

DISCLOSURE STATEMENT

August 28, 2019

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, 2020.**
- **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, Health Care, Facilities Planning 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.

David E. Shaffner. *Trustee and Treasurer. 3640 Will Scarlet Road, Winston Salem, North Carolina 27104.*

Mr. Shaffner was formerly President of Shaffner Coffee Company (d/b/a FilterFresh) in Winston Salem, North Carolina. Previously he served with Daniel, McKee and Co., CPA in Winston Salem, and Frederick B. Hill & Co., CPA in Norfolk, Virginia.

He earned a Bachelor of Arts in Commerce with a Certificate in Accounting from Washington and Lee University. He completed graduate studies in accounting at the University of Virginia. He was a Certified Public Accountant in Virginia and in North Carolina.

Mr. Shaffner is active in the community currently serving as Finance Chair of the Home Moravian Church Trustees. He has also served the following community organizations: Moravian Church, Southern Province Financial Board, Salem Congregation, NovantHealth, Medical Park Hospital, Carolina Medicorp Trustees (Chair), Historic Bethabara Park Trustees, Ronald McDonald House, NC Ronald McDonald Houses (Treasurer), Archives Board of the Moravian Church, Southern Province, Filterfresh Independent Franchise Association Board, Downtown Church Center (Chair, Treasurer), Old Hickory Council Exploring (District Chair), and American Institute of CPAs.

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.

John Elster. *Trustee. 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.

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 and adult Sunday School class.

William ‘Bill’ Whitehurst. *Trustee. One West Fourth Street Winston Salem, North Carolina 27101*

Bill is a retired lawyer, retiring in 2018 after 35 years of practice with Womble Bond Dickinson (US) LLP, formerly Womble Carlyle Sandridge & Rice, PLLC.

At the time of retirement, Bill was the Office Managing Partner of the firm’s Winston-Salem office and a member of the firm’s Management Committee. Bill’s practice focused on employee benefits and executive compensation, with a special focus on not-for-profit organizations.

Bill earned his undergraduate degree in economics from Wake Forest University and law degree and a Master’s in Business degree from UNC-Chapel Hill.

Bill is married to Jane Leonard Whitehurst and has four grown children and lives in Lexington, North Carolina, where Jane is the founder and retired Executive Director of Hospice of Davidson County. Jane remains active in a number of local civic organizations.

Management Staff - Officers:**Mark A. Steele.** *President and Chief Executive Officer.*

Mr. Steele is responsible for the overall management of the Corporation. Mr. 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. Mr. 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.

Mr. Steele completed all but the dissertation for 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:

- 168 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

Salemtowne is currently constructing 56 new independent living units (the "Woodlands"). Construction began in the third quarter of Fiscal Year 2019 and is scheduled to be completed in Fiscal Year 2021.

In 2018 Salemtowne began a master planning process that is considering the construction of a new assisted living building 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 is planned to include 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. Salemtowne anticipates financing the Independent Living Project with a Tax-Exempt Bond Financing with construction assumed to begin in the fourth quarter of calendar year 2018 (or the third quarter of fiscal year 2019).

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	\$163,300 - \$172,200	\$2,868
Emerald - 2BR	1,356	\$196,300 - \$216,800	\$2,989
Salem Village			
Bethania - 2BR	1,553	\$252,200 - \$264,600	\$3,279
Hickory - 2BR	1,560 - 1,755	\$240,100 - \$300,600	\$3,337 - \$3,677
Catawba - 2BR	1,678 - 1,954	\$258,300 - \$337,200	\$3,515 - \$3,878
Catawba - 3BR	2,033 - 2,363	\$345,600 - \$394,300	\$3,863 - \$4,156
Catawba - 2BR w/ basement	3,210 (1,678 heated)	\$350,000	\$3,821
Bethabara Place			
Mitchell - 2BR	1,440	\$266,200	\$3,335
Shenandoah - 2BR	1,617 - 1,698	\$299,000 - \$314,000	\$3,512 - \$3,629
Appalachian - 2BR	1,640 - 1,750	\$294,400 - \$313,400	\$3,570 - \$3,636
Rutherford - 2BR	1,817 - 2,100	\$326,200 - \$417,400	\$3,863 - \$4,464
Watauga - 2BR	3,200	\$401,500	\$4,352

Monthly Fee for Second Occupants is \$691.

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

50% and 90% Entrance Fee Plans are offered. Please contact Salemtowne’s Admissions 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 Admissions 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	\$71,400 - \$90,800	\$2,125
Winston A or B – 2BR~790 sf	\$98,100 - \$108,300	\$2,396
West End – 1BR~790 sf	\$98,100 - \$106,300	\$2,396
Buena Vista – 2BR~1,055 sf	\$136,300 - \$147,800	\$2,675
Driscoll Apartment Building:		
Reynolda – 1BR ~ 751 sf	\$125,300 - \$158,200	\$2,525
Sherwood – 1BR~ 936 sf	\$149,600 - \$162,200	\$2,806
Piedmont - 2BR~1,073 sf	\$182,700 - \$199,600	\$3,159
Brookstown – 2BR~1,107 sf	\$179,900 - \$190,900	\$3,164
Twin City – 2BR~1,240 sf	\$199,600 - \$210,100	\$3,389

Monthly Fee for Second Occupants is \$884.

Monthly Fees includes: all utilities (excluding telephone & internet), 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 Admissions team for information.

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

New Independent Living Apartments Fee Program

(This schedule of fees is effective for Residents entering the New Independent Living Apartments)

	<u>Entrance Fee</u>	<u>Monthly Fee</u>	
		<u>Single</u>	<u>Double</u>
One Bedroom Apartments			
Beech – 1BR w/Den ~1,215 sf (1 st – 3 rd floor)	\$189,000	\$3,120	\$3,800
Beech – 1BR ~1,215 sf (4 th floor)	\$213,000	\$3,120	\$3,800
Two Bedroom Apartments			
Dogwood – 2BR ~1,395 (1 st – 3 rd floor)	\$239,000	\$3,270	\$3,950
Dogwood – 2BR ~1,395 (4 th floor)	\$274,000	\$3,270	\$3,950
Hawthorne – 2BR ~1,490 (1 st – 3 rd floor)	\$255,000	\$3,350	\$4,030
Hawthorne – 2BR ~1,490 (4 th floor)	\$293,000	\$3,350	\$4,030
Pine – 2BR w/Den ~1,640 (1 st – 3 rd floor)	\$289,000	\$3,490	\$4,170
Pine – 2BR w/Den ~1,640 (4 th floor)	\$339,000	\$3,490	\$4,170
Sycamore – 2BR w/Sunroom ~1,750 (1 st – 3 rd floor)	\$307,000	\$3,630	\$4,310
Sycamore – 2BR w/Sunroom ~1,750 (4 th floor)	\$359,000	\$3,630	\$4,310
Willow – 2BR w/Sunroom ~1,875 (1 st – 3 rd floor)	\$339,000	\$3,700	\$4,380
Willow – 2BR w/Sunroom ~1,875 (4 th floor)	\$404,000	\$3,700	\$4,380

Monthly Fees includes: all utilities (excluding telephone), cable internet, weekly housekeeping, maintenance and a monthly 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 Admissions team for information.

The Entrance Fees and Monthly Fees are shown are for the Traditional Plan. 50% and 90% Entrance Fee Plans and Monthly Fees are offered. Please contact Salemtowne's Admissions 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	\$5,145
Assisted Living Suite - Single occupancy	\$6,825
Assisted Living - Respite Stay	\$250 / day

Monthly fee includes: 3 meals per day, utilities (excluding telephone & internet), cable, weekly housekeeping & maintenance.

Monthly fee includes bed and bath linen laundry.

Residents moving between assisted living residences will be charged for renovation costs. For a second and each subsequent move between assisted living residences, residents will be charged \$10,000 in addition to renovation costs.

**Memory Support Services – Westerly Place
Fee Program**

Monthly Fee

Memory Support - Single occupancy

\$8,377

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

\$360.50/day

Daily fee includes: 3 meals per day, utilities (excluding telephone & internet), 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.

Historic Changes in Major Fees

The following table shows average changes in the monthly/daily 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, 3)

<u>Standard Monthly Service Fees</u>	2019- 2020	2018- 2019(4)	2017- 2018 (3)	2016- 2017	(1,2) 2015- 2016
<u>Independent Living Monthly Service Fees</u>					
Two Occupants (\$s per mo.)	\$121	\$121	\$104	\$90	(\$17)
Approx. Percentage Increase	3.4%	3.5%	3.4%	3.1%	(0.68%)
One Occupants (\$s per mo.)	\$91	\$93	119	\$103	\$9
Approx. Percentage Increase	3.4%	3.5%	3.5%	3.1%	0.2%
<u>Healthcare & Assisted Living Service Fees</u>					
Skilled Nursing (\$s per day)	\$10.50	\$45	\$10	\$10	\$17
Approx. Percentage Increase	3.0%	14.7%	3.3%	3.5%	6.4%
Memory Support (\$s per mo)	\$275	\$0	n/a	n/a	n/a
Approx. Percentage Increase	3.4%	0.0%	n/a	n/a	n/a
Assisted Living Rate (\$s per mo.)	\$163	\$184	\$190	\$163	\$132
Approx. Percentage Increase	3.0%	3.5%	3.4%	3.1%	3%

- (1) Effective March 1, 2015 – Revised the rates for Health Care due to the Medicare certification of all beds in the Phillips Health Care Center and Revised the suite rate in Assisted Living. Daily rates increase \$8 to \$33 per day based on type of accommodation. Assisted Living suite rates increased \$783 per month. During this period a number of cottages were re-configured with changes in fees and square footage which affected the weighted average change in fees.
- (2) Effective June 1, 2015 – Increased overall rates by an average of 3% except for rates adjusted on March 1, 2015. During this period a number of cottages were re-configured with changes in fees and square footage which affected the weighted average change in fees.
- (3) 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.
- (4) 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 due as it had not reached stabilized census.

Note: Residents within the community staying in the same living accommodation, received the following percentage increases for monthly service fees, except as noted in (1-5) above.

- 2014-2015 – 2.18%
- 2015-2016 – 3.00%
- 2016-2017 – 3.10%
- 2017-2018 – 3.50%
- 2018-2019 – 3.50%
- 2019-2020 – 3.40%

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' 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, 2019)
- summary of calculation of obligation to provide future services (CCRC) as of March 31, 2019
- 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, 2019, the principal of these funds was approximately \$11,005,237, 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 \$5,790,000 ⁽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 \$615,004 at fiscal year ended March 31, 2019. 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 2019 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 2019 as 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, 2019, Navigation by Salemtowne had enrolled 61 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	Audit	Material		Notes
	(000s)	(000s)	Differences		
	2019	2019	\$	%	
Revenues, gains, and other support:					
Net resident services	\$ 21,643	\$ 21,796	\$ 153	1%	(2)
Amortization of Advanced Fees	2,040	2,139	99	5%	(3)
Contributions	248	395	147	59%	(4)
In-kind contributions	-	105	105		(4)
Net assets released from restrictions used for benevolent assistance	-	111	111		(5)
Interest and Dividends	843	915	72	9%	(8)
Net realized gains from sale of investments	-	478	478		(6)
Other income	515	249	(266)	-52%	
Navigation by Salemtowne					
Net resident services	373	318	(55)	-15%	(7)
Amortization of Advanced Fees	72	165	93	129%	(7)
Investment Income	3	-	(3)	-100%	(8)
Other income	13	-	(13)	-100%	
Total revenues, gains, and other support	25,750	26,673	923	4%	(1)
Expenses:					
Program services - provision for housing and related services:					
Healthcare, assisted living, and clinic	8,205	8,725	520	6%	(10)
Dining services	3,176	3,476	300	9%	(11)
Housekeeping, grounds and maintenance	4,252	4,040	(212)	-5%	
Healthcare activities, fitness, events, and volunteers	664	879	215	32%	(12)
Navigation by Salemtowne	628	504	(124)	-20%	(13)
Navigation by Salemtowne – depreciation	42	-	(42)	-100%	(14)
Depreciation and amortization	4,800	4,833	33	1%	(14)
Interest	3,191	3,000	(191)	-6%	(15)
Babcock property	18	-	(18)	-100%	(16)
Loss on sale of equipment	-	31	31		(5)
Supporting services:					
Administration and general	4,745	5,503	758	16%	(17)
Development, community relations and admissions	1,606	963	(643)	-40%	(18)
Total expenses	31,327	31,952	625	2%	(9)
Operating income (loss)	(31,301)	(31,926)	(624)	2%	
Other changes in unrestricted net assets:					
Loss on impairment of property and equipment	-	(4,589)	(4,589)		(19)
Prior Period Adjustment - Change in Accounting Treatment	(532)	-	532	-100%	(20)
Unrealized gains (losses) on investments	-	80	80		(6)
Increase (decrease) in unrestricted net assets	\$ (31,833)	\$ (36,434)	\$ (4,601)	14%	

- (1.) Total actual revenue, gains, and other support is within 4% compared to the forecast.
- (2.) Net Resident Services within 1% of the forecast.
- (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, realized and unrealized gains, change in value of split interest agreements and transfers from permanently or temporarily restricted assets are not forecasted according to professional standards.
- (6.) Limited investment income and gains or losses on investments could not be forecasted according to professional standards. However, as a result, with the market performance, 2019 actual results surpassed forecasted amounts in unrestricted, temporarily restricted and permanently restricted funds.
- (7.) 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 \$38,000 or 8%.
- (8.) Investment income and investment income – navigation is separated in the forecast however when combined to align with the audit the variance is 9%.
- (9.) Total actual expenses are 2% higher compared to the forecast.
- (10.) Healthcare, assisted living, and clinic was higher than forecasted due to higher than forecasted salaries needed for the opening and operation of the new Health Care Center.
- (11.) Dining Services was higher forecast due to higher than forecasted due to higher than forecasted salaries needed for the opening and operation of the new Health Care Center.
- (12.) Healthcare activities, fitness, events, and volunteer, life enrichment was higher than forecast due to salaries needed for the opening and operation of the new Health Care Center.
- (13.) Navigation was lower than forecast due to less than forecasted utilization of services by the membership.
- (14.) Navigation by Salemtowne – Depreciation, Navigation – Amortization, and Depreciation and amortization of deferred marketing costs are separated in the forecast however when combined to align with the audit is higher than forecast due to an increase in marketing expenses.
- (15.) Interest expense is higher than forecast due to a short term line of credit not included in the forecast.
- (16.) Expenses for maintaining the Babcock Property are included in Grounds and Maintenance.
- (17.) Administration and general is higher than forecast due to an increase in our allowance for doubtful accounts.
- (18.) 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.
- (19.) The impairment of the retired Phillips Health Care Center was not forecasted.

- (20.) The change in accounting treatment was recorded as an adjustment to 2018's audit and not included in 2019.

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	Forecast		Audit		Material		Notes
	(000s)		(000s)		Differences		
	\$	2,019	\$	2,019	\$	%	
Operating activities							
Change in net assets	\$	(5,689)	\$	(9,475)	\$	(3,786)	67%
Adjustments to reconcile change in net assets to net cash provided by operating activities:							
Navigation by Salemtowne - Depreciation	\$	3	\$	-	\$	(3)	-100%
Depreciation and amortization	\$	4,800	\$	4,833	\$	33	1%
Amortization of bond issuance costs	\$	152	\$	86	\$	(66)	-44%
Amortization of bond premium and discount	\$	(248)	\$	(233)	\$	15	-6%
Amortization of deferred development - Navigation	\$	39	\$	-	\$	(39)	-100%
Amortization of deferred entrance fees	\$	(2,040)	\$	(2,304)	\$	(264)	13%
Amortization Membership Fees – Navigation	\$	(72)	\$	-	\$	72	-100%
In-kind contributions	\$	-	\$	(105)	\$	(105)	#DIV/0!
Accrued interest	\$	808	\$	-	\$	(808)	-100%
Prior Period Adjustment - Change in Accounting Treatment	\$	532	\$	-	\$	(532)	-100%
(Gain) Loss on disposal of equipment	\$	-	\$	31	\$	31	#DIV/0!
Realized gains on investments	\$	-	\$	(485)	\$	(485)	#DIV/0!
Net unrealized (gains) losses on investments	\$	-	\$	(81)	\$	(81)	#DIV/0!
Loss on impairment of property and equipment			\$	4,589	\$	4,589	#DIV/0!
Net changes in:							
Accounts receivable	\$	594	\$	(743)	\$	(1,337)	-225%
Other receivable	\$	(267)	\$	85	\$	352	-132%
Prepaid expense and other current assets	\$	(127)	\$	182	\$	309	-244%
Accounts payable	\$	(788)	\$	(64)	\$	724	-92%
Accrued expenses	\$	207	\$	129	\$	(78)	-38%
Accrued Interest Payable			\$	(127)	\$	(127)	#DIV/0!
Entrance Fees received	\$	4,145	\$	4,880	\$	735	18%
Membership fees received – Navigation	\$	1,132	\$	-	\$	(1,132)	-100%
Membership fees refunded – Navigation	\$	-	\$	-	\$	-	#DIV/0!
(Decrease) in resident deposits	\$	-	\$	409	\$	409	#DIV/0!
Assets in split-interest agreement	\$	-	\$	34	\$	34	#DIV/0!
Net cash provided by operating activities	\$	3,181	\$	1,640	\$	(1,541)	-48%
Investing activities							
Purchases of property and equipment	\$	(12,028)	\$	(5,931)	\$	6,097	-51%
Interest cost capitalized during project period	\$	(713)	\$	-	\$	713	-100%
(Increase) in assets limited as to use	\$	(23,599)	\$	(30,223)	\$	(6,624)	28%
(Increase) in assets limited as to use, current	\$	(672)	\$	-	\$	672	-100%
(Increase) decrease in investments	\$	(878)	\$	-	\$	878	-100%
Net cash provided by (used in) investing activities	\$	(37,890)	\$	(36,153)	\$	1,737	-5%
Financing activities							
Entrance Fees received from re-occupancy	\$	414	\$	-	\$	(414)	-100%
Refunds of Entrance Fees	\$	(694)	\$	-	\$	694	-100%
Membership Fees refunded - Navigatoin	\$	(35)	\$	-	\$	35	-100%
Issuance of long-term debt	\$	38,035	\$	38,250	\$	215	1%
Issuance of debt - other debt obligations	\$	196	\$	-	\$	(196)	-100%
Deferred financing cost	\$	(1,031)	\$	(977)	\$	54	-5%
Original issue premium	\$	172	\$	(633)	\$	(805)	-468%
Principal payments on debt - Line of Credit	\$	(250)	\$	250	\$	500	-200%
Principal payments on debt - Other Debt Obligations	\$	(26)	\$	(28)	\$	(2)	7%
Principal payments on debt - Bond Obligations	\$	(1,315)	\$	(1,315)	\$	-	0%
Net cash provided by (used in) financing activities	\$	35,466	\$	35,547	\$	81	0%
Net increase in cash and cash equivalents	\$	757	\$	1,033	\$	276	37%
Cash and cash equivalents at beginning of year	\$	203	\$	203	\$	-	0%
Cash and cash equivalents at end of year	\$	960	\$	1,236	\$	276	29%

- (1.) Navigation by Salemtowne – Depreciation, Navigation – Amortization, and Depreciation and amortization of deferred marketing costs, see comment #14 under the statement of revenues and expenses.
- (2.) Intentionally left blank.
- (3.) Contributions and in-kind contributions, see comment #4 under the statement of revenues and expenses.
- (4.) Accrued interest - see comment #15 under the statement of revenues and expenses.
- (5.) Prior Period Adjustment - see comment #20 under the statement of revenues and expenses.
- (6.) Gain and loss on disposal of equipment, realized and unrealized gains on investments, see comment #6 under the statement of revenues and expenses.
- (7.) Loss in impairment of property and equipment, see comment #19 under the statement of revenues and expenses.
- (8.) Accounts receivable, see comment #3 under the balance sheet.
- (9.) Other receivable, see comment #5 under the balance sheet.
- (10.) Pre-paid expense and other current assets, see comment #4 under the balance sheet.
- (11.) Accounts payable, see comment #10 under the balance sheet.
- (12.) Accrued expense, see comment #11 under the balance sheet.
- (13.) Accrued Interest Payable – see comment #12 under the balance sheet.
- (14.) Entrance fees received and Membership fees received – Navigation, Membership see comment #13 under the balance sheet.
- (15.) Assets in split interest agreement, see comment #9 under the balance sheet.
- (16.) Purchases of property and equipment, Purchases of property and equipment (project related), Interest cost capitalized during project is separated in the forecast however when combined to align with the audit the variance is -53% due to the timing of the construction project.
- (17.) (Increase) in assets limited as to use, (Increase) in assets limited as to use, current, (Increase) decrease in investments is separated in the forecast however when combined to align with the audit the variance is 25% due to the timing of the construction project.
- (18.) Investments, see comment #8 under the balance sheet.
- (19.) Line of Credit, see comment #15 under the balance sheet.

(20.) Issuance of other debt obligations were not forecasted.

(21.) Actual Deferred Financing Costs were less than forecasted.

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	Forecast	Audit	Material		Notes
	(000s)	(000s)	Differences		
	2019	2019	\$	%	
Assets					
Current Assets					
Cash	\$ 960	\$ 1,236	\$ 276	22%	(1)
Current portion of assets limited as to use	2,300	1,501	(799)	-53%	(2)
Accounts receivable, net of allowance	741	2,077	1,336	64%	(3)
Prepaid and other current assets	383	74	(309)	-417%	(4)
Other receivables	566	214	(352)	-164%	(5)
Total current assets	4,950	5,103	153	3%	
Assets limited as to use, net of current portion	31,428	38,554	7,126	18%	
Restricted statutory operating reserve	5,400	5,791	391	7%	
Total assets limited to use, net of current portion	36,828	44,345	7,517	17%	(6)
Property & equipment, net	91,481	81,582	(9,899)	-12%	(7)
Investments	10,761	9,684	(1,077)	-11%	(8)
Development Costs - Navigation	208	208	0	0%	
Assets in split interest agreements	580	546	(34)	-6%	(9)
Total other assets	788	754	(34)	-4%	
Total assets	\$ 144,808	\$ 141,468	(3,340)	-2%	
Liabilities & Net Assets					
Current Liabilities					
Accounts payable	30	\$ 3,012	2,982	99%	(10)
Accrued expenses	1,276	1,198	(78)	-7%	(11)
Accrued interest payable	2,436	1,501	(935)	-62%	(12)
Refundable Advance Fees	-	246	246	100%	(13)
Line of Credit	-	500	500	100%	(14)
Current portion of lease obligation	26	26	-	0%	
Current portion of note payable	9	9	-	0%	
Current portion of bonds payable	1,335	1,335	-	0%	
Total current liabilities	6,040	7,827	1,787	23%	
Bonds payable, excluding current portion	99,278	99,278	-	0%	
Note payable, excluding current portion	35	35	-	0%	
Capital Lease Obligation payable, excluding current portion	97	97	-	0%	
Deposits	1,616	2,025	409	20%	(15)
Refundable advance fees	1,513	1,476	(37)	-2%	
Deferred revenue from advance fees	17,952	17,397	(555)	-3%	
Total liabilities	127,158	128,135	977	1%	
Net assets					
Unrestricted					
Unrestricted	-	2,327	2,327	100%	(16)
Board designated	13,681	7,144	(6,537)	-92%	(16)
With Donor Restrictions	3,969	3,862	(107)	-3%	
Total net assets	17,650	13,332	(4,318)	-32%	
Total liabilities and net assets	\$ 144,808	\$ 141,468	(3,340)	-2%	

- (1.) Cash and Cash equivalents were lower than forecasted at year end due an increase in accounts receivable and payments of costs associated with future campus projects.
- (2.) Assets limited as to use was lower than forecasted due to the forecast assumed financing of the New Independent Living Project was to occur in fiscal year 2019, however the New Independent Living Project is currently due assumed to occur in the fiscal year 2019.
- (3.) Accounts receivable is higher than forecasted due to the payment of sales tax on the construction project that is reimbursed to the organization and more timely collection of fees from residents and third-party payors.
- (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.
- (5.) Other receivable is lower than forecast due to the monies due to be reimbursed for previous sales tax paid and on timing of the payment of invoices.
- (6.) Total assets limited as to use is higher than the forecast due to timing of the payment of costs associated with the campus improvements.
- (7.) Property, plant, and equipment, net is lower than forecast due to the timing of the construction completion related to the New Health Care Center as well as the impairment of the retired Phillips Health Care Center.
- (8.) Investments is lower tha forecast due to the increased operating capital needed to offset the longer A/R cycle related to the Short Term Rehab.
- (9.) Assets in split-interest agreements are forecasted to align with prior year's activity.
- (10.) Accounts payable is higher than the forecast due to timing on construction invoices related to the new project.
- (11.) Decreased accrued expenses is the result of the timing of capital out lays and the pay cycle timing.
- (12.) Accrued interest payable was a timing difference between the accrual and the actual payment of the interest.
- (13.) The forecast refundable entrance fees were based on an actuarial study provided by Continuing Care Actuaries, LLC. The refundable entrance fees – current and refundable entrance fees combined were less than actual by approximately 2%.
- (14.) The Line of Credit was not forecasted in Fiscal Year 2019 and is used for cash flow management.
- (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.

