



**2600 Croasdaile Farm Parkway
Durham, North Carolina 27705
(919) 384-2000
www.croasdailevillage.org**

DISCLOSURE STATEMENT

Croasdaile Village must deliver a Disclosure Statement to a prospective resident prior to or at the time a prospective resident executes a Residency Agreement to provide continuing care, or prior to or at the time a prospective resident transfers any money or other property to Croasdaile Village, whichever occurs first.

Croasdaile Village, like all other continuing care retirement communities in the State of North Carolina, is subject to the Continuing Care Retirement Communities Act. 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.

FEBRUARY 27, 2019

Unless earlier revised, Croasdaile Village intends for this Disclosure Statement to remain effective until July 27, 2020



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Attachments:

- **Attachment 1 – Audited Financial Statements of The United Methodist Retirement Homes, Incorporated (includes the consolidated operations of Croasdaile Village, Cypress Glen and Wesley Pines)**
- **Attachment 2 – Forecasted Financial Statements of The United Methodist Retirement Homes, Incorporated (includes the consolidated operations of Croasdaile Village, Cypress Glen and Wesley Pines)**
- **Attachment 3 – Interim Unaudited Financial Statements of The United Methodist Retirement Homes, Incorporated (includes the consolidated operations of Croasdaile Village, Cypress Glen and Wesley Pines)**
- **Attachment 4 - Explanations of Material Differences**
- **Attachment 5 – Residency Agreements**
- **Attachment 6 – Communities Managed by Life Care Services LLC**
- **Attachment 7 – List of Extra Charges**
- **Attachment 8- Expansion Sources & Uses**

INTRODUCTION

Croasdaile Village brings to residents of the central North Carolina area, who are age 62 and over, a way of retirement living known as "continuing care." This concept offers retirees a life style designed to meet their unique needs while allowing them the freedom to pursue their personal interests. Continuing care communities, such as Croasdaile Village, encompass these important components: a private residence, a wide array of personal services, assisted living services, and the security of long-term care in the on-site health center.

Croasdaile Village is owned and operated by The United Methodist Retirement Homes, Incorporated ("UMRH"), a North Carolina not-for-profit corporation, which is committed to providing a quality adult community that is fiscally sound and genuinely responsive to resident needs. UMRH also owns Wesley Pines, a continuing care retirement community located in Lumberton, North Carolina and Cypress Glen Retirement Community, a continuing care retirement community located in Greenville, North Carolina. The financial information attached to this Disclosure Statement includes financial information for UMRH and the consolidated operations of Croasdaile Village, Cypress Glen and Wesley Pines. (See further explanation under the "Financial Information" section of this Disclosure Statement.)

One of the purposes of this Disclosure Statement is to explain to prospective residents, their families, and their advisors who and what is involved in the operation of Croasdaile Village. This Disclosure Statement was prepared on the basis of information available at the time of its publication and assumptions, which were believed to be realistic as of that date. Such information and assumptions are, of course, subject to change and, in particular, are significantly affected by changes in inflation and interest rates.

Since non-technical language has been used in this Disclosure Statement, the text of this booklet and the language of the Residency Agreement signed by a resident may not be the same. Although this Disclosure Statement details the provisions of the Residency Agreement, the Residency Agreement serves as the sole binding contract between the resident and UMRH.

We are pledged to the letter and spirit of U.S. policy for the achievement of equal housing opportunity throughout the Nation. We encourage and support an affirmative advertising and marketing program in which there are no barriers to obtaining housing because of race, color, religion, sex, handicap, or national origin.

THE UNITED METHODIST RETIREMENT HOMES, INCORPORATED

The United Methodist Retirement Homes, Incorporated ("UMRH") is a not-for-profit corporation originally chartered by the State of North Carolina on January 24, 1946. A Restated Charter was filed with the Department of the Secretary of State for the State of North Carolina on October 26, 1992. The principal business address of UMRH is 2600 Croasdaile Farm Parkway, Suite A-500; Durham, North Carolina 27705.

UMRH is operated as a community service organization and is tax exempt under the provisions of Section 501(c)(3) of Internal Revenue Code.

UMRH is the sole shareholder of UMRH Affordable Housing, Inc. UMRH-Affordable Housing, Inc. is located at 2600 Croasdaile Farm Parkway, Suite A-500, Durham, NC 27705. It was organized in 2002 in the State of North Carolina in conjunction with the Wesley Ridge project (see more information below). UMRH Affordable Housing, Inc. is not responsible for the contractual or financial obligations of UMRH.

UMRH is the sole member of UMRH Affordable Housing Development, LLC, located at 2600 Croasdaile Farm Parkway, Suite A-500, Durham, NC 27705. UMRH Affordable Housing Development, LLC was organized in North Carolina in 2002 to further the charitable purposes of UMRH by developing Wesley Ridge, a 24-unit affordable rental housing complex located adjacent to Wesley Pines. UMRH Affordable Housing Development, LLC is not responsible for the contractual or financial obligations of UMRH.

UMRH is also affiliated with The United Methodist Retirement Homes Foundation, Inc. (the "Foundation"). The Foundation is a not-for-profit corporation, which was organized for the benefit of the retirement communities operated by UMRH. Its purpose is to raise endowment funds, to support benevolent care for those residents who are unable to pay for care, and to support special programs. The Foundation is located at 2600 Croasdaile Farm Parkway, Suite A-500, Durham, NC 27705. The Board of Trustees of UMRH are the same Board of Trustees for the Foundation. UMRH and the Foundation are jointly obligated under the terms of the various bond agreements entered into for the financing of Croasdaile Village, Cypress Glen and Wesley Pines.

UMRH is related by faith to the North Carolina Annual Conference, Southeastern Jurisdiction, of The United Methodist Church. UMRH is governed by a corporate Board of Trustees. The North Carolina Annual Conference of The United Methodist Church elects forty percent (40%) of the Board of Trustees of UMRH. The North Carolina Annual Conference of The United Methodist Church is not responsible for the financial and contractual obligations of UMRH.

UMRH and Croasdaile Village are also affiliated by membership with LeadingAge North Carolina; the United Methodist Association of Health and Welfare Ministries; and LeadingAge (National).

Other than disclosed above, UMRH is not affiliated with any other religious, charitable or nonprofit organization.

BOARD OF TRUSTEES

The names and addresses of the members of the Board of Trustees of UMRH are listed below:

Mr. Artie Rogers
Chair and Trustee
502 Teversham Court
Winterville, NC 28590

Mr. Jerry Gambill
Secretary and Trustee
105 Welchdale Court
Cary, NC 27513

Ms. Deborah Montague
Vice Chair and Trustee
501 Quinn Court
Chapel Hills, NC 27516

Mr. Jonathan P. Erickson (ex-officio Trustee)
Corporate Executive Director
2600 Croasdaile Farm Parkway, Suite A-500
Durham, NC 27705

Mr. John Grissom
Treasurer and Trustee
5 Westchester Place
Lumberton, NC 28358

Trustees:

Dr. Zoila Airall, 112 Arthur Lane, Durham, NC 27705
Ms. Kathryn Bradley, 120 Briarcliff Road, Durham, NC 27707
Mr. Michael Hardin, 416 Barker Ten Mile Road, Lumberton, NC 28358
Mr. Carl Hardy, 6615 Sweetgum Court, Sims, NC 27880
Mr. Bruce Jobe, 303 Highland Avenue, Lumberton, NC 28358
Rev. Paul Lee, 507 Ringleaf Court, Cary, NC 27705
Mr. John Link, 4720 Rapids Lane, Durham, NC 27705
Mr. Thomas Steele, 1698 Westbrook Avenue, Burlington, NC 27216

Ex-Officio Members of the Board of Trustees:

Dr. James Ebert, 1000 Wesley Pines Road, Cottage 110, Lumberton, NC 28358
Dr. Dick Evans, 449 Forrest Park, Greenville, NC 27858
Rev. Carol Goehring, PO Box 1970, Garner, NC 27529
Rev. Kenneth Locklear, 700 Waterfield Ridge Place, Garner, NC 27529
Ms. Barbara Pray, 15 Boardman Court, Durham, NC 27705
Ms. Sandy Scarlett, 500 Hepowill Trail, Hillsborough, NC 27278
Dr. Jerry Gregory, 100 Hickory St., Greenville, NC 27858
Ms. Linda Link, 10958 NC 904 Hwy, Fairmont, NC 28340
Rev. Linda Taylor, 8749 Plantation Landing Drive, Wilmington, NC 28411
Ms. Nancy Van Antwerp, 649 Lipford Dr., Cary, NC 27519

There is not any professional service firm, association, trust, partnership or corporation, in which the Executive Director, management staff or any member of the Board of Trustees has a 10 percent or greater interest in and which it is presently intended shall currently or in the future provide goods, leases or services to the Community or to residents of the Community, of an aggregate value of \$500 or more within any year. Further, there is not any professional service

firm, association, trust, partnership, or corporation that currently provides any goods, leases or services of an aggregate value of \$500 or more within any year to the Community or to the residents of the Community that has a 10% or greater interest in any officer, trustee or management staff (including the Executive Director).

No Trustee or management staff of UMRH (i) has been convicted of a felony or pleaded nolo contendere to a felony charge, or been held liable or enjoined in a civil action by final judgment, if the felony or civil action involved fraud, embezzlement, fraudulent conversion, or misappropriation of property; or (ii) is subject to a currently effective injunctive or restrictive court order, or within the past five years, had any State or Federal license or permit suspended or revoked as a result of an action brought by a governmental agency or department, if the order or action arose out of or related to business activity of health care, including actions affecting a license to operate a foster care facility, nursing home, retirement home, home for aged, or facility subject to this Article or a similar law in another state. UMRH is not aware of any actions (as defined) against any person (as defined) requiring disclosure.

CORPORATE EXECUTIVE DIRECTOR

Jonathan P. Erickson has been the corporate executive director over all of the UMRH retirement communities since July 2007. Mr. Erickson holds a bachelor of arts in psychology from North Park College in Chicago, Illinois, a master of science in community health from Northern Illinois University in DeKalb, Illinois, and a certification in long-term care management from the University of Connecticut. He is currently licensed as a nursing home administrator in the State of Connecticut. Mr. Erickson has been an employee of Life Care Services LLC for over 20 years and has over 30 years of experience in the senior housing industry.

EXECUTIVE DIRECTOR

Howard DeWitt has been the executive director of Croasdaile Village since May 2000. He previously served as health services administrator and has over 30 years' experience in the health care field. Mr. DeWitt is a licensed nursing home administrator in the State of North Carolina and is an employee of UMRH.

RESIDENT COUNCIL

Administration assisted residents in establishing the Resident Council and its bylaws. The residents annually elect a council of representatives, which, in turn, forms committees in various areas of concern to advise administration. Monthly meetings are held to facilitate communication among residents, administration, and the Board of Trustees.

LIFE CARE SERVICES LLC

UMRH has retained Life Care Services LLC ("Life Care Services") to manage Croasdaile Village. Life Care Services is a wholly-owned subsidiary of Life Care Companies LLC ("LCS"), an Iowa limited liability company.

LCS is a nationally recognized leader in the development, marketing and management of senior living communities throughout the United States. Since 1971, LCS has been instrumental in the planning, developing, marketing and managing of senior living communities throughout the United States. Management services are provided through Life Care Services, and it currently manages more than approximately 135 communities serving over 33,000 residents in 31 states (see Attachment 6 attached to this Disclosure Statement).

Principal officers of LCS include Mr. Ed Kenny, Mr. Joel Nelson, Mrs. Diane Bridgewater, Mr. Rick Exline, and Mr. David Laffey.

Mr. Kenny is Chairman of the Board of LCS®. LCS is recognized as a high quality provider of senior lifestyle products and services. Ed has been with LCS for over 38 years and served as CEO from 2006 to 2017. In 2018 Ed assumed the role of Chairman of the Board. Currently, Ed serves as Chair for the Board of Managers for Life Care Companies, Chair of the Board of Directors of LCS Holdings, Inc. and is Chair of the LCS Foundation. Within the senior housing industry, he serves on the boards of Argentum and National Investment Center for Seniors Housing and Care (NIC), chairs the public policy committee for Argentum, and is a past chairman of the American Seniors Housing Association (ASHA). Locally, he serves on the Boards of the United Way of Central Iowa, and the Greater Des Moines Botanical Gardens. Ed holds a Bachelor of Science degree in health services administration from Providence College.

Mr. Nelson is President and Chief Executive Officer of LCS, the 3rd largest senior living operator, which includes not-for-profit and for-profit assets across the continuum of senior living. He is an experienced leader in governance within the industry, including all phases of real estate acquisition, development, operations, marketing and sales. Joel is responsible for executing the business strategy across the six business lines in the LCS Family of Companies. He thrives on driving business growth, achieving service excellence, and enhancing the company's stability and value among financial partners, property owners, and other stakeholders in the senior living field. Currently, Joel serves on the board of managers for Life Care Companies, LCS Holdings, is past-chair and a current member of the Investment Committee. Outside of LCS, Joel is a member of the National Investment Center (NIC) operator advisory board, the Central Iowa Alzheimer's Association board. He is also past chair and current board member of ChildServe, Inc., one of Des Moines largest not-for-profit organizations serving children and families with complex health care needs. Joel earned a Bachelor of Science degree in health service administration from Simpson College.

Mrs. Bridgewater is Executive Vice President/Chief Financial and Administrative Officer of LCS. Diane joined the organization in 2006 after filling several executive level positions with Pioneer Hi-Bred International, a DuPont Company. In her years with Pioneer, she held a number of operational and financial roles including: Chief Financial Officer, Vice President and Business Director for North America, Director of Customer and Sales Services for Seed and Crop Protection, Worldwide Finance Director, and other roles. Diane started her career with

KPMG. Diane earned her undergraduate degrees in Accounting and French from the University of Northern Iowa and received her CPA certification in 1986. Diane currently serves on the boards of LCS Holdings, Inc., Life Care Companies LLC, Casey's General Stores, and Bankers Trust.

Mr. Exline joined the company in 1978 and is responsible for the oversight of the company's life plan communities including third party and investment senior living management services. Rick oversees the communities' senior living management teams, health care group, national sales, new business development and life plan community development teams. Rick serves on the board of managers for Life Care Companies LLC, the board of directors for LCS Holdings, Inc., executive leadership and senior living management teams. Rick is also a trustee for the company's 401(k) benefits program as well as serving on the board of trustees for Simpson College. He holds dual bachelor's degrees: one in business administration from Simpson College and one in health care administration from Oklahoma Baptist University. He is a graduate of the Executive Institute at The University of North Carolina at Chapel Hill.

Mr. Laffey is Executive Vice President/Director of LCS Real Estate. In this capacity he is responsible for the organization's overall business performance related to equity investments, debt placement, and asset management. LCS Real Estate is the real estate investment company of LCS. LCS Real Estate has AUM in excess of \$1.3 billion in 38 properties totaling over 8,000 units in 16 States. He joined the firm in 2009 as Vice President/Director of Debt Placement after spending eleven years with Ziegler, most recently as Managing Director. Currently, David serves on the Management Committee for LCS and is a voting member of the Investment Committee. He also serves on the boards of LCS Holdings, Inc, Life Care Companies LLC and Taylor Communities. He earned his bachelor's degree in Finance from Villanova University.

Management of Croasdaile Village is performed by Life Care Services under contract with UMRH. Life Care Services' responsibilities include: recruiting and employing the corporate executive director; supervising the licensing, equipping, and staffing of Croasdaile Village; preparing annual budgets; establishing and operating a system of financial controls for Croasdaile Village, including comparative analyses with other facilities; and overseeing the food service and quality accommodations provided by Croasdaile Village.

No managing member of Life Care Services (i) has been convicted of a felony or pleaded nolo contendere to a felony charge, or been held liable or enjoined in a civil action by final judgment, if the felony or civil action involved fraud, embezzlement, fraudulent conversion, or misappropriation of property; or (ii) is subject to a currently effective injunctive or restrictive court order, or within the past five years, had any State or Federal license or permit suspended or revoked as a result of an action brought by a governmental agency or department, if the order or action arose out of or related to business activity of health care, including actions affecting a license to operate a foster care facility, nursing home, retirement home, home for aged, or facility subject to this Article or a similar law in another state.

Life Care Services is not financially responsible for the contractual obligations or other obligations of UMRH. The Board of Trustees of UMRH retains the ultimate responsibility for hiring managers and monitoring the operating costs, wages, salaries, expenses, fees, and overall fiscal viability of Croasdaile Village.

CROASDAILE VILLAGE

Croasdaile Village is located on Croasdaile Farm Parkway in Durham, North Carolina on 110 acres of land. It is a continuing care retirement community designed to accommodate persons 62 years of age or older in a dignified manner. Currently, Croasdaile Village has 245 apartments, 123 cottages (including 27 free-standing homes and occupation of the final 22 expansion cottages), 56 personal services apartments in Heritage Hall, 30 licensed assisted living units in Friendship House, and 110 licensed skilled nursing beds in The Pavilion. As of September 30, 2018, there were 607 residents residing at Croasdaile Village.

Presently, the types of residences available include: studio/alcove apartments, one and two-bedroom apartments, duplex cottages, and free-standing homes. All of the residences are equipped with safety features such as grab rails in the bathtub and a personal emergency transmitter system.

Croasdaile Village offers additional personal services to residents of apartments located in Heritage Hall. These residents pay a monthly fee for these services. Residents may transfer from their residences to a personal services apartment by entering into an amendment to the Residency Agreement. The form of amendment is included in this Disclosure Statement as Attachment 5 – Residency Agreements.

Assisted living services are offered in the licensed assisted living portion of Croasdaile Village known as Friendship House for an assisted living fee. Services include assistance with the activities of daily living, such as ambulation, bathing, dressing, eating, personal hygiene, toileting, and the supervision or administration of medications.

The Croasdaile Village health center, known as The Pavilion, offers intermediate care and skilled nursing care and is licensed by the North Carolina Division of Health Services Regulation. The Pavilion is also Medicare and Medicaid certified.

Each continuing care resident at Croasdaile Village is entitled to receive a total of six (6) days of assisted living in Friendship House or nursing care at The Pavilion at no additional charge, except for the charges for physician services and ancillary health services and supplies. Such six (6) days renews on an annual basis and does not accumulate. After the six (6) days of care each year, the services in assisted living and in The Pavilion are available for the assisted living fee or the per diem charge.

In addition to the primary intent of Croasdaile Village, which is to assure the residents of continuing care throughout their retirement years, Croasdaile Village is designed to create an environment that will enrich the lives of the people who live and work there. The design of the main commons building provides areas for dining and meetings without detracting from the homelike environment of Croasdaile Village. Some of the amenities that residents can enjoy include: a central dining room, a private dining room, a casual dining area, a multi-purpose room, an exercise room, a health clinic, a physical and occupational therapy area, card rooms, a library, a bank, a mail area, an arts and crafts studio, a gift shop, a living room, and a swimming pool.

SMOKE-FREE CAMPUS

Croasdaile Village is a "smoke-free" campus. Smoking (including E-Cigarettes) is not allowed by residents, guests, and business invitees on the Croasdaile Village campus (inside or outside), except in a designated outside area. No smoking areas include, but are not limited to, the residences, Heritage Hall, Friendship House, The Pavilion, hallways, dining rooms, public restrooms, lounge areas, reception areas, waiting rooms, courtyards, entrances, walking paths, driveways, and any other common areas. Smoking is only permitted at the designated area. Violation of the Smoke-Free Campus Policy can result in cancellation of the Residency Agreement for just cause.

FACILITY DEVELOPMENT/EXPANSION

The UMRH Board of Trustees authorized a new expansion of the Croasdaile Village campus, which includes adding 58 new two bedroom residential units, 36 assisted living units from a mix of new and renovation of existing, and various common area improvements. The common area improvements include new dining options, natatorium, auditorium, wellness suite, and open space improvements. The final component of the project is scheduled to complete in the summer of 2020.

Croasdaile Village obtained an actuarial report from Milliman, an independent actuarial and consulting firm. The report was issued on April 8, 2016, and a copy was provided to the North Carolina Department of Insurance as part of Croasdaile Village's application for a start-up certificate. Milliman states "our population projections indicate that there is sufficient capacity in the SNF for Croasdaile Village to meet its contractual obligation to provide necessary nursing care to its residents." Croasdaile Village obtained an updated actuarial report from Milliman on September 14, 2018.

UMRH has received Certificate of Need (CON) approval from the North Carolina Department of Health and Human Services for the 38 proposed additional assisted living beds. Following the renovation of the existing Friendship House, the total assisted living beds on the campus will be 64. Further, a Notice of Intent to Expand the CCRC campus was submitted to the North Carolina Department of Insurance (the "Department") in August 2015, and was acknowledged by the Department on September 15, 2015, allowing UMRH to enter into non-binding reservation agreements for the new residential units. UMRH submitted the Step 2 application and received the start-up certificate approval dated September 22, 2016. UMRH submitted the Step 3 application and received approval on November 6, 2017 allowing vertical construction of all facilities. UMRH submitted the Step 4 application and received approval on August 29, 2018 allowing the expansion to open to residents. There have been twenty-two (22) move-ins as of January 2019 into the expansion project.

The financing for the expansion was completed through a combination of tax exempt bonds including publically offered fixed rate bonds and privately placed bank debt. The loans closed on December 6, 2017. The expansion Sources and Uses are enclosed as Attachment 8.

THE PROPOSAL

1. Criteria for Resident Acceptance and Continued Acceptance. Residency Agreements are subject to acceptance by UMRH. At the time of the execution of a Residency Agreement, the resident must be 62 years of age or older, capable of living in a residence (with or without reasonable accommodation or reasonable modification), and have sufficient financial resources to pay the Entrance Fee, Monthly Fee, and any extra charges incurred as defined in the Residency Agreement.

UMRH uses the FINAID system to financially evaluate a prospective resident's net worth and monthly income. FINAID projects income for prospective residents based on their financial assets and income sources, and compares this revenue to projected expenses such as monthly fees, personal expenses, and income taxes. Generally, a prospective resident should have a minimum net worth equal to three (3) times the amount of the Entrance Fee (prior to payment of the Entrance Fee). Generally, a prospective resident should have a minimum monthly income range of two times the Monthly Fee (including second person fees when applicable) in effect at the time of residency. Although the asset and income tests listed above are appropriate tests for financial wherewithal, the FINAID software program will be used for all applicants to measure financial qualification.

An inquiry will be made of all prospective residents regarding the prospective resident's ability to live in a residence, with or without reasonable accommodation or reasonable modification. To determine whether a prospective resident meets the health guidelines, the following information will be gathered: (1) insurance and health information will be obtained on a Confidential Data Application and Resident Health Information Form – to be completed by the prospective resident; (2) a Memory Health Assessment will be administered by the Community; and (3) a Health Information Form will be completed by the prospective resident's physician.

After executing a Residency Agreement but prior to occupancy, UMRH can cancel the Residency Agreement if the resident does not pay his or her Entrance Fee; for non-acceptance based on the residency criteria listed above; or if the resident is unable to occupy the residence because of illness, injury or incapacity.

If the resident encounters financial difficulties after residency at Croasdaile Village and is unable to pay the total Monthly Fee or the fees for care in Heritage Hall, Friendship House or The Pavilion, these charges may be deferred as long as the resident has met all "spend-down" provisions of eligibility for the Medicaid program (if applicable) and any public assistance funds. Financial assistance is not available to a resident if he/she impaired his/her ability to meet financial obligations by transferring assets other than to meet ordinary and customary living expenses or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance, or other health insurance after assuming occupancy. A resident will be permitted to remain at Croasdaile Village for reduced fees based on his/her ability to pay for as long as the resident establishes facts to justify the deferment. Financial assistance is only available if it does not impair UMRH's ability to operate Croasdaile Village on a sound financial basis for the benefit of all residents.

UMRH has the right to cancel the resident's residency (i) if the resident does not comply with the terms of the Residency Agreement or the published operating procedures, covenants,

rules, regulations or policies; or (ii) if the resident misrepresented himself/herself during the residency process; or (iii) for nonpayment of fees or charges; or (iv) if it is determined the resident's health status or behavior constitutes a substantial threat to the health or safety of the resident or others, including refusal to consent to relocation, or behavior that would result in physical damage to the property of others or Croasdaile Village; or (v) if the resident's physical or mental condition cannot be cared for in Friendship House or The Pavilion within the limits of their licenses.

2. Residency Agreement. At the time the resident makes application for residency at Croasdaile Village, the resident will sign a Residency Agreement to reserve the residence selected and will pay an Entrance Fee deposit to UMRH. The balance of the Entrance Fee is due upon the earlier of the date the resident occupies Croasdaile Village or within 90 days after the resident executes the Residency Agreement. The resident will also pay a non-refundable Application Fee. The Application Fee will be used by UMRH to process resident's application for residency.

Croasdaile Village offers various types of Residency Agreements for the residential living portion of Croasdaile Village: a 90 Percent Return of Capital Plan; a 50 Percent Return of Capital Plan; and a Standard Plan. The difference between these types of Plans is the amount of the Entrance Fee paid and the amount of the refund a resident (or resident's estate) is entitled to after a resident assumes occupancy at Croasdaile Village as described in Paragraph 3.5 below.

Croasdaile Village also offers a Residential Living with Personal Services Residency Agreement to those residents who are directly admitted to Heritage Hall.

3. Reimbursement of the Entrance Fee.

3.1 Nonacceptance. If the resident is not accepted for residency at Croasdaile Village, the full amount of the Entrance Fee paid by the resident will be promptly refunded, without interest. If the resident's spouse or second person does not meet the requirements for residency, said person may be admitted directly into Heritage Hall, Friendship House or The Pavilion as long as accommodations are available and such person qualifies for the care available in those facilities. He/she will pay the full Heritage Hall monthly fee, assisted living fee, and Pavilion per diem charge for such care.

3.2 Right of Rescission. In accordance with North Carolina laws and regulations governing continuing care retirement communities, a resident has the right to rescind the Residency Agreement within thirty (30) days following the later of (i) his/her execution of the Residency Agreement; or (ii) the receipt of a Disclosure Statement. The resident is not required to move into Croasdaile Village before the expiration of the 30-day rescission period. If the resident rescinds the Residency Agreement, the full amount of the Entrance Fee paid by the resident will be refunded, without interest, within sixty (60) days of receipt of the written notice of rescission.

3.3 Cancellation Prior to Occupancy Due to Death, Illness, Injury, Incapacity or a Substantial Change in Physical, Mental or Financial Condition. If the resident dies before occupying the residence at Croasdaile Village or if, on account of illness, injury or incapacity, a resident is unable to occupy the residence at Croasdaile Village, then the Residency Agreement will automatically cancel. The resident may also cancel the

Residency Agreement prior to occupancy due to a substantial change in resident's physical, mental or financial condition. In all of these events of cancellation prior to occupancy, the resident or resident's estate will receive a refund of the Entrance Fee paid, without interest, less any costs specifically incurred by Croasdaile Village at the resident's request. Said refund will be made within sixty (60) days of receipt of the notice of cancellation.

3.4 Cancellation Prior to Occupancy for Other Reasons. If the resident cancels the Residency Agreement prior to occupancy, but after the right of rescission period, for reasons other than those state in Paragraph 3.3 above, the resident will receive a refund of the Entrance Fee paid, without interest, less a non-refundable portion of the Entrance Fee equal to \$2,000 and less any costs specifically incurred by Croasdaile Village at resident's request. Said refund will be made within sixty (60) days of receipt of the notice of cancellation.

3.5 Cancellation After Occupancy. In the event the Residency Agreement is canceled after occupancy or in the event of resident's death after occupancy, refund of the Entrance Fee will be as follows:

3.5.1 90 Percent Return of Capital Residency Agreement: Under the 90 Percent Return of Capital Residency Agreement, resident or resident's estate will receive a refund of the amount of the Entrance Fee previously paid by resident, without interest, less two percent (2%) for each month of residency or portion thereof for up to five (5) months. Subject to Croasdaile Village's right of offset, the refund of the Entrance Fee will not be less than ninety percent (90%). Said refund will be paid at such time as the residence is reserved by a new resident and said new resident has paid the full amount of the Entrance Fee or within two years from the date of cancellation, whichever occurs first.

3.5.2 50 Percent Return of Capital Residency Agreement: Under the 50 Percent Return of Capital Residency Agreement, resident or resident's estate will receive a refund of the amount of the Entrance Fee previously paid by resident, without interest, less two percent (2%) for each month of residency or portion thereof for up to twenty-five (25) months. Subject to Croasdaile Village's right of offset, the refund of the Entrance Fee will not be less than fifty percent (50%). Said refund will be paid at such time as the residence is reserved by a new resident and said new resident has paid the full amount of the Entrance Fee or within two years from the date of cancellation, whichever occurs first.

3.5.3 Standard Residency Agreement: Under the Standard Residency Agreement, resident or resident's estate will receive a refund of the amount of the Entrance Fee previously paid by resident, without interest, less two percent (2%) for each month of residency or portion thereof for up to fifty (50) months. After fifty (50) months of occupancy, no refund of the Entrance Fee will be made. Said refund, if any, will be paid at such time as the residence is reserved by a new resident and said new resident has paid the full amount of the Entrance Fee or within two years from the date of cancellation, whichever occurs first.

3.5.4 Residential Living with Personal Services Residency Agreement: Under the Residential Living with Personal Services Residency Agreement, resident or resident's estate will receive a refund of the amount of the Entrance Fee previously paid by resident, without interest, less two percent (2%) for each month of residency or portion thereof for up to fifty (50) months. After fifty (50) months of occupancy, no refund of the Entrance Fee will be made. Said refund, if any, will be paid at such time as the residence is reserved by a new resident and said new resident has paid the full amount of the Entrance Fee or within two years from the date of cancellation, whichever occurs first.

3.6 Cancellation Upon Death. In the event of death of the resident at any time after occupancy, the Residency Agreement shall cancel and the refund of the Entrance Fee paid by the resident will be as outlined in Paragraph 3.5 above.

3.7 Cancellation by UMRH. Upon thirty (30) days written notice to the resident and/or his or her legal representative, UMRH may cancel the Residency Agreement at any time on the following grounds, which shall be determined by UMRH in its sole discretion:

- Resident does not comply with the terms of the Residency Agreement or Croasdaile Village's procedures, covenants, rules or policies; or
- Resident misrepresents himself or fails to disclose information during the residency process; or
- Resident fails to make payment to UMRH of any fees or charges due UMRH within sixty (60) days of the date when due; or
- Resident's health status or behavior constitutes a substantial threat to the health or safety of resident, other residents, or others, including Resident's refusal to consent to relocation, or would result in physical damage to the property of Croasdaile Village or others; or
- Resident's physical or mental condition cannot be cared for in the Croasdaile Village Health Center within the limits of Croasdaile Village's license.

Cancellation by UMRH occurs only as a last resort, after it becomes clear to UMRH that cancellation is necessary, and after the resident and/or the resident's legal representative/responsible party has an opportunity to be heard. Any refund of the Entrance Fee would be computed on the same basis as stated in Paragraph 3.5 above.

4. Payment of a Monthly Fee. The resident is required to pay a Monthly Fee to Croasdaile Village upon receipt of a statement and by no later than the fifteenth (15th) day of each month. If there are two residents, a second person Monthly Fee will also be paid. The Monthly Fees are paid to provide the services and amenities described in the Residency Agreement and to meet the expenses associated with the operation of Croasdaile Village. UMRH may increase the Monthly Fee upon thirty (30) days written notice to the residents if UMRH deems it necessary in order to meet the financial needs of Croasdaile Village and to provide the services to the residents.

5. Health Care Services. Each resident is eligible to receive a total of six (6) days each year of either assisted living care in Friendship House or nursing care in The Pavilion while a resident of his/her residence. If there are two residents under a Residency agreement, each

resident will receive six (6) days, but the days cannot be combined and used by only one resident. Such six (6) days renews on an annual basis and does not accumulate. While utilizing the six (6) days, the resident will be required to continue to pay the Monthly Fee for his/her residence, as well as any charges for physician services and ancillary health services and supplies. Once a resident is permanently relocated to Friendship House or to The Pavilion, he/she no longer qualifies for the six (6) free days of assisted living or nursing care and will be required to pay the assisted living fee or the per diem charge for such care. [NOTE: The six (6) days of care is a combined total for assisted living care and nursing care at Croasdaile Village.]

6. Relocation/Moves. UMRH reserves the right to relocate a resident to a different residence or a higher level of care after consultation with the resident, resident's family and attending physician if it is determined that such a move should be made for the benefit of the resident or for the proper operation of Croasdaile Village or to meet the requirements of law.

7. Provisions for New Second Resident. No person other than the resident may occupy the residence without UMRH's prior written approval. If a second person, who is not a party to the Residency Agreement, wishes to become a resident of Croasdaile Village, that person's acceptance will be in accordance with the current residency policy. An Entrance Fee as determined by Croasdaile Village will be paid upon residency. In addition, each month the then-current Monthly Fee for second persons will be paid. If the second person does not meet the requirements for residency, he or she will not be permitted to occupy the residence for more than thirty (30) days, except with UMRH's written approval.

8. Provisions for Resident Marrying Resident. Should the resident marry a person who is also a resident of Croasdaile Village and should they decide to occupy one residence, they must declare which residence will be occupied and which residence will be released. The refund due for the released residence will be as described in Paragraph 3.5 above. Each month, the then-current Monthly Fee for second persons shall be paid.

9. Insurance. The Residency Agreement requires that the resident maintain Medicare Part A, Medicare Part B and one supplemental health insurance policy or equivalent insurance coverage acceptable to UMRH. It is also recommended that residents carry personal property insurance and liability insurance.

10. Financial Assistance. Financial assistance may be available to existing continuing care residents who live at Croasdaile Village under a continuing care residency agreement. The resident cannot impair his/her ability to meet his/her financial obligations by transfer of assets other than to meet ordinary and customary living expenses or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance or other health insurance as outlined in the Residency Agreement. A resident must have met all "spend-down" provisions established in UMRH's Benevolence Policy. The Pavilion at Croasdaile Village is Medicaid certified. The resident must agree to apply for public assistance funds (if available) and/or Medicaid, depending on the level of care required by the resident. Financial assistance funds are available as long as providing financial assistance does not impair UMRH's ability to operate Croasdaile Village on a sound financial basis for the benefit of all residents.

UMRH does not offer financial assistance to those residents who are admitted directly to Heritage Hall, Friendship House (assisted living), or The Pavilion (skilled nursing) as private pay

residents. Private pay residents are individuals who did not execute a continuing care residency agreement for residential living.

11. Tax Deductions. In accordance with the Internal Revenue Code of 1954, Section 213 and Revenue Rulings (67-185, 68-625, 76-481, 75-302, 75-303, and 93-72) and a Private Letter Ruling (8213102), residents of Croasdaile Village may be entitled to an itemized deduction for medical expenses for that portion of the Monthly Fees and Entrance Fees, which represents medical care in the year paid. The tax regulations do not specifically provide a formal method for computing what this portion is; however, IRS Letter Ruling 8213102 indicates a method of calculating a medical expense percentage by using the ratio of medical expenses to all expenses of the Community. Currently, this methodology is in use, but may be subject to change. Each year, the Community distributes a letter to residents describing the recommended medical expense percentages for tax purposes.

All deductions are, of course, subject to limitations imposed by the Internal Revenue Code. Residents are encouraged to consult with a qualified tax advisor before taking any tax deductions.

THE SERVICES

1. The following services are provided for the Monthly Fee to the residents of the residential living apartments, cottages and homes of Croasdaile Village:

- One meal per day;
- Flexible Meal Program that new residents will automatically be enrolled in and is optional for current residents;
- Studio apartment residents receive three meals per day;
- Limited tray service to be provided when approved by authorized staff;
- Consultation and preparation of routine special diets;
- Utilities, which include heating, air conditioning, electricity, water, sewer and trash removal;
- Basic cable television package;
- Building janitor and maintenance;
- Grounds keeping;
- Weekly housekeeping services;
- Availability of laundry facilities so that resident can wash and dry personal laundry;
- Planned activities (social, cultural, recreational, educational, and spiritual) for those who wish to participate;
- Services of a chaplain;
- Parking for residents and guests;
- Carpeting (except in kitchen and bath), unless some other floor surface has been installed;
- Kitchen facilities, except some studio apartments only contain a refrigerator and a microwave;
- Local transportation as scheduled by us and as posted;
- Limited additional storage space;

- Personal emergency transmitter system;
- Smoke detectors;
- Security – 24 hours a day; and
- Six (6) days of assisted living or nursing care in the Village Health Center.

2. The following services are available for an extra charge to the residents of the residential living apartments, cottages and homes of Croasdaile Village:

- The dining room is available for three (3) meals per day with the second and third meals at additional charge;
- Extended tray service as approved by authorized staff;
- Preparation of special diets (beyond those which are routine and based upon our ability to prepare/offer such diet), as prescribed by resident's attending physician;
- Additional housekeeping services;
- Guest accommodations, if available;
- Guest meals;
- Private catered functions;
- Personal transportation and transportation for special events and group trips;
- Expanded cable television package;
- Services of the Clinic – a copy of the charges for Clinic services can be obtained from the Clinic;
- Home care services through the Croasdaile Village Home Care Program;
- Personal care services in Heritage Hall;
- Assisted living services or nursing care services through the Village Health Center; and
- Certain ancillary services and supplies (such as therapies, pharmacy, laboratory, therapeutic activities, rehabilitative treatments, medical equipment, medical supplies, medical treatment, physician services, and other miscellaneous medical services and supplies).

3. The following services are provided to the residents of Heritage Hall (residential living with personal services) for the personal services monthly fee:

- Staff assistance 24 hours a day;
- Three meals per day;
- Limited tray service to be provided when approved by authorized staff;
- Consultation and preparation of routine special diets;
- Utilities, which include heating, air conditioning, electricity, water, sewer and trash removal;
- Basic cable television package;
- Building janitor and maintenance;
- Grounds keeping;
- Planned assistance with bathing;
- Planned assistance with dressing;
- Medication cueing (no administration or treatments);
- Weekly housekeeping services;
- Linen service and bed making twice per month;

- Personal laundry service;
- Planned activities (social, cultural, recreational, educational, and spiritual) for those who wish to participate;
- Services of a chaplain;
- Parking for residents and guests;
- Carpeting (except in kitchen and bath), unless some other floor surface has been installed;
- Kitchenette with apartment-size microwave and refrigerator;
- Local transportation as scheduled by us and as posted;
- Personal emergency transmitter system;
- Smoke detectors;
- Security – 24 hours a day; and
- Six (6) days of assisted living or nursing care in the Village Health Center.

4. The following services are available to the residents of Heritage Hall (residential living with personal services) for an extra charge:

- Guest meals;
- Guest accommodations, if available;
- Expanded cable television package;
- Private catered functions;
- Extended tray service as approved by authorized staff;
- Preparation of special diets (beyond those which are routine and based upon our ability to prepare/offer such diet), as prescribed by resident's attending physician;
- Hair grooming services;
- Personal transportation and transportation for special events and group trips;
- Personal service provider;
- Physician services;
- Professional medical services;
- Services of the Clinic – a copy of the charges for Clinic services can be obtained from the Clinic;
- Pharmacy/medications;
- Physical therapy, speech therapy and occupational therapy;
- Nursing supplies;
- Podiatry services;
- Home care services through the Croasdaile Village Home Care Program;
- Assisted living services or nursing care services through the Village Health Center; and
- Certain ancillary services and supplies (such as therapies, pharmacy, laboratory, therapeutic activities, rehabilitative treatments, medical equipment, medical supplies, medical treatment, physician services, and other miscellaneous medical services and supplies).

5. Assisted living services are available in Friendship House and skilled nursing services are available in The Pavilion, which is staffed by licensed nursing personnel 24 hours a day. If the resident occupies Friendship House or The Pavilion, the resident will be required to enter into a separate admission agreement for the applicable level of care. These separate

admission agreements will outline in detail the services available in those levels of care. The resident's continuing care Residency Agreement will continue to stay in effect unless it is canceled by the Resident or by UMRH as outlined in the Residency Agreement. Services provided in Friendship House and The Pavilion are governed by the North Carolina Division of Health Service Regulation.

6. The Clinic is available for certain examinations, consultations, tests and appointments. Such services will be at an extra charge to the resident.

FEES

1. The fee requirements for residential living in an apartment, cottage or home at Croasdaile Village are as follows:

A. Application Fee. Non-refundable application fee of \$200 for an individual or \$300 for a couple is required to be paid at the time of application.

B. Entrance Fee. Payment of an Entrance Fee assures a resident a place in the Community for life as long as the resident complies with the Residency Agreement. At the time the resident makes application for residency at the Community, the resident will sign a Residency Agreement to reserve the residence selected and will pay an Entrance Fee deposit to the Community. The balance of the Entrance Fee will be paid upon the earlier of (i) occupancy or (ii) 90 days after the Residency Agreement is executed. For residents who enter Residency Agreements for a villa or cottage to be constructed, the balance of the Entrance Fee will be paid upon the earlier of (i) occupancy or (ii) 30 days from the date the resident is notified that the residence is ready for occupancy. The amount of the Entrance Fee is determined by single or double occupancy and the size and type of the residence reserved. A schedule of Entrance Fees can be found later in this Disclosure Statement and includes proposed Entrance Fees for the expansion. Additional information regarding payment terms and Entrance Fee refunds can be found in Sections 2 and 3 of The Proposal section of this Disclosure Statement.

C. Monthly Fee. A Monthly Fee for services is required to be paid each month per person. Monthly Fees are determined by single or double occupancy and the size and type of residence reserved. A schedule of current Monthly Fees can be found later in this Disclosure Statement.

Monthly Fees – Average Dollar Amount of Increase				
2015	2016	2017	2018	2019
\$97.46	\$115.80	\$141.78	\$162.00	\$116.69

D. Extra Charges. A list of items available for an extra charge, including the fees for such items, is included in this Disclosure Statement as Attachment 7. The list can also be obtained from the Village's Business Office and the Village's Marketing Office.

2. Assisted Living Fees. The Entrance Fee requirements for direct admission to Friendship House at Croasdaile Village have been established at \$24,003. There is a non-refundable application fee of \$200 per individual. The per diem charge for assisted living care is \$270 for medical assisted living and \$270 for cognitive impairment.

Assisted Living Fees – Average Dollar Amount of Increase

2015	2016	2017	2018	2019
\$9.00	\$9.00	\$10.00	\$10.00	\$9.00

3. Health Care Fees. The per diem charges for nursing care in The Pavilion at Croasdaile Village are:

Skilled Nursing Care	
Semi-Private Room	\$343
Private Room	\$373

Health Care Fees – Average Dollar Amount of Increase

2015	2016	2017	2018	2019
\$12.25	\$12.50	\$13.00	\$13.50	\$11.50

4. Adjustment of Fees. UMRH may adjust the Monthly Fee as determined by the Board of Trustees in order to maintain the desired quality of service and to operate Croasdaile Village on a fiscally sound basis. UMRH shall provide the resident with thirty (30) days' written notice in advance of any change in the Monthly Fees.

5. Discount to Former MRC Residents. In order to honor existing contracts with residents from Methodist Retirement Community ("MRC"), UMRH charges a discounted monthly fee to a group of MRC residents who moved from MRC to Croasdaile Village. For the year ended September 30, 2018, approximately \$20,436 of discounted services were provided to former MRC residents. It is expected the amount of discounted monthly fees will decline in future years due to attrition of members of this group. UMRH applied the proceeds from the sale of MRC towards the redemption of a portion of the Series A Bonds on March 1, 2001, thus reducing UMRH's long-term debt and interest expenses related to Croasdaile Village.

**STANDARD ENTRANCE FEES
FOR
APARTMENTS, COTTAGES, HOMES**

	10/13 through 09/14	10/14 through 09/15	10/15 through 09/16	10/16 through 09/17	10/17 through 09/18	10/18 through 09/19
Apartments						
Studio	\$51,639	\$52,673	\$53,725	\$54,800	\$55,896	\$57,014
Alcove	63,633	64,906	66,204	67,528	68,879	70,257
1 Bdrm Standard	111,276	113,506	115,772	118,087	120,449	122,858
1 Bdrm Traditional	118,455	120,824	123,240	125,705	128,219	130,783
1 Bdrm Deluxe	138,916	141,698	144,528	147,419	150,367	153,374
1 Bdrm w/ Den	152,512	155,565	158,672	161,846	165,083	168,385
1 Bdrm Grande	148,526	151,501	154,527	157,618	160,770	163,985
2 Bdrm Traditional	169,548	172,941	176,398	179,926	183,525	187,196
2 Bdrm Standard	160,968	164,189	167,471	170,820	174,236	177,721
2 Bdrm Conventional	176,135	179,658	183,251	186,916	190,654	194,467
2 Bdrm Deluxe	182,799	186,456	190,184	193,988	197,868	201,825
2 Bdrm w/ Den	214,621	218,918	223,291	227,757	232,312	236,958
2 Bdrm Grande	203,240	207,305	211,451	215,680	219,994	224,394
2 Bdrm Grande II	218,674	223,049	227,508	232,058	236,699	241,433
2 Bdrm Executive	241,060	245,881	250,799	255,815	260,931	266,150
2 Bdrm Terrace Gr. A	255,543	260,656	265,867	271,184**	276,608	282,140
2 Bdrm Terrace Gr. B	262,877	268,138	273,498	278,968**	284,547	290,238
Duplex Cottages						
Appletree*	193,444	197,314	201,259	205,284	209,390	213,578
Beechwood*	217,181	221,529	225,956	230,475	235,085	239,787
Cottonwood*	238,430	243,199	248,063	253,024	258,084	263,246
Dogwood*	255,553	260,666	265,877	271,195	276,619	282,151
Elmwood*	287,334	293,082	298,943	304,922	311,020	317,240
Fernwood*	227,944	232,504	237,153	241,896	270,083	251,669
Greenwood*	258,334	263,502	268,771	274,146	305,016	285,222
Heartwood*	308,578	314,752	321,045	327,466	364,455	340,695
Free-Standing Homes						
Beechwood*	231,822	236,462	241,187	246,011	250,931	255,950
Cottonwood*	261,043	266,266	271,589	277,021	282,561	288,212
Dogwood*	281,066	286,691	292,421	298,269	304,234	310,319
Elmwood*	308,578	314,752	321,045	327,466	334,015	340,695
Second Person	\$7,334	\$7,481	\$7,631	7,784	\$7,940	\$8,099

*Entrance Fee is base price. Premiums add additional charges.

**Currently not available.

The Standard Entrance Fee amortizes by two percent (2%) each month for fifty (50) months.

For a fifty percent (50%) refundable fee, multiply the Standard Entrance Fee times 1.4. The Fifty Percent (50%) Refundable Plan amortizes by two percent (2%) each month for the first twenty-five (25) months and does not reduce thereafter.

For a ninety percent (90%) refundable fee, multiply the Standard Entrance Fee times 1.8. The Ninety Percent (90%) Refundable Plan amortizes by two percent (2%) each month for the first five (5) months and does not reduce thereafter.

