member hereunder, the Member will be required to execute a separate Financial Assistance Agreement with the Corporation.

Any determination by the Corporation with regard to the granting or the continuation of financial assistance shall be within the sole discretion of the Corporation.

Upon termination of this Agreement for any reason, the Member or Member's estate will be

liable to the Corporation for the full amount of the subsidy the Member received. This Agreement shall operate as a lifetime assignment, transfer and conveyance to the Corporation of so much of such Member's property as is necessary to cover such liability.

- N. **Hospital, Surgical and Physician Care.** Program will have no responsibility to pay for Member's surgical, hospital or physician care.
- O. **Funeral and Burial.** Program will not be responsible for making funeral or burial arrangements and is not responsible for related expenses.
- P. **Emergency Notifications.** Member agrees to provide Program with the following information prior to the Effective Date of this Agreement, as well as any changes during the term of this Agreement:
 - Names, address and phone numbers of persons to notify in an emergency (minimum of two are required)
 - Name, address and phone number of funeral home
 - Names, addresses and phone numbers of lawyer and executor
 - Names, address and phone numbers of Powers of Attorney
 - Names, address and phone numbers for pet emergency contacts, if applicable

VI. RESCISSION PERIOD

- A. **Rescission.** This Agreement may be rescinded by Member by giving written notice of such rescission to Program within thirty (30) days following the latter of the execution of this Agreement or the receipt of the Disclosure Statement.

VII. TERMINATION

- A. **By Member:** The Member may terminate the Member Services Agreement for any reason by providing written notice of such termination at least 30 days in advance of the termination date. In the case of the death of the Member, the Member Services Agreement shall automatically terminate.
- B. **By Navigation at Home:** The Corporation may terminate the Member Services Agreement if: 1) there has been a material misrepresentation or omission made by the Member in the Member's Membership and/or Financial Applications or Personal Health History form; 2) the Member fails to make payment to the Program of any fees, charges, costs, and expenses due within 30 days of the date due; 3) the Member does not abide by the rules and regulations adopted by Program and/or Corporation; 4) the Member breaches any of the terms and conditions of this Agreement; 5) the Member permanently relocates outside the Designated Service Area, or 6) the Care Coordination Team reasonably determines that the Member poses a danger to him/herself or to others and Member or Member's Designated

Representative refuses to allow the transfer of the Member from the Home Site or Facility to another facility.

VIII. REFUNDS

- A. **During the Rescission Period:** A refund of the Membership Fee paid, less a non-refundable fee of \$1,000, less the Monthly Fee and additional fees, costs, and expenses or portion applicable to the time this Agreement was in effect, will be paid within 30 days following receipt of the written notice.
- B. **Within the First 48 Months:** If the Member Services Agreement is terminated for any reason during the first 48 months following the Effective Date, the Member, or Member's estate, will receive a refund of the Membership Fee paid less: 1) a non-refundable fee of 4% of the Membership Fee, and 2) less a percentage of the Membership Fee for each month the Agreement remained in effect (full or partial without prorating and including the month in which the refund is payable), and 3) less any additional co-payments, deductibles, fees, costs, and expenses accrued.

The Membership Fee shall amortize as follows:

- Home Site Services2% per month
- Any time spent in an Assisted Living Facility or Home Site
Services of equal cost in excess of one month...3% per month
- Any time spent in a Nursing Home Facility or Home Site
- Services of equal cost in excess of one month...4% per month

Any refund due shall be refunded within 120 days of the date of termination of this Agreement.

The Program will have the right to set-off against any refund payable to the Member for the Membership Fee, for any deferred Monthly Fees, any other additional co-payments, deductibles, service fees, costs, and expenses or amounts payable to the Program under this Agreement and other agreements between the Member and the Program or any affiliate of the Program and any co-payments, deductibles, fees, costs and expenses that might be due, payable or incurred by the Member. Termination of this Agreement for whatever reason will not affect or impair the exercise of any right or remedy granted to the Corporation or Member under this Agreement for any claim or cause of action occurring prior to the date of such termination.

- C. **After 48 Months:** If this Agreement is terminated after the first 48 months or after the Membership Fee has fully amortized in accordance with the amortization percentages set forth above, following the Effective Date, no refund shall be given.
- D. **Ability to Apply Net Membership Fee to Independent Living Entrance Fee-Home Site**

Services Bridge Plan Only. Notwithstanding the foregoing provisions of this Article VIII, in the event Member has selected the Home Site Services (Bridge) Plan, the full amount of the Membership Fee paid pursuant to this Agreement less: 1) a non-refundable fee of 4% of the Membership Fee, 2) any co-payments, deductibles, fees, costs or expenses paid or incurred by the Corporation for Services provided under this Agreement and/or 3) any fees, costs or expenses due and owing to the Corporation by the Member under this Agreement may be credited towards any future Salemtowne retirement community entry fees for an independent living unit at Salemtowne but not for any assisted living, skilled nursing, memory care or other unit, accommodation or residence at Salemtowne or any other community or facility. Such a credit shall only apply to the Home Site Services (Bridge) Plan but shall not apply to any other Plan, including the All Inclusive, All Inclusive Plus, Enhanced and Classic Plans. The Member must already be on the Corporation's Wait List prior to moving into Salemtowne Independent Living.

IX. GENERAL

- A. **Compliance with Applicable Laws.** Corporation and Member will operate in full compliance with all laws, rules, regulations and ordinances promulgated by lawful governmental authorities.
- B. **Confidentiality.** Corporation shall keep all of the Member's personal, medical and financial information confidential. Member agrees that Program can disclose such information to those who have a need, in its judgment, or right to know.
- C. **Assignment.** Member's rights and privileges under this Agreement with respect to services and medical care are personal to the Member and may not be transferred or assigned by act of Member, or by any proceeding of law, or otherwise.
- D. **Management of the Corporation.** The absolute rights of management are reserved by the Corporation, its Board of Trustees and its administrators as delegated by said Board of Trustees. Corporation reserves the right to amend, implement or terminate policies and/or guidelines related to the operation of the Program in its sole discretion.
- E. **Moravian Affiliation.** The Corporation is affiliated with the Moravian Church in America, Southern Province ("Southern Province"). The Southern Province is not responsible for the financial and contractual obligations of the Corporation, including, without limitation, the financial and contractual obligations of the Program.
- F. **Indemnity.** Member agrees to indemnify, defend and hold the Corporation harmless from any and all claims, damages or expenses, including attorneys' fees and court costs, resulting from any injury or death to persons and any damages to property caused by, resulting from, attributable to or in any way connected with Member's acts or omissions or those of Member's guests including private duty nurses, companions, or others.
- G. **Severability.** The invalidity of any restriction, condition or other provision of this Agreement, or any part of the same, shall not impair or affect in any way the validity or enforceability of the rest of this Agreement.

- H. **Member Handbook.** Member will be given a current copy of the Member's Handbook as

adopted by the Program. Member understands that this document will change from time to time.