- (16.) In fiscal year 2019, Salemtowne reclassified temporary, permanently, and undesignated restricted assets.

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Estimated Number of Residents

There were 363 residents living at Salemtowne as of March 31, 2019.

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 by Salemtowne

(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, 2019, for the four plan options for singles and couples (living in the same home) age 65, 75 and 85. All fees are per person.

Age	All Inclusive		Security		Co-Pay		Beacon	
	Single	Couple	Single	Couple	Single	Couple	Single	Couple
65	\$ 35,384	\$ 33,615	\$ 28,623	\$ 27,192	\$ 23,457	\$ 22,284	\$ 22,042	\$ 20,940
75	\$ 57,345	\$ 54,478	\$ 46,928	\$ 44,582	\$ 36,533	\$ 34,706	\$ 34,325	\$ 32,609
85	\$ 80,492	\$ 46,468	\$ 65,982	\$ 62,683	\$ 49,937	\$ 47,440	\$ 44,846	\$ 42,604
Monthly Fee	\$ 591	\$ 561	\$ 517	\$ 491	\$ 455	\$ 432	\$ 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

	All Inclusive Plan	Security Plan	Co-Pay Plan	Beacon Plan
Grandfathered Monthly Fee	\$556 single \$528 couple	\$470 single \$446 couple	\$428 single \$407 couple	N/A

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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 \$5,400 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 A
Financial Information

- Audited Financial Statements as of March 31, 2019 and 2018
- Summary of Calculation Of Obligation To Provide Future Service as of March 31, 2019 (Continuing Care Retirement Community)
- Summary of Calculation Of Obligation To Provide Future Service as of March 31, 2019 (CCRC @ Home Program)
- Independent Accountants' Compilation Report dated as of August 28, 2019 for the years ending March 31, 2019 through March 31, 2023
- Actuary Report for Population and Entrance Fee Projections

Appendix B
Agreements (Continuing Care Retirement Community)

B1 Residence And Services Agreement – Direct Entry to Independent Living

B2 Residence And Services Agreement – Direct Entry to Masten Assisted Living Center

B3 Residence And Services Agreement – Direct Entry to Westerly Memory Support

B4 Residence And Services Agreement – Direct Entry to Health Care Center

B5 Short-term Residence And Services Agreement – Nursing Care Center, Memory Support Center or Masten Assisted Living Center

B6 Personal Guaranty Agreement

B7 Financial Assistance Agreement

B8 Reservation Agreement

B9 Reservation Agreement – 10% Depositor

B10 Voluntary Arbitration Agreement

Agreement (Navigation by Salemtowne - Continuing Care At Home Program)

B11 Member Services Agreement

B12 Consultative Care Plus Agreement

Appendix C**Schedule of Fees effective June 1, 2018**



Appendix A1

Audited Financial Statements as of March 31, 2019 and 2018

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

Financial Statements

Years Ended March 31, 2019 and 2018



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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, 2019 and 2018, 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, 2019 and 2018, 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 Pronouncement

As discussed in Note 1 to the financial statements, during the year ended March 31, 2019, the Community implemented the provisions of Financial Accounting Standards Board Accounting Standards Update (“ASU”) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities and ASU 2015-14, Revenue from Contracts with Customers (Topic 606). As a result of adopting these new standards, the Community restated amounts previously reported as of and for the year ended March 31, 2018. Our opinion is not modified in respect to these matters.

Dixon Hughes Goodman LLP

**Raleigh, North Carolina
July 19, 2019**

Moravian Home, Incorporated (d/b/a Salemtowne)**Balance Sheets****March 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u> <u>(As Adjusted)</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,236,304	\$ 203,116
Current portion of assets limited as to use	1,500,867	1,628,174
Accounts receivable, net of allowance for uncollectible accounts of \$810,000 and \$145,000 in 2019 and 2018, respectively	2,077,039	1,334,501
Other receivables	214,334	299,069
Prepaid and other current assets	74,089	256,414
Total current assets	<u>5,102,633</u>	<u>3,721,274</u>
Assets limited as to use, net of current portion:		
Assets limited as to use, net of current portion	38,553,873	7,487,604
Restricted statutory operating reserve	5,791,000	5,741,000
Total assets limited as to use, net of current portion	<u>44,344,873</u>	<u>13,228,604</u>
Property and equipment, net	<u>81,581,902</u>	<u>83,543,565</u>
Investments	<u>9,684,107</u>	<u>9,883,448</u>
Other assets:		
Development costs - Navigation by Salemtowne net of accumulated amortization of approximately \$183,000 and \$144,000 in 2019 and 2018, respectively	208,037	247,187
Assets in split-interest agreements	546,118	580,157
Total other assets	<u>754,155</u>	<u>827,344</u>
Total assets	<u>\$ 141,467,670</u>	<u>\$ 111,204,235</u>

See accompanying notes.

Moravian Home, Incorporated (d/b/a Salemtowne)**Balance Sheets****March 31, 2019 and 2018****(Continued)**

	<u>2019</u>	<u>2018</u> <u>(As Adjusted)</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 3,011,683	\$ 1,745,450
Accrued expenses	1,197,676	1,068,502
Accrued interest payable	1,500,867	1,628,174
Refundable advance fees	245,624	316,897
Line of credit	500,000	250,000
Current portion of lease obligation	26,309	-
Current portion of note payable	9,469	-
Current portion of bonds payable	1,335,000	1,315,000
	<hr/>	<hr/>
Total current liabilities	7,826,628	6,324,023
Bonds payable, excluding current portion	99,277,846	64,159,111
Note payable, excluding current portion	35,316	-
Capital lease obligation, excluding current portion	97,280	-
Deposits	2,024,574	1,615,865
Refundable advance fees, excluding current portion	1,476,415	1,476,415
Deferred revenue from advance fees	17,397,423	14,821,946
	<hr/>	<hr/>
Total liabilities	128,135,482	88,397,360
Net assets:		
Without donor restrictions	2,326,951	11,982,358
Board designated without donor restrictions	7,143,534	7,275,981
With donor restrictions	3,861,703	3,548,536
	<hr/>	<hr/>
Total net assets	13,332,188	22,806,875
	<hr/>	<hr/>
Total liabilities and net assets	\$ 141,467,670	\$ 111,204,235
	<hr/>	<hr/>

See accompanying notes.

Moravian Home, Incorporated (d/b/a Salemtowne)
Statements of Operations
Years Ended March 31, 2019 and 2018

	<u>2019</u>	<u>2018</u> <u>(As Adjusted)</u>
Revenues, gains, and other support:		
Net resident services, including amortization of advance fees of approximately \$2,304,000 in 2019 and \$2,991,000 in 2018	\$ 24,418,573	\$ 20,564,365
Contributions	395,359	171,171
In-kind contributions	105,137	97,180
Net assets released from restrictions used for operations and benevolent assistance	111,493	1,036,812
Interest and dividends	914,812	236,663
Net realized gains from sale of investments	478,441	661,754
Other income	249,321	412,248
Total revenues, gains, and other support	<u>26,673,136</u>	<u>23,180,193</u>
Expenses:		
Program services - provision for housing and related services:		
Healthcare, assisted living and clinic	8,878,022	7,125,350
Dining services	3,475,984	3,085,724
Housekeeping, grounds and maintenance	4,040,470	4,002,545
Healthcare activities, fitness, events, and volunteers	878,663	902,868
Depreciation	4,832,614	4,439,515
Interest	2,999,638	1,965,316
Loss on sale of equipment	30,609	5,805
Supporting services:		
Administration and general	5,853,258	4,716,799
Development, community relations and admissions	963,019	1,096,543
Total expenses	<u>31,952,277</u>	<u>27,340,465</u>
Operating loss	<u>(5,279,141)</u>	<u>(4,160,272)</u>
Other changes in net assets without donor restrictions:		
Loss on impairment of property and equipment	(4,588,843)	-
Net unrealized gains on investments	80,130	559,685
Decrease in net assets without donor restrictions	<u>\$ (9,787,854)</u>	<u>\$ (3,600,587)</u>

See accompanying notes.

Moravian Home, Incorporated (d/b/a Salemtowne)
Statements of Changes in Net Assets
Years Ended March 31, 2019 and 2018

	<u>2019</u>	<u>2018</u> <u>(As Adjusted)</u>
Net assets without donor restrictions:		
Operating loss	\$ (5,279,141)	\$ (4,160,272)
Loss on impairment of property and equipment	(4,588,843)	-
Net unrealized gains on investments	<u>80,130</u>	<u>559,685</u>
Decrease in net assets without donor restrictions	<u>(9,787,854)</u>	<u>(3,600,587)</u>
Net assets with donor restrictions:		
Contributions	443,467	768,408
Investment income	7,007	39,953
Unrealized gains (losses) on investments	1,180	(23,913)
Realized gains on investments	7,045	79,629
Net assets released from restrictions	(111,493)	(1,036,812)
Change in value of split-interest agreements	<u>(34,039)</u>	<u>391,191</u>
Increase in net assets with donor restrictions	<u>313,167</u>	<u>218,456</u>
Change in net assets	<u>(9,474,687)</u>	<u>(3,382,131)</u>
Net assets at beginning of year	<u>22,806,875</u>	<u>26,189,006</u>
Net assets at end of year	<u>\$ 13,332,188</u>	<u>\$ 22,806,875</u>

Moravian Home, Incorporated (d/b/a Salemtowne)
Statements of Cash Flows
Years Ended March 31, 2019 and 2018

	2019	2018 (As Adjusted)
Operating activities:		
Change in net assets	\$ (9,474,687)	\$ (3,382,131)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization of advance fees	(2,304,266)	(2,991,368)
Depreciation	4,832,614	4,439,515
Amortization	85,693	78,936
Amortization of bond discount/premium	(232,608)	(232,608)
In-kind contributions	(105,137)	(97,180)
Advance fees received	4,879,743	2,870,176
Loss on disposal of equipment	30,609	5,805
Realized gains on investments	(485,486)	(741,383)
Net unrealized gains on investments	(81,310)	(535,772)
Loss on impairment of property and equipment	4,588,843	-
Net changes in:		
Accounts receivable	(742,538)	(780,177)
Other receivables	84,735	207,366
Prepaid and other current assets	182,325	(37,568)
Accounts payable	(63,508)	582,571
Accrued expenses	129,174	242,436
Accrued interest payable	(127,307)	(94,354)
Room deposits	408,709	1,361,765
Assets in split-interest agreements	34,039	(390,787)
Net cash provided by operating activities	<u>1,639,637</u>	<u>505,242</u>
Investing activities:		
Net change in assets limited as to use and investments	(30,222,825)	12,252,120
Purchase of property and equipment	(5,930,580)	(12,847,402)
Net cash used by investing activities	<u>(36,153,405)</u>	<u>(595,282)</u>
Financing activities:		
Principal payments on bonds payable	(1,315,000)	(1,225,000)
Proceeds from bonds payable	38,250,000	-
Principal payments on note payable	(7,349)	-
Principal payments on lease obligation	(20,495)	-
Proceeds from line of credit	250,000	250,000
Bond issuance costs	(976,789)	-
Discount on bonds payable	(633,411)	-
Refundable entrance fees received	-	1,253,515
Refunds of advance fees	-	(591,442)
Net cash provided (used) by financing activities	<u>35,546,956</u>	<u>(312,927)</u>

See accompanying notes.

Moravian Home, Incorporated (d/b/a Salemtowne)
Statements of Cash Flows
Years Ended March 31, 2019 and 2018

(Continued)

	<u>2019</u>	<u>2018</u> <u>(As Adjusted)</u>
Net increase (decrease) in cash and cash equivalents	1,033,188	(402,967)
Cash and cash equivalents, beginning of year	<u>203,116</u>	<u>606,083</u>
Cash and cash equivalents, end of year	<u>\$ 1,236,304</u>	<u>\$ 203,116</u>
Supplemental cash flow disclosure information:		
Cash paid for interest, including capitalized interest of approximately \$689,000 and \$756,000 in 2019 and 2018, respectively	<u>\$ 3,288,344</u>	<u>\$ 2,241,319</u>
Noncash investing and financing activities:		
Contributed investments	<u>\$ 105,137</u>	<u>\$ 97,180</u>
Purchase of property and equipment through a capital lease	<u>\$ 144,084</u>	<u>\$ -</u>
Purchase of property and equipment through a note payable	<u>\$ 52,134</u>	<u>\$ -</u>
Additions of property and equipment included in accounts payable	<u>\$ 1,329,741</u>	<u>\$ -</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, excluding those classified as assets limited as to use, 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

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. All changes in unrealized gains and losses on investments are included in other changes in net assets. Contributed investments are stated 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.

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

Fair Value of Financial Instruments

The carrying amount of cash and cash equivalents approximates its fair value. The fair value of the Community's investments is presented in Note 3 and is based on quoted market prices. The carrying values of accounts receivable, other receivables, accounts payable, and accrued expenses approximate fair value due to the short-term nature of these instruments. The Community's bonds payable approximates the fair values of those obligations.

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 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.

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, 2019 or 2018, 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 2019 and 2018.

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.

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

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 statement 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.

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

Operating Loss

The statements of operations and changes in net assets includes operating losses. Changes in net assets without donor restrictions which are excluded from operating loss, 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, 2019. 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 19, 2019, which is the date the financial statements were issued.

New Accounting Pronouncements

During 2018, the Community adopted Financial Accounting Standards Board (“FASB”) Accounting Standard Codification (“ASC”) Topic 606, Revenue from Contracts with Customers (“ASC Topic 606”) under the full retrospective approach applied to certain contracts using the practical expedient in paragraph 606-10-10-4 that allows for the use of a portfolio approach, as we determined that the effect of applying the guidance to our portfolios of contracts within the scope of ASC Topic 606 on our financial statements would not differ materially from applying the guidance to each individual contract within the respective portfolio or our performance obligations within that portfolio. The five-step model defined by ASC Topic 606 requires us to: (1) identify our contracts with customers, (2) identify our performance obligations under those contracts, (3) determine the transaction prices of those contracts, (4) allocate the transaction prices to our performance obligations in those contracts and (5) recognize revenue when each performance obligation under those contracts is satisfied. Revenue is recognized when promised goods or services are transferred to the customer in an amount that reflects the consideration expected in exchange for those goods or services. Our adoption of ASC Topic 606 did not result in an adjustment to our net assets except for the write-off of deferred marketing costs that are not considered incremental costs as defined in ASC Topic 340 and did not have a material impact on the amount and timing of our revenue recognition for the year ended March 31, 2018.

The promised good or service in the resident agreement is that the entity is standing ready each month to provide a service such that the resident can continue to live in the facility and access the appropriate level of care based on his or her needs. As such, the entity recognizes the nonrefundable entrance fee in an equal amount allocated to each month, given the nature of the entity’s performance is that of having the various residential, social or health care services available to the resident on a when-and-if needed basis each month for as long as the resident resides in the facility.

Upon adoption of ASC Topic 606, entities should evaluate costs associated with acquiring life care contracts to determine if they meet the requirements for capitalization under FASB ASC 340-40-25. Under FASB ASC 340-40-25-2, the incremental costs of obtaining a contract are those that an entity incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

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

As such, the entity has retrospectively adjusted the prior year financial statements for the removal of deferred marketing costs previously recorded on the balance sheets.

	<u>2018 Previously Presented</u>	<u>Adjustment</u>	<u>2018 (As Adjusted)</u>
<u>Balance Sheet:</u>			
Deferred marketing costs, net in property and equipment, net	\$ 84,075,370	\$ (531,805)	\$ 83,543,565
Total assets	111,736,040	(531,805)	111,204,235
Total net assets	23,338,680	(531,805)	22,806,875
Total liabilities and net assets	111,736,040	(531,805)	111,204,235

Statements of Operations and Changes in Net Assets:

Development, community relations and admissions	\$ 861,734	234,809	\$ 1,096,543
Total expenses	27,105,656	234,809	27,340,465
Operating loss	(3,925,463)	(234,809)	(4,160,272)
Decrease in net assets without donor restrictions	(3,365,778)	(234,809)	(3,600,587)
Change in net assets	(3,147,322)	(234,809)	(3,382,131)
Net assets at beginning of year	26,486,002	(296,996)	26,189,006
Net assets at end of year	23,338,680	(531,805)	22,806,875

Cash Flows:

Change in net assets	\$ (3,147,322)	\$ (234,809)	\$ (3,382,131)
Net cash provided by operating activities	740,051	(234,809)	505,242
Purchase of property and equipment	(13,082,211)	234,809	(12,847,402)
Net cash provided by investing activities	(830,091)	234,809	(595,282)

Presentation of Financial Statements of Not-for-Profit Entities

During fiscal year 2018, the Community adopted Accounting Standard Update ("ASU") No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The ASU No. 2016-14 addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity of available resources, and the lack of consistency in the type of information provided about expenses and investment return. The fiscal year 2018 financial statements have been adjusted to reflect retrospective application of the new accounting guidance, except for the disclosures around liquidity and availability of resources and analysis of expenses by functional and natural categories. These disclosures have been presented

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

for 2019 as allowed by ASU No. 2016-14. The retrospective application resulted in temporarily restricted net assets of \$620,999 and permanently restricted net assets of \$2,927,537 being reported as net assets with donor restrictions and unrestricted net assets of \$2,326,951 being reported as net assets without donor restrictions as of March 31, 2018.

Reclassifications

Certain amounts included in the 2018 financial statements have been reclassified to conform to the 2019 presentation. Changes in net assets previously reported for 2018 were not affected by these reclassifications, except as noted above.

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.

Moravian Home, Incorporated
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Notes to Financial Statements

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:

	March 31, 2019			
	<u>Independent Living</u>	<u>Assisted Living & Memory Care</u>	<u>Skilled Nursing</u>	<u>Total</u>
Private pay	\$ 8,253,580	\$ 3,529,249	\$ 5,760,000	\$ 17,542,829
Government reimbursement	-	-	6,820,210	6,820,210
Other third-party payor programs	-	-	55,534	55,534
Total	<u>\$ 8,253,580</u>	<u>\$ 3,529,249</u>	<u>\$ 12,635,744</u>	<u>\$ 24,418,573</u>

	March 31, 2018			
	<u>Independent Living</u>	<u>Assisted Living & Memory Care</u>	<u>Skilled Nursing</u>	<u>Total</u>
Private pay	\$ 8,860,776	\$ 2,437,532	\$ 5,499,729	\$ 16,798,037
Government reimbursement	28,868	21,066	3,696,131	3,746,065
Other third-party payor programs	-	-	20,263	20,263
Total	<u>\$ 8,889,644</u>	<u>\$ 2,458,598</u>	<u>\$ 9,216,123</u>	<u>\$ 20,564,365</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 2019 and 2018. There were no changes during 2019 and 2018 to the Community's valuation techniques used to measure asset and liability fair values on a recurring basis.

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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, 2019 and 2018.

	March 31, 2019			Total
	Level 1	Level 2	Level 3	
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>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.

	March 31, 2018			Total
	Level 1	Level 2	Level 3	
Income and money market funds	\$ 7,791,782	\$ -	\$ -	\$ 7,791,782
Common stocks	3,792,354	-	-	3,792,354
Fixed income mutual funds	<u>8,646,056</u>	-	-	<u>8,646,056</u>
Total	<u>\$ 20,230,192</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,230,192</u>

The Community has \$4,713,150 of cash balances included in cash and cash equivalents, assets limited as to use and investments as of March 31, 2018, 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:

	2019	2018
Assets held in professionally managed trust accounts:		
Short-term income and money market funds	\$ 43,205,928	\$ 12,301,816
Common stocks and fixed income mutual funds	11,112,506	12,438,410
Exchange-traded funds	<u>1,211,413</u>	-
Total assets limited as to use and investments	<u>\$ 55,529,847</u>	<u>\$ 24,740,226</u>

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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:

	<u>2019</u>	<u>2018</u>
Assets limited to use:		
Board designated:		
For general reserves and depreciation	\$ -	\$ 447,635
Restricted statutory operating reserve	<u>5,791,000</u>	<u>5,741,000</u>
	<u>5,791,000</u>	<u>6,188,635</u>
Under bond indenture agreement:		
Accrued interest fund	3,469,042	1,723,033
Debt service reserve fund	6,353,876	4,665,802
Escrow fund	1,423,033	1,368,540
Principal fund	554,539	657,553
Project fund	<u>28,254,250</u>	<u>253,215</u>
	<u>40,054,740</u>	<u>8,668,143</u>
Total assets limited as to use	45,845,740	14,856,778
Total investments	<u>9,684,107</u>	<u>9,883,448</u>
Total assets limited as to use and investments	<u>\$ 55,529,847</u>	<u>\$ 24,740,226</u>

Investment income for the years ended March 31 follows:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 921,819	\$ 276,616
Net realized gains on sale of investments	485,486	741,383
Net unrealized gains on investments	<u>81,310</u>	<u>535,772</u>
Total investment income	<u>\$ 1,488,615</u>	<u>\$ 1,553,771</u>

Investment income is shown net of investment fees of approximately \$85,000 and \$100,000 for the years ended March 31, 2019 and 2018, respectively.

Investments with unrealized losses as of March 31, 2019 and 2018 are summarized as follows:

2019 Description of Securities	<u>Less than 12 Months</u>		<u>12 Months or More</u>		<u>Total</u>	
	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>
Common stock	\$ 314,531	\$ 4,288	\$ 859,710	\$ 5,291	\$ 1,174,241	\$ 9,579
2018 Description of Securities	<u>Less than 12 Months</u>		<u>12 Months or More</u>		<u>Total</u>	
	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>
Common stock	\$ 235,949	\$ 12,526	\$ 935,989	\$ 19,884	\$ 1,171,938	\$ 32,410

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

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Other-than-temporary does not mean a permanent impairment. Accounting standards require certain disclosures about unrealized losses that have not been recognized as other-than-temporary impairments. Declines in fair value below cost that are deemed to be other-than temporary are included in the accompanying statements of operations. The Community determined there were no other-than-temporary declines in the fair value of investments for the years ended March 31, 2019 and 2018.

5. Property and Equipment

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

	<u>2019</u>	<u>2018</u> <u>(As Adjusted)</u>
Land and improvements	\$ 4,092,560	\$ 4,487,541
Buildings	100,637,777	109,182,207
Furniture and equipment	5,678,022	8,350,418
Vehicles	450,090	458,412
Construction in progress	<u>8,311,795</u>	<u>3,345,069</u>
	<u>119,170,244</u>	<u>125,823,647</u>
Accumulated depreciation	<u>(37,588,342)</u>	<u>(42,280,082)</u>
	<u>\$ 81,581,902</u>	<u>\$ 83,543,565</u>

Interest expense capitalized was \$688,907 and \$756,381 for the year ended March 31, 2019 and 2018, 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 the expansion.

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 the 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, and (d) pay certain expenses incurred in connection with the issuance of the bonds.

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

	<u>2019</u>	<u>2018</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 through 2019 with interest rates of 1.50% to 2.125% and payments ranging from \$350,000 to \$1,315,000.	350,000	1,665,000
Term bonds with interest rates and October 1 due dates as follows:		
5.000%, 2020	2,380,000	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	-
4.00%, 2025	5,000,000	-
4.50%, 2033	1,350,000	-
5.00%, 2038	2,635,000	-
5.00%, 2043	3,360,000	-
5.00%, 2048	17,530,000	-
Total bonds payable	101,765,000	64,830,000
Less current portion of bonds payable	(1,335,000)	(1,315,000)
Deferred financing costs, net	(1,591,335)	(661,089)
Unamortized original issue premium and discount, net	439,181	1,305,200
	<u>\$ 99,277,846</u>	<u>\$ 64,159,111</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.

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

The Master Trust Indentures of both bond series requires the maintenance of a 1.20 long-term debt service coverage ratio and contains other covenants restricting, among other things, incurrence of indebtedness,

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existence of liens on property, consolidation and merger, and transfer of assets. The Loan Agreements for both bond series 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, 2019.

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

<u>Fiscal Year</u>	
2020	\$ 1,335,000
2021	11,145,000
2022	5,085,000
2023	1,530,000
2024	1,605,000
Thereafter	<u>81,065,000</u>
	<u>\$ 101,765,000</u>

7. Bank Line 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 will accrue at a floating rate of prime, plus a margin (6.50% at March 31, 2019) and is due and payable monthly commencing on December 5, 2018. The line of credit matures on November 5, 2019 at which time all outstanding principal and accrued interest is due. The outstanding balance at March 31, 2019 was \$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, 2019 and 2018, the actual amount of contractual refund obligations which existed at those dates was approximately \$9,012,000 and \$7,771,000, respectively.