**ENTRANCE FEES
FOR
RESIDENTIAL LIVING WITH PERSONAL SERVICES**

	10/13 through 09/14	10/14 through 09/15	10/15 through 09/16	10/16 through 09/17	10/17 through 09/18	10/18 through 09/19
One Bedroom A	\$26,162	\$26,685	\$27,219	\$27,763	\$28,318	\$28,884
Studio B	26,162	26,685	27,219	\$27,763	\$28,318	28,884
Studio C	24,988	25,488	25,998	\$26,518	\$27,048	27,589
Studio D	24,988	25,488	25,998	\$26,518	\$27,048	27,589
Studio E	21,740	22,175	22,619	\$23,071	\$23,532	24,003
Studio F	24,988	25,488	25,998	\$26,518	\$27,048	27,589
Second Person	7,087	7,229	7,374	\$7,521	\$7,671	7,824

**ENTRANCE FEES
FOR
FACILITY DEVELOPMENT/ EXPANSION**

	Standard	50% ROC	90% ROC
Cottages			
Fernwood	\$270,083	\$378,116	\$486,149
Greenwood	305,016	427,022	549,029
Heartwood	364,455	510,237	656,019
Villas			
Aspen	258,132	361,385	464,638
Birch	267,509	374,513	481,516
Maple	304,437	426,212	547,987
Oak	335,236	469,330	603,425

**MONTHLY FEES
FOR
APARTMENTS, COTTAGES, HOMES**

	10/13 through 09/14	10/14 through 09/15	10/15 through 09/16	10/16 through 09/17	10/17 through 09/18	10/18 through 09/19
Apartments						
Studio	\$1,614	\$1,670	\$1,732	1,801	\$1,873	\$1,936
Alcove	1,982	2,051	2,128	2,213	2,302	2,379
1 Bdrm Standard	2,412	2,496	2,591	2,695	2,803	2,897
1 Bdrm Traditional	2,466	2,552	2,649	2,755	2,865	2,961
1 Bdrm Deluxe	2,515	2,603	2,702	2,810	2,922	3,020
1 Bdrm w/ Den	2,608	2,699	2,801	2,914	3,031	3,133
1 Bdrm Grande	2,648	2,741	2,845	2,959	3,077	3,180
2 Bdrm Traditional	2,749	2,845	2,953	3,071	3,194	3,301
2 Bdrm Standard	2,788	2,886	2,995	3,116	3,241	3,350
2 Bdrm Conventional	2,997	3,102	3,219	3,349	3,483	3,600
2 Bdrm Deluxe	3,039	3,145	3,265	3,396	3,532	3,650
2 Bdrm w/ Den	3,292	3,407	3,536	3,677	3,824	3,952
2 Bdrm Grande	3,289	3,404	3,532	3,673	3,820	3,948
2 Bdrm Grande II	3,540	3,664	3,802	3,955	4,113	4,251
2 Bdrm Executive	3,572	3,697	3,836	3,990	4,150	4,289
2 Bdrm Terrace Gr. A	3,645	3,773	3,915	4,073	4,236	4,378
2 Bdrm Terrace Gr. B	3,645	3,773	3,915	4,073	4,236	4,378
Duplex Cottages						
Appletree	3,150	3,260	3,383	3,519	3,660	3,783
Beechwood	3,209	3,321	3,446	3,585	3,728	3,853
Cottonwood	3,289	3,404	3,532	3,674	3,821	3,949
Dogwood	3,385	3,503	3,635	3,781	3,932	4,064
Elmwood	3,590	3,716	3,856	4,011	4,171	4,311
Fernwood	3,441	3,561	3,695	3,844	3,998	4,132
Greenwood	3,456	3,577	3,713	3,862	4,016	4,151
Heartwood	3,663	3,791	3,935	4,092	4,256	4,399
Free-Standing Homes						
Beechwood	3,413	3,532	3,665	3,813	3,966	4,099
Cottonwood	3,487	3,609	3,745	3,896	4,052	4,188
Dogwood	3,587	3,713	3,854	4,008	4,168	4,308
Elmwood	3,687	3,816	3,961	4,119	4,284	4,428
Second Person	1,019	1,055	1,095	1,139	1,185	1,225

**MONTHLY FEES
FOR
RESIDENTIAL LIVING WITH PERSONAL SERVICES**

Unit	10/13 through 09/14	10/14 through 09/15	10/15 through 09/16	10/16 through 09/17	10/17 through 09/18	10/18 Through 09/19
One Bedroom A	\$4,344	\$4,387	\$4,475	\$4,654	\$4,747	\$4,842
Studio B	4,344	4,387	4,475	4,654	\$4,747	4,842
Studio C	4,344	4,387	4,475	4,654	\$4,747	4,842
Studio D	4,344	4,387	4,475	4,654	\$4,747	4,842
Studio E	4,344	4,387	4,475	4,654	\$4,747	4,842
Studio F	4,344	4,387	4,475	4,654	\$4,747	4,842
Second Person	1,534	1,549	1,580	1,643	\$1,676	\$1,710

**MONTHLY FEES
FOR
FACILITY DEVELOPMENT/ EXPANSION**

Unit	
Fernwood	\$3,916
Greenwood	4,062
Heartwood	4,198
Aspen	3,647
Birch	3,822
Maple	3,934
Oak	4,030

FINANCIAL INFORMATION

1. Financial Statements. UMRH operates on a fiscal year ending September 30. The financial position of UMRH is represented by the independent auditors' report prepared by Dixon Hughes Goodman LLP. The audited financial statements for UMRH present the consolidated operations for Croasdaile Village, Cypress Glen and Wesley Pines. The independent auditors' report for the fiscal year ending September 30, 2018 for UMRH is reproduced in its entirety and is attached to this Disclosure Statement as Attachment 1.

2. Forecasted Financial Statements. Forecasted financial statements for the next five years are included as part of this Disclosure Statement as Attachment 2. These forecasted financial statements present the consolidated operations for Croasdaile Village, Cypress Glen and Wesley Pines and the individual operations for Croasdaile Village.

3. Interim Unaudited Financial Statements. Interim unaudited financial statements are included as part of this Disclosure Statement as Attachment 3. These statements present the consolidated operations of Croasdaile Village, Cypress Glen and Wesley Pines and the individual operations for Croasdaile Village.

4.

Explanations of Material Differences. Explanations of the material differences for the Balance Sheet, Statement of Operations, and Statement of Cash Flows for the fiscal year 2018 and the actual results for the fiscal year 2018 are included as part of this Disclosure Statement as Attachment 4.

5. Reserves. In accordance with Section 58-64-33 of the North Carolina General Statutes, UMRH is required to maintain an operating reserve for Croasdaile Village equal to 25 percent of the total operating costs projected for the 12-month period following the period covered by the most recent annual statement filed with the Department of Insurance. Based on the operating reserve calculation submitted to the Department of Insurance, UMRH meets the operating reserve requirement for Croasdaile Village.

6. Financing. See Notes 7 and 8 of the UMRH audited financial statements for information on long-term debt and financing.

RESERVES AND INVESTMENTS

1. Reserve Requirement. In accordance with Section 58-64-33, North Carolina General Statutes, UMRH is required to maintain \$7,560,212 in an operating reserve for Croasdaile Village. UMRH meets the operating reserve requirement for Croasdaile Village, and management believes that UMRH will continue to possess sufficient reserves to satisfy the operating reserve requirement based on the financial forecasts.

2. Financial Assistance Funds. UMRH attempts to provide benevolent care funds to those individuals who have exhausted their resources. The funds are in the amounts necessary to make up the difference between the financial resources of the individual and the Monthly Fees for the occupancy of a unit. Some of the benevolence is covered through apportionments from the North Carolina Annual Conference of The United Methodist Church, Southeastern Jurisdiction; benevolent care endowments; The United Methodist Retirement Homes Foundation; special offerings conducted by local churches; and individual gifts. Persons receiving benevolent care funds must be residents who have entered the Community under a continuing care residency agreement for residential living and must have met all "spend-down" provisions established in the UMRH Benevolence Policy. UMRH does not offer benevolent care funds to those residents who are admitted directly to Heritage Hall (personal care services), Friendship House (assisted living) or The Pavilion (skilled nursing) as private pay residents. Private pay residents are individuals who did not execute continuing care residency agreement for residential living. The resident must agree to apply for public assistance funds and/or Medicaid, depending on the level of care required by the resident. Benevolent care funds are available as long as providing such funds does not impair UMRH's ability to operate the Community on a sound financial basis for the benefit of all residents.

The Marketing, Occupancy, and Benevolence Committee of the Board of Trustees reviews each benevolence application, provides a recommendation to the Board of Trustees, monitors the availability of benevolent funds, and projects potential future demands on benevolent funds.

3. Investments. Investment decisions are made by the Finance Committee of the Board of Trustees of UMRH. Committee members include: John Grissom, Michael Hardin, John Link, Paul Lee, Barbara Pray, Artie Rogers, and Tom Steele. Funds are invested in accordance with UMRH's Investment Policy in the following investment portfolios:

(a) *United Methodist Retirement Homes Trust Fund #1. Investment Goal – Maintain principal values with adequate liquidity for debt/cash ratio.*

(b) *United Methodist Retirement Home Reserve Fund. Investment Goal – This Fund includes assets that may be managed for long-term capital growth with a moderate level of income.*

A copy of the Investment Policy is available to residents upon request.

OTHER MATERIAL INFORMATION

As of the date of this Disclosure Statement, there is no material litigation pending against Croasdaile Village.

AGREEMENTS WITH RESIDENTS

Copies of the current Residency Agreements (listed below) for Croasdaile Village are attached to this Disclosure Statement as Attachment 5:

90 Percent Return of Capital Residency Agreement (for existing residences);
50 Percent Return of Capital Residency Agreement (for existing residences);
Standard Residency Agreement (for existing residences);
Residential Living with Personal Services Residency Agreement;
Amendment to Residency Agreement/Transfer to Residential Living with Personal Services;
90 Percent Return of Capital Residency Agreement (for cottages and villas to be constructed);
50 Percent Return of Capital Residency Agreement (for cottages and villas to be constructed); and
Standard Residency Agreement (for cottages and villas to be constructed)

These agreements are in compliance with the pertinent specifications of Section 58-64-25 of the North Carolina General Statutes. UMRH reserves the right to offer to new prospective residents alternative forms of Residency Agreements from time to time.

ATTACHMENT 1

Audited Financial Statements
of
The United Methodist
Retirement Homes, Incorporated
(Includes Consolidated Operations of
Croasdaile Village, Cypress Glen
and Wesley Pines)

The United Methodist Retirement Homes, Incorporated, Its Affiliate, and Subsidiary

**Consolidated Financial Statements and
Supplemental Schedules**

Years Ended September 30, 2018 and 2017



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Independent Auditors' Report

Board of Trustees of
The United Methodist Retirement Homes, Incorporated,
its Affiliate, and Subsidiary

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The United Methodist Retirement Homes, Incorporated, its Affiliate, and Subsidiary (the "Company"), which comprise the consolidated balance sheets as of September 30, 2018 and 2017, and the related consolidated statements of operations, and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of September 30, 2018 and 2017, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 25 - 26 is presented for purposes of additional analysis rather than to present the financial position and results of operations of the individual organizations and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Dixon Hughes Goodman LLP

**Raleigh, North Carolina
January 15, 2019**

The United Methodist Retirement Homes, Incorporated, Its Affiliate, and Subsidiary
Consolidated Balance Sheets
September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets:		
Cash	\$ 1,974,056	\$ 3,409,208
Contributions receivable, current portion	144,314	58,981
Investments	64,417,206	62,383,359
Assets limited as to use, current portion	1,930,588	1,251,753
Accounts receivable, net of allowance for uncollectible accounts of approximately \$405,000 and \$274,000 in 2018 and 2017, respectively	2,521,774	2,762,091
Other receivables	2,580,952	1,190,224
Inventories	120,403	126,684
Prepaid expenses and other current assets	<u>1,009,988</u>	<u>690,194</u>
Total current assets	<u>74,699,281</u>	<u>71,872,494</u>
Non-current assets:		
Assets limited as to use, net of current portion	83,173,596	22,136,661
Investments - restricted	5,661,990	5,248,719
Assets held for resale	213,802	209,484
Property and equipment, net	164,137,763	137,847,509
Trusts receivable	191,354	185,282
Contributions receivable, net of current portion	153,637	53,591
Deferred marketing costs, net	-	277,951
Interest rate swap agreement	<u>243,412</u>	<u>-</u>
Total non-current assets	<u>253,775,554</u>	<u>165,959,197</u>
Total assets	<u>\$ 328,474,835</u>	<u>\$ 237,831,691</u>

The United Methodist Retirement Homes, Incorporated, Its Affiliate, and Subsidiary
Consolidated Balance Sheets
September 30, 2018 and 2017

(Continued)

	<u>2018</u>	<u>2017</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Annuity payable, current portion	\$ 83,783	\$ 81,379
Bonds payable, current portion	3,075,000	4,000,000
Accounts payable	5,569,331	3,773,773
Accrued salaries and related expenses	2,228,387	2,198,760
Accrued interest payable	2,848,189	1,065,153
Total current liabilities	<u>13,804,690</u>	<u>11,119,065</u>
Long-term liabilities:		
Annuity payable, less current portion	303,475	414,948
Bonds payable, less current portion	169,506,514	90,052,524
Liability to other foundations	8,843	8,487
Liability for refundable advance fees	10,650,267	10,843,592
Deferred revenue from non-refundable advance fees	56,298,961	53,327,513
Due to related parties	67,748	63,853
Funds held for others	234,068	106,384
Interest rate swap agreement	-	225,187
Total long-term liabilities	<u>237,069,876</u>	<u>155,042,488</u>
Total liabilities	<u>250,874,566</u>	<u>166,161,553</u>
Net assets:		
Unrestricted	68,660,681	63,920,032
Temporarily restricted	5,060,284	3,999,625
Permanently restricted	3,879,304	3,750,481
Total net assets	<u>77,600,269</u>	<u>71,670,138</u>
Total liabilities and net assets	<u>\$ 328,474,835</u>	<u>\$ 237,831,691</u>

See accompanying notes to the consolidated financial statements.

The United Methodist Retirement Homes, Incorporated, Its Affiliate, and Subsidiary
Consolidated Statements of Operations and Changes in Net Assets
Years Ended September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Unrestricted revenues, gains and other support:		
Net resident and patient service revenue	\$ 56,541,413	\$ 53,741,924
Amortization of advance fees	7,477,741	7,668,229
Net assets released from restrictions	359,162	314,365
Other	32,928	26,956
Interest and dividend income	2,234,654	2,005,108
	<u>66,645,898</u>	<u>63,756,582</u>
Total revenues, gains and other support		
	<u>66,645,898</u>	<u>63,756,582</u>
Expenses:		
Nursing services	15,446,066	14,846,904
Dietary and food services	8,763,960	8,388,502
Administration	9,407,364	8,940,663
Plant operations, maintenance and security	5,794,000	5,497,268
Laundry and housekeeping	3,046,703	3,031,748
Resident services - activities	2,421,014	2,172,923
Home care	3,107,542	2,597,289
Interest	3,447,263	3,084,155
Depreciation and amortization	9,582,399	8,734,879
Bad debt expense	272,863	172,314
	<u>61,289,174</u>	<u>57,466,645</u>
Total expenses		
	<u>61,289,174</u>	<u>57,466,645</u>
Operating income	<u>5,356,724</u>	<u>6,289,937</u>
Non-operating gains (losses):		
Interest and dividend income	18,422	-
Net investment gains, realized	379	471,404
Net investment gains, unrealized	488,431	4,020,645
Loss on disposal of property and equipment	(337,915)	(175,884)
Contributions	29,134	102,030
Loss on extinguishment of debt	(1,356,603)	-
Change in fair value of interest rate swap agreement	468,599	680,296
Other	(104,865)	(5,981)
	<u>(794,418)</u>	<u>5,092,510</u>
Net non-operating gains (losses)		
	<u>(794,418)</u>	<u>5,092,510</u>
Excess of revenues, gains and other support over expenses	4,562,306	11,382,447
Net assets released from restrictions for purchase of property and equipment	178,343	29,862
	<u>178,343</u>	<u>29,862</u>
Change in unrestricted net assets	<u>\$ 4,740,649</u>	<u>\$ 11,412,309</u>

See accompanying notes to the consolidated financial statements.

The United Methodist Retirement Homes, Incorporated, Its Affiliate, and Subsidiary
Consolidated Statements of Operations and Changes in Net Assets
Years Ended September 30, 2018 and 2017

(Continued)

	<u>2018</u>	<u>2017</u>
Change in temporarily restricted net assets:		
Contributions	\$ 870,382	\$ 449,010
Interest and dividend income	164,239	126,867
Net investment gains, realized	13,130	940,707
Net investment gains (losses), unrealized	327,059	(451,267)
Change in split interest agreement	37,975	18,633
Change in value of pledges	208,179	56,238
Bad debt expense	(22,800)	(6,273)
Net assets released from restrictions	<u>(537,505)</u>	<u>(344,227)</u>
Change in temporarily restricted net assets	<u>1,060,659</u>	<u>789,688</u>
Change in permanently restricted net assets:		
Contributions	23,176	13,946
Change in split interest agreement	<u>105,647</u>	<u>42,095</u>
Change in permanently restricted net assets	<u>128,823</u>	<u>56,041</u>
Change in net assets	5,930,131	12,258,038
Net assets, beginning of year	<u>71,670,138</u>	<u>59,412,100</u>
Net assets, end of year	<u>\$ 77,600,269</u>	<u>\$ 71,670,138</u>

The United Methodist Retirement Homes, Incorporated, Its Affiliate, and Subsidiary
Consolidated Statements of Cash Flows
Years Ended September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 5,930,131	\$ 12,258,038
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	9,582,399	8,734,879
Amortization of deferred financing costs	77,522	91,447
Amortization of bond premium	(271,335)	(202,953)
Amortization of deferred revenue from advance fees	(7,477,741)	(7,668,229)
Non-refundable entrance fees received	11,511,031	13,306,378
Bad debt expense	272,863	172,314
Loss on disposal of property and equipment	337,915	175,884
Loss on early extinguishment of debt	1,356,603	-
Unrealized gains on assets limited as to use	(815,490)	(3,569,378)
Realized gains on assets limited as to use	(13,509)	(1,412,111)
Change in fair value of swap agreement	(468,599)	(680,296)
Net change in:		
Accounts receivable - residents and patients	(32,546)	(316,590)
Accounts receivable - other	(1,830,455)	(748,541)
Trusts receivable	(6,072)	306
Contributions receivable	(185,379)	(49,965)
Due from/to related parties	3,895	3,621
Inventories	6,281	13,814
Prepaid expenses and other current assets	(319,794)	348,650
Accounts payable	449,906	2,436,205
Accrued salaries and related expenses	29,627	217,555
Liability to other foundations	356	5,722
Accrued interest payable	1,783,036	274,156
Funds held for others	127,684	43,313
	<u>20,048,329</u>	<u>23,434,219</u>
Net cash provided by operating activities		

The United Methodist Retirement Homes, Incorporated, Its Affiliate, and Subsidiary
Consolidated Statements of Cash Flows
Years Ended September 30, 2018 and 2017

(Continued)

	<u>2018</u>	<u>2017</u>
Cash flows from investing activities:		
Purchase of property and equipment	\$ (34,851,890)	\$ (15,827,625)
Net change in investments and assets limited as to use	(63,333,889)	(3,409,690)
Change in assets held for resale	(4,318)	(158,815)
	<u>(98,190,097)</u>	<u>(19,396,130)</u>
Cash flows from financing activities:		
Refunds of deposits and refundable fees	(2,360,336)	(3,694,469)
Refundable entrance fees received	1,544,896	1,422,094
Payments on bonds and note payable	(33,133,488)	(3,905,000)
Deferred costs, net	(1,666,294)	(363,638)
Proceeds from issuance of bonds	112,430,907	4,886,273
Net change in annuity obligations	(109,069)	(34,290)
	<u>76,706,616</u>	<u>(1,689,030)</u>
Change in cash	(1,435,152)	2,349,059
Cash, beginning of year	<u>3,409,208</u>	<u>1,060,149</u>
Cash, end of year	<u>\$ 1,974,056</u>	<u>\$ 3,409,208</u>
Supplemental cash flow information:		
Cash paid during the year for interest	<u>\$ 3,113,772</u>	<u>\$ 2,914,807</u>
Additions of property and equipment included in accounts payable	<u>\$ 3,446,720</u>	<u>\$ 2,101,068</u>

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Organization

The United Methodist Retirement Homes, Incorporated (“UMRH”) is a not-for-profit corporation, which principally provides housing, health care, and other related services to residents through the ownership and operation of Wesley Pines Retirement Company in Lumberton, North Carolina, Cypress Glen Retirement Community (“Cypress Glen”) in Greenville, North Carolina, and Croasdaile Village in Durham, North Carolina. UMRH was incorporated in North Carolina in 1946. UMRH’s corporate office is located in Durham, North Carolina.

The United Methodist Retirement Homes Foundation, Inc. (the “Foundation”), an affiliate of UMRH, is a not-for-profit corporation which was organized in order to raise endowment funds for the residential facilities operated by UMRH, to support benevolent care for those residents who are unable to pay for continuing care at the residential facilities operated by UMRH, and to support special programs at the residential facilities operated by UMRH. The Foundation was incorporated under the laws of the State of North Carolina in 1994.

UMRH Affordable Housing Development, LLC (“UMRH-AHD”), a subsidiary of UMRH, is a limited liability company, which was organized in North Carolina in 2002 to further the charitable purposes of UMRH by developing affordable rental housing for senior citizens. UMRH is the sole member of UMRH-AHD.

The consolidated financial statements include the financial statements of UMRH, the Foundation, and UMRH-AHD. All significant intercompany accounts and transactions have been eliminated. UMRH, the Foundation, and UMRH-AHD are collectively referred to as the “Company”.

Basis of Accounting and Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America.

Cash

Short-term investments presented as investments in the consolidated balance sheets are not considered cash equivalents since the Company considers them part of their investing activities. Throughout the year the Company has bank balances which exceed federal depository limits.

Contributions Receivable

Unconditional promises to give cash and other assets to the Company are reported at discounted present values at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at discounted present value at the date the gift is received. The gifts are reported as either temporarily or permanently 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheets. Interest and dividend income is included in operating income unless the income or loss is restricted by donor or law. Gains and losses, both realized and unrealized, on investments in debt and equity securities are included in non-operating gains (losses).

The United Methodist Retirement Homes, Incorporated, Its Affiliate, and Subsidiary Notes to Consolidated Financial Statements

Assets Limited as to Use

Assets limited as to use consist of funds held for debt service in accordance with the Company's bond issues, funds reserved by insurance regulation, construction funds, entrance fee escrow funds and funds held for residents. Temporarily and permanently restricted net assets are restricted by donors or grantors for a specific purpose.

Insurance regulation assets whose use is limited represents funds reserved to comply with North Carolina Department of Insurance regulations. The amount of this reserve is calculated annually in accordance with the requirements of N.C. General Statute 58, Article 64. These investments consist of cash, cash equivalents and other short term investments.

Fair Value of Financial Instruments

The carrying amount of cash and cash equivalents approximates its fair value. The fair value of the Company's investments is presented in Note 2 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 fair value of the Company's interest rate swaps is presented in Note 7. The Company's long-term debt approximates the fair values of those obligations.

Accounts Receivable, net

Accounts receivable is reported at estimated net realizable amounts from residents and responsible third-party payers. Amounts owed to the Company are reported net of allowances for uncollectible accounts. Specific resident balances are written off at the time they are determined to be uncollectible. The process for estimating the ultimate collection of receivables involves significant assumptions and judgments. In this regard, the Company has implemented a standardized approach to estimate and review the collectibility of its receivables based on resident receivable aging trends. Historical collection and payer reimbursement experience is an integral part of the estimation process related to determining allowance for uncollectible accounts. In addition, the Company assesses the current state of its billing functions in order to identify any known collection or reimbursement issues to determine the impact, if any, on its reserve estimates, which involve judgment. Revisions in reserve estimates are recorded as an adjustment to accounts receivable. Management believes that its collection and reserve processes, along with the monitoring of its billing processes, help to reduce the risk associated with material revisions to reserve estimates resulting from adverse changes in collection, reimbursement experience and billing functions.

Trusts Receivable

Trusts receivable represent the present value of irrevocable charitable remainder unitrusts ("CRUTs") and charitable gift annuities ("CGAs"). The assets related to these CRUTs and CGAs will become the property of the designated beneficiaries upon the donor's death. An amount equal to the receivable was recorded as a permanently or temporarily restricted net asset. Adjustments to the asset to reflect changes in present value are recognized as activity through permanently or temporarily restricted net assets.

Assets Held for Resale

Assets held for resale consist of two gifted properties. One of which is stated at net book value, which approximates fair value.

Property and Equipment

Property and equipment are recorded at cost. Donated property is recorded at its estimated fair value at the date of receipt, which is then treated as cost. Interest is capitalized on facilities during the construction period. Depreciation is provided using the straight-line method over the estimated useful lives of the assets shown below:

Land improvements	15 to 30 years
Buildings and improvements	5 to 40 years
Equipment and fixtures	2 to 25 years

The United Methodist Retirement Homes, Incorporated, Its Affiliate, and Subsidiary Notes to Consolidated Financial Statements

Annuity Payable

The Foundation acts as trustee for irrevocable charitable remainder unitrusts (CRUTs), charitable gift annuities (CGAs), and charitable remainder annuity trusts ("CRATs"). The assets in these trusts will remain in trust, paying distributions to the donors during their lifetimes, and the remainder assets will become the property of the designated beneficiaries upon the donors' deaths. Such amounts received are recorded as "investments – restricted" on the consolidated balance sheets. These trusts require specified distributions to be made to the trusts' designated beneficiaries over the trusts' terms. The present value of the expected distributions is recorded as annuity obligations. Adjustments to the annuity obligations to reflect amortization of discounts, revaluations of the present value of the estimated future payments and changes in actuarial assumptions are recorded as a change in the value of split-interest agreements.

Funds Held for Others

This liability represents agency funds held in trust for UMRH residents. The related asset is included in assets limited as to use.

Interest Rate Swaps

The interest rate swap agreements are carried at fair value, estimated using a discounted cash flow method at a rate commensurate with the risk involved. A change in the fair value of the interest rate swap agreements is reported in non-operating gains (losses) in the consolidated statements of operations and changes in net assets.

Liability for Refundable Advance Fees

Optional entrance fee plans available to residents include a standard rate plan, a 50% refundable plan, 80% refundable plan, and 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 total amount of contractual refund obligations under existing contracts (that is, if all residents with a refundable balance were to have withdrawn) totaled approximately \$29,307,000 and \$28,396,000 at September 30, 2018 and 2017, respectively.

Deferred Revenue from Non-refundable Advance Fees

Deferred revenue from non-refundable advance fees represent payments made by a resident in exchange for the use and privileges of the community for life or until termination of the residency agreement. These advance fees may be partially refundable upon termination of the agreement and generally decline at a rate of 2% per month of occupancy and are paid after termination of the residency agreement (provided the resident's independent living unit is reoccupied) or within twenty-four months, whichever occurs first.

Advance fees are recorded as deferred revenue and recognized as revenue earned on a straight-line basis over the estimated remaining life of each resident, actuarially adjusted annually, beginning with the date of occupancy. Any unrecognized deferred revenue, less any related refund, at the date of death or termination of the contract is recorded as income in the period the death or termination of the contract occurs.

Net Assets

Net assets of the Company and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met either by action of the Company and/or the passage of time.

The United Methodist Retirement Homes, Incorporated, Its Affiliate, and Subsidiary Notes to Consolidated Financial Statements

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Company. Generally, the donors of these assets permit the Company to use all or part of the income earned on related investments for general or specific purposes.

Net Assets Released from Restrictions - The Company reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor-imposed restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions.

Net Resident and Patient Service Revenues

Net resident and patient service revenues are reported at 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 Company have been immaterial in relation to the consolidated financial statements as a whole.

Revenues under third-party payor agreements are subject to examination and retroactive adjustment. 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.

Excess of Revenues, Gains and Other Support Over Expenses

The consolidated statements of operations and changes in net assets includes excess of revenues, gains and other support over expenses. Changes in unrestricted net assets, which are excluded from excess of revenues, gains and other support over expenses, consistent with industry practice, would include unrealized gains and losses on investments other than trading securities, net assets released from restriction for purchase of property and equipment, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

Benevolent Assistance

The Company currently maintains a benevolent assistance program and policy for residents holding continuing-care residency agreements in the event the resident(s) should become unable to pay for services. The Company reserves the right to change the program and policy from time to time. The benevolent assistance policy will not apply to residents who have impaired their ability to meet financial obligations by transferring assets other than to meet ordinary and customary living expenses, or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance or other health insurance after assuming occupancy. Upon review of each resident's individual financial situation, the Company may permit the resident to remain at the facility for a lesser fee based on the resident's ability to pay, but only after meeting all of the "spend-down" provisions of eligibility for the Medicaid program and any public assistance funds. The Company may decline new benevolent assistance applications if it is determined that deferment of such charges may impair the Company's ability to operate on a sound financial basis. Since the Company does not expect to collect the normal charges for services provided for those residents who meet the benevolent assistance provisions, charges for such assistance are not included in net patient service revenue.

The United Methodist Retirement Homes, Incorporated, Its Affiliate, and Subsidiary Notes to Consolidated Financial Statements

Continuing-Care Contracts

The Company enters into continuing-care contracts with various residents. A continuing-care contract is an agreement between a resident and the Company specifying the services and facilities to be provided to a resident over his or her remaining life. Under the contracts, the Company has the ability to increase fees as deemed necessary. At the end of each fiscal year, the Company calculates the present value of the net cost of future services to be provided 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 for future costs) is recorded. No liability has been recorded as of September 30, 2018 or 2017, 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 3.12% and 5.50% in 2018 and 2017, respectively.

Concentration of Credit Risk

Concentrations of credit risk with respect to patient accounts receivable are limited due to the formalized agreements with third-party payors. The Company has significant accounts receivable (approximately 29% and 32% in 2018 and 2017, respectively) whose collectability or realizability is dependent upon the performance of certain governmental programs, primarily Medicare and North Carolina Medicaid. Management does not believe there are significant credit risks associated with these governmental programs.

Use of Estimates

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

Income Taxes

The Company is exempt from federal income taxes under 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 Company has determined that it does not have any material unrecognized tax benefits or obligations as of September 30, 2018.

Reclassifications

Certain reclassifications have been made to the prior periods' consolidated financial statement presentation to correspond to the current year's format. Total stockholders' equity and net income are unchanged due to these reclassifications.

Subsequent Events

The Company evaluated the effect subsequent events would have on the consolidated financial statements through January 15, 2019, which is the date the consolidated financial statements were issued.

The United Methodist Retirement Homes, Incorporated, Its Affiliate, and Subsidiary
Notes to Consolidated Financial Statements

2. Investments

Aggregate fair values of investments at September 30 are summarized below:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 1,704,081	\$ 1,824,950
Equity	32,343,415	29,835,429
Fixed income	<u>36,031,700</u>	<u>35,971,699</u>
Total investments	70,079,196	67,632,078
Short-term investments	<u>64,417,206</u>	<u>62,383,359</u>
Investments - restricted	<u>\$ 5,661,990</u>	<u>\$ 5,248,719</u>

A summary of net investment income for the years ended September 30 follows:

	<u>2018</u>	<u>2017</u>
Net realized gain	\$ 13,509	\$ 1,412,111
Net unrealized gain	<u>815,490</u>	<u>3,569,378</u>
Net investment income	<u>\$ 828,999</u>	<u>\$ 4,981,489</u>

3. Assets Limited as to Use

The composition of assets limited as to use at September 30 is set forth in the following table:

	<u>2018</u>	<u>2017</u>
Fixed income	\$ 12,047,832	\$ 7,517,756
Equity	6,921,251	6,278,807
Cash funds and money market funds	<u>66,135,101</u>	<u>9,591,851</u>
Total assets limited as to use	<u>\$ 85,104,184</u>	<u>\$ 23,388,414</u>
Construction funds	\$ 48,396,762	\$ -
Debt service held by trustees	16,262,481	5,969,083
Insurance regulation	13,169,468	12,510,199
Held for others	234,068	106,384
Entrance Fee Escrow	3,701,361	1,891,673
Temporarily restricted net assets	2,665,519	2,236,550
Permanently restricted net assets	<u>674,525</u>	<u>674,525</u>
Total assets limited as to use	85,104,184	23,388,414
Less current portion required to meet current obligations	<u>(1,930,588)</u>	<u>(1,251,753)</u>
Assets limited as to use, net of current portion	<u>\$ 83,173,596</u>	<u>\$ 22,136,661</u>

The United Methodist Retirement Homes, Incorporated, Its Affiliate, and Subsidiary
Notes to Consolidated Financial Statements

4. Fair Value 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 Company'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.

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 mutual funds, exchange-traded funds, and money market funds which are valued based on prices readily available in active markets in which those securities are traded. Level 2 investments include interest rate swap agreements which are valued on a recurring basis based on inputs that are readily available in public markets or can be derived from information available in publicly quoted markets.

The Company does not have any financial assets or liabilities measured at fair value on a recurring basis categorized as Level 3, and there were no transfers in or out of Level 3 during 2018. There were no changes during 2018 to the Company's valuation techniques used to measure asset and liability fair values on a recurring basis.

The following tables set forth by level the fair value hierarchy the Company's financial assets accounted for at fair value on a recurring basis as of September 30, 2018 and 2017.

	September 30, 2018			Total
	Level 1	Level 2	Level 3	
Assets:				
Mutual funds	\$ 65,756,023	\$ -	\$ -	\$ 65,756,023
Exchange-traded funds	16,958,983	-	-	16,958,983
Money market funds	66,867,676	-	-	66,867,676
Interest rate swaps	<u>-</u>	<u>243,412</u>	<u>-</u>	<u>243,412</u>
Total assets at fair value	<u>\$149,582,682</u>	<u>\$ 243,412</u>	<u>\$ -</u>	<u>\$149,826,094</u>

The Company has \$5,600,698 of cash balances included in investments and assets limited as to use as of September 30, 2018, which are not included in the fair value hierarchy.

The United Methodist Retirement Homes, Incorporated, Its Affiliate, and Subsidiary
Notes to Consolidated Financial Statements

	September 30, 2017			
	Level 1	Level 2	Level 3	Total
Assets:				
Mutual funds:				
Domestic	\$ 24,527,899	\$ -	\$ -	\$ 24,527,899
Fixed income	43,489,455	-	-	43,489,455
International	<u>11,582,546</u>	-	-	<u>11,582,546</u>
Total mutual funds	<u>79,599,900</u>	-	-	<u>79,599,900</u>
Money market funds	<u>8,170,827</u>	-	-	<u>8,170,827</u>
Total assets at fair value	<u>\$ 87,770,727</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,770,727</u>
Liabilities:				
Interest rate swaps	<u>\$ -</u>	<u>\$ 225,187</u>	<u>\$ -</u>	<u>\$ 225,187</u>

The Company has \$3,249,765 of cash balances included in investments and assets limited as to use as of September 30, 2017, which are not included in the fair value hierarchy.

5. Property and Equipment

Property and equipment consists of the following at September 30:

	<u>2018</u>	<u>2017</u>
Land	\$ 6,528,046	\$ 6,528,046
Land improvements	12,794,127	12,347,462
Buildings and improvements	189,050,474	185,222,096
Equipment and fixtures	16,249,639	15,435,604
Construction in progress	<u>43,493,213</u>	<u>13,543,972</u>
Total property and equipment	268,115,499	233,077,180
Less accumulated depreciation	<u>(103,977,736)</u>	<u>(95,229,671)</u>
Property and equipment, net	<u>\$ 164,137,763</u>	<u>\$ 137,847,509</u>

Construction in progress includes various projects, the largest of which are two campus expansion projects. The estimated cost to complete the campus expansion projects is approximately \$32,045,000. The Company had depreciation expense of approximately \$9,570,000 and \$8,610,000 for the years ended September 30, 2018 and 2017, respectively.

The United Methodist Retirement Homes, Incorporated, Its Affiliate, and Subsidiary
Notes to Consolidated Financial Statements

6. Bonds Payable

Bonds payable consists of the following at September 30:

	<u>2018</u>	<u>2017</u>
First Mortgage Revenue Bonds, Series 2005B: Variable rate of 1.85%, due November 1, 2034.	\$ -	\$ 9,990,000
First Mortgage Revenue Refunding Bonds Series 2009A: Variable rate of 1.85%, due October 1, 2034.	-	5,400,000
First Mortgage Revenue Bonds, Series 2010A: Variable rate of 1.85%, due October 1, 2032.	-	8,180,000
First Mortgage Revenue Refunding Bonds, Series 2013A: Serial bonds due through October 1, 2022 yielding between 1.76% and 3.68%	145,000	170,000
Term bonds: Due October 1, 2033 yielding 4.60%	1,730,000	1,730,000
Due October 1, 2033 yielding 4.56%	6,370,000	6,370,000
First Mortgage Revenue Bonds, Series 2014A: Variable rate, bearing interest at market rates swapped at 2.97% through October 1 2024, due October 1, 2024.	6,120,000	7,345,000
First Mortgage Revenue Bonds, Series 2014B: Variable rate, bearing interest at market rates Swapped at 3.195% due October 1, 2024.	11,815,000	13,530,000
First Mortgage Revenue Bonds, Series 2016A: Serial bonds due through October 1, 2026 yielding between 2.500% to 2.625%	4,845,000	4,845,000
Term bonds: Due October 1, 2030 yielding 2.880%	8,250,000	8,250,000
Due October 1, 2030 yielding 3.250%	2,500,000	2,500,000
Due October 1, 2031 yielding 2.950%	3,000,000	3,000,000
Due October 1, 2035 yielding 3.600%	13,390,000	13,390,000
Due October 1, 2035 yielding 3.180%	2,500,000	2,500,000
Qualified Intermediate Term Debt, Series 2016B: Variable rate of 2.50%, due December 1, 2021.	-	4,886,273
First Mortgage Revenue and Revenue Refunding Bonds, Series 2017A: Serial bonds due through October 1, 2047 yielding between 1.550% and 3.280%	25,415,000	-
Term Bonds: Due October 1, 2037 yielding 3.460%	12,670,000	-
Due October 1, 2038 yielding 3.830%	2,690,000	-
Due October 1, 2042 yielding 3.530%	12,155,000	-
Due October 1, 2047 yielding 3.600%	19,040,000	-

The United Methodist Retirement Homes, Incorporated, Its Affiliate, and Subsidiary
Notes to Consolidated Financial Statements

First Mortgage Revenue Bonds, Series 2017B:		
Term Bonds:		
Due October 1, 2041 yielding 3.000%	16,150,000	-
Qualified Intermediate Term Debt:		
Due October 1, 2020 yielding 3.000%	<u>15,085,000</u>	<u>-</u>
Total bonds payable	<u>163,870,000</u>	<u>92,086,273</u>
Less current portion of bonds payable	(3,075,000)	(4,000,000)
Less deferred financing costs, net	(2,579,636)	(2,082,542)
Add unamortized premium	<u>11,291,150</u>	<u>4,048,793</u>
Bonds payable, net of current portion	<u>\$ 169,506,514</u>	<u>\$ 90,052,524</u>

In February 2005, the Company issued \$24,250,000 of Variable Rate Demand Retirement Facilities Revenue Bonds ("2005B Bonds") through the North Carolina Medical Care Commission, the issuing authority. The proceeds of the 2005B Bonds were used to provide funds to construct an expansion at the Croasdaile Village campus and other costs associated with the issuance of the bonds. In addition, \$8,480,000 of the 2005B Bond proceeds were utilized to refund in their entirety the remaining bonds from the 2000 Variable Rate Demand Bonds outstanding. The interest rate on the 2005B Bonds is variable based on prevailing market rates and is reset monthly based on 68% of 1-Month LIBOR plus 1.1325%. The 2005B Bonds were paid in full in 2018.

In February 2010, the Company converted the remaining outstanding balance on the Series 2005B Bonds to bank qualified mode. The interest rate on the 2005B Bonds is variable based on prevailing market rates and is reset monthly based on 68% of 1-Month LIBOR plus 1.1325%.

In October 2009, the Company issued \$6,585,000 of tax-exempt, variable rate First Mortgage Revenue Refunding Bonds ("2009A Bonds") through the North Carolina Medical Care Commission. The proceeds of the 2009A Bonds, net of issuance expense and fund amounts deposited into a debt service reserve fund, along with cash reserves held by the Company, were used to refund \$5,000,000 of outstanding debt related to the Series 2004B Bonds. The interest rate on the 2009A Bonds is variable based on prevailing market rates and is reset monthly based on 68% of 1-Month LIBOR plus 1.1325%. The 2009A Bonds were paid in full in 2018.

Also during 2010, the Company issued \$14,300,000 of tax-exempt, First Mortgage Revenue Bonds ("2010A Bonds") as a bank qualified loan through the North Carolina Medical Care Commission. The interest rate on the 2010A Bonds is variable based on prevailing market rates and is reset monthly based on 68% of 1-Month LIBOR plus 1.1325%. The 2010A Bonds were paid in full in 2018.

In April 2013, the Company issued \$8,370,000 of tax-exempt, fixed rate First Mortgage Revenue Refunding Bonds ("2013A Bonds") through the North Carolina Medical Care Commission. The proceeds of the 2013A Bonds, net of issuance expense and fund amounts deposited into a debt service reserve fund, along with cash reserves held by the Company, were used to refund the Series 2004C Bonds total outstanding debt.

In September 2014, the Company issued \$12,025,000 of tax-exempt, variable First Mortgage Revenue Refunding Bonds ("2014A Bonds") through the North Carolina Medical Care Commission. Of this total amount, \$1,310,000 funded the partial refunding of the Series 2005B Bonds and \$10,715,000 refunded the entirety of the Series 2004A and a portion of the Series 2005A Bonds, which was funded on October 1, 2014. The interest rate on the 2014A Bonds is variable based on prevailing market rates and is reset monthly based on 82.65% of 1-Month LIBOR plus 1.692%. The Company entered into an interest rate swap agreement on the Series 2014A Bonds, which is described in Note 7.

The United Methodist Retirement Homes, Incorporated, Its Affiliate, and Subsidiary Notes to Consolidated Financial Statements

In December 2014, the North Carolina Medical Care Commission authorized the issuance of tax-exempt, adjustable rate Retirement Facilities First Mortgage Revenue Refunding Bonds, Series 2014B ("2014B Bonds") in the aggregate principal amount of up to \$16,630,000. Of this total amount, \$6,390,000 and \$10,040,000 funded the partial refunding of the Series 2005C Bonds due October 1, 2019 and October 1, 2024, respectively. The amounts were funded on October 1, 2015. The interest rate on the 2014B Bonds is variable based on prevailing market rates and is reset monthly based on 82.65% of 1-Month LIBOR plus 1.692%. The Company entered into an interest rate swap agreement on the Series 2014B Bonds, which is described in Note 7.

In May 2016, the North Carolina Medical Care Commission authorized the issuance of tax-exempt, fixed rate Retirement Facilities First Mortgage Revenue Refunding Bonds, Series 2016A ("2016A Bonds") in the aggregate principal amount of up to \$34,485,000. The bond funds were used to refund the entirety of the 2005A Bonds due October 1, 2025 and October 1, 2035, and the remaining outstanding amount of \$22,715,000 of the 2005C Bonds due October 1, 2032.

In December 2016, the Company issued \$15,087,000 of Qualified Intermediate Term Debt ("2016B Bonds"). The proceeds of the 2016B Bonds were used to provide funds to construct an expansion at the Croasdaile Village campus and other costs associated with the issuance of the bonds. The interest rate on the 2016B Bonds is variable based on prevailing market rates and is reset monthly based on 1-Month LIBOR plus 1.25%. In addition to the 2016B Bonds, the Company also closed on a Bridge Loan Note in December 2016 for \$24,250,000. The 2016B Bonds were paid in full in 2018.

In December 2017, the Company issued \$71,970,000 of rated tax-exempt fixed rate Series 2017A Bonds ("2017A Bonds"), consisting of serial and term maturities from October 1, 2018 to October 1, 2047 and \$31,235,000 of tax-exempt direct purchase bank revenue Series 2017B Bonds ("2017 Bonds") issued by the North Carolina Medical Care Commission and to be purchased by BB&T Community Holdings Co. The 2017B Bonds consist of \$16,150,000 of Series 2017B-1 Bonds to be redeemed by October 1, 2041 and \$15,085,000 of Series 2017B-2 Bonds, to be redeemed in full by October 1, 2020 with initial entrance fee proceeds received from the Project's new independent living units. The interest rate on the 2017B Bonds is variable based on prevailing market rates and is reset monthly based on 82.65% of 1-Month LIBOR plus 0.988%.

Principal repayments on bonds payable, excluding discounts and premiums, for the next five years and thereafter, are summarized as follows:

2019	\$ 3,075,000
2020	4,750,000
2021	4,345,000
2022	4,540,000
2023	4,720,000
Thereafter	<u>142,440,000</u>
	<u>\$ 163,870,000</u>

All series of bonds are subject to annual mandatory sinking fund requirements prior to their due dates. There are certain covenants associated with the bonds that are outlined in the Master Trust indentures. The most restrictive of these covenants requires maintenance of a long-term debt service coverage ratio, as defined, of not less than 1.20.

The Company incurred deferred financing costs in the amount of \$2,789,367 and \$2,438,699 in association with the issuance of the above Series Bonds. Amortization expense of \$77,522 and \$91,447 was recognized during 2018 and 2017, respectively, to the interest expense line item of the consolidated statements of operations and changes in net assets. Accumulated amortization was \$209,731 and \$356,157 for the years ended September 30, 2018 and 2017, respectively. In conjunction with refunding various Bond Series, approximately \$1,092,000 of deferred financing costs were written off and recognized as loss on extinguishment of debt on the consolidated statements of operations and changes in net assets as of September 30, 2018.

The United Methodist Retirement Homes, Incorporated, Its Affiliate, and Subsidiary
Notes to Consolidated Financial Statements

7. Interest Rate Swap

Variable rate long-term debt exposes the Company to variability in interest payments due to changes in interest rates. Management believes it is prudent to limit the variability of a portion of its interest payments. To meet this objective, management entered into interest rate swap agreements to manage fluctuations in cash flows resulting from interest rate risk.

In August 2014, the Company entered into a forward interest rate swap agreement with a financial institution in conjunction with the 2014A Bonds that took effect October 1, 2014. The Company pays a fixed rate of 2.97% while the financial institution pays based on 78% of 1-Month LIBOR plus 1.3925%. The difference between the fixed and floating rates is accrued and recorded in interest expense in the accompanying consolidated statements of operations and changes in net assets. The fair value of this derivative instrument is recorded on the consolidated balance sheets as a non-current asset in 2018 and a long-term liability in 2017.

In December 2014, the Company entered into a forward interest rate swap agreement with a financial institution in conjunction with the 2014B Bonds that took effect October 1, 2015. The Company pays a fixed rate of 3.195% while the financial institution pays based on 78% of 1-Month Libor plus 1.3925%. The difference between the fixed and floating rates is accrued and recorded in interest expense in the accompanying consolidated statements of operations and changes in net assets. The fair value of this derivative instrument is recorded on the consolidated balance sheets as a non-current asset in 2018 and a long-term liability in 2017. The following schedule outlines the terms and fair values of the interest rate swap agreement.

	<u>2014A Bond Bank Swap</u>	<u>2014B Bond Bank Swap</u>
Notional amount	\$ 8,955,000	\$ 15,200,000
Trade date	8/25/2014	12/22/2014
Effective date	10/1/2014	10/1/2015
Termination date	10/1/2024	10/1/2024
Fixed rate	2.970%	3.195%
Fair value at September 30, 2016	\$ (252,626)	\$ (652,857)
Unrealized gains	<u>209,717</u>	<u>470,579</u>
Fair value at September 30, 2017	(42,909)	(182,278)
Unrealized gains	<u>134,084</u>	<u>334,515</u>
Fair value at September 30, 2018	<u>\$ 91,175</u>	<u>\$ 152,237</u>

By using an interest rate swap to hedge exposure to change in interest rates, the Company exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. Market risk is the adverse effect on the value of the financial instrument that results from a change in interest rates. The market risk associated with an interest rate swap is managed by establishing and monitoring parameters that limit the types and degrees of market risk that may be undertaken.

8. Benevolent Assistance and Other Contractual Adjustments

UMRH maintains records to identify and monitor the level of benevolent assistance it provides. These records include the amount of charges forgone for services and supplies furnished under its benevolent assistance policy. Amounts of benevolent assistance provided based on the cost to provide was approximately \$572,000 and \$528,000 for the years ended September 30, 2018 and 2017, respectively. The benevolent care amount includes approximately \$20,000 for the years ended September 30, 2018 and 2017, of services discounted for former

**The United Methodist Retirement Homes, Incorporated, Its Affiliate, and Subsidiary
Notes to Consolidated Financial Statements**

Methodist Retirement Community (“MRC”) residents who were moved to Croasdaile Village upon the closure of MRC.