- I. **Entire Agreement.** This Agreement constitutes the entire agreement between the Corporation and Member regarding the Program. The Corporation shall not be liable or bound in any manner by any statements, representations or promises made by any person representing or assuming to represent the Corporation, unless such statements, representations or promises are set forth in this Agreement or in an amendment to this Agreement signed by an authorized officer of the Corporation and by Member. Electronic or facsimile versions of this Agreement shall have the same legal effect as originals, and all of which, when fully executed, shall constitute one and the same instrument.
- J. **Successors and Assigns.** Except as set forth herein, this Agreement shall bind and inure to the benefit of the successors and assigns of the Corporation and the heirs, executors, responsible parties, powers of attorney, administrators and assigns of Member.
- K. **Capacity.** This Agreement has been executed on the Corporation's behalf by the Corporation's duly authorized agent, and no officer, trustee, agent or employee of the Corporation shall have any personal liability hereunder to Member under any circumstances.
- L. **Tax Considerations.** Member should consult with his/her tax advisor regarding the tax considerations associated with this Agreement.
- M. **Governing Law; Venue.** This Agreement shall be governed by and construed in accordance with the laws of the State of North Carolina (without giving effect to any choice of law or conflict of law rules or provisions thereof that would cause the application of the laws of any jurisdiction other than the State of North Carolina).
- N. **Mediation.** In the event a dispute, claim or controversy of any kind arises between the parties regarding the care or treatment of the Resident that cannot be resolved by mutual agreement, the parties agree to submit such dispute, claim or controversy to a neutral mediator for possible resolution. The parties will jointly agree on a neutral mediator. Each party shall submit all evidence or information in writing to the mediator in support of its contentions or allegations and any defense either party may have with respect to the dispute, claim or controversy. Each party shall have the right to a hearing before the mediator and to personally present information pertinent to such dispute, claim or controversy. The mediator shall assist each party, in an unbiased manner, in reaching amicable agreement regarding the dispute, claim or controversy. If an amicable agreement is not reached, or if either party fails or refuses to negotiate or mediate in good faith to resolve the matter, or if a neutral mediator cannot be agreed upon between the parties, then the parties agree to submit such dispute, claim or controversy to an arbitration process as outlined below.
- O. **Arbitration.** In the event a dispute, claim or controversy of any kind arising out of or relating to this Agreement cannot be resolved through mediation as described herein, the parties agree to submit such dispute, claim or controversy to binding arbitration to be held in Winston-Salem, North Carolina in accordance with the then-current commercial arbitration rules of the American Arbitration Association. The parties will jointly agree on an arbitrator. If the parties are unable to agree in good faith and within a reasonable time on the selection of an arbitrator, then either party may request appointment of an arbitrator by the American

Arbitration Association. Costs of arbitration, such as arbitrators' fees and similar costs, will be borne equally by the parties, provided that the arbitrator may award the costs of arbitration against a party who the arbitrator determines has acted in bad faith or fraudulently. Unless the arbitrator determines a party has acted in bad faith or fraudulently, attorneys' fees shall not be considered "costs of arbitration" and are to be borne by the incurring party. The parties will each be required to submit a proposed resolution of each issue in such dispute, claim or controversy to the arbitrator. The arbitrator shall base his/her decision upon the proposed resolutions in addition to any evidence presented at any hearing. The decision of the arbitration shall be final and binding unless the arbitration is determined by a court to be fraudulent or so grossly erroneous as to necessitate the inference of bad faith. Judgment on the award rendered by the arbitrators may be entered in any federal or state court having jurisdiction thereof. The arbitrators shall have no authority to make legal determinations which are, or are based on, material errors of law, to award punitive damages, or to add to, modify or refuse to enforce any valid and enforceable agreement(s) between the parties. The arbitrator shall make findings of fact and conclusions of law and shall have no authority to make any award that could not have been made by a court of law or that would cause any party to be in violation of any governmental law or regulation. Nothing herein shall prohibit a party to the dispute, controversy or claim from seeking equitable relief in a court of law to maintain the status quo while a mediation or arbitration is pending.

- P. **Amendments and Partial Invalidation.** Generally, this Agreement can be changed only by mutual written consent. However, Corporation can make changes without Member's consent to keep the Agreement in compliance with applicable laws and regulations provided that the changes the Corporation makes do not substantially reduce Member's benefits under the Agreement. If any provision in this Agreement is invalidated, all other provisions will remain in force.
- Q. **Waivers.** Neither the failure nor any delay on the part of any party to exercise any right, remedy, power, or privilege ("Right") under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any Right preclude any other or further exercise of the same or of any Right, nor shall any waiver of any Right with respect to any other occurrence. No waiver shall be effective unless it is in writing and is signed by the party asserted to have granted such waiver.
- R. **Survival.** Those rights and obligations that have accrued as a result of the operation of this Agreement shall survive its termination, as shall those rights and obligations that by their terms survive termination and any provisions that must survive to give effect to their terms, as shall any obligation of Member to pay costs or expenses of his or her participation in the Program that remain unpaid as of such termination.
- S. **Notices.** Any notices, consents, or other communications to the Corporation hereunder (collectively "notices") will be in writing and addressed to the Member as set forth in the first paragraph of this Agreement and to the Program as follows:

Program Director Navigation at Home
1000 Salemtowne Drive
Winston-Salem, North Carolina 27106

Corporation will stand behind all of the statements, promises and representations in this Agreement, but no others. If you feel something has been promised to you, but it is not specifically mentioned in this Agreement, now is the time to discuss it – before you sign this Agreement.

Member understands this matter involves a financial commitment and associated risk, as well as a legally binding contract. Member was encouraged to consult with an attorney and/or financial advisor who could advise Member concerning this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in duplicate, as of the day and year first above written, one duplicate copy of this Agreement being retained by each party.

Your signature below certifies that you have read, understand and accept this Agreement.

By:

By:

**MORAVIAN HOME,
INCORPORATED d/b/a
NAVIGATION AT HOME**

MEMBER

(signature)

(signature)

Mark Steele

Printed Name

Printed Name

President / CEO

Title

ACKNOWLEDGEMENT OF RECEIPT OF DISCLOSURE STATEMENT

**Navigation at Home 1000
Salemtowne Drive
Winston-Salem, NC 27106**

As of the day and year above written in this Membership Services Agreement, the undersigned acknowledges receipt of the Disclosure Statement of Moravian Home, Incorporated (“Corporation”) dated **August 28, 2020**. The Disclosure Statement was received prior to the execution of this Agreement or prior to or at the time of the transfer of any money to the Corporation, whichever occurred first.

The Corporation’s representatives have encouraged me to read the Disclosure Statement in its entirety before entering into any contract or written agreement or paying any fee.

I understand Navigaiton at Home, like all other continuing care facilities and programs in the State of North Carolina, is subject to an act concerning registration and disclosure by continuing care facilities (the “Act”). Registration under the Act does not constitute approval, recommendation, or endorsement of the facility by the Department of Insurance or the State of North Carolina, nor does such registration evidence the accuracy or completeness of the information in the Disclosure Statement.