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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>2019</u>	<u>2018</u>
Split-interest agreements (time-restricted)	\$ 187,979	\$ 235,688
Pathways debt reduction	323,579	187,758
Single Sisters Preservation of the Community Fund	52,089	52,089
Other	179,831	91,404
Pathways trails	39,797	39,797
Lucille Fogle (walking trails, sidewalks and care of residents)	<u>14,263</u>	<u>14,263</u>
	<u>\$ 797,538</u>	<u>\$ 620,999</u>

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>2019</u>	<u>2018</u>
Financial assistance	\$ 2,360,935	\$ 2,211,573
Restricted endowments	46,987	72,987
Single Sisters Preservation of the Community Fund	169,354	169,354
Split-interest agreements	358,139	344,873
Babcock Campus (protected conservation area)	<u>128,750</u>	<u>128,750</u>
	<u>\$ 3,064,165</u>	<u>\$ 2,927,537</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.

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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, 2019 and 2018, management estimated that \$5,791,000 and \$5,741,000 respectively, would be required to meet the 25% operating reserve requirement. The Board of Trustees has designated \$5,791,000 and \$5,741,000 at March 31, 2019 and 2018, 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, 2019 and 2018, the Community made contributions totaling approximately \$151,000 and \$166,000, 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 \$1,507,093 and \$1,639,178 for the years ended March 31, 2019 and 2018, 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, 2019 and 2018, net patient service revenue was reduced by third party payor contractual adjustments (primarily Medicaid and Medicare) of approximately \$7,261,000 and \$3,284,000, 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.

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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.

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	-	443,467	443,467
Investment income	-	7,007	7,007
Realized gains	-	7,045	7,045
Unrealized gains	-	1,180	1,180
Net assets released from restriction	(132,447)	(111,493)	(243,940)
Change in value of split-interest agreements	<u>-</u>	<u>(34,039)</u>	<u>(34,039)</u>
Endowment net assets, end of year	<u>\$ 7,143,534</u>	<u>\$ 3,861,703</u>	<u>\$ 11,005,237</u>

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Endowment Net Asset Composition by Type of Fund as of March 31, 2018

	Board Designated Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets	\$ 7,275,981	\$ 3,548,536	\$ 10,824,517

Changes in Endowment Net Assets for the Year Ended March 31, 2018

	Board Designated Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 8,416,537	\$ 3,330,080	\$ 11,746,617
Contributions to principal	29,844	768,408	798,252
Investment income	-	39,953	39,953
Realized gains	-	79,629	79,629
Unrealized losses	-	(23,913)	(23,913)
Net assets released from restriction	(1,170,400)	(1,036,812)	(2,207,212)
Change in value of split-interest agreements	-	391,191	391,191
Endowment net assets, end of year	\$ 7,275,981	\$ 3,548,536	\$ 10,824,517

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

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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:

<u>Asset Categories</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,236,304
Accounts receivable	2,077,039
Other receivables	214,334
Investments and assets limited as to use	55,529,847
Less: Held by trustee	(40,054,740)
Less: Reserves required by state statute	(5,791,000)
Less: Restricted by donor	<u>(3,861,703)</u>
	<u>\$ 9,350,081</u>

18. 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, 2019:

	<u>Independent</u>	<u>Program Services</u>		<u>Total</u>	<u>Administrative and General</u>	<u>Marketing</u>	<u>Total</u>
		<u>Assisted Living</u>	<u>Skilled Nursing</u>				
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	\$ 3,359,666	\$ 1,302,250	\$ 10,470,494	\$ 15,132,410	\$ 16,026,756	\$ 793,111	\$ 31,952,277

Moravian Home, Inc. dba Salemtowne
Financial Statements and Analysis
For the Three Periods April 1 through June 30, 2019
Balance Sheet

Internal-not audited

Acct Description	FYE 2019	FYE 2020
	March	June
	Act	Act
Cash & Cash Equivalents	\$ 1,275,304	\$ 963,569
Current Portion of Assets Limited as to Use	2,923,900	2,002,176
Accounts Receivable:		
Residents & Third Party	2,077,039	1,873,164
Other	214,333	183,760
Investments	9,646,080	10,377,158
Prepaid & Other Current Assets	74,089	281,080
Current Assets	16,210,746	15,680,907
Assets Whose Use is Limited (AWUIL):		
Statutory Operating Reserve	5,790,000	5,790,000
Bonds - Net Current Debt Service	783,796	1,207,750
Bonds - Project Funds	28,603,577	24,008,881
Bonds - Debt Service Reserve	6,353,876	6,353,876
Bonds - Issuance Cost, net	59,807	59,755
Assets Whose Use is Limited	41,591,056	37,420,263
Non Current:		
Property & Equipment net of Accumulated Depreciation	82,019,831	86,182,984
Cost of Acquiring Continuing Care Contracts, net	301,911	292,123
Assets in Split Interest Agreements	546,117	546,117
Non Current Assets	82,867,860	87,021,225
Total Assets	\$ 140,669,662	\$ 140,122,395

Moravian Home, Inc. dba Salemtowne
Financial Statements and Analysis
For the Three Periods April 1 through June 30, 2019
Balance Sheet

Internal-not audited

Acct Description	FYE 2019		FYE 2020	
	March		June	
	Act	Act	Act	Act
Accounts Payable	\$ 1,681,942	\$ 2,102,687		
Accrued Expenses	1,197,676	1,526,914		
Note Payable Investment Fund	-	-		
Short Term Debt	535,777	286,450		
Accrued Interest Payable	1,500,867	658,627		
Bonds Payable-Current	1,335,000	1,335,000		
Current Liabilities	6,251,262	5,909,678		
Long Term:				
Bonds Payable - Long Term	100,430,000	100,430,000		
Bond Discount & Premium	(1,152,223)	(1,199,592)		
Deposits	2,024,574	1,906,736		
Refundable Entrance Fees	1,722,039	1,722,039		
Deferred Revenue	17,397,423	17,473,647		
Capital Lease	97,280	90,396		
Notes Payable - Long Term	35,316	32,832		
Long Term Liabilities	120,554,410	120,456,057		
Total Liabilities	126,805,672	126,365,735		
Net Assets:				
Unrestricted	2,649,120	2,346,388		
Unrestricted - Board Designated	7,658,752	7,783,076		
Restricted	2,663,163	2,663,163		
Temp Restricted	892,955	964,033		
Total Net Assets	13,863,990	13,756,660		
Total Liabilities and Net Assets	\$ 140,669,662	\$ 140,122,395		

Moravian Home, Inc. dba Salemtowne
Financial Statements and Analysis
For the Three Periods April 1 through June 30, 2019
Income Statement

Internal-not audited

<u>Acct Description</u>	June YTD			
	\$ Actual	\$ Est	\$ Var\$	% Var%
Revenue:				
Residential	1,561,556	1,430,459	131,097	9.2%
Assisted Living	472,717	538,215	(65,498)	(12.2%)
Memory Support	485,578	418,485	67,093	16.0%
Health Care	3,228,474	3,599,301	(370,827)	(10.3%)
Dining	54,637	211,072	(156,435)	(74.1%)
Other Operating	35,990	22,200	13,790	62.1%
Navigation by Salemtowne	83,767	102,176	(409)	(.4%)
Total Operating Revenue	5,922,718	6,321,908	(399,190)	(6.3%)
Earned Entrance Fees	645,828	570,000	75,828	13.3%
Benevolent Assistance	(70,129)	(27,264)	(42,865)	(157.2%)
Investment Income	750,959	210,656	540,303	256.5%
Unrestricted Contribution	12,236	-	12,236	
Non-Operating Revenue	1,338,894	753,392	585,502	77.7%
Total Revenue	\$ 7,261,612	\$ 7,075,300	\$ 186,312	2.6%
Expense:				
Resident Care	1,967,543	2,396,425	428,882	17.9%
Clinic	30,861	33,483	2,622	7.8%
Marketing	283,635	397,718	114,083	28.7%
Reception	40,980	47,560	6,580	13.8%
Beauty Shop	23,550	11,848	(11,702)	(98.8%)
Dining Services	846,820	774,055	(72,766)	(9.4%)
Life Enrichment	184,523	155,606	(28,917)	(18.6%)
Maintenance & Grounds	604,340	636,038	31,698	5.0%
Housekeeping & Laundry	291,991	313,720	21,729	6.9%
Transportation	72,852	68,502	(4,350)	(6.3%)
Welcome Center	62,548	65,730	3,183	4.8%
Administration	592,732	674,318	81,586	12.1%
Finance	211,059	218,923	7,864	3.6%
Information Systems	206,840	151,915	(54,925)	(36.2%)
Human Resources	134,423	148,892	14,469	9.7%
Resident Council	(466)	-	466	
Development	69,634	58,242	(11,392)	(19.6%)
Non Departmental Expenses	(915)	-	915	
Total Operating Expense	5,622,948	6,152,974	530,026	8.6%
(Gain)/Loss-Fixed Assets	-	-	-	
Asset Impairment	-	-	-	
Interest Expenses	794,827	819,455	24,628	3.0%
Depreciation and Amortization	1,147,335	1,361,130	213,795	15.7%
Total Expenses	\$ 7,565,110	\$ 8,333,559	\$ 768,449	9.2%

Moravian Home, Inc. dba Salemtowne
Financial Statements and Analysis
For the Three Periods April 1 through June 30, 2019
Income Statement

Internal-not audited

<u>Acct Description</u>	June YTD			
	<u>\$ Actual</u>	<u>\$ Est</u>	<u>\$ Var\$</u>	<u>% Var%</u>
Net Operating Income	299,770	168,934	130,836	77.4%
Earnings before D&A	843,837	102,871	740,966	720.3%
Net Earnings	\$ (303,498)	\$ (1,258,259)	\$ 954,761	75.9%
Unrestricted - Board Designated	124,324	-	124,324	
Assets Released fr Restriction	-	-	-	
TR - Assets Released from Restrictions	766	-	766	
PR - Assets Released from Restrictions	-	-	-	
Other Changes to Unrestricted Net Assets	-	-	-	
Increase (Decrease) in Unrestricted Net Assets	(178,409)	(1,258,259)	1,079,850	85.8%
Temporarily Restricted Assets:				
TR - Assets Released from Restrictions				
TR - Contributions and Bequests	71,078	-	71,078	
TR - Gains(Losses) on Investments	-	-	-	
Increase (Decrease) in Temporarily Restricted Net Assets	71,078	-	71,078	
Permanently Restricted Assets:				
PR - Contributions and Bequests				
Restricted - Donor	497	-	497	
Restricted - Unidentified	(497)	-	(497)	
PR - Gains(Losses) on Investments	-	-	-	
Increase (Decrease) in Permanently Restricted Net Assets	-	-	-	
Net Increase (Decrease) in Net Assets	\$ (107,330)	\$ (1,258,259)	\$ 1,150,929	91.5%

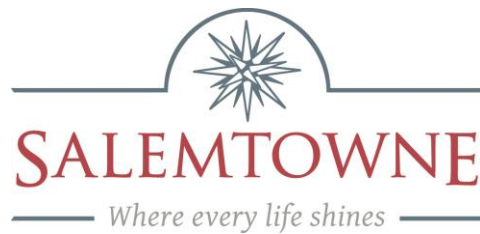
Moravian Home, Inc. dba Salemtowne
Financial Statements and Analysis
For the Three Periods April 1 through June 30, 2019
Statement of Cashflows

	June
Cash Flow From Operating Activities	
Change in Net Assets	\$ (107,330)
Less: Non-cash items included in Net Income	
Depreciation	1,184,917
Amortization	9,788
Amortization of Bond Discount/Premium	(47,370)
Amortization of advance fees	(642,828)
Investment Income	(750,959)
In-Kind Contributions	-
Loss on Disposal of Fixed Assets	-
Net Change in:	
Accounts Receivables	203,875
Assets Whose Use Is Limited	3,602,243
Other Receivables	30,573
Prepaid and Other Current Assets	(187,109)
Accounts Payable	420,746
Accrued Expenses	329,238
Assets in Split-Interest Agreements	-
	<hr/>
Total Cash Flow From Operating Activities	<u>4,045,783</u>
Cash Flows from Investing Activities	
Capital Projects	(5,348,070)
Requisitions on Bonds Payable	2,280,699
Net cash transfers from investments	-
	<hr/>
Total Cash Flow from Investing Activities	<u>(3,067,371)</u>
Cash Flows from Financing Activities	
Debt Principal - 2015 Bonds	-
Debt Principal - 2016 Bonds	-
Cash Received for Entrance Fees	719,052
Net Change in Resident Deposits	(117,838)
Refunds of Entrance Fees	-
Net Proceeds from /(Payments) on Line of Credit	(250,000)
Net Change in:	
Proceeds from Notes Payable	-
Proceeds from Capital Leases	-
Payments on Capital Leases	(6,397)
Payments on Note Payable	(2,299)
Interest Payments on Bonds Payable	(1,632,666)
	<hr/>
Total Cash Flow from Financing Activities	<u>(1,290,148)</u>
Total Cash Flow	<u>\$ (311,735)</u>



Appendix A2

Summary of Calculation of Obligation to Provide Future Service as of
March 31, 2019 (Continuing Care Retirement Community)



**Moravian Home Incorporated, d/b/a
Salemtowne**

Calculation of Obligation
to Provide Future Services

As of March 31, 2019

Report Date: JULY 8, 2019

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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, 2019. 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, 2019 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 2020. 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, 2019 to be a deficit of (\$9,045,000). This represents an decrease in surplus of \$8,064,000 from the prior report as of March 31, 2018.

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, 2019 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 (160.5 out of 169 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, 2019 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 2020 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 2020 ANNUAL REVENUES

All Contracts	
Independent Living Unit - Per Unit – Grandfather Fees	\$36,903
Independent Living Unit - Per Second Resident – Grandfather Fees	14,165
Independent Living Unit - Per Unit – 2016-2017 Fees	\$35,270
Independent Living Unit - Per Second Resident – 2016-2017 Fees	7,659
Independent Living Unit - Per Unit – 2017-2019 Fees	\$36,512
Independent Living Unit - Per Second Resident – 2017-2019 Fees	9,602
Assisted Living Unit - Per Resident	79,191
Skilled Nursing Facility - Per Patient	131,673

FY 2020 ANNUAL EXPENSES

Independent Living Unit - Per Unit	\$15,269
Independent Living Unit - Per Resident	11,288
Assisted Living Unit - Per Resident	57,350
Skilled Nursing Facility - Per Patient	107,648
Monthly Service Increase Rate	3.0%
Inflation Rate	3.0%
Investment Earnings Rate	5.5%
Discount Rate	5.5%
Allocable Depreciation	\$22,589,000
Unamortized Deferred Revenue	\$17,397,000
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, 2019. 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>2020</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>Community Configuration</u>										
Independent Living	169	169	169	169	169	169	169	169	169	169
Assisted Living	56	56	56	56	56	56	56	56	56	56
Health Care Center	100	100	100	100	100	100	100	100	100	100
<u>Total Community Occupancy Projection</u>										
Independent Living Residents	218.0	208.9	203.5	199.3	196.1	193.6	191.7	190.4	189.5	188.9
Total ILU Units Occupied	162.3	160.5	160.5	160.5	160.5	160.5	160.5	160.5	160.5	160.5
Assisted Living - Permanent	23.3	15.1	11.6	10.2	9.7	9.7	9.8	10.0	10.2	10.3
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>27.1</u>	<u>35.3</u>	<u>38.8</u>	<u>40.2</u>	<u>40.7</u>	<u>40.7</u>	<u>40.6</u>	<u>40.4</u>	<u>40.2</u>	<u>40.1</u>
Assisted Living - Total	50.4	50.4	50.4	50.4	50.4	50.4	50.4	50.4	50.4	50.4
Health Care Center - Permanent	32.9	32.6	30.1	27.8	26.5	26.0	25.9	26.2	26.6	26.9
Health Care Center - Temporary	5.3	5.1	5.0	5.0	5.0	5.1	5.1	5.2	5.2	5.2
<u>Health Care Center - Direct Admit</u>	<u>54.8</u>	<u>55.2</u>	<u>57.9</u>	<u>60.1</u>	<u>61.4</u>	<u>61.9</u>	<u>61.9</u>	<u>61.6</u>	<u>61.3</u>	<u>61.0</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	356.1	347.2	341.9	337.7	334.5	331.9	330.0	328.6	327.7	327.1
	54.720	0.829								
<u>Closed Group Occupancy Projection</u>										
Independent Living Residents	210.2	183.7	159.4	137.3	117.3	99.3	83.3	69.2	57.0	46.4
Total ILU Units Occupied	156.3	140.8	125.7	111.1	97.3	84.3	72.2	61.2	51.3	42.5
Assisted Living - Permanent	23.2	14.8	10.9	8.9	7.8	7.0	6.3	5.7	5.1	4.5
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	32.8	32.1	28.6	25.0	22.0	19.6	17.6	15.9	14.2	12.6
Health Care Center - Temporary	5.0	4.5	4.1	3.7	3.3	2.9	2.6	2.2	1.9	1.6
Total Residents	266.3	230.6	198.8	171.2	147.1	125.9	107.2	90.8	76.3	63.5

RESIDENT LEVEL OF CARE INFORMATION

	YEAR									
	<u>2030</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>Community Configuration</u>										
Independent Living	169	169	169	169	169	169	169	169	169	169
Assisted Living	56	56	56	56	56	56	56	56	56	56
Health Care Center	100	100	100	100	100	100	100	100	100	100
<u>Total Community Occupancy Projection</u>										
Independent Living Residents	188.6	188.4	188.4	188.5	188.6	188.7	188.8	188.9	189.0	189.0
Total ILU Units Occupied	160.5	160.5	160.5	160.5	160.5	160.5	160.5	160.5	160.5	160.5
Assisted Living - Permanent	10.4	10.5	10.6	10.6	10.6	10.5	10.5	10.5	10.5	10.4
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>40.0</u>	<u>39.9</u>	<u>39.8</u>	<u>39.8</u>	<u>39.8</u>	<u>39.9</u>	<u>39.9</u>	<u>39.9</u>	<u>39.9</u>	<u>40.0</u>
Assisted Living - Total	50.4	50.4	50.4	50.4	50.4	50.4	50.4	50.4	50.4	50.4
Health Care Center - Permanent	27.1	27.2	27.3	27.4	27.5	27.5	27.6	27.6	27.6	27.5
Health Care Center - Temporary	5.2	5.2	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.2
<u>Health Care Center - Direct Admit</u>	<u>60.7</u>	<u>60.5</u>	<u>60.4</u>	<u>60.3</u>	<u>60.2</u>	<u>60.2</u>	<u>60.2</u>	<u>60.1</u>	<u>60.2</u>	<u>60.3</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	326.8	326.6	326.5	326.6	326.7	326.8	326.9	327.1	327.1	327.2
<u>Closed Group Occupancy Projection</u>										
Independent Living Residents	37.5	29.9	23.7	18.5	14.2	10.8	8.0	5.9	4.2	3.0
Total ILU Units Occupied	34.8	28.2	22.6	17.8	13.8	10.6	7.9	5.8	4.2	3.0
Assisted Living - Permanent	3.9	3.3	2.8	2.3	1.9	1.5	1.2	0.9	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	11.0	9.5	8.1	6.8	5.6	4.7	3.8	3.1	2.5	1.9
Health Care Center - Temporary	1.3	1.1	0.9	0.8	0.6	0.5	0.4	0.3	0.2	0.1
Total Residents	52.4	42.8	34.6	27.6	21.8	17.0	13.1	9.9	7.4	5.4

RESIDENT LEVEL OF CARE INFORMATION

	YEAR									
	<u>2040</u>	<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>Community Configuration</u>										
Independent Living	169	169	169	169	169	169	169	169	169	169
Assisted Living	56	56	56	56	56	56	56	56	56	56
Health Care Center	100	100	100	100	100	100	100	100	100	100
<u>Total Community Occupancy Projection</u>										
Independent Living Residents	189.1	189.1	189.1	189.1	189.1	189.1	189.1	189.1	189.1	189.1
Total ILU Units Occupied	160.5	160.5	160.5	160.5	160.5	160.5	160.5	160.5	160.5	160.5
Assisted Living - Permanent	10.4	10.4	10.4	10.4	10.4	10.3	10.3	10.3	10.3	10.3
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>40.0</u>	<u>40.0</u>	<u>40.0</u>	<u>40.0</u>	<u>40.0</u>	<u>40.1</u>	<u>40.1</u>	<u>40.1</u>	<u>40.1</u>	<u>40.1</u>
Assisted Living - Total	50.4	50.4	50.4	50.4	50.4	50.4	50.4	50.4	50.4	50.4
Health Care Center - Permanent	27.4	27.3	27.3	27.2	27.2	27.2	27.2	27.2	27.2	27.2
Health Care Center - Temporary	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2
<u>Health Care Center - Direct Admit</u>	<u>60.4</u>	<u>60.4</u>	<u>60.5</u>	<u>60.5</u>	<u>60.5</u>	<u>60.5</u>	<u>60.6</u>	<u>60.6</u>	<u>60.6</u>	<u>60.6</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	327.2	327.3	327.3	327.3	327.3	327.3	327.3	327.3	327.3	327.3
<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	1.0	0.6	0.4	0.3	0.2	0.1	0.1	0.0
Assisted Living - Permanent	0.4	0.2	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	0.3	0.2	0.2	0.1	0.1	0.0
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	3.8	2.7	1.8	1.2	0.8	0.6	0.4	0.2	0.1	0.1

Salemtowne - Future Service Obligation Calculation as of 3/31/2018

	YEAR									
	<u>2020</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>Closed Group Occupancy Projection - Grandfather</u>										
Independent Living Residents	62.9	53.4	45.1	37.8	31.5	26.0	21.4	17.4	14.1	11.4
Total ILU Units Occupied	52.2	44.9	38.5	32.7	27.6	23.1	19.2	15.9	13.0	10.6
Assisted Living - Permanent	16.0	8.6	5.2	3.5	2.7	2.2	1.8	1.6	1.3	1.1
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	22.0	18.8	14.6	11.1	8.5	6.7	5.5	4.6	3.9	3.3
Health Care Center - Temporary	1.7	1.5	1.3	1.2	1.0	0.8	0.7	0.6	0.5	0.4
Total Residents	100.9	80.8	64.8	52.4	42.7	34.9	28.7	23.6	19.4	15.8
<u>Closed Group Occupancy Projection - 2016-2017 Fee Program</u>										
Independent Living Residents	90.4	79.7	69.7	60.6	52.2	44.6	37.8	31.6	26.1	21.3
Total ILU Units Occupied	63.4	58.0	52.5	47.1	41.8	36.7	31.8	27.2	22.9	19.1
Assisted Living - Permanent	6.8	4.9	4.0	3.6	3.3	3.0	2.8	2.5	2.3	2.0
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	9.0	10.1	9.9	9.3	8.6	8.0	7.4	6.8	6.3	5.7
Health Care Center - Temporary	2.0	1.9	1.7	1.5	1.4	1.2	1.1	1.0	0.8	0.7
Total Residents	106.2	94.7	83.7	73.5	64.1	55.6	47.9	40.9	34.6	29.0
<u>Closed Group Occupancy Projection - 2017-2018 Fee Program</u>										
Independent Living Residents	56.8	50.5	44.5	39.0	33.8	28.9	24.6	20.6	17.1	14.0
Total ILU Units Occupied	40.6	37.7	34.6	31.3	28.0	24.7	21.5	18.4	15.6	13.0
Assisted Living - Permanent	0.5	1.3	1.7	1.9	1.9	1.9	1.8	1.6	1.5	1.3
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	1.8	3.2	4.1	4.5	4.7	4.8	4.6	4.4	4.0	3.6
Health Care Center - Temporary	1.2	1.1	1.1	1.0	0.9	0.8	0.7	0.6	0.6	0.5
Total Residents	59.1	55.0	50.3	45.4	40.4	35.6	31.0	26.6	22.6	19.0