Additionally, 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 UMRH’s standard rates and the rates paid by net third party payors. For the years ended September 30, 2018 and 2017, net patient service revenue was reduced by net third party payor contractual adjustments (primarily Medicaid and Medicare) of approximately \$5,287,000 and \$5,817,000, respectively.

9. Retirement Plans

Effective July 1, 2002, UMRH formed a 403(b) defined-contribution pension plan covering substantially all its employees. UMRH matches 50% of eligible employee contributions up to eight percent on employees’ annual compensation. Matching contributions begin on the first payroll of the first calendar quarter after the employee’s hire date. The employees are immediately vested in their contributions. UMRH matching contributions are vested after the twelfth consecutive month period beginning with the first day of the plan year and ending with the last day of the plan year in which the employee is credited with at least 1,000 hours of service. At the end of the plan year, UMRH’s matching contributions are vested on a sliding scale from zero to 100% based on years of vesting service where employees are 100% vested after 5 years. Retirement plan expense amounted to approximately \$326,000 and \$282,000 for the years ended September 30, 2018 and 2017, respectively.

10. Temporarily Restricted Net Assets

Temporarily restricted net assets at September 30 were available for the following purposes:

	<u>2018</u>	<u>2017</u>
Benevolent care	\$ 1,718,697	\$ 1,417,634
Split interest agreements	263,760	225,785
Use and maintenance of the Cypress Glen facility	1,117,475	1,088,631
Other	1,841,718	1,172,508
Facility operations and maintenance	95,523	81,956
Capital campaign	<u>23,111</u>	<u>13,111</u>
Total	<u>\$ 5,060,284</u>	<u>\$ 3,999,625</u>

11. Permanently Restricted Net Assets

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable to support:

	<u>2018</u>	<u>2017</u>
Benevolent endowment fund	\$ 2,114,928	\$ 2,091,753
Split interest agreements	675,607	569,960
Use and maintenance of the Cypress Glen facility	649,525	649,525
Other	338,553	338,552
Facility operations and maintenance	<u>100,691</u>	<u>100,691</u>
	<u>\$ 3,879,304</u>	<u>\$ 3,750,481</u>

12. Commitments and Contingencies

The Company is involved in litigation in the ordinary course of business related to professional liability claims. Management believes these 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 policies not be renewed or replaced with equivalent insurance, claims based on occurrences during their terms but reported subsequently would be uninsured. Management anticipates that such coverage will be renewed or replaced with equivalent insurance as these policies expire.

13. Contingent Liabilities

The Company is self-insured for its employee health insurance and records an estimate for claims incurred but unpaid at year end. The estimated liability for these claims approximated \$181,000 and \$126,000 for the years ended September 30, 2018 and 2017, respectively. The liability is included in current liabilities. The total self-insurance expenses were approximately \$2,520,000 and \$2,300,000. The self-insured plan has a stop loss coverage of \$80,000 per individual per plan year (with a \$125,000 cumulative specific stop loss deductible) and has an \$1,000,000 annual aggregate.

14. Management Fees

The Company pays management fees to Life Care Services LLC (“LCS”) pursuant to a Client Services Agreement dated January 1, 2018. Under this Agreement, LCS is to: (i) provide a qualified Corporate Executive Director, who is an employee of LCS; (ii) perform general, financial, personnel, facility and other management services necessary for operation of UMRH’s corporate office and the operation and marketing of the communities. The term of the Client Services Agreement is five years terminable by UMRH, with six months’ notice, at the conclusion of the third anniversary without cause or penalty. The Company recognized management fee expenses of approximately \$1,956,000 and \$1,862,000 for the years ended September 30, 2018 and 2017, respectively which are included in administrative expenses on the consolidated statement of operations and changes in net assets.

15. Endowment Funds

The Company’s endowments consist of individual funds established for a variety of purposes including support for residents in financial need, plant operations and maintenance and other general obligations. The endowments consist of donor-restricted endowment funds. As required by generally accepted accounting principles, 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 Company 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 Company 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 United Methodist Retirement Homes, Incorporated, Its Affiliate, and Subsidiary
Notes to Consolidated Financial Statements

the accumulation is added to the fund. In accordance with SPMIFA, the Company 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 Company 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 Company
- The investment policies of the Company

Endowment Net Asset Composition by Type of Fund as of September 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment	\$ -	\$ 4,796,524	\$ 3,203,697	\$ 8,000,221

Changes in Endowment Net Assets for the Year Ended September 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 3,773,840	\$ 3,180,521	\$ 6,954,361
Investment gains	-	504,428	-	504,428
Contributions to principal	-	870,382	23,176	893,558
Change in value of pledges	-	208,179	-	208,179
Bad debt expense, net	-	(22,800)	-	(22,800)
Releases from restriction	-	(537,505)	-	(537,505)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 4,796,524</u>	<u>\$ 3,203,697</u>	<u>\$ 8,000,221</u>

Endowment Net Asset Composition by Type of Fund as of September 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment	\$ -	\$ 3,773,840	\$ 3,180,521	\$ 6,954,361

Changes in Endowment Net Assets for the Year Ended September 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 3,002,785	\$ 3,144,262	\$ 6,147,047
Investment gains	-	616,307	-	616,307
Contributions to principal	-	449,010	13,945	462,955
Change in value of pledges	-	56,238	-	56,238
Maturity of split-interest agreements	-	-	22,314	22,314
Bad debt expense, net	-	(6,273)	-	(6,273)
Releases from restriction	-	(344,227)	-	(344,227)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 3,773,840</u>	<u>\$ 3,180,521</u>	<u>\$ 6,954,361</u>

The United Methodist Retirement Homes, Incorporated, Its Affiliate, and Subsidiary Notes to Consolidated Financial Statements

Return Objectives and Risk Parameters

The Company 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 Company must hold in perpetuity.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Company relies on a combination strategy of capital preservation and modest capital growth. The Company targets a diversified asset allocation that places a greater emphasis on fixed income investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Company has a policy of utilizing the interest and dividends earned on these endowments for their restricted purposes. The Company 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.

Supplementary Information

The United Methodist Retirement Homes, Inc., Its Affiliate and Subsidiary
Consolidating Balance Sheet Information
September 30, 2018

	Corporate	Wesley Pines	Cypress Glen	Croasdalle Village	Eliminating entries	Total UMRH	UMRH Foundation	Eliminating entries	Obligated Group	UMRH AHD	Consolidated
ASSETS											
Current assets:											
Cash	\$ 1,795,119	\$ 400	\$ 2,175	\$ 650	\$ -	\$ 1,798,344	\$ 89,271	\$ -	\$ 1,887,615	\$ 86,441	\$ 1,974,056
Contributions receivable, current portion	-	35,386	151,500	1,151,790	-	1,338,676	144,314	(1,338,676)	144,314	-	144,314
Investments	77,486,674	-	-	-	(13,069,468)	64,417,206	-	-	64,417,206	-	64,417,206
Assets limited as to use - debt service, current portion	-	-	200,857	1,359,048	-	1,559,905	-	-	1,559,905	-	1,559,905
Assets limited as to use, current portion	6	4,260	349,778	16,339	-	370,383	-	-	370,383	300	370,683
Accounts receivable, net of allowance for uncollectible accounts	-	670,831	266,673	1,584,270	-	2,521,774	-	-	2,521,774	-	2,521,774
Other receivables	28,450	37,773	167,122	2,346,907	-	2,580,252	700	-	2,580,952	-	2,580,952
Due from related parties	2,054,420	-	27,078,191	53,054,978	(82,037,954)	149,635	-	(149,635)	-	-	-
Inventories	50	21,851	29,181	69,321	-	120,403	-	-	120,403	-	120,403
Prepaid expenses and other current assets	157,758	205,400	206,546	439,814	-	1,009,518	470	-	1,009,988	-	1,009,988
Total current assets	81,522,477	975,901	28,452,023	60,023,117	(95,107,422)	75,866,096	234,755	(1,488,311)	74,612,540	86,741	74,699,281
Non-current assets:											
Assets limited as to use - statutory operating reserve	-	2,242,977	3,266,279	7,560,213	-	13,069,469	100,000	-	13,169,469	-	13,169,469
Assets limited as to use - debt service, net of current portion	-	-	1,462,913	61,636,426	-	63,099,339	-	-	63,099,339	-	63,099,339
Assets limited as to use, net of current portion	674,525	-	1,117,475	3,701,361	-	5,493,361	1,411,427	-	6,904,788	-	6,904,788
Investments - restricted	-	-	-	-	-	-	5,661,990	-	5,661,990	-	5,661,990
Assets held for resale	181,690	32,112	-	-	-	213,802	-	-	213,802	-	213,802
Property and equipment, net	581,547	12,760,501	34,119,485	116,676,230	-	164,137,763	-	-	164,137,763	-	164,137,763
Trusts receivable	-	-	-	-	-	-	191,354	-	191,354	-	191,354
Contributions receivable, net of current portion	-	528,645	1,616,557	2,586,895	-	4,732,097	153,636	(4,732,096)	153,637	-	153,637
Interest rate swap agreement	-	-	61,260	182,152	-	243,412	-	-	243,412	-	243,412
Total non-current assets	1,437,762	15,564,235	41,643,969	192,343,277	-	250,989,243	7,518,407	(4,732,096)	253,775,554	-	253,775,554
Total assets	\$ 82,960,239	\$ 16,540,136	\$ 70,095,992	\$ 252,366,394	\$ (95,107,422)	\$ 326,855,339	\$ 7,753,162	\$ (6,220,407)	\$ 328,388,094	\$ 86,741	\$ 328,474,835
LIABILITIES AND NET ASSETS											
Current liabilities:											
Annuity payable, current portion	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 83,783	\$ -	\$ 83,783	\$ -	\$ 83,783
Bonds payable, current portion	-	-	882,000	2,193,000	-	3,075,000	-	-	3,075,000	-	3,075,000
Accounts payable	849,714	213,801	774,549	3,723,342	-	5,561,406	7,925	-	5,569,331	-	5,569,331
Accrued salaries and related expenses	358,162	331,925	648,209	890,091	-	2,228,387	-	-	2,228,387	-	2,228,387
Accrued interest payable	-	189,746	336,734	2,321,709	-	2,848,189	-	-	2,848,189	-	2,848,189
Insurance regulation - statutory operating reserve	-	2,242,977	3,266,279	7,560,212	(13,069,468)	-	-	-	-	-	-
Due to related parties	80,133,170	1,904,784	-	-	(82,037,954)	-	-	-	-	-	-
Contributions payable, current portion	-	-	-	-	-	-	1,338,676	(1,338,676)	-	-	-
Total current liabilities	81,341,046	4,883,233	5,907,771	16,688,354	(95,107,422)	13,712,982	1,430,384	(1,338,676)	13,804,690	-	13,804,690
Long-term liabilities:											
Annuity payable, less current portion	-	-	-	-	-	-	303,475	-	303,475	-	303,475
Bonds payable, less current portion	-	8,756,160	16,957,661	143,792,693	-	169,506,514	-	-	169,506,514	-	169,506,514
Qualified intermediate term debt	-	-	-	-	-	-	-	-	-	-	-
Liability to other foundations	-	-	-	-	-	-	8,843	-	8,843	-	8,843
Liability for refundable advance fees	-	48,223	4,500,359	6,101,685	-	10,650,267	-	-	10,650,267	-	10,650,267
Deferred revenue from non-refundable advance fees	-	1,744,794	14,221,537	40,332,630	-	56,298,961	-	-	56,298,961	-	56,298,961
Contributions payable, less current portion	-	-	-	-	-	-	4,732,096	(4,732,096)	-	-	-
Due to related parties	67,748	-	-	-	-	67,748	149,635	(149,635)	67,748	-	67,748
Funds held for others	-	3,300	219,700	11,068	-	234,068	-	-	234,068	-	234,068
Total long-term liabilities	67,748	10,552,477	35,899,257	190,238,076	-	236,757,558	5,194,049	(4,881,731)	237,069,876	-	237,069,876
Total liabilities	81,408,794	15,435,710	41,807,028	206,926,430	(95,107,422)	250,470,540	6,624,433	(6,220,407)	250,874,566	-	250,874,566
Net assets:											
Unrestricted	876,914	539,435	25,273,353	41,696,014	-	68,385,716	188,524	-	68,574,240	86,441	68,660,681
Temporarily restricted	6	344,451	2,118,282	2,150,736	-	4,613,475	446,509	-	5,059,984	300	5,060,284
Permanently restricted	674,525	220,540	897,329	1,593,214	-	3,385,608	493,696	-	3,879,304	-	3,879,304
Total net assets	1,551,445	1,104,426	28,288,964	45,439,964	-	76,384,799	1,128,729	-	77,513,528	86,741	77,600,269
Total liabilities and net assets	\$ 82,960,239	\$ 16,540,136	\$ 70,095,992	\$ 252,366,394	\$ (95,107,422)	\$ 326,855,339	\$ 7,753,162	\$ (6,220,407)	\$ 328,388,094	\$ 86,741	\$ 328,474,835

The United Methodist Retirement Homes, Inc., Its Affiliate and Subsidiary
Consolidating Statement of Operations and Changes in Net Assets Information
September 30, 2018

	Corporate	Wesley Pines	Cypress Glen	Croasdaile Village	Total UMRH	UMRH Foundation	Eliminating entries	Obligated Group	UMRH AHD	Consolidated
Unrestricted revenues, gains and other support:										
Net resident and patient service revenue	-	7,571,504	14,768,733	34,201,176	56,541,413	-	-	56,541,413	-	\$ 56,541,413
Amortization of advance fees	-	237,095	2,333,912	4,906,734	7,477,741	-	-	7,477,741	-	7,477,741
Net assets released from restriction	648	53,186	165,094	127,454	346,382	86,825	(74,045)	359,162	-	359,162
Other	8,602	653	1,765	21,496	32,516	412	-	32,928	-	32,928
Interest and dividend income	2,098,455	-	25,450	110,620	2,234,525	97	-	2,234,622	32	2,234,654
Total unrestricted revenues, gains and other support	2,107,705	7,862,438	17,294,954	39,367,480	66,632,577	87,334	(74,045)	66,645,866	32	66,645,898
Expenses:										
Nursing services	-	3,964,115	3,748,965	7,732,986	15,446,066	-	-	15,446,066	-	15,446,066
Dietary and food services	-	1,213,093	2,570,030	4,980,837	8,763,960	-	-	8,763,960	-	8,763,960
Administration	4,284,193	778,308	1,567,594	2,761,533	9,391,628	89,582	(74,045)	9,407,165	199	9,407,364
Plant operations, maintenance and security	-	594,936	2,110,630	3,088,434	5,794,000	-	-	5,794,000	-	5,794,000
Laundry and housekeeping	-	435,160	719,025	1,892,518	3,046,703	-	-	3,046,703	-	3,046,703
Resident services - activities	-	113,462	586,376	1,721,176	2,421,014	-	-	2,421,014	-	2,421,014
Home care	-	-	-	3,107,542	3,107,542	-	-	3,107,542	-	3,107,542
Interest	-	340,949	807,808	2,298,506	3,447,263	-	-	3,447,263	-	3,447,263
Depreciation and amortization	231,349	608,338	2,730,128	6,012,584	9,582,399	-	-	9,582,399	-	9,582,399
Bad debt expense	-	79,244	2,027	191,592	272,863	-	-	272,863	-	272,863
Total expenses	4,515,542	8,127,605	14,842,583	33,787,708	61,273,438	89,582	(74,045)	61,288,975	199	61,289,174
Operating income (loss)	(2,407,837)	(265,167)	2,452,371	5,579,772	5,359,139	(2,248)	-	5,356,891	(167)	5,356,724
Non-operating gains (losses):										
Interest and dividend income	-	-	-	18,422	18,422	-	-	18,422	-	18,422
Net investment gains, realized	379	-	-	-	379	-	-	379	-	379
Net investment gains, unrealized	543,114	-	(17,060)	(37,623)	488,431	-	-	488,431	-	488,431
Gain (loss) on disposal of property and equipment	(943)	13,000	(152,849)	(197,123)	(337,915)	-	-	(337,915)	-	(337,915)
Contributions	14,844	818	10,985	912	27,559	1,575	-	29,134	-	29,134
Loss on extinguishment of debt	-	(527,063)	(210,748)	(618,792)	(1,356,603)	-	-	(1,356,603)	-	(1,356,603)
Change in fair value of interest rate swap agreement	-	-	90,090	378,509	468,599	-	-	468,599	-	468,599
Other	-	2,921	(130,080)	22,294	(104,865)	-	-	(104,865)	-	(104,865)
Net non-operating gains (losses)	557,394	(510,324)	(409,662)	(433,401)	(795,993)	1,575	-	(794,418)	-	(794,418)
Excess of revenues, gains and other support over expenses	(1,850,443)	(775,491)	2,042,709	5,146,371	4,563,146	(673)	-	4,562,473	(167)	4,562,306
Net assets released from restrictions for purchase of property and equipment	-	-	65,527	112,816	178,343	-	-	178,343	-	178,343
Change in unrestricted net assets	(1,850,443)	(775,491)	2,108,236	5,259,187	4,741,489	(673)	-	4,740,816	(167)	4,740,649
Change in temporarily restricted net assets:										
Contributions	(2,150)	27,224	212,589	501,749	739,412	130,970	-	870,382	-	870,382
Interest and dividend income	-	12,045	79,301	50,822	142,168	22,071	-	164,239	-	164,239
Investment income (loss)	-	24,988	163,923	105,459	294,370	45,819	-	340,189	-	340,189
Change in split interest agreement	-	-	18,401	20,085	38,486	(511)	-	37,975	-	37,975
Change in value of pledges	-	-	(5,537)	213,716	208,179	-	-	208,179	-	208,179
Recovery of bad debt (bad debt expense)	-	-	600	(23,400)	(22,800)	-	-	(22,800)	-	(22,800)
Net assets released from restriction	(648)	(27,174)	(225,471)	(197,387)	(450,680)	(86,825)	-	(537,505)	-	(537,505)
Change in temporarily restricted net assets	(2,798)	37,083	243,806	671,044	949,135	111,524	-	1,060,659	-	1,060,659
Change in permanently restricted net assets:										
Contributions	-	220	10,510	11,446	22,176	1,000	-	23,176	-	23,176
Change in split interest agreement	-	6,653	79,154	17,338	103,145	2,502	-	105,647	-	105,647
Change in permanently restricted net assets	-	6,873	89,664	28,784	125,321	3,502	-	128,823	-	128,823
Change in net assets	(1,853,241)	(731,535)	2,441,706	5,959,015	5,815,945	114,353	-	5,930,298	(167)	5,930,131
Net assets, beginning of year	3,404,686	1,835,961	25,847,258	39,480,949	70,568,854	1,014,376	-	71,583,230	86,908	71,670,138
Net assets, end of year	\$ 1,551,445	\$ 1,104,426	\$ 28,288,964	\$ 45,439,964	\$ 76,384,799	\$ 1,128,729	\$ -	\$ 77,513,528	\$ 86,741	\$ 77,600,269

ATTACHMENT 2

**Forecasted Financial Statements
of
The United Methodist
Retirement Homes, Incorporated
Includes**

- **Consolidated Operations of Croasdaile Village, Cypress Glen and Wesley Pines**
- **Individual Operations of Croasdaile Village**

The United Methodist Retirement Homes, Incorporated

Projected Financial Statements

Years Ending September 30, 2019 through 2023



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Independent Accountants' Compilation Report

Board of Directors
The United Methodist Retirement Homes, Incorporated
Durham, North Carolina

Management is responsible for the accompanying projection of The United Methodist Retirement Homes, Incorporated ("UMRH"), which comprises the projected balance sheets as of September 30, 2019 through 2023, and the projected statements of operations and changes in net assets, and cash flows for the years then ending, including the related summaries of significant assumptions and accounting policies in accordance with guidelines for the presentation of a projection established by the American Institute of Certified Public Accountants ("AICPA"). We have performed the compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the 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, nor provide any form of assurance on this projection.

Even if the hypothetical assumptions described in Note 1 occurred, there will usually be differences between the projection 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.

The accompanying projections and this report are intended solely for the information and use of UMRH and to comply with the requirements of North Carolina General Statutes, Chapter 58, Article 64, they are not intended to be and should not be used by anyone other than these specified parties.

As disclosed in Note 1 to the audited consolidated financial statements for UMRH and Affiliates, accounting principles generally accepted in the United States of America require that the financial statements for affiliates meeting certain criteria be consolidated with the parent organization's financial statements. For purposes of this projection, the financial statements of two affiliates, which should be consolidated with UMRH's financial statements under accounting principles generally accepted in the United States of America, have been excluded from the projected financial statements. The effects of this departure from accounting principles generally accepted in the United States of America on the projected financial position, results of operations and cash flows have not been determined.

The accompanying supplementary information on pages 21 - 29 is presented for purposes of additional analysis and is not a required part of the projection. Such information is the responsibility of management. The supplementary information was subject to our compilation engagement. We have not examined or reviewed the supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.

Dixon Hughes Goodman LLP

**Raleigh, North Carolina
February 26, 2019**

The United Methodist Retirement Homes, Incorporated
Projected Balance Sheets
September 30, 2019 through 2023
(dollars in thousands)

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
ASSETS					
Current assets:					
Cash	\$ 4,931	\$ 2,681	\$ 932	\$ 9,766	\$ 19,293
Contributions receivable from UMRH Foundation, current portion	1,339	1,339	1,339	354	354
Investments	62,138	63,609	67,089	68,506	70,629
Assets limited as to use - debt service, current portion	1,004	996	987	978	969
Assets limited as to use - future construction, current portion	18,672	23,035	23,035	23,035	23,035
Assets limited as to use - all other, current portion	370	370	370	370	370
Accounts receivable, net	2,679	3,106	3,268	3,377	3,487
Other receivables	1,756	2,645	2,448	2,505	2,563
Due from related parties	150	150	150	150	149
Inventories	120	123	127	130	135
Prepaid expenses and other current assets	1,104	1,179	1,222	1,255	1,288
Total current assets	<u>94,263</u>	<u>99,233</u>	<u>100,967</u>	<u>110,426</u>	<u>122,272</u>
Assets limited as to use:					
Assets limited as to use - statutory operating reserve	16,931	17,403	15,915	16,538	16,506
Assets limited as to use - debt service, net of current portion	23,330	7,661	7,670	7,677	7,607
Assets limited as to use - all other, net of current portion	2,054	2,083	2,112	1,908	1,939
	<u>42,315</u>	<u>27,147</u>	<u>25,697</u>	<u>26,123</u>	<u>26,052</u>
Property and equipment, net	198,992	218,560	219,828	221,085	222,901
Other assets:					
Interest rate swap agreement	243	243	243	243	243
Assets held for resale	214	214	215	216	216
Contributions receivable from UMRH Foundation, net of current portion	4,733	4,733	4,733	4,733	4,733
	<u>5,190</u>	<u>5,190</u>	<u>5,191</u>	<u>5,192</u>	<u>5,192</u>
Total assets	<u>\$ 340,760</u>	<u>\$ 350,130</u>	<u>\$ 351,683</u>	<u>\$ 362,826</u>	<u>\$ 376,417</u>
LIABILITIES AND NET ASSETS					
Current liabilities:					
Bonds payable, current portion	\$ 11,590	\$ 11,825	\$ 4,430	\$ 3,700	\$ 4,685
Accounts payable	4,244	3,698	3,180	3,269	3,378
Accrued salaries and related expenses	3,184	5,507	6,925	8,266	9,677
Accrued interest payable	1,372	1,343	1,311	1,296	1,283
Other	71	71	71	71	71
Total current liabilities	<u>20,461</u>	<u>22,444</u>	<u>15,917</u>	<u>16,602</u>	<u>19,094</u>
Long-term liabilities:					
Bonds payable, less current portion	157,722	145,698	141,062	137,073	132,083
Liability for refundable advanced fees	12,510	13,548	14,155	14,780	15,432
Deferred revenue for non-refundable advanced fees	65,458	71,764	71,226	70,987	71,163
Due to related parties	72	75	79	83	87
Fund held for others	234	234	234	234	234
Total liabilities	<u>256,457</u>	<u>253,763</u>	<u>242,673</u>	<u>239,759</u>	<u>238,093</u>
Net assets:					
Unrestricted	76,305	88,369	101,012	116,054	131,311
Temporarily restricted	4,613	4,613	4,613	3,628	3,628
Permanently restricted	3,385	3,385	3,385	3,385	3,385
Total net assets	<u>84,303</u>	<u>96,367</u>	<u>109,010</u>	<u>123,067</u>	<u>138,324</u>
Total liabilities and net assets	<u>\$ 340,760</u>	<u>\$ 350,130</u>	<u>\$ 351,683</u>	<u>\$ 362,826</u>	<u>\$ 376,417</u>

The United Methodist Retirement Homes, Incorporated
Projected Statements of Operations and Changes in Net Assets
For the years ending September 30, 2019 through 2023
(dollars in thousands)

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Revenue:					
Net resident services, apartments	\$ 29,115	\$ 34,911	\$ 36,880	\$ 38,224	\$ 39,618
Net resident services, health care center	19,967	20,466	20,980	21,510	22,058
Net resident services, assisted living	7,089	10,018	11,004	11,484	11,873
Net resident services, memory care	1,071	1,103	1,136	1,171	1,206
Net resident services, home care	2,650	2,756	2,866	2,980	3,100
Amortization of advanced fees	11,716	11,489	12,208	12,469	12,769
Net assets released from restriction	246	233	226	221	218
Other	30	30	30	30	30
Interest and dividend income	1,734	2,097	2,146	2,195	2,247
	<u>73,618</u>	<u>83,103</u>	<u>87,476</u>	<u>90,284</u>	<u>93,119</u>
Expenses:					
Health care center	14,253	14,685	15,130	15,589	16,062
Assisted living	2,276	3,074	3,337	3,464	3,567
Memory care	497	512	527	543	559
Home care	2,392	2,464	2,538	2,614	2,693
Resident services	2,548	2,643	2,728	2,811	2,895
Dietary and food service	9,187	9,878	10,221	10,529	10,846
Housekeeping	3,344	3,774	3,899	4,017	4,138
Laundry	179	184	190	195	201
Plant	6,347	7,204	7,506	7,735	7,971
General and administration	10,047	11,076	11,536	11,811	12,185
Depreciation	10,169	9,170	11,233	11,186	11,204
Interest	4,461	6,375	5,988	5,733	5,541
	<u>65,700</u>	<u>71,039</u>	<u>74,833</u>	<u>76,227</u>	<u>77,862</u>
Excess of revenue over expenses	7,918	12,064	12,643	14,057	15,257
Net assets released from restriction for purchase of property and equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>985</u>	<u>-</u>
Change in unrestricted net assets	<u>\$ 7,918</u>	<u>\$ 12,064</u>	<u>\$ 12,643</u>	<u>\$ 15,042</u>	<u>\$ 15,257</u>
Change in temporarily restricted net assets					
Net assets released from restriction	<u>-</u>	<u>-</u>	<u>-</u>	<u>(985)</u>	<u>-</u>
Change in net assets	7,918	12,064	12,643	14,057	15,257
Net assets beginning of year	<u>76,385</u>	<u>84,303</u>	<u>96,367</u>	<u>109,010</u>	<u>123,067</u>
Net assets end of year	<u>\$ 84,303</u>	<u>\$ 96,367</u>	<u>\$ 109,010</u>	<u>\$ 123,067</u>	<u>\$ 138,324</u>

The United Methodist Retirement Homes, Incorporated
Projected Statements of Cash Flows
For the years ending September 30, 2019 through 2023
(dollars in thousands)

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Operating activities:					
Change in net assets	\$ 7,918	\$ 12,064	\$ 12,643	\$ 14,057	\$ 15,257
Adjustments to reconcile change in net assets to net cash from operating activities:					
Depreciation	10,169	9,170	11,233	11,186	11,204
Amortization of deferred financing costs	79	82	85	105	111
Amortization of bond premium	(273)	(280)	(292)	(393)	(415)
Amortization of advanced fees	(11,716)	(11,489)	(12,208)	(12,469)	(12,769)
Non-refundable entrance fees received	22,979	20,748	14,229	14,681	15,143
Bad debt expense	153	342	360	372	385
Net change in:					
Accounts receivable - residents and patients	(309)	(769)	(522)	(481)	(495)
Accounts receivable - other	823	(889)	197	(57)	(58)
Investments	(1,582)	(1,944)	(1,991)	(2,040)	(2,090)
Contributions receivable/(payable)	-	-	-	985	-
Due to/from related parties	4	3	4	4	4
Inventories	2	(3)	(4)	(3)	(5)
Prepaid expenses and other current assets	(93)	(75)	(43)	(33)	(33)
Accounts payable	(1,316)	(546)	(518)	89	109
Accrued salaries and related expenses	955	2,323	1,418	1,341	1,411
Accrued interest payable	(1,477)	(29)	(32)	(15)	(13)
Net cash provided by operating activities	<u>26,316</u>	<u>28,708</u>	<u>24,559</u>	<u>27,329</u>	<u>27,746</u>
Investing activities:					
Purchase of property and equipment	(44,953)	(28,738)	(12,500)	(12,444)	(13,020)
Assets limited as to use	25,092	11,285	(30)	206	47
Change in assets held for resale	(1)	-	(1)	(1)	-
Net cash used in investing activities	<u>(19,862)</u>	<u>(17,453)</u>	<u>(12,531)</u>	<u>(12,239)</u>	<u>(12,973)</u>
Financing activities:					
Refunds of deposits and refundable fees	(2,685)	(3,658)	(3,258)	(3,154)	(2,899)
Refundable entrance fees received	2,439	1,743	1,306	1,328	1,353
Payments on bonds and note payable	(3,075)	(11,590)	(11,825)	(4,430)	(3,700)
Net cash used by financing activities	<u>(3,321)</u>	<u>(13,505)</u>	<u>(13,777)</u>	<u>(6,256)</u>	<u>(5,246)</u>
Change in cash	3,133	(2,250)	(1,749)	8,834	9,527
Cash, beginning of year	<u>1,798</u>	<u>4,931</u>	<u>2,681</u>	<u>932</u>	<u>9,766</u>
Cash, end of year	<u>\$ 4,931</u>	<u>\$ 2,681</u>	<u>\$ 932</u>	<u>\$ 9,766</u>	<u>\$ 19,293</u>

Summary of Significant Projected Assumptions and Accounting Policies

1. Nature of Business

The United Methodist Retirement Homes, Incorporated (“UMRH”) is a not-for-profit corporation, which principally provides housing, health care, and other related services to residents through the ownership and operation of Wesley Pines Retirement Community in Lumberton, North Carolina, Croasdaile Village Retirement Community in Durham, North Carolina, and Cypress Glen Retirement Community in Greenville, North Carolina. UMRH was incorporated in North Carolina in 1946. UMRH’s corporate office is located in Durham, North Carolina.

The financial projection presents, to the best of management’s knowledge and belief, the expected financial position, results of operations, and cash flows for the projection period of UMRH, excluding its two affiliates UMRH Affordable Housing Development, LLC (“UMRH-AHD”) and The United Methodist Retirement Homes Foundation, Inc. (the “Foundation”). UMRH-AHD is a limited liability company, which was organized in North Carolina in 2002 to further the charitable purposes of UMRH by developing affordable rental housing for senior citizens. UMRH is the sole member of UMRH-AHD. The Foundation is a not-for-profit corporation which was organized in order to raise endowment funds for the residential facilities operated by UMRH, to support benevolent care for those residents who are unable to pay for continuing care at the residential facilities operated by UMRH, and to support special programs at the residential facilities operated by UMRH. Accordingly, this projection reflects management’s judgment as of February 26, 2019, the date of completion of this projection, of the expected conditions and its course of action.

The assumptions disclosed herein are those that management believes are significant to the projected statements. UMRH recognizes that there will be differences between projected and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

Hypothetical Assumptions

Even if the hypothetical assumptions stated below were to occur, there will usually be differences between the projection and actual results, because, events and circumstances frequently do not occur as expected, and those differences may be material. Management has prepared its financial projection assuming the following hypothetical assumptions:

Croasdaile Village Retirement Community:

- Addition of 58 independent living and 34 assisted living units of Croasdaile Village in Durham, North Carolina in two phases occurring in the estimated time as reflected in this projection;
- Construction, development, marketing and other related costs for the Projects occur in the estimated time and at estimated costs of approximately \$75,000,000 to be completed over a period from 2017 to 2020 as reflected in this projection;
- Obtained a combination of tax-exempt public market fixed rate debt with interest rates ranging from 3.0% - 5.0% and bank placed variable rate debt at an overall assumed interest rate of 3.0% of approximately \$103,205,000 consisting of: \$15,085,000 short term bank debt to be retired by initial entrance fees from the expansion project; \$16,150,000 long term bank debt; \$49,485,000 long term tax-exempt bonds; and \$22,485,000 refunding of existing debt. Loan covenants will be established at a time commensurate with the issuance of the offering memorandum for the bonds;

The United Methodist Retirement Homes, Incorporated
Summary of Significant Projected Assumptions and Accounting Policies

- The 58 independent living and 34 assisted living units will be successfully marketed and occupied starting in the year ending 2019 and 2021, respectively;
- Adequate demand for services will exist to support the assumed occupancy of the 58 independent living and 34 assisted living units;
- All revenues and expenses will be recognized in accordance with accounting principles generally accepted in the United States of America.

Cypress Glen Retirement Community:

- Addition of 18 independent living units at Cypress Glen in Greenville, North Carolina occurring in the estimated time as reflected in this projection.
- Construction, development, marketing and other related costs for the Project occurs in the estimated time and at estimated costs of approximately \$7,400,000 to be completed over a period from 2017 to 2021 as reflected in this projection.
- Funding will be provided by UMRH. There will be no debt added to the community.
- The 18 independent living units will be successfully marketed and occupied starting in the year 2019.
- Adequate demand for services exists to support the assumed occupancy of the 18 independent living units.
- All revenues and expenses will be recognized in accordance with accounting principles generally accepted in the United States of America.

The following table summarizes the type, number, approximate square footages, entrance fees and monthly fees for the New Cypress Glen independent living units effective as of October 1, 2018.

Cypress Glen Independent Living Configuration

Independent Living Unit Type	Unit Count	Square Footage	Entrance Fees				Monthly Fee ⁽¹⁾⁽²⁾
			Standard Plan ⁽¹⁾⁽²⁾	50% Refund Plan ⁽¹⁾⁽²⁾	80% Refund Plan ⁽¹⁾⁽²⁾	90% Refund Plan ⁽¹⁾⁽²⁾	
<i>Villas:</i>							
Hawthorn Villa	4	1,530	\$221,850	\$310,590	\$377,145	\$427,061	\$3,856
Magnolia Villa	5	1,708	\$247,660	\$346,724	\$421,022	\$476,746	\$4,236
Oak Villa	2	1,865	\$270,425	\$378,595	\$459,723	\$520,568	\$4,569
Total Villas	11	1,672	\$242,414	\$339,379	\$412,103	\$466,646	\$4,158
<i>Cottages:</i>							
Hawthorn Cottage	4	1,530	\$237,150	\$332,010	\$403,155	\$456,514	\$3,856
Oak Cottage	3	1,890	\$292,950	\$410,130	\$498,015	\$563,929	\$4,631
Total Cottages	7	1,684	\$261,064	\$365,490	\$443,809	\$502,549	\$4,188
Total/Wtd Averages	18	1,677	\$249,667	\$349,533	\$424,433	\$480,609	\$4,170

Source: Management

(1) Fees are effective October 1, 2018.

(2) The second person Monthly Fee for all Entrance Fee plans is \$1,052. The second person Entrance Fee for the New Cypress Glen Independent Living Units is \$8,746 for the Standard Plan, \$12,244 for the 50% Refund Plan, \$14,868 for the 80% Refund Plan, and \$16,836 for the 90% Refund Plan.

A hypothetical assumption is an assumption used in a financial projection to present a condition or course of action that is not necessarily expected to occur, but is consistent with the purpose of the presentation.

The United Methodist Retirement Homes, Incorporated Summary of Significant Projected Assumptions and Accounting Policies

Management's purpose in releasing this financial projection is for inclusion in the Organization'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. The assumptions disclosed herein are those that Management believes are significant to the projection based on managements' judgment at the time of the projection. Management recognizes that there will usually be differences between the prospective and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

2. Description of the Croasdaile Village Retirement Community

UMRH owns and operates Croasdaile Village, a North Carolina licensed continuing care retirement community that includes 402 independent living units, 30 assisted living units, and 110 nursing beds located in Durham, North Carolina (the "Community"). The Community offers a fee-for-service or "Type C" contract in which residents transferring through the continuum of care receive priority access into the health care services on campus. Entrance fees for the independent living units are offered under a non-refundable or "Standard Plan," a 50 percent refundable ("50% Return of Capital Plan") or a 90 percent refundable ("90% Return of Capital Plan").

The refundability of entrance fees under the plans are as follows:

- Standard Plan entrance fees decreases at 2% per month for 50 months;
- 50% Return of Capital Plan entrance fees decrease at 2% per month for 25 months; and
- 90% Return of Capital Plan entrance fees decrease at 2% per month for 5 months.

The United Methodist Retirement Homes, Incorporated
Summary of Significant Projected Assumptions and Accounting Policies

The following table summarizes the type, number, approximate square footages, entrance fees (“Entrance Fees”) and monthly fees (“Monthly Fees”) of the Community’s Independent Living Units effective as of October 1, 2018.

The Community – Independent Living Units						
Independent Living Unit Type	Unit Count	Square Footage	Entrance Fees			Monthly Fee ⁽¹⁾⁽²⁾
			Standard Plan ⁽¹⁾⁽²⁾	50% Refund Plan ⁽¹⁾⁽²⁾	90% Refund Plan ⁽¹⁾⁽²⁾	
<i>Apartments:</i>						
Studio	18	400	\$57,014	\$79,820	\$102,625	\$1,936
Alcove	9	490	\$70,257	\$98,360	\$126,463	\$2,379
1 Bedroom Standard	27	770 – 840	\$122,858	\$172,001	\$221,144	\$2,897
1 Bedroom Traditional	6	850	\$130,783	\$183,096	\$235,409	\$2,961
1 Bedroom Deluxe	27	920	\$153,374	\$214,724	\$276,073	\$3,020
1 Bedroom w. Den	9	950	\$168,385	\$235,739	\$303,093	\$3,133
1 Bedroom Grande	9	965	\$163,985	\$229,579	\$295,173	\$3,180
2 Bedroom Traditional	6	1,060	\$187,196	\$262,074	\$336,953	\$3,301
2 Bedroom Standard	45	1,110 – 1,190	\$177,721	\$248,809	\$319,898	\$3,350
2 Bedroom Conventional	15	1,175	\$194,467	\$272,254	\$350,041	\$3,600
2 Bedroom Deluxe	40	1,285	\$201,825	\$282,555	\$363,285	\$3,650
2 Bedroom w. Den	12	1,350	\$236,958	\$331,741	\$426,524	\$3,952
2 Bedroom Grande	9	1,350	\$224,394	\$314,152	\$403,909	\$3,948
2 Bedroom Grande II	6	1,450	\$241,433	\$338,006	\$434,579	\$4,251
2 Bedroom Executive	5	1,600	\$266,150	\$372,610	\$479,070	\$4,289
2 Bedroom Terrace A/B	2	1,800 – 1,865	\$282,140 – 290,238	\$394,996 – 406,333	\$507,852 – 522,428	\$4,378
Total Apartments	245	1,037	\$168,238	\$235,533	\$302,828	\$3,265
<i>Heritage Hall⁽³⁾⁽⁴⁾</i>						
Alcoves	48	485 – 565	\$24,003 – 28,884	–	–	\$4,842
1 Bedroom	8	650	\$28,884	–	–	\$4,842
Total Apartments	56	545	\$26,792	–	–	\$4,842
<i>Duplexes:</i>						
Appletree/Duplex	9	1,310	\$213,578	\$299,009	\$384,440	\$3,783
Beechwood/Duplex	20	1,510	\$239,787	\$335,702	\$431,617	\$3,853
Cottonwood/Duplex	9	1,640	\$263,246	\$368,544	\$473,843	\$3,949
Dogwood/Duplex	5	1,810	\$282,151	\$395,011	\$507,872	\$4,064
Elmwood/Duplex	1	1,940	\$317,240	\$444,136	\$571,032	\$4,311
Fernwood/Duplex	12	1,500	\$251,669	\$352,337	\$453,004	\$4,132
Greenwood/Duplex	10	1,700	\$285,222	\$399,311	\$513,400	\$4,151
Heartwood/Duplex	8	1,900	\$340,695	\$476,973	\$613,251	\$4,399
Total Duplex Cottages	74	1,594	\$262,337	\$367,272	\$472,207	\$4,021
<i>Free-Standing Homes:</i>						
Beechwood/Home	9	1,510	\$255,950	\$358,330	\$460,710	\$4,099
Cottonwood/Home	3	1,640	\$288,212	\$403,497	\$518,782	\$4,188
Dogwood/Home	8	1,810	\$310,319	\$434,447	\$558,574	\$4,308
Elmwood/Home	7	1,940	\$340,695	\$476,973	\$613,251	\$4,428
Total Homes	27	1,725	\$297,615	\$416,661	\$535,707	\$4,256
Total/Wtd Averages⁽⁵⁾	402	1,207	\$198,459	\$277,843	\$357,226	\$3,504

The United Methodist Retirement Homes, Incorporated
Summary of Significant Projected Assumptions and Accounting Policies

Source: Management

- (1) Fees are effective October 1, 2018.
- (2) The second person Entrance Fee for the Homestead ILUs, the Croasdaile Duplexes and the Croasdaile Homes is \$8,099, \$11,339 and \$14,579 for the standard, 50% Refund and 90% Refund plans, respectively. The second person Monthly Fee is \$1,225 for all plans.
- (3) The second person Entrance Fee is \$7,824 and the second person Monthly Fee is \$1,710 for the Heritage ILUs.
- (4) The Monthly Fee for the Heritage ILUs includes utilities, cable, wireless internet, three meals per day, weekly housekeeping and maintenance. Ambulatory clinic and therapy services available for an additional charge.
- (5) The weighted averages exclude the pricing for the Heritage ILUs.

The following table summarizes the unit types, approximate square footage and the daily fees (“Daily Fees”) for the Memory Support Units and Nursing Beds at the Community.

The Community – Assisted Living				
	Number of Units	Square Footage	Entrance Fee⁽¹⁾	Daily Fees⁽¹⁾
<i>Assisted Living:</i>				
Assisted Living	30	168	\$24,003	\$270
Total Assisted Living Units	30	168	\$24,003	\$270
<i>Nursing Beds:</i>				
Private	72	156 – 187	N/A	\$373
Semi-Private	38	220 – 264	N/A	\$333
Total Nursing Beds	110	196		\$359

Source: Management

- (1) Fees are effective October 1, 2018.

3. Description of the Project

UMRH is currently completing a multi-phased expansion and repositioning project (the “Project”) at Croasdaile Village to include the following:

Independent Living Unit Expansion: Management is to construct 24 new independent living duplex units and 34 new independent living cottage units (collectively defined as the “New Croasdaile ILUs”).

Assisted Living Repositioning: Through replacement construction and renovation of existing spaces, Management is to remove from service the 30 Existing Croasdaile Assisted Living Units and create 64 replacement assisted living units (the “Repositioned Croasdaile ALUs”).

Common Area Expansion and Renovation: Management is to complete renovations and expansions to the common areas of the Community. Renovated common areas include the kitchen, dining space and clinic. The new common and administrative areas include: auditorium, wellness and aquatic center, spa and salon, physical and occupational therapy suite, maintenance building and outdoor recreation space. In addition, the main entrance to the Community is to be redesigned.

The United Methodist Retirement Homes, Incorporated
Summary of Significant Projected Assumptions and Accounting Policies

The Existing Croasdaile ILUs and the New Croasdaile ILUs are collectively referred to as the “Croasdaile ILUs”.

The following table summarizes the type, number, approximate square footages, Entrance Fees Monthly Fees for the New Croasdaile ILUs effective as of October 1, 2018.

Croasdaile New Independent Living Configuration						
Independent Living Unit Type	Unit Count	Square Footage	Entrance Fees			Monthly Fee⁽¹⁾⁽²⁾
			Standard Plan⁽¹⁾⁽²⁾	50% Refund Plan⁽¹⁾⁽²⁾	90% Refund Plan⁽¹⁾⁽²⁾	
<i>Park Homes:</i>						
Aspen	4	1,404	\$258,132	\$361,385	\$464,638	\$3,647
Birch	4	1,455	\$267,509	\$374,513	\$481,516	\$3,822
Maple	8	1,675	\$304,437	\$426,212	\$547,987	\$3,934
Oak	8	1,877	\$335,236	\$469,330	\$603,425	\$4,030
Total Duplex Cottages	24	1,661	\$300,831	\$421,164	\$541,496	\$3,900
<i>Duplexes:</i>						
Fernwood II Duplex	11	1,469	\$270,083	\$378,116	\$486,149	\$3,916
Greenwood II Duplex	15	1,659	\$305,016	\$427,022	\$549,029	\$4,062
Heartwood II Duplex	8	1,938	\$364,455	\$510,237	\$656,019	\$4,198
Total Homes	34	1,663	\$307,700	\$430,780	\$553,860	\$4,047
Total/Wtd Averages	58	1,662	\$304,858	\$426,801	\$548,744	\$3,986

Source: Management

(3) Fees are effective October 1, 2018.

(4) The second person Monthly Fee for all Entrance Fee plans is \$1,225. The second person Entrance Fee for the New Croasdaile ILUs is \$8,099 for the Standard Plan, \$11,339 for the 50% Refund Plan and \$14,579 for the 90% Refund Plan.

The following table summarizes the unit types, approximate square footages and Daily Rates for the Repositioned Croasdaile ALUs.

Repositioned Croasdaile ALUs – Unit/Bed Configuration		
	Number of Units	Daily Fee⁽¹⁾
<i>Converted Assisted Living Units:</i>		
Semi-Private Rooms	4	\$270
One Bedroom	60	\$270
Total/Weighted Average	64	\$270

Source: Management

(1) Fees are effective October 1, 2018.

The United Methodist Retirement Homes, Incorporated
Summary of Significant Projected Assumptions and Accounting Policies

4. Summary of Significant Assumptions

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

	Entrance Fees Receipts and Refunds (In Thousands)				
	For the Year Ending September 30,				
	2019	2020	2021	2022	2023
Number of Entrance Fees Received (Initial)					
<i>Croasdaile Village</i>	49.0	-	-	-	-
Entrance Fees Received (Initial)					
<i>Croasdaile Village</i>	\$14,645	-	-	-	-
Number of Entrance Fees Received (Attrition)					
<i>Croasdaile Village</i>	30.00	46.85	46.92	47.15	47.34
<i>Cypress Glen</i>	27.62	46.99	34.44	34.03	33.82
<i>Wesley Pines</i>	2.0	1.0	1.0	1.0	1.0
<i>Total number of Entrance Fees received</i>	108.62	94.84	82.36	82.18	82.16
Entrance Fees Received (Attrition)					
<i>Croasdaile Village</i>	\$7,467	\$11,019	\$11,347	\$11,737	\$12,127
<i>Cypress Glen</i>	\$3,155	\$11,318	\$4,032	\$4,112	\$4,207
<i>Wesley Pines</i>	\$151	\$154	\$156	\$160	\$162
<i>Entrance Fees received (Attrition)</i>	\$10,773	\$22,491	\$15,535	\$16,009	\$16,496
Total Entrance Fees Received (all)	\$25,418	\$22,491	\$15,535	\$16,009	\$16,496
Total Entrance Fees Refunded	\$(2,685)	\$(3,658)	\$(3,258)	\$(3,154)	\$(2,899)
Entrance Fees Received, Net of Refunds	\$22,733	\$18,833	\$12,277	\$12,855	\$13,597

Source: Management

Entrance fees for the Croasdaile and Cypress Glen ILUs and are assumed to increase 2.0 percent, and Wesley Pines ILUs are assumed to remain consistent during the forecast period.