I understand this matter involves a financial commitment and associated risk as well as a legally binding contract. In evaluating the Disclosure Statement and the Financial Statements prior to any commitment, I was encouraged to consult with an attorney and/or financial advisor who could review these documents with me.

I acknowledge receipt of the Disclosure Statement dated_____.

Signature

Print Name

ATTACHMENT A

NAVIGATION AT HOME SERVICE PLAN OPTIONS*

Each plan pays the following percentage of costs associated with the services being provided

1

<u>Type of Service</u>	All Inclusive	All Inclusive Plus	Enhanced	Classic	Bridge <u>Home Site Services</u>
Care Coordination	100%	100%	100%	100%	100%
Home Site Services:					
Home Care Aide ¹	100%	100%	85%	50%	65%
Companion / Homemaker ¹	100%	100%	85%	50%	65%
Live in Companion ¹	100%	100%	85%	50%	65%
Adult Day Care ¹	100%	100%	85%	50%	65%
Delivered Meals (as limited per Agreement)	100%	100%	100%	100%	100%
Emergency Response System	100%	100%	100%	100%	100%
Home Inspection	100%	100%	100%	100%	100%
Transportation (as limited in Agreement)	100%	100%	100%	100%	100%
Assisted Living or Nursing Home Care^{1, 2}	100%	100%	70%	50%	0%

¹Percentages listed that are covered by the Corporation are limited to a cap equal to the then current negotiated private pay daily rate for a private room in the Nursing Home Facility at Salemtowne retirement community. The cap is applied on a monthly basis.

²Applies to Nursing Home or Assisted Living Care provided at Salemtowne retirement community or at a Program-Participating Facility.



Appendix B7

Navigation Consultative Care Plus Agreement



Consultative Care Plan Member Agreement

Member: _____

Address: _____

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CONSULTATIVE CARE PLAN MEMBER AGREEMENT

This Consultative Care Plan Member Agreement (the “Agreement”) is made this _____ day of _____, _____ (“Effective Date”) by and between MORAVIAN HOME, INCORPORATED d/b/a NAVIGATION BY SALEMTOWNE, a North Carolina nonprofit corporation (hereinafter the “Corporation”), and _____ (hereinafter “Member”, “You”), whose place of residence is at _____ (“Home”, “Home Site”).

WHEREAS, Corporation operates a continuing care retirement community (CCRC) located at 1000 Salemtowne Drive in Winston-Salem, North Carolina, known as “Salemtowne”; and

WHEREAS, Corporation has established a program known as Navigation by Salemtowne (“Program”) which allows for its members to remain in their private residence while enjoying the traditional benefits of a continuing care retirement community; and

WHEREAS, You desire to become a Member of the Program and to use and enjoy the facilities, programs and services provided by the Program subject to the terms and conditions of this Agreement.

NOW, THEREFORE, Member and Corporation agree as follows:

I. DEFINITIONS

All terms not defined here shall have the meanings ascribed to them in the Agreement, or their common meaning.

Care Coordination Team means the persons appointed by the Program comprised of the Director of Care Coordination (or his/her designee), a representative of administration, the Program’s Medical Director (or his/her designee) and other clinical professionals. The Care Coordination Team may, at the Program’s sole discretion, change titles and personnel from time to time.

Care Plan means the written plan of long-term care services, including type of service, start date, quantity, frequency, duration of service, name of provider or facility and any special considerations, which is developed and approved by the Care Coordination Team for Member based on a comprehensive needs assessment. The Care Plan is agreed to and signed by Member.

Initials _____
Corporation Member

Designated Representative means the person authorized by the Member to make decisions on his/her behalf.

Designated Service Area means the Program's area of coverage for Services, as defined by the Program. The Designated Service Area may be altered from time to time at the sole discretion of the Program. No change in the Designated Service Area by the Program will adversely affect this Agreement as long as the Member does not relocate out of the Designated Service Area existing as of the date of the Member's execution of this Agreement.

Effective Date means the date set forth in the first paragraph of this Agreement.

Home or Home Site means the Member's place of residence as indicated in the first paragraph of this Agreement.

Member means the person accepted into the Program having signed a Consultative Care Plan Member Agreement and paid the Membership Fee.

Wellness Navigator means the person appointed by the Program to handle the needs of the Member for services, for conducting assessments and for making recommendations for services subject to review and final determination of the Member's eligibility for services by the Care Coordination Team.

II. SERVICES

Member agrees to accept and pay for the services in the manner set forth in this Agreement and to abide by the rules and regulations of the Program with respect to the services, which such rules and regulations may be changed from time-to-time by the Program.

- A. **Care Plan and Care Coordination.** A Wellness Navigator will be assigned to the Member. Under the direction of the assigned Wellness Navigator, the Care Coordination Team, in consultation with the Member and/or the Member's Designated Representative, shall prepare a Care Plan to meet the Member's particular needs from time to time during the term of this Agreement. The cost for developing the Care Plan is included in the Membership Fee (defined below). All other services provided by the Wellness Navigator or a member of the Care Coordination Team employed by the Program will be billed to Member at the Hourly Rate (defined below).
- B. **Common Facilities.** Member shall have access to all common facilities that are otherwise available for the use and benefit of residents of Salemtowne retirement community, which may include a central dining room, library and computer center, heated swimming pool, chapel, multi-purpose auditorium, lounges, arts and crafts room, and others as described in the current literature. Use of the common facilities will be available for use by the Member where there is capacity. Member will be responsible for dining and applicable activity charges.
- C. **Lifestyle and Wellness Programs.** Lifestyle and wellness programs will be offered from time to time, free of charge or with an applicable fee for service, including but not

limited to, exercise classes, wellness seminars, speakers and day excursions. Members will be advised of the schedules and the cost of these programs on an as-offered basis.

- D. **Activities and Leisure Events.** Program will provide planned and scheduled social, recreational, spiritual, educational, cultural, leisure, arts and crafts, exercise, health, day excursions, and other special activities or programs designed to meet the needs of the Members. Some of these programs may include a fee. Member will be responsible for these additional fees, if any.

III. AGREEMENT REQUIREMENTS AND PROCEDURES

- A. **Spouse or Household Member.** The contract requirements for membership in the Consultative Care Plan require your spouse or person living in your home to qualify for one of the Program's Membership Plans (All Inclusive, Security or Co-Pay) and to have entered into a separate Member Services Agreement with Navigation by Salemtowne.
- B. **Representations.** The Member affirms that the representations made in the Membership and Financial Applications and Personal Health History form are true and correct and may be relied upon by the Program as a basis for entering into this Agreement.