	YEAR									
	<u>2030</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>Closed Group Occupancy Projection - Grandfather</u>										
Independent Living Residents	9.1	7.3	5.7	4.4	3.4	2.6	1.9	1.4	1.0	0.7
Total ILU Units Occupied	8.6	6.9	5.5	4.3	3.3	2.5	1.9	1.4	1.0	0.7
Assisted Living - Permanent	0.9	0.8	0.7	0.5	0.4	0.4	0.3	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 - Permanent	2.8	2.3	1.9	1.6	1.3	1.1	0.9	0.7	0.6	0.4
Health Care Center - Temporary	0.3	0.3	0.2	0.2	0.2	0.1	0.1	0.1	0.0	0.0
Total Residents	12.8	10.4	8.3	6.6	5.2	4.0	3.1	2.3	1.7	1.2
<u>Closed Group Occupancy Projection - 2016-2017 Fee Program</u>										
Independent Living Residents	17.2	13.7	10.8	8.4	6.4	4.8	3.6	2.6	1.8	1.3
Total ILU Units Occupied	15.6	12.7	10.1	8.0	6.2	4.7	3.5	2.5	1.8	1.3
Assisted Living - Permanent	1.7	1.5	1.3	1.1	0.9	0.7	0.6	0.4	0.3	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	5.1	4.4	3.7	3.1	2.6	2.2	1.8	1.4	1.1	0.9
Health Care Center - Temporary	0.6	0.5	0.4	0.3	0.3	0.2	0.2	0.1	0.1	0.1
Total Residents	24.0	19.6	15.8	12.6	9.9	7.7	5.9	4.4	3.3	2.4
<u>Closed Group Occupancy Projection - 2017-2018 Fee Program</u>										
Independent Living Residents	11.4	9.1	7.3	5.7	4.4	3.4	2.5	1.8	1.3	0.9
Total ILU Units Occupied	10.7	8.7	7.0	5.5	4.3	3.3	2.5	1.8	1.3	0.9
Assisted Living - Permanent	1.2	1.0	0.9	0.7	0.6	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	3.2	2.8	2.4	2.0	1.7	1.4	1.2	0.9	0.7	0.6
Health Care Center - Temporary	0.4	0.3	0.3	0.2	0.2	0.2	0.1	0.1	0.1	0.0
Total Residents	15.8	13.0	10.5	8.4	6.7	5.2	4.0	3.1	2.3	1.7

	YEAR									
	<u>2040</u>	<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>Closed Group Occupancy Projection - Grandfather</u>										
Independent Living Residents	0.5	0.3	0.2	0.1	0.1	0.1	0.0	0.0	0.0	0.0
Total ILU Units Occupied	0.5	0.3	0.2	0.1	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	0.3	0.2	0.2	0.1	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	0.9	0.6	0.4	0.3	0.2	0.1	0.1	0.1	0.0	0.0
<u>Closed Group Occupancy Projection - 2016-2017 Fee Program</u>										
Independent Living Residents	0.9	0.6	0.4	0.3	0.2	0.1	0.1	0.0	0.0	0.0
Total ILU Units Occupied	0.9	0.6	0.4	0.3	0.2	0.1	0.1	0.0	0.0	0.0
Assisted Living - Permanent	0.2	0.1	0.1	0.1	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	0.6	0.5	0.3	0.2	0.2	0.1	0.1	0.1	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	1.7	1.2	0.8	0.5	0.4	0.2	0.2	0.1	0.1	0.0
<u>Closed Group Occupancy Projection - 2017-2018 Fee Program</u>										
Independent Living Residents	0.7	0.5	0.3	0.2	0.1	0.1	0.1	0.0	0.0	0.0
Total ILU Units Occupied	0.7	0.5	0.3	0.2	0.1	0.1	0.1	0.0	0.0	0.0
Assisted Living - Permanent	0.1	0.1	0.1	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	0.1	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	1.2	0.8	0.6	0.4	0.3	0.2	0.1	0.1	0.0	0.0

REVENUE AND EXPENSE ASSUMPTIONS

REVENUES	YEAR									
	<u>2020</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>
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	\$36,903	\$38,010	\$39,151	\$40,325	\$41,535	\$42,781	\$44,064	\$45,386	\$46,748	\$48,150
Annual Fee Per Second Resident - Grandfather	14,165	14,590	15,028	15,479	15,943	16,421	16,914	17,421	17,944	18,482
Annual Fee Per Unit - 2016-2017 Fees	35,270	36,328	37,418	38,541	39,697	40,888	42,114	43,378	44,679	46,019
Annual Fee Per Second Resident - 2016-2017 Fees	7,659	7,889	8,126	8,370	8,621	8,879	9,146	9,420	9,703	9,994
Annual Fee Per Unit - 2017-2018 Fees	36,512	37,608	38,736	39,898	41,095	42,328	43,597	44,905	46,253	47,640
Annual Fee Per Second Resident - 2017-2018 Fees	9,602	9,890	10,187	10,493	10,807	11,132	11,466	11,810	12,164	12,529
Per Assisted Living Resident	79,191	81,567	84,014	86,535	89,131	91,805	94,559	97,395	100,317	103,327
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	\$12,105,876	\$12,105,876	\$12,105,876	\$12,105,876	\$12,105,876	\$12,105,876	\$12,105,876	\$12,105,876	\$12,105,876	\$12,105,876
Earnings Rate	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Investment Income	242,118	242,118	242,118	242,118	242,118	242,118	242,118	242,118	242,118	242,118
Allocated Other Income	181,043	160,792	140,803	122,734	106,474	91,830	78,668	66,873	56,343	47,013
EXPENSES										
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	\$15,269	\$15,727	\$16,199	\$16,685	\$17,185	\$17,701	\$18,232	\$18,779	\$19,342	\$19,922
Per Resident	11,288	11,626	11,975	12,334	12,705	13,086	13,478	13,883	14,299	14,728
Per Assisted Living Resident	57,350	59,071	60,843	62,668	64,548	66,484	68,479	70,533	72,649	74,829
Per Health Care Center Resident	107,648	110,878	114,204	117,630	121,159	124,794	128,538	132,394	136,366	140,457
<u>Interest Expense</u>										
Total Interest Expense	\$3,265,302	\$3,208,614	\$3,138,864	\$3,068,927	\$3,095,664	\$2,918,827	\$2,838,414	\$2,753,927	\$2,665,614	\$2,573,333
Allocated Interest Expense	2,441,624	2,130,863	1,825,398	1,555,697	1,361,357	1,107,050	922,245	760,640	620,308	499,675

REVENUE AND EXPENSE ASSUMPTIONS

REVENUES	YEAR									
	<u>2030</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>
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	\$49,595	\$51,083	\$52,615	\$54,194	\$55,819	\$57,494	\$59,219	\$60,995	\$62,825	\$64,710
Annual Fee Per Second Resident - Grandfather	19,037	19,608	20,196	20,802	21,426	22,069	22,731	23,413	24,115	24,839
Annual Fee Per Unit - 2016-2017 Fees	47,400	48,822	50,287	51,795	53,349	54,950	56,598	58,296	60,045	61,846
Annual Fee Per Second Resident - 2016-2017 Fees	10,294	10,602	10,920	11,248	11,585	11,933	12,291	12,660	13,040	13,431
Annual Fee Per Unit - 2017-2018 Fees	49,069	50,541	52,058	53,619	55,228	56,885	58,591	60,349	62,159	64,024
Annual Fee Per Second Resident - 2017-2018 Fees	12,905	13,292	13,691	14,101	14,524	14,960	15,409	15,871	16,347	16,838
Per Assisted Living Resident	106,427	109,619	112,908	116,295	119,784	123,378	127,079	130,891	134,818	138,863
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	\$12,105,876	\$12,105,876	\$12,105,876	\$12,105,876	\$12,105,876	\$12,105,876	\$12,105,876	\$12,105,876	\$12,105,876	\$12,105,876
Earnings Rate	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Investment Income	242,118	242,118	242,118	242,118	242,118	242,118	242,118	242,118	242,118	242,118
Allocated Other Income	38,823	31,714	25,621	20,470	16,168	12,613	9,712	7,361	5,473	3,982
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	\$20,520	\$21,136	\$21,770	\$22,423	\$23,095	\$23,788	\$24,502	\$25,237	\$25,994	\$26,774
Per Resident	15,170	15,625	16,094	16,577	17,074	17,586	18,114	18,657	19,217	19,793
Per Assisted Living Resident	77,074	79,386	81,768	84,221	86,747	89,350	92,030	94,791	97,635	100,564
Per Health Care Center Resident	144,670	149,011	153,481	158,085	162,828	167,713	172,744	177,926	183,264	188,762
<u>Interest Expense</u>										
Total Interest Expense	\$2,476,508	\$2,375,208	\$2,269,114	\$2,167,819	\$2,061,244	\$1,948,894	\$1,830,769	\$1,706,344	\$1,575,355	\$1,437,544
Allocated Interest Expense	397,099	311,123	240,122	183,281	137,648	101,525	73,436	51,877	35,610	23,640

REVENUE AND EXPENSE ASSUMPTIONS

REVENUES	YEAR									
	<u>2040</u>	<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>
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	\$66,651	\$68,651	\$70,710	\$72,832	\$75,017	\$77,267	\$79,585	\$81,973	\$84,432	\$86,965
Annual Fee Per Second Resident - Grandfather	25,584	26,351	27,142	27,956	28,795	29,659	30,548	31,465	32,409	33,381
Annual Fee Per Unit - 2016-2017 Fees	63,702	65,613	67,581	69,609	71,697	73,848	76,063	78,345	80,695	83,116
Annual Fee Per Second Resident - 2016-2017 Fees	13,834	14,249	14,676	15,116	15,570	16,037	16,518	17,014	17,524	18,050
Annual Fee Per Unit - 2017-2018 Fees	65,945	67,923	69,961	72,060	74,222	76,448	78,742	81,104	83,537	86,043
Annual Fee Per Second Resident - 2017-2018 Fees	17,343	17,863	18,399	18,951	19,519	20,105	20,708	21,329	21,969	22,628
Per Assisted Living Resident	143,029	147,319	151,739	156,291	160,980	165,809	170,784	175,907	181,184	186,620
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	\$12,105,876	\$12,105,876	\$12,105,876	\$12,105,876	\$12,105,876	\$12,105,876	\$12,105,876	\$12,105,876	\$12,105,876	\$12,105,876
Earnings Rate	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Investment Income	242,118	242,118	242,118	242,118	242,118	242,118	242,118	242,118	242,118	242,118
Allocated Other Income	2,829	1,967	1,347	915	616	409	267	172	109	68
<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	\$27,577	\$28,404	\$29,256	\$30,134	\$31,038	\$31,969	\$32,928	\$33,916	\$34,934	\$35,982
Per Resident	20,387	20,999	21,629	22,277	22,946	23,634	24,343	25,073	25,826	26,600
Per Assisted Living Resident	103,581	106,688	109,889	113,185	116,581	120,078	123,681	127,391	131,213	135,149
Per Health Care Center Resident	194,425	200,258	206,266	212,454	218,827	225,392	232,154	239,118	246,292	253,681
<u>Interest Expense</u>										
Total Interest Expense	\$1,288,925	\$1,132,512	\$967,500	\$973,619	\$610,600	\$417,637	\$214,194	\$214,194	\$214,194	\$214,194
Allocated Interest Expense	15,062	9,199	5,384	3,680	1,552	705	236	152	96	60

PROJECTED CASH INFLOWS

	YEAR									
	<u>2020</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>
Independent Living Units	\$8,099,567	\$7,243,616	\$6,437,732	\$5,684,635	\$4,982,644	\$4,330,679	\$3,729,363	\$3,180,728	\$2,686,409	\$2,246,492
Independent Living Units (Subsidy)	0	0	0	0	0	0	0	0	0	0
Assisted Living Units	1,839,905	1,208,807	915,794	773,439	693,941	639,614	595,237	553,253	509,861	463,738
Health Care Center	4,983,801	4,964,685	4,562,843	4,125,410	3,748,046	3,437,941	3,173,545	2,929,916	2,686,874	2,439,158
Investment Income	181,043	160,792	140,803	122,734	106,474	91,830	78,668	66,873	56,343	47,013
TOTAL CASH INFLOWS	\$15,104,316	\$13,577,900	\$12,057,172	\$10,706,217	\$9,531,105	\$8,500,064	\$7,576,813	\$6,730,770	\$5,939,486	\$5,196,401

PROJECTED CASH OUTFLOWS

	YEAR									
	<u>2020</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>
Independent Living Units	\$4,758,623	\$4,350,056	\$3,944,009	\$3,547,113	\$3,161,917	\$2,791,513	\$2,439,920	\$2,110,724	\$1,806,780	\$1,530,549
Assisted Living Units	1,332,452	875,413	663,214	560,121	502,549	463,206	431,068	400,664	369,239	335,837
Health Care Center	4,074,487	4,058,859	3,730,335	3,372,713	3,064,201	2,810,675	2,594,519	2,395,341	2,196,643	1,994,124
Interest Expense	2,441,624	2,130,863	1,825,398	1,555,697	1,361,357	1,107,050	922,245	760,640	620,308	499,675
TOTAL CASH OUTFLOWS	\$12,607,186	\$11,415,190	\$10,162,957	\$9,035,644	\$8,090,023	\$7,172,443	\$6,387,753	\$5,667,369	\$4,992,970	\$4,360,185

PROJECTED CASH INFLOWS

	YEAR									
	<u>2030</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>
Independent Living Units	\$1,860,122	\$1,524,934	\$1,236,760	\$990,563	\$781,955	\$607,295	\$463,528	\$347,529	\$256,121	\$185,809
Independent Living Units (Subsidy)	0	0	0	0	0	0	0	0	0	0
Assisted Living Units	415,846	367,101	318,866	272,817	229,828	190,650	155,377	123,556	95,083	70,717
Health Care Center	2,188,905	1,936,136	1,689,852	1,459,720	1,250,797	1,058,736	889,647	737,093	596,024	467,093
Investment Income	38,823	31,714	25,621	20,470	16,168	12,613	9,712	7,361	5,473	3,982
TOTAL CASH INFLOWS	\$4,503,695	\$3,859,885	\$3,271,100	\$2,743,570	\$2,278,749	\$1,869,294	\$1,518,264	\$1,215,539	\$952,700	\$727,600

PROJECTED CASH OUTFLOWS

	YEAR									
	<u>2030</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>
Independent Living Units	\$1,282,965	\$1,063,851	\$872,105	\$705,791	\$562,913	\$441,491	\$339,883	\$256,640	\$190,338	\$138,841
Assisted Living Units	301,154	265,853	230,922	197,573	166,440	138,068	112,524	89,479	68,859	51,213
Health Care Center	1,789,530	1,582,880	1,381,532	1,193,388	1,022,585	865,566	727,327	602,607	487,277	381,870
Interest Expense	397,099	311,123	240,122	183,281	137,648	101,525	73,436	51,877	35,610	23,640
TOTAL CASH OUTFLOWS	\$3,770,748	\$3,223,707	\$2,724,680	\$2,280,033	\$1,889,586	\$1,546,649	\$1,253,170	\$1,000,603	\$782,083	\$595,564

PROJECTED CASH INFLOWS

	YEAR									
	<u>2040</u>	<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>
Independent Living Units	\$132,615	\$93,059	\$64,215	\$43,637	\$29,164	\$19,136	\$12,330	\$7,803	\$4,880	\$3,055
Independent Living Units (Subsidy)	0	0	0	0	0	0	0	0	0	0
Assisted Living Units	51,113	36,101	25,126	17,294	11,726	7,800	5,079	3,245	2,049	1,281
Health Care Center	353,692	260,015	188,622	136,747	98,741	70,616	49,843	34,534	23,286	15,209
Investment Income	2,829	1,967	1,347	915	616	409	267	172	109	68
TOTAL CASH INFLOWS	\$540,249	\$391,141	\$279,310	\$198,593	\$140,246	\$97,961	\$67,520	\$45,754	\$30,323	\$19,613

PROJECTED CASH OUTFLOWS

	YEAR									
	<u>2040</u>	<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>
Independent Living Units	\$99,511	\$70,064	\$48,516	\$33,059	\$22,159	\$14,579	\$9,401	\$5,954	\$3,738	\$2,339
Assisted Living Units	37,015	26,144	18,196	12,524	8,492	5,649	3,678	2,350	1,484	928
Health Care Center	289,159	212,574	154,207	111,797	80,725	57,732	40,749	28,233	19,037	12,434
Interest Expense	15,062	9,199	5,384	3,680	1,552	705	236	152	96	60
TOTAL CASH OUTFLOWS	\$440,748	\$317,981	\$226,303	\$161,060	\$112,928	\$78,665	\$54,065	\$36,689	\$24,355	\$15,760

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

	YEAR									
	<u>2020</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>
Net Cash Outflows (Inflows)	(\$2,497,131)	(\$2,162,710)	(\$1,894,215)	(\$1,670,573)	(\$1,441,081)	(\$1,327,621)	(\$1,189,060)	(\$1,063,401)	(\$946,516)	(\$836,217)
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)	(2,431,168)	(1,995,812)	(1,656,907)	(1,385,102)	(1,132,537)	(988,976)	(839,581)	(711,711)	(600,457)	(502,829)
Present Value of Net Cash Outflows	-\$14,237,349	@	5.5%							

DEPRECIATION COST

	YEAR									
	<u>2020</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>
Depreciation	\$4,435,000	\$4,435,000	\$4,435,000	\$4,435,000	\$4,435,000	\$4,435,000	\$4,435,000	\$4,435,000	\$4,435,000	\$4,435,000
Allocated Depreciation	3,316,264	2,945,314	2,579,163	2,248,186	1,950,347	1,682,102	1,441,001	1,224,956	1,032,058	861,162

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

	YEAR									
	<u>2030</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>
Net Cash Outflows (Inflows)	(\$732,947)	(\$636,178)	(\$546,419)	(\$463,537)	(\$389,163)	(\$322,645)	(\$265,095)	(\$214,936)	(\$170,617)	(\$132,036)
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)	(417,755)	(343,697)	(279,815)	(224,997)	(179,049)	(140,706)	(109,581)	(84,215)	(63,365)	(46,480)
Present Value of Net Cash Outflows										

DEPRECIATION COST

	YEAR									
	<u>2030</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>
Depreciation	\$4,435,000	\$4,435,000	\$4,435,000	\$4,435,000	\$4,435,000	\$4,435,000	\$4,435,000	\$4,435,000	\$4,435,000	\$4,435,000
Allocated Depreciation	711,136	580,930	469,320	374,963	296,166	231,035	177,898	134,836	100,251	72,933

PRESENT VALUE OF NET CASH OUTFLOWS (INFLOWS)	YEAR									
	<u>2040</u>	<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>
Net Cash Outflows (Inflows)	(\$99,501)	(\$73,160)	(\$53,007)	(\$37,533)	(\$27,318)	(\$19,296)	(\$13,455)	(\$9,065)	(\$5,968)	(\$3,853)
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)	(33,201)	(23,139)	(15,891)	(10,665)	(7,358)	(4,926)	(3,256)	(2,079)	(1,298)	(794)
Present Value of Net Cash Outflows										

DEPRECIATION COST	YEAR									
	<u>2040</u>	<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>
Depreciation	\$4,435,000	\$4,435,000	\$4,435,000	\$4,435,000	\$4,435,000	\$4,435,000	\$4,435,000	\$4,435,000	\$4,435,000	\$4,435,000
Allocated Depreciation	51,825	36,023	24,679	16,764	11,276	7,486	4,895	3,149	1,992	1,238

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

Present Value of Net Cash Outflows	-\$14,237,000
Less:	
Unamortized deferred revenue at March 31, 2019	17,397,000
Plus:	
Allocable depreciation	22,589,000
Unamortized costs of acquiring initial continuing-care contracts	0
Obligation to provide future services and the use of facilities to current residents	-\$9,045,000



Appendix A3

Summary of Calculation of Obligation to Provide Future Service as of
March 31, 2019 (CCRC @ Home Program)



Navigation by Salemtowne

Calculation of the Obligation
To Provide Future Services

HEALTH CARE AUDIT GUIDELINE

As of March 31, 2019

Report Date: JUNE 20, 2019

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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, 2019. 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 2019 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 2020. 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, 2019 to be (\$2,100,246) 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, 2019 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 2020 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 2020

Home Per Member	\$8,113
Assisted Living Per Member	8,913
Skilled Nursing Per Member	16,031
At Home CoPays Per Member	126

ANNUAL EXPENSES FISCAL YEAR 2020

Home Per Member	\$2,195
Care Costs Per Member	956
Assisted Living Per Member	67,571
Skilled Nursing Per Member	121,537

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	1,292,630

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>2020</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>Total Community Occupancy Projection</u>										
At Home Members	67.1	88.5	108.5	127.0	144.1	159.9	174.4	187.6	199.6	202.6
Total Member Homes	50.1	63.9	77.2	89.8	101.8	113.2	123.8	133.7	142.9	146.4
Assisted Living - Lifecare	0.1	0.4	0.6	0.9	1.1	1.4	1.6	1.8	2.0	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	0.6	0.9	1.1	1.4	1.6	1.8	2.0	2.2
Health Care Center - Lifecare	0.0	0.1	0.2	0.3	0.4	0.5	0.5	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	0.5	0.6	0.7	0.8
Total Residents	67.2	88.9	109.3	128.1	145.6	161.7	176.6	190.1	202.3	205.6
<u>Closed Group Occupancy Projection</u>										
At Home Members	55.2	53.3	50.8	48.0	45.0	42.0	39.0	36.0	33.0	30.1
Total Member Homes	42.6	41.6	40.2	38.6	36.8	34.9	32.9	30.8	28.7	26.6
Assisted Living - Lifecare	0.1	0.3	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Assisted Living - Lifecare Second Persons	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	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 - 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	55.3	53.6	51.3	48.6	45.7	42.7	39.7	36.7	33.7	30.8

RESIDENT LEVEL OF CARE INFORMATION	YEAR									
	<u>2030</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>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	146.3	147.5	148.5	149.3	149.9	150.4	150.6	150.8	150.8	150.8
Assisted Living - Lifecare	2.3	2.4	2.5	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	2.4	2.5	2.6	2.7	2.8	2.9	2.9	3.0	3.0
Health Care Center - Lifecare	0.8	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	0.8	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	203.9	204.0	204.1
<u>Closed Group Occupancy Projection</u>										
At Home Members	27.3	24.6	22.0	19.6	17.3	15.1	13.1	11.2	9.6	8.1
Total Member Homes	24.4	22.3	20.2	18.1	16.1	14.3	12.5	10.8	9.3	7.8
Assisted Living - Lifecare	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.2	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	0.1	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	27.9	25.2	22.6	20.1	17.7	15.5	13.5	11.6	9.9	8.4

**RESIDENT LEVEL OF
 CARE INFORMATION**

	YEAR									
	<u>2040</u>	<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>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	150.5	150.3	150.1	149.9	149.8	149.6	149.5	149.4	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	4.5	3.6	2.9	2.3	1.7	1.3	1.0	0.7
Total Member Homes	6.6	5.4	4.4	3.6	2.9	2.2	1.7	1.3	1.0	0.7
Assisted Living - Lifecare	0.2	0.2	0.2	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	7.0	5.8	4.7	3.8	3.0	2.4	1.8	1.4	1.0	0.8

**REVENUE AND EXPENSE
ASSUMPTIONS**

	YEAR									
	<u>2020</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>
REVENUES										
Inflation		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Home Per Member	\$8,113	\$8,356	\$8,607	\$8,865	\$9,131	\$9,405	\$9,687	\$9,977	\$10,277	\$10,585
Per Assisted Living Resident	8,913	9,180	9,455	9,739	10,031	10,332	10,642	10,961	11,290	11,629
Per Health Care Center Resident	16,031	16,512	17,007	17,517	18,043	18,584	19,142	19,716	20,307	20,916
Home Care Copays Per Member	126	197	311	382	430	473	518	566	617	694
<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	\$2,195	\$1,713	\$1,440	\$1,267	\$1,150	\$1,602	\$1,513	\$1,449	\$1,403	\$1,423
Care Costs Per Member	956	1,497	2,358	2,895	3,259	3,583	3,925	4,289	4,677	5,264
Per Assisted Living Resident	67,571	69,598	71,686	73,837	76,052	78,334	80,684	83,104	85,597	88,165
Per Health Care Center Resident	121,537	125,183	128,939	132,807	136,791	140,895	145,121	149,475	153,959	158,578

**REVENUE AND EXPENSE
ASSUMPTIONS**

	YEAR									
	<u>2030</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>
REVENUES										
Inflation	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Home Per Member	\$10,903	\$11,230	\$11,566	\$11,913	\$12,271	\$12,639	\$13,018	\$13,409	\$13,811	\$14,225
Per Assisted Living Resident	11,978	12,337	12,707	13,089	13,481	13,886	14,302	14,731	15,173	15,628
Per Health Care Center Resident	21,544	22,190	22,856	23,542	24,248	24,975	25,725	26,496	27,291	28,110
Home Care Copays Per Member	789	868	935	995	1,050	1,110	1,164	1,212	1,254	1,291
<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	\$1,485	\$1,529	\$1,575	\$1,623	\$1,671	\$1,721	\$1,773	\$1,826	\$1,881	\$1,938
Care Costs Per Member	5,982	6,584	7,090	7,544	7,960	8,413	8,823	9,188	9,509	9,785
Per Assisted Living Resident	90,810	93,534	96,340	99,231	102,208	105,274	108,432	111,685	115,036	118,487
Per Health Care Center Resident	163,335	168,236	173,283	178,481	183,836	189,351	195,031	200,882	206,909	213,116