The following table summarizes the historical and projected utilization of the Existing Croasdaile ILUs and the New Croasdaile ILUs.

The United Methodist Retirement Homes, Incorporated
Summary of Significant Projected Assumptions and Accounting Policies

Utilization of the Croasdaile Independent Living Units							
Fiscal Year Ending September 30,	Existing Croasdaile ILUs			New Croasdaile ILUs			Total Occupancy
	Average Units Occupied	Average Units Available	Average Occupancy	Average Units Occupied	Average Units Available	Average Occupancy	
<i>Historical</i>							
2015	376.3	402.0	93.6%	–	–	–	93.6%
2016	379.1	402.0	94.1%	–	–	–	94.1%
2017	372.3	402.0	92.9%	–	–	–	92.9%
2018	367.4	399.6	91.9%	13.3	19.3	68.9%	90.9%
<i>Forecasted</i>							
2019	373.9	402.0	93.0%	48.0	58.0	82.8%	93.1%
2020	373.9	402.0	93.0%	54.0	58.0	93.1%	92.8%
2021	373.9	402.0	93.0%	54.0	58.0	93.1%	94.1%
2022	373.9	402.0	93.0%	54.0	58.0	93.1%	94.1%
2023	373.9	402.0	93.0%	54.0	58.0	93.1%	94.1%

Source: Management

The double occupancy rate for the Existing Croasdaile ILUs is assumed to approximate 34.1 percent of occupied units in fiscal year 2018. The double occupancy rate for the New Croasdaile ILUs was 78.0 percent beginning in fiscal year 2018 and is assumed to remain consistent throughout the remainder of the forecast period.

The following is a schedule of projected deposit and move-in rates:

	Croasdaile Village 58 Unit IL Expansion Monthly Fee Assumptions				
	2019	2020	2021	2022	2023
Average census:					
First persons	54	54	54	54	54
Second persons	24	24	21	19	17
Total residents	<u>78</u>	<u>78</u>	<u>75</u>	<u>73</u>	<u>71</u>
Average monthly fees:					
First persons	\$ 5,610	\$ 5,920	\$ 6,127	\$ 6,342	\$ 6,564
Second persons	\$ 1,270	\$ 1,340	\$ 1,387	\$ 1,435	\$ 1,486
Other revenue per occupied unit	\$ 106	\$ 109	\$ 113	\$ 116	\$ 119
Calculated annual fee revenue:					
First person annual fees	\$ 3,243,816	\$ 3,836,121	\$ 3,970,386	\$ 4,109,349	\$ 4,253,176
Second person annual fees	<u>339,075</u>	<u>385,837</u>	<u>349,423</u>	<u>327,210</u>	<u>303,144</u>
Total annual fee revenue	3,582,891	4,221,958	4,319,809	4,436,559	4,556,320
Other revenue	<u>60,267</u>	<u>70,902</u>	<u>73,029</u>	<u>75,220</u>	<u>77,476</u>
Total IL revenue	<u>\$ 3,643,158</u>	<u>\$ 4,292,860</u>	<u>\$ 4,392,838</u>	<u>\$ 4,511,779</u>	<u>\$ 4,633,796</u>

The United Methodist Retirement Homes, Incorporated
Summary of Significant Projected Assumptions and Accounting Policies

5. Significant Accounting Policies

Basis of Presentation

The financial statements included in the projection have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) with the exception of excluding its two Affiliates. Significant accounting policies are described in the appropriate assumptions and notes to the projected financial statements. The assumptions described are not all-inclusive, however.

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

Investments presented in the balance sheets are not considered cash equivalents since UMRH considers them part of their investing activities.

Contributions Receivable

Unconditional promises to give cash and other assets to UMRH are reported at discounted present value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at discounted present value at the date the gift is received. The gifts are reported as either temporarily or permanently 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the projected statements of operations and changes in net assets as net assets released from restriction.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the projected balance sheets. Interest and dividends are included in excess of revenues over expenses unless the income is restricted by donor or law.

Assets Limited as to Use

Assets limited as to use consist of funds limited by board designation for benevolent assistance of residents, funds held for debt service in accordance with UMRH’s bond orders, funds held for future construction, as well as funds reserved by insurance regulation. Additional assets are held for residents.

Insurance regulation assets limited as to use represent funds reserved to comply with North Carolina Department of Insurance regulations. The amount of this reserve is calculated annually in accordance with the requirements of N.C. General Statute 58, Article 64. These investments consist of marketable debt and equity securities and are stated at fair value.

Inventories

Inventories are stated at average cost (approximately first-in first-out) not in excess of market.

The United Methodist Retirement Homes, Incorporated

Summary of Significant Projected Assumptions and Accounting Policies

Assets Held for Resale

Assets held for resale consist of gifted properties, stated at net book value, which approximates fair value.

Property and Equipment

Property and equipment are recorded at cost. Donated property is recorded at its estimated fair value at the date of receipt, which is then treated as cost. The cost of major renewals and betterments are capitalized and depreciated over their estimated useful lives. Upon disposition of equipment, the asset and related accumulated depreciation accounts are relieved and the related gain or loss is credited or charged to operating gains or losses. Expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is computed using the straight-line method based on the following estimated useful lives:

Land improvements	8 to 30 years
Buildings and improvements	5 to 40 years
Furniture and equipment	2 to 25 years

Funds Held for Others

The liability balance represents agency funds held in trust for UMRH residents. The related asset is included in assets limited as to use. Activity related to these funds is not recorded in UMRH's statements of projected operations and changes in net assets.

Liability for Refundable Advance Fees

Optional Entrance Fee plans available to residents include a standard rate plan, a 50% refundable, 80% refundable, and 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.

Deferred Revenue from Non-refundable Advance Fees

Deferred revenue from non-refundable advance fees represents payments made by a resident in exchange for the use and privileges of the community for life or until termination of the residency agreement. These advance fees may be partially refundable upon termination of the agreement and generally decline at a rate of 2% per month of occupancy and are paid after termination of the residency agreement (provided the resident's independent living unit is reoccupied) or within twenty-four months, whichever occurs first.

Advance fees are recorded as deferred revenue and recognized as revenue earned on a straight-line basis over the estimated remaining life, actuarially adjusted annually, of each resident beginning with the date of occupancy. Any unrecognized deferred revenue, less any related refund, at the date of death or termination of the contract is recorded as income in the period the death or termination of the contract occurs.

Net Assets

Net assets of UMRH and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met either by action of UMRH and/or the passage of time.

The United Methodist Retirement Homes, Incorporated

Summary of Significant Projected Assumptions and Accounting Policies

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by UMRH. Generally, the donors of these assets permit UMRH to use all or part of the income earned on related investments for general or specific purposes.

Net Asset Released from Restrictions - UMRH reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor-imposed restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of projected operations and changes in net assets as net assets released from restrictions.

The FASB issued ASU 2016-14, Not for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, to improve the presentation of financial statements of not-for-profit entities. The standard addresses key qualitative and quantitative matters including net asset classes, investment return, expenses, liquidity and availability of resources, and presentation of operating cash flows. The amendments in ASU 2016-14 are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Pinnacle Living is evaluating any impacts on the financial statements which might result from application of this new standard. Management has not adopted this standard nor has the Company determined the effect of this guidance, on its projected financial position, projected results of operations and projected cash flows.

Net Resident Services Revenue

Net resident services revenue is reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered, and include 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 UMRH have been immaterial in relation to the financial statements as a whole.

Revenues under third-party payor agreements are subject to examination and retroactive adjustment. 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.

In May 2014, the FASB issued ASU 2014-09 "*Revenue from Contracts with Customers*," which will eliminate the transaction and industry-specific revenue recognition guidance under current GAAP and replace it with a principle-based approach using the following five steps: 1) identify the contract(s) with a customer, 2) identify the performance obligations in the contract, 3) determine the transaction price, 4) allocate the transaction price to the performance obligations in the contract and 5) recognize revenue when (or as) the entity satisfies a performance obligation. In August 2015, the FASB issued ASU 2015-14 "*Revenue from Contracts with Customers (Topic 606), Deferral of the Effective Date*" which granted a one-year deferral of this ASU. The guidance in ASU 2014-09 will now be effective for the Company beginning October 1, 2019, with early adoption permitted. The guidance allows for either a full retrospective or a modified retrospective transition method. Management has not adopted this standard nor has the Company determined the effect of this guidance, including the transition method, on its projected financial position, projected results of operations and projected cash flows.

Benevolent Assistance

UMRH currently maintains a benevolent assistance program and policy for residents holding continuing care residency agreements in the event the resident(s) should become unable to pay for services. UMRH reserves the right to change the program and policy from time to time. The benevolent assistance policy will not apply to residents who have impaired their ability to meet financial obligations by transferring

The United Methodist Retirement Homes, Incorporated

Summary of Significant Projected Assumptions and Accounting Policies

assets other than to meet ordinary and customary living expenses, or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance or other health insurance after assuming occupancy. Upon review of each resident's individual financial situation, UMRH may permit the resident to remain at the facility for a lesser fee based on the resident's ability to pay, but only after meeting all of the "spend-down" provisions of eligibility for the Medicaid program and any public assistance funds. UMRH may decline new benevolent assistance applications if it is determined that deferment of such charges may impair the UMRH's ability to operate on a sound financial basis. Since UMRH does not expect to collect the normal charges for services provided for those residents who meet the benevolent assistance provisions, charges for such assistance are not included in revenue.

Continuing-Care Contracts

UMRH enters into continuing-care contracts with various residents. A continuing-care contract is an agreement between a resident and UMRH specifying the services and facilities to be provided to a resident over his or her remaining life. Under the contracts, UMRH has the ability to increase fees as deemed necessary. No obligation for future costs associated with these contracts has been provided by UMRH because management believes that future cash inflows will be sufficient to cover such costs.

Concentration of Credit Risk

Concentrations of credit risk with respect to patient accounts receivable are limited due to the formalized agreements with third-party payors. UMRH has significant accounts receivable whose collectability or realizability is dependent upon the performance of certain governmental programs, primarily Medicare and North Carolina Medicaid. Management does not believe there are significant credit risks associated with these governmental programs. An allowance for uncollectible accounts is provided in an amount equal to the estimated losses to be incurred in collection of the receivables. The allowance is based on historical collection experience and a review of the current status of the existing receivables.

Income Taxes

UMRH has been recognized by the Internal Revenue Service as a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code ("IRC") and is exempt from federal income taxes pursuant to Section 501(a) of the IRC. Accordingly, no provision for income taxes is included in the accompanying projected financial statements.

6. Summary of Significant Projected Balance Sheet Assumptions

Cash

Projected cash is a result from the application of all other assumptions.

Investments

Projected short-term investments are a result of all other projected changes. The projected amounts do not include any estimate for a change in the fair value of the underlying securities.

Accounts Receivable, net

The 2019 projected accounts receivable is based on the 2019 budget. Projected accounts receivable are based on the percentage change in projected operating revenues and are projected to increase by an average of approximately 6.9% in 2020 through 2023. Other receivables are projected to increase by an average of approximately 9.4% in 2020 through 2023.

Assets Limited as to Use

Projected assets limited as to use is based on the projected change in restricted cash.

The United Methodist Retirement Homes, Incorporated
Summary of Significant Projected Assumptions and Accounting Policies

Inventories

The 2019 balances are based on the 2019 budget. Inventories are projected to increase by an average of approximately 3.0% in years 2020 through 2023.

Prepaid Expenses and other current assets

The 2019 balances are based on the 2019 budget. Prepaid expenses and other current assets are projected to increase by an average of approximately 3.9% in years 2020 through 2023.

Property and Equipment

The 2019 property and equipment additions are based on UMRH's budgeted additions. Additions are estimated to be as follows (dollars in thousands).

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Beginning of year, property and equipment	\$ 268,116	\$ 313,068	\$ 341,803	\$ 353,638	\$ 366,003
Routine additions	10,842	11,327	12,500	12,444	13,020
Expansion (including capitalized Interest)	<u>34,111</u>	<u>17,411</u>	<u>-</u>	<u>-</u>	<u>-</u>
End of year, property and equipment	313,069	341,806	354,303	366,082	379,023
Accumulated depreciation	<u>(114,077)</u>	<u>(123,246)</u>	<u>(134,475)</u>	<u>(144,997)</u>	<u>(156,122)</u>
Total property and equipment, net	<u>\$ 198,992</u>	<u>\$ 218,560</u>	<u>\$ 219,828</u>	<u>\$ 221,085</u>	<u>\$ 222,901</u>

Projected depreciation is computed on the straight-line method over the estimated lives of depreciable property and equipment. The projection assumes all disposals during the projection period will be fully depreciated with no resulting gain or loss.

Contributions Receivable from UMRH Foundation

Contributions receivable from UMRH Foundation are projected to decrease in 2022 at the completion of the Croasdaile Village expansion.

Due to Related Party

Due to related parties represents the net amount due to affiliates of UMRH. The 2019 balance is based on the 2019 budget and projected to increase approximately 4.8% in years 2020 through 2023.

Accounts Payable and Accrued Salaries and Related Expenses

The 2019 balances are based on the 2019 budget. Projected accounts payable and accrued expenses are based on the percentage change in projected operating expenses and capital expenditures less depreciation expense, and are projected to increase by an average of approximately 6.9% in years 2020 through 2023.

Deferred Entrance Fee Revenue and Entrance Fees Earned

Projected annual resident entry fees are based on estimated average unit prices times an actuarial projected number of units released coupled with a 1.33% per year increase in the average entry fee for the years 2020 through 2023. Projected refunds are based on actuarial estimates of the number of refunds times the estimated average refund potential. Amortization into revenue of these advance fees is computed using the straight-line method over the estimated remaining life expectancy of the resident.

The United Methodist Retirement Homes, Incorporated

Summary of Significant Projected Assumptions and Accounting Policies

Long-Term Debt

In February 2010, the Company converted the remaining outstanding balance on the Series 2005B Bonds to bank qualified mode. The interest rate on the 2005B Bonds is variable based on prevailing market rates and is reset monthly based on 68% of 1-Month LIBOR plus 1.1325%.

In April 2013, the Company issued \$8,370,000 of tax-exempt, fixed rate First Mortgage Revenue Refunding Bonds ("2013A Bonds") through the North Carolina Medical Care Commission. The proceeds of the 2013A Bonds, net of issuance expense and fund amounts deposited into a debt service reserve fund, along with cash reserves held by the Company, were used to refund the Series 2004C Bonds total outstanding debt.

In September 2014, the Company issued \$12,025,000 of tax-exempt, variable First Mortgage Revenue Refunding Bonds ("2014A Bonds") through the North Carolina Medical Care Commission. Of this total amount, \$1,310,000 funded the partial refunding of the Series 2005B Bonds and \$10,715,000 refunded the entirety of the Series 2004A and a portion of the Series 2005A Bonds, which was funded on October 1, 2014. The interest rate on the 2014A Bonds is variable based on prevailing market rates and is reset monthly based on 82.65% of 1-Month LIBOR plus 1.692%. The Company entered into an interest rate swap agreement on the Series 2014A Bonds, which is described below.

In December 2014, the North Carolina Medical Care Commission authorized the issuance of tax-exempt, adjustable rate Retirement Facilities First Mortgage Revenue Refunding Bonds, Series 2014B ("2014B Bonds") in the aggregate principal amount of up to \$16,630,000. Of this total amount, \$6,390,000 and \$10,040,000 funded the partial refunding of the Series 2005C Bonds due October 1, 2019 and October 1, 2024, respectively. The amounts were funded on October 1, 2015. The interest rate on the 2014B Bonds is variable based on prevailing market rates and is reset monthly based on 82.65% of 1-Month LIBOR plus 1.692%. The Company entered into an interest rate swap agreement on the Series 2014B Bonds, which is described below.

In May 2016, the North Carolina Medical Care Commission authorized the issuance of tax-exempt, fixed rate Retirement Facilities First Mortgage Revenue Refunding Bonds, Series 2016A ("2016A Bonds") in the aggregate principal amount of up to \$34,485,000. The bond funds were used to refund the entirety of the 2005A Bonds due October 1, 2025 and October 1, 2035, and the remaining outstanding amount of \$22,715,000 of the 2005C Bonds due October 1, 2032.

In December 2017, the Company issued \$71,970,000 of rated tax-exempt fixed rate Series 2017A Bonds ("2017A Bonds"), consisting of serial and term maturities from October 1, 2018 to October 1, 2047 and \$31,235,000 of tax-exempt direct purchase bank revenue Series 2017B Bonds ("2017 Bonds") issued by the North Carolina Medical Care Commission and to be purchased by BB&T Community Holdings Co. The 2017B Bonds consist of \$16,150,000 of Series 2017B-1 Bonds to be redeemed by October 1, 2041 and \$15,085,000 of Series 2017B-2 Bonds, to be redeemed in full by October 1, 2020 with initial entrance fee proceeds received from the Project's new independent living units. The interest rate on the 2017B Bonds is variable based on prevailing market rates and is reset monthly based on 82.65% of 1-Month LIBOR plus 0.988%.

The United Methodist Retirement Homes, Incorporated

Summary of Significant Projected Assumptions and Accounting Policies

Principal repayments, excluding discounts and premiums, for the next five years and thereafter, are summarized as follows (in thousands):

2019	\$	3,075
2020		11,590
2021		11,825
2022		4,430
2023		3,700
Thereafter		<u>137,767</u>
	\$	<u>172,387</u>

Interest Rate Swaps

Variable rate long-term debt exposes the Company to variability in interest payments due to changes in interest rates. Management believes it is prudent to limit the variability of a portion of its interest payments. To meet this objective, management entered into interest rate swap agreements to manage fluctuations in cash flows resulting from interest rate risk. The 2019 balance is based on the 2019 budget and is projected to remain consistent over the projected period.

In August 2014, the Company entered into a forward interest rate swap agreement with a financial institution in conjunction with the 2014A Bonds that took effect October 1, 2014. The Company pays a fixed rate of 2.97% while the financial institution pays based on 78% of 1-Month LIBOR plus 1.3925%. The difference between the fixed and floating rates is accrued and recorded in interest expense in the accompanying projected statements of operations and changes in net assets. The fair value of this derivative instrument is recorded on the projected balance sheets as a long-term liability.

In December 2014, the Company entered into a forward interest rate swap agreement with a financial institution in conjunction with the 2014B Bonds that took effect October 1, 2015. The Company pays a fixed rate of 3.195% while the financial institution pays based on 78% of 1-Month Libor plus 1.3925%. The difference between the fixed and floating rates is accrued and recorded in interest expense in the accompanying projected statements of operations and changes in net assets. The fair value of this derivative instrument is recorded on the projected balance sheets as a long-term liability.

By using an interest rate swap to hedge exposure to change in interest rates, the Company exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. Market risk is the adverse effect on the value of the financial instrument that results from a change in interest rates. The market risk associated with an interest rate swap is managed by establishing and monitoring parameters that limit the types and degrees of market risk that may be undertaken.

7. Summary of Significant Projected Assumptions for Revenues and Expenses

Resident Services

Apartments, Health Care Center, Assisted Living, Memory Care and Home Care revenue is reported at the estimated net realizable amounts from residents. They are based on average daily fees and occupancy levels. Daily rates are projected based on 2019 budgeted rates for each type of unit. Apartment revenues are projected to increase on average approximately 8.2% in years 2020 through 2023. Health Care Center revenues are projected to increase on average approximately 2.5% in years 2020 through 2023. Assisted Living revenues are projected to increase approximately 41.3% in 2020 with an average increase of 5.9% in years 2021 through 2023. Memory Care revenues are projected to

The United Methodist Retirement Homes, Incorporated
Summary of Significant Projected Assumptions and Accounting Policies

increase on average approximately 3.0% in years 2020 through 2023. Home Care revenues are projected to increase on average approximately 4.0% in years 2020 through 2023.

Investment Income

Investment income is projected to increase on average approximately 20.9% in 2020 with an average increase of 2.3% in years 2021 through 2023.

Other Revenue

Other revenue is based on budgeted other revenue for 2019 and is projected to remain consistent throughout the projection period.

Expenses

2019 expenses, which include resident care, dietary, housekeeping, plant, and general and administrative expenses are projected based on the 2019 budget. Expenses are projected to increase approximately 4.4% in years 2020 through 2023.

8. Debt Service Coverage Ratio

Credit analysts and lenders generally consider the debt service coverage ratio to be an important factor in evaluating a continuing care retirement community's ability to fund annual debt service with cash flow from net cash revenues and net entrance fees. The debt service coverage ratio computation is not defined by GAAP and is described as a non-GAAP metric. The lack of standardization in calculating debt service coverage ratios makes it difficult to draw relevant comparisons among companies.

The debt service coverage ratio as calculated below comes from the 2014 Financial Ratios & Trends of CARF-CCAC Accredited Organizations, calculated using annual debt service (the current year's capitalized interest cost plus interest expense and scheduled principal payments) in the denominator as annual debt service. (dollars in thousands):

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Excess of revenue over expenses	\$ 7,918	\$ 12,064	\$ 12,643	\$ 14,057	\$ 15,257
Interest expense	4,461	6,375	5,988	5,733	5,541
Depreciation	10,169	9,170	11,233	11,186	11,204
Net proceeds from advance fees	22,733	18,832	12,278	12,856	13,598
Amortization of deferred resident fees	<u>(11,716)</u>	<u>(11,489)</u>	<u>(12,208)</u>	<u>(12,469)</u>	<u>(12,769)</u>
Cash available for debt service (1)	<u>\$ 33,565</u>	<u>\$ 34,952</u>	<u>\$ 29,934</u>	<u>\$ 31,363</u>	<u>\$ 32,831</u>
Interest (A)	\$ 4,461	\$ 6,375	\$ 5,988	\$ 5,733	\$ 5,541
Principal payments	<u>3,075</u>	<u>11,590</u>	<u>11,825</u>	<u>4,430</u>	<u>3,700</u>
Annual Debt Service (2)	<u>\$ 7,536</u>	<u>\$ 17,965</u>	<u>\$ 17,813</u>	<u>\$ 10,163</u>	<u>\$ 9,241</u>
Debt Service Coverage Ratio (1/2)	<u>4.45</u>	<u>1.95</u>	<u>1.68</u>	<u>3.09</u>	<u>3.55</u>

(A) Interest includes interest capitalized and interest expense as assumed by management.

Supplementary Information

Wesley Pines Retirement Community
Projected Balance Sheets
September 30, 2019 through 2023
(dollars in thousands)

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
ASSETS					
Current assets:					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions receivable from UMRH Foundation, current portion	35	35	35	35	35
Assets limited as to use - all other, current portion	4	4	4	4	4
Accounts receivable, net	687	703	721	738	757
Other receivables	13	14	14	15	15
Inventories	22	23	23	24	25
Prepaid expenses and other current assets	211	216	222	228	233
Total current assets	<u>972</u>	<u>995</u>	<u>1,019</u>	<u>1,044</u>	<u>1,069</u>
Assets limited as to use:					
Assets limited as to use - statutory operating reserve current portion	<u>2,174</u>	<u>2,283</u>	<u>2,344</u>	<u>2,441</u>	<u>2,514</u>
Property and equipment, net	<u>12,332</u>	<u>11,976</u>	<u>11,652</u>	<u>11,370</u>	<u>11,127</u>
Other assets:					
Assets held for resale	32	33	33	33	33
Contributions receivable from UMRH Foundation, net of current portion	<u>529</u>	<u>529</u>	<u>529</u>	<u>529</u>	<u>529</u>
	<u>561</u>	<u>562</u>	<u>562</u>	<u>562</u>	<u>562</u>
Total assets	<u>\$ 16,039</u>	<u>\$ 15,816</u>	<u>\$ 15,577</u>	<u>\$ 15,417</u>	<u>\$ 15,272</u>
LIABILITIES AND NET ASSETS					
Current liabilities:					
Bonds payable, current portion	\$ 73	\$ 79	\$ 86	\$ 98	\$ 213
Accounts payable	238	245	253	261	267
Accrued salaries and related expenses	487	827	1,014	1,213	1,422
Accrued interest payable	10	17	32	31	31
Insurance regulation - statutory operating reserve	2,174	2,283	2,344	2,441	2,514
Due to related parties	3,149	4,014	4,908	5,923	6,987
Other	71	71	71	71	71
Total current liabilities	<u>6,202</u>	<u>7,536</u>	<u>8,708</u>	<u>10,038</u>	<u>11,505</u>
Long-term liabilities:					
Bonds payable, less current portion	8,679	8,596	8,505	8,396	8,172
Liability for refundable advanced fees	53	52	54	54	56
Deferred revenue for non-refundable advanced fees	1,684	1,211	1,163	1,063	991
Fund held for others	3	3	3	3	3
Total liabilities	<u>16,621</u>	<u>17,398</u>	<u>18,433</u>	<u>19,554</u>	<u>20,727</u>
Net assets (deficit):					
Unrestricted	(1,147)	(2,147)	(3,421)	(4,702)	(6,020)
Temporarily restricted	344	344	344	344	344
Permanently restricted	221	221	221	221	221
Total net assets (deficit)	<u>(582)</u>	<u>(1,582)</u>	<u>(2,856)</u>	<u>(4,137)</u>	<u>(5,455)</u>
Total liabilities and net assets	<u>\$ 16,039</u>	<u>\$ 15,816</u>	<u>\$ 15,577</u>	<u>\$ 15,417</u>	<u>\$ 15,272</u>

Wesley Pines Retirement Community
Projected Statements of Operations and Changes in Net Assets (Deficit)
For the years ending September 30, 2019 through 2023
(dollars in thousands)

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Revenue:					
Net resident services, apartments	\$ 774	\$ 801	\$ 829	\$ 858	\$ 888
Net resident services, health care center	5,132	5,230	5,329	5,430	5,534
Net resident services, assisted living	1,845	1,909	1,976	2,045	2,117
Amortization of advanced fees	236	228	164	158	144
Net assets released from restriction	29	25	22	20	19
Other	-	-	-	-	-
Total revenue	<u>8,016</u>	<u>8,193</u>	<u>8,320</u>	<u>8,511</u>	<u>8,702</u>
Expenses:					
Health care center	3,592	3,700	3,811	3,925	4,043
Assisted living	481	496	511	526	542
Resident services	123	127	131	135	139
Dietary and food service	1,281	1,320	1,360	1,400	1,442
Housekeeping	481	495	510	526	541
Plant	629	648	668	688	708
General and administration	831	855	878	904	931
Depreciation	686	552	528	495	467
Interest	839	204	382	372	363
Corporate allocation - depreciation	37	20	15	8	5
Corporate allocation - all other	722	776	800	813	839
Total expenses	<u>9,702</u>	<u>9,193</u>	<u>9,594</u>	<u>9,792</u>	<u>10,020</u>
Deficiency of revenue over expenses and change in net assets	(1,686)	(1,000)	(1,274)	(1,281)	(1,318)
Net assets (deficit) beginning of year	<u>1,104</u>	<u>(582)</u>	<u>(1,582)</u>	<u>(2,856)</u>	<u>(4,137)</u>
Net assets (deficit) end of year	<u>\$ (582)</u>	<u>\$ (1,582)</u>	<u>\$ (2,856)</u>	<u>\$ (4,137)</u>	<u>\$ (5,455)</u>

Wesley Pines Retirement Community
Projected Statements of Cash Flows
For the years ending September 30, 2019 through 2023
(dollars in thousands)

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Operating activities:					
Change in net assets	\$ (1,686)	\$ (1,000)	\$ (1,274)	\$ (1,281)	\$ (1,318)
Adjustments to reconcile change in net assets to net cash from operating activities:					
Depreciation	686	552	528	495	467
Amortization of deferred financing costs	2	2	2	4	5
Amortization of bond premium	(5)	(6)	(7)	(15)	(16)
Amortization of advanced fees	(236)	(228)	(164)	(158)	(144)
Non-refundable entrance fees received	147	152	154	157	159
Bad debt expense	36	83	85	87	89
Net change in:					
Accounts receivable - residents and patients	(52)	(100)	(102)	(105)	(108)
Accounts receivable - other	24	-	-	-	(1)
Due to/from related parties	1,245	865	894	1,015	1,063
Inventories	-	(1)	(1)	(1)	(1)
Prepaid expenses and other current assets	(5)	(5)	(6)	(6)	(6)
Accounts payable	25	6	7	7	8
Accrued salaries and related expenses	155	340	188	198	209
Accrued interest payable	(180)	7	15	-	(1)
Net cash provided by operating activities	<u>156</u>	<u>667</u>	<u>319</u>	<u>397</u>	<u>405</u>
Investing activities:					
Purchase of property and equipment	(187)	(195)	(204)	(213)	(223)
Change in assets held for resale	-	-	-	-	-
Net cash used in investing activities	<u>(187)</u>	<u>(195)</u>	<u>(204)</u>	<u>(213)</u>	<u>(223)</u>
Financing activities:					
Refunds of deposits and refundable fees	27	(401)	(38)	(101)	(87)
Refundable entrance fees received	4	2	2	3	3
Payments on bonds and note payable	-	(73)	(79)	(86)	(98)
Net cash provided by (used in) financing activities	<u>31</u>	<u>(472)</u>	<u>(115)</u>	<u>(184)</u>	<u>(182)</u>
Change in cash	-	-	-	-	-
Cash, beginning of year	-	-	-	-	-
Cash, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Cypress Glen Retirement Community
Projected Balance Sheets
September 30, 2019 through 2023
(dollars in thousands)

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
ASSETS					
Current assets:					
Cash	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2
Contributions receivable from UMRH Foundation, current portion	152	152	152	152	152
Assets limited as to use - debt service, current portion	200	200	199	199	198
Assets limited as to use - future construction, current portion	257	4,620	4,620	4,620	4,620
Assets limited as to use - all other, current portion	350	350	350	350	350
Accounts receivable, net	271	297	339	349	360
Other receivables	258	568	326	329	335
Due from related parties	19,365	14,692	10,038	5,676	1,846
Inventories	30	31	32	33	34
Prepaid expenses and other current assets	212	218	223	229	235
Total current assets	<u>21,097</u>	<u>21,130</u>	<u>16,281</u>	<u>11,939</u>	<u>8,132</u>
Assets limited as to use:					
Assets limited as to use - statutory operating reserve	3,400	3,584	3,688	3,793	3,900
Assets limited as to use - debt service, net of current portion	1,463	1,468	1,468	1,468	1,468
Assets limited as to use - all other, net of current portion current portion	<u>1,145</u>	<u>1,174</u>	<u>1,203</u>	<u>1,233</u>	<u>1,264</u>
	<u>6,008</u>	<u>6,226</u>	<u>6,359</u>	<u>6,494</u>	<u>6,632</u>
Property and equipment, net	41,616	50,003	55,481	60,430	65,507
Other assets:					
Interest rate swap agreement	61	61	61	61	61
Contributions receivable from UMRH Foundation, net of current portion	<u>1,617</u>	<u>1,617</u>	<u>1,617</u>	<u>1,617</u>	<u>1,617</u>
	<u>1,678</u>	<u>1,678</u>	<u>1,678</u>	<u>1,678</u>	<u>1,678</u>
Total assets	<u>\$ 70,399</u>	<u>\$ 79,037</u>	<u>\$ 79,799</u>	<u>\$ 80,541</u>	<u>\$ 81,949</u>
LIABILITIES AND NET ASSETS					
Current liabilities:					
Bonds payable, current portion	\$ 952	\$ 989	\$ 1,014	\$ 407	\$ 386
Accounts payable	1,127	1,170	1,212	1,254	1,301
Accrued salaries and related expenses	903	1,521	1,892	2,251	2,629
Accrued interest payable	216	218	225	222	220
Insurance regulation - statutory operating reserve	3,400	3,584	3,688	3,793	3,900
Total current liabilities	<u>6,598</u>	<u>7,482</u>	<u>8,031</u>	<u>7,927</u>	<u>8,436</u>
Long-term liabilities:					
Bonds payable, less current portion	16,021	15,046	14,046	13,646	13,266
Liability for refundable advanced fees	4,499	5,187	5,429	5,682	5,950
Deferred revenue for non-refundable advanced fees	14,019	20,526	19,540	18,767	18,179
Fund held for others	220	220	220	220	220
Total liabilities	<u>41,357</u>	<u>48,461</u>	<u>47,266</u>	<u>46,242</u>	<u>46,051</u>
Net assets:					
Unrestricted	26,027	27,561	29,518	31,284	32,883
Temporarily restricted	2,118	2,118	2,118	2,118	2,118
Permanently restricted	897	897	897	897	897
Total net assets	<u>29,042</u>	<u>30,576</u>	<u>32,533</u>	<u>34,299</u>	<u>35,898</u>
Total liabilities and net assets	<u>\$ 70,399</u>	<u>\$ 79,037</u>	<u>\$ 79,799</u>	<u>\$ 80,541</u>	<u>\$ 81,949</u>

Cypress Glen Retirement Community
Projected Statements of Operations and Changes in Net Assets
For the years ending September 30, 2019 through 2023
(dollars in thousands)

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Revenue:					
Net resident services, apartments	\$ 8,348	\$ 9,025	\$ 10,034	\$ 10,365	\$ 10,708
Net resident services, health care center	3,060	3,142	3,226	3,313	3,402
Net resident services, assisted living	2,513	2,588	2,666	2,746	2,828
Net resident services, memory care	1,071	1,103	1,136	1,171	1,206
Amortization of advanced fees	2,313	2,822	3,376	3,334	3,321
Net assets released from restriction	121	120	120	120	120
Other	2	2	2	2	2
Interest and dividend income	27	27	27	27	27
	<u>17,455</u>	<u>18,829</u>	<u>20,587</u>	<u>21,078</u>	<u>21,614</u>
Total revenue					
Expenses:					
Health care center	2,283	2,356	2,431	2,509	2,589
Assisted living	1,022	1,052	1,084	1,117	1,150
Memory care	497	512	527	543	559
Resident services	609	632	657	677	698
Dietary and food service	2,626	2,806	2,963	3,054	3,147
Housekeeping	786	869	906	934	963
Plant	2,193	2,338	2,494	2,573	2,654
General and administration	1,548	1,824	1,976	2,033	2,099
Depreciation	2,850	3,027	3,590	3,896	4,170
Interest	1,106	638	728	691	663
Corporate allocation - depreciation	58	30	24	13	8
Corporate allocation - all other	1,124	1,211	1,250	1,272	1,315
	<u>16,702</u>	<u>17,295</u>	<u>18,630</u>	<u>19,312</u>	<u>20,015</u>
Total expenses					
Excess of revenue over expenses and change in net assets	753	1,534	1,957	1,766	1,599
Net assets beginning of year	<u>28,289</u>	<u>29,042</u>	<u>30,576</u>	<u>32,533</u>	<u>34,299</u>
Net assets end of year	<u>\$ 29,042</u>	<u>\$ 30,576</u>	<u>\$ 32,533</u>	<u>\$ 34,299</u>	<u>\$ 35,898</u>

Cypress Glen Retirement Community
Projected Statements of Cash Flows
For the years ending September 30, 2019 through 2023
(dollars in thousands)

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Operating activities:					
Change in net assets	\$ 753	\$ 1,534	\$ 1,957	\$ 1,766	\$ 1,599
Adjustments to reconcile change in net assets to net cash from operating activities:					
Depreciation	2,850	3,027	3,590	3,896	4,170
Amortization of deferred financing costs	21	21	21	23	23
Amortization of bond premium	(6)	(7)	(8)	(15)	(17)
Amortization of advanced fees	(2,313)	(2,822)	(3,376)	(3,334)	(3,321)
Non-refundable entrance fees received	2,740	10,324	3,494	3,571	3,658
Bad debt expense	2	4	8	8	9
Net change in:					
Accounts receivable - residents and patients	(6)	(31)	(50)	(19)	(19)
Accounts receivable - other	(90)	(310)	242	(4)	(6)
Due to/from related parties	7,713	4,673	4,654	4,362	3,830
Inventories	-	(1)	(1)	(1)	(1)
Prepaid expenses and other current assets	(5)	(5)	(5)	(6)	(6)
Accounts payable	352	42	42	43	46
Accrued salaries and related expenses	254	618	371	359	379
Accrued interest payable	(121)	2	7	(3)	(3)
Net cash provided by operating activities	<u>12,144</u>	<u>17,069</u>	<u>10,946</u>	<u>10,646</u>	<u>10,341</u>
Investing activities:					
Purchase of property and equipment	(10,347)	(11,413)	(9,068)	(8,845)	(9,247)
Assets limited as to use	(284)	(4,397)	(29)	(30)	(30)
Net cash used in investing activities	<u>(10,631)</u>	<u>(15,810)</u>	<u>(9,097)</u>	<u>(8,875)</u>	<u>(9,277)</u>
Financing activities:					
Refunds of deposits and refundable fees	(1,046)	(1,301)	(1,398)	(1,298)	(1,206)
Refundable entrance fees received	415	994	538	541	549
Payments on bonds and note payable	(882)	(952)	(989)	(1,014)	(407)
Net cash used in financing activities	<u>(1,513)</u>	<u>(1,259)</u>	<u>(1,849)</u>	<u>(1,771)</u>	<u>(1,064)</u>
Change in cash	-	-	-	-	-
Cash, beginning of year	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
Cash, end of year	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ 2</u>

Croasdale Village Retirement Community
Projected Balance Sheets
September 30, 2019 through 2023
(dollars in thousands)

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
ASSETS					
Current assets:					
Cash	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1
Contributions receivable from UMRH Foundation, current portion	1,152	1,152	1,152	167	167
Assets limited as to use - debt service, current portion	804	796	788	779	771
Assets limited as to use - future construction, current portion	18,415	18,415	18,415	18,415	18,415
Assets limited as to use - all other, current portion	16	16	16	16	16
Accounts receivable, net	1,721	2,106	2,208	2,290	2,370
Other receivables	1,477	2,055	2,100	2,152	2,204
Due from related parties	64,808	67,788	71,387	85,457	99,734
Inventories	68	70	72	74	76
Prepaid expenses and other current assets	518	577	603	619	635
Total current assets	<u>88,980</u>	<u>92,976</u>	<u>96,742</u>	<u>109,970</u>	<u>124,389</u>
Assets limited as to use:					
Assets limited as to use - statutory operating reserve	11,357	11,536	9,883	10,304	10,092
Assets limited as to use - debt service, net of current portion	21,867	6,193	6,202	6,209	6,139
Assets limited as to use - all other, net of current portion current portion	234	234	234	-	-
	<u>33,458</u>	<u>17,963</u>	<u>16,319</u>	<u>16,513</u>	<u>16,231</u>
Property and equipment, net	144,645	156,256	152,418	149,010	145,975
Other assets:					
Interest rate swap agreement	182	182	182	182	182
Contributions receivable from UMRH Foundation, net of current portion	2,587	2,587	2,587	2,587	2,587
	<u>2,769</u>	<u>2,769</u>	<u>2,769</u>	<u>2,769</u>	<u>2,769</u>
Total assets	<u>\$ 269,852</u>	<u>\$ 269,964</u>	<u>\$ 268,248</u>	<u>\$ 278,262</u>	<u>\$ 289,364</u>
LIABILITIES AND NET ASSETS					
Current liabilities:					
Bonds payable, current portion	\$ 10,565	\$ 10,757	\$ 3,330	\$ 3,195	\$ 4,086
Accounts payable	2,000	1,331	727	749	772
Accrued salaries and related expenses	1,383	2,643	3,439	4,155	4,907
Accrued interest payable	1,146	1,108	1,054	1,043	1,032
Insurance regulation - statutory operating reserve	11,357	11,536	9,883	10,304	10,092
Total current liabilities	<u>26,451</u>	<u>27,375</u>	<u>18,433</u>	<u>19,446</u>	<u>20,889</u>
Long-term liabilities:					
Bonds payable, less current portion	133,022	122,056	118,511	115,031	110,645
Liability for refundable advanced fees	7,958	8,309	8,672	9,044	9,426
Deferred revenue for non-refundable advanced fees	49,755	50,027	50,523	51,157	51,993
Fund held for others	11	11	11	11	11
Total liabilities	<u>217,197</u>	<u>207,778</u>	<u>196,150</u>	<u>194,689</u>	<u>192,964</u>
Net assets:					
Unrestricted	48,911	58,442	68,354	80,814	93,641
Temporarily restricted	2,151	2,151	2,151	1,166	1,166
Permanently restricted	1,593	1,593	1,593	1,593	1,593
Total net assets	<u>52,655</u>	<u>62,186</u>	<u>72,098</u>	<u>83,573</u>	<u>96,400</u>
Total liabilities and net assets	<u>\$ 269,852</u>	<u>\$ 269,964</u>	<u>\$ 268,248</u>	<u>\$ 278,262</u>	<u>\$ 289,364</u>

Croasdaile Village Retirement Community
Projected Statements of Operations and Changes in Net Assets
For the years ending September 30, 2019 through 2023
(dollars in thousands)

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Revenue:					
Net resident services, apartments	\$ 19,993	\$ 25,085	\$ 26,017	\$ 27,001	\$ 28,022
Net resident services, health care center	11,775	12,094	12,425	12,767	13,122
Net resident services, assisted living	2,731	5,521	6,362	6,693	6,928
Net resident services, home care	2,650	2,756	2,866	2,980	3,100
Amortization of advanced fees	9,167	8,439	8,668	8,977	9,304
Net assets released from restriction	96	88	84	81	79
Other	19	19	19	19	19
Interest and dividend income	80	80	80	80	80
Total revenue	<u>46,511</u>	<u>54,082</u>	<u>56,521</u>	<u>58,598</u>	<u>60,654</u>
Expenses:					
Health care center	8,378	8,629	8,888	9,155	9,430
Assisted living	773	1,526	1,742	1,821	1,875
Home care	2,392	2,464	2,538	2,614	2,693
Resident services	1,816	1,884	1,940	1,999	2,058
Dietary and food service	5,280	5,752	5,898	6,075	6,257
Housekeeping	2,077	2,410	2,483	2,557	2,634
Laundry	179	184	190	195	201
Plant	3,525	4,218	4,344	4,474	4,609
General and administration	3,141	3,479	3,584	3,691	3,801
Depreciation	6,400	5,467	7,017	6,743	6,534
Interest	2,516	5,533	4,878	4,670	4,515
Corporate allocation - depreciation	138	74	59	31	20
Corporate allocation - all other	2,681	2,931	3,048	3,098	3,200
Total expenses	<u>39,296</u>	<u>44,551</u>	<u>46,609</u>	<u>47,123</u>	<u>47,827</u>
Excess of revenue over expenses and change in net assets	7,215	9,531	9,912	11,475	12,827
Net assets released from restrictions for purchase of PP&E	-	-	-	985	-
Change in unrestricted net assets	<u>7,215</u>	<u>9,531</u>	<u>9,912</u>	<u>12,460</u>	<u>12,827</u>
Change in temporarily restricted net assets					
Net assets released from restriction	-	-	-	(985)	-
Change in net assets	7,215	9,531	9,912	11,475	12,827
Net assets beginning of year	45,440	52,655	62,186	72,098	83,573
Net assets end of year	<u>\$ 52,655</u>	<u>\$ 62,186</u>	<u>\$ 72,098</u>	<u>\$ 83,573</u>	<u>\$ 96,400</u>

Croasdale Village Retirement Community
Projected Statements of Cash Flows
For the years ending September 30, 2019 through 2023
(dollars in thousands)

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Operating activities:					
Change in net assets	\$ 7,215	\$ 9,531	\$ 9,912	\$ 11,475	\$ 12,827
Adjustments to reconcile change in net assets to net cash from operating activities:					
Depreciation	6,400	5,467	7,017	6,743	6,534
Amortization of deferred financing costs	56	59	62	78	83
Amortization of bond premium	(262)	(267)	(277)	(363)	(382)
Amortization of advanced fees	(9,167)	(8,439)	(8,668)	(8,977)	(9,304)
Non-refundable entrance fees received	20,092	10,272	10,581	10,953	11,326
Bad debt expense	115	255	267	277	287
Net change in:					
Accounts receivable - residents and patients	(251)	(639)	(370)	(359)	(367)
Accounts receivable - other	869	(578)	(45)	(52)	(52)
Contributions receivable/(payable)	-	-	-	985	-
Due to/from related parties	(11,753)	(2,980)	(3,599)	(14,070)	(14,278)
Inventories	2	(2)	(2)	(2)	(2)
Prepaid expenses and other current assets	(78)	(59)	(26)	(16)	(16)
Accounts payable	(1,723)	(670)	(604)	22	24
Accrued salaries and related expenses	493	1,259	796	716	752
Accrued interest payable	(1,176)	(38)	(53)	(11)	(12)
Net cash provided by operating activities	<u>10,832</u>	<u>13,171</u>	<u>14,991</u>	<u>7,399</u>	<u>7,420</u>
Investing activities:					
Purchase of property and equipment	(34,369)	(17,078)	(3,178)	(3,335)	(3,499)
Assets limited as to use	25,376	15,682	(1)	236	78
Net cash used in investing activities	<u>(8,993)</u>	<u>(1,396)</u>	<u>(3,179)</u>	<u>(3,099)</u>	<u>(3,421)</u>
Financing activities:					
Refunds of deposits and refundable fees	(1,666)	(1,957)	(1,821)	(1,754)	(1,605)
Refundable entrance fees received	2,020	747	766	784	801
Payments on bonds and note payable	(2,193)	(10,565)	(10,757)	(3,330)	(3,195)
Payments on bonds and note payable (from escrowed funds)	-	-	-	-	-
Deferred costs, net	-	-	-	-	-
Deferred financing costs	-	-	-	-	-
Net cash used in financing activities	<u>(1,839)</u>	<u>(11,775)</u>	<u>(11,812)</u>	<u>(4,300)</u>	<u>(3,999)</u>
Change in cash	-	-	-	-	-
Cash, beginning of year	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Cash, end of year	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 1</u>

ATTACHMENT 3

**Interim Unaudited Financial Statements
of
The United Methodist
Retirement Homes, Incorporated
Includes**

- **Consolidated Operations of Croasdaile Village, Cypress Glen and Wesley Pines**
- **Individual Operations of Croasdaile Village**

The United Methodist Retirement Homes, Inc. and Affiliate
Consolidating Balance Sheet Information
December 31, 2018