IV. FEES, TERMS AND CONDITIONS

- A. **Membership Fee.** The Member agrees to pay the Program a one-time nontransferable, non-interest bearing Membership Fee of \$5,300 (“Membership Fee”) as a condition of becoming a Consultative Care Plan Member in the Program.
- B. **Hourly Rate.** In addition to the Membership Fee, Member agrees to pay an hourly rate (“Hourly Rate”) for all services provided to the Member by the Wellness Navigator or a member of the Care Coordination Team employed by the Program. As of the date of this Agreement, the Hourly Rate will be \$_____ per hour.
- C. **Adjustments in the Hourly Rate.** The Program will usually set fees annually but shall have the authority to adjust the Hourly Rate from time to time as necessary to continue operating on a sound financial basis and maintain the quality of services called for herein. The Program, upon thirty (30) days written notice to the Member, may make any such increases in the Hourly Rate.

Initials _____
Corporation Member

- D. **Monthly Statements.** At the beginning of each month, the Program will furnish the Member with monthly statements showing the service fees owed by the Member that shall be payable by the 10th day of the month. Program may charge interest at a rate of one and one-half percent (1.5%) per month on any unpaid balance. In the event Member does not make payment on a timely basis, Member agrees to pay attorney's fees, if any, incurred by the Program in the collection of such fees. Member may not withhold fees owed to the Program for any reason. In the event of non-payment of the fees, Program reserves the right to terminate this Agreement.
- E. **Costs.** Except as specifically provided by this Agreement, Member shall be solely responsible for all of the costs for services, products or equipment provided to Member, including, without limitation, all costs for services not covered by Medicare Parts A and B and Medicare Supplemental Coverage and for payments exceeding Medicare and Member's Supplemental Coverage limits, including but not limited to: audiological tests and hearing aids; eye glasses and refractions; dentistry; dentures; dental inlays; organ transplants; orthopedic appliances; occupational, physical and speech therapy; podiatry; hospitalization and professional care for psychiatric disorders; treatment for alcohol or drug abuse medications; chiropractors; renal dialysis; extraordinary treatments; and experimental treatments. Member will also be responsible for the cost of all assisted living or skilled nursing facilities and services, prescription medicines, physician services, private duty nursing services, out-patient services, physical therapy, occupational therapy, speech therapy, IV therapy, respiratory therapy, oxygen, hospitals, eye glasses, hearing aids, dentistry, orthopedic appliances, therapy for psychiatric disorders, treatment for mental illness, incontinent supplies, renal dialysis, personal laundry, non-medical supplies, routine or emergency transportation.
- F. **Non-Payment.** If Member fails to make any payments at the required time, or pay any other amounts due to the Program on the monthly statement provided to Member by the Program within thirty (30) days after it is billed to the Member, the Program may give written notice to the Member to pay all such amounts. If the Member fails to comply with such notice within fifteen (15) days, the Program may terminate this Agreement.
- G. **Transfer of Property.** The Member agrees not to make any gift or other transfer of assets for the purpose of evading the Member's obligations under this Agreement, or if such gift or transfer would render such Member unable to meet such obligations under this Agreement.
- H. **Amount Due.** Member or Member's estate shall be liable to the Program for the full amount of any unpaid fees. This Agreement shall operate as a lifetime assignment, transfer and conveyance to the Program of so much of such Member's property as is necessary to cover such liability.
- I. **Emergency Notifications.** Member agrees to provide Program with the following information prior to the Effective Date of this Agreement, as well as any changes during the term of this Agreement:

- Names, address and phone numbers of persons to notify in an emergency (minimum of two are required)
- Name, address and phone number of funeral home
- Names, addresses and phone numbers of lawyer and executor
- Names, address and phone numbers of Powers of Attorney
- Names, address and phone numbers for pet emergency contacts, if applicable

V. RESCISSION PERIOD

- A. **Rescission.** This Agreement may be rescinded by Member by giving written notice of such rescission to Program within thirty (30) days following the latter of the execution of this Agreement or the receipt of the Disclosure Statement.

VI. TERMINATION

- A. **By Member:** The member may terminate this Agreement for any reason by providing written notice of such termination at least 30 days in advance of the termination date. In the case of the death of the Member, the Member Services Agreement shall automatically terminate.
- B. **By Navigation by Salemtowne:** The Corporation may terminate this Agreement if:
- 1) there has been a material misrepresentation or omission made by the Member in the Member's Membership and/or Financial Applications or Personal Health History form;
 - 2) the Member fails to make payment to the Program of any fees or charges due within 30 days of the date due;
 - 3) the Member does not abide by the rules and regulations adopted by Program and/or Corporation; or
 - 4) the Member breaches any of the terms and conditions of this Agreement;
 - 5) the Member permanently relocates outside the Designated Service Area, or
 - 6) the Care Coordination Team reasonably determines that the Member poses a danger to him/herself or to others and Member or Member's Designated Representative refuses to allow the transfer of the Member from the Home Site or Facility to another facility.
- C. **Spouse or Household Member Death, Termination, or Move From the Residence:** Should the qualifying spouse or household member who has entered into a separate Member Services Agreement with Navigation by Salemtowne die, terminate his or her membership or move from the Member's residence, which originally qualified you for membership under this Consultative Care Plan, such event(s) will not terminate your membership in the Consultative Care Plan.

VII. REFUNDS

- A. **During the Rescission Period:** A refund of the Membership Fee paid, less a non-refundable fee of \$1,000, less any fees owed by Member to the Program, will be paid within 30 days following receipt of the written notice.
- B. **After the Rescission Period:** If this Agreement is terminated after the Rescission Period, no refund shall be given.

VIII. GENERAL

- A. **Compliance with Applicable Laws.** Program and Member will operate in full compliance with all laws, rules, regulations and ordinances promulgated by lawful governmental authorities.
- B. **Confidentiality.** Program shall keep all of the Member's personal, medical and financial information confidential. Member agrees that Program can disclose such information to those who have a need, in its judgment, or right to know.
- C. **Assignment.** Member's rights and privileges under this Agreement with respect to services and medical care are personal to the Member and may not be transferred or assigned by act of Member, or by any proceeding of law, or otherwise.
- D. **Management of the Corporation.** The absolute rights of management are reserved by the Corporation, its Board of Trustees and its administrators as delegated by said Board of Trustees. Corporation reserves the right to amend, implement or terminate policies and/or guidelines related to the operation of the Program in its sole discretion.
- E. **Moravian Affiliation.** The Corporation is affiliated with the Moravian Church in America, Southern Province ("Southern Province"). The Southern Province is not responsible for the financial and contractual obligations of the Corporation, including, without limitation, the financial and contractual obligations of the Program.
- F. **Indemnity.** Member agrees to indemnify, defend and hold the Corporation harmless from any and all claims, damages or expenses, including attorneys' fees and court costs, resulting from any injury or death to persons and any damages to property caused by, resulting from, attributable to or in any way connected with Member's acts or omissions or those of Member's guests including private duty nurses, companions, or others.
- G. **Severability.** The invalidity of any restriction, condition or other provision of this Agreement, or any part of the same, shall not impair or affect in any way the validity or enforceability of the rest of this Agreement.
- H. **Entire Agreement.** This Agreement constitutes the entire agreement between the Corporation and Member regarding the Program. The Corporation shall not be liable or bound in any manner by any statements, representations or promises made by any person

representing or assuming to represent the Corporation, unless such statements, representations or promises are set forth in this Agreement or in an amendment to this Agreement signed by an authorized officer of the Corporation and by Member. Electronic versions of this Agreement shall have the same legal effect as originals, and all of which, when fully executed, shall constitute one and the same instrument.