**REVENUE AND EXPENSE
ASSUMPTIONS**

REVENUES	YEAR									
	<u>2040</u>	<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>
Inflation	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Home Per Member	\$14,652	\$15,092	\$15,544	\$16,011	\$16,491	\$16,986	\$17,495	\$18,020	\$18,561	\$19,118
Per Assisted Living Resident	16,097	16,580	17,078	17,590	18,118	18,661	19,221	19,798	20,391	21,003
Per Health Care Center Resident	28,953	29,822	30,717	31,638	32,587	33,565	34,572	35,609	36,677	37,777
Home Care Copays Per Member	1,325	1,358	1,388	1,416	1,444	1,470	1,497	1,524	1,552	1,581
<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	\$1,996	\$2,056	\$2,117	\$2,181	\$2,246	\$2,313	\$2,383	\$2,454	\$2,528	\$2,604
Care Costs Per Member	10,049	10,293	10,521	10,737	10,944	11,148	11,351	11,557	11,768	11,986
Per Assisted Living Resident	122,041	125,702	129,474	133,358	137,358	141,479	145,724	150,095	154,598	159,236
Per Health Care Center Resident	219,509	226,095	232,877	239,864	247,060	254,471	262,105	269,969	278,068	286,410

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PROJECTED CASH INFLOWS

	YEAR									
	<u>2020</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>
Member Homes	\$345,423	\$347,292	\$345,987	\$341,910	\$335,802	\$327,981	\$318,567	\$307,604	\$295,172	\$281,383
Assisted Living	880	2,511	3,707	4,389	4,845	5,117	5,261	5,478	5,667	5,438
Health Care Center	245	932	1,963	2,827	3,200	3,447	3,609	3,602	3,548	3,614
Investment Income	0	0	0	0	0	0	0	0	0	0
Home Care CoPays	6,962	10,522	15,807	18,329	19,358	19,852	20,179	20,357	20,372	20,920
TOTAL CASH INFLOWS	353,510	361,257	367,464	367,455	363,206	356,397	347,616	337,042	324,760	311,354

PROJECTED CASH OUTFLOWS

	YEAR									
	<u>2020</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>
Member Homes	\$121,137	\$91,293	\$73,180	\$60,811	\$51,764	\$67,297	\$58,976	\$52,122	\$46,328	\$42,883
At Home Care	52,782	79,769	119,839	138,959	146,765	150,507	152,990	154,340	154,452	158,607
Assisted Living	6,674	19,040	28,104	33,272	36,735	38,795	39,886	41,534	42,965	41,224
Health Care Center	1,855	7,067	14,886	21,436	24,262	26,136	27,358	27,306	26,900	27,396
TOTAL CASH OUTFLOWS	182,448	197,169	236,010	254,478	259,526	282,735	279,210	275,303	270,645	270,111

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PROJECTED CASH INFLOWS

	YEAR									
	<u>2030</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>
Member Homes	\$266,383	\$250,350	\$233,485	\$216,006	\$198,151	\$180,165	\$162,291	\$144,765	\$127,800	\$111,594
Assisted Living	5,058	4,970	4,901	4,801	4,662	4,486	4,277	4,038	3,775	3,493
Health Care Center	3,652	3,499	3,315	3,147	2,994	2,828	2,643	2,466	2,308	2,141
Investment Income	0	0	0	0	0	0	0	0	0	0
Home Care CoPays	21,560	21,379	20,599	19,472	18,113	16,742	15,225	13,626	12,003	10,407
TOTAL CASH INFLOWS	296,653	280,198	262,300	243,425	223,920	204,221	184,437	164,896	145,886	127,635

PROJECTED CASH OUTFLOWS

	YEAR									
	<u>2030</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>
Member Homes	\$40,574	\$37,651	\$34,701	\$31,752	\$28,833	\$25,973	\$23,198	\$20,533	\$18,002	\$15,622
At Home Care	163,460	162,084	156,173	147,625	137,326	126,930	115,431	103,306	90,997	78,899
Assisted Living	38,344	37,683	37,157	36,396	35,345	34,013	32,426	30,616	28,622	26,481
Health Care Center	27,689	26,528	25,136	23,857	22,697	21,440	20,036	18,699	17,494	16,232
TOTAL CASH OUTFLOWS	270,067	263,946	253,166	239,629	224,200	208,356	191,090	173,154	155,116	137,235

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PROJECTED CASH INFLOWS

	YEAR									
	<u>2040</u>	<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>
Member Homes	\$96,322	\$82,138	\$69,160	\$57,465	\$47,082	\$38,019	\$30,243	\$23,672	\$18,218	\$13,769
Assisted Living	3,196	2,889	2,578	2,269	1,976	1,694	1,423	1,180	964	782
Health Care Center	1,965	1,782	1,596	1,410	1,230	1,058	894	743	608	491
Investment Income	0	0	0	0	0	0	0	0	0	0
Home Care CoPays	8,908	7,519	6,258	5,135	4,153	3,309	2,598	2,008	1,526	1,140
TOTAL CASH INFLOWS	110,391	94,328	79,592	66,279	54,441	44,080	35,158	27,603	21,316	16,183

PROJECTED CASH OUTFLOWS

	YEAR									
	<u>2040</u>	<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>
Member Homes	\$13,412	\$11,384	\$9,548	\$7,907	\$6,462	\$5,207	\$4,135	\$3,233	\$2,486	\$1,877
At Home Care	67,534	57,004	47,444	38,932	31,484	25,090	19,698	15,222	11,571	8,642
Assisted Living	24,228	21,900	19,542	17,205	14,982	12,840	10,788	8,946	7,305	5,932
Health Care Center	14,897	13,511	12,100	10,691	9,328	8,021	6,774	5,631	4,612	3,726
TOTAL CASH OUTFLOWS	120,071	103,799	88,634	74,734	62,255	51,157	41,395	33,031	25,974	20,177

Navigation by Salemtowne
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PRESENT VALUE OF NET CASH OUTFLOWS (INFLOWS)	<u>YEAR</u>									
	<u>2020</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>
Net Cash Outflows (Inflows)	(\$171,062)	(\$164,088)	(\$131,454)	(\$112,977)	(\$103,679)	(\$73,662)	(\$68,405)	(\$61,739)	(\$54,115)	(\$41,243)
Discount Rate 5.50%	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)	(166,543)	(151,425)	(114,986)	(93,672)	(81,481)	(54,872)	(48,300)	(41,321)	(34,330)	(24,800)
Present Value of Net Cash Outflows	(807,616)									
DEPRECIATION COST	<u>YEAR</u>									
	<u>2020</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>
Depreciation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Allocated Depreciation	0	0	0	0	0	0	0	0	0	0

Navigation by Salemtowne
Future Service Obligation as of March 31, 2019

PRESENT VALUE OF NET CASH OUTFLOWS (INFLOWS)	<u>YEAR</u>									
	<u>2030</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>
Net Cash Outflows (Inflows)	(\$26,586)	(\$16,252)	(\$9,134)	(\$3,796)	\$280	\$4,135	\$6,654	\$8,259	\$9,230	\$9,600
Discount Rate 5.50%	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)	(15,153)	(8,780)	(4,677)	(1,842)	129	1,803	2,750	3,236	3,428	3,379
Present Value of Net Cash Outflows										
DEPRECIATION COST	<u>YEAR</u>									
	<u>2030</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>
Depreciation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Allocated Depreciation	0	0	0	0	0	0	0	0	0	0

Navigation by Salemtowne
 Future Service Obligation as of March 31, 2019

PRESENT VALUE OF NET CASH OUTFLOWS (INFLOWS)	<u>YEAR</u>									
	<u>2040</u>	<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>
Net Cash Outflows (Inflows)	\$9,681	\$9,471	\$9,042	\$8,455	\$7,814	\$7,077	\$6,238	\$5,429	\$4,657	\$3,994
Discount Rate 5.50%	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)	3,230	2,996	2,711	2,403	2,105	1,807	1,510	1,245	1,013	823

Present Value of Net Cash Outflows

DEPRECIATION COST	<u>YEAR</u>									
	<u>2040</u>	<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>
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	(\$807,616)
Less:	
Unamortized deferred revenue at March 31, 2019	1,292,630
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	(2,100,246)



Appendix A4

Independent Accountants' Compilation Report as of August 28, 2019 for
the years ending 2012 through 2024.

Moravian Home, Incorporated

(d/b/a Salemtowne)

Compilation Report

Five Years Ending March 31, 2024

Moravian Home, Incorporated d/b/a Salemtowne

Compilation Report

Five Years Ending March 31, 2024

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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 ("Corporation") is responsible for the accompanying projected balance sheets, related statements of operations and changes in net assets and cash flows of as of and for each of the five years ending March 31, 2024, and the related summaries of significant assumptions and accounting policies in accordance with guidelines for the presentation of a financial projection established by the American Institute of Certified Public Accountants ("AICPA").

The accompanying forecast and this report were prepared to comply with the requirements of North Carolina General Statutes, Chapter 58, Article 64. They 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 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 of the Corporation ("Management"). Accordingly, we do not express an opinion, a conclusion, or provide any form of assurance on this financial projection. 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.

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

Dixon Hughes Goodman LLP

August 27, 2019

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)

	2020	2021	2022	2023	2024
Revenue, gains, and other support					
Net resident service revenue:					
Monthly fee revenues	\$ 6,687	\$ 8,238	\$ 9,504	\$ 10,006	\$ 10,284
Health care	17,804	18,309	18,829	19,364	19,914
Amortization of deferred entrance fees	2,627	3,685	4,915	5,471	5,803
Contributions	500	500	500	500	500
Investment income	843	622	688	725	876
Other support	89	96	102	106	109
Navigation by Salemtowne Program:					
Amortization of Membership Fees - Navigation	72	139	186	233	282
Net resident service revenue	393	528	676	833	999
Total revenue, gains, and other support	29,015	32,117	35,400	37,238	38,767
Expenses:					
Program services - provision for housing and related services:					
Healthcare, assisted living and clinic	9,692	9,982	10,282	10,591	10,910
Dining services	3,122	3,444	3,635	3,758	3,866
Housekeeping, laundry, grounds, transportation and maintenance	4,358	4,719	4,965	5,138	5,291
Healthcare activities, fitness, events and volunteer	657	676	697	717	739
Navigation by Salemtowne	580	652	672	692	713
Navigation by Salemtowne - Amortization	39	39	39	39	39
Depreciation	4,738	5,672	5,828	5,847	5,867
Interest expense	3,198	4,554	4,175	4,082	4,265
Babcock campus	-	-	-	-	-
Supporting services:					
Administration and general	4,604	4,802	4,955	5,110	5,273
Development and admissions	1,724	2,273	2,039	1,940	1,992
Total expenses	32,712	36,813	37,287	37,914	38,955
Decrease in unrestricted net assets	(3,697)	(4,696)	(1,887)	(676)	(188)
Temporarily restricted net assets					
Contributions	443	443	443	443	443
Investment income, net	7	7	7	7	7
Increase in temporarily restricted net assets	450	450	450	450	450
Net increase (decrease) in net assets	(3,247)	(4,246)	(1,437)	(226)	262
Net assets, beginning of year	13,332	10,085	5,839	4,402	4,176
Net assets, end of year	\$ 10,085	\$ 5,839	\$ 4,402	\$ 4,176	\$ 4,438

**See Summary of Significant Projection Assumptions and Accounting Policies 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)

	2020	2021	2022	2023	2024
Operating activities					
Net increase (decrease) in net assets	\$ (3,247)	\$ (4,246)	\$ (1,437)	\$ (226)	\$ 262
Adjustments to reconcile change in net assets to net cash provided by operating activities:					
Depreciation	4,738	5,672	5,828	5,847	5,867
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	39
Amortization of deferred entrance fees	(2,627)	(3,685)	(4,915)	(5,471)	(5,803)
Amortization of Membership Fees - Navigation	(72)	(139)	(186)	(233)	(282)
Accrued interest	954	(183)	(135)	(37)	(38)
Net changes in:					
Accounts receivable	1,258	(74)	(64)	(39)	(30)
Other receivable	(56)	(20)	(8)	(7)	(9)
Prepaid expense and other current assets	(333)	(29)	(12)	(11)	(14)
Accounts payable	(1,995)	74	29	28	34
Accrued expenses	157	100	38	38	46
Entrance Fees received from re-occupancy (non-refundable)	3,894	4,419	5,174	5,712	6,036
Membership fees received - Navigation	1,108	1,141	1,176	1,211	1,247
Decrease in resident deposits	(132)	(1,108)	(376)	-	-
Net cash provided by operating activities	3,497	1,772	4,962	6,662	7,166
Investing activities					
Purchases of property and equipment	(1,996)	(2,174)	(2,240)	(2,307)	(2,376)
Purchases of property and equipment (project related)	(26,861)	-	-	-	-
Interest cost capitalized during construction period, net	(1,315)	-	-	-	-
Net change in assets limited as to use	22,206	5,644	251	2,588	(200)
Net change in assets limited as to use, current	(801)	3	-	(1)	1
Net (increase) decrease in investments	5,255	(4,759)	(1,197)	(5,014)	(2,661)
Net cash used in investing activities	(3,512)	(1,286)	(3,186)	(4,734)	(5,236)
Financing activities					
Entrance Fees received from re-occupancy (refundable)	390	443	519	575	607
Entrance Fees received from Initial Entrance Fees (non-refundable)	1,205	10,059	3,407	-	-
Entrance Fees received from Initial Entrance Fees (refundable)	123	1,024	347	-	-
Refunds of Entrance Fees	(506)	(594)	(638)	(660)	(679)
Refunds of Initial Entrance Fees	(14)	(122)	(224)	(231)	(185)
Membership fees refunded - Navigation	(35)	(35)	(35)	(35)	(35)
Principal payments on debt - Other Debt Obligations	(36)	(38)	(42)	(17)	-
Principal payments on debt - Bond Obligations	(1,335)	(11,145)	(5,085)	(1,530)	(1,605)
Net cash provided by (used in) financing activities	(208)	(408)	(1,751)	(1,898)	(1,897)
Net increase in cash and cash equivalents	\$ (223)	\$ 78	\$ 25	\$ 30	\$ 33
Cash and cash equivalents at beginning of year	\$ 1,236	\$ 1,013	\$ 1,091	\$ 1,116	\$ 1,146
Cash and cash equivalents at end of year	\$ 1,013	\$ 1,091	\$ 1,116	\$ 1,146	\$ 1,179

**See Summary of Significant Projection Assumptions and Accounting Policies 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)

	2020	2021	2022	2023	2024
Assets					
Current assets					
Cash and cash equivalents	\$ 1,013	\$ 1,091	\$ 1,116	\$ 1,146	\$ 1,179
Assets limited as to use, current	2,302	2,299	2,299	2,300	2,299
Accounts receivable, net of allowance for doubtful accounts	819	893	957	996	1,026
Prepaid expenses and other current assets	407	436	448	459	473
Other receivable	271	291	299	306	315
Total current assets	4,812	5,010	5,119	5,207	5,292
Investments	4,429	9,188	10,385	15,399	18,060
Property and equipment, gross	149,342	151,516	153,756	156,063	158,439
Less: accumulated depreciation	(42,326)	(47,998)	(53,826)	(59,673)	(65,540)
Property and equipment, net	107,016	103,518	99,930	96,390	92,899
Assets limited as to use					
Project Fund - Series 2018 Bonds	284	-	-	-	-
Funded Interest Fund - Series 2018 Bonds	290	-	-	-	-
Parity Debt Service Reserve Fund:					
- Deposits: Series 2015, 2016 & Series 2018A Bonds	4,604	4,604	4,604	4,604	4,604
Debt Service Reserve Fund: Series 2018B Bonds	1,750	1,453	1,253	1,253	1,253
Designated for Statutory Operating Reserve	11,992	6,994	7,191	7,391	7,591
Entrance Fees Fund	1,327	2,660	2,788	-	-
Resident Deposits	1,892	784	408	408	408
Total assets limited as to use	22,139	16,495	16,244	13,656	13,856
Navigation - Development Costs	169	130	91	52	13
Assets in split-interest agreements	546	546	546	546	546
Total assets	\$ 139,111	\$ 134,887	\$ 132,315	\$ 131,250	\$ 130,666

**See Summary of Significant Projection Assumptions and Accounting Policies and
Independent Accountants' Compilation Report**

Moravian Home, Incorporated d/b/a Salemtowne

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

	2020	2021	2022	2023	2024
Liabilities and Net Assets					
Current liabilities					
Accounts payable	\$ 1,017	\$ 1,091	\$ 1,120	\$ 1,148	\$ 1,183
Accrued expenses	1,355	1,455	1,493	1,531	1,577
Accrued interest payable	2,455	2,272	2,137	2,100	2,062
Refundable Entrance Fees	246	246	246	246	246
Line of Credit	500	500	500	500	500
Current maturities of long-term debt	11,183	5,127	1,547	1,605	1,680
Total current liabilities	16,756	10,691	7,043	7,130	7,248
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	18,236	16,776	15,246	13,641	11,961
Long-term debt, net of current portion - Series 2018 Bonds	28,500	24,875	24,875	24,875	24,875
Other Debt Obligations, net of current portion	59	17	-	-	-
Debt issuance costs	(1,548)	(1,505)	(1,462)	(1,419)	(1,376)
Bond discount and premium	206	(26)	(259)	(491)	(724)
Long-term debt, net of financing costs	88,038	82,722	80,985	79,191	77,321
Deposits	1,892	784	408	408	408
Deferred revenue from Membership Fees - Navigation	2,641	3,608	4,564	5,507	6,437
Deferred revenue from Entrance Fees	18,230	29,023	32,689	32,930	33,163
Refundable Entrance Fees	1,469	2,220	2,224	1,908	1,651
Total liabilities	129,026	129,048	127,913	127,074	126,228
Net Assets					
With donor restrictions	4,312	4,762	5,212	5,662	6,112
Without donor restrictions	5,773	1,077	(810)	(1,486)	(1,674)
Total net assets	10,085	5,839	4,402	4,176	4,438
Total liabilities and net assets	\$ 139,111	\$ 134,887	\$ 132,315	\$ 131,250	\$ 130,666

**See Summary of Significant Projection Assumptions and Accounting Policies and
Independent Accountants' Compilation Report**

Moravian Homes, Incorporated d/b/a Salemtowne

Summary of Significant Projection Assumptions and Accounting Policies

Basis of Presentation

The accompanying financial projection presents, to the best knowledge and belief of management (“Management”) of Moravian Home, Incorporated d/b/a Salemtowne (the “Corporation”), the Corporation’s projected results of activities, cash flows, and financial position as of and for each of the five years ending March 31, 2024. Accordingly, the accompanying financial projection reflects Management’s judgment as of August 27, 2019, the date of this projection, based on present circumstances and the expected course of action during the projection period assuming the hypothetical assumptions stated below. The assumptions disclosed herein are those that Management believes are significant to the projection.

Management’s purpose in releasing this financial forecast is for inclusion in the Corporation’s 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.

We have performed a compilation engagement in accordance with Statements on Standards for 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. Furthermore, even if the following hypothetical assumption (the “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.

Background Information

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.

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 35 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 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, ten Memory Support Units and sixteen 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 July 31, 2019, the Assisted Living Units were composed of 24 rooms and 11 larger suites, for a total of 35 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, 2019.

Type of Unit	Units	Square Footage	Entrance Fees ⁽¹⁾⁽²⁾⁽³⁾	Monthly Fees ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾
Independent Living Apartments ⁽⁶⁾				
<i>Vogler Building/Bahnson Hall</i>				
Forsyth (1 bedroom)	11	530	\$71,400 – 90,800	\$2,125
Winston A (2 bedroom)	16	790	\$98,100 – 108,300	\$2,396
West End (1 bedroom, den & laundry)	5	790	\$98,100 – 106,300	\$2,396
Buena Vista (2 bedroom, den & laundry)	4	1,055	\$136,300 – 147,800	\$2,675
<i>Driscoll Apartment Building</i>				
Reynolda (1 bedroom)	15	751	\$125,300 – 158,200	\$2,525
Sherwood (1 bedroom w/den)	9	936	\$149,600 – 162,200	\$2,806
Piedmont (2 bedroom)	21	1,073	\$182,700 – 199,600	\$3,159
Brookstown (2 bedroom corner)	4	1,107	\$179,900 – 190,900	\$3,164
Twin City (2 bedroom w/den)	10	1,240	\$199,600 – 210,100	\$3,389
Total Existing Independent Living Apartments	95			
Independent Living Cottages				
<i>Wachovia Village</i>				
Hatteras (2 bedroom)	8	1,172	\$160,300 – 172,200	\$2,868
Emerald (2 bedroom w/den)	14	1,356	\$196,300 – 216,800	\$2,989
<i>Salem Village</i>				
Bethania (2 bedroom w/den)	2	1,533	\$252,200 – 264,600	\$3,279
Hickory A (2 bedroom w/sunroom)	9	1,560	\$240,100 – 269,300	\$3,337
Hickory B (2 bedroom w/den)	1	1,755	\$300,600	\$3,677
Catawba (2-3 bedroom w/den & sunroom)	19	1,678 – 3,210	\$258,300 – 394,300	\$3,515 – 4,156
<i>Bethabara Place</i>				
Mitchell (2 bedroom)	1	1,440	\$266,200	\$3,335
Shenandoah (2 bedroom w/den)	4	1,617 – 1,698	\$299,000 – 314,000	\$3,512 – 3,629
Appalachian (2 bedroom w/sunroom)	7	1,640 – 1,750	\$294,400 – 313,400	\$3,570 – 3,636
Rutherford (2 bedroom w/den & sunroom)	7	1,817 – 2,259	\$326,200 – 417,400	\$3,863 – 4,464
Watauga (2 bedroom w/den & sunroom)	1	3,200	\$401,500	\$4,352
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, 2019 (fiscal year 2020). Second person monthly fees are \$884 for the Existing Independent Living Apartments and \$691 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.

See Independent Accountants’ Compilation Report

Notes to Table (continued)

- (4) Single occupancy residents who entered the Community prior to May 1, 2014 pay grandfathered Monthly Fee rates which range from \$2,384 to \$3,569 for the Existing Independent Living Apartments, and from \$2,910 to \$4,418 for the Independent Living Cottages. Second person occupants pay an additional \$1,340 to \$1,341 in the Existing Independent Living Apartments and \$970 to \$971 in the Independent Living Cottages. Residents of the Existing Independent Living Apartments receive a \$357 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 range from \$2,125 to \$3,390 for the Existing Independent Living Apartments, and from \$2,648 to \$4,346 for the Independent Living Cottages. The second person Monthly Fee ranges from \$529 to \$531 in the Existing Independent Living Apartments and is \$883 in the Independent Living Cottages. Residents of the Existing Independent Living Apartments receive a \$357 meal allowance and Residents in Independent Living Cottages may opt out of the meal allowance plan.
- (6) According to Management, 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, 2019.

Type of Unit	Units	Beds	Approximate Square Footage (room)	Monthly Fees ⁽¹⁾⁽²⁾
Assisted Living Units				
Assisted living room	24	24	262	\$5,145
Assisted living suite	11	22	524	\$6,825 ⁽³⁾
Total Assisted Living Beds/Units:	35 ⁽⁴⁾⁽⁵⁾	46		
Memory Support Units				
Private room	20 ⁽⁵⁾	20	270 – 300	\$8,377
Total Memory Support Units:	20	20		
Nursing Care Center				Daily Fees ⁽¹⁾⁽⁶⁾
Private room	100	100	270 – 300	\$360
Total Nursing Beds/Units:	100	100		
Total Health Center	155	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 \$4,644 for an assisted living room and \$6,257 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 \$4,644 for an assisted living room and \$5,609 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 \$5,145.
- (4) Management has completed combinations of assisted living rooms to create larger suites. As of July 31, 2019, a total of 35 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 for direct admission.

The Project

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

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

Unit Type	Number of Units	Square Footage	Monthly Fees ⁽¹⁾⁽²⁾	Entrance Fee ⁽¹⁾⁽³⁾⁽⁴⁾⁽⁵⁾	
				Traditional	Amortizing Plan
<u>Apartments</u>					
Beech (1 Bed w/ Den)	12	1,215	\$3,310		\$198,450
Beech (1 Bed w/ Den) - 4 th Floor	4	1,215	\$3,310		\$223,650
Dogwood (2 Bed)	6	1,395	\$3,469		\$250,950
Dogwood (2 Bed) - 4 th Floor	2	1,395	\$3,469		\$287,700
Hawthorne (2 Bed)	6	1,490	\$3,555		\$267,750
Hawthorne (2 Bed) - 4 th Floor	2	1,490	\$3,555		\$307,650
Pine (2 Bed w/ Den)	6	1,640	\$3,703		\$303,450
Pine (2 Bed w/ Den) - 4 th Floor	2	1,640	\$3,703		\$355,950
Sycamore (2 Bed w/ Sunroom)	6	1,750	\$3,851		\$322,350
Sycamore (2 Bed w/ Sunroom) - 4 th Floor	2	1,750	\$3,851		\$376,950
Willow (2 Bed w/ Sunroom)	6	1,875	\$3,925		\$355,950
Willow (2 Bed w/ Sunroom) - 4 th Floor	2	1,875	\$3,925		\$424,200
Total/Average	56	1,511	\$3,589		\$281,850

Source: Management

- (1) Proposed Monthly Fees and Entrance Fees are as of June 1, 2019 (fiscal year 2020) and are currently being marketed. Second person Entrance Fees and Monthly Fees are expected to be \$10,000 and \$710, respectively, for the New Independent Living Units.
- (2) 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.
- (3) 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.
- (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 five percent upon opening of the New Independent Living Units and two percent annually thereafter.