	Corporate	Wesley Pines	Cypress Glen	Croasdaile Village	Eliminating entries	UMRH
ASSETS						
Current assets:						
Cash	820,803	400	2,175	650	-	824,028
Contributions receivable, current portion	-	36,036	151,310	1,196,078	-	1,383,424
Investments	71,830,318	-	-	-	(13,069,468)	58,760,850
Assets limited as to use - debt service, current portion	-	-	100,509	434,531	-	535,040
Assets limited as to use - all other, current portion	644	5,720	249,404	281,411	-	537,180
Accounts receivable, net of allowance for uncollectible accounts	-	620,877	258,524	1,730,808	-	2,610,210
Other receivables	32,922	47,456	163,116	702,341	-	945,834
Due from related parties	2,247,565	-	26,835,541	53,249,403	(82,184,128)	148,380
Inventories	-	16,938	36,703	57,608	-	111,249
Prepaid expenses and other current assets	210,460	146,097	163,323	338,062	-	857,942
Total current assets	75,142,712	873,525	27,960,605	57,990,891	(95,253,596)	66,714,137
Non-current assets:						
Assets limited as to use - statutory operating reserve	-	2,242,977	3,266,279	7,560,212	-	13,069,468
Assets limited as to use - debt service, net of current portion	-	-	1,461,514	7,754,454	-	9,215,968
Assets limited as to use - all other, net of current portion	674,525	-	933,159	55,057,807	-	56,665,490
Investments - restricted	-	-	-	-	-	-
Assets held for resale	181,866	32,112	-	-	-	213,979
Property and equipment, net	534,580	12,635,117	34,065,332	120,919,537	-	168,154,566
Trusts receivable	-	-	-	-	-	-
Contributions receivable, net of current portion	-	479,880	1,245,892	2,380,780	-	4,106,552
Total non-current assets	1,390,971	15,390,086	40,972,176	193,672,790	-	251,426,023
Total assets	76,533,682	16,263,611	68,932,781	251,663,681	(95,253,596)	318,140,160
LIABILITIES AND NET ASSETS						
Current liabilities:						
Annuity payable, current portion	-	-	-	-	-	-
Bonds payable, current portion	-	73,000	942,000	2,745,000	-	3,760,000
Accounts payable	351,175	139,350	349,430	760,442	-	1,600,397
Accrued salaries and related expenses	(133,203)	256,101	486,149	679,052	-	1,288,098
Accrued interest payable	-	92,037	173,425	1,145,404	-	1,410,865
Insurance regulation - statutory operating reserve	-	2,242,977	3,266,279	7,560,212	(13,069,468)	-
Due to related parties	80,084,944	2,099,185	-	-	(82,184,128)	-
Contributions payable, current portion	-	-	-	-	-	-
Total current liabilities	80,302,915	4,902,650	5,217,282	12,890,109	(95,253,596)	8,059,360
Long-term liabilities:						
Annuity payable, less current portion	-	-	-	-	-	-
Bonds payable, less current portion	-	8,609,853	16,620,415	142,094,142	-	167,324,410
Liability of other foundations	-	-	-	-	-	-
Liability for refundable advance fees	-	48,223	4,340,769	5,935,480	-	10,324,471
Deferred revenue from non-refundable advance fees	-	1,674,366	14,267,503	44,135,953	-	60,077,822
Contributions payable, less current portion	-	-	-	-	-	-
Due to related parties	67,748	-	-	-	-	67,748
Funds held for others	-	4,580	128,592	8,882	-	142,055
Interest rate swap agreement	-	-	(61,260)	(182,152)	-	(243,412)
Total long-term liabilities	67,748	10,337,022	35,296,019	191,992,305	-	237,693,093
Total liabilities	80,370,663	15,239,671	40,513,301	204,882,415	(95,253,596)	245,752,453
Net assets:						
Unrestricted	(4,511,596)	506,884	25,968,309	43,199,136	-	65,162,732
Temporarily restricted	91	296,416	1,714,519	1,975,771	-	3,986,797
Permanently restricted	674,525	220,640	736,653	1,606,359	-	3,238,177
Total net assets	(3,836,981)	1,023,940	28,419,480	46,781,267	-	72,387,706
Total liabilities and net assets	76,533,682	16,263,611	68,932,781	251,663,681	(95,253,596)	318,140,160

The United Methodist Retirement Homes, Inc. and Affiliate
Consolidating Statement of Operations and Changes in Net Assets Information
December 31, 2018

	Corporate	Wesley Pines	Cypress Glen	Croasdaile Village	UMRH
Unrestricted revenues, gains and other support:					
Net resident and patient service revenue					
Net resident and patient service revenue	-	2,004,797	3,948,593	9,195,184	15,148,575
Amortization of advance fees	-	72,429	532,653	1,336,952	1,942,033
Net assets released from restriction	615	4,851	23,747	13,783	42,996
Other	113	144	389	3,656	4,302
Interest and dividend income	1,904,716	-	6,640	30,860	1,942,216
Total unrestricted revenues, gains and other su	<u>1,905,444</u>	<u>2,082,221</u>	<u>4,512,023</u>	<u>10,580,436</u>	<u>19,080,123</u>
Expenses:					
Nursing services	-	1,032,562	957,184.56	1,985,416	3,975,163
Dietary and food services	-	326,131	675,049	1,260,425	2,261,604
Adminstration	1,160,292	226,218	390,071	731,572	2,508,154
Plant operations, maintenance and security	-	138,764	524,375	797,103	1,460,241
Laundry and housekeeping	-	110,232	208,916	493,780	812,927
Resident services - activities	-	32,115	144,654	467,774	644,543
Home care	-	-	-	853,212	853,212
Interest	-	92,249	248,942	1,000,502	1,341,693
Depreciation and amortization	61,109	151,460	679,609	1,523,883	2,416,061
Bad debt expense	-	5,871	-	2,445	8,316
Total expenses	<u>1,221,401</u>	<u>2,115,602</u>	<u>3,828,800</u>	<u>9,116,113</u>	<u>16,281,916</u>
Operating income (loss)	<u>684,043</u>	<u>(33,381)</u>	<u>683,223</u>	<u>1,464,323</u>	<u>2,798,207</u>
Non-operating gains (losses):					
Interest and dividend income	-	-	-	11,095	11,095
Net investment gain, realized	651,957	-	-	-	651,957
Net investment gain, unrealized	(6,724,861)	-	9,542	19,284	(6,696,035)
Loss on disposal of property and equipment	-	-	1,025	25	1,050
Contributions	350	100	200	544	1,194
Loss on extinguishment of debt	-	-	-	-	-
Change in fair value of interest rate swap agreeme	-	-	-	-	-
Other	-	729	966	-	1,695
Net non-operating gains (losses)	<u>(6,072,553)</u>	<u>829</u>	<u>11,733</u>	<u>30,947</u>	<u>(6,029,044)</u>
Excess of revenues, gains and other support over expenses	<u>(5,388,511)</u>	<u>(32,552)</u>	<u>694,956</u>	<u>1,495,270</u>	<u>(3,230,837)</u>
Net assets released from restrictions for purchase of property and equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,853</u>	<u>7,853</u>
Change in unrestricted net assets	<u>(5,388,511)</u>	<u>(32,552)</u>	<u>694,956</u>	<u>1,503,123</u>	<u>(3,222,983)</u>
Change in temporarily restricted net assets:					
Contributions	700	5,581	13,891	99,133	119,305
Interest and dividend income	-	14,645	92,971	61,964	169,580
Investment gain (loss)	-	(63,410)	(402,546)	(268,077)	(734,034)
Change in split interest agreement	-	-	(84,331)	-	(84,331)
Change in value of pledges	-	-	-	(51,500)	(51,500)
Recovery of bad debt, net (bad debt expense)	-	-	-	5,150	5,150
Net assets released from restriction	(615)	(4,851)	(23,747)	(21,636)	(50,850)
Change in temporarily restricted net assets	<u>85</u>	<u>(48,035)</u>	<u>(403,763)</u>	<u>(174,967)</u>	<u>(626,679)</u>
Change in permanently restricted net assets:					
Contributions	-	100	400	13,142	13,642
Interest and dividend income	-	-	-	-	-
Investment gain (loss)	-	-	-	-	-
Change in split interest agreement	-	-	(161,076)	-	(161,076)
Change in value of pledges	-	-	-	-	-
Recovery of bad debt, net (bad debt expense)	-	-	-	-	-
Net assets released from restriction	-	-	-	-	-
Change in permanently restricted net assets	<u>-</u>	<u>100</u>	<u>(160,676)</u>	<u>13,142</u>	<u>(147,434)</u>
Change in net assets	<u>(5,388,426)</u>	<u>(80,487)</u>	<u>130,517</u>	<u>1,341,298</u>	<u>(3,997,097)</u>
Net assets, beginning of year	<u>1,551,445</u>	<u>1,104,427</u>	<u>28,288,963</u>	<u>45,439,969</u>	<u>76,384,803</u>
Net assets, end of year	<u>(3,836,981)</u>	<u>1,023,940</u>	<u>28,419,480</u>	<u>46,781,267</u>	<u>72,387,706</u>

**The United Methodist Retirement Homes, Inc., and Affiliate
Consolidated Statements of Cash Flows
December 31, 2018**

	Corporate	Wesley Pines	Cypress Glen	Croasdalle Village	UMRH	UMRH Foundation	Obligated Group
Cash flow from operating activities:							
Change in net assets	(5,388,426)	(80,487)	130,517	1,341,298	(3,997,097)	(75,269)	(4,072,365)
Adjustments to reconcile change in net assets to net cash provided by operating activities:							
Depreciation and amortization	61,109	151,460	679,609	1,523,883	2,416,061	-	2,416,061
Amortization of deferred financing costs	-	381	5,272	14,020	19,673	-	19,673
Amortization of bond premium	-	(688)	(518)	(55,572)	(56,779)	-	(56,779)
Amortization of deferred revenue from advance fees	-	(72,429)	(532,653)	(1,336,952)	(1,942,033)	-	(1,942,033)
Non-refundable entrance fees received	-	3,000	666,907	6,908,580	7,578,486	-	7,578,486
Bad debt expense	-	5,871	-	2,445	8,316	-	8,316
Loss on disposal of property and equipment	-	-	(1,025)	(25)	(1,050)	-	(1,050)
Loss on early extinguishment of debt	-	-	-	-	-	-	-
Change in fair value of swap agreement	-	-	-	-	-	-	-
Net change in:							
Accounts receivable - residents and patients	-	44,083	8,149	(148,983)	(96,751)	-	(96,751)
Accounts receivable - other	(4,472)	(9,683)	(288,129)	(314,476)	(616,759)	700	(616,059)
Investments/insurance regulation	5,656,356	-	-	-	5,656,356	716,850	6,373,206
Assets limited as to use	(638)	(1,461)	386,436	3,184,873	3,569,210	(96,668)	3,472,542
Trusts receivable	-	-	-	-	-	-	-
Contributions receivable	1,255	48,115	370,855	161,825	582,050	(535,700)	46,350
Due to/from related parties	(242,626)	194,400	242,650	(194,425)	-	-	-
Inventories	50	4,913	(7,522)	11,714	9,155	-	9,155
Prepaid expenses and other current assets	(52,702)	59,304	43,224	101,751	151,576	470	152,046
Accounts payable	(498,541)	(74,450)	(425,121)	(2,962,897)	(3,961,009)	(7,923)	(3,968,932)
Accrued salaries and related expenses	(491,365)	(75,824)	(162,061)	(211,037)	(940,287)	-	(940,287)
Liability to other foundations	-	-	-	-	-	-	-
Accrued interest payable	-	(97,709)	(163,309)	(1,176,305)	(1,437,324)	-	(1,437,324)
Funds held for others	-	1,281	(91,107)	(2,086)	(91,912)	-	(91,912)
Net cash provided by operating activities	(959,999)	100,076	862,174	6,847,632	6,849,883	2,461	6,852,344
Cash flow from investing activities:							
Purchase of property and equipment	(14,141)	(26,076)	(624,431)	(5,767,165)	(6,431,813)	-	(6,431,813)
Change in assets held for resale	(176)	-	-	-	(176)	-	(176)
Net cash used in investing activities	(14,317)	(26,076)	(624,431)	(5,767,165)	(6,431,989)	-	(6,431,989)
Cash flow from financing activities:							
Refunds of deposits and refundable fees	-	(1,000)	(44,324)	(86,584)	(131,908)	-	(131,908)
Refundable entrance fees received	-	-	88,581	111,117	199,698	-	199,698
Payments on bonds and note payable	-	(73,000)	(282,000)	(1,105,000)	(1,460,000)	-	(1,460,000)
Deferred financing costs, net	-	-	-	-	-	-	-
Proceeds from issuance of bonds	-	-	-	-	-	-	-
Net change in annuity obligations	-	-	-	-	-	(2,031)	(2,031)
Net cash provided (used) by financing activities	-	(74,000)	(237,743)	(1,080,467)	(1,392,210)	(2,031)	(1,394,241)
Change in cash	(974,316)	-	-	-	(974,316)	430	(973,886)
Cash, beginning of year	1,795,119	400	2,175	650	1,798,344	89,271	1,887,615
Cash, end of year	820,803	400	2,175	650	824,028	89,700	913,728

ATTACHMENT 4

Explanations of Material Differences
Balance Sheet
Statement of Operations
Statement of Cash Flows

The United Methodist Retirement Homes, Inc.
Explanation of Material Differences
Between Previous Pro Forma Balance Sheet Projection for 2018
and 2018 Actual Results from Operations

The following explanation is provided pursuant to the requirements of North Carolina G.S. 58-64-30. Set forth below is a comparison on the 2018 actual results with the projected results for 2018.

Sources and (Uses)
(Figures stated below are in thousands)

	2018 Actual	2018 Projected	Fav/(Unfav) Difference	Variance Percentage
<u>Assets</u>				
Current Assets:				
Cash (1)	1,798	3,197	(1,399)	-43.76%
Short term investments	64,417	63,533	884	1.39%
Accounts receivable, net (2)	5,102	3,626	1,476	40.71%
Assets limited as to use, current portion (3)	1,930	5,235	(3,305)	-63.13%
Inventories and prepaid expenses (4)	1,130	933	197	21.11%
Contributions receivable from UMRH Foundation, current portion (5)	1,339	861	478	55.52%
Due from related party, current (6)	150	199	(49)	-24.62%
Total current assets	75,866	77,584	(1,718)	
Assets limited as to use:				
Insurance regulation	13,069	12,771	298	2.33%
Other assets limited as to use (7)	68,593	49,161	19,432	39.53%
Assets limited as to use, non-current	81,662	61,932	19,730	
Property and equipment, net	164,138	167,534	(3,396)	-2.03%
Assets held for resale	214	213	1	0.47%
Contributions receivable from UMRH Foundation, net of current portion (8)	4,732	4,162	570	13.70%
Deferred marketing costs, net (9)	-	800	(800)	-100.00%
Interest rate swap agreement (10)	243	(225)	468	-208.00%
Total non-current assets	5,189	4,950	239	
Total assets	326,855	312,000	(1,479)	
<u>Liabilities and Net Assets</u>				
Current Liabilities:				
Current maturities of long-term debt (11)	3,075	4,185	(1,110)	-26.52%
Accounts payable and accrued expenses (12)	10,638	6,042	4,596	76.07%
Total current liabilities	13,713	10,227	4,596	
Long-term liabilities				
Liability for refundable advance fees and deposits	10,650	11,208	(558)	-4.98%
Deferred revenue from non--refundable advance fees	56,299	54,732	1,567	2.86%
Due to related parties	68	68	-	0.00%
Long-term debt, less current portion	169,507	160,016	9,491	5.93%
Funds held for others (13)	234	106	128	120.75%
Total long-term liabilities	236,758	226,130	10,628	
Total liabilities	250,471	236,357	14,114	
Net assets:				
Unrestricted	68,385	68,719	(334)	-0.49%
Temporarily restricted (14)	4,613	3,664	949	25.90%
Permanently restricted	3,386	3,260	126	3.87%
Total liabilities and net assets	326,855	312,000	10,754	

The United Methodist Retirement Homes, Inc.
Explanation of Material Differences Footnotes
Balance Sheet

Variations of 10% or greater between actual and projected results are considered material variances which are explained below:

1. Cash As the other variances listed below change, cash changes.
2. Accounts receivable, net Resident move-ins with promissory notes on entrance fees due exceeding expectation.
3. Assets limited as to use, current portion The escrow account for entrance fees on the expansion were included in current assets limited so as to use on the forecast and in long-term assets limited so as to use on the audit.
4. Inventories and prepaid expenses Prepaid expenses were more than the forecast mostly due to reduced insurance premiums for Workers' Compensation and for general insurances.
5. Contributions receivable from UMRH Foundation, current portion Since the change in this number is dependent upon donations to the UMRH Foundation for the benefit of UMRH, the forecast conservatively assumes no change year over year. The variance is due to greater than anticipated donations.
6. Due from related party, current The forecast assumes no change in this line, year over year. The variance is due to the use of unrestricted UMRH Foundation funds being used by UMRH.
7. Other assets limited as to use The forecast assumed a "draw down" of construction funds. The December 2017 transaction was fully funded upfront, hence the construction accounts balances were greater.
8. Contributions receivable from UMRH Foundation, net of current portion Since the change in this number is dependent upon donations to the UMRH Foundation for the benefit of UMRH, the forecast conservatively assumes no change year over year. The variance is largely due to actual donations coming in specifically for the expansion project.
9. Deferred costs, net All deferred costs were retired with the December 2017 bond transactions, hence no actual value at the end of 2018.

10. Interest rate swap agreement The forecast assumes no change year over year. The variance represents the actual change.
11. Current maturities of long-term debt The variance is due to the structure of the final amortization schedule after the December 2017 bond transaction being different than anticipated in the forecast.
12. Accounts payable and accrued expenses Accrued interest and accrued salaries and related benefits were underestimated on the forecast.
13. Funds held for others Resident deposits exceeded expectation. The forecast assumes no change for conservatism.
14. Temporarily restricted Since the change in this number is largely dependent upon donations to the UMRH Foundation for the benefit of UMRH, the forecast conservatively assumes no change year over year. The variance is largely due to actual donations coming in specifically for the expansion project.

The United Methodist Retirement Homes, Inc.
Explanation of Material Differences
Between Previous Pro Forma Statement of Operations and Change in Net Deficits for 2018
and 2018 Actual Results from Operations

The following explanation is provided pursuant to the requirements of North Carolina G.S. 58-64-30. Set forth below is a comparison on the 2018 actual results with the projected results for 2018.

Sources and (Uses)
(Figures stated below are in thousands)

	2018 Actual	2018 Projected	Fav/(Unfav) Difference	Variance Percentage
Revenues				
Apartments	26,215	26,665	(450)	-1.69%
Health care	19,631	18,920	711	3.76%
Assisted living	7,957	7,864	93	1.18%
Home care (1)	2,738	1,868	870	46.57%
Amortization of deferred residence fees	7,478	7,877	(399)	-5.07%
Investment income (2)	2,235	1,611	624	38.73%
Net assets released from restrictions (3)	346	241	105	43.57%
Other (4)	32	20	12	60.00%
Total revenue	66,632	65,066	1,566	
Expenses				
Health care	12,859	13,445	(586)	-4.36%
Assisted living	2,587	2,619	(32)	-1.22%
Resident services	2,421	2,375	46	1.94%
Home care (5)	3,108	1,846	1,262	68.36%
Dietary	8,764	8,837	(73)	-0.83%
Housekeeping	3,047	3,212	(165)	-5.14%
Plant	5,794	5,796	(2)	-0.03%
General and administration	9,664	9,444	220	2.33%
Depreciation and amortization (6)	9,582	8,382	1,200	14.32%
Interest (7)	3,447	4,036	(589)	-14.59%
Total expenses	61,273	59,992	1,281	
Operating income (loss)	5,359	5,074	285	
Non-operating gains (losses) (8)	(618)	-	(618)	0.00%
Change in unrestricted net assets	4,741	5,074	(333)	
Change in temporarily restricted net assets (9)	949	-	(951)	0.00%
Change in permanently restricted net assets (10)	126	-	(1,284)	0.00%
Change in net assets	5,816	5,074	742	
Net assets, beginning of the year	70,569	70,569	-	
Net assets, end of the year	76,385	75,643	742	

The United Methodist Retirement Homes, Inc.
Explanation of Material Differences Footnotes
Operating Statement

Variations of 10% or greater between actual and projected results are considered material variations which are explained below:

1. Home care revenue Actual resident utilization of this service was greater than anticipated in the forecast.
2. Investment income Actual investment returns exceeded what was expected in the forecast.
3. Net assets released from restriction The forecast assumes no change in temporarily restricted net assets for conservatism. The audit reflects the actual use of these funds.
4. Other revenue This is revenue considered to be operating but inconsistent and irregular in occurrence. The actual income exceeded the forecasted expectation.
5. Home care expense Actual resident utilization of this service was greater than anticipated in the forecast.
6. Depreciation and amortization expense Capital expenditures for existing needs exceeded expectations on the forecast.
7. Interest expense The forecasted excluded the bond transaction that took place in December 2017, which reduced interest costs.
8. Non-operating gains (losses) Due to the uncertainty and volatility of investment gains or losses, contributions, changes in the fair value of interest rate swap agreements and gains or losses on the disposal of PP&E, the forecast conservatively assumes zero. The loss on the extinguishment of debt due to the December 2017 bond transaction resulted in a loss of 1,356,603, making up the majority of the variance.
9. Change in temporarily restricted net assets For conservatism, the forecast assumes no change in temporarily restricted net assets unless there is certainty in the use of or receipt of funds.

10. Change in permanently restricted net assets For conservatism, the forecast assumes no change in permanently restricted net assets.

The United Methodist Retirement Homes, Inc.
Explanation of Material Differences
Between Previous Pro Forma Statement of Cash Flows Projection for 2018
and 2018 Actual Results from Operations

The following explanation is provided pursuant to the requirements of North Carolina G.S. 58-64-30. Set forth below is a comparison on the 2018 actual results with the projected results for 2018.

Sources and (Uses)

(Figures stated below are in thousands)

	2018 Actual	2018 Projected	Fav/(Unfav) Difference	Variance Percentage
Cash flows from operating activities				
Change in net assets (1)	5,816	5,074	742	15%
Adjustments to reconcile increase in net assets to net cash from operating activities				
Depreciation (2)	9,582	8,382	1,200	14%
Amortization of deferred financing costs (3)	78	104	(26)	-25%
Amortization of bond premium (4)	(271)	(203)	(68)	33%
Amortization of deferred resident fees	(7,478)	(7,877)	399	-5%
Proceeds from non-refundable advance fees	11,511	11,288	223	2%
Bad debt expense (5)	273	88	185	210%
Loss on disposal of property & equipment (6)	338	-	338	100%
Loss on early extinguishment of debt (7)	1,357	-	1,357	100%
Change in fair value of swap agreement (8)	(469)	-	(469)	100%
Net change in:				
Current assets (9)	(3,172)	125	(3,297)	-2638%
Current liabilities (10)	4,951	(1,582)	6,533	-413%
Short term investments (11)	(2,034)	(1,510)	(524)	35%
Assets limited as to use (12)	(61,184)	(44,529)	(16,655)	37%
Net cash from operating activities	(40,702)	(30,640)	(10,062)	33%
Cash flows from investing activities				
Additions to property and equipment and construction in progress	(37,544)	(37,998)	454	-1%
Change in assets held for resale	(4)	(4)	-	0%
Net cash from investing activities	(37,548)	(38,002)	454	-1%
Cash flows from financing activities				
Proceeds from refundable advance fees (13)	1,545	926	619	67%
Refunds of entrance fees	(2,360)	(2,568)	208	-8%
Bond issuance costs, net (14)	(1,667)	(933)	(734)	79%
Principal payments on debt (15)	(33,134)	(4,000)	(29,134)	728%
Proceeds from issuance of bonds (16)	112,431	75,181	37,250	50%
Net cash from financing activities	76,815	68,606	8,209	12%
Net change in cash	(1,435)	(36)	(1,399)	3886%
Cash at beginning of year	3,233	3,233	-	0%
Cash at end of year	1,798	3,197	(1,399)	-44%

The United Methodist Retirement Homes, Inc.
Explanation of Material Differences Footnotes
Cash Flow

Variances of 10% or greater between actual and projected results are considered material variances which are explained below:

1. Change in net assets See various explanations in footnotes to operating statement.
2. Depreciation Capital expenditures for existing needs exceeded expectations on the forecast.
3. Amortization of deferred financing costs Deferred costs were retired in the December 2017 bond transaction that were not accounted for in the forecast.
4. Amortization of bond premium The actual premium was greater than the forecast amount.
5. Bad debt expense Greater than anticipated need for uncollectible private pay accounts.
6. Loss on disposal of property & equipment This is not separately categorized in the cash flow on the forecast as it is on the audit.
7. Loss on early extinguishment of debt This is difficult to forecast. Given this difficulty, the change is assumed to be zero in the 2018 forecast and will be going forward.
8. Change in fair value of swap agreement This is difficult to forecast. Given this difficulty, the change is assumed to be zero in the 2018 forecast and will be going forward.
9. Current assets See the variances listed on the balance sheet material differences spreadsheet in the current assets section.
10. Current liabilities See the variances listed on the balance sheet material differences spreadsheet in the current liabilities section.
11. Short term investments Investment earnings exceeded the forecasted expectation.

12. Assets limited as to use The forecast assumed a "draw down" of construction funds. The December 2017 transaction was fully funded upfront, hence the construction accounts balances were greater.
13. Proceeds from refundable advance fees Greater than forecasted entrance fees were received.
14. Bond issuance costs, net The forecast underestimated the issuance costs in connection with the December 2017 bond transaction.
15. Principal payments on debt The forecast excluded the retirement of debt, including on the issuance of new debt, for conservatism.
16. Proceeds from issuance of bonds The forecast excluded the retirement of debt, including on the issuance of new debt, for conservatism.

ATTACHMENT 5

Residency Agreements

- *90 Percent Return of Capital Residency Agreement
(for existing residences)**
- *50 Percent Return of Capital Residency Agreement
(for existing residences)**
- *Standard Residency Agreement
(for existing residences)**
- *Residential Living with Personal Services Residency
Agreement**
- *Amendment to Residency Agreement – Transfer to
Residential Living with Personal Services**
- *90 Percent Return of Capital Residency Agreement
(for cottages and villas to be constructed)**
- *50 Percent Return of Capital Residency Agreement
(for cottages and villas to be constructed)**
- *Standard Residency Agreement (for cottages and villas
to be constructed)**



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90 Percent Return of Capital™ Residency Agreement

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Exhibit A – Options and Custom Features Added at Resident's Request

GLOSSARY

The following terms are described as used in the accompanying Residency Agreement. Reference to the Residency Agreement and the context in which the terms are used is recommended to provide a fuller understanding of each of the terms:

"Agreement" means the Residency Agreement, entered into between the Resident and The United Methodist Retirement Homes, Incorporated, which outlines the contractual obligations of both parties.

"Entrance Fee" means payment that assures a resident a place at the Village for life as long as the resident complies with terms of this Agreement. At the time the resident makes application for residency at the Village, the resident will sign a Residency Agreement to reserve the residence selected and will pay an Entrance Fee deposit to the Village. The balance of the Entrance Fee will be paid upon the earlier of (i) occupancy or (ii) 90 days after the Residency Agreement is executed. Specific information is located in Paragraph 1.2 of this Agreement.

"Extra Charges" means the additional fees required to be paid for the additional services and amenities requested by Resident, as set forth in Paragraph 2.2 of this Agreement.

"Health Center" means the portion of the Village, which is licensed to provide two levels of care: assisted living care and skilled nursing care, as described in Section 5 of the Agreement.

"Heritage Hall" means the portion of the Village, which is designed to provide residents with residential living with personal services, as described in Section 4 of the Agreement.

"Monthly Fee" means that fee payable each month by the Resident as set forth in

Paragraphs 1.3 and 1.4 of the Agreement, in consideration for the services and amenities provided to the residents of the Village described in Paragraph 2.1 of this Agreement. If there are Joint Residents under this Agreement, the Monthly Fee will include a "Second Person Monthly Fee."

"Residence" means the apartment, cottage or home at the Village identified in the introductory paragraph of the Agreement, in which the Resident has the right to live pursuant to this Agreement in exchange for paying the Entrance Fee and the Monthly Fee.

"Resident" or "you" means the Resident(s) who sign this Agreement. Sometimes a second resident (if there are two of you) is referred to in this Agreement as the "Joint Resident." Further, both Residents may be referred to as "Joint Residents." Unless otherwise indicated, "you" refers to both of you if there are two of you.

"The United Methodist Retirement Homes, Incorporated" or "we" or "our" or "us" means the owner of the retirement community known as Croasdaile Village, including all of the residences, common areas, and site amenities associated with these areas. The United Methodist Retirement Homes, Incorporated is a North Carolina non-profit corporation.

"Village" means the continuing care retirement community known as "Croasdaile Village," including all of the residences, common areas, and site amenities.



Residency Agreement 90 Percent Return of Capital™

INTRODUCTION

This 90 Percent Return of Capital™ Residency Agreement ("Agreement") is entered into by The United Methodist Retirement Homes, Incorporated ("UMRH," "we," "us," or "our") and _____ (individually or collectively, "you," "your," or "Resident"). Croasdaile Village is a continuing care retirement community located at 2600 Croasdaile Farm Parkway; Durham, NC 27705 (hereafter the "Village").

We will provide residential housing for seniors along with a wide array of personal services and amenities outlined in this Agreement. Subject to the conditions contained in this Agreement, we agree to make available to you the Residence described as follows:

Residence Number _____
Residence Style _____

You may select certain options and custom features in the Residence at an additional charge, which shall not be subject to any refund provision herein. Any such options and custom features selected and paid for by you will become our property. Such options and custom features must be approved by the Executive Director of the Village prior to adding them to the Residence. The Executive Director of the Village has consented to your request to add the options and custom features set forth on Exhibit A attached to this Agreement. You agree to pay the amount(s) set forth on Exhibit A to cover the charges for such items.

As a Resident of the Village, you are offered lifetime use of your Residence and lifetime access to the Village Health Center, subject to the terms and conditions of this Agreement.

To be accepted for residency, you must meet our residency criteria, which includes: having reached the age of 62 (or sharing your Residence with a Joint Resident who is 62 or older); financial guidelines; and the ability to live in a residence (with or without reasonable accommodation and/or reasonable modification) – all as outlined in our current residency policy.

The purpose of this Agreement is to set forth your rights and duties as a Resident of the Village and to delineate the services to be provided at the Village.

UMRH is also affiliated with The United Methodist Retirement Homes Foundation, Inc. (the "Foundation"). The Foundation is a not-for-profit corporation, which was organized for the benefit of the retirement communities operated by UMRH. Its purpose is to raise endowment funds, to support benevolent care for those residents who are unable to pay for care, and to support special programs.

1. CHARGES FOR RESIDENCE AND PRIMARY SERVICES.

1.1 Application Fee. Prior to or upon execution of this Agreement, you will pay to us a non-refundable Application Fee of \$_____. The Application Fee will be used by us to process your application for residency.

1.2 Entrance Fee. In order to reside at the Village for life, subject to this Agreement, and to receive the services and amenities described below, you agree to pay to us (in addition to the Monthly Fee described below) an Entrance Fee in the amount of \$_____. The total amount of the Entrance Fee shall be payable as follows:

1.2.1 Ten percent (10%) of the total Entrance Fee is \$_____, less any previously paid Future Resident Fee (\$_____), equals \$_____, which amount is due and payable upon your execution of this Agreement.

1.2.2 The balance of \$_____ of the Entrance Fee shall be paid on the date of occupancy at the Village but in no event later than ninety (90) days after your execution of this Agreement.

1.3 Monthly Fee. You are obligated to begin paying a Monthly Fee (or a pro rata portion thereof) on the date you assume occupancy at the Village or within ninety (90) days from the date this Agreement is executed by you, whichever is earlier. Thereafter, the Monthly Fee is due upon receipt of a statement from us and by no later than the fifteenth (15th) of each month. The Monthly Fee is initially set at a specific amount that can be increased as described in Paragraph 1.6 below. A "Second Person Monthly Fee" shall become part of the Monthly Fee and shall be paid if two persons are Joint Residents under this

Agreement. If there are Joint Residents under this Agreement and one Joint Resident dies, the Second Person Monthly Fee shall cease and the remaining Resident shall continue to pay the Monthly Fee without the Second Person Monthly Fee component.

1.4 Initial Monthly Fee. The initial Monthly Fee payable by you is \$_____ per month and an additional \$_____ per month as a Second Person Monthly Fee component of the Monthly Fee if two persons reside as Joint Residents pursuant to this Agreement.

1.5 Continuance of Monthly Fee. Payment of the Monthly Fee will continue as follows:

1.5.1 In the event of your death (in the case of Joint Residents, the death of the surviving Resident), until your estate removes all of your personal property from the Residence and from any storage unit.

1.5.2 In the event of your permanent relocation to Heritage Hall, Health Center Level Services or Comparable Facility for Health Center Level Services (see definitions in Paragraphs 5.1 and 5.2), or to another care facility licensed to provide the appropriate care you need, until you or your personal representative removes all of your personal property from the Residence and from any storage unit.

1.5.3 In the event of cancellation of this Agreement as outlined in Section 8 or 9, until expiration of the cancellation period and continues until you remove all of your personal property from the Residence and from any storage unit.

1.6 Increase in Monthly Fee.

The Monthly Fee is paid to us to provide the services and amenities described in this Agreement and is intended to meet the expenses associated with the operation of the Village. We may increase the Monthly Fee (which includes the Second Person Monthly Fee where applicable) upon thirty (30) days' written notice if we, in our sole discretion, deem it necessary to meet the financial needs of the Village or to provide quality services to the Residents.

1.7 Reduction in Monthly Fee Due to Absence. If you are absent from the Village for more than fourteen (14) consecutive days, your Monthly Fee will be reduced by the raw food cost determined through the Village's budgeting process. You are required to notify us of your absence in order to qualify for the reduction in the Monthly Fee.

1.8 Reserve Funds. The amount of the Monthly Fee also is and will continue to be affected by our policy of maintaining reserve funds for the financial security of the Village.

1.9 Late Payment Charge. We will charge a late payment charge in the amount of twenty-five dollars (\$25.00) if the Monthly Fee or any Extra Charges are not paid by the fifteenth (15th) day of the month. Balances over thirty (30) days old will be assessed a one percent (1%) interest charge per month. If we hire a collection agency or attorney to collect the Monthly Fee and Extra Charges past due from you, you are to pay any and all costs of collection, including reasonable attorney's fees, costs, and expenses associated with such collection efforts.

2. DESCRIPTION OF PRIMARY AND SUPPLEMENTAL SERVICES.

2.1 Services Provided for the Monthly Fee. We will provide you, in consideration for the Monthly Fee referred to above, the following services and amenities at the Village:

- Under the Flexible Meal Program, each Resident living in Cottages and Apartments (excluding studio apartments) will receive a Dining Allocation as part of the Monthly Fee and second person Monthly Fee. The meal program will provide you sufficient credits to dine daily, and may be expended by you, or with your permission, your guests. Any unused meal credits at the end of the 90-day cycle cannot be carried over to the next cycle and all unused meal credits will be lost. No credits will be refunded or carried over for residents who are absent from the Village for any number of days. Your meal credits will be adjusted annually to reflect changes in meals and food costs. For more information, please refer to the Flexible Meal Program Policy;
- Studio apartment residents receive three (3) meals per day;
- Limited tray service to be provided when approved by authorized staff;
- Consultation and preparation of routine special diets;
- Utilities, which include heating, air conditioning, electricity, water, sewer and trash removal;
- Basic cable television package;
- Building janitor and maintenance;
- Grounds keeping;
- Weekly housekeeping services;
- Availability of laundry facilities so that you can wash and dry personal laundry;
- Planned activities (social, cultural, recreational, educational, and spiri-

tual) for those who wish to participate;

- Services of a chaplain;
- Parking for you and your guests;
- Carpeting (except in kitchen and bath), unless some other floor surface has been installed;
- Kitchen facilities, except some studio apartments only contain a refrigerator and a microwave;
- Local transportation as scheduled by us and as posted;
- Limited additional storage space;
- Personal emergency transmitter system;
- Smoke detectors;
- Security – 24 hours a day; and
- Xix (6) days each year of assisted living or nursing care in the Village Health Center as outlined in Paragraph 5.4.

2.2 Supplemental Services Provided for Extra Charge. Supplemental services, when available, will be provided at Extra Charge and are described below. A list of Extra Charges for these supplemental services can be obtained from administration.

- Meals, guest meals, and other food charges in excess of your Dining Allocations, as outlined in Section 2.1. Extended tray service as approved by authorized staff;
- Preparation of special diets (beyond those which are routine and based upon our ability to prepare/offer such diet), as prescribed by your attending physician;
- Additional housekeeping services;
- Guest accommodations, if available;
- Private catered functions;
- Personal transportation and transportation for special events and group trips;
- Expanded cable television package;

- Services of the Clinic – a copy of the charges for Clinic services can be obtained from the Clinic;
- Home care services through the Croasdaile Village Home Care Program;
- Personal care services in Heritage Hall as outlined in Section 4;
- Assisted living services or nursing care services through the Village Health Center as outlined in Section 5; and
- Certain ancillary services and supplies (such as therapies, pharmacy, laboratory, therapeutic activities, rehabilitative treatments, medical equipment, medical supplies, medical treatment, physician services, and other miscellaneous medical services and supplies) as outlined in Paragraph 5.10.

3. TERMS OF RESIDENCY.

3.1 Use of the Residence. The Residence is for living only and will not be used for carrying on any business or profession, nor in any manner in violation of zoning restrictions. This Agreement is not a lease, and grants you only the right to live in the Residence, access to other facilities of the Village, and to available services and amenities, subject to the terms and conditions of this Agreement.

3.2 Duration of Your Right to Occupy the Residence. You may reside in your Residence for as long as you (or either of you in the case of Joint Residents) live unless you (both of you in the case of Joint Residents) are not capable of occupancy as set forth in our residency policy, or this Agreement is canceled by you or by us. If, in the opinion of your attending physician or the Medical Director, your physical or mental health requires that you need home care services, personal care services,

assisted living services, or nursing care services, you will be requested to obtain the needed services in your Residence (at your expense), relocate to Heritage Hall, or relocate to the Village Health Center or Comparable Facility (as defined in Paragraph 5.2).

3.3 Occupants of the Residence.

Except as hereinafter provided, no person other than you (both of you in case of Joint Residents) may occupy the Residence. In the event that a second person who is not a party to this Agreement is accepted for residency in the Residence at a time subsequent to the date hereof (said acceptance to be in accordance with our current residency policy), an Entrance Fee in an amount to be determined by us (which will be no more than one-half of the then-current Entrance Fee for the Residence) shall be paid upon residency, and each month thereafter, the then-current Second Person Monthly Fee shall be paid as part of the Monthly Fee. If such second person does not meet the requirements for residency, such second person will not be permitted to occupy the Residence for more than thirty (30) days, except with our express written approval.

If the Resident marries a person who is also a resident of the Village, and should they decide to occupy one residence as Joint Residents, they must declare which residence will be occupied and which residence will be released. The refund due for the released residence, if any, will be provided as described in Paragraph 10.5 of this Agreement.

3.4 Guests. Guests are welcome to stay in your Residence for short stays not to exceed ten (10) consecutive days. Such stay shall not, in the opinion of the Executive Director, adversely affect the operation of the Village or be inconsistent with the welfare of our residents.

3.5 Release. We are not responsible for theft, loss of or damage to your personal property, unless such theft, loss or damage is caused by our negligence or the negligence of our agents or employees, and you hereby release us from such liability.

3.6 Insurance. Our insurance does not cover your personal property or your liability. It is recommended that you carry personal property insurance and liability insurance at your own expense to cover against any loss or damage to your personal property or to the property of others caused by your negligence or that of your guests. If requested by us, you agree to provide us with proof of such insurance coverage.

3.7 Removal and Storage of Resident's Personal Property. Your personal property must be removed from the Residence and from any storage unit as follows:

3.7.1 Within thirty (30) days following the date of your death (if Joint Residents, the date of death of the surviving Resident). If your personal property is not removed from the Residence and from any storage unit within such thirty (30) days, we will continue to charge your estate the Monthly Fee as outlined in Paragraph 1.5.1 above, or we may remove and store such personal property at the expense and risk of your estate. Your Entrance Fee will continue to amortize, if applicable, until the Residence and any storage unit is completely vacated. We will only allow the executor(s) named in your Will to remove or dispose of your personal property in your living accommodation and any related storage unit at the Village. 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.

3.7.2 Within thirty (30) days following the date notice is delivered to you of your permanent relocation to Heritage Hall, to the Village Health Center or a Comparable Facility for Health Center Level Services (see definitions in Paragraphs 5.1 and 5.2), or to another care facility licensed to provide the appropriate care you need. If your personal property is not removed from the Residence and from any storage unit within such thirty (30) days, we will continue to charge you the Monthly Fee as outlined in Paragraph 1.5.2 above, or we may remove and store such personal property at your expense and risk.

3.7.3 At the end of the cancellation period outlined in Section 8 or 9. If your personal property is not removed from the Residence and from any storage unit by the end of the cancellation period, we will continue to charge you the Monthly Fee as outlined in Paragraph 1.5.3 above, or we may remove and store such personal property at your expense and risk. Your Entrance Fee will continue to amortize, if applicable, until the Residence and any storage unit is completely vacated.

3.8 Furnishings. Furnishings within the Residence will not be provided by us except as stated in Paragraph 2.1. Furnishings provided by you shall not be such as to interfere with your health, safety or general welfare, or that of other residents or others.

3.9 Emergency Entry and Relocation. We may enter your Residence should it be necessary in an emergency to protect your health or safety or the health or safety of other residents. If relocation is recommended by the Medical Director or your attending physician, we will request that you relocate to another residence within the Village (which may include Heritage Hall), to the Village Health Center or a Comparable Facility (as defined in Paragraph 5.2), or to a hospital or other care facility for the protection of your health or safety or for the health or safety of the other residents of the Village.

3.10 Alterations by You. You may not undertake any alterations to your Residence without our prior written approval. Said alterations will be set forth in a separate addendum to this Agreement, signed by you and us. Any alterations to the landscaping of your Residence must meet the covenants of Croasdaile Farm Master Homeowners' Association and be approved by the Village's Building and Grounds Committee.

3.11 Condition of Residence. Upon vacating the Residence, you agree to leave it in good and clean condition. You shall be liable to us for any charges incurred to restore your Residence to good and clean condition, except for normal wear and tear.

3.12 Rights of Second Single Resident. When two Joint Residents reside in a single Residence under this Agreement, upon the death or permanent relocation of one Resident to a different level of care at the Village, or other inability of that Resident to continue residing in the Residence, the remaining Resident may continue to reside in the Residence under the terms of this Agreement and shall pay the Monthly Fee.

3.13 Smoke-Free Community.

The Village is a smoke-free community pursuant to its Smoke-Free Campus Policy (a copy of which is available upon request), wherein the campus and buildings have been designated as "smoke free". Smoking (including E-Cigarettes) is not allowed by residents, guests, and business invitees on the Village campus (inside or outside), except in a designated outside area. No smoking areas include, but are not limited to, the residences, Heritage Hall, the Village Health Center (including both the assisted living facility and nursing facility), hallways, dining rooms, public restrooms, lounge areas, reception areas, waiting rooms, courtyards, entrances, walking paths, driveways, and any other common areas. Smoking is only permitted at the designated outdoor area. Violation of the Smoke-Free Campus Policy can result in our cancellation of this Agreement for just cause as outlined in Paragraph 9.1 hereof.

3.14 Firearms Policy. The Village has adopted a policy governing the possession of firearms at the Village. Firearms need to be registered with the Village and properly secured. In the event that you are unable to safely maintain a firearm, we will contact your designated power of attorney, legal representative or family member to remove any firearms from your Residence.

4. HERITAGE HALL. If you are in need of additional personal services, you can obtain these needed services through the Village's residential living with personal services program available at Heritage Hall. If such services are needed, you will be required to enter into an amendment to this Agreement, transfer from your Residence to a personal services apartment at Heritage Hall, and pay the then-current personal services monthly fee. A copy of the amendment is included in the Village's Disclosure Statement and is also available

upon request.

Following is a list of services and amenities available at Heritage Hall for the personal services monthly fee:

- Staff assistance 24 hours a day;
- Three (3) meals per day;
- Limited tray service to be provided when approved by authorized staff;
- Consultation and preparation of routine special diets;
- Utilities, which include heating, air conditioning, electricity, water, sewer and trash removal;
- Basic cable television package;
- Building janitor and maintenance;
- Grounds keeping;
- Planned assistance with bathing;
- Planned assistance with dressing;
- Medication cueing (no administration or treatments);
- Weekly housekeeping services;
- Linen service and bed making twice per month;
- Personal laundry service;
- Planned activities (social, cultural, recreational, educational, and spiritual) for those who wish to participate;
- Services of a chaplain;
- Parking for residents and guests;
- Carpeting (except in kitchen and bath), unless some other floor surface has been installed;
- Kitchenette with apartment-size microwave and refrigerator;
- Local transportation as scheduled by us and as posted;
- Personal emergency transmitter system;
- Smoke detectors;
- Security – 24 hours a day; and
- Six (6) days each year of assisted living or nursing care in the Village Health Center as outlined in Paragraph 5.4.

Supplemental services, when available, will be provided at Extra Charge to Heritage Hall residents as described below. A list of Extra Charges for these supplemental services can be obtained from administration.

- Guest meals;
- Guest accommodations, if available;
- Expanded cable television package;
- Private catered functions;
- Hair grooming services;
- Extended tray service as approved by authorized staff;
- Preparation of special diets (beyond those which are routine and based upon our ability to prepare/offer such diet), as prescribed by resident's attending physician;
- Personal transportation and transportation for special events and group trips;
- Personal service provider;
- Physician services;
- Professional medical services;
- Services of the Clinic – a copy of the charges for Clinic services can be obtained from the Clinic;
- Pharmacy/medications;
- Physical therapy, speech therapy and occupational therapy;
- Nursing supplies;
- Podiatry services;
- Home care services through the Croasdaile Village Home Care Program;
- Assisted living services or nursing care services through the Village Health Center as outlined in Section 5; and
- Certain ancillary services and supplies (such as therapies, pharmacy, laboratory, therapeutic activities, rehabilitative treatments, medical equipment, medical supplies, medical treatment, physician services, and other miscellaneous medical services and supplies).

5. THE VILLAGE HEALTH CENTER.

5.1 Description. The Village Health Center is the portion of the Village which is licensed to provide two levels of care: assisted living care and skilled nursing care (collectively "Health Center Level Services"). The Village Health Center is staffed by licensed nursing personnel 24 hours a day.

5.2 Alternate Accommodations. You will be given priority over non-residents for admission to the Village Health Center. In the event the Village Health Center is fully occupied when you are determined to need such care, you agree to relocate to an alternate health care facility that provides services similar to the Village Health Center or to another care facility licensed to provide the appropriate care you need (a "Comparable Facility") until an appropriate space becomes available for you at the Village. We will not be responsible for the charges associated with the Comparable Facility. Upon your relocation to a Comparable Facility, you shall continue to pay the Monthly Fee in accordance with Paragraph 1.5.2 above.

5.3 Clinic. The Clinic is available for certain examinations, consultations, tests and appointments. Such services will be at an Extra Charge to you.

5.4 Six (6) Days of Assisted Living or Nursing Care in the Village Health Center. You are eligible to receive a total of six (6) days each year of either assisted living care or nursing care in the Village Health Center while you are a resident of your Residence. In the case of Joint Residents, each of you will receive six (6) days, but the days cannot be combined and used by only one of you. Such six (6) days renews on an annual basis and does not accumulate. You are required to pay the charges for physician services and any

additional health services as outlined in Paragraph 5.10. Once you are permanently assigned to assisted living or nursing care in the Village Health Center or Comparable Facility, you no longer qualify for the six (6) free days of assisted living or nursing care and will be required to pay the per diem charge for such care. **[NOTE: The six (6) days of care is a combined annual total for assisted living care and nursing care at the Village.]**

5.5 Transfer to Health Center Level Services. In the event your physical or mental health is determined by us to be appropriate for Health Center Level Services, you agree to relocate to the Village Health Center or a Comparable Facility. Such a determination will be made by us after a review by the Director of Nursing, the Medical Director and the Executive Director in consultation with your attending physician, your personal representative, and you to the extent possible.

5.6 Temporary Relocation to the Village Health Center. In the event you require temporary care in the Village Health Center (beyond the six (6) days of care as outlined in Paragraph 5.4, if applicable), you will pay the per diem charge applicable to the level of care needed by you, as well as the charges for physician services and any additional health services as outlined in Paragraph 5.10. Subject to the terms and conditions of this Agreement, you will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above.

5.7 Permanent Relocation to Health Center Level Services. In the event you require permanent care in the Village Health Center (beyond the six (6) days of care as outlined in Paragraph 5.4, if applicable), you will pay the per diem charge applicable to the level of care needed by you, as well as the charges for physician

services and any additional health services as outlined in Paragraph 5.10. If you are determined appropriate for Health Center Level Services, and are permanently relocated to the Village Health Center or a Comparable Facility, you will be required to release your Residence to us, and remove all of your personal property from the Residence and from any storage unit as outline in Paragraph 3.7.2. We shall have the right to reassign the Residence for occupancy by others except as provided in Paragraph 3.12. Release of the Residence due to your permanent relocation to the Village Health Center or to a Comparable Facility does not qualify you for a refund of the Entrance Fee, unless this Agreement is canceled. Subject to the terms and conditions of this Agreement, you will continue to pay the Monthly Fee in accordance with Paragraph 1.5.2 above.