- I. **Successors and Assigns.** Except as set forth herein, this Agreement shall bind and inure to the benefit of the successors and assigns of the Corporation and the heirs, executors, responsible parties, powers of attorney, administrators and assigns of Member.
- J. **Capacity.** This Agreement has been executed on the Corporation's behalf by the Corporation's duly authorized agent, and no officer, trustee, agent or employee of the Corporation shall have any personal liability hereunder to Member under any circumstances.
- K. **Tax Considerations.** Member should consult with his/her tax advisor regarding the tax considerations associated with this Agreement.
- L. **Governing Law; Venue.** This Agreement shall be governed by and construed in accordance with the laws of the State of North Carolina (without giving effect to any choice of law or conflict of law rules or provisions thereof that would cause the application of the laws of any jurisdiction other than the State of North Carolina). To the fullest extent permitted by applicable law, any action, suit or proceeding arising out of, based upon or relating in any way to this Agreement shall be brought and enforced in the courts of the State of North Carolina located in Forsyth County or (to the fullest extent subject matter jurisdiction exists therefor) of the United States District Court for the Middle District of North Carolina, and, to the extent permitted by applicable law, the parties hereby irrevocably submit to the exclusive jurisdiction of both courts in respect of any action or proceeding between them, or relating in any way to this Agreement. The parties irrevocably waive, to the fullest extent permitted by applicable law, any objection that they may now or hereafter have to the laying of venue of any such action or proceeding in the courts of the State of North Carolina located in Forsyth County or the United States District Court for the Middle District of North Carolina and any claim that any such action or proceeding brought in either court has been brought in an inconvenient forum.
- M. **Amendments and Partial Invalidity.** Generally, this Agreement can be changed only by mutual written consent. However, Corporation can make changes without Member's consent to keep the Agreement in compliance with applicable laws and regulations provided that the changes the Corporation makes do not substantially reduce Member's benefits under the Agreement. If any provision in this Agreement is invalidated, all other provisions will remain in force.
- N. **Waivers.** Neither the failure nor any delay on the part of any party to exercise any right, remedy, power, or privilege ("Right") under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any Right preclude any other or further

exercise of the same or of any Right, nor shall any waiver of any Right with respect to any other occurrence. No waiver shall be effective unless it is in writing and is signed by the party asserted to have granted such waiver.

- O. **Survival**. Those rights and obligations that have accrued as a result of the operation of this Agreement shall survive its termination, as shall those rights and obligations that by their terms survive termination and any provisions that must survive to give effect to their terms, as shall any obligation of Member to pay costs or expenses of his or her participation in the Program that remain unpaid as of such termination.
- P. **Notices**. Any notices, consents, or other communications to the Corporation hereunder (collectively “notices”) will be in writing and addressed to the Member as set forth in the first paragraph of this Agreement and to the Program as follows:

Program:

Program Director
Navigation by Salemtowne
1000 Salemtowne Drive
Winston-Salem, North Carolina 27106

[INTENTIONALLY LEFT BLANK]

Corporation will stand behind all of the statements, promises and representations in this Agreement, but no others. If you feel something has been promised to you, but it is not specifically mentioned in this Agreement, now is the time to discuss it – before you sign this Agreement.

Member understands this matter involves a financial commitment and associated risk, as well as a legally binding contract. Member was encouraged to consult with an attorney and/or financial advisor who could advise me concerning this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in duplicate, as of the day and year first above written, one duplicate copy of this Agreement being retained by each party.

Your signature below certifies that you have read, understand and accept this Agreement.

By:

**MORAVIAN HOME,
INCORPORATED d/b/a
NAVIGATION BY SALEM TOWNE**

By:

MEMBER

(signature)

(signature)

Printed Name

Printed Name

Title

ACKNOWLEDGEMENT OF RECEIPT OF DISCLOSURE STATEMENT

**Navigation by Salemtowne
1000 Salemtowne Drive
Winston-Salem, NC 27106**

As of the day and year above written in this Consultative Care Plan Member Agreement, the undersigned acknowledges receipt of the Disclosure Statement of Moravian Home, Incorporated (“Corporation”) dated _____, **2016**. The Disclosure Statement was received prior to the execution of this Agreement or prior to or at the time of the transfer of any money to the Corporation, whichever occurred first.

The Corporation’s representatives have encouraged me to read the Disclosure Statement in its entirety before entering into any contract or written agreement or paying any fee.

I understand Navigation by Salemtowne, like all other continuing care facilities and programs in the State of North Carolina, is subject to an act concerning registration and disclosure by continuing care facilities (the “Act”). Registration under the Act does not constitute approval, recommendation, or endorsement of the facility by the Department of Insurance or the State of North Carolina, nor does such registration evidence the accuracy or completeness of the information in the Disclosure Statement.

I understand this matter involves a financial commitment and associated risk as well as a legally binding contract. In evaluating the Disclosure Statement and the Financial Statements prior to any commitment, I was encouraged to consult with an attorney and/or financial advisor who could review these documents with me.

I acknowledge receipt of the Disclosure Statement dated _____.

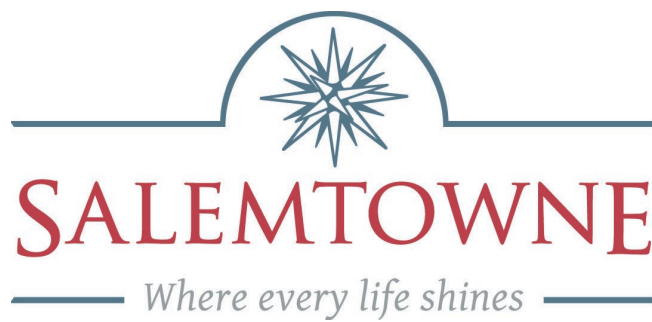
Signature

Print Name



Appendix C

Schedule of Fees effective June 1, 2018



Schedule of Fees

Effective

June 1, 2020– May 31, 2021

Salemtowne is a non-profit continuing care retirement community that promotes the well-being of its residents by providing a caring environment. Salemtowne is an ecumenical community that reflects the Moravian values of individual respect, hospitality, life-long learning, and love of the arts.

Independent Living Cottages

(This schedule of fees is effective for Residents entering the community on or after June 1, 2017 under the “New” fee program.)