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 Project is shown below.

Table 4
Anticipated Construction and Fill-Up Timelines of the Project

Construction Commencement	October 2018
Construction Completion	February 2020
Available for Occupancy	March 2020
Achieve 95 percent occupancy	February 2022

Source: Management

Navigation by Salemtowne Program

The Corporation offers a “Continuing Care Services without Lodging” program (the “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 by Salemtowne 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, 2019 (fiscal year 2020).

<u>Age</u>	<u>All Inclusive⁽¹⁾</u>		<u>Security⁽¹⁾</u>		<u>Co-Pay⁽¹⁾</u>		<u>Beacon⁽¹⁾</u>	
	Single	Couple (ea. person)	Single	Couple (ea. person)	Single	Couple (ea. person)	Single	Couple (ea. person)
65	\$35,384	\$33,615	\$28,623	\$27,192	\$23,457	\$22,284	\$22,042	\$20,940
75	\$57,345	\$54,478	\$46,928	\$44,582	\$36,533	\$34,706	\$34,325	\$32,609
85	\$80,492	\$76,468	\$65,982	\$62,683	\$49,937	\$47,440	\$44,846	\$42,604
Monthly Fee	\$591	\$561	\$517	\$491	\$455	\$432	\$446	\$424

Source: Management

(1) Pricing is effective as of June 1, 2019 (fiscal year 2020).

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.

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 and 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 are to be made within thirty (30) days of the date the Resident’s Independent Living Unit is reserved by a prospective Resident and such prospective Resident paid their full 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 Forecast Assumption – Future New Entrants
	Number	Percent of Total	Percent of Total
<i>Prior to May 1, 2014</i>			
Traditional Amortizing Plan	65	35.8%	N/A
50% Refundable Plan	–	0.0%	N/A
90% Refundable Plan	–	0.0%	N/A
<i>Between May 1, 2014 and May 31, 2017</i>			
Traditional Amortizing Plan	85	48.7%	N/A
50% Refundable Plan	1	1.0%	N/A
90% Refundable Plan	6	3.1%	N/A
<i>After June 1, 2017</i>			
Traditional Amortizing Plan	66	10.9%	92.0%
50% Refundable Plan	2	0.5%	4.0%
90% Refundable Plan	–	0.0%	4.0%
Total	225	100.0%	100.0%

Source: Management

N/A – Not Applicable

(1) Includes all Residents at the Community as of July 31, 2019.

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, 2019, there were 31 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 23 Depositors, began in June 2017 and ended September 15, 2017 (the “Tier I Program”). The second Charter Benefit Program, which includes 8 Depositors, began September 16, 2017 and ended May 31, 2018 (the “Tier II Program”).

The benefits of the Charter Benefit Program included:

- Lock in of Entrance Fee at 2017 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. Residents entering directly into the Health Center are not required to pay an Entrance Fee.

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, 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 forty-eight (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 sixty (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 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, issuance, and principal fund reserves.

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 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 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 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 expenses 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 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 advance 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 advance fees, a liability (obligation to provide future services) is recorded. Management has calculated that the value will not exceed the balance of deferred 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 forecasted 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 temporarily restricted net assets, as well as earnings from permanently restricted net assets to fund the care of

residents in financial need. Management has forecasted 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 forecast, Management has implemented ASU 2014-09.

(o) Tax-Exempt Status

The Corporation is a nonprofit organization exempt from federal income and excise taxes under section 501(c)3 of the Internal Revenue Code, and is classified as other than a private foundation.

(p) 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 A/SU 2016-14 are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. For purposes of the forecast, 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.

Years ended	Existing Independent Living Apartments			Independent Living Cottages			Total ILU ⁽¹⁾
	Occupied	Available	% Occupied	Occupied	Available	% Occupied	% Occupied
<i>Historical</i>							
2018	90.2	96.0	94%	68.6	73.0	93%	94%
2019 ⁽³⁾	87.1	95.0	92%	69.6	73.0	95%	93%
2020 ⁽²⁾	89.2	95.0	94%	70.0	73.0	96%	95%
<i>Projected</i>							
2020	89.3	95.0	94%	69.4	73.0	95%	94%
2021	89.3	95.0	94%	69.4	73.0	95%	94%
2022	89.3	95.0	94%	69.4	73.0	95%	94%
2023	89.3	95.0	94%	69.4	73.0	95%	94%
2024	89.3	95.0	94%	69.4	73.0	95%	94%

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, 2019.

(3) One Independent Living Apartment unit was taken offline in April 2018 for administrative space.

On June 30, 2019, the Existing Independent Living Units were 95 percent (160 units) occupied.

The New Independent Living Units are assumed to achieve and maintain 95 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.

Years Ending March 31,	Average Number of Units Occupied	Average Number of Units Available	Average Occupancy Percentage
<i>Projected</i>			
2020 ⁽¹⁾	0.4	56.0	0.7%
2021	27.9	56.0	49.8%
2022	48.4	56.0	86.4%
2023	53.0	56.0	94.6%

Source: Management

(1) The 56 New Independent Living Units are anticipated to be available for occupancy in March 2020 and are anticipated to fill over a 24-month period at an average of approximately 2.2 units per month.

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 39.0 percent in 2020 and throughout the projection period, and the double occupancy rate for the New Independent Living Units is assumed to approximate 59.4 percent in 2020, decreasing to 44.4 percent in 2024, 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.

Fiscal Year/Month	New Independent Living Units ⁽¹⁾⁽²⁾	Cumulative Occupied	Cumulative Occupancy
2020			
March 2020	4.5	4.5	8%
2021			
April 2020	4.5	9.0	16%
May 2020	4.5	13.5	24%
June 2020	4.5	18.0	32%
July 2020	4.5	22.5	40%
August 2020	4.5	27.0	48%
September 2020	2.0	29.0	52%
October 2020	2.0	31.0	55%
November 2020	2.0	33.0	59%
December 2020	2.0	35.0	63%
January 2021	2.0	37.0	66%
February 2021	2.0	39.0	70%
March 2021	2.0	41.0	73%
2022			
April 2021	2.0	43.0	77%
May 2021	1.0	44.0	79%
June 2021	1.0	45.0	80%
July 2021	1.0	46.0	82%
August 2021	1.0	47.0	84%
September 2021	1.0	48.0	86%
October 2021	1.0	49.0	88%
November 2021	1.0	50.0	89%
December 2021	1.0	51.0	91%
January 2022	1.0	52.0	93%
February 2022	1.0	53.0	95%
Total	53.0		95%

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 refunded.

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

Fiscal Year Ending March 31,	2020	2021	2022	2023	2024
<i>Fees Received</i>					
<i>Membership Fees for Navigation by Salemtowne⁽¹⁾</i>					
Number of Membership Fees received	23.0	23.0	23.0	23.0	23.0
Membership Fees received	\$1,108	\$1,141	\$1,176	\$1,211	\$1,247
<i>Independent Living Unit Entrance Fees</i>					
Initial:					
Number of Entrance Fees received	4.5	36.5	12.0	-	-
Entrance Fees received	\$1,328	\$11,083	\$3,754	-	-
Turnover:					
Number of Entrance Fees received	22.2	23.7	25.8	26.9	27.2
Entrance Fees received	\$4,284	\$4,862	\$5,693	\$6,287	\$6,643
Total Fees Received	\$6,720	\$17,086	\$10,623	\$7,498	\$7,890
<i>Fees Refunded</i>					
Navigation by Salemtowne Program Refunds	(35)	(35)	(35)	(35)	(35)
CCRC Entrance Fee Refunds	(520)	(716)	(862)	(891)	(864)
Total Fees Refunded	\$ (555)	\$ (751)	\$ (897)	\$ (926)	\$ (899)
Total Entrance Fees and Membership Fees Received, Net of Refunds	\$6,165	\$16,335	\$9,726	\$6,572	\$6,991

Source: Management and the Actuary

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

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 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>						
2018 ⁽¹⁾	35.1	39.0	90%	9.8	20.0	49%
2019 ⁽²⁾⁽³⁾	30.2	36.0	84%	16.8	20.0	84%
2020 ⁽⁴⁾	29.0	35.0	83%	20.0	20.0	100%
<i>Projected</i>						
2020	32.0	35.0	91%	19.0	20.0	95%
2021	32.0	35.0	91%	19.0	20.0	95%
2022	32.0	35.0	91%	19.0	20.0	95%
2023	32.0	35.0	91%	19.0	20.0	95%
2024	32.0	35.0	91%	19.0	20.0	95%

Source: Management

- (1) The Memory Support Units were available for occupancy in July 2017 (fiscal year 2018).
- (2) As of August 31, 2018, the Assisted Living Units were composed of 26 rooms and 10 larger suites, for a total of 36 units (with 46 licensed beds).
- (3) As of July 31, 2019, the Assisted Living Units were composed of 24 rooms and 11 larger suites, for a total of 35 units (with 46 licensed beds).
- (4) Year to date occupancy is through June 30, 2019.

On June 30, 2019, the Assisted Living Units and Memory Support Units were 83 percent (29 units) and 100 percent (20 units) occupied, respectively.

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: 3.50 percent for private pay and 2.00 percent for Medicare. Management assumes no annual inflation for Medicaid residents.

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 Residents	Average Nursing Beds Occupied	Average Nursing Beds Available	Average Occupancy Percentage
<i>Historical</i>						
2018 ⁽¹⁾⁽²⁾	52.0	7.3	15.8	75.1	94.7	79%
2019	47.3	8.1	34.9	90.3	100.0	90%
2020 ⁽³⁾	55.7	7.4	30.9	94.0	100.0	94%
<i>Projected</i>						
2020	48.0	9.0	36.0	93.0	100.0	93%
2021	48.0	9.0	36.0	93.0	100.0	93%
2022	48.0	9.0	36.0	93.0	100.0	93%
2023	48.0	9.0	36.0	93.0	100.0	93%
2024	48.0	9.0	36.0	93.0	100.0	93%

Source: Management

- (1) Certain existing contract residents in the Nursing Beds transferred to the Memory Support Units upon opening in July 2017.
- (2) Total Nursing Beds available increased from 84 Nursing Beds to 100 Nursing Beds in July 2017.
- (3) Year to date occupancy is through June 30, 2019

On June 30, 2019, the Nursing Beds were 94 percent (94 beds) occupied.

Navigation by Salemtowne Program

Management began accepting Members into the Navigation by Salemtowne program in fiscal year 2015. As of July 31, 2019 there are 63 members in Navigation. Management assumes an additional 23 Members annually during the projection period.

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; 0.25 percent on the Entrance Fees Fund (hereinafter defined) and 1.25 percent on existing accounts of the Debt Service Reserve Fund. Based upon information provided by the Underwriter, Management has assumed average annual rates of return of 1.50 percent on the Construction Account, which includes the Funded Interest Account and 2.50 percent on the proceeds of the Series 2018 Bonds deposited in the Debt Service Reserve Funds.

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 26.6 percent of salaries and wages throughout the projection.

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

Department	Staffing 2020	Staffing 2024
Administrative	35.8	35.8
Assisted living & memory support	23.8	23.8
Healthcare	96.9	96.9
Dining service	54.6	58.3
Housekeeping and laundry	28.0	31.0
Maintenance	9.0	9.0
Activities	19.0	19.0
Marketing	7.6	8.6
Other	5.8	5.8
Total FTE’s	280.5	288.2

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, which 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.
- Construction Account – Series 2018 Bonds: Gross funded at the closing from a portion of the Series 2018 Bonds proceeds, used to pay for construction and related costs for the Project.
- Funded Interest Account – Series 2018 Bonds: Net funded from a portion of the Series 2018 Bonds proceeds to fund Series 2018 Bond interest through July 1, 2020.
- Entrance Fees Fund, to be funded with initial New Independent Living Unit Entrance Fees and available to pay Entrance Fee refunds and redeem the Series 2018B Bonds. Upon repayment of the Series 2018B Bonds and assuming no events of default have occurred, any amounts remaining on deposit in the Entrance Fees Fund shall be released.
- 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:

- Board Designated Funds – The Board has designated certain amounts to be held for future financial assistance to residents.
- 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 living unit capacity.
- Resident deposits – Deposits for Independent Living Unit 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,	2020	2021	2022	2023	2024
Property and equipment, net beginning balance	\$119,170	\$149,342	\$151,516	\$153,756	\$156,063
Project ⁽¹⁾	26,861	-	-	-	-
Capitalized interest, net	1,315	-	-	-	-
Routine capital additions	1,996	2,174	2,240	2,307	2,376
Property and equipment, gross	149,342	151,516	153,756	156,063	158,439
Accumulated depreciation, net	(42,326)	(47,998)	(53,826)	(59,673)	(65,540)
Property and equipment, net Ending Balance	\$107,016	\$103,518	\$99,930	\$96,390	\$92,899

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, 2019, 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, 2019, approximately \$20,930,000 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; and
- \$13,375,000 of non-rated fixed rate Tax-Exempt Mandatory Paydown Securities Series 2018B Bonds (TEMPSSM).

The Series 2018A Bonds consist of \$24,875,000 non-rated, tax-exempt fixed rate bonds, issued at a premium, with coupon rates ranging from 4.50 to 5.00 percent per annum and average yields ranging from 4.83 to 5.19 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 \$13,500,000 non-rated, tax-exempt fixed rate TEMPSSM, issued 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 Bonds consist of \$5,000,000 of Series 2018B-1 Bonds (TEMPS-80SM), with a maximum stated maturity of October 1, 2025, anticipated to be redeemed in full by approximately 80 percent initial occupancy of the New Independent Living Units by August 1, 2021 and \$8,375,000 of Series 2018B-2 Bonds (TEMPS-50SM), with a maximum stated maturity of October 1, 2024, anticipated to be redeemed in full by approximately 50 percent initial occupancy of the New Independent Living Units by February 1, 2021.

Other Debt Obligations

The Corporation entered into the following debt obligations during the 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 paid as required by the corresponding agreements 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 Debt Service
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2020	-	2,269	1,335	996	-	1,556	36	11	6,203
2021	-	2,269	1,395	939	6,860	1,710	38	9	13,220
2022	-	2,269	1,460	870	6,515	1,355	42	6	12,517
2023	-	2,269	1,530	800	-	1,237	17	2	5,855
2024	-	2,269	1,605	727	-	1,237	-	-	5,838
Thereafter	42,585	36,306	13,605	2,718	24,875	26,174	-	-	146,263
TOTAL	\$42,585	\$47,651	\$20,930	\$7,050	\$38,250	\$33,269	\$133	\$28	\$ 189,896

Source: Management and the Underwriter

Bank Line of Credit

In March 2017, the Community entered into a revolving line of credit agreement with a local bank (the “Line of Credit”), which allows for borrowing up to \$250,000. On November 8, 2018, the Line of Credit was increased to allow for borrowings up to \$500,000. Interest will accrue at a floating rate of prime, plus a margin (6.50% at March 31, 2019) and is due and payable monthly. The Line of Credit matures on November 5, 2019 at which time all outstanding principal and accrued interest is due. Management intends to renew the Line of Credit throughout the projection period for cash management purposes.

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	12	days operating revenues
Other receivables	4	days operating expenses
Prepaid expenses	6	day operating expenses
Accounts payable	15	days operating expenses
Other accrued expenses	20	days operating expenses

Source: Management



Appendix A5

Actuary Report for Population and Entrance Fee Projections

- 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

Salemtowne -- 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	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%

Salemtowne -- 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	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	Withdrawals	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

Salemtowne -- 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	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	Withdrawals	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

SUMMARY: Traditional 0% Contracts

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

SUMMARY: 90% Refundable Contracts							
FYE	Number of	Amount of	Average	Number of	Amount of	Net	Cumulative Net
3/31	Entrance Fees	Entrance Fees	Entrance Fee	Entrance Fees	Entrance Fees	Entrance Fees	Entrance Fees
	<u>Received</u>	<u>Received</u>	<u>Received</u>	<u>Refunded</u>	<u>Refunded</u>		<u>Entrance Fees</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

SUMMARY: 50% Refundable Contracts							
FYE	Number of	Amount of	Average	Number of	Amount of	Net	Cumulative Net
3/31	Entrance Fees	Entrance Fees	Entrance Fee	Entrance Fees	Entrance Fees	Entrance Fees	Entrance Fees
	<u>Received</u>	<u>Received</u>	<u>Received</u>	<u>Refunded</u>	<u>Refunded</u>		<u>Entrance Fees</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

SUMMARY: Total							
FYE	Number of	Amount of	Average	Number of	Amount of	Net	Cumulative Net
3/31	Entrance Fees	Entrance Fees	Entrance Fee	Entrance Fees	Entrance Fees	Entrance Fees	Entrance Fees
	<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

SUMMARY: Traditional 0% Contracts							
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	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

SUMMARY: 90% Refundable Contracts							
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
3/31	<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

SUMMARY: 50% Refundable Contracts							
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	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

SUMMARY: Total							
FYE 3/31	Number of Entrance Fees Received	Amount of Entrance Fees Received	Average Entrance Fee Received	Number of Entrance Fees Refunded	Amount of Entrance Fees Refunded	Net Entrance Fees	Cumulative Net Entrance Fees
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				
50% 1st Gen	<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				
50% 1st Gen	<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				
50% 1st Gen	<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:

	<u>Estimated Monthly Fee</u>
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 Salem towne or any third party health care provider, including without limitation, the Monthly/Daily Fee or other amounts payable to Salem towne which remain outstanding and the amount of any charges due by Salem towne 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 Salem towne or any third party health care provider less any amounts payable to Salem towne 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 Salem towne 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 SALEM TOWNE’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 SALEM TOWNE, 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 _____, _____.

SALEM TOWNE	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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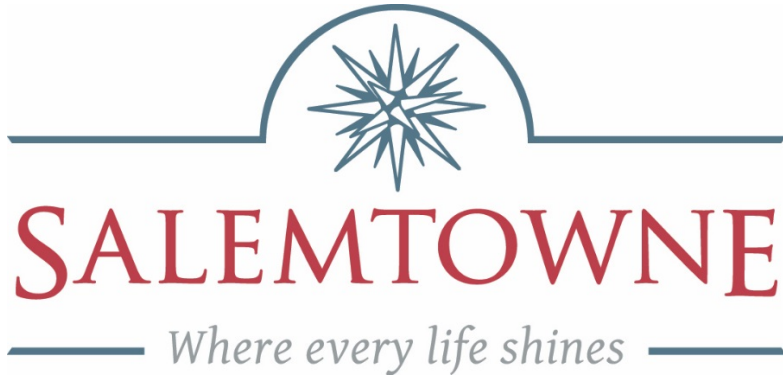
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Appendix B2

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 SALEM TOWNE, a North Carolina nonprofit corporation (hereinafter the "Corporation", "Salem towne", "we", "us" or "our") and _____ (hereinafter "Resident", "you", "your").

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

WHEREAS, you desire to become a resident of Salem towne'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 Salem towne 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 Salem towne'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 Salem towne 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 Salem towne. 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.

<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. 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 Health 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 _____, _____.

<p>SALEMTOWNE</p> <p>_____</p> <p>By (signature)</p> <p>_____</p> <p>Printed Name</p> <p>_____</p> <p>Title</p>	<p>RESIDENT(S) (or Resident(s)’s Attorney in Fact) (*)</p> <p>_____</p> <p>(signature) (SEAL)</p> <p>_____</p> <p>(signature) (SEAL)</p> <p>_____</p> <p>Current Address: Street</p> <p>_____</p> <p>City, State, Zip Code</p> <p>_____</p> <p>Telephone</p>
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(*) 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

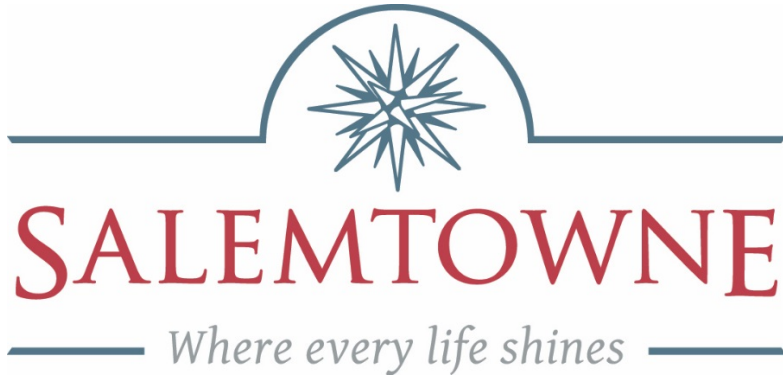
We encourage residents and families to bring problems and concerns to our attention as they occur. We will do our best to resolve your concerns and feel that is best accomplished the sooner we are aware that a problem exists. You may report your concerns verbally or by using the Concern Form. If you 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]

- 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 _____, _____.

<p>SALEMTOWNE</p> <p>_____</p> <p>By (signature)</p> <p>_____</p> <p>Printed Name</p> <p>_____</p> <p>Title</p>	<p>RESIDENT(S) (or Resident(s)’s Attorney in Fact) (*)</p> <p>_____</p> <p>(signature) (SEAL)</p> <p>_____</p> <p>(signature) (SEAL)</p> <p>_____</p> <p>Current Address: Street</p> <p>_____</p> <p>City, State, Zip Code</p> <p>_____</p> <p>Telephone</p>
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(*) 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 SALEM TOWNE, a North Carolina nonprofit corporation (hereinafter the "Corporation", "Salem towne", "we", us" or "our") and _____ (hereinafter "Resident", "you", "your").

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

WHEREAS, you desire to become a resident of Salem towne'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 Salem towne 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 Salem towne (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 Salem towne 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 Salem towne. 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 SALEM TOWNE’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 SALEM TOWNE, 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 _____, _____.

SALEM TOWNE	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.

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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 SALEM TOWNE’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 SALEM TOWNE, 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 _____, _____.

SALEM TOWNE	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

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

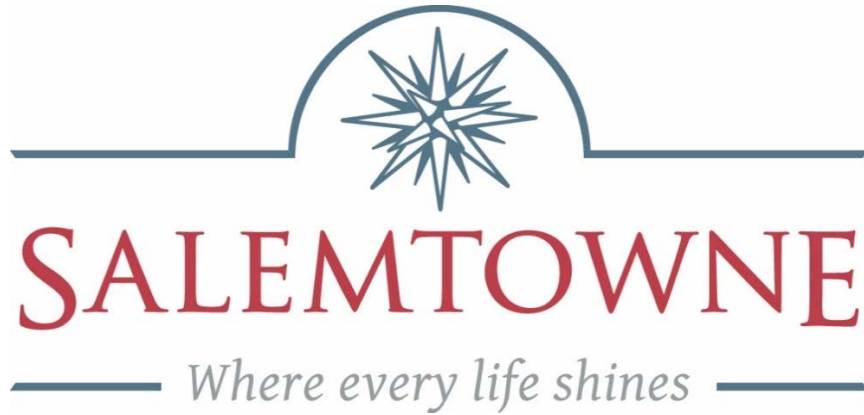
We encourage residents and families to bring problems and concerns to our attention as they occur. We will do our best to resolve your concerns and feel that is best accomplished the sooner we are aware that a problem exists. You may report your concerns verbally or by using the Concern Form. If you 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

Personal Guaranty Agreement



PERSONAL GUARANTY AGREEMENT

Guarantor(s): _____

Resident(s): _____

Living Accommodation: _____

PERSONAL GUARANTY AGREEMENT

This Agreement (the "Agreement") is made this _____ 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 "you", "your" or when two persons "you", "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 have requested that Salemtowne admit and provide continued services to _____ (the "Resident"), and Salemtowne agrees to admit and provide services to the Resident by reason of such request and in reliance upon this Agreement of Responsible Party/Guaranty Agreement (the "Guaranty") and the attached Residence and Services Agreement between Salemtowne and the Resident;

NOW, THEREFORE, in consideration of the admission and provision of continued services to the Resident, **you hereby unconditionally guarantee, through the use of personal/business assets, the punctual payment when due of all charges to the account of the Resident now existing or hereafter arising (the "Charges"). You agree to pay all costs, expenses, and reasonable attorneys' fees, in the event same must be expended in the collection of any Charges due and owing 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.