5.8 Relocation within the Village Health Center. We reserve the right to relocate you to a different level of care within the Village Health Center if you require such care. Such relocation will be made after a review by the Director of Nursing, the Medical Director and the Executive Director in consultation with your attending physician, your personal representative, and you to the extent possible.

5.9 Return to Residence. If we subsequently determine, in consultation with your attending physician, your personal representative and you to the extent possible, that you can resume occupancy in a residence equivalent to the residence you previously occupied, you shall have the right to relocate to such equivalent residence as soon as one is available. Upon reoccupying a residence, your Monthly Fee will be based on the then-current Monthly Fee for the residence.

5.10 Medical Director, Attending Physician, and Additional Health Services. We have designated a licensed physician to serve as Medical Director of the Village Health Center. You are required to have a local attending physician. You may engage the services of the Medical Director at your expense. If your personal physician will be providing you with services in the Village Health Center, he/she may do so upon providing us with his/her credentials and with proof of liability insurance, and he/she agrees to abide by our policies and procedures. We will not be responsible for the charges for medical treatment or services by the Medical Director or your attending physician, nor will we be responsible for the charges for medication, prescribed therapy, nursing supplies, and other medical and miscellaneous supplies and services associated with medical treatment.

5.11 Advanced Payment for Medical Treatment. In the event we incur or advance payment for your medical treatment or for medication, prescribed therapy, nursing supplies, and other medical and miscellaneous supplies and services associated with medical treatment (even in the event such medical care is given at the direction of your attending physician or the Medical Director without your prior approval), you shall promptly reimburse us for such payments. Upon cancellation of this Agreement for any reason, any amounts due to us under this Paragraph 5.11 shall be offset against any refund of the Entrance Fee.

5.12 Long-Term Care Insurance. We will use reasonable efforts to assist you in working with your long-term care insurance provider to obtain the benefits to which you may be entitled.

5.13 Medicare and Health Insurance. When eligible, you are required to

maintain Medicare Part A, Medicare Part B, and one supplemental health insurance policy or equivalent insurance coverage acceptable to us to assure your ability to fully cover a Medicare-qualified stay in the Village Health Center or a Comparable Facility. You shall furnish to us such evidence of coverage as we may from time to time request. Such supplemental insurance should cover Medicare co-insurance and deductibles. Should your supplemental health insurance or equivalent coverage not fully cover a Medicare-qualified stay in the Village Health Center or a Comparable Facility, or should you fail to purchase supplemental health insurance or equivalent coverage to fully cover a Medicare-qualified stay in the Village Health Center or a Comparable Facility, you shall be financially responsible for paying deductibles, co-insurance amounts, and any other charges for each Medicare-qualified admission and stay in the Village Health Center or a Comparable Facility. If you are eligible to receive the six (6) days of nursing care in the Village Health Center as provided in Paragraph 5.4 and your stay in the Village Health Center is a Medicare-qualified stay, such six (6) days will be applied after the expiration of your Medicare-qualified stay providing you have Medicare Part A, Medicare Part B and acceptable supplemental health insurance or equivalent insurance coverage.

If you are not eligible for Medicare, you shall maintain health insurance coverage acceptable to us and shall furnish us with evidence of such coverage upon our request. Should your health insurance not fully cover your stay in the Village Health Center or a Comparable Facility, you shall be financially responsible for paying deductibles, co-insurance amounts, and any other charges for each admission and stay in the Village Health Center or a Comparable Facility.

If failure to maintain Medicare Part A, Medicare Part B, supplemental health insurance or other health insurance coverage causes depletion of your resources and impairs your ability to meet your financial obligations, we need not defer your financial obligations to us as outlined in Paragraph 7.1, and we retain the right to cancel the Residency Agreement as provided in Section 9.

5.14 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:

5.14.1 Participating Provider. If the Village Health Center is a participating provider with your managed care program and your stay is a Medicare-qualified stay, the Village agrees to be reimbursed at the rate negotiated with your managed care program. Such a managed care stay in the Village Health Center will not reduce the number of days of care you are eligible to receive without additional charge pursuant to Paragraph 5.4, as applicable. You will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above, as well as any charges for physician services and any additional health services as outlined in Paragraph 5.10.

5.14.2 Not a Participating Provider. If the Village Health Center 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 charges for health care services. In addition, while receiving health care services at the managed care participating provider, you will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above. Such a stay at a managed care participating provider will not reduce the number of days of care that you are eligible to receive without additional charge pursuant to Paragraph 5.4, as applicable.

5.14.3 Negotiated Managed Care Rate. If the Village Health Center is not a participating provider in your managed care program and your stay is a Medicare-qualified stay, we attempt to negotiate a reimbursement rate with your managed care program. If we are able to negotiate an acceptable rate, we agree to accept as full payment the rate provided by your managed care program. Such a managed care stay in the Village Health Center will not reduce the number of days of care that you are eligible to receive without additional charge pursuant to Paragraph 5.4, as applicable. You will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above, as well as any charges for physician services and any additional health services as outlined in Paragraph 5.10.

5.14.4 No Negotiated Managed Care Rate. If the Village Health Center is not a participating provider in your managed care program and a negotiated rate is not agreed upon and you would still like to receive nursing care in the Village

Health Center during a Medicare-qualified stay, then each day of your stay in the Village Health Center will reduce by one day the number of days of care you are eligible to receive without additional charge pursuant to Paragraph 5.4, as applicable. During any such Medicare-qualified stay in the Village Health Center, you agree that you will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above and any charges for physician services and any additional health services as outlined in Paragraph 5.10. If at any time during any such Medicare-qualified stay in the Village Health Center you are no longer eligible to receive any of the days of care provided for in Paragraph 5.4, then you agree to pay the per diem charge for your care in the Village Health Center, the Monthly Fee for your Residence, in accordance with Paragraph 1.5.2 above, and any charges for physician services and any additional health services as outlined in Paragraph 5.10.

5.14.5 Post Medicare-Qualified Stay. At the conclusion of each such Medicare-qualified stay, you will be entitled to care in the Village Health Center in accordance with the terms of this Agreement other than as provided in this Paragraph 5.14, as adjusted to reflect any reduction during such stay in the number of days of care that you are eligible to receive without additional charge as provided in Paragraph 5.4, as applicable.

5.15 Transfer to Hospital or Other Care Facility. If we determine after

consultation with your attending physician, your personal representative and you to the extent possible, that you need care beyond that which the Village Health Center is licensed to provide, you will be transferred to a hospital or other care facility. Our staff will not accompany you to the hospital or other facility. We shall not be responsible for any charges associated with the transfer and health care expenses or charges incurred by you after such a transfer. You shall continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5 above.

5.16 Village Health Center Admission Agreement. If you require care in the Village Health Center, you agree to enter into a separate admission agreement for the appropriate level of care, which will be signed by you and us.

5.17 Under Age 62. If you are under the age of 62 when you occupy your Residence under this Agreement, you are not eligible to receive the six (6) days of care in the Village Health Center as described in Paragraph 5.4 until you attain the age of 62. During this time, you will be entitled to Health Center Level Services at the then-current per diem charge being charged to nonresidents until age 62.

6. REPRESENTATIONS.

6.1 Our Representations. We represent and warrant that we are a nonprofit corporation. We are exempt from payment of Federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. We are affiliated with the North Carolina Conference of The United Methodist Church of the Southeastern Jurisdiction. The North Carolina Conference of The United Methodist Church of the Southeastern Jurisdiction is not responsible for our financial or contractual obligations.

6.2 Your Representations. You represent and warrant that the representations made in the application for residency, your personal health history, and the confidential financial statement are true and correct and may be relied upon by us as a basis for your acceptance for residency at the Village. You also represent and warrant that you have not made any gift of your property in contemplation of the execution of this Agreement.

7. PROMISES.

7.1 Our Promises. It is and shall be our declared policy to operate as a non-profit organization. We will not cancel this Agreement without just cause as specified in Section 9. Further, we shall not cancel this Agreement solely by reason of your financial inability to pay the full Monthly Fee, the personal services monthly fee, or the per diem charge for care in the Village Health Center, provided you have met all "spend-down" provisions of eligibility for the Medicaid program and any public assistance funds. This provision shall not apply if you have impaired your ability to meet your financial obligations hereunder by transfer of assets other than to meet ordinary and customary living expenses or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance, or other health insurance after assuming occupancy. You shall be permitted to remain at the Village for a reduced fee based on your ability to pay for as long as you establish facts to justify deferment of such charges and when deferment of such charges can, in our sole discretion, be granted without impairing our ability to operate the Village on a sound financial basis for the benefit of all residents.

7.2 Your Promises. You agree to comply with all policies and procedures of the Village as now existing or as hereafter amended; to pay the Entrance Fee, Monthly

Fee, and any other charges as provided in this Agreement; to not impair your ability to meet the financial obligations under this Agreement by transferring assets, other than to meet ordinary and customary living expenses, or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance or other health insurance, without our consent; to apply for public assistance funds and/or Medicaid if you should need financial assistance as outlined in Paragraph 7.1 above while receiving Health Center Level Services; and to abide by all other terms of this Agreement.

8. CANCELLATION BY RESIDENT.

8.1 Right of Rescission. Within thirty (30) days following the later of the execution of this Agreement by you or the receipt of a Disclosure Statement from us, you may rescind this Agreement by giving us written notice. You shall not be required to move into the Residence prior to the expiration of the thirty (30) day rescission period. However, if you occupy the Residence during the rescission period and then rescind this Agreement, you will only be charged a Monthly Fee for the period of time that you actually occupied the Residence. Refund of the amount of the Entrance Fee paid shall be as outlined in Paragraph 10.2.

8.2 Cancellation Prior to Occupancy. You may cancel this Agreement for any reason at any time before you move into the Village by giving us written notice signed by you (both of you in the case of Joint Residents). Refund of the amount of the Entrance Fee paid shall be as outlined in Paragraph 10.3 or 10.4. If you die prior to occupying the Residence or if, on account of illness, injury or incapacity, you are precluded from occupying the Residence under the terms of this Agreement, this Agreement will automatically cancel upon

our receipt of notice of your death, illness, injury or incapacity. If you elect to cancel this Agreement because of a substantial change in your physical, mental or financial condition prior to occupancy, then this Agreement will cancel upon written notice from you. Refund of the Entrance Fee shall be as outlined in Paragraph 10.3.

8.3 Cancellation After Occupancy. You may cancel this Agreement for any reason after moving into the Village by giving us thirty (30) days' prior written notice of cancellation, which shall be effective and irrevocable upon delivery. Cancellation shall occur thirty (30) days after written notice is delivered, and you must remove your personal property from the Residence and from any storage unit within the thirty (30) day notice period as outlined in Paragraph 3.7.3. You are obligated to pay the Monthly Fee during the thirty (30) days, and thereafter if the Residence has not been released to us in accordance with Paragraph 1.5.3 above. Refund of the Entrance Fee shall be as outlined in Paragraph 10.5.

8.4 Cancellation Due to Death After Occupancy. This Agreement will automatically cancel upon your death (the death of the surviving Resident in the case of Joint Residents). Your estate must remove your personal property from the Residence and from any storage unit within thirty (30) days after your death as outlined in Paragraph 3.7.1. Your estate will be obligated to pay the Monthly Fee as outlined in Paragraph 1.5.1 above. Refund of the Entrance Fee shall be as outlined in Paragraph 10.5.

9. CANCELLATION BY UMRH.

9.1 Cancellation Upon Notice. We may, upon notice and opportunity to cure as hereinafter provided, cancel this Agreement for just cause. Just cause shall

include the occurrence of any of the following events (hereinafter referred to as a "Default"):

9.1.1 Noncompliance.

You do not comply with the terms of this Agreement or the published operating procedures, covenants, rules, regulations, and policies now existing or later amended by us.

9.1.2 Misrepresentation.

You misrepresent yourself or fail to disclose information during the residency process.

9.1.3 Nonpayment.

You fail to pay any charges to us, subject to the provisions of Paragraph 7.1, within forty-five (45) days of the date when such charges are due.

9.1.4 Threat to Health or Safety.

Your health status or behavior constitutes a substantial threat to the health, safety or peace of yourself, other residents, or others including your refusal to consent to relocation, or behavior that would result in physical damage to the property of the Village or others.

9.1.5 Change in Condition.

There is a major change in your physical or mental condition and your condition cannot be cared for in the Village Health Center within the limits of our license.

9.2 Default Notice. Prior to cancellation for any Default described in Paragraph 9.1.1, 9.1.2 or 9.1.3 above, we shall give you notice in writing of such Default, and you shall have at least thirty (30) days thereafter within which to correct such Default. No Default shall eliminate your obligation to pay the Monthly Fee. If you correct such Default within such time,

this Agreement shall not be canceled. If you fail to correct such Default within such time, this Agreement shall cancel at the expiration of such thirty (30) days.

In the event of the occurrence of a Default described in Paragraph 9.1.4 or 9.1.5 above, if we or the Medical Director determine that either the giving of notice of Default or the lapse of time as above provided might be detrimental to you or others, then such notice and/or waiting period prior to cancellation shall not be required. Also, in the event of the occurrence of a Default described in Paragraph 9.1.4 or 9.1.5, we are expressly authorized by you to transfer you to an appropriate hospital or other facility, and we will promptly notify your personal representative or attending physician.

10. REFUND OF ENTRANCE FEE.

10.1 Nonacceptance by Us. If we do not accept you for residency at the Village, the full amount of the Entrance Fee you have paid will be promptly refunded to you, without interest.

10.2 Right of Rescission. If you rescind this Agreement as provided in Paragraph 8.1, you shall receive a full refund of the portion of the Entrance Fee paid by you, without interest, within sixty (60) days of our receipt of the written notice of rescission.

10.3 Cancellation Prior to Occupancy Due to Death, Illness, Injury, or Incapacity. If, prior to occupancy and after your right of rescission period has expired, you die or you cancel this Agreement because of illness, injury or incapacity, you or your estate will receive a refund in full of the portion of the Entrance Fee you have paid, without interest, less any costs specifically incurred by us at your request and set forth on Exhibit A or in

writing in a separate addendum to this Agreement, signed by you and us. Said refund shall be paid within sixty (60) days following (i) the date of automatic cancellation of this Agreement; or (ii) the date of our receipt of your written notice of cancellation.

10.4 Cancellation Prior to Occupancy for Other Reasons. If you cancel this Agreement for reasons other than those stated in Paragraph 10.2 or 10.3 above, you shall receive a refund of the Entrance Fee paid, less a non-refundable portion of the Entrance Fee equal to Two Thousand Dollars (\$2,000) and less any costs specifically incurred by us at your request and set forth on Exhibit A or in writing in a separate addendum to this Agreement, signed by you and us. Said refund shall be paid within sixty (60) days after our receipt of the written notice of cancellation.

10.5 Cancellation After Occupancy. In the event you or we cancel this Agreement after occupancy or in the event of your death (the death of the survivor in the case of Joint Residents), you or your estate will be reimbursed the amount of the Entrance Fee previously paid by you, less two percent (2%) for each month of residency or portion thereof, for up to (5) months. Subject to our offset rights outlined in Paragraph 10.6, the refund of the Entrance Fee will not be less than ninety percent (90%). Said refund will be paid, without interest, at such time as your Residence has been reserved by a new resident and our receipt of the full amount of the Entrance Fee paid by such new resident or within two (2) years from the date of cancellation, whichever occurs first.

10.6 Offset Against Entrance Fee Refund. In the event of cancellation of this Agreement as described in Paragraph 10.5 above, we will offset against any

Entrance Fee refund due to you or your estate the following:

10.6.1 The amount of any unpaid Monthly Fees, pro-rated Monthly Fees for the period of time the Residence was occupied (which shall include the period of time until you or your personal representative removes all of your personal property from the Residence and from any storage unit) after cancellation of this Agreement, any Extra Charges, or other charges deferred by us on your behalf under Paragraph 7.1; and

10.6.2 Any health care expenses incurred on your behalf and other amounts payable to us, which remain unreimbursed; and

10.6.3 Any charges incurred to restore the Residence to good condition, normal wear and tear excepted, as outlined in Paragraph 3.11; and

10.6.4 Any charges incurred as a result of options and custom features added to the Residence at your request as outlined in Exhibit A or in a separate addendum to this Agreement.

11. MISCELLANEOUS.

11.1 Nature of Rights. You understand and agree that (i) this Agreement or your rights (including the use of the Residence) under it may not be assigned, and no rights or benefits under this Agreement shall inure to the benefit of your heirs, legatees, assignees, or representatives, except as to receipt of the amounts described in Section 10; (ii) this Agreement and your contractual right to occupy the Village will exist and continue to exist during your

lifetime unless canceled as provided herein; (iii) this Agreement grants you the right to occupy and use space in the Village but does not give you exclusive possession of the Residence against us, and you will not be entitled to any rights of specific performance but will be limited to such remedies as set forth herein and as provided by continuing care law; (iv) this Agreement is not a lease or easement and does not transfer or grant you any interest in real property owned by us; and (v) this Agreement grants to us complete decision-making authority regarding the management and operation of the Village.

11.2 Release. We are not responsible for theft, loss of or damage to your personal property, unless such theft, loss or damage is caused by our negligence or the negligence of our agents or employees, and you hereby release us from any such liability. You may want to obtain at your own expense insurance to protect against such losses.

11.3 Amendment. This Agreement may be amended by agreement of the parties to this Agreement. No amendment of this Agreement shall be valid unless in writing and signed by you and us.

11.4 Law Changes. This Agreement may be modified by us at any time in order to comply with applicable laws or regulations. Further, we may change any part of the Village, including the Residence, to meet the requirements of any applicable law or regulation.

11.5 Entire Agreement. This Agreement and any addenda or amendments thereto contain our entire understanding with respect to your residency at the Village.

11.6 Monthly Statement. You shall receive a monthly statement from us showing the total amount of fees and other

charges owed by you, which shall be paid upon receipt and by no later than the fifteenth (15th) day of each month.

11.7 Responsible Party for Business and Financial Decision Making. Prior to assuming residency at the Village, you agree to execute and deliver to us a Durable Power of Attorney, trust documents, or other documentation naming a responsible party for business and financial decision-making. These documents should be drafted to remain effective notwithstanding your incompetence or disability and shall be in a form acceptable to us. You agree to keep such documents in effect as long as this Agreement is in effect. The person(s) named as your responsible party shall not be a person(s) employed by us or any other entity engaged in the management of the Village.

11.8 Disposition of Furniture, Possessions, and Property. You agree to make provision by Will or otherwise for the disposition of all of your furniture, property, and possessions located on the premises of the Village within sixty (60) days after the date of residency.

11.9 Nonwaiver. If we fail to insist in any instance upon performance of any of the terms, promises, or conditions of this Agreement, it shall not be construed as a waiver or relinquishment of the future performance of any such terms, promises, or conditions, but your obligation with respect to such future performances shall continue in full force and effect.

11.10 Notices. Any notice required to be given to us under this Agreement shall be in writing and sent certified mail, return receipt requested, with all postage and charges prepaid, or hand-delivered to the Executive Director of the Village at 2600 Croasdaile Farm Parkway; Durham, North

Carolina 27705. Such notices shall be dated and signed.

Any notice required to be given to you shall be delivered to you at the Village or at such other place as you shall designate to us in writing and sent by certified mail or hand delivered. All notices mailed in accordance with this Paragraph shall be deemed to be given when mailed whether or not they are actually received.

11.11 Indemnity. We will not be liable for and you agree to indemnify, defend and hold us harmless from claims, damages and 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 that of your guests.

11.12 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.

11.13 Subordination. You agree that all your rights under this Agreement will always be subordinate and junior to the lien of all mortgages or other documents creating liens encumbering the Village, which have been or will be executed by us. Upon request, you agree to execute, acknowledge and deliver to such lender(s) such further written evidence of such subordination as such lender(s) may reasonably require. Except to the extent of your obligation to pay the Monthly Fee and Second Person Monthly Fee, you shall not be liable for any such indebtedness.

11.14 Capacity. This Agreement has been executed on our behalf by our duly authorized agent, and no officer, director,

agent or employee of ours shall have any personal liability hereunder to you under any circumstances. This Agreement will become effective upon acceptance and signature by us.

11.15 Resident. In the case of Joint Residents, the rights and obligations of each are joint and several except as the context of this Agreement otherwise requires.

11.16 Reimbursement for Loss or Damage. You or your responsible party, if applicable, agree to reimburse us for any loss or damage to the Village caused by your intentional, careless, or negligent acts or omissions or that of your guests.

11.17 Charges for Collection. You agree to reimburse us for any charges we incur to collect any unpaid amounts you or your estate owes to us under this Agreement.

11.18 Sale or Transfers of Interest. We may sell or transfer our interest in the Village provided the buyer will agree to assume this Agreement and all other existing Residency Agreements. Upon the assumption of this Agreement by a buyer of the Village and its agreement to perform this Agreement and all other agreements, we will have no further obligation hereunder. Your signature hereto constitutes your consent and approval of any such future transaction.

11.19 Private Employee of Resident. If you need additional services, you can obtain these needed services from a private employee, an independent contractor, or through an agency (personal service provider). In such instances, we strongly advise you to obtain these needed services from a licensed and/or certified home health agency. In any event, you must comply with our policy regarding personal service providers, and ensure that your

private employee, independent contractor, or person you employ through an agency complies with our policies and rules of conduct set forth in our policy. If you fail to follow or enforce the policies and rules set forth therein, then we may elect, at our sole option, to cancel this Agreement.

11.20 Tax Considerations. You should consult with your tax advisor regarding the tax considerations associated with this Agreement as more fully explained in our Disclosure Statement.

11.21 Management. We have engaged the services of Life Care Services LLC ("LCS") to manage the Village. We are not affiliated with LCS nor is LCS responsible for our contractual or financial obligations or the contractual or financial obligations of the Village.

11.22 Governing Law. This Agreement will be governed, interpreted and construed according to the laws of the State of North Carolina.

11.23 Survival of Representations and Obligations. Your representations and obligations under this Agreement, including but not limited to, your obligation to pay all sums owed by you to us, and your agreement to indemnify us as set forth in Paragraph 11.11, and our representations and obligations under this Agreement, will survive any cancellation of your residency in the Village, regardless of the reason for such cancellation and regardless of whether it is initiated by you or by us.

12. MEDIATION AND ARBITRATION.

12.1 Mediation. In the event a dispute, claim or controversy of any kind arises between the parties – except for those disputes, claims or controversies arising under Paragraph 12.3 below – 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 an 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.

12.2 Arbitration. In the event a dispute, claim or controversy of any kind arising out of or relating to this Agreement – except for those disputes, claims or controversies arising under Paragraph 12.3 below – cannot be resolved through mediation as described in Paragraph 12.1 above, the parties agree that said dispute, claim, or controversy will be submitted to and determined by arbitration in Durham County, North Carolina in accordance with the Federal Arbitration Act. You and we will jointly agree on an arbitrator and the arbitrator will be selected according to the procedure set forth in state law, if applicable. In reaching a decision, the arbitrator shall prepare findings of fact and conclusions of law. Any direct arbitration costs incurred by you will be borne by you. Costs of arbitration, including our legal costs and attorneys' fees, arbitrators' fees, and similar costs, will be borne by all

residents of the Village provided that the arbitrator may choose to award the costs of arbitration against us if the arbitrator determines that the proposed resolution urged by us was not reasonable. If the issue affects more than one (1) resident, we may elect to join all affected residents into a single arbitration proceeding, and you hereby consent to such joinder.

You may withdraw your agreement to arbitrate within thirty (30) days after signing this Agreement by giving written notice of your withdrawal to us. This arbitration clause binds all parties to this Agreement and their spouses, heirs, representatives, executors, administrators, successors, and assigns, as applicable. After cancellation of this Agreement, this arbitration clause shall remain in effect for the resolution of all claims and disputes that are unresolved as of that date.

12.3 Voluntary Arbitration of Negligent Health Care Claims. For all claims for damages in personal injury or wrongful death actions, based on alleged negligence in the provision of health care, the parties may voluntarily elect to submit to arbitration pursuant to the procedures set forth in Article 1H of Chapter 90 of the North Carolina General Statutes. N.C. G.S. §90-21.60(b) prohibits any contract from requiring prior agreement of the parties to arbitrate negligent health care claims. Thus, Paragraphs 12.1 and 12.2 do not apply to personal injury or wrongful death actions based on alleged negligence in the provision of health care. If the parties agree to arbitrate such actions, said arbitration will be governed in accordance with N.C.G.S. §90-21.60, *et seq.*

[Signature Page Follows]

You hereby certify that you received a copy of this Agreement and a copy of our most current Disclosure Statement dated _____, 20____.

Executed this _____ day of _____, 20_____.

RESIDENT

Witness

RESIDENT

Witness

**THE UNITED METHODIST
RETIREMENT HOMES,
INCORPORATED
d/b/a Croasdaile Village**

By _____
Executive Director

Date: _____

By _____
Authorized Agent of UMRH

Date: _____

Attachment: Exhibit A



02/06/2018
CV 90 Percent Return of Capital Residency
Agreement (2018.02.06) CLEAN.docx

Exhibit A

Options and Custom Features Added at Resident's Request:	Amount
	\$
	\$
	\$
	\$
	\$
	\$
Total	\$

Initials _____
Community

Resident(s)

Resident(s)

WBD(US) 41242208v3



**2600 Croasdaile Farm Parkway
Durham, North Carolina 27705
(919) 384-2000
www.croasdailevillage.org**

50 Percent Return of Capital™ Residency Agreement

02/06/2018



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Exhibit A – Options and Custom Features Added at Resident's Request

GLOSSARY

The following terms are described as used in the accompanying Residency Agreement. Reference to the Residency Agreement and the context in which the terms are used is recommended to provide a fuller understanding of each of the terms:

"Agreement" means the Residency Agreement, entered into between the Resident and The United Methodist Retirement Homes, Incorporated, which outlines the contractual obligations of both parties.

"Entrance Fee" means payment that assures a resident a place at the Village for life as long as the resident complies with terms of this Agreement. At the time the resident makes application for residency at the Village, the resident will sign a Residency Agreement to reserve the residence selected and will pay an Entrance Fee deposit to the Village. The balance of the Entrance Fee will be paid upon the earlier of (i) occupancy or (ii) 90 days after the Residency Agreement is executed. Specific information is located in Paragraph 1.2 of this Agreement.

"Extra Charges" means the additional fees required to be paid for the additional services and amenities requested by Resident, as set forth in Paragraph 2.2 of this Agreement.

"Health Center" means the portion of the Village, which is licensed to provide two levels of care: assisted living care and skilled nursing care, as described in Section 5 of the Agreement.

"Heritage Hall" means the portion of the Village, which is designed to provide residents with residential living with personal services, as described in Section 4 of the Agreement.

"Monthly Fee" means that fee payable each month by the Resident as set forth in

Paragraphs 1.3 and 1.4 of the Agreement, in consideration for the services and amenities provided to the residents of the Village described in Paragraph 2.1 of this Agreement. If there are Joint Residents under this Agreement, the Monthly Fee will include a "Second Person Monthly Fee."

"Residence" means the apartment, cottage or home at the Village identified in the introductory paragraph of the Agreement, in which the Resident has the right to live pursuant to this Agreement in exchange for paying the Entrance Fee and the Monthly Fee.

"Resident" or "you" means the Resident(s) who sign this Agreement. Sometimes a second resident (if there are two of you) is referred to in this Agreement as the "Joint Resident." Further, both Residents may be referred to as "Joint Residents." Unless otherwise indicated, "you" refers to both of you if there are two of you.

"The United Methodist Retirement Homes, Incorporated" or "we" or "our" or "us" means the owner of the retirement community known as Croasdaile Village, including all of the residences, common areas, and site amenities associated with these areas. The United Methodist Retirement Homes, Incorporated is a North Carolina non-profit corporation.

"Village" means the continuing care retirement community known as "Croasdaile Village," including all of the residences, common areas, and site amenities.



Residency Agreement 50 Percent Return of Capital™

INTRODUCTION

This 50 Percent Return of Capital™ Residency Agreement ("Agreement") is entered into by The United Methodist Retirement Homes, Incorporated ("UMRH," "we," "us," or "our") and _____ (individually or collectively, "you," "your," or "Resident"). Croasdaile Village is a continuing care retirement community located at 2600 Croasdaile Farm Parkway; Durham, NC 27705 (hereafter the "Village").

We will provide residential housing for seniors along with a wide array of personal services and amenities outlined in this Agreement. Subject to the conditions contained in this Agreement, we agree to make available to you the Residence described as follows:

Residence Number _____
Residence Style _____

You may select certain options and custom features in the Residence at an additional charge, which shall not be subject to any refund provision herein. Any such options and custom features selected and paid for by you will become our property. Such options and custom features must be approved by the Executive Director of the Village prior to adding them to the Residence. The Executive Director of the Village has consented to your request to add the options and custom features set forth on Exhibit A attached to this Agreement. You agree to pay the amount(s) set forth on Exhibit A to cover the charges for such items.

As a Resident of the Village, you are offered lifetime use of your Residence and lifetime access to the Village Health Center, subject to the terms and conditions of the Agreement.

To be accepted for residency, you must meet our residency criteria, which includes: having reached the age of 62 (or sharing your Residence with a Joint Resident who is 62 or older); financial guidelines; and the ability to live in a residence (with or without reasonable accommodation and/or reasonable modification) – all as outlined in our current residency policy.

The purpose of this Agreement is to set forth your rights and duties as a Resident of the Village and to delineate the services to be provided at the Village.

UMRH is also affiliated with The United Methodist Retirement Homes Foundation, Inc. (the "Foundation"). The Foundation is a not-for-profit corporation, which was organized for the benefit of the retirement communities operated by UMRH. Its purpose is to raise endowment funds, to support benevolent care for those residents who are unable to pay for care, and to support special programs.

1. CHARGES FOR RESIDENCE AND PRIMARY SERVICES.

1.1 Application Fee. Prior to or upon execution of this Agreement, you will pay to us a non-refundable Application Fee of \$_____. The Application Fee will be used by us to process your application for residency.

1.2 Entrance Fee. In order to reside at the Village for life, subject to this Agreement, and to receive the services and amenities described below, you agree to pay to us (in addition to the Monthly Fee described below) an Entrance Fee in the amount of \$_____. The total amount of the Entrance Fee shall be payable as follows:

1.2.1 Ten percent (10%) of the total Entrance Fee is \$_____, less any previously paid Future Resident Fee (\$_____), equals \$_____, which amount is due and payable upon your execution of this Agreement.

1.2.2 The balance of \$_____ of the Entrance Fee shall be paid on the date of occupancy at the Village but in no event later than ninety (90) days after your execution of this Agreement.

1.3 Monthly Fee. You are obligated to begin paying a Monthly Fee (or a pro rata portion thereof) on the date you assume occupancy at the Village or within ninety (90) days from the date this Agreement is executed by you, whichever is earlier. Thereafter, the Monthly Fee is due upon receipt of a statement from us and by no later than the fifteenth (15th) of each month. The Monthly Fee is initially set at a specific amount that can be increased as described in Paragraph 1.6 below. A "Second Person Monthly Fee" shall become part of the Monthly Fee and shall be paid if two persons are Joint Residents under this

Agreement. If there are Joint Residents under this Agreement and one Joint Resident dies, the Second Person Monthly Fee shall cease and the remaining Resident shall continue to pay the Monthly Fee without the Second Person Monthly Fee component.

1.4 Initial Monthly Fee. The initial Monthly Fee payable by you is \$_____ per month and an additional \$_____ per month as a Second Person Monthly Fee component of the Monthly Fee if two persons reside as Joint Residents pursuant to this Agreement.

1.5 Continuance of Monthly Fee. Payment of the Monthly Fee will continue as follows:

1.5.1 In the event of your death (in the case of Joint Residents, the death of the surviving Resident), until your estate removes all of your personal property from the Residence and from any storage unit.

1.5.2 In the event of your permanent relocation to Heritage Hall, Health Center Level Services or Comparable Facility for Health Center Level Services (see definitions in Paragraphs 5.1 and 5.2), or to another care facility licensed to provide the appropriate care you need, until you or your personal representative removes all of your personal property from the Residence and from any storage unit.

1.5.3 In the event of cancellation of this Agreement as outlined in Section 8 or 9, until expiration of the cancellation period and continues until you remove all of your personal property from the Residence and from any storage unit.

1.6 Increase in Monthly Fee.

The Monthly Fee is paid to us to provide the services and amenities described in this Agreement and is intended to meet the expenses associated with the operation of the Village. We may increase the Monthly Fee (which includes the Second Person Monthly Fee where applicable) upon thirty (30) days' written notice if we, in our sole discretion, deem it necessary to meet the financial needs of the Village or to provide quality services to the Residents.

1.7 Reduction in Monthly Fee Due to Absence. If you are absent from the Village for more than fourteen (14) consecutive days, your Monthly Fee will be reduced by the raw food cost determined through the Village's budgeting process. You are required to notify us of your absence in order to qualify for the reduction in the Monthly Fee.

1.8 Reserve Funds. The amount of the Monthly Fee also is and will continue to be affected by our policy of maintaining reserve funds for the financial security of the Village.

1.9 Late Payment Charge. We will charge a late payment charge in the amount of twenty-five dollars (\$25.00) if the Monthly Fee or any Extra Charges are not paid by the fifteenth (15th) day of the month. Balances over thirty (30) days old will be assessed a one percent (1%) interest charge per month. If we hire a collection agency or attorney to collect the Monthly Fee and Extra Charges past due from you, you are to pay any and all costs of collection, including reasonable attorney's fees, costs, and expenses associated with such collection efforts.

2. DESCRIPTION OF PRIMARY AND SUPPLEMENTAL SERVICES.

2.1 Services Provided for the Monthly Fee. We will provide you, in consideration for the Monthly Fee referred to above, the following services and amenities at the Village:

- Under the Flexible Meal Program, each Resident living in Cottages and Apartments (excluding studio apartments) will receive a Dining Allocation as part of the Monthly Fee and second person Monthly Fee. The meal program will provide you sufficient credits to dine daily, and may be expended by you, or with your permission, your guests. Any unused meal credits at the end of the 90-day cycle cannot be carried over to the next cycle and all unused meal credits will be lost. No credits will be refunded or carried over for residents who are absent from the Village for any number of days. Your meal credits will be adjusted annually to reflect changes in meals and food costs. For more information, please refer to the Flexible Meal Program Policy;
- Studio apartment residents receive three (3) meals per day;
- Limited tray service to be provided when approved by authorized staff;
- Consultation and preparation of routine special diets;
- Utilities, which include heating, air conditioning, electricity, water, sewer and trash removal;
- Basic cable television package;
- Building janitor and maintenance;
- Grounds keeping;
- Weekly housekeeping services;
- Availability of laundry facilities so that you can wash and dry personal laundry;
- Planned activities (social, cultural, recreational, educational, and spiri-

tual) for those who wish to participate;

- Services of a chaplain;
- Parking for you and your guests;
- Carpeting (except in kitchen and bath), unless some other floor surface has been installed;
- Kitchen facilities, except some studio apartments only contain a refrigerator and a microwave;
- Local transportation as scheduled by us and as posted;
- Limited additional storage space;
- Personal emergency transmitter system;
- Smoke detectors;
- Security – 24 hours a day; and
- Six (6) days each year of assisted living or nursing care in the Village Health Center as outlined in Paragraph 5.4.

2.2 Supplemental Services Provided for Extra Charge. Supplemental services, when available, will be provided at Extra Charge and are described below. A list of Extra Charges for these supplemental services can be obtained from administration.

- Meals, guest meals, and other food charges in excess of your Dining Allocations, as outlined in Section 2.1. Extended tray service as approved by authorized staff;
- Preparation of special diets (beyond those which are routine and based upon our ability to prepare/offer such diet), as prescribed by your attending physician;
- Additional housekeeping services;
- Guest accommodations, if available;
- Private catered functions;
- Personal transportation and transportation for special events and group trips;
- Expanded cable television package;

- Services of the Clinic – a copy of the charges for Clinic services can be obtained from the Clinic;
- Home care services through the Croasdaile Village Home Care Program;
- Personal care services in Heritage Hall as outlined in Section 4;
- Assisted living services or nursing care services through the Village Health Center as outlined in Section 5; and
- Certain ancillary services and supplies (such as therapies, pharmacy, laboratory, therapeutic activities, rehabilitative treatments, medical equipment, medical supplies, medical treatment, physician services, and other miscellaneous medical services and supplies) as outlined in Paragraph 5.10.

3. TERMS OF RESIDENCY.

3.1 Use of the Residence. The Residence is for living only and will not be used for carrying on any business or profession, nor in any manner in violation of zoning restrictions. This Agreement is not a lease, and grants you only the right to live in the Residence, access to other facilities of the Village, and to available services and amenities, subject to the terms and conditions of this Agreement.

3.2 Duration of Your Right to Occupy the Residence. You may reside in your Residence for as long as you (or either of you in the case of Joint Residents) live unless you (both of you in the case of Joint Residents) are not capable of occupancy as set forth in our residency policy, or this Agreement is canceled by you or by us. If, in the opinion of your attending physician or the Medical Director, your physical or mental health requires that you need home care services, personal care services,

assisted living services, or nursing care services, you will be requested to obtain the needed services in your Residence (at your expense), relocate to Heritage Hall, or relocate to the Village Health Center or Comparable Facility (as defined in Paragraph 5.2).

3.3 Occupants of the Residence.

Except as hereinafter provided, no person other than you (both of you in case of Joint Residents) may occupy the Residence. In the event that a second person who is not a party to this Agreement is accepted for residency in the Residence at a time subsequent to the date hereof (said acceptance to be in accordance with our current residency policy), an Entrance Fee in an amount to be determined by us (which will be no more than one-half of the then-current Entrance Fee for the Residence) shall be paid upon residency, and each month thereafter, the then-current Second Person Monthly Fee shall be paid as part of the Monthly Fee. If such second person does not meet the requirements for residency, such second person will not be permitted to occupy the Residence for more than thirty (30) days, except with our express written approval.

If the Resident marries a person who is also a resident of the Village, and should they decide to occupy one residence as Joint Residents, they must declare which residence will be occupied and which residence will be released. The refund due for the released residence, if any, will be provided as described in Paragraph 10.5 of this Agreement.

3.4 Guests. Guests are welcome to stay in your Residence for short stays not to exceed ten (10) consecutive days. Such stay shall not, in the opinion of the Executive Director, adversely affect the operation of the Village or be inconsistent with the welfare of our residents.

3.5 Release. We are not responsible for theft, loss of or damage to your personal property, unless such theft, loss or damage is caused by our negligence or the negligence of our agents or employees, and you hereby release us from such liability.

3.6 Insurance. Our insurance does not cover your personal property or your liability. It is recommended that you carry personal property insurance and liability insurance at your own expense to cover against any loss or damage to your personal property or to the property of others caused by your negligence or that of your guests. If requested by us, you agree to provide us with proof of such insurance coverage.

3.7 Removal and Storage of Resident's Personal Property. Your personal property must be removed from the Residence and from any storage unit as follows:

3.7.1 Within thirty (30) days following the date of your death (if Joint Residents, the date of death of the surviving Resident). If your personal property is not removed from the Residence and from any storage unit within such thirty (30) days, we will continue to charge your estate the Monthly Fee as outlined in Paragraph 1.5.1 above, or we may remove and store such personal property at the expense and risk of your estate. Your Entrance Fee will continue to amortize, if applicable, until the Residence and any storage unit is completely vacated. We will only allow the executor(s) named in your Will to remove or dispose of your personal property in your living accommodation and any related storage unit at the Village. 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.

3.7.2 Within thirty (30) days following the date notice is delivered to you of your permanent relocation to Heritage Hall, to the Village Health Center or a Comparable Facility for Health Center Level Services (see definitions in Paragraphs 5.1 and 5.2), or to another care facility licensed to provide the appropriate care you need. If your personal property is not removed from the Residence and from any storage unit within such thirty (30) days, we will continue to charge you the Monthly Fee as outlined in Paragraph 1.5.2 above, or we may remove and store such personal property at your expense and risk.

3.7.3 At the end of the cancellation period outlined in Section 8 or 9. If your personal property is not removed from the Residence and from any storage unit by the end of the cancellation period, we will continue to charge you the Monthly Fee as outlined in Paragraph 1.5.3 above, or we may remove and store such personal property at your expense and risk. Your Entrance Fee will continue to amortize, if applicable, until the Residence and any storage unit is completely vacated.

3.8 Furnishings. Furnishings within the Residence will not be provided by us except as stated in Paragraph 2.1. Furnishings provided by you shall not be such as to interfere with your health, safety or general welfare, or that of other residents or others.

3.9 Emergency Entry and Relocation. We may enter your Residence should it be necessary in an emergency to protect your health or safety or the health or safety of other residents. If relocation is recommended by the Medical Director or your attending physician, we will request that you relocate to another residence within the Village (which may include Heritage Hall), to the Village Health Center or a Comparable Facility (as defined in Paragraph 5.2), or to a hospital or other care facility for the protection of your health or safety or for the health or safety of the other residents of the Village.

3.10 Alterations by You. You may not undertake any alterations to your Residence without our prior written approval. Said alterations will be set forth in a separate addendum to this Agreement, signed by you and us. Any alterations to the landscaping of your Residence must meet the covenants of Croasdaile Farm Master Homeowners' Association and be approved by the Village's Building and Grounds Committee.

3.11 Condition of Residence. Upon vacating the Residence, you agree to leave it in good and clean condition. You shall be liable to us for any charges incurred to restore your Residence to good and clean condition, except for normal wear and tear.

3.12 Rights of Second Single Resident. When two Joint Residents reside in a single Residence under this Agreement, upon the death or permanent relocation of one Resident to a different level of care at the Village, or other inability of that Resident to continue residing in the Residence, the remaining Resident may continue to reside in the Residence under the terms of this Agreement and shall pay the Monthly Fee.

3.13 Smoke-Free Community.

The Village is a smoke-free community pursuant to its Smoke-Free Campus Policy (a copy of which is available upon request), wherein the campus and buildings have been designated as "smoke free". Smoking (including E-Cigarettes) is not allowed by residents, guests, and business invitees on the Village campus (inside or outside), except in a designated outside area. No smoking areas include, but are not limited to, the residences, Heritage Hall, the Village Health Center (including both the assisted living facility and nursing facility), hallways, dining rooms, public restrooms, lounge areas, reception areas, waiting rooms, courtyards, entrances, walking paths, driveways, and any other common areas. Smoking is only permitted at the designated outdoor area. Violation of the Smoke-Free Campus Policy can result in our cancellation of this Agreement for just cause as outlined in Paragraph 9.1 hereof.

3.14 Firearms Policy. The Village has adopted a policy governing the possession of firearms at the Village. Firearms need to be registered with the Village and properly secured. In the event that you are unable to safely maintain a firearm, we will contact your designated power of attorney, legal representative or family member to remove any firearms from your Residence.

4. HERITAGE HALL. If you are in need of additional personal services, you can obtain these needed services through the Village's residential living with personal services program available at Heritage Hall. If such services are needed, you will be required to enter into an amendment to this Agreement, transfer from your Residence to a personal services apartment at Heritage Hall, and pay the then-current personal services monthly fee. A copy of the amendment is included in the Village's Disclosure Statement and is also available

upon request.

Following is a list of services and amenities available at Heritage Hall for the personal services monthly fee:

- Staff assistance 24 hours a day;
- Three (3) meals per day;
- Limited tray service to be provided when approved by authorized staff;
- Consultation and preparation of routine special diets;
- Utilities, which include heating, air conditioning, electricity, water, sewer and trash removal;
- Basic cable television package;
- Building janitor and maintenance;
- Grounds keeping;
- Planned assistance with bathing;
- Planned assistance with dressing;
- Medication cueing (no administration or treatments);
- Weekly housekeeping services;
- Linen service and bed making twice per month;
- Personal laundry service;
- Planned activities (social, cultural, recreational, educational, and spiritual) for those who wish to participate;
- Services of a chaplain;
- Parking for residents and guests;
- Carpeting (except in kitchen and bath), unless some other floor surface has been installed;
- Kitchenette with apartment-size microwave and refrigerator;
- Local transportation as scheduled by us and as posted;
- Personal emergency transmitter system;
- Smoke detectors;
- Security – 24 hours a day; and
- Six (6) days each year of assisted living or nursing care in the Village Health Center as outlined in Paragraph 5.4.

Supplemental services, when available, will be provided at Extra Charge to Heritage Hall residents as described below. A list of Extra Charges for these supplemental services can be obtained from administration.

- Guest meals;
- Guest accommodations, if available;
- Expanded cable television package;
- Private catered functions;
- Hair grooming services;
- Extended tray service as approved by authorized staff;
- Preparation of special diets (beyond those which are routine and based upon our ability to prepare/offer such diet), as prescribed by resident's attending physician;
- Personal transportation and transportation for special events and group trips;
- Personal service provider;
- Physician services;
- Professional medical services;
- Services of the Clinic – a copy of the charges for Clinic services can be obtained from the Clinic;
- Pharmacy/medications;
- Physical therapy, speech therapy and occupational therapy;
- Nursing supplies;
- Podiatry services;
- Home care services through the Croasdaile Village Home Care Program;
- Assisted living services or nursing care services through the Village Health Center as outlined in Section 5; and
- Certain ancillary services and supplies (such as therapies, pharmacy, laboratory, therapeutic activities, rehabilitative treatments, medical equipment, medical supplies, medical treatment, physician services, and other miscellaneous medical services and supplies).

5. THE VILLAGE HEALTH CENTER.

5.1 Description. The Village Health Center is the portion of the Village which is licensed to provide two levels of care: assisted living care and skilled nursing care (collectively "Health Center Level Services"). The Village Health Center is staffed by licensed nursing personnel 24 hours a day.

5.2 Alternate Accommodations. You will be given priority over non-residents for admission to the Village Health Center. In the event the Village Health Center is fully occupied when you are determined to need such care, you agree to relocate to an alternate health care facility that provides services similar to the Village Health Center or to another care facility licensed to provide the appropriate care you need (a "Comparable Facility") until an appropriate space becomes available for you at the Village. We will not be responsible for the charges associated with the Comparable Facility. Upon your relocation to a Comparable Facility, you shall continue to pay the Monthly Fee in accordance with Paragraph 1.5.2 above.

5.3 Clinic. The Clinic is available for certain examinations, consultations, tests and appointments. Such services will be at an Extra Charge to you.

5.4 Six (6) Days of Assisted Living or Nursing Care in the Village Health Center. You are eligible to receive a total of six (6) days each year of either assisted living care or nursing care in the Village Health Center while you are a resident of your Residence. In the case of Joint Residents, each of you will receive six (6) days, but the days cannot be combined and used by only one of you. Such six (6) days renews on an annual basis and does not accumulate. You are required to pay the charges for physician services and any

additional health services as outlined in Paragraph 5.10. Once you are permanently assigned to assisted living or nursing care in the Village Health Center or Comparable Facility, you no longer qualify for the six (6) free days of assisted living or nursing care and will be required to pay the per diem charge for such care. **[NOTE: The six (6) days of care is a combined annual total for assisted living care and nursing care at the Village.]**

5.5 Transfer to Health Center Level Services. In the event your physical or mental health is determined by us to be appropriate for Health Center Level Services, you agree to relocate to the Village Health Center or a Comparable Facility. Such a determination will be made by us after a review by the Director of Nursing, the Medical Director and the Executive Director in consultation with your attending physician, your personal representative, and you to the extent possible.

5.6 Temporary Relocation to the Village Health Center. In the event you require temporary care in the Village Health Center (beyond the six (6) days of care as outlined in Paragraph 5.4, if applicable), you will pay the per diem charge applicable to the level of care needed by you, as well as the charges for physician services and any additional health services as outlined in Paragraph 5.10. Subject to the terms and conditions of this Agreement, you will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above.