	<u>Square Footage</u>	<u>Entrance Fee</u>	<u>Monthly</u>
Wachovia Village			
Hatteras - 2BR	1,172	\$166,900 - \$175,600	\$2,968
Emerald - 2BR	1,356	\$200,200 - \$221,100	\$3,094
Salem Village			
Bethania - 2BR	1,553	\$262,300 - \$275,200	\$3,394
Hickory - 2BR	1,560 - 1,755	\$249,800 - \$312,600	\$3,454 - \$3,806
Catawba - 2BR	1,678 - 1,954	\$268,600 - \$350,800	\$3,638 - \$4,014
Catawba - 3BR	2,033 - 2,363	\$359,700 - \$410,100	\$3,998 - \$4,301
Catawba - 2BR w/ basement	3,210 (1,678 heated)	\$364,000	\$3,955
Bethabara Place			
Mitchell - 2BR	1,440	\$274,300	\$3,452
Shenandoah - 2BR	1,617 - 1,698	\$308,000 - \$323,400	\$3,635 - \$3,756
Appalachian - 2BR	1,640 - 1,750	\$303,200 - \$323,800	\$3,695 - \$3,763
Rutherford - 2BR	1,817 - 2,100	\$336,000 - \$397,800	\$3,998 - \$4,620
Watauga - 2BR	3,200	\$413,500	\$4,504

Monthly Fee for Second Occupants is \$715.

Monthly Fees includes: all utilities (excluding telephone), cable, weekly housekeeping, maintenance and \$171 per month per Resident dining allowance.

50% and 90% Entrance Fee Plans are offered. Please contact Salemtowne’s Marketing team for current pricing and availability.

Residents moving between independent living residences will be charged for renovation costs. For a second and each subsequent move between independent living residences, residents will be charged \$10,000 in addition to any entrance fee and renovation costs. There may be an additional entrance fee for new residents joining existing residents. Please contact Salemtowne’s Marketing team for information.

Independent Living Apartments

(This schedule of fees is effective for Residents entering the community on or after June 1, 2017.)

	<u>Entrance Fee</u>	<u>Monthly Fee</u>
Vogler Building / Bahnson Hall:		
Forsyth – 1BR~530 sf	\$73,500 - \$93,500	\$2,199
Winston A or B – 2BR~790 sf	\$100,900 - \$111,500	\$2,480
West End – 1BR~790 sf	\$101,000 - \$109,500	\$2,480
Buena Vista – 2BR~1,055 sf	\$140,400 - \$152,200	\$2,769
Driscoll Apartment Building:		
Reynolda – 1BR ~ 751 sf	\$129,100 - \$162,900	\$2,613
Sherwood – 1BR~ 936 sf	\$154,100 - \$167,100	\$2,904
Piedmont - 2BR~1,073 sf	\$188,200 - \$205,600	\$3,270
Brookstown – 2BR~1,107 sf	\$185,200 - \$196,600	\$3,275
Twin City – 2BR~1,240 sf	\$205,600 - \$216,500	\$3,508

Monthly Fee for Second Occupants is \$914.

Monthly Fees includes: all utilities (excluding telephone), cable, weekly housekeeping, maintenance and \$358 per month per Resident dining allowance.

Monthly fee includes: Bed and bath linen laundry service for Vogler Building and Bahnson Hall apartments.

Residents moving between independent living residences will be charged for renovation costs. For a second and each subsequent move between independent living residences, residents will be charged \$10,000 in addition to any entrance fee and renovation costs. There may be an additional entrance fee for new residents joining existing residents. Please contact Salemtowne's Marketing team for information.

50% and 90% Entrance Fee Plans are offered. Please contact Salemtowne's Marketing team for current pricing and availability.

The Woodlands

	<u>Entrance Fee</u>	<u>Monthly Fee</u>
Beech, 1BR w/ Den ~ 1215 sf	\$208,370	\$3,409
Beech (Top Floor), 1BR w/ Den ~ 1215 sf	\$234,830	\$3,409
Dogwood – 2BR ~ 1395 sf	\$263,500	\$3,573
Dogwood (Top Floor) – 2BR ~ 1395 sf	\$302,090	\$3,573
Hawthorne – 2BR ~ 1490 sf	\$281,140	\$3,662
Hawthorne (Top Floor) – 2BR ~ 1490 sf	\$323,030	\$3,662
Pine – 2BR w/ Den ~ 1640 sf	\$318,620	\$3,814
Pine (Top Floor) – 2BR w/ Den ~ 1640 sf	\$373,750	\$3,814
Sycamore - 2 BR w/ Sunroom ~ 1750 sf	\$338,470	\$3,967
Sycamore (Top Floor)- 2 BR w/ Sunroom ~ 1750 sf	\$395,800	\$3,967
Willow - 2 BR w/ Sunroom ~ 1750 sf	\$373,750	\$4,043
Willow (Top Floor)- 2 BR w/ Sunroom ~ 1750 sf	\$445,410	\$4,043

Monthly Fee for Second Occupants is \$731.

Monthly Fees includes: all utilities (excluding telephone), cable, weekly housekeeping, maintenance and \$225 per month per Resident dining allowance.

Residents moving between independent living residences will be charged for renovation costs. For a second and each subsequent move between independent living residences, residents will be charged \$10,000 in addition to any entrance fee and renovation costs. There may be an additional entrance fee for new residents joining existing residents. Please contact Salemtowne's Marketing team for information.

50% and 90% Entrance Fee Plans are offered. Please contact Salemtowne's Marketing team for current pricing and availability.

Assisted Living Services

(This schedule of fees is effective for Residents entering the community on or after May 1, 2014 under the “New” fee program & those residents who bought in to the “New” fee program.)

	<u>Monthly Fee</u>
Assisted Living - Single occupancy	\$5,325
Assisted Living Suite - Single occupancy	\$7,064
Assisted Living - Respite Stay	\$250 / day

Monthly fee includes: 3 meals per day, utilities (excluding telephone), cable, weekly housekeeping & maintenance.

Monthly fee includes bed and bath linen laundry.

Residents moving between assisted living residences may be charged for renovation costs.

Memory Support Services – Westerly Place Fee Program

	<u>Monthly Fee</u>
Memory Support - Single occupancy	\$8,670

Health Care Services Fee Program

Daily Fee

Babcock Health Care Center

(all rooms Medicare certified effective 1/1/2015 and 20 rooms
dually Medicaid certified)

Private room

\$373 / day

Daily fee includes: 3 meals per day, utilities (excluding telephone), cable, daily housekeeping, maintenance and bed and bath linen laundry service.

It will be administration's discretion to evaluate costs of internal moves and determine their impact on the community. Should Administration determine that the cost of an internal move will adversely impact the community and the community cannot absorb the renovation costs, the renovation costs will be charged to the resident.

Dining Services

Flexible Dining Plans

Dining Services

Flexible Dining Plans

Salemtowne's Flexible Dining Plan empowers residents to have freedom in choosing what they like to eat, and when they prefer to dine. All dining items are a la carte and individually priced. Menu item prices will be available on the daily table menus and posted in the Servery.