You consent that any of the provisions of any agreement evidencing any Charges of the Resident may be modified or waived; that neither the death, bankruptcy nor disability of any one or more of the guarantors shall affect the continuing obligation of any other guarantor; and that no claim need be asserted against the personal representative, guardian, trustee in bankruptcy or receiver of any deceased, incompetent bankrupt or insolvent guarantor, all without notice to or further assent by you, who shall remain bound hereon, notwithstanding any such exchange, compromise, surrender, extension, renewal, acceleration, modification, waiver, indulgence, release, or failure to file or assert any claim.

Initials _____

Corporation Resident(s)

You expressly waive: (a) notice of acceptance of this Guaranty and of all extensions of credit to the Resident; (b) presentment and/or demand for payment of any of the Charges of the Resident; (c) protest and notice of dishonor or of default to the undersigned or to any party with respect to any of the Charges of the Resident; (d) all other notices to which the undersigned might otherwise be entitled; and (e) demand for payment under this Guaranty. You also expressly waive all rights provided by N.C.G.S. § 26-7 through N.C.G.S. § 26-9. (See Appendix A) If you, the Resident, or any third party makes any payment to Salemtowne that is subsequently or required to be repaid (as a preferential, or fraudulent transfer or for any other reason) to a trustee, receiver or other party pursuant to bankruptcy or other law, then any such amount repaid to Salemtowne shall again become a Charge subject to the terms of this Guaranty as if such payment to Salemtowne had never been made.

This Agreement shall be governed by the laws of the State of North Carolina without regard to conflict of laws principles.

This Guaranty is a guaranty of payment and not of collection. Your liability for this Guaranty shall be direct and immediate and not conditioned or contingent upon either the pursuit of any remedies against the Resident or any other person or foreclosure of any security interests or liens available to Salemtowne, its successors, endorsees or assigns. **If the Charges of the Resident are partially paid, you shall remain liable for the balance of such Charges.**

You acknowledge and agree that if any Charges are not paid within sixty (60) days after written demand for payment of such Charges is given by Salemtowne to the Resident, the undersigned, and any additional guarantors, Salemtowne has the right to discharge the Resident.

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.

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.

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.

Interpretation. Headings are for convenience and reference purposes only and shall not affect the interpretation of any provision of this Agreement.

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.

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.

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

Guarantor(s):

Your address for the purpose of giving notice is the address appearing after your signature(s) below.

You are responsible for notifying us of any changes in address and/or telephone number.

The provisions of this guaranty shall not apply to obligations of the Resident incurred while the Resident occupies a nursing bed certified by the Medicare or Medicaid Programs during a certified stay.

[INTENTIONALLY LEFT BLANK]

I (we) understand this matter involves a financial commitment, of personal and/or business assets, 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.

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

Guarantor(s) or Guarantor(s)'s Attorney in Fact(*)
(Not Resident)

By(signature) (signature) (SEAL)

Printed Name (signature) (SEAL)

Title Current Address: Street

City, State, Zip Code

(*) If Attorney-in-Fact signs on behalf of the Guarantor(s), a Filed Power of Attorney document must be attached to this Agreement.

North Carolina
_____ County

I, _____, a Notary Public for said County and State, do hereby certify that _____ personally appeared before me this day and acknowledged the due execution of the foregoing instrument. Witness my hand and official seal, this the _____ day of _____, 20____.

(Official Seal) _____
(Notary Public)

My commission expires _____, 20____.

Appendix A
PERSONAL GUARANTY AGREEMENT

North Carolina General Statute
Chapter 26.
Suretyship.

§ 26-7. Surety, indorser, or guarantor may notify creditor to take action.

(a) After any note, bill, bond, or other obligation becomes due and payable, any surety, indorser, or guarantor thereof may give written notice to the holder or owner of the obligation requiring him to use all reasonable diligence to recover against the principal and to proceed to realize upon any securities which he holds for the obligation.

(b) The surety, indorser or guarantor who gives notice to the holder or owner of the obligation as provided by subsection (a) shall forthwith give written notice to all co-sureties, co-indorsers and co-guarantors of the fact that such notice is being given to the holder or owner of the obligation, and such co-sureties, co-indorsers and co-guarantors shall have ten days after receipt of the notice in which themselves to give written notice to the holder or owner of the obligation and to their co-sureties, co-indorsers, and co-guarantors, that they join in or adopt the notice given pursuant to subsection (a). Failure of such surety, indorser or guarantor to give the required notice to co-sureties, co-indorsers or co-guarantors whose names and residences are known to him or can be obtained by due diligence bars such surety indorser or guarantor from any of the benefits of G.S. 26-9.

(c) The holder or owner of the obligation shall on demand disclose to any surety, indorser, or guarantor of the obligation the names and addresses of all other sureties, indorsers and guarantors which appear on the obligation or of which he has knowledge.

(d) Nothing herein contained shall apply to official bonds, or bonds given by any person acting in a fiduciary capacity. (1868-9, c. 232, s. 1; Code, s. 2097; Rev., s. 2846; C.S., s. 3967; 1951, c. 763, s. 1.)

§ 26-8. Notice; how given; prima facie evidence thereof.

(a) Any notice authorized or required to be given by G.S. 26-7 shall- (1) Be served by the sheriff by delivering a copy thereof to the person entitled to the notice, or (2) Be sent by the person giving notice, by registered mail, with return receipt requested, to the last known address of the person being notified.

(b) Upon serving the notice, the sheriff shall return the original thereof, with his return thereon, to the person who caused the notice to be given.

(c) The sheriff's return, when the notice is served by the sheriff, or the return receipt, when the notice is sent by registered mail, shall be prima facie evidence of the giving of the notice. (1868-9, c. 232, s. 3; Code, s. 2099; Rev., s. 2848; C.S., s. 3968; 1951, c. 763, s. 2.)

§ 26-9. Effect of failure of creditor to take action.

(a) If the holder or owner of the obligation refuses or fails, within 30 days from the service or receipt of such notice, to take appropriate action pursuant thereto, the following persons shall be discharged on any such note, bond, bill or other obligation to the extent that they are prejudiced thereby: (1) The surety, endorser or guarantor giving such notice, and (2) All co-sureties, co-endorsers or co-guarantors joining therein or adopting such notice as provided by G.S. 26-7, and (3) All the co-sureties, co-endorsers, or co-guarantors whose names or addresses such holder or owner of the obligation failed to disclose on demand as required by subsection (c) of G.S. 26-7.

(b) The fact that an instrument contains a provision waiving any defense of any surety, endorser or guarantor by reason of the extension of the time for payment does not prevent the operation of this section. Any such notice to the holder or owner of the obligation as is authorized by G.S. 26-7 may be given at or subsequent to the time such obligation is due or at or subsequent to the termination of a period of extension.

(c) The failure of any co-surety, co-endorser or co-guarantor to join in or adopt a notice to the holder or owner of the obligation as authorized by subsection (b) of G.S. 26-7 does not prevent such co-surety, co-endorser or co-guarantor from giving a separate notice as authorized by subsection (a) of G.S. 26-7. (1868-9, c. 232, s. 2; Code, s. 2098; Rev., s. 2847; C.S., s. 3969; 1951, c. 763, s. 3.)

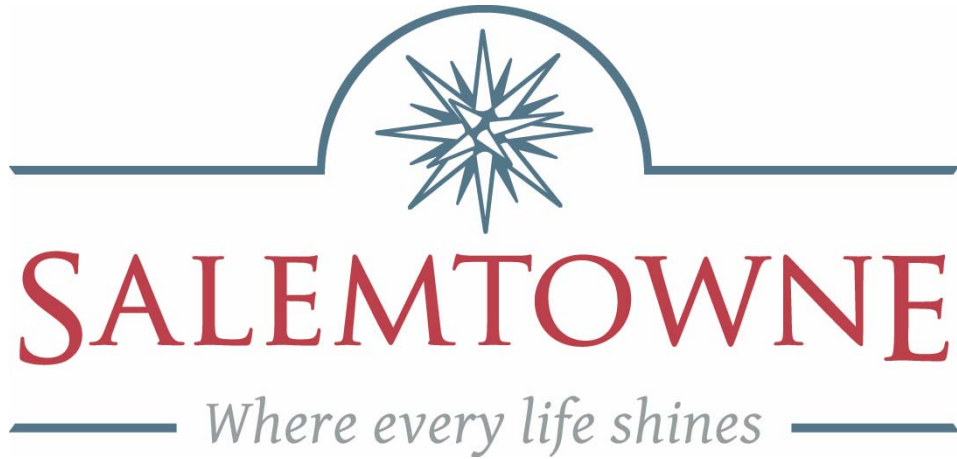
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Appendix B7

Financial Assistance Agreement



FINANCIAL ASSISTANCE AGREEMENT

Resident(s): _____

Living Accommodation: _____

FINANCIAL ASSISTANCE AGREEMENT

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FINANCIAL ASSISTANCE AGREEMENT

This Financial Assistance Agreement (“Agreement”) is made and entered into this ____ day of _____, _____ by and between Moravian Home, Incorporated, d/b/a Salemtowne, a North Carolina non-profit corporation, (“Salemtowne”), and _____ (“Resident(s)”).

WHEREAS, Salemtowne has established and maintains a financial assistance program in an effort to assist Residents of Salemtowne in covering their costs incurred in connection with their stay at Salemtowne when their personal financial resources and funds from other available sources may otherwise be inadequate to cover such costs;

WHEREAS, Resident desires to participate in such financial assistance program as necessary in the event Resident’s personal financial resources and other funds available to Resident are or become inadequate to pay Salemtowne’s Monthly/Daily fees and charges and to take other actions to ensure that the costs associated with his or her stay at Salemtowne will be satisfied;

NOW THEREFORE, Resident and Salemtowne agree as follows:

1. Financial Resources. 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 expense or care will nullify this commitment 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 the 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.

2. Procedures Regarding Financial Assistance. (a) Resident agrees to cooperate with Salemtowne in determining Resident’s eligibility for financial assistance (“Financial Assistance”) under Salemtowne’s financial assistance program (the “Program”) in accordance with Salemtowne’s policies and procedures, as amended from time to time by Salemtowne. Salemtowne shall administer the Program in accordance with applicable laws and regulations. At the request of Salemtowne, Resident agrees to apply for Medicaid, public assistance, or other public benefit programs for which Resident may be eligible.

Initials _____
Corporation Resident(s)

(b) Eligible Expenses/Personal Expenses. Any Financial Assistance for which Salemtowne determines Resident is eligible shall be applied **solely toward the costs of Monthly/Daily Fees and other charges payable to Salemtowne.** At its discretion, Salemtowne may also contribute toward a personal spending money allowance for Resident in amounts determined consistent with applicable Medicaid regulations and Salemtowne's policies and procedures ("Resident's Personal Funds").

Other than from Resident's Personal Funds, Financial Assistance **shall not be used to** cover personal items, as determined by Salemtowne which shall include without limitation beauty and barber fees (other than haircuts & shampoos), telephone fees, health related fees from other providers, and any non-health related fees ("Resident's Personal Expenses").

Other than from Residents' Personal Funds, Financial Assistance shall not be used to cover funeral and or burial expenses.

Resident's Personal Expenses will be deducted from Resident's Personal Funds to the extent available, which funds shall be maintained in a Resident Account (as defined in Section 3 of this Agreement).

To the extent that Resident's Personal Funds are not sufficient to cover Resident's Personal Expenses, Resident must provide the additional funds necessary to cover such expenses, or such personal items will not be furnished to Resident by Salemtowne or paid for out of a Resident Account or from Financial Assistance Funds.

3. Financial Affairs. (a) Resident hereby authorizes Salemtowne to receive into an account or accounts that Salemtowne will administer and manage on behalf of Resident (each a "Resident Account") payments made under Resident's Social Security, any pension or retirement insurance of Resident, any Financial Assistance for which Salemtowne has determined Resident is eligible, and any other benefit program in which Resident is a beneficiary, in accordance with applicable laws and regulations.

Salemtowne will make payments or offset costs, from such Resident Account, to cover the Monthly/Daily costs of Resident's room and board, health care, and other care provided to Resident by Salemtowne as a Resident of Salemtowne; to pay premiums or other costs associated with insurance maintained by or on behalf of Resident to cover health or long-term care costs; and otherwise manage Resident's financial affairs with respect to costs of care and services provided in connection with Resident's stay at Salemtowne (collectively, "Resident's Costs"). Resident's Personal Funds will be maintained in a Resident Account, from which funds Salemtowne will make payments or offset costs for Resident's Personal Expenses.

Resident agrees to execute any and all documents necessary or desirable for Salemtowne to receive payments into a Resident Account and to manage and administer such account as set forth in this Section 3(a).

Salemtowne will provide the services set forth in this Section 3(a) in accordance with the applicable requirements of North Carolina law, including applicable accounting requirements set forth therein, other applicable laws and regulations, and Salemtowne's policies and procedures, as amended from time to time by Salemtowne.

(b) Termination of Residency. Resident acknowledges and agrees that in the event of termination of Resident's residency at Salemtowne for any reason (including, but not limited to, Resident's death), Salemtowne will make all payments or offsets from the appropriate Resident Account as necessary to cover any and all remaining Resident's Costs and Resident's Personal Expenses incurred prior to such termination.

Resident also acknowledges and agrees that Salemtowne will retain an amount equal to, but not exceeding, the total amount of Financial Assistance provided to Resident by Salemtowne under the Program from any funds remaining in each Resident Account at the time of such termination solely for purposes of funding the Program with respect to other eligible Residents of Salemtowne.

Resident or Resident's estate shall be entitled to receive, in accordance with Salemtowne's standard payment procedures, all funds, if any, left over in each Resident Account after the payment or offset there from all remaining Resident's Costs and Resident's Personal Expenses incurred prior to termination of Resident's residency at Salemtowne and the total amount of Financial Assistance received by Resident.

In the event that upon termination of Resident's residency, and after making any such payments or offsets, there remain outstanding amounts of Financial Assistance provided hereunder, Salemtowne reserves the right to recover such amounts in full to the extent that Resident or Resident's estate has or acquires additional assets from which such amounts may be repaid, and Resident agrees that such amounts shall constitute a valid debt against Resident or Resident's estate. Salemtowne may file a legal claim against Resident or Resident's estate in such manner as may be prescribed by law to recover repayment of such debt.

(c) Entrance Fee Refund. Resident or Resident's Estate shall be entitled to receive, in accordance with Salemtowne's residence and services agreements, a refund of part of the Entrance Fee paid by said Resident depending on the length of occupancy less reductions for damages and applicable administrative fees, as stated in the residence and services agreements.

The amount of Entrance Fee refund will also be reduced by the amount of financial assistance paid on behalf of the Resident by Salemtowne, which is not offset by the retention of funds remaining in the Resident's Account as defined in paragraph 3 (b) herein. **RESIDENT AGREES AND ACKNOWLEDGES THAT IN EXCHANGE FOR FINANCIAL ASSISTANCE FROM SALEMTOWNE, RESIDENT MAY FORFEIT A PORTION OF THE ENTRANCE FEE REFUND AS PROVIDED IN THIS PARAGRAPH.**

(d) Insurance. In the event that Resident is the insured under any policy of life insurance that pays a cash benefit to Resident's estate upon Resident's death, Salemtowne reserves the right to require Resident to designate Salemtowne as the beneficiary of such policy to the extent necessary to reimburse Salemtowne for any financial assistance provided on behalf of Resident, and Resident agrees to execute any documentation necessary to give effect to such designation. In no event shall Salemtowne retain any such life insurance proceeds in excess of the amount of financial assistance provided by Salemtowne.

In the event that Resident is the insured under any policy of life insurance that has a present cash value, Resident must contribute the amount of such cash value toward Salemtowne's Monthly/Daily Fees and charges before being eligible for Financial Assistance.

4. Resident's Contribution. Resident acknowledges, understands, and agrees that in the event he or she is not eligible for public or other financial assistance or such assistance fails to cover all costs and fees associated with Resident's stay at Salemtowne, Resident will be required to assist in the payment of such costs and fees from Resident's personal or other available financial resources. Without limiting the generality of the foregoing, Resident will be required to pay supplemental insurance costs from Resident's personal or other available financial resources.

5. Living Accommodation. In the event that Salemtowne continues to provide the services to you under the terms of your Residence and Services Agreement despite your financial inability to continue to pay the Monthly/Daily Fees or other charges payable under the terms of said Agreement, Salemtowne shall be entitled to require the Resident to move to a smaller or less costly Living Accommodation.

6. Term and Termination. The term of this Agreement shall be from the date first written above until the termination of Resident's residency in Salemtowne for any reason. Notwithstanding any contrary provision of this Agreement, either party may terminate the provisions of Section 3(a) of this Agreement at any time upon at least five (5) days' notice to the other party in accordance with North Carolina G.S. 131E-117(9) to the extent applicable to the provisions of Section 3(a).

7. General Matters

(a) **Assignment.** The rights and privileges of the Resident under this Agreement are personal to the Resident and may not be transferred or assigned by the Resident.

(b) **Binding Effect.** This Agreement shall be binding upon Salemtowne and Resident, the successors and assigns of Salemtowne, and the heirs, executors, responsible parties, powers of attorney, administrators, and assigns of Resident.

(c) **Applicable Law.** This Agreement shall be governed by the laws of the State of North Carolina.

(d) **Entire Agreement.** This Agreement, together with any written Residence and Services Agreement or other agreement regarding continuing care or nursing care services between Salemtowne and Resident that is presently in effect, constitute the entire agreement between Salemtowne and Resident with respect to the matters provided herein and therein and supersede any and all prior oral or written agreements between these parties with respect to such matters. 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.

(e) **Conflicts.** In the event of a conflict between the terms of this Agreement and the terms of the residence and services agreement between the parties (including without limitation provisions relating to refund of the Entrance Fee), this Agreement shall control, and the residence and services agreement shall be deemed amended to confirm to the terms of this Agreement.

(f) **Enforceability and Waiver.** The invalidity and unenforceability of any term or provision of this Agreement shall in no way affect the validity or enforceability of any other term or provision.

(g) **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.

(h) **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.

(i) **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.

(j) **Tax Considerations.** You should consult with your tax advisor regarding the tax considerations associated with this Agreement.

(k) **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. If any provision in this Agreement is invalidated, all other provisions will remain in force.

(l) **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.

(m) **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 in section (j), above, 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.

(n) Gender. Throughout this Agreement, the use of the masculine gender shall include the feminine, and the use of singular shall include the plural.

(o) Interpretation. Headings are for convenience and reference purposes only and shall not affect the interpretation of any provision of this Agreement.

(p) 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.

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.

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 Officer Name

Current Address: Street

Title

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.

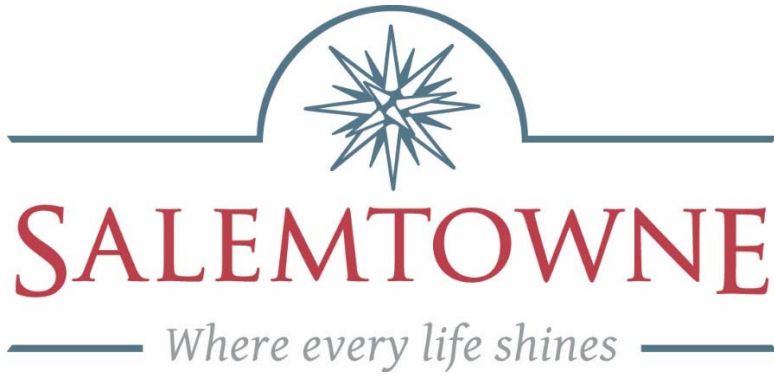
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Appendix B8

Reservation Agreement



Reservation Agreement

Applicants (s): _____

Living Accommodation: _____

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RESERVATION AGREEMENT

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RESERVATION AGREEMENT

The undersigned applicant(s) (“you” – In the event two people enter into this Agreement (defined below), the term “you” shall apply to them jointly and severally, except where the context otherwise applies.) hereby tender(s) this Reservation Agreement (“Agreement”), together with payment of Reservation Fee (described below) to MORAVIAN HOME, INCORPORATED d/b/a SALEM TOWNE, a North Carolina nonprofit corporation (hereinafter the “Corporation”, “Salem towne”, “we”, us” or “our”) for the purpose of reserving a Living Accommodation at Salem towne.

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

WHEREAS, you desire to reserve a residence at Salem towne and Salem towne has approved your application for admission.

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

I. TERM. This Agreement becomes effective when signed by both You and Salem towne, **and** Salem towne receives your Reservation Fee. The Agreement terminates:

- a) when You sign a Residence and Services Agreement with Salem towne **or**
- b) on the Projected Date of Availability as noted in Section III. herein.

This Agreement can be terminated earlier than noted above in I. a) or I. b) by you or by Salem towne in accordance with the terms of this Agreement.

II. THE RESERVED LIVING ACCOMMODATION. You have reserved the Living Accommodation identified below (the “Reserved Accommodation”). This Reservation Agreement gives you first priority to enter into a Residence and Services Agreement for the Reserved Accommodation before the accommodation is made available to other applicants.

Living Accommodation (*address*) _____, a(n) (*cottage, apartment or room*) _____ type of living accommodation (as described in materials presented to you and as shown to you during a physical tour), located at (*village or building*) _____ in Salem towne (hereinafter referred to as the “Reserved Accommodation”).

Initials _____
Corporation Applicant(s)

Salem towne has made every effort to accurately describe the Reserved Accommodation and the Salem towne community in the information materials and Disclosure Statement furnished to you. The Reserved Accommodation and Salem towne Community may vary somewhat from the information furnished to you.

III. PROJECTED DATE OF AVAILABILITY. The date of availability is the date at which the Living Accommodation will be declared by Salem towne to be available for occupancy, and such date of availability is projected to be on or about _____.

IV. FEES.

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 (“Resident”). This Entrance Fee is refundable in whole or in part as described below and in Section VI. herein.

- 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.

Initials _____
Corporation **Applicant(s)**

[Remainder of Page Intentionally Blank]

- **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.

B. Non-Standard Features. The Corporation has consented to 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 the refund.

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

C. Terms of Payment. The Reservation Fee and Entrance Fee for the Reserved Accommodation shall be payable as follows:

- **Ten Percent Deposit.** The Reservation Fee shall equal ten percent (10%) of the Entrance Fee plus 100% of the Non-Standard Features as set forth herein. It shall be paid upon execution of this Reservation Agreement prior to the installation of the applicable non-standard features, if any. The 10% of the Entrance Fee will be credited to the total Entrance Fee. The Entrance Fee for your Reserved Unit shall not be increased above the Entrance Fee set forth herein unless this Agreement is terminated pursuant to Section I. (b) herein.

Initials _____

Corporation Applicant(s)

- **Balance of Entrance Fee.** The Entrance Fee balance will be due and payable 10 days 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 a Resident’s furnishings or belongings occupy the Living Accommodation or a storage area at Salemtowne. We will give reasonable notice prior to the projected date of occupancy.
- **Monthly/Daily Fee.** In addition to the Entrance Fee, you agree to pay a Monthly/Daily fee for services. As of the date of this Agreement, the Monthly/Daily Fee (including dining plan, if applicable) based on the Living Accommodation reserved is estimated to be \$ _____ per month, for _____ occupancy (*single or dual*). The Monthly/Daily Fee will begin on the date of occupancy, unless otherwise agreed to in writing by Salemtowne. The Monthly/Daily Fee is subject to change as described in the Disclosure Statement.

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 Section III. herein.

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 Projected Date of Availability in Section III. herein, unless this Agreement is terminated prior to the 30th day after the Projected Date of Availability in Section III. herein.

Initials _____
Corporation **Applicant(s)**

[Remainder of Page Intentionally Blank]

V. **TERMINATION AND REFUND.** This Agreement will terminate upon any of the following occurrences:

- A. You fail to pay the deposit;
- B. You die (or one of you dies if co-applicants) before the Residence and Services Agreement becomes effective;
- C. You submit to Salemtowne written notice of termination of Agreement for any reason;
- D. You fail to sign a Residence and Services Agreement or to pay the balance of applicable fees in accordance with the terms of this Agreement;
- E. You experience changes in your financial status prior to occupancy at Salemtowne that cause you to fail to meet Salemtowne's financial qualifications for admission; or
- F. Your future health care needs exceed the level of service provided in the Assisted Living Center or Health Care Center.

If you or Salemtowne terminate this Agreement for a reason other than your signing a Residence and Services Agreement, Salemtowne shall have the right to reassign the Reserved Living Accommodation, and you will have no further rights to that unit except that a surviving Co-applicant shall be given the opportunity to enter into a new Reservation Agreement for the Reserved Living Accommodation based on single occupancy or on joint occupancy with another Co-applicant before the Living Accommodation is offered to others.

In case of termination of this Agreement for reasons set forth above, in addition to any fees charged by Salemtowne, Salemtowne reserves the right to withhold an administrative charge of four percent (4%) of the total Entrance Fee plus 100% of the costs of any upgrades and/or customized additions/options ("Non-Standard Features") that you selected. The sum of these charges shall be retained by Salemtowne from all deposited funds owed to you to the extent permitted by law.