5.7 Permanent Relocation to Health Center Level Services. In the event you require permanent care in the Village Health Center (beyond the six (6) days of care as outlined in Paragraph 5.4, if applicable), you will pay the per diem charge applicable to the level of care needed by you, as well as the charges for physician

services and any additional health services as outlined in Paragraph 5.10. If you are determined appropriate for Health Center Level Services, and are permanently relocated to the Village Health Center or a Comparable Facility, you will be required to release your Residence to us, and remove all of your personal property from the Residence and from any storage unit as outline in Paragraph 3.7.2. We shall have the right to reassign the Residence for occupancy by others except as provided in Paragraph 3.12. Release of the Residence due to your permanent relocation to the Village Health Center or to a Comparable Facility does not qualify you for a refund of the Entrance Fee, unless this Agreement is canceled. Subject to the terms and conditions of this Agreement, you will continue to pay the Monthly Fee in accordance with Paragraph 1.5.2 above.

5.8 Relocation within the Village Health Center. We reserve the right to relocate you to a different level of care within the Village Health Center if you require such care. Such relocation will be made after a review by the Director of Nursing, the Medical Director and the Executive Director in consultation with your attending physician, your personal representative, and you to the extent possible.

5.9 Return to Residence. If we subsequently determine, in consultation with your attending physician, your personal representative and you to the extent possible, that you can resume occupancy in a residence equivalent to the residence you previously occupied, you shall have the right to relocate to such equivalent residence as soon as one is available. Upon reoccupying a residence, your Monthly Fee will be based on the then-current Monthly Fee for the residence.

5.10 Medical Director, Attending Physician, and Additional Health Services. We have designated a licensed physician to serve as Medical Director of the Village Health Center. You are required to have a local attending physician. You may engage the services of the Medical Director at your expense. If your personal physician will be providing you with services in the Village Health Center, he/she may do so upon providing us with his/her credentials and with proof of liability insurance, and he/she agrees to abide by our policies and procedures. We will not be responsible for the charges for medical treatment or services by the Medical Director or your attending physician, nor will we be responsible for the charges for medication, prescribed therapy, nursing supplies, and other medical and miscellaneous supplies and services associated with medical treatment.

5.11 Advanced Payment for Medical Treatment. In the event we incur or advance payment for your medical treatment or for medication, prescribed therapy, nursing supplies, and other medical and miscellaneous supplies and services associated with medical treatment (even in the event such medical care is given at the direction of your attending physician or the Medical Director without your prior approval), you shall promptly reimburse us for such payments. Upon cancellation of this Agreement for any reason, any amounts due to us under this Paragraph 5.11 shall be offset against any refund of the Entrance Fee.

5.12 Long-Term Care Insurance. We will use reasonable efforts to assist you in working with your long-term care insurance provider to obtain the benefits to which you may be entitled.

5.13 Medicare and Health Insurance. When eligible, you are required to

maintain Medicare Part A, Medicare Part B, and one supplemental health insurance policy or equivalent insurance coverage acceptable to us to assure your ability to fully cover a Medicare-qualified stay in the Village Health Center or a Comparable Facility. You shall furnish to us such evidence of coverage as we may from time to time request. Such supplemental insurance should cover Medicare co-insurance and deductibles. Should your supplemental health insurance or equivalent coverage not fully cover a Medicare-qualified stay in the Village Health Center or a Comparable Facility, or should you fail to purchase supplemental health insurance or equivalent coverage to fully cover a Medicare-qualified stay in the Village Health Center or a Comparable Facility, you shall be financially responsible for paying deductibles, co-insurance amounts, and any other charges for each Medicare-qualified admission and stay in the Village Health Center or a Comparable Facility. If you are eligible to receive the six (6) days of nursing care in the Village Health Center as provided in Paragraph 5.4 and your stay in the Village Health Center is a Medicare-qualified stay, such six (6) days will be applied after the expiration of your Medicare-qualified stay providing you have Medicare Part A, Medicare Part B and acceptable supplemental health insurance or equivalent insurance coverage.

If you are not eligible for Medicare, you shall maintain health insurance coverage acceptable to us and shall furnish us with evidence of such coverage upon our request. Should your health insurance not fully cover your stay in the Village Health Center or a Comparable Facility, you shall be financially responsible for paying deductibles, co-insurance amounts, and any other charges for each admission and stay in the Village Health Center or a Comparable Facility.

If failure to maintain Medicare Part A, Medicare Part B, supplemental health insurance or other health insurance coverage causes depletion of your resources and impairs your ability to meet your financial obligations, we need not defer your financial obligations to us as outlined in Paragraph 7.1, and we retain the right to cancel the Residency Agreement as provided in Section 9.

5.14 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:

5.14.1 Participating Provider. If the Village Health Center is a participating provider with your managed care program and your stay is a Medicare-qualified stay, the Village agrees to be reimbursed at the rate negotiated with your managed care program. Such a managed care stay in the Village Health Center will not reduce the number of days of care you are eligible to receive without additional charge pursuant to Paragraph 5.4, as applicable. You will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above, as well as any charges for physician services and any additional health services as outlined in Paragraph 5.10.

5.14.2 Not a Participating Provider. If the Village Health Center 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 charges for health care services. In addition, while receiving health care services at the managed care participating provider, you will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above. Such a stay at a managed care participating provider will not reduce the number of days of care that you are eligible to receive without additional charge pursuant to Paragraph 5.4, as applicable.

5.14.3 Negotiated Managed Care Rate. If the Village Health Center is not a participating provider in your managed care program and your stay is a Medicare-qualified stay, we attempt to negotiate a reimbursement rate with your managed care program. If we are able to negotiate an acceptable rate, we agree to accept as full payment the rate provided by your managed care program. Such a managed care stay in the Village Health Center will not reduce the number of days of care that you are eligible to receive without additional charge pursuant to Paragraph 5.4, as applicable. You will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above, as well as any charges for physician services and any additional health services as outlined in Paragraph 5.10.

5.14.4 No Negotiated Managed Care Rate. If the Village Health Center is not a participating provider in your managed care program and a negotiated rate is not agreed upon and you would still like to receive nursing care in the Village

Health Center during a Medicare-qualified stay, then each day of your stay in the Village Health Center will reduce by one day the number of days of care you are eligible to receive without additional charge pursuant to Paragraph 5.4, as applicable. During any such Medicare-qualified stay in the Village Health Center, you agree that you will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above and any charges for physician services and any additional health services as outlined in Paragraph 5.10. If at any time during any such Medicare-qualified stay in the Village Health Center you are no longer eligible to receive any of the days of care provided for in Paragraph 5.4, then you agree to pay the per diem charge for your care in the Village Health Center, the Monthly Fee for your Residence, in accordance with Paragraph 1.5.2 above, and any charges for physician services and any additional health services as outlined in Paragraph 5.10.

5.14.5 Post Medicare-Qualified Stay. At the conclusion of each such Medicare-qualified stay, you will be entitled to care in the Village Health Center in accordance with the terms of this Agreement other than as provided in this Paragraph 5.14, as adjusted to reflect any reduction during such stay in the number of days of care that you are eligible to receive without additional charge as provided in Paragraph 5.4, as applicable.

5.15 Transfer to Hospital or Other Care Facility. If we determine after

consultation with your attending physician, your personal representative and you to the extent possible, that you need care beyond that which the Village Health Center is licensed to provide, you will be transferred to a hospital or other care facility. Our staff will not accompany you to the hospital or other facility. We shall not be responsible for any charges associated with the transfer and health care expenses or charges incurred by you after such a transfer. You shall continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5 above.

5.16 Village Health Center Admission Agreement. If you require care in the Village Health Center, you agree to enter into a separate admission agreement for the appropriate level of care, which will be signed by you and us.

5.17 Under Age 62. If you are under the age of 62 when you occupy your Residence under this Agreement, you are not eligible to receive the six (6) days of care in the Village Health Center as described in Paragraph 5.4 until you attain the age of 62. During this time, you will be entitled to Health Center Level Services at the then-current per diem charge being charged to nonresidents until age 62.

6. REPRESENTATIONS.

6.1 Our Representations. We represent and warrant that we are a nonprofit corporation. We are exempt from payment of Federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. We are affiliated with the North Carolina Conference of The United Methodist Church of the Southeastern Jurisdiction. The North Carolina Conference of The United Methodist Church of the Southeastern Jurisdiction is not responsible for our financial or contractual obligations.

6.2 Your Representations. You represent and warrant that the representations made in the application for residency, your personal health history, and the confidential financial statement are true and correct and may be relied upon by us as a basis for your acceptance for residency at the Village. You also represent and warrant that you have not made any gift of your property in contemplation of the execution of this Agreement.

7. PROMISES.

7.1 Our Promises. It is and shall be our declared policy to operate as a non-profit organization. We will not cancel this Agreement without just cause as specified in Section 9. Further, we shall not cancel this Agreement solely by reason of your financial inability to pay the full Monthly Fee, the personal services monthly fee, or the per diem charge for care in the Village Health Center, provided you have met all "spend-down" provisions of eligibility for the Medicaid program and any public assistance funds. This provision shall not apply if you have impaired your ability to meet your financial obligations hereunder by transfer of assets other than to meet ordinary and customary living expenses or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance, or other health insurance after assuming occupancy. You shall be permitted to remain at the Village for a reduced fee based on your ability to pay for as long as you establish facts to justify deferment of such charges and when deferment of such charges can, in our sole discretion, be granted without impairing our ability to operate the Village on a sound financial basis for the benefit of all residents.

7.2 Your Promises. You agree to comply with all policies and procedures of the Village as now existing or as hereafter amended; to pay the Entrance Fee, Monthly

Fee, and any other charges as provided in this Agreement; to not impair your ability to meet the financial obligations under this Agreement by transferring assets, other than to meet ordinary and customary living expenses, or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance or other health insurance, without our consent; to apply for public assistance funds and/or Medicaid if you should need financial assistance as outlined in Paragraph 7.1 above while receiving Health Center Level Services; and to abide by all other terms of this Agreement.

8. CANCELLATION BY RESIDENT.

8.1 Right of Rescission. Within thirty (30) days following the later of the execution of this Agreement by you or the receipt of a Disclosure Statement from us, you may rescind this Agreement by giving us written notice. You shall not be required to move into the Residence prior to the expiration of the thirty (30) day rescission period. However, if you occupy the Residence during the rescission period and then rescind this Agreement, you will only be charged a Monthly Fee for the period of time that you actually occupied the Residence. Refund of the amount of the Entrance Fee paid shall be as outlined in Paragraph 10.2.

8.2 Cancellation Prior to Occupancy. You may cancel this Agreement for any reason at any time before you move into the Village by giving us written notice signed by you (both of you in the case of Joint Residents). Refund of the amount of the Entrance Fee paid shall be as outlined in Paragraph 10.3 or 10.4. If you die prior to occupying the Residence or if, on account of illness, injury or incapacity, you are precluded from occupying the Residence under the terms of this Agreement, this Agreement will automatically cancel upon

our receipt of notice of your death, illness, injury or incapacity. If you elect to cancel this Agreement because of a substantial change in your physical, mental or financial condition prior to occupancy, then this Agreement will cancel upon written notice from you. Refund of the Entrance Fee shall be as outlined in Paragraph 10.3.

8.3 Cancellation After Occupancy. You may cancel this Agreement for any reason after moving into the Village by giving us thirty (30) days' prior written notice of cancellation, which shall be effective and irrevocable upon delivery. Cancellation shall occur thirty (30) days after written notice is delivered, and you must remove your personal property from the Residence and from any storage unit within the thirty (30) day notice period as outlined in Paragraph 3.7.3. You are obligated to pay the Monthly Fee during the thirty (30) days, and thereafter if the Residence has not been released to us in accordance with Paragraph 1.5.3 above. Refund of the Entrance Fee shall be as outlined in Paragraph 10.5.

8.4 Cancellation Due to Death After Occupancy. This Agreement will automatically cancel upon your death (the death of the surviving Resident in the case of Joint Residents). Your estate must remove your personal property from the Residence and from any storage unit within thirty (30) days after your death as outlined in Paragraph 3.7.1. Your estate will be obligated to pay the Monthly Fee as outlined in Paragraph 1.5.1 above. Refund of the Entrance Fee shall be as outlined in Paragraph 10.5.

9. CANCELLATION BY UMRH.

9.1 Cancellation Upon Notice. We may, upon notice and opportunity to cure as hereinafter provided, cancel this Agreement for just cause. Just cause shall

include the occurrence of any of the following events (hereinafter referred to as a "Default"):

9.1.1 Noncompliance.

You do not comply with the terms of this Agreement or the published operating procedures, covenants, rules, regulations, and policies now existing or later amended by us.

9.1.2 Misrepresentation.

You misrepresent yourself or fail to disclose information during the residency process.

9.1.3 Nonpayment. You fail to pay any charges to us, subject to the provisions of Paragraph 7.1, within forty-five (45) days of the date when such charges are due.

9.1.4 Threat to Health or Safety. Your health status or behavior constitutes a substantial threat to the health, safety or peace of yourself, other residents, or others including your refusal to consent to relocation, or behavior that would result in physical damage to the property of the Village or others.

9.1.5 Change in Condition. There is a major change in your physical or mental condition and your condition cannot be cared for in the Village Health Center within the limits of our license.

9.2 Default Notice. Prior to cancellation for any Default described in Paragraph 9.1.1, 9.1.2 or 9.1.3 above, we shall give you notice in writing of such Default, and you shall have at least thirty (30) days thereafter within which to correct such Default. No Default shall eliminate your obligation to pay the Monthly Fee. If you correct such Default within such time,

this Agreement shall not be canceled. If you fail to correct such Default within such time, this Agreement shall cancel at the expiration of such thirty (30) days.

In the event of the occurrence of a Default described in Paragraph 9.1.4 or 9.1.5 above, if we or the Medical Director determine that either the giving of notice of Default or the lapse of time as above provided might be detrimental to you or others, then such notice and/or waiting period prior to cancellation shall not be required. Also, in the event of the occurrence of a Default described in Paragraph 9.1.4 or 9.1.5, we are expressly authorized by you to transfer you to an appropriate hospital or other facility, and we will promptly notify your personal representative or attending physician.

10. REFUND OF ENTRANCE FEE.

10.1 Nonacceptance by Us. If we do not accept you for residency at the Village, the full amount of the Entrance Fee you have paid will be promptly refunded to you, without interest.

10.2 Right of Rescission. If you rescind this Agreement as provided in Paragraph 8.1, you shall receive a full refund of the portion of the Entrance Fee paid by you, without interest, within sixty (60) days of our receipt of the written notice of rescission.

10.3 Cancellation Prior to Occupancy Due to Death, Illness, Injury, or Incapacity. If, prior to occupancy and after your right of rescission period has expired, you die or you cancel this Agreement because of illness, injury or incapacity, you or your estate will receive a refund in full of the portion of the Entrance Fee you have paid, without interest, less any costs specifically incurred by us at your request and set forth on Exhibit A or in

writing in a separate addendum to this Agreement, signed by you and us. Said refund shall be paid within sixty (60) days following (i) the date of automatic cancellation of this Agreement; or (ii) the date of our receipt of your written notice of cancellation.

10.4 Cancellation Prior to Occupancy for Other Reasons. If you cancel this Agreement for reasons other than those stated in Paragraph 10.2 or 10.3 above, you shall receive a refund of the Entrance Fee paid, less a non-refundable portion of the Entrance Fee equal to Two Thousand Dollars (\$2,000) and less any costs specifically incurred by us at your request and set forth on Exhibit A or in writing in a separate addendum to this Agreement, signed by you and us. Said refund shall be paid within sixty (60) days after our receipt of the written notice of cancellation.

10.5 Cancellation After Occupancy. In the event you or we cancel this Agreement after occupancy or in the event of your death (the death of the survivor in the case of Joint Residents), you or your estate will be reimbursed the amount of the Entrance Fee previously paid by you, less two percent (2%) for each month of residency or portion thereof, for up to twenty-five (25) months. Subject to our offset rights outlined in Paragraph 10.6, the refund of the Entrance Fee will not be less than fifty percent (50%). Said refund will be paid, without interest, at such time as your Residence has been reserved by a new resident and our receipt of the full amount of the Entrance Fee paid by such new resident or within two (2) years from the date of cancellation, whichever occurs first.

10.6 Offset Against Entrance Fee Refund. In the event of cancellation of this Agreement as described in Paragraph 10.5 above, we will offset against any

Entrance Fee refund due to you or your estate the following:

10.6.1 The amount of any unpaid Monthly Fees, pro-rated Monthly Fees for the period of time the Residence was occupied (which shall include the period of time until you or your personal representative removes all of your personal property from the Residence and from any storage unit) after cancellation of this Agreement, any Extra Charges, or other charges deferred by us on your behalf under Paragraph 7.1; and

10.6.2 Any health care expenses incurred on your behalf and other amounts payable to us, which remain unreimbursed; and

10.6.3 Any charges incurred to restore the Residence to good condition, normal wear and tear excepted, as outlined in Paragraph 3.11; and

10.6.4 Any charges incurred as a result of options and custom features added to the Residence at your request as outlined in Exhibit A or in a separate addendum to this Agreement.

11. MISCELLANEOUS.

11.1 Nature of Rights. You understand and agree that (i) this Agreement or your rights (including the use of the Residence) under it may not be assigned, and no rights or benefits under this Agreement shall inure to the benefit of your heirs, legatees, assignees, or representatives, except as to receipt of the amounts described in Section 10; (ii) this Agreement and your contractual right to occupy the Village will exist and continue to exist during your

lifetime unless canceled as provided herein; (iii) this Agreement grants you the right to occupy and use space in the Village but does not give you exclusive possession of the Residence against us, and you will not be entitled to any rights of specific performance but will be limited to such remedies as set forth herein and as provided by continuing care law; (iv) this Agreement is not a lease or easement and does not transfer or grant you any interest in real property owned by us; and (v) this Agreement grants to us complete decision-making authority regarding the management and operation of the Village.

11.2 Release. We are not responsible for theft, loss of or damage to your personal property, unless such theft, loss or damage is caused by our negligence or the negligence of our agents or employees, and you hereby release us from any such liability. You may want to obtain at your own expense insurance to protect against such losses.

11.3 Amendment. This Agreement may be amended by agreement of the parties to this Agreement. No amendment of this Agreement shall be valid unless in writing and signed by you and us.

11.4 Law Changes. This Agreement may be modified by us at any time in order to comply with applicable laws or regulations. Further, we may change any part of the Village, including the Residence, to meet the requirements of any applicable law or regulation.

11.5 Entire Agreement. This Agreement and any addenda or amendments thereto contain our entire understanding with respect to your residency at the Village.

11.6 Monthly Statement. You shall receive a monthly statement from us showing the total amount of fees and other

charges owed by you, which shall be paid upon receipt and by no later than the fifteenth (15th) day of each month.

11.7 Responsible Party for Business and Financial Decision Making. Prior to assuming residency at the Village, you agree to execute and deliver to us a Durable Power of Attorney, trust documents, or other documentation naming a responsible party for business and financial decision-making. These documents should be drafted to remain effective notwithstanding your incompetence or disability and shall be in a form acceptable to us. You agree to keep such documents in effect as long as this Agreement is in effect. The person(s) named as your responsible party shall not be a person(s) employed by us or any other entity engaged in the management of the Village.

11.8 Disposition of Furniture, Possessions, and Property. You agree to make provision by Will or otherwise for the disposition of all of your furniture, property, and possessions located on the premises of the Village within sixty (60) days after the date of residency.

11.9 Nonwaiver. If we fail to insist in any instance upon performance of any of the terms, promises, or conditions of this Agreement, it shall not be construed as a waiver or relinquishment of the future performance of any such terms, promises, or conditions, but your obligation with respect to such future performances shall continue in full force and effect.

11.10 Notices. Any notice required to be given to us under this Agreement shall be in writing and sent certified mail, return receipt requested, with all postage and charges prepaid, or hand-delivered to the Executive Director of the Village at 2600 Croasdaile Farm Parkway; Durham, North

Carolina 27705. Such notices shall be dated and signed.

Any notice required to be given to you shall be delivered to you at the Village or at such other place as you shall designate to us in writing and sent by certified mail or hand delivered. All notices mailed in accordance with this Paragraph shall be deemed to be given when mailed whether or not they are actually received.

11.11 Indemnity. We will not be liable for and you agree to indemnify, defend and hold us harmless from claims, damages and 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 that of your guests.

11.12 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.

11.13 Subordination. You agree that all your rights under this Agreement will always be subordinate and junior to the lien of all mortgages or other documents creating liens encumbering the Village, which have been or will be executed by us. Upon request, you agree to execute, acknowledge and deliver to such lender(s) such further written evidence of such subordination as such lender(s) may reasonably require. Except to the extent of your obligation to pay the Monthly Fee and Second Person Monthly Fee, you shall not be liable for any such indebtedness.

11.14 Capacity. This Agreement has been executed on our behalf by our duly authorized agent, and no officer, director,

agent or employee of ours shall have any personal liability hereunder to you under any circumstances. This Agreement will become effective upon acceptance and signature by us.

11.15 Resident. In the case of Joint Residents, the rights and obligations of each are joint and several except as the context of this Agreement otherwise requires.

11.16 Reimbursement for Loss or Damage. You or your responsible party, if applicable, agree to reimburse us for any loss or damage to the Village caused by your intentional, careless, or negligent acts or omissions or that of your guests.

11.17 Charges for Collection. You agree to reimburse us for any charges we incur to collect any unpaid amounts you or your estate owes to us under this Agreement.

11.18 Sale or Transfers of Interest. We may sell or transfer our interest in the Village provided the buyer will agree to assume this Agreement and all other existing Residency Agreements. Upon the assumption of this Agreement by a buyer of the Village and its agreement to perform this Agreement and all other agreements, we will have no further obligation hereunder. Your signature hereto constitutes your consent and approval of any such future transaction.

11.19 Private Employee of Resident. If you need additional services, you can obtain these needed services from a private employee, an independent contractor, or through an agency (personal service provider). In such instances, we strongly advise you to obtain these needed services from a licensed and/or certified home health agency. In any event, you must comply with our policy regarding personal service providers, and ensure that your

private employee, independent contractor, or person you employ through an agency complies with our policies and rules of conduct set forth in our policy. If you fail to follow or enforce the policies and rules set forth therein, then we may elect, at our sole option, to cancel this Agreement.

11.20 Tax Considerations. You should consult with your tax advisor regarding the tax considerations associated with this Agreement as more fully explained in our Disclosure Statement.

11.21 Management. We have engaged the services of Life Care Services LLC ("LCS") to manage the Village. We are not affiliated with LCS nor is LCS responsible for our contractual or financial obligations or the contractual or financial obligations of the Village.

11.22 Governing Law. This Agreement will be governed, interpreted and construed according to the laws of the State of North Carolina.

11.23 Survival of Representations and Obligations. Your representations and obligations under this Agreement, including but not limited to, your obligation to pay all sums owed by you to us, and your agreement to indemnify us as set forth in Paragraph 11.11, and our representations and obligations under this Agreement, will survive any cancellation of your residency in the Village, regardless of the reason for such cancellation and regardless of whether it is initiated by you or by us.

12. MEDIATION AND ARBITRATION.

12.1 Mediation. In the event a dispute, claim or controversy of any kind arises between the parties – except for those disputes, claims or controversies arising under Paragraph 12.3 below – 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 an 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.

12.2 Arbitration. In the event a dispute, claim or controversy of any kind arising out of or relating to this Agreement – except for those disputes, claims or controversies arising under Paragraph 12.3 below – cannot be resolved through mediation as described in Paragraph 12.1 above, the parties agree that said dispute, claim, or controversy will be submitted to and determined by arbitration in Durham County, North Carolina in accordance with the Federal Arbitration Act. You and we will jointly agree on an arbitrator and the arbitrator will be selected according to the procedure set forth in state law, if applicable. In reaching a decision, the arbitrator shall prepare findings of fact and conclusions of law. Any direct arbitration costs incurred by you will be borne by you. Costs of arbitration, including our legal costs and attorneys' fees, arbitrators' fees, and similar costs, will be borne by all

residents of the Village provided that the arbitrator may choose to award the costs of arbitration against us if the arbitrator determines that the proposed resolution urged by us was not reasonable. If the issue affects more than one (1) resident, we may elect to join all affected residents into a single arbitration proceeding, and you hereby consent to such joinder.

You may withdraw your agreement to arbitrate within thirty (30) days after signing this Agreement by giving written notice of your withdrawal to us. This arbitration clause binds all parties to this Agreement and their spouses, heirs, representatives, executors, administrators, successors, and assigns, as applicable. After cancellation of this Agreement, this arbitration clause shall remain in effect for the resolution of all claims and disputes that are unresolved as of that date.

12.3 Voluntary Arbitration of Negligent Health Care Claims. For all claims for damages in personal injury or wrongful death actions, based on alleged negligence in the provision of health care, the parties may voluntarily elect to submit to arbitration pursuant to the procedures set forth in Article 1H of Chapter 90 of the North Carolina General Statutes. N.C. G.S. §90-21.60(b) prohibits any contract from requiring prior agreement of the parties to arbitrate negligent health care claims. Thus, Paragraphs 12.1 and 12.2 do not apply to personal injury or wrongful death actions based on alleged negligence in the provision of health care. If the parties agree to arbitrate such actions, said arbitration will be governed in accordance with N.C.G.S. §90-21.60, *et seq.*

[Signature Page Follows]

You hereby certify that you received a copy of this Agreement and a copy of our most current Disclosure Statement dated _____, 20____.

Executed this _____ day of _____, 20_____.

RESIDENT

Witness

RESIDENT

Witness

**THE UNITED METHODIST
RETIREMENT HOMES,
INCORPORATED
d/b/a Croasdaile Village**

By _____
Executive Director

Date: _____

By _____
Authorized Agent of UMRH

Date: _____

Attachment: Exhibit A



02/06/2018

CV 50 Percent Return of Capital Residency Agreement (2018.02.06) CLEAN.docx

Exhibit A

Options and Custom Features Added at Resident's Request:	Amount
	\$
	\$
	\$
	\$
	\$
	\$
Total	\$

Initials _____
Community

Resident(s)

Resident(s)

WBD(US) 41242208v3



**2600 Croasdaile Farm Parkway
Durham, North Carolina 27705
(919) 384-2000
www.croasdailevillage.org**

Standard Residency Agreement

02/03/2018



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Exhibit A – Options and Custom Features Added at Resident's Request

GLOSSARY

The following terms are described as used in the accompanying Residency Agreement. Reference to the Residency Agreement and the context in which the terms are used is recommended to provide a fuller understanding of each of the terms:

"Agreement" means the Residency Agreement, entered into between the Resident and The United Methodist Retirement Homes, Incorporated, which outlines the contractual obligations of both parties.

"Entrance Fee" means payment that assures a resident a place at the Village for life as long as the resident complies with terms of this Agreement. At the time the resident makes application for residency at the Village, the resident will sign a Residency Agreement to reserve the residence selected and will pay an Entrance Fee deposit to the Village. The balance of the Entrance Fee will be paid upon the earlier of (i) occupancy or (ii) 90 days after the Residency Agreement is executed. Specific information is located in Paragraph 1.2 of this Agreement.

"Extra Charges" means the additional fees required to be paid for the additional services and amenities requested by Resident, as set forth in Paragraph 2.2 of this Agreement.

"Health Center" means the portion of the Village, which is licensed to provide two levels of care: assisted living care and skilled nursing care, as described in Section 5 of the Agreement.

"Heritage Hall" means the portion of the Village, which is designed to provide residents with residential living with personal services, as described in Section 4 of the Agreement.

"Monthly Fee" means that fee payable each month by the Resident as set forth in

Paragraphs 1.3 and 1.4 of the Agreement, in consideration for the services and amenities provided to the residents of the Village described in Paragraph 2.1 of this Agreement. If there are Joint Residents under this Agreement, the Monthly Fee will include a "Second Person Monthly Fee."

"Residence" means the apartment, cottage or home at the Village identified in the introductory paragraph of the Agreement, in which the Resident has the right to live pursuant to this Agreement in exchange for paying the Entrance Fee and the Monthly Fee.

"Resident" or "you" means the Resident(s) who sign this Agreement. Sometimes a second resident (if there are two of you) is referred to in this Agreement as the "Joint Resident." Further, both Residents may be referred to as "Joint Residents." Unless otherwise indicated, "you" refers to both of you if there are two of you.

"The United Methodist Retirement Homes, Incorporated" or "we" or "our" or "us" means the owner of the retirement community known as Croasdaile Village, including all of the residences, common areas, and site amenities associated with these areas. The United Methodist Retirement Homes, Incorporated is a North Carolina non-profit corporation.

"Village" means the continuing care retirement community known as "Croasdaile Village," including all of the residences, common areas, and site amenities.



Residency Agreement Standard

INTRODUCTION

This Standard Residency Agreement ("Agreement") is entered into by The United Methodist Retirement Homes, Incorporated ("UMRH," "we," "us," or "our") and _____ (individually or collectively, "you," "your," or "Resident"). Croasdaile Village is a continuing care retirement community located at 2600 Croasdaile Farm Parkway; Durham, NC 27705 (hereafter the "Village").

We will provide residential housing for seniors along with a wide array of personal services and amenities outlined in this Agreement. Subject to the conditions contained in this Agreement, we agree to make available to you the Residence described as follows:

Residence Number _____
Residence Style _____

You may select certain options and custom features in the Residence at an additional charge, which shall not be subject to any refund provision herein. Any such options and custom features selected and paid for by you will become our property. Such options and custom features must be approved by the Executive Director of the Village prior to adding them to the Residence. The Executive Director of the Village has consented to your request to add the options and custom features set forth on Exhibit A attached to this Agreement. You agree to pay the amount(s) set forth on Exhibit A to cover the charges for such items.

As a Resident of the Village, you are offered lifetime use of your Residence and lifetime access to the Village Health Center, subject to the terms and conditions of this Agreement.

To be accepted for residency, you must meet our residency criteria, which includes: having reached the age of 62 (or sharing your Residence with a Joint Resident who is 62 or older); financial guidelines; and the ability to live in a residence (with or without reasonable accommodation and/or reasonable modification) – all as outlined in our current residency policy.

The purpose of this Agreement is to set forth your rights and duties as a Resident of the Village and to delineate the services to be provided at the Village.

UMRH is also affiliated with The United Methodist Retirement Homes Foundation, Inc. (the "Foundation"). The Foundation is a not-for-profit corporation, which was organized for the benefit of the retirement communities operated by UMRH. Its purpose is to raise endowment funds, to support benevolent care for those residents who are unable to pay for care, and to support special programs.

1. CHARGES FOR RESIDENCE AND PRIMARY SERVICES.

1.1 Application Fee. Prior to or upon execution of this Agreement, you will pay to us a non-refundable Application Fee of \$_____. The Application Fee will be used by us to process your application for residency.

1.2 Entrance Fee. In order to reside at the Village for life, subject to this Agreement, and to receive the services and amenities described below, you agree to pay to us (in addition to the Monthly Fee described below) an Entrance Fee in the amount of \$_____. The total amount of the Entrance Fee shall be payable as follows:

1.2.1 Ten percent (10%) of the total Entrance Fee is \$_____, less any previously paid Future Resident Fee (\$_____), equals \$_____, which amount is due and payable upon your execution of this Agreement.

1.2.2 The balance of \$_____ of the Entrance Fee shall be paid on the date of occupancy at the Village but in no event later than ninety (90) days after your execution of this Agreement.

1.3 Monthly Fee. You are obligated to begin paying a Monthly Fee (or a pro rata portion thereof) on the date you assume occupancy at the Village or within ninety (90) days from the date this Agreement is executed by you, whichever is earlier. Thereafter, the Monthly Fee is due upon receipt of a statement from us and by no later than the fifteenth (15th) of each month. The Monthly Fee is initially set at a specific amount that can be increased as described in Paragraph 1.6 below. A "Second Person Monthly Fee" shall become part of the Monthly Fee and shall be paid if two persons are Joint Residents under this

Agreement. If there are Joint Residents under this Agreement and one Joint Resident dies, the Second Person Monthly Fee shall cease and the remaining Resident shall continue to pay the Monthly Fee without the Second Person Monthly Fee component.

1.4 Initial Monthly Fee. The initial Monthly Fee payable by you is \$_____ per month and an additional \$_____ per month as a Second Person Monthly Fee component of the Monthly Fee if two persons reside as Joint Residents pursuant to this Agreement.

1.5 Continuance of Monthly Fee. Payment of the Monthly Fee will continue as follows:

1.5.1 In the event of your death (in the case of Joint Residents, the death of the surviving Resident), until your estate removes all of your personal property from the Residence and from any storage unit.

1.5.2 In the event of your permanent relocation to Heritage Hall, Health Center Level Services or Comparable Facility for Health Center Level Services (see definitions in Paragraphs 5.1 and 5.2), or to another care facility licensed to provide the appropriate care you need, until you or your personal representative removes all of your personal property from the Residence and from any storage unit.

1.5.3 In the event of cancellation of this Agreement as outlined in Section 8 or 9, until expiration of the cancellation period and continues until you remove all of your personal property from the Residence and from any storage unit.

1.6 Increase in Monthly Fee.

The Monthly Fee is paid to us to provide the services and amenities described in this Agreement and is intended to meet the expenses associated with the operation of the Village. We may increase the Monthly Fee (which includes the Second Person Monthly Fee where applicable) upon thirty (30) days' written notice if we, in our sole discretion, deem it necessary to meet the financial needs of the Village or to provide quality services to the Residents.

1.7 Reduction in Monthly Fee Due to Absence. If you are absent from the Village for more than fourteen (14) consecutive days, your Monthly Fee will be reduced by the raw food cost determined through the Village's budgeting process. You are required to notify us of your absence in order to qualify for the reduction in the Monthly Fee.

1.8 Reserve Funds. The amount of the Monthly Fee also is and will continue to be affected by our policy of maintaining reserve funds for the financial security of the Village.

1.9 Late Payment Charge. We will charge a late payment charge in the amount of twenty-five dollars (\$25.00) if the Monthly Fee or any Extra Charges are not paid by the fifteenth (15th) day of the month. Balances over thirty (30) days old will be assessed a one percent (1%) interest charge per month. If we hire a collection agency or attorney to collect the Monthly Fee and Extra Charges past due from you, you are to pay any and all costs of collection, including reasonable attorney's fees, costs, and expenses associated with such collection efforts.

2. DESCRIPTION OF PRIMARY AND SUPPLEMENTAL SERVICES.

2.1 Services Provided for the Monthly Fee. We will provide you, in consideration for the Monthly Fee referred to above, the following services and amenities at the Village:

- Under the Flexible Meal Program, each Resident living in Cottages and Apartments (excluding studio apartments) will receive a Dining Allocation as part of the Monthly Fee and second person Monthly Fee. The meal program will provide you sufficient credits to dine daily, and may be expended by you, or with your permission, your guests. Any unused meal credits at the end of the 90-day cycle cannot be carried over to the next cycle and all unused meal credits will be lost. No credits will be refunded or carried over for residents who are absent from the Village for any number of days. Your meal credits will be adjusted annually to reflect changes in meals and food costs. For more information, please refer to the Flexible Meal Program Policy;
- Studio apartment residents receive three (3) meals per day;
- Limited tray service to be provided when approved by authorized staff;
- Consultation and preparation of routine special diets;
- Utilities, which include heating, air conditioning, electricity, water, sewer and trash removal;
- Basic cable television package;
- Building janitor and maintenance;
- Grounds keeping;
- Weekly housekeeping services;
- Availability of laundry facilities so that you can wash and dry personal laundry;
- Planned activities (social, cultural, recreational, educational, and spiri-

tual) for those who wish to participate;

- Services of a chaplain;
- Parking for you and your guests;
- Carpeting (except in kitchen and bath), unless some other floor surface has been installed;
- Kitchen facilities, except some studio apartments only contain a refrigerator and a microwave;
- Local transportation as scheduled by us and as posted;
- Limited additional storage space;
- Personal emergency transmitter system;
- Smoke detectors;
- Security – 24 hours a day; and
- Six (6) days each year of assisted living or nursing care in the Village Health Center as outlined in Paragraph 5.4.

2.2 Supplemental Services Provided for Extra Charge. Supplemental services, when available, will be provided at Extra Charge and are described below. A list of Extra Charges for these supplemental services can be obtained from administration.

- Meals, guest meals, and other food charges in excess of your Dining Allocations, as outlined in Section 2.1. Extended tray service as approved by authorized staff;
- Preparation of special diets (beyond those which are routine and based upon our ability to prepare/offer such diet), as prescribed by your attending physician;
- Additional housekeeping services;
- Guest accommodations, if available;
- Private catered functions;
- Personal transportation and transportation for special events and group trips;
- Expanded cable television package;

- Services of the Clinic – a copy of the charges for Clinic services can be obtained from the Clinic;
- Home care services through the Croasdaile Village Home Care Program;
- Personal care services in Heritage Hall as outlined in Section 4;
- Assisted living services or nursing care services through the Village Health Center as outlined in Section 5; and
- Certain ancillary services and supplies (such as therapies, pharmacy, laboratory, therapeutic activities, rehabilitative treatments, medical equipment, medical supplies, medical treatment, physician services, and other miscellaneous medical services and supplies) as outlined in Paragraph 5.10.

3. TERMS OF RESIDENCY.

3.1 Use of the Residence. The Residence is for living only and will not be used for carrying on any business or profession, nor in any manner in violation of zoning restrictions. This Agreement is not a lease, and grants you only the right to live in the Residence, access to other facilities of the Village, and to available services and amenities, subject to the terms and conditions of this Agreement.

3.2 Duration of Your Right to Occupy the Residence. You may reside in your Residence for as long as you (or either of you in the case of Joint Residents) live unless you (both of you in the case of Joint Residents) are not capable of occupancy as set forth in our residency policy, or this Agreement is canceled by you or by us. If, in the opinion of your attending physician or the Medical Director, your physical or mental health requires that you need home care services, personal care services,

assisted living services, or nursing care services, you will be requested to obtain the needed services in your Residence (at your expense), relocate to Heritage Hall, or relocate to the Village Health Center or Comparable Facility (as defined in Paragraph 5.2).

3.3 Occupants of the Residence.

Except as hereinafter provided, no person other than you (both of you in case of Joint Residents) may occupy the Residence. In the event that a second person who is not a party to this Agreement is accepted for residency in the Residence at a time subsequent to the date hereof (said acceptance to be in accordance with our current residency policy), an Entrance Fee in an amount to be determined by us (which will be no more than one-half of the then-current Entrance Fee for the Residence) shall be paid upon residency, and each month thereafter, the then-current Second Person Monthly Fee shall be paid as part of the Monthly Fee. If such second person does not meet the requirements for residency, such second person will not be permitted to occupy the Residence for more than thirty (30) days, except with our express written approval.

If the Resident marries a person who is also a resident of the Village, and should they decide to occupy one residence as Joint Residents, they must declare which residence will be occupied and which residence will be released. The refund due for the released residence, if any, will be provided as described in Paragraph 10.5 of this Agreement.

3.4 Guests. Guests are welcome to stay in your Residence for short stays not to exceed ten (10) consecutive days. Such stay shall not, in the opinion of the Executive Director, adversely affect the operation of the Village or be inconsistent with the welfare of our residents.

3.5 Release. We are not responsible for theft, loss of or damage to your personal property, unless such theft, loss or damage is caused by our negligence or the negligence of our agents or employees, and you hereby release us from such liability.

3.6 Insurance. Our insurance does not cover your personal property or your liability. It is recommended that you carry personal property insurance and liability insurance at your own expense to cover against any loss or damage to your personal property or to the property of others caused by your negligence or that of your guests. If requested by us, you agree to provide us with proof of such insurance coverage.

3.7 Removal and Storage of Resident's Personal Property. Your personal property must be removed from the Residence and from any storage unit as follows:

3.7.1 Within thirty (30) days following the date of your death (if Joint Residents, the date of death of the surviving Resident). If your personal property is not removed from the Residence and from any storage unit within such thirty (30) days, we will continue to charge your estate the Monthly Fee as outlined in Paragraph 1.5.1 above, or we may remove and store such personal property at the expense and risk of your estate. Your Entrance Fee will continue to amortize, if applicable, until the Residence and any storage unit is completely vacated. We will only allow the executor(s) named in your Will to remove or dispose of your personal property in your living accommodation and any related storage unit at the Village. 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.

3.7.2 Within thirty (30) days following the date notice is delivered to you of your permanent relocation to Heritage Hall, to the Village Health Center or a Comparable Facility for Health Center Level Services (see definitions in Paragraphs 5.1 and 5.2), or to another care facility licensed to provide the appropriate care you need. If your personal property is not removed from the Residence and from any storage unit within such thirty (30) days, we will continue to charge you the Monthly Fee as outlined in Paragraph 1.5.2 above, or we may remove and store such personal property at your expense and risk.

3.7.3 At the end of the cancellation period outlined in Section 8 or 9. If your personal property is not removed from the Residence and from any storage unit by the end of the cancellation period, we will continue to charge you the Monthly Fee as outlined in Paragraph 1.5.3 above, or we may remove and store such personal property at your expense and risk. Your Entrance Fee will continue to amortize, if applicable, until the Residence and any storage unit is completely vacated.

3.8 Furnishings. Furnishings within the Residence will not be provided by us except as stated in Paragraph 2.1. Furnishings provided by you shall not be such as to interfere with your health, safety

or general welfare, or that of other residents or others.

3.9 Emergency Entry and Relocation. We may enter your Residence should it be necessary in an emergency to protect your health or safety or the health or safety of other residents. If relocation is recommended by the Medical Director or your attending physician, we will request that you relocate to another residence within the Village (which may include Heritage Hall), to the Village Health Center or a Comparable Facility (as defined in Paragraph 5.2), or to a hospital or other care facility for the protection of your health or safety or for the health or safety of the other residents of the Village.

3.10 Alterations by You. You may not undertake any alterations to your Residence without our prior written approval. Said alterations will be set forth in a separate addendum to this Agreement, signed by you and us. Any alterations to the landscaping of your Residence must meet the covenants of Croasdaile Farm Master Homeowners' Association and be approved by the Village's Building and Grounds Committee.

3.11 Condition of Residence. Upon vacating the Residence, you agree to leave it in good and clean condition. You shall be liable to us for any charges incurred to restore your Residence to good and clean condition, except for normal wear and tear.

3.12 Rights of Second Single Resident. When two Joint Residents reside in a single Residence under this Agreement, upon the death or permanent relocation of one Resident to a different level of care at the Village, or other inability of that Resident to continue residing in the Residence, the remaining Resident may continue to reside in the Residence under the

terms of this Agreement and shall pay the Monthly Fee.

3.13 Smoke-Free Community.

The Village is a smoke-free community pursuant to its Smoke-Free Campus Policy (a copy of which is available upon request), wherein the campus and buildings have been designated as "smoke free". Smoking (including E-Cigarettes) is not allowed by residents, guests, and business invitees on the Village campus (inside or outside), except in a designated outside area. No smoking areas include, but are not limited to, the residences, Heritage Hall, the Village Health Center (including both the assisted living facility and nursing facility), hallways, dining rooms, public restrooms, lounge areas, reception areas, waiting rooms, courtyards, entrances, walking paths, driveways, and any other common areas. Smoking is only permitted at the designated outdoor area. Violation of the Smoke-Free Campus Policy can result in our cancellation of this Agreement for just cause as outlined in Paragraph 9.1 hereof.

3.14 Firearms Policy.

The Village has adopted a policy governing the possession of firearms at the Village. Firearms need to be registered with the Village and properly secured. In the event that you are unable to safely maintain a firearm, we will contact your designated power of attorney, legal representative or family member to remove any firearms from your Residence.

4. HERITAGE HALL. If you are in need of additional personal services, you can obtain these needed services through the Village's residential living with personal services program available at Heritage Hall. If such services are needed, you will be required to enter into an amendment to this Agreement, transfer from your Residence to a personal services apartment at Heritage Hall, and pay the then-current personal

services monthly fee. A copy of the amendment is included in the Village's Disclosure Statement and is also available upon request.

Following is a list of services and amenities available at Heritage Hall for the personal services monthly fee:

- Staff assistance 24 hours a day;
- Three (3) meals per day;
- Limited tray service to be provided when approved by authorized staff;
- Consultation and preparation of routine special diets;
- Utilities, which include heating, air conditioning, electricity, water, sewer and trash removal;
- Basic cable television package;
- Building janitor and maintenance;
- Grounds keeping;
- Planned assistance with bathing;
- Planned assistance with dressing;
- Medication cueing (no administration or treatments);
- Weekly housekeeping services;
- Linen service and bed making twice per month;
- Personal laundry service;
- Planned activities (social, cultural, recreational, educational, and spiritual) for those who wish to participate;
- Services of a chaplain;
- Parking for residents and guests;
- Carpeting (except in kitchen and bath), unless some other floor surface has been installed;
- Kitchenette with apartment-size microwave and refrigerator;
- Local transportation as scheduled by us and as posted;
- Personal emergency transmitter system;
- Smoke detectors;
- Security – 24 hours a day; and
- Six (6) days each year of assisted living or nursing care in the Village

Health Center as outlined in Paragraph 5.4.

Supplemental services, when available, will be provided at Extra Charge to Heritage Hall residents as described below. A list of Extra Charges for these supplemental services can be obtained from administration.

- Guest meals;
- Guest accommodations, if available;
- Expanded cable television package;
- Private catered functions;
- Hair grooming services;
- Extended tray service as approved by authorized staff;
- Preparation of special diets (beyond those which are routine and based upon our ability to prepare/offer such diet), as prescribed by resident's attending physician;
- Personal transportation and transportation for special events and group trips;
- Personal service provider;
- Physician services;
- Professional medical services;
- Services of the Clinic – a copy of the charges for Clinic services can be obtained from the Clinic;
- Pharmacy/medications;
- Physical therapy, speech therapy and occupational therapy;
- Nursing supplies;
- Podiatry services;
- Home care services through the Croasdaile Village Home Care Program;
- Assisted living services or nursing care services through the Village Health Center as outlined in Section 5; and
- Certain ancillary services and supplies (such as therapies, pharmacy, laboratory, therapeutic activities, rehabilitative treatments, medical equipment, medical supplies, medical

treatment, physician services, and other miscellaneous medical services and supplies).

5. THE VILLAGE HEALTH CENTER.

5.1 Description. The Village Health Center is the portion of the Village which is licensed to provide two levels of care: assisted living care and skilled nursing care (collectively "Health Center Level Services"). The Village Health Center is staffed by licensed nursing personnel 24 hours a day.

5.2 Alternate Accommodations. You will be given priority over non-residents for admission to the Village Health Center. In the event the Village Health Center is fully occupied when you are determined to need such care, you agree to relocate to an alternate health care facility that provides services similar to the Village Health Center or to another care facility licensed to provide the appropriate care you need (a "Comparable Facility") until an appropriate space becomes available for you at the Village. We will not be responsible for the charges associated with the Comparable Facility. Upon your relocation to a Comparable Facility, you shall continue to pay the Monthly Fee in accordance with Paragraph 1.5.2 above.

5.3 Clinic. The Clinic is available for certain examinations, consultations, tests and appointments. Such services will be at an Extra Charge to you.

5.4 Six (6) Days of Assisted Living or Nursing Care in the Village Health Center. You are eligible to receive a total of six (6) days each year of either assisted living care or nursing care in the Village Health Center while you are a resident of your Residence. In the case of Joint Residents, each of you will receive six (6) days, but the days cannot be combined

and used by only one of you. Such six (6) days renews on an annual basis and does not accumulate. You are required to pay the charges for physician services and any additional health services as outlined in Paragraph 5.10. Once you are permanently assigned to assisted living or nursing care in the Village Health Center or Comparable Facility, you no longer qualify for the six (6) free days of assisted living or nursing care and will be required to pay the per diem charge for such care. **[NOTE: The six (6) days of care is a combined annual total for assisted living care and nursing care at the Village.]**

5.5 Transfer to Health Center Level Services. In the event your physical or mental health is determined by us to be appropriate for Health Center Level Services, you agree to relocate to the Village Health Center or a Comparable Facility. Such a determination will be made by us after a review by the Director of Nursing, the Medical Director and the Executive Director in consultation with your attending physician, your personal representative, and you to the extent possible.