Salemtowne will provide you the ability to carry over your unused dining allowance to the next two months and use your dining allowance for family and guests, for beer and wine or a catered event on campus.

Flexible Dining Plan Required for all Independent Living Apartment Residents.	\$358/month
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Flexible Dining Plan Optional for Cottage Residents entering the community prior to May 1, 2014. · Required for Cottage Residents entering the community on or after May 1, 2014. · Dining Fee is included in the monthly service fee.	\$171/month
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Flexible Dining Plan - Woodlands Required for all Woodlands Villa Residents.	\$225/month
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Resident Individual Meal delivery No delivery fee will be charged for meal delivery due to resident sickness. Call 714-3141 Tipping is not permitted	\$5/delivery
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Ancillary Services

**Prices subject to
change based on cost**

Beauty Shop

Cut 1	\$24
Cut 2	\$19
Blow Dry	\$19
Shampoo (must accompany a set)	\$14
Set (must accompany a shampoo)	\$22
Rinse	\$6
Color	\$75
Permanent 1	\$80
Permanent 2	\$75
Eye Brow Tint	\$13
Cut & file nails	\$15.50
Manicure	\$26
Conditioner	\$12
Beard Trim	\$10
Hairnet	\$6
Hair Spray	\$25

Maintenance, Grounds & Housekeeping Special Services
(upon request by Resident & approval by Administration)

- Regular - \$40/hour
- Overtime - \$65/hour
- Supply costs + 20%

Outdoor Tent set-up & use on Salemtowne campus

- \$205 per event per tent

Personal Training
(subject to availability)

- ½ hour - \$27
- 1 hour - \$54

Massage Therapy – without Physician order
(subject to availability)

- ½ hour - \$48
- Missed appt. - \$25

Transportation Fees Per Trip

Salemtowne will provide local transportation for scheduled medical appointments Monday through Friday between 9:00 a.m. and 4:30 p.m. except holidays. Forty-eight (48) hours notice is required to schedule transportation.

Additional fees will be incurred for appointments exceeding four (4) per month. Additional fees will be incurred for those appointments outside of normal service hours and for Residents who require staff accompaniment.

Transportation for drive times and accompaniment times which exceed 4 hours in total may have additional charges. Chief Financial Officer should be consulted in advance to provide a quote of the charges.

**Prices subject to
change based on cost**

Up to 3 hour Trips:

For each appointment over 4 per month allowed in residence & services agreement during business hours (without CNA or staff person)	\$60/trip
CNA or staff person accompaniment (during business hours)	\$140/trip
CNA or staff person accompaniment (before or after business hours)	\$140/trip
Before or after business hours (without CNA or staff person)	\$60/trip

3 hour to 4 hour Trips:

Staff person or CNA accompaniment (during business hours)	\$140/trip
Staff person or CNA accompaniment (before or after business hours)	\$140/trip

Non Medical Transportation:

Personal errands (per hour) - (without CNA or staff person)	\$60/hour
Personal errands (per hour) - (with CNA or staff person)	\$87/hour

	Prices subject to change based on cost
Independent Living Resident Application Fee to Join the Waitlist:	
Towne Club Entrance Fee – refundable/applied to entrance fee	\$1,000
PALs (personal alert line) new & replacement (includes necklace)	\$370 (each)
Lanyard for PAL	\$5.00 (each)
Small or large wrist bracelet for PAL	\$14 (each)
Wireless Pull Cord for residence	\$415 (each)
Keys (extra or replacement)	\$45 per key
Replacement Name Tag	\$14 (each)
Finance Fee for Late Payments (Monthly Fees are due and payable by 5:00 p.m. on the 10 th of the month.)	18% per annum
Monthly Billing Statement Copy	\$5.50 (each) \$66 (full year)
Copy of Medical Records or Administrative File Records	\$0.50 (per page)
Copier Fees	\$0.16/page – black/white \$0.32/page – color
Fax Fees	\$0.16/page–local \$0.32/page–long distance
Scan & email (b/w & color)	\$0.45/ page
Shredding of Personal documents (Contact Community Center Receptionist)	\$10 per small box (universal box #95224)
# 10 letter size envelopes (Contact Community Center Receptionist)	\$0.10 each
9 x 12 envelopes (Contact Community Center Receptionist)	\$0.30 each
FedEx packages	\$5.00 + the FedEx charges
NSF (non-sufficient funds fee) for returned checks	\$40 (each check)
Replacement of Indiana Avenue Gate Access Card	\$20 per card
Accommodation Trash and Belongings Removal	\$50 per hour
Furniture Removal, Disposal or Donation to Charity	\$30 per item
Optional Bed and Bath Linen Service (per residence)	\$128 per month
Internal Moves – Packing & Moving Assistance	\$50 per hour

Therapy Services (per 15 minute unit)
(This is not an all-inclusive listing)

**Prices subject to
change based on cost**

Occupational Therapy (OT)	\$80
Speech Therapy (ST)	\$160
Physical Therapy (PT)	\$85
Physical Therapy (PT) Active Wound Care	\$95
ST Oral Function Evaluation/Re-evaluation	\$315
PT – Evaluation / Re-evaluation	\$165
OT – Evaluation /Re-Evaluation	\$160
OT – Wheelchair training	\$80
Oral Function Therapy	\$180
Assessment of Aphasia	\$160
ST – Clinical Evaluation Swallow	\$315
OT – Paraffin bath or massage therapy	\$80
PT – Orthotic FIT Training	\$83

Supplies

(This is not an all inclusive listing)

**Prices subject to
change based on cost**

Oxygen	
5 lpm concentrator – per day	\$10
10 lpm concentrator – per day	\$16
Tank – per tank	\$43/tank
Nebulizer – per day	\$29
Suction Machine - per day	\$50
Flu Shot (administered by Salemtowne)	\$43/shot
Pneumonia Shot (administered by Salemtowne)	\$140/shot
Wander Guard Bracelet – each (including battery replacement & strap)	\$300
Bed alarm – per day	\$3.75
Chair alarm - per day	\$3.75
Personal supplies (maintenance, grounds, dining services, housekeeping, healthcare & assisted living)	Cost of supplies (including sales tax) + \$60 per hour + Cost of mileage @ current IRS rate per mile

Subject to Availability

Guest Room – Studio (Reservations through Hospitality Coordinator)	\$62 per night (meals excluded)
Guest Room – One Bedrooms (Reservations through Housekeeping)	\$78 per night (meals excluded)
Guest Room Cancellation Fee (less than 48 hours notice)	\$47

Pet Fees

\$500 - One-time non-refundable pet fee for each pet that meets Salemtowne's Pet Policy.

Health Care Services

Entrance Fee Grace Days for Residents

(Program for Residents entering the community prior to May 1, 2014 as per your contract.)