In the event this Agreement is terminated for any reason other than your signing a Residence and Services Agreement, Salemtowne shall refund any Entrance Fees, subject to conditions noted above, within sixty (60) working days after either: (i) Salemtowne receives written notification of your termination of this Agreement or (ii) Salemtowne notifies you in writing of termination of this Agreement by Salemtowne.

If you die before occupying a living accommodation, or if, on account of illness, injury, or incapacity, you would be precluded from occupying a living accommodation under the terms of the agreement for continuing care, the agreement is automatically cancelled. Salemtowne reserves the right to withhold an administrative charge of four percent (4%) of the total Entrance Fee plus 100% of the costs of any upgrades and/or customized additions/options ("Non-Standard Features") that you selected. The sum of these charges shall be retained by Salemtowne from all deposited funds owed to you to the extent permitted by law.

VI. **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 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.

VII. PRELIMINARY AGREEMENT. This Agreement is preliminary in nature and precedent to the Residence and Services Agreement.

VIII. GENERAL

- A. Compliance with Applicable Laws.** You 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 are personal to you and may not be transferred or assigned by you 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. The Corporation reserves the right to accept or deny any person for residency. Residents do not have the right to determine admission or terms of admission 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.
- 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.

- G. 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.
- H. Schedule of Fees.** You have been given a current copy of the Schedule of Fees as adopted by the Corporation. You understand that these documents will change from time to time as described in the Disclosure Statement.
- I. Entire Agreement.** This Agreement constitutes the entire contract between the Corporation and you. 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.
- 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 you.
- K. Transfer of Property.** 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.
- 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.
- 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 a Resident to pay costs or expenses of his or her stay at Salemtowne that remain unpaid as of such termination.
- 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. 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

Applicant:

Your address for the purpose of giving notice is the address appearing after your signature below.

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.

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	APPLICANT(S) (or Applicant(s)'s Attorney in Fact) (*)
<hr/> By (signature)	<hr/> (signature) (SEAL)
<hr/> Printed Name	<hr/> (signature) (SEAL)
<hr/> Title	<hr/> Current Address: Street <hr/> City, State, Zip Code
	<hr/> Telephone

(*) If Attorney-in-Fact signs on behalf of the Applicant(s), a Filed Power of Attorney document must be attached to this Agreement.

**ACKNOWLEDGEMENT OF RECEIPT
OF
DISCLOSURE STATEMENT
Salemtowne
1000 Salemtowne Drive
Winston Salem, N. C. 27106**

As of the day and year above written in this Reservation Agreement, the undersigned Applicant(s) acknowledges receipt of the Disclosure Statement of Moravian Home, Incorporated D/B/A Salemtowne dated _____, 20____. 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 the facility, whichever occurred first.

As a prospective resident, the facility’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 the facility, like all other continuing care facilities 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, if any matters contained herein are not clear, including an understanding of solvency and deficit fund balance levels for this and other continuing care facilities.

SALEMTOWNE

**APPLICANT(S)
(or Applicant(s)’s Attorney in Fact) (*)**

By (signature)

(signature) (SEAL)

Printed Name

(signature) (SEAL)

Title

(*) If Attorney-in-Fact signs on behalf of the Applicant(s), a Filed Power of Attorney document must be attached to this Agreement.

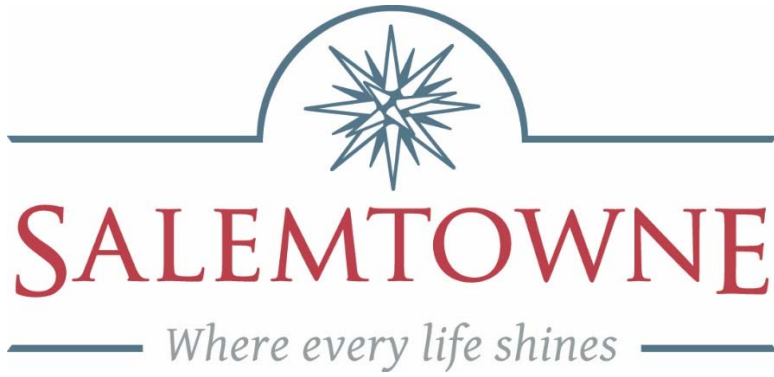
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Appendix B9

Reservation Agreement – 10% Depositor



Woodlands Reservation Agreement

Applicant(s): _____

Living Accommodation: _____

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www.salemtowne.org

WOODLANDS RESERVATION AGREEMENT

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WOODLANDS RESERVATION AGREEMENT

The undersigned applicant(s) (“you” – In the event two people enter into this Agreement (defined below), the term “you” shall apply to them jointly and severally, except where the context otherwise applies.) hereby tender(s) this Woodlands Reservation Agreement (“Agreement”), together with payment of the Reservation Fee (described below) to MORAVIAN HOME, INCORPORATED d/b/a SALEMTOWNE, a North Carolina nonprofit corporation (hereinafter the “Corporation”, “Salemtowne”, “we”, us” or “our”), for the purpose of reserving a living accommodation at Salemtowne.

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 reserve a residence at Salemtowne and Salemtowne has approved your application for admission.

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

I. TERM. This Agreement becomes effective when signed by both you and Salemtowne, **and** Salemtowne receives your Reservation Fee (described below). The Agreement terminates:

- a) when You sign a Residence and Services Agreement with Salemtowne **or**
- b) on the Date of Availability as noted in Section III. herein.

This Agreement can be terminated earlier than noted above in I. a) or I. b) by you or by Salemtowne in accordance with the terms of this Agreement.

II. THE RESERVED LIVING ACCOMMODATION. You have reserved the living accommodation identified below. This Agreement gives you first priority to enter into a Residence and Services Agreement for the Reserved Accommodation (defined below) before the accommodation is made available to other applicants.

Living accommodation (*address*) _____, a(n) (*cottage, apartment or villa*) _____ type of living accommodation (as described in materials presented to you and/or as shown to you during a physical tour), located at (*village or building*) _____ in Salemtowne (hereinafter referred to as the “Reserved Accommodation”).

Initials _____
Corporation

Applicant(s)

Salemtowne has made every effort to accurately describe the Reserved Accommodation and the Salemtowne community in the information materials and Disclosure Statement furnished to you. The Reserved Accommodation and Salemtowne community may vary somewhat from the information furnished to you.

III. PROJECTED DATE OF AVAILABILITY. The date of availability is the actual date at which the Reserved Accommodation will be declared by Salemtowne to be available for occupancy (“Availability Date”). Such Availability Date is projected to occur in early 2020. It is understood that such a projected Availability Date for occupancy is an estimate and may vary due to the actual availability of the Reserved Accommodation. Salemtowne will provide you with reasonable notice of the actual Availability Date.

IV. FEES.

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 (“Resident”). This Entrance Fee is refundable in whole or in part as described below and in Section VI. herein.

- 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 and any costs relating to the installation, maintenance and removal of non-standard features added to your Reserved Accommodation (“Non-Standard Costs”) that you have not paid 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. You will not receive a refund of any Non-Standard Costs, and you are responsible for all unpaid costs and expenses incurred by you.

Initials _____
Corporation

Applicant(s)

[Remainder of Page Intentionally Blank]

- **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 and any unpaid Non-Standard Costs that will be deducted. You will not receive a refund of any Non-Standard Costs, and you are responsible for all unpaid costs and expenses incurred by you.

- **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 and any unpaid Non-Standard Costs that will be deducted. You will not receive a refund of any Non-Standard Costs, and you are responsible for all unpaid costs and expenses incurred by you.

Initials _____
Corporation

Applicant(s)

[Remainder of Page Intentionally Blank]

V. **TERMINATION AND REFUND.** This Agreement will terminate upon any of the following occurrences:

- A. You fail to pay the Reservation Fee;
- B. You die (or one of you dies if co-applicants) or if, on account of illness, injury, or incapacity, you (or one of you if co-applicants) would be precluded from occupying a living accommodation under the terms of the agreement for continuing care, before the Residence and Services Agreement becomes effective;
- C. You submit to Salemtowne written notice of termination of Agreement for any reason;
- D. You fail to sign a Residence and Services Agreement or to pay the balance of applicable fees in accordance with the terms of this Agreement;
- E. You experience changes in your financial status prior to occupancy at Salemtowne that cause you to fail to meet Salemtowne's financial qualifications for admission; or
- F. Your future health care needs exceed the level of service provided in the Assisted Living Center or Health Care Center.

If you or Salemtowne terminate this Agreement for a reason other than your signing a Residence and Services Agreement, Salemtowne shall have the right to reassign the Reserved Accommodation, and you will have no further rights to that unit except that a surviving co-applicant shall be given the opportunity to enter into a new Reservation Agreement for the Reserved Accommodation based on single occupancy or on joint occupancy with another co-applicant before the Reserved Accommodation is offered to others.

In the event this Agreement is terminated for any reason other than your signing a Residence and Services Agreement, Salemtowne shall refund the Reservation Fee, less a non-refundable fee of \$1,000, and less any unpaid Non-Standard Costs within sixty (60) working days after either: (i) Salemtowne receives written notification of your termination of this Agreement or (ii) Salemtowne notifies you in writing of termination of this Agreement by Salemtowne. You will not receive a refund of any Non-Standard Costs, and you are responsible for all unpaid costs and expenses incurred by you.

The sum of these charges shall be retained by Salemtowne from all deposited funds owed to you to the extent permitted by law.

VI. **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 Reservation Fee less a non-refundable fee of \$1,000 and less any unpaid Non-Standard Costs. 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. You will not receive a refund of any Non-Standard Costs, and you are responsible for all unpaid costs and expenses incurred by you.

VII. **PRELIMINARY AGREEMENT.** This Agreement is preliminary in nature and precedent to the Residence and Services Agreement.

VIII. **GENERAL**

- A. **Compliance with Applicable Laws.** You 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 are personal to you and may not be transferred or assigned by you 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. The Corporation reserves the right to accept or deny any person for residency. Residents do not have the right to determine admission or terms of admission 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.
- 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.
- G. **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.
- H. **Schedule of Fees.** You have been given a current copy of the Schedule of Fees as adopted by the Corporation. You understand that these documents will change from time to time as described in the Disclosure Statement.
- I. **Entire Agreement.** This Agreement constitutes the entire contract between the Corporation and you. 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.
- 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 you.
- K. Transfer of Property.** 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.
- 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.
- 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 a Resident to pay costs or expenses of his or her stay at Salemtowne that remain unpaid as of such termination.
- 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. **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

Applicant:

Your address for the purpose of giving notice is the address appearing after your signature below.

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.

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	APPLICANT(S) (or Applicant(s)'s Attorney in Fact) (*)
<hr/> By (signature)	<hr/> (signature) (SEAL)
<hr/> Printed Name	<hr/> (signature) (SEAL)
<hr/> Title	<hr/> Current Address: Street <hr/> City, State, Zip Code <hr/> Telephone

(*) If Attorney-in-Fact signs on behalf of the Applicant(s), a Filed Power of Attorney document must be attached to this Agreement.

**ACKNOWLEDGEMENT OF RECEIPT
OF
DISCLOSURE STATEMENT
Salemtowne
1000 Salemtowne Drive
Winston Salem, N. C. 27106**

As of the day and year above written in this Woodlands Reservation Agreement, the undersigned Applicant(s) acknowledges receipt of the Disclosure Statement of Moravian Home, Incorporated D/B/A Salemtowne dated _____, 20____. 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 the facility, whichever occurred first.

As a prospective resident, the facility’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 the facility, like all other continuing care facilities 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, if any matters contained herein are not clear, including an understanding of solvency and deficit fund balance levels for this and other continuing care facilities.

SALEMTOWNE

**APPLICANT(S)
(or Applicant(s)’s Attorney in Fact) (*)**

By (signature)

(signature) (SEAL)

Printed Name

(signature) (SEAL)

Title

(*) If Attorney-in-Fact signs on behalf of the Applicant(s), a Filed Power of Attorney document must be attached to this Agreement.

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Appendix B10

Voluntary Arbitration Agreement

VOLUNTARY ARBITRATION AGREEMENT

This is a voluntary agreement, and it is not a condition for admission to this facility. You may receive care and treatment even if you do not sign this agreement.

This Voluntary Arbitration Agreement (this “Agreement”) is entered into by and between Moravian Home, Incorporated d/b/a Salemtowne, a North Carolina nonprofit corporation (“Salemtowne”), and _____ (“Resident”) [and _____ (“Resident’s Representative”)], collectively referred to as the “Parties” and individually as a “Party.” This Agreement is an addendum to the Residence and Services Agreement between the Parties (the “Residency Agreement”), for which consideration has been given and received by the Parties. In further consideration for this Agreement, the Parties acknowledge they will receive mutual benefits from resolution of any dispute or controversy through efficient arbitration and other good and valuable consideration, the receipt and sufficiency of which is acknowledged by the Parties.

1. **Parties Defined.** Salemtowne includes, but is not limited to, the operator, governing body, officers, directors, members, administrator, employees, managers, agents, and any parent company, subsidiary, or affiliates, and any person or entity alleged to be responsible for the acts or omissions of Salemtowne. Resident includes, but is not limited to, Resident, Resident’s Representative, guardian, conservator, attorney-in-fact, agent, sponsor, or any other person whose claim is derived through or on behalf of Resident, including, without limitation, his or her spouse, child, parent, executor, administrator, personal representative, heir, survivor, and anyone entitled to bring a wrongful death claim relating to Resident.
2. **Agreement to Arbitrate All Disputes.** This is a voluntary agreement by the Parties to have all disputes resolved through binding arbitration. Arbitration is an out-of-court alternate form of dispute resolution, decided by an impartial third party. Arbitration is different than traditional litigation in the court system, which has a judge, sometimes a jury, and trial. In the event of any dispute or controversy between the Parties, including those arising out of the diagnosis, treatment, or care of Resident by Salemtowne, the dispute or controversy shall be submitted to binding arbitration.
3. **Application of Federal Arbitration Act.** The Parties agree that the Residency Agreement involves interstate commerce, through Salemtowne’s Medicare participation and with any purchase of items from outside the state of North Carolina. Accordingly, the Federal Arbitration Act applies to this Agreement.
4. **Duty to Demand Arbitration.** It is the claimant’s responsibility to demand arbitration by giving notice to the other Party describing the nature of the controversy and the remedy sought. If a Party overlooks its obligation to arbitrate all disputes and participates in litigating a matter in the court system, such Party will not be deemed to have waived the right to compel arbitration, as long as the motion to compel arbitration is served before the first day of trial.
5. **Waiver of Judge, Jury, and Trial. No Appeal.** By signing this Agreement, you are waiving the right to have any and all disputes decided by a judge or by a jury trial. The arbitrator’s decision is final and binding. There is no right to an appeal unless permitted by state statute.

6. **Arbitrator.** Within fifteen (15) days after a Party has given written notice to the other Party of demand for arbitration of a dispute or controversy, the Parties to the dispute or controversy agree that American Health Lawyers Association (“AHLA”) will administer the arbitration in a venue convenient to both Parties. In the event AHLA is unavailable, unwilling, or unable to administer the arbitration or appoint an arbitration panel, the Parties will agree on an arbitrator. If the Parties are unable to agree on the arbitrator, a sole arbitrator shall be appointed, upon request of a Party, by the court. The arbitrator shall hold a hearing within a reasonable time from the date of notice of selection of the neutral arbitrator.
7. **Expenses.** The arbitration expenses will be apportioned equally among the Parties, or will be paid as provided in the award.
8. **Representation by Lawyer(s).** The Parties may be represented by a lawyer prior to, during, and after arbitration.
9. **Grievances and Discharge/Transfers.** Despite this Agreement, Resident may file its grievances directly with Salemtowne, with the long term care ombudsman, or with any applicable regulatory agency. Appeals of involuntary discharges or transfers will be heard by an administrative law judge as required by state/federal laws and regulations.
10. **Confidentiality.** The discovery, arbitration, and arbitration award are confidential.
11. **Severability.** If any term, phrase, or provision in this Agreement is held to be invalid or unenforceable by law, this Agreement will be deemed amended to conform with such law and will otherwise remain in full force and effect, as it is the Parties’ intent to ensure that any dispute is resolved solely by arbitration.
12. **Survival.** This Agreement applies to Resident’s readmissions to Salemtowne and survives any termination of the Residency Agreement.
13. **Care Will Be Provided Regardless.** Care, diagnosis, or treatment will be provided whether or not Resident signs this Agreement.
14. **Right to Revoke.** Resident may revoke this Agreement by providing written notice to Salemtowne within ten (10) days of signature. Any disputes arising prior to revocation will remain subject to this Agreement.

You are strongly encouraged to consult with an attorney or a trusted advisor before signing this Agreement. You have the opportunity to ask questions before signing this document. Please do not hesitate to ask any questions that you may have.

You hereby acknowledge that you have read and understand this Agreement.

Signature of Resident

Date

Signature of Resident’s Representative (if applicable)

Date

Signature of _____ Representative*

Date

**Provision of services by _____ will constitute acceptance in absence of _____ signature.*



Appendix B11

Navigation Member Services Agreement



Member Services Agreement

Member: _____

Address: _____

Check Plan Selected: All Inclusive Plan

Security Plan

Co-Pay Plan

Beacon Plan

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MEMBER SERVICES AGREEMENT

This Member Services 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"). 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 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 certain 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.

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.

Initials _____
Corporation Member

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.

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, Security Plan, Co-Pay, or Home Site Services (Beacon) 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.

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. 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 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. 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 by Salemtowne 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. **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.

- E. **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 Salemtowne 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.
- F. **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.

- G. **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 Wellness 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.

Initials _____
Corporation Member

- 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 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 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.
- 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, by 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 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, 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 (Beacon) Plan Only.** Notwithstanding the foregoing provisions of this Article VIII, in the event Member has selected the Home Site Services (Beacon) 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 (Beacon) Plan but shall not apply to any other Plan, including the All Inclusive, Security and Co-Pay 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 by Salemtowne
1000 Salemtowne Drive
Winston-Salem, North Carolina 27106

[Signature page follows]

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 BY SALEM TOWNE**

MEMBER

(signature)

(signature)

Printed Name

Printed Name

Title

X. 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 Membership Services Agreement, the undersigned acknowledges receipt of the Disclosure Statement of Moravian Home, Incorporated (“Corporation”) dated _____, **2018**. 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

XI. ATTACHMENT A

**NAVIGATION BY SALEMTOWNE
SERVICE PLAN OPTIONS***

Each plan pays the following percentage of costs associated with the services being provided.

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

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



Appendix B12

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 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.
- 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**

(signature)

Printed Name

Title

By:

MEMBER

(signature)

Printed Name

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 _____.

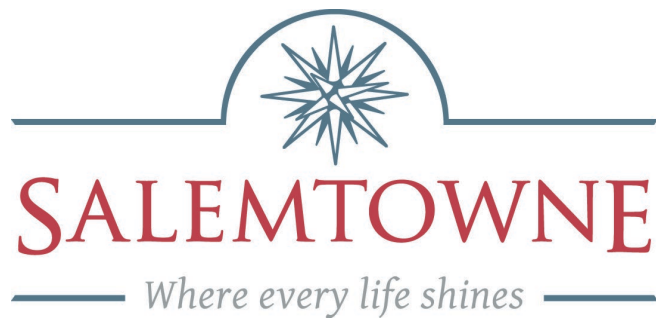
Signature

Print Name



Appendix C

Schedule of Fees effective June 1, 2018



Schedule of Fees

Effective

June 1, 2019– May 31, 2020

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	\$163,300 - \$172,200	\$2,868
Emerald - 2BR	1,356	\$196,300 - \$216,800	\$2,989
Salem Village			
Bethania - 2BR	1,553	\$252,200 - \$264,600	\$3,279
Hickory - 2BR	1,560 - 1,755	\$240,100 - \$300,600	\$3,337 - \$3,677
Catawba - 2BR	1,678 - 1,954	\$258,300 - \$337,200	\$3,515 - \$3,878
Catawba - 3BR	2,033 - 2,363	\$345,600 - \$394,300	\$3,863 - \$4,156
Catawba - 2BR w/ basement	3,210 (1,678 heated)	\$350,000	\$3,821
Bethabara Place			
Mitchell - 2BR	1,440	\$266,200	\$3,335
Shenandoah - 2BR	1,617 - 1,698	\$299,000 - \$314,000	\$3,512 - \$3,629
Appalachian - 2BR	1,640 - 1,750	\$294,400 - \$313,400	\$3,570 - \$3,636
Rutherford - 2BR	1,817 - 2,100	\$326,200 - \$417,400	\$3,863 - \$4,464
Watauga - 2BR	3,200	\$401,500	\$4,352

Monthly Fee for Second Occupants is \$691.

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

50% and 90% Entrance Fee Plans are offered. Please contact Salemtowne’s Admissions 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 Admissions 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	\$71,400 - \$90,800	\$2,125
Winston A or B – 2BR~790 sf	\$98,100 - \$108,300	\$2,396
West End – 1BR~790 sf	\$98,100 - \$106,300	\$2,396
Buena Vista – 2BR~1,055 sf	\$136,300 - \$147,800	\$2,675
Driscoll Apartment Building:		
Reynolda – 1BR ~ 751 sf	\$125,300 - \$158,200	\$2,525
Sherwood – 1BR~ 936 sf	\$149,600 - \$162,200	\$2,806
Piedmont - 2BR~1,073 sf	\$182,700 - \$199,600	\$3,159
Brookstown – 2BR~1,107 sf	\$179,900 - \$190,900	\$3,164
Twin City – 2BR~1,240 sf	\$199,600 - \$210,100	\$3,389

Monthly Fee for Second Occupants is \$884.

Monthly Fees includes: all utilities (excluding telephone & internet), 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 Admissions team for information.

50% and 90% Entrance Fee Plans are offered. Please contact Salemtowne's Admissions 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	\$5,145
Assisted Living Suite - Single occupancy	\$6,825
Assisted Living - Respite Stay	\$250 / day

Monthly fee includes: 3 meals per day, utilities (excluding telephone & internet), cable, weekly housekeeping & maintenance.

Monthly fee includes bed and bath linen laundry.

Residents moving between assisted living residences will be charged for renovation costs. For a second and each subsequent move between assisted living residences, residents will be charged \$10,000 in addition to renovation costs.

Memory Support Services – Westerly Place Fee Program

	<u>Monthly Fee</u>
Memory Support - Single occupancy	\$8,377

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

\$360.50/day

Daily fee includes: 3 meals per day, utilities (excluding telephone & internet), 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 items are a la carte and individually priced. If you have a desire for soup and salad at lunch, Salemtowne will reduce your dining allowance only for what you choose. If you desire a salad, an entrée, two side dishes, and two desserts, your dining allowance will be reduced based on your choices. 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.

<p>Flexible Dining Plan Required for all Independent Living Apartment Residents.</p>	<p>\$358/month</p>
<p>Flexible Dining Plan Optional for Cottage Residents entering the community prior to May 1, 2014 under the “grandfather” fee program. Required for Cottage Residents entering the community on or after May 1, 2014 under the “new” fee program and for residents who bought into the “new” fee program. Dining Fee is included in the monthly service fee.</p>	<p>\$171/month</p>
<p>Flexible Dining Plan Optional for Cottage Residents entering the community on or before May 1, 2014 under the “grandfather” fee program.</p>	<p>\$240/month</p>
<p>Optional / Additional Flexible Dining Plan Allowances Residents may increase their dining plans by purchasing additional dining allowances in \$30 per month increments.</p>	<p>\$30/ month Increments</p>
<p>Resident Individual Meal delivery No delivery fee will be charged for meal delivery due to resident sickness. Call 714-3141 Tipping is not permitted</p>	<p>\$7/delivery</p>

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 - \$33 - \$49/hour
- Overtime - \$49 - \$75/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
Non Refundable Fee – not applied to entrance fee	
Individual	\$100
Double Occupancy	\$100
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

Health Care Services

Entrance Fee Grace Days for Residents

(Program for Residents entering the community prior to May 1, 2014 under the “grandfather” fee program. 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.)

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 under the “grandfather” fee program. 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.)

If a Resident is temporarily transferred to the Phillips 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 under the “new” fee program and for residents who bought into the “new” fee program.)

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.

(*) discount applies to the “new” fee program rates listed on pages 6 and 9 herein.

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



Navigation

BY SALEMTOWNE

Schedule of Fees

Effective

June 1, 2019

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, 2019.

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	\$35,384	\$28,623	\$23,457	\$22,042
75	\$57,345	\$46,928	\$36,533	\$34,325
85	\$78,148	\$64,060	\$48,482	\$44,846
Monthly Fee	\$591	\$517	\$455	\$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	\$556 single \$528 couple	\$470 single \$446 couple	\$428 single \$407 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 \$5,400 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) \$5,400

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 \$360.50 per day