Independent Living or Assisted Living Residents who have paid an entrance fee and are paying monthly fees and who have a temporary stay in the Health Care Center may use up to twenty-four (24) “Entrance Fee Grace Days” per fiscal year (non-cumulative) as outlined in the Entrance Fee Grace Days Policy. (This program is not available to residents who entered under the “new” fee program and is not available to residents who bought into the “new” fee program.)

“Entrance Fee Grace Days” – The fee that is not billed to a resident for an “Entrance Fee Grace Days” day, is defined as the current daily Health Care Center/Assisted Living Center applicable rate for a resident’s “fee” program. The resident will be charged for supplies and services not included in the daily rate fee including but not limited to the following:

- Supplies
- Beauty Shop
- Pharmacy prescriptions
- Rehabilitation
- Activity fees
- Extra meals, etc.

Up to twenty-four (24) “Entrance Fee Grace Days” per fiscal year – Residents who reside at Salemtowne and meet the eligibility requirements for this policy will be granted up to 24 “Entrance Fee Grace Days” to use during the Salemtowne fiscal year. Salemtowne’s fiscal year begins on April 1st and ends on March 31st of each year. Residents who do not reside at Salemtowne for a full fiscal year during their first year of residency will be granted a prorated number of “Entrance Fee Grace Days” based on the number of months the resident resides at Salemtowne during that year.

Non-cumulative – “Entrance Fee Grace Days” do not accumulate. A resident cannot carry forward unused “Entrance Fee Grace Days” to future fiscal years. Residents may carry days forward to future months within any given fiscal year.

Temporary Stay in the Health Care Center or the Assisted Living Center Program

(Program for Residents entering the community prior to May 1, 2014 as per your contract.)

If a Resident is temporarily transferred to the Babcock Health Care Center or the Masten Assisted Living Center from their primary residence at Salemtowne and continues to maintain their primary residence, the resident will continue to pay the full fee for their primary residence during the “Entrance Fee Grace Days” period (up to 24 days per fiscal year).

During a temporary stay (up to 30 days) in the Health Care Center or the Assisted Living Center, the resident will pay a reduced fee for their primary residence after they have used their “Entrance Fee Grace Days”. (This temporary stay discount program is not available to residents who entered under the “new” fee program and is not available to residents who bought into the “new” fee program.)

Assisted Living and Health Care Services

Discount on Daily Fees

(Program for Residents entering the community on or after May 1, 2014 as per your contract.)

Residents entering the community under the new Entrance Fee program and residents who bought into the “new” fee program, will receive a 20% discount on room and bed daily charges (*) for all private pay stays in the health care and assisted living centers. This discount does not apply to supplies, services, pharmacy, rehab, beauty shop, etc.

Residents who receive a discount on daily fees will not participate in the Entrance Fee Grace Days program nor in the Temporary Stay in Health Care or Assisted Living discount program.

Dining Services

Catering Services

*Contact Director of Dining Services at 714-2145 or
the Dining Services Supervisor at 714-2190 to*

- *plan menus*
- *obtain costs estimates*

Sales tax will be added to catering prices.

Minimum advance notices & room capacities are listed on the following page.

While there are no restrictions for the use of outside caterers at Salemtowne, Salemtowne should be consulted on all food/beverage events before hiring an outside caterer. Use of kitchen, prep facilities & equipment by outside caterers is prohibited.

AREA	Minimum Notice For Dining Services
Siewers Private Dining Room	3 business days
Dorcas Dining Room - Dining Attendants	2 weeks
EVENTS	
Up to 75 guests	2 weeks
Over 75 guests	3 weeks
Cakes & Pies	3 business days

CAPACITIES

Smith Saal in the Community Center	Seated – 150 Standing – 300
Courtyard Lounge	Seated - 23 Standing – 18
Vogler Living Room	Seated - 30 Standing – 60
Vogler Living Room Annex (formerly game/PC room)	Seated – 20 Standing - 30
Amos Room	Seated – 40 Standing – 50
Central Community Courtyard	Seated - 400 Standing – 500
Babcock House	Seated - 75 Standing - 150
Dorcas Dining Room	Seated – 160 Standing (without chairs) – 200/250
Siewers Private Dining Room	Seated – 24 Standing – 32
Associate Dining Room (including adjacent room & Smith Art Gallery)	Seated – 50 Standing – 150
Masten Assisted Living Dining Rooms	Seated – 56 Standing – 70
Phillips Health Care Center – Blue Ridge Dining Room (100)	Seated – 32 Standing – 50
Phillips Health Care Center – Foothills Dining Room (200)	Seated – 32 Standing – 50
Phillips Health Care Center – Tidewater Dining Room (300)	Seated – 24 Standing – 35



Schedule of Fees

Effective

June 1, 2020

Membership Plans

Members will pay an initial membership fee (the “Membership Fee”) and an ongoing monthly fee (the “at Home Monthly Fee”). The Membership Fee is actuarially priced based upon the Member’s age and the plan option chosen. The Monthly Fee varies with the plan option chosen. The table below shows the new Membership Fee and the Monthly Fee for the three plan options for singles aged 65, 75 and 85 effective beginning June 1, 2020.

Membership Fee	Plan Type			
	All Inclusive	Security	Co-Pay	Beacon
<u>Age</u>	<u>Single</u>	<u>Single</u>	<u>Single</u>	<u>Single</u>
65	\$36,622	\$29,625	\$24,278	\$22,042
75	\$59,352	\$48,571	\$37,812	\$34,325
85	\$83,309	\$68,291	\$51,684	\$44,846
Monthly Fee	\$612	\$535	\$471	\$446

Grandfathered monthly fees for members prior to April 30, 2017 are as follows beginning June 1, 2019:

	All Inclusive <u>Plan</u>	Security <u>Plan</u>	Co-Pay <u>Plan</u>
Grandfathered Monthly Fee	\$576 single \$547 couple	\$486 single \$462 couple	\$443 single \$421 couple

*Couples receive a 5% discount on the Membership and Monthly Fee

NAVIGATION BY SALEMTOWNE CONSULTATIVE CARE PLUS PLAN

Consultative Care Plus Plan

Membership Fee – one time non-refundable fee of \$5,560 for each member

No monthly fee. All services are provided on a “fee for service” basis at an additional cost to the Member when utilized.

Membership Fee (non-refundable)

\$5,600

Types of Service

Fee for Service (FFS)

- At additional cost to Member
- Fees are subject to change based on costs

Health Support Services:

Care Coordination	\$105 per hour
Home Health Aide	\$18 - \$30 per hour
Companion / Homemaker	\$17 - \$25 per hour
Live in Companion	\$240 - \$375 per day
Adult Day Care	\$37 per day
Delivery of Meals	\$1.00 - \$2.00 per mile (plus cost of meal based on selection)
Emergency Response System: Monitoring	\$360 per year
Equipment & Setup	\$60 one time fee
Internal Home Inspections (safety)	\$155 each
Transportation	\$25 one-way \$40 round trip
Residential Healthcare or Assisted Living Care	\$159 - \$211 per day
Nursing Home Care	\$305 to \$373 per day