5.6 Temporary Relocation to the Village Health Center. In the event you require temporary care in the Village Health Center (beyond the six (6) days of care as outlined in Paragraph 5.4, if applicable), you will pay the per diem charge applicable to the level of care needed by you, as well as the charges for physician services and any additional health services as outlined in Paragraph 5.10. Subject to the terms and conditions of this Agreement, you will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above.

5.7 Permanent Relocation to Health Center Level Services. In the event you require permanent care in the Village Health Center (beyond the six (6) days of

care as outlined in Paragraph 5.4, if applicable), you will pay the per diem charge applicable to the level of care needed by you, as well as the charges for physician services and any additional health services as outlined in Paragraph 5.10. If you are determined appropriate for Health Center Level Services, and are permanently relocated to the Village Health Center or a Comparable Facility, you will be required to release your Residence to us, and remove all of your personal property from the Residence and from any storage unit as outline in Paragraph 3.7.2. We shall have the right to reassign the Residence for occupancy by others except as provided in Paragraph 3.12. Release of the Residence due to your permanent relocation to the Village Health Center or to a Comparable Facility does not qualify you for a refund of the Entrance Fee, unless this Agreement is canceled. Subject to the terms and conditions of this Agreement, you will continue to pay the Monthly Fee in accordance with Paragraph 1.5.2 above.

5.8 Relocation within the Village Health Center. We reserve the right to relocate you to a different level of care within the Village Health Center if you require such care. Such relocation will be made after a review by the Director of Nursing, the Medical Director and the Executive Director in consultation with your attending physician, your personal representative, and you to the extent possible.

5.9 Return to Residence. If we subsequently determine, in consultation with your attending physician, your personal representative and you to the extent possible, that you can resume occupancy in a residence equivalent to the residence you previously occupied, you shall have the right to relocate to such equivalent residence as soon as one is available. Upon reoccupying a residence, your Monthly Fee will be based

on the then-current Monthly Fee for the residence.

5.10 Medical Director, Attending Physician, and Additional Health Services. We have designated a licensed physician to serve as Medical Director of the Village Health Center. You are required to have a local attending physician. You may engage the services of the Medical Director at your expense. If your personal physician will be providing you with services in the Village Health Center, he/she may do so upon providing us with his/her credentials and with proof of liability insurance, and he/she agrees to abide by our policies and procedures. We will not be responsible for the charges for medical treatment or services by the Medical Director or your attending physician, nor will we be responsible for the charges for medication, prescribed therapy, nursing supplies, and other medical and miscellaneous supplies and services associated with medical treatment.

5.11 Advanced Payment for Medical Treatment. In the event we incur or advance payment for your medical treatment or for medication, prescribed therapy, nursing supplies, and other medical and miscellaneous supplies and services associated with medical treatment (even in the event such medical care is given at the direction of your attending physician or the Medical Director without your prior approval), you shall promptly reimburse us for such payments. Upon cancellation of this Agreement for any reason, any amounts due to us under this Paragraph 5.11 shall be offset against any refund of the Entrance Fee.

5.12 Long-Term Care Insurance. We will use reasonable efforts to assist you in working with your long-term care insurance provider to obtain the benefits to which you may be entitled.

5.13 Medicare and Health Insurance. When eligible, you are required to maintain Medicare Part A, Medicare Part B, and one supplemental health insurance policy or equivalent insurance coverage acceptable to us to assure your ability to fully cover a Medicare-qualified stay in the Village Health Center or a Comparable Facility. You shall furnish to us such evidence of coverage as we may from time to time request. Such supplemental insurance should cover Medicare co-insurance and deductibles. Should your supplemental health insurance or equivalent coverage not fully cover a Medicare-qualified stay in the Village Health Center or a Comparable Facility, or should you fail to purchase supplemental health insurance or equivalent coverage to fully cover a Medicare-qualified stay in the Village Health Center or a Comparable Facility, you shall be financially responsible for paying deductibles, co-insurance amounts, and any other charges for each Medicare-qualified admission and stay in the Village Health Center or a Comparable Facility. If you are eligible to receive the six (6) days of nursing care in the Village Health Center as provided in Paragraph 5.4 and your stay in the Village Health Center is a Medicare-qualified stay, such six (6) days will be applied after the expiration of your Medicare-qualified stay providing you have Medicare Part A, Medicare Part B and acceptable supplemental health insurance or equivalent insurance coverage.

If you are not eligible for Medicare, you shall maintain health insurance coverage acceptable to us and shall furnish us with evidence of such coverage upon our request. Should your health insurance not fully cover your stay in the Village Health Center or a Comparable Facility, you shall be financially responsible for paying deductibles, co-insurance amounts, and any other charges for each admission and stay in

the Village Health Center or a Comparable Facility.

If failure to maintain Medicare Part A, Medicare Part B, supplemental health insurance or other health insurance coverage causes depletion of your resources and impairs your ability to meet your financial obligations, we need not defer your financial obligations to us as outlined in Paragraph 7.1, and we retain the right to cancel the Residency Agreement as provided in Section 9.

5.14 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:

5.14.1 Participating Provider. If the Village Health Center is a participating provider with your managed care program and your stay is a Medicare-qualified stay, the Village agrees to be reimbursed at the rate negotiated with your managed care program. Such a managed care stay in the Village Health Center will not reduce the number of days of care you are eligible to receive without additional charge pursuant to Paragraph 5.4, as applicable. You will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above, as well as any charges for physician services and any additional health services as outlined in Paragraph 5.10.

5.14.2 Not a Participating Provider. If the Village Health Center 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 charges for health care services. In addition, while receiving health care services at the managed care participating provider, you will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above. Such a stay at a managed care participating provider will not reduce the number of days of care that you are eligible to receive without additional charge pursuant to Paragraph 5.4, as applicable.

5.14.3 Negotiated Managed Care Rate. If the Village Health Center is not a participating provider in your managed care program and your stay is a Medicare-qualified stay, we attempt to negotiate a reimbursement rate with your managed care program. If we are able to negotiate an acceptable rate, we agree to accept as full payment the rate provided by your managed care program. Such a managed care stay in the Village Health Center will not reduce the number of days of care that you are eligible to receive without additional charge pursuant to Paragraph 5.4, as applicable. You will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above, as well as any charges for physician services and any additional health services as outlined in Paragraph 5.10.

5.14.4 No Negotiated Managed Care Rate. If the Village Health Center is not a participating provider in your managed care

program and a negotiated rate is not agreed upon and you would still like to receive nursing care in the Village Health Center during a Medicare-qualified stay, then each day of your stay in the Village Health Center will reduce by one day the number of days of care you are eligible to receive without additional charge pursuant to Paragraph 5.4, as applicable. During any such Medicare-qualified stay in the Village Health Center, you agree that you will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above and any charges for physician services and any additional health services as outlined in Paragraph 5.10. If at any time during any such Medicare-qualified stay in the Village Health Center you are no longer eligible to receive any of the days of care provided for in Paragraph 5.4, then you agree to pay the per diem charge for your care in the Village Health Center, the Monthly Fee for your Residence, in accordance with Paragraph 1.5.2 above, and any charges for physician services and any additional health services as outlined in Paragraph 5.10.

5.14.5 Post Medicare-Qualified Stay. At the conclusion of each such Medicare-qualified stay, you will be entitled to care in the Village Health Center in accordance with the terms of this Agreement other than as provided in this Paragraph 5.14, as adjusted to reflect any reduction during such stay in the number of days of care that you are eligible to receive without additional charge as provided in Paragraph 5.4, as applicable.

5.15 Transfer to Hospital or Other Care Facility. If we determine after consultation with your attending physician, your personal representative and you to the extent possible, that you need care beyond that which the Village Health Center is licensed to provide, you will be transferred to a hospital or other care facility. Our staff will not accompany you to the hospital or other facility. We shall not be responsible for any charges associated with the transfer and health care expenses or charges incurred by you after such a transfer. You shall continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5 above.

5.16 Village Health Center Admission Agreement. If you require care in the Village Health Center, you agree to enter into a separate admission agreement for the appropriate level of care, which will be signed by you and us.

5.17 Under Age 62. If you are under the age of 62 when you occupy your Residence under this Agreement, you are not eligible to receive the six (6) days of care in the Village Health Center as described in Paragraph 5.4 until you attain the age of 62. During this time, you will be entitled to Health Center Level Services at the then-current per diem charge being charged to nonresidents until age 62.

6. REPRESENTATIONS.

6.1 Our Representations. We represent and warrant that we are a nonprofit corporation. We are exempt from payment of Federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. We are affiliated with the North Carolina Conference of The United Methodist Church of the Southeastern Jurisdiction. The North Carolina Conference of The United Methodist Church of the

Southeastern Jurisdiction is not responsible for our financial or contractual obligations.

6.2 Your Representations. You represent and warrant that the representations made in the application for residency, your personal health history, and the confidential financial statement are true and correct and may be relied upon by us as a basis for your acceptance for residency at the Village. You also represent and warrant that you have not made any gift of your property in contemplation of the execution of this Agreement.

7. PROMISES.

7.1 Our Promises. It is and shall be our declared policy to operate as a non-profit organization. We will not cancel this Agreement without just cause as specified in Section 9. Further, we shall not cancel this Agreement solely by reason of your financial inability to pay the full Monthly Fee, the personal services monthly fee, or the per diem charge for care in the Village Health Center, provided you have met all "spend-down" provisions of eligibility for the Medicaid program and any public assistance funds. This provision shall not apply if you have impaired your ability to meet your financial obligations hereunder by transfer of assets other than to meet ordinary and customary living expenses or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance, or other health insurance after assuming occupancy. You shall be permitted to remain at the Village for a reduced fee based on your ability to pay for as long as you establish facts to justify deferment of such charges and when deferment of such charges can, in our sole discretion, be granted without impairing our ability to operate the Village on a sound financial basis for the benefit of all residents.

7.2 Your Promises. You agree to comply with all policies and procedures of the Village as now existing or as hereafter amended; to pay the Entrance Fee, Monthly Fee, and any other charges as provided in this Agreement; to not impair your ability to meet the financial obligations under this Agreement by transferring assets, other than to meet ordinary and customary living expenses, or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance or other health insurance, without our consent; to apply for public assistance funds and/or Medicaid if you should need financial assistance as outlined in Paragraph 7.1 above while receiving Health Center Level Services; and to abide by all other terms of this Agreement.

8. CANCELLATION BY RESIDENT.

8.1 Right of Rescission. Within thirty (30) days following the later of the execution of this Agreement by you or the receipt of a Disclosure Statement from us, you may rescind this Agreement by giving us written notice. You shall not be required to move into the Residence prior to the expiration of the thirty (30) day rescission period. However, if you occupy the Residence during the rescission period and then rescind this Agreement, you will only be charged a Monthly Fee for the period of time that you actually occupied the Residence. Refund of the amount of the Entrance Fee paid shall be as outlined in Paragraph 10.2.

8.2 Cancellation Prior to Occupancy. You may cancel this Agreement for any reason at any time before you move into the Village by giving us written notice signed by you (both of you in the case of Joint Residents). Refund of the amount of the Entrance Fee paid shall be as outlined in Paragraph 10.3 or 10.4. If you die prior to occupying the Residence or if, on account of

illness, injury or incapacity, you are precluded from occupying the Residence under the terms of this Agreement, this Agreement will automatically cancel upon our receipt of notice of your death, illness, injury or incapacity. If you elect to cancel this Agreement because of a substantial change in your physical, mental or financial condition prior to occupancy, then this Agreement will cancel upon written notice from you. Refund of the Entrance Fee shall be as outlined in Paragraph 10.3.

8.3 Cancellation After Occupancy. You may cancel this Agreement for any reason after moving into the Village by giving us thirty (30) days' prior written notice of cancellation, which shall be effective and irrevocable upon delivery. Cancellation shall occur thirty (30) days after written notice is delivered, and you must remove your personal property from the Residence and from any storage unit within the thirty (30) day notice period as outlined in Paragraph 3.7.3. You are obligated to pay the Monthly Fee during the thirty (30) days, and thereafter if the Residence has not been released to us in accordance with Paragraph 1.5.3 above. Refund of the Entrance Fee shall be as outlined in Paragraph 10.5.

8.4 Cancellation Due to Death After Occupancy. This Agreement will automatically cancel upon your death (the death of the surviving Resident in the case of Joint Residents). Your estate must remove your personal property from the Residence and from any storage unit within thirty (30) days after your death as outlined in Paragraph 3.7.1. Your estate will be obligated to pay the Monthly Fee as outlined in Paragraph 1.5.1 above. Refund of the Entrance Fee shall be as outlined in Paragraph 10.5.

9. CANCELLATION BY UMRH.

9.1 Cancellation Upon Notice.

We may, upon notice and opportunity to cure as hereinafter provided, cancel this Agreement for just cause. Just cause shall include the occurrence of any of the following events (hereinafter referred to as a "Default"):

9.1.1 Noncompliance.

You do not comply with the terms of this Agreement or the published operating procedures, covenants, rules, regulations, and policies now existing or later amended by us.

9.1.2 Misrepresentation.

You misrepresent yourself or fail to disclose information during the residency process.

9.1.3 Nonpayment.

You fail to pay any charges to us, subject to the provisions of Paragraph 7.1, within forty-five (45) days of the date when such charges are due.

9.1.4 Threat to Health or Safety. Your health status or behavior constitutes a substantial threat to the health, safety or peace of yourself, other residents, or others including your refusal to consent to relocation, or behavior that would result in physical damage to the property of the Village or others.

9.1.5 Change in Condition. There is a major change in your physical or mental condition and your condition cannot be cared for in the Village Health Center within the limits of our license.

9.2 Default Notice. Prior to cancellation for any Default described in Paragraph 9.1.1, 9.1.2 or 9.1.3 above, we

shall give you notice in writing of such Default, and you shall have at least thirty (30) days thereafter within which to correct such Default. No Default shall eliminate your obligation to pay the Monthly Fee. If you correct such Default within such time, this Agreement shall not be canceled. If you fail to correct such Default within such time, this Agreement shall cancel at the expiration of such thirty (30) days.

In the event of the occurrence of a Default described in Paragraph 9.1.4 or 9.1.5 above, if we or the Medical Director determine that either the giving of notice of Default or the lapse of time as above provided might be detrimental to you or others, then such notice and/or waiting period prior to cancellation shall not be required. Also, in the event of the occurrence of a Default described in Paragraph 9.1.4 or 9.1.5, we are expressly authorized by you to transfer you to an appropriate hospital or other facility, and we will promptly notify your personal representative or attending physician.

10. REFUND OF ENTRANCE FEE.

10.1 Nonacceptance by Us. If we do not accept you for residency at the Village, the full amount of the Entrance Fee you have paid will be promptly refunded to you, without interest.

10.2 Right of Rescission. If you rescind this Agreement as provided in Paragraph 8.1, you shall receive a full refund of the portion of the Entrance Fee paid by you, without interest, within sixty (60) days of our receipt of the written notice of rescission.

10.3 Cancellation Prior to Occupancy Due to Death, Illness, Injury, or Incapacity. If, prior to occupancy and after your right of rescission period has expired, you die or you cancel this

Agreement because of illness, injury or incapacity, you or your estate will receive a refund in full of the portion of the Entrance Fee you have paid, without interest, less any costs specifically incurred by us at your request and set forth on Exhibit A or in writing in a separate addendum to this Agreement, signed by you and us. Said refund shall be paid within sixty (60) days following (i) the date of automatic cancellation of this Agreement; or (ii) the date of our receipt of your written notice of cancellation.

10.4 Cancellation Prior to Occupancy for Other Reasons. If you cancel this Agreement for reasons other than those stated in Paragraph 10.2 or 10.3 above, you shall receive a refund of the Entrance Fee paid, less a non-refundable portion of the Entrance Fee equal to Two Thousand Dollars (\$2,000) and less any costs specifically incurred by us at your request and set forth on Exhibit A or in writing in a separate addendum to this Agreement, signed by you and us. Said refund shall be paid within sixty (60) days after our receipt of the written notice of cancellation.

10.5 Cancellation After Occupancy. In the event you or we cancel this Agreement after occupancy or in the event of your death (the death of the survivor in the case of Joint Residents), you or your estate will be reimbursed the amount of the Entrance Fee previously paid by you, less two percent (2%) for each month of residency or portion thereof, for up to fifty (50) months. After fifty (50) months of occupancy, no refund of the Entrance Fee will be made. Said refund, if any, will be paid, without interest, at such time as your Residence has been reserved by a new resident and our receipt of the full amount of the Entrance Fee paid by such new resident or within two (2) years from the date of cancellation, whichever occurs first.

10.6 Offset Against Entrance Fee Refund. In the event of cancellation of this Agreement as described in Paragraph 10.5 above, we will offset against any Entrance Fee refund due to you or your estate the following:

10.6.1 The amount of any unpaid Monthly Fees, pro-rated Monthly Fees for the period of time the Residence was occupied (which shall include the period of time until you or your personal representative removes all of your personal property from the Residence and from any storage unit) after cancellation of this Agreement, any Extra Charges, or other charges deferred by us on your behalf under Paragraph 7.1; and

10.6.2 Any health care expenses incurred on your behalf and other amounts payable to us, which remain unreimbursed; and

10.6.3 Any charges incurred to restore the Residence to good condition, normal wear and tear excepted, as outlined in Paragraph 3.11; and

10.6.4 Any charges incurred as a result of options and custom features added to the Residence at your request as outlined in Exhibit A or in a separate addendum to this Agreement.

11. MISCELLANEOUS.

11.1 Nature of Rights. You understand and agree that (i) this Agreement or your rights (including the use of the Residence) under it may not be assigned, and no rights or benefits under this Agreement shall inure to the benefit of your heirs, legatees, assignees, or representatives,

except as to receipt of the amounts described in Section 10; (ii) this Agreement and your contractual right to occupy the Village will exist and continue to exist during your lifetime unless canceled as provided herein; (iii) this Agreement grants you the right to occupy and use space in the Village but does not give you exclusive possession of the Residence against us, and you will not be entitled to any rights of specific performance but will be limited to such remedies as set forth herein and as provided by continuing care law; (iv) this Agreement is not a lease or easement and does not transfer or grant you any interest in real property owned by us; and (v) this Agreement grants to us complete decision-making authority regarding the management and operation of the Village.

11.2 Release. We are not responsible for theft, loss of or damage to your personal property, unless such theft, loss or damage is caused by our negligence or the negligence of our agents or employees, and you hereby release us from any such liability. You may want to obtain at your own expense insurance to protect against such losses.

11.3 Amendment. This Agreement may be amended by agreement of the parties to this Agreement. No amendment of this Agreement shall be valid unless in writing and signed by you and us.

11.4 Law Changes. This Agreement may be modified by us at any time in order to comply with applicable laws or regulations. Further, we may change any part of the Village, including the Residence, to meet the requirements of any applicable law or regulation.

11.5 Entire Agreement. This Agreement and any addenda or amendments thereto contain our entire understanding with respect to your residency at the Village.

11.6 Monthly Statement. You shall receive a monthly statement from us showing the total amount of fees and other charges owed by you, which shall be paid upon receipt and by no later than the fifteenth (15th) day of each month.

11.7 Responsible Party for Business and Financial Decision Making. Prior to assuming residency at the Village, you agree to execute and deliver to us a Durable Power of Attorney, trust documents, or other documentation naming a responsible party for business and financial decision-making. These documents should be drafted to remain effective notwithstanding your incompetence or disability and shall be in a form acceptable to us. You agree to keep such documents in effect as long as this Agreement is in effect. The person(s) named as your responsible party shall not be a person(s) employed by us or any other entity engaged in the management of the Village.

11.8 Disposition of Furniture, Possessions, and Property. You agree to make provision by Will or otherwise for the disposition of all of your furniture, property, and possessions located on the premises of the Village within sixty (60) days after the date of residency.

11.9 Nonwaiver. If we fail to insist in any instance upon performance of any of the terms, promises, or conditions of this Agreement, it shall not be construed as a waiver or relinquishment of the future performance of any such terms, promises, or conditions, but your obligation with respect to such future performances shall continue in full force and effect.

11.10 Notices. Any notice required to be given to us under this Agreement shall be in writing and sent certified mail, return receipt requested, with all postage and charges prepaid, or hand-delivered to the

Executive Director of the Village at 2600 Croasdaile Farm Parkway; Durham, North Carolina 27705. Such notices shall be dated and signed.

Any notice required to be given to you shall be delivered to you at the Village or at such other place as you shall designate to us in writing and sent by certified mail or hand delivered. All notices mailed in accordance with this Paragraph shall be deemed to be given when mailed whether or not they are actually received.

11.11 Indemnity. We will not be liable for and you agree to indemnify, defend and hold us harmless from claims, damages and 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 that of your guests.

11.12 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.

11.13 Subordination. You agree that all your rights under this Agreement will always be subordinate and junior to the lien of all mortgages or other documents creating liens encumbering the Village, which have been or will be executed by us. Upon request, you agree to execute, acknowledge and deliver to such lender(s) such further written evidence of such subordination as such lender(s) may reasonably require. Except to the extent of your obligation to pay the Monthly Fee and Second Person Monthly Fee, you shall not be liable for any such indebtedness.

11.14 Capacity. This Agreement has been executed on our behalf by our duly authorized agent, and no officer, director, agent or employee of ours shall have any personal liability hereunder to you under any circumstances. This Agreement will become effective upon acceptance and signature by us.

11.15 Resident. In the case of Joint Residents, the rights and obligations of each are joint and several except as the context of this Agreement otherwise requires.

11.16 Reimbursement for Loss or Damage. You or your responsible party, if applicable, agree to reimburse us for any loss or damage to the Village caused by your intentional, careless, or negligent acts or omissions or that of your guests.

11.17 Charges for Collection. You agree to reimburse us for any charges we incur to collect any unpaid amounts you or your estate owes to us under this Agreement.

11.18 Sale or Transfers of Interest. We may sell or transfer our interest in the Village provided the buyer will agree to assume this Agreement and all other existing Residency Agreements. Upon the assumption of this Agreement by a buyer of the Village and its agreement to perform this Agreement and all other agreements, we will have no further obligation hereunder. Your signature hereto constitutes your consent and approval of any such future transaction.

11.19 Private Employee of Resident. If you need additional services, you can obtain these needed services from a private employee, an independent contractor, or through an agency (personal service provider). In such instances, we strongly advise you to obtain these needed services from a licensed and/or certified

home health agency. In any event, you must comply with our policy regarding personal service providers, and ensure that your private employee, independent contractor, or person you employ through an agency complies with our policies and rules of conduct set forth in our policy. If you fail to follow or enforce the policies and rules set forth therein, then we may elect, at our sole option, to cancel this Agreement.

11.20 Tax Considerations. You should consult with your tax advisor regarding the tax considerations associated with this Agreement as more fully explained in our Disclosure Statement.

11.21 Management. We have engaged the services of Life Care Services LLC ("LCS") to manage the Village. We are not affiliated with LCS nor is LCS responsible for our contractual or financial obligations or the contractual or financial obligations of the Village.

11.22 Governing Law. This Agreement will be governed, interpreted and construed according to the laws of the State of North Carolina.

11.23 Survival of Representations and Obligations. Your representations and obligations under this Agreement, including but not limited to, your obligation to pay all sums owed by you to us, and your agreement to indemnify us as set forth in Paragraph 11.11, and our representations and obligations under this Agreement, will survive any cancellation of your residency in the Village, regardless of the reason for such cancellation and regardless of whether it is initiated by you or by us.

12. MEDIATION AND ARBITRATION.

12.1 Mediation. In the event a dispute, claim or controversy of any kind arises between the parties – except for those

disputes, claims or controversies arising under Paragraph 12.3 below – 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 an 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.

12.2 Arbitration. In the event a dispute, claim or controversy of any kind arising out of or relating to this Agreement – except for those disputes, claims or controversies arising under Paragraph 12.3 below – cannot be resolved through mediation as described in Paragraph 12.1 above, the parties agree that said dispute, claim, or controversy will be submitted to and determined by arbitration in Durham County, North Carolina in accordance with the Federal Arbitration Act. You and we will jointly agree on an arbitrator and the arbitrator will be selected according to the procedure set forth in state law, if applicable. In reaching a decision, the arbitrator shall prepare findings of fact and conclusions of law. Any direct arbitration costs incurred by you will be borne by you. Costs of arbitration, including our legal

costs and attorneys' fees, arbitrators' fees, and similar costs, will be borne by all residents of the Village provided that the arbitrator may choose to award the costs of arbitration against us if the arbitrator determines that the proposed resolution urged by us was not reasonable. If the issue affects more than one (1) resident, we may elect to join all affected residents into a single arbitration proceeding, and you hereby consent to such joinder.

You may withdraw your agreement to arbitrate within thirty (30) days after signing this Agreement by giving written notice of your withdrawal to us. This arbitration clause binds all parties to this Agreement and their spouses, heirs, representatives, executors, administrators, successors, and assigns, as applicable. After cancellation of this Agreement, this arbitration clause shall remain in effect for the resolution of all claims and disputes that are unresolved as of that date.

12.3 Voluntary Arbitration of Negligent Health Care Claims. For all claims for damages in personal injury or wrongful death actions, based on alleged negligence in the provision of health care, the parties may voluntarily elect to submit to arbitration pursuant to the procedures set forth in Article 1H of Chapter 90 of the North Carolina General Statutes. N.C. G.S. §90-21.60(b) prohibits any contract from requiring prior agreement of the parties to arbitrate negligent health care claims. Thus, Paragraphs 12.1 and 12.2 do not apply to personal injury or wrongful death actions based on alleged negligence in the provision of health care. If the parties agree to arbitrate such actions, said arbitration will be governed in accordance with N.C.G.S. §90-21.60, *et seq.*

[Signature Page Follows]

You hereby certify that you received a copy of this Agreement and a copy of our most current Disclosure Statement dated _____, 20____.

Executed this _____ day of _____, 20_____.

RESIDENT

Witness

RESIDENT

Witness

**THE UNITED METHODIST
RETIREMENT HOMES,
INCORPORATED
d/b/a Croasdaile Village**

By _____
Executive Director

Date: _____

By _____
Authorized Agent of UMRH

Date: _____

Attachment: Exhibit A



02/03/2018
CV Standard Residency Agreement (2018.02.03)
CLEAN.docx

Exhibit A

Options and Custom Features Added at Resident's Request:	Amount
	\$
	\$
	\$
	\$
	\$
	\$
Total	\$

Initials _____
Community

Resident(s)

Resident(s)

WBD(US) 41242208v3



**2600 Croasdaile Farm Parkway
Durham, North Carolina 27705
(919) 384-2000
www.croasdailevillage.org**

**Heritage Hall
Residency Agreement
(Residential Living
With Personal Services)**

02/06/2018



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GLOSSARY

The following terms are described as used in the accompanying Residency Agreement. Reference to the Residency Agreement and the context in which the terms are used is recommended to provide a fuller understanding of each of the terms:

"Agreement" means the Heritage Hall Residency Agreement, entered into between the Resident and The United Methodist Retirement Homes, Incorporated, which outlines the contractual obligations of both parties.

"Entrance Fee" means payment that assures a resident a place at the Village for life as long as the resident complies with terms of this Agreement. At the time the resident makes application for residency at the Village, the resident will sign a Residency Agreement to reserve the residence selected and will pay an Entrance Fee deposit to the Village. The balance of the Entrance Fee will be paid upon the earlier of (i) occupancy or (ii) 30 days after the Residency Agreement is executed. Specific information is located in Paragraph 1.2 of this Agreement.

"Extra Charges" means the additional fees required to be paid for the additional services and amenities requested by Resident, as set forth in Paragraph 2.2 of this Agreement.

"Health Center" means the portion of the Village, which is licensed to provide two levels of care: assisted living care and skilled nursing care, as described in Section 4 of the Agreement.

"Heritage Hall" means the portion of the Village, which is designed to provide residents with residential living with personal services, as described in this Agreement.

"Monthly Fee" means that fee payable each month by the Resident as set forth in

Paragraphs 1.3 and 1.4 of the Agreement, in consideration for the services and amenities provided to the residents of Heritage Hall described in Paragraph 2.1 of this Agreement. If there are Joint Residents under this Agreement, the Monthly Fee will include a "Second Person Monthly Fee."

"Residence" means the personal services apartment at Heritage Hall identified in the introductory paragraph of the Agreement, in which the Resident has the right to live pursuant to this Agreement in exchange for paying the Entrance Fee and the Monthly Fee.

"Resident" or "you" means the Resident(s) who sign this Agreement. Sometimes a second resident (if there are two of you) is referred to in this Agreement as the "Joint Resident." Further, both Residents may be referred to as "Joint Residents." Unless otherwise indicated, "you" refers to both of you if there are two of you.

"The United Methodist Retirement Homes, Incorporated" or "we" or "our" or "us" means the owner of the retirement community known as Croasdaile Village, including all of the residences, personal services apartments, common areas, and site amenities associated with these areas. The United Methodist Retirement Homes, Incorporated is a North Carolina non-profit corporation.

"Village" means the continuing care retirement community known as "Croasdaile Village," including all of the residences, personal services apartments, common areas, and site amenities.



Heritage Hall Residency Agreement

INTRODUCTION

This Heritage Hall Residency Agreement ("Agreement") is entered into by The United Methodist Retirement Homes, Incorporated ("UMRH," "we," "us," or "our") and _____ (individually or collectively, "you," "your," or "Resident"). Croasdaile Village is a continuing care retirement community located at 2600 Croasdaile Farm Parkway; Durham, NC 27705 (hereafter the "Village").

We will provide residential housing for seniors along with a wide array of personal services and amenities outlined in this Agreement. Subject to the conditions contained in this Agreement, we agree to make available to you the personal services residence described as follows:

Residence Number _____
Residence Style _____

As a Resident of Heritage Hall, you are offered lifetime use of your Personal Services Residence and lifetime access to the Village Health Center, subject to the terms and conditions of this Agreement.

To be accepted for residency, you must meet our residency criteria, which includes: having reached the age of 62 (or sharing your Residence with a Joint Resident who is 62 or older); financial guidelines; and the ability to live in a personal services residence (with or without reasonable accommodation and/or reasonable modification) – all as outlined in our current residency policy.

The purpose of this Agreement is to set forth your rights and duties as a Resident of Heritage Hall and to delineate the services to be provided at the Village.

UMRH is also affiliated with The United Methodist Retirement Homes Foundation, Inc. (the "Foundation"). The Foundation is a not-for-profit corporation, which was organized for the benefit of the retirement communities operated by UMRH. Its purpose is to raise endowment funds, to support benevolent care for those residents who are unable to pay for care, and to support special programs.

1. CHARGES FOR RESIDENCE AND PRIMARY SERVICES.

1.1 Application Fee. Prior to or upon execution of this Agreement, you will pay to us a non-refundable Application Fee of \$____. The Application Fee will be used by us to process your application for residency.

1.2 Entrance Fee. In order to reside at the Village for life, subject to this Agreement, and to receive the services and amenities described below, you agree to pay to us (in addition to the Monthly Fee described below) an Entrance Fee in the amount of \$____. The total amount of the Entrance Fee shall be payable as follows:

1.2.1 Ten percent (10%) of the total Entrance Fee is \$____, less any previously paid Future Resident Fee (\$____), equals \$____, which amount is due and payable upon your execution of this Agreement.

1.2.2 The balance of \$____ of the Entrance Fee shall be paid on the date of occupancy at the Village but in no event later than thirty (30) days after your execution of this Agreement.

1.3 Monthly Fee. You are obligated to begin paying a Monthly Fee (or a pro rata portion thereof) on the date you assume occupancy at the Village or within thirty (30) days from the date this Agreement is executed by you, whichever is earlier. Thereafter, the Monthly Fee is due upon receipt of a statement from us and by no later than the fifteenth (15th) of each month. The Monthly Fee is initially set at a specific amount that can be increased as described in Paragraph 1.6 below. A "Second Person Monthly Fee" shall become

part of the Monthly Fee and shall be paid if two persons are Joint Residents under this Agreement. If there are Joint Residents under this Agreement and one Joint Resident dies, the Second Person Monthly Fee shall cease and the remaining Resident shall continue to pay the Monthly Fee without the Second Person Monthly Fee component.

1.4 Initial Monthly Fee. The initial Monthly Fee payable by you is \$____ per month and an additional \$____ per month as a Second Person Monthly Fee component of the Monthly Fee if two persons reside as Joint Residents pursuant to this Agreement.

1.5 Continuance of Monthly Fee. Payment of the Monthly Fee will continue as follows:

1.5.1 In the event of your death (in the case of Joint Residents, the death of the surviving Resident), until your estate removes all of your personal property from the Residence and from any storage unit.

1.5.2 In the event of your permanent relocation to Health Center Level Services or Comparable Facility for Health Center Level Services (see definitions in Paragraphs 4.1 and 4.2), or to another care facility licensed to provide the appropriate care you need, until you or your personal representative removes all of your personal property from the Residence and from any storage unit.

1.5.3 In the event of cancellation of this Agreement as outlined in Section 7 or 8, until expiration of the cancellation period and continues until you remove all of

your personal property from the Residence and from any storage unit.

1.6 Increase in Monthly Fee.

The Monthly Fee is paid to us to provide the services and amenities described in this Agreement and is intended to meet the expenses associated with the operation of the Village. We may increase the Monthly Fee (which includes the Second Person Monthly Fee where applicable) upon thirty (30) days' written notice if we, in our sole discretion, deem it necessary to meet the financial needs of the Village or to provide quality services to the Residents.

1.7 Reduction in Monthly Fee Due to Absence. If you are absent from the Village for more than fourteen (14) consecutive days, your Monthly Fee will be reduced by the raw food cost determined through the Village's budgeting process. You are required to notify us of your absence in order to qualify for the reduction in the Monthly Fee.

1.8 Reserve Funds. The amount of the Monthly Fee also is and will continue to be affected by our policy of maintaining reserve funds for the financial security of the Village.

1.9 Late Payment Charge. We will charge a late payment charge in the amount of twenty-five dollars (\$25.00) if the Monthly Fee or any Extra Charges are not paid by the fifteenth (15th) day of the month. Balances over thirty (30) days old will be assessed a one percent (1%) interest charge per month. If we hire a collection agency or attorney to collect the Monthly Fee and Extra Charges past due from you, you are to pay any and all costs of collection, including reasonable attorney's fees, costs, and expenses associated with such collection efforts.

2. DESCRIPTION OF PRIMARY AND SUPPLEMENTAL SERVICES.

2.1 Services Provided for the Monthly Fee. We will provide you, in consideration for the Monthly Fee referred to above, the following services and amenities at the Village:

- Staff assistance 24 hours a day;
- Three (3) meals per day;
- Limited tray service to be provided when approved by authorized staff;
- Consultation and preparation of routine special diets;
- Utilities, which include heating, air conditioning, electricity, water, sewer and trash removal;
- Basic cable television package;
- Building janitor and maintenance;
- Grounds keeping;
- Planned assistance with bathing;
- Planned assistance with dressing;
- Medication cueing (no administration or treatments);
- Weekly housekeeping services;
- Linen service and bed making twice per month;
- Personal laundry service;
- Planned activities (social, cultural, recreational, educational, and spiritual) for those who wish to participate;
- Services of a chaplain;
- Parking for residents and guests;
- Carpeting (except in kitchen and bath), unless some other floor surface has been installed;
- Kitchenette with apartment-size microwave and refrigerator;
- Local transportation as scheduled by us and as posted;
- Personal emergency transmitter system;
- Smoke detectors;
- Security – 24 hours a day; and

- Six (6) days each year of assisted living or nursing care in the Village Health Center as outlined in Paragraph 4.4.

2.2 Supplemental Services Provided for Extra Charge. Supplemental services, when available, will be provided at Extra Charge and are described below. A list of Extra Charges for these supplemental services can be obtained from administration.

- Guest meals;
- Guest accommodations, if available;
- Expanded cable television package;
- Private catered functions;
- Extended tray service as approved by authorized staff;
- Preparation of special diets (beyond those which are routine and based upon our ability to prepare/offer such diet), as prescribed by your attending physician;
- Hair grooming services;
- Personal transportation and transportation for special events and group trips;
- Personal service provider;
- Physician services;
- Professional medical services;
- Services of the Clinic – a copy of the charges for Clinic services can be obtained from the Clinic;
- Pharmacy/medications;
- Physical therapy, speech therapy, and occupational therapy;
- Nursing supplies;
- Podiatry services; and
- Home care services through the Croasdaile Village Home Care Program;
- Assisted living services or nursing care services through the Village Health Center as outlined in Section 4; and

- Certain ancillary services, and supplies (such as therapies, pharmacy, laboratory, therapeutic activities, rehabilitative treatments, medical equipment, medical supplies, medical treatment, physician services, and other miscellaneous medical services and supplies) as outlined in Paragraph 4.10.

3. TERMS OF RESIDENCY.

3.1 Use of the Residence. The Residence is for living only and will not be used for carrying on any business or profession, nor in any manner in violation of zoning restrictions. This Agreement is not a lease, and grants you only the right to live in the Residence, access to other facilities of the Village, and to available services and amenities, subject to the terms and conditions of this Agreement.

3.2 Duration of Your Right to Occupy the Residence. You may reside in your Residence for as long as you (or either of you in the case of Joint Residents) live unless you (both of you in the case of Joint Residents) are not capable of occupancy as set forth in our residency policy, or this Agreement is canceled by you or by us. If, in the opinion of your attending physician or the Medical Director, your physical or mental health requires that you need home care services, assisted living services, or nursing care services, you will be requested to either obtain the needed services in your Residence (at your expense) or relocate to the Village Health Center or Comparable Facility (as defined in Paragraph 4.2).

3.3 Occupants of the Residence. Except as hereinafter provided, no person other than you (both of you in case of Joint Residents) may occupy the Residence. In the

event that a second person who is not a party to this Agreement is accepted for residency in the Residence at a time subsequent to the date hereof (said acceptance to be in accordance with our current residency policy), an Entrance Fee in an amount to be determined by us (which will be no more than one-half of the then-current Entrance Fee for the Residence) shall be paid upon residency, and each month thereafter, the then-current Second Person Monthly Fee shall be paid as part of the Monthly Fee. If such second person does not meet the requirements for residency, such second person will not be permitted to occupy the Residence for more than thirty (30) days, except with our express written approval.

If the Resident marries a person who is also a resident of the Village, and should they decide to occupy one residence as Joint Residents, they must declare which residence will be occupied and which residence will be released. The refund due for the released residence, if any, will be provided as described in Paragraph 9.5 of this Agreement.

3.4 Guests. Guests are welcome to stay in your Residence for short stays not to exceed ten (10) consecutive days. Such stay shall not, in the opinion of the Executive Director, adversely affect the operation of the Village or be inconsistent with the welfare of our residents.

3.5 Release. We are not responsible for theft, loss of or damage to your personal property, unless such theft, loss or damage is caused by our negligence or the negligence of our agents or employees, and you hereby release us from such liability.

3.6 Insurance. Our insurance does not cover your personal property or your

liability. It is recommended that you carry personal property insurance and liability insurance at your own expense to cover against any loss or damage to your personal property or to the property of others caused by your negligence or that of your guests. If requested by us, you agree to provide us with proof of such insurance coverage.

3.7 Removal and Storage of Resident's Personal Property. Your personal property must be removed from the Residence and from any storage unit as follows:

3.7.1 Within thirty (30) days following the date of your death (if Joint Residents, the date of death of the surviving Resident). If your personal property is not removed from the Residence and from any storage unit within such thirty (30) days, we will continue to charge your estate the Monthly Fee as outlined in Paragraph 1.5.1 above, or we may remove and store such personal property at the expense and risk of your estate. Your Entrance Fee will continue to amortize, if applicable, until the Residence and any storage unit is completely vacated. We will only allow the executor(s) named in your Will to remove or dispose of your personal property in your living accommodation and any related storage unit at the Village. 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.

3.7.2 Within thirty (30) days following the date notice is

delivered to you of your permanent relocation to the Village Health Center or a Comparable Facility for Health Center Level Services (see definitions in Paragraphs 4.1 and 4.2), or to another care facility licensed to provide the appropriate care you need. If your personal property is not removed from the Residence and from any storage unit within such thirty (30) days, we will continue to charge you the Monthly Fee as outlined in Paragraph 1.5.2 above, or we may remove and store such personal property at your expense and risk.

3.7.3 At the end of the cancellation period outlined in Section 7 or 8. If your personal property is not removed from the Residence and from any storage unit by the end of the cancellation period, we will continue to charge you the Monthly Fee as outlined in Paragraph 1.5.3 above, or we may remove and store such personal property at your expense and risk. Your Entrance Fee will continue to amortize, if applicable, until the Residence and any storage unit is completely vacated.

3.8 Furnishings. Furnishings within the Residence will not be provided by us except as stated in Paragraph 2.1. Furnishings provided by you shall not be such as to interfere with your health, safety or general welfare, or that of other residents or others.

3.9 Emergency Entry and Relocation. We may enter your Residence should it be necessary in an emergency to protect your health or safety or the health or safety of other residents. If relocation is recommended by the Medical Director or

your attending physician, we will request that you relocate to another residence within the Village, to the Village Health Center or a Comparable Facility (as defined in Paragraph 4.2), or to a hospital or other care facility for the protection of your health or safety or for the health or safety of the other residents of the Village.

3.10 Alterations by You. You may not undertake any alterations to your Residence without our prior written approval. Said alterations will be set forth in a separate addendum to this Agreement, signed by you and us.

3.11 Condition of Residence. Upon vacating the Residence, you agree to leave it in good and clean condition. You shall be liable to us for any charges incurred to restore your Residence to good and clean condition, except for normal wear and tear.

3.12 Rights of Second Single Resident. When two Joint Residents reside in a single Residence under this Agreement, upon the death or permanent relocation of one Resident to a different level of care at the Village, or other inability of that Resident to continue residing in the Residence, the remaining Resident may continue to reside in the Residence under the terms of this Agreement and shall pay the Monthly Fee.

3.13 Smoke-Free Community. The Village is a smoke-free community pursuant to its Smoke-Free Campus Policy (a copy of which is available upon request), wherein the campus and buildings have been designated as "smoke free". Smoking (including E-Cigarettes) is not allowed by residents, guests, and business invitees on the Village campus (inside or outside), except in a designated outside area. No smoking areas include, but are not limited

to, the residences, Heritage Hall, the Village Health Center (including both the assisted living facility and nursing facility), hallways, dining rooms, public restrooms, lounge areas, reception areas, waiting rooms, courtyards, entrances, walking paths, driveways, and any other common areas. Smoking is only permitted at the designated outdoor area. Violation of the Smoke-Free Campus Policy can result in our cancellation of this Agreement for just cause as outlined in Paragraph 8.1 hereof.

3.14 Firearms Policy. The Village has adopted a policy governing the possession of firearms at the Village. Firearms need to be registered with the Village and properly secured. In the event that you are unable to safely maintain a firearm, we will contact your designated power of attorney, legal representative or family member to remove any firearms from your Residence.

4. THE VILLAGE HEALTH CENTER.

4.1 Description. The Village Health Center is the portion of the Village which is licensed to provide two levels of care: assisted living care and skilled nursing care (collectively "Health Center Level Services"). The Village Health Center is staffed by licensed nursing personnel 24 hours a day.

4.2 Alternate Accommodations. You will be given priority over non-residents for admission to the Village Health Center. In the event the Village Health Center is fully occupied when you are determined to need such care, you agree to relocate to an alternate health care facility that provides services similar to the Village Health Center or to another care facility licensed to provide the appropriate care you need (a "Comparable Facility") until an

appropriate space becomes available for you at the Village. We will not be responsible for the charges associated with the Comparable Facility. Upon your relocation to a Comparable Facility, you shall continue to be pay the Monthly Fee in accordance with Paragraph 1.5.2 above.

4.3 Clinic. The Clinic is available for certain examinations, consultations, tests and appointments. Such services will be at an Extra Charge to you.

4.4 Six (6) Days of Assisted Living or Nursing Care in the Village Health Center. You are eligible to receive a total of six (6) days each year of either assisted living care or nursing care in the Village Health Center while you are a resident of your Residence. In the case of Joint Residents, each of you will receive six (6) days, but the days cannot be combined and used by only one of you. Such six (6) days renews on an annual basis and does not accumulate. You are required to pay for the charges for physician services and any additional health services as outlined in Paragraph 4.10. Once you are permanently assigned to assisted living or nursing care in the Village Health Center or Comparable Facility, you no longer qualify for the six (6) free days of assisted living or nursing care and will be required to pay the per diem charge for such care. **[NOTE: The six (6) days of care is a combined annual total for assisted living care and nursing care at the Village.]**

4.5 Transfer to Health Center Level Services. In the event your physical or mental health is determined by us to be appropriate for Health Center Level Services, you agree to relocate to the Village Health Center or a Comparable Facility. Such a determination will be made by us after a review by the Director of Nursing,

the Medical Director and the Executive Director in consultation with your attending physician, your personal representative, and you to the extent possible.

4.6 Temporary Relocation to the Village Health Center. In the event you require temporary care in the Village Health Center (beyond the six (6) days of care as outlined in Paragraph 4.4, if applicable), you will pay the per diem charge applicable to the level of care needed by you, as well as the charges for physician services and any additional health services as outlined in Paragraph 4.10. Subject to the terms and conditions of this Agreement, you will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above.

4.7 Permanent Relocation to Health Center Level Services. In the event you require permanent care in the Village Health Center (beyond the six (6) days of care as outlined in Paragraph 4.4, if applicable), you will pay the per diem charge applicable to the level of care needed by you, as well as the charges for physician services and any additional health services as outlined in Paragraph 4.10. If you are determined appropriate for Health Center Level Services, and are permanently relocated to the Village Health Center or a Comparable Facility, you will be required to release your Residence to us, and remove all of your personal property from the Residence and from any storage unit as outlined in Paragraph 3.7.2. We shall have the right to reassign the Residence for occupancy by others except as provided in Paragraph 3.12. Release of the Residence due to your permanent relocation to the Village Health Center or to a Comparable Facility does not qualify you for a refund of the Entrance Fee, unless this Agreement is canceled. Subject to the terms and

conditions of this Agreement, you will continue to pay the Monthly Fee in accordance with Paragraph 1.5.2 above.

4.8 Relocation within the Village Health Center. We reserve the right to relocate you to a different level of care within the Village Health Center if you require such care. Such relocation will be made after a review by the Director of Nursing, the Medical Director and the Executive Director in consultation with your attending physician, your personal representative, and you to the extent possible.

4.9 Return to Residence. If we subsequently determine, in consultation with your attending physician, your personal representative and you to the extent possible, that you can resume occupancy in a residence equivalent to the residence you previously occupied, you shall have the right to relocate to such equivalent residence as soon as one is available. Upon reoccupying a residence, your Monthly Fee will be based on the then-current Monthly Fee for the residence.

4.10 Medical Director, Attending Physician, and Additional Health Services. We have designated a licensed physician to serve as Medical Director of the Village Health Center. You are required to have a local attending physician. You may engage the services of the Medical Director at your expense. If your personal physician will be providing you with services in the Village Health Center, he/she may do so upon providing us with his/her credentials and with proof of liability insurance, and he/she agrees to abide by our policies and procedures. We will not be responsible for the charges for medical treatment or services by the Medical Director or your attending physician, nor

will we be responsible for the charges for medication, prescribed therapy, nursing supplies, and other medical and miscellaneous supplies and services associated with medical treatment.

4.11 Advanced Payment for Medical Treatment. In the event we incur or advance payment for your medical treatment or for medication, prescribed therapy, nursing supplies, and other medical and miscellaneous supplies and services associated with medical treatment (even in the event such medical care is given at the direction of your attending physician or the Medical Director without your prior approval), you shall promptly reimburse us for such payments. Upon cancellation of this Agreement for any reason, any amounts due to us under this Paragraph 4.11 shall be offset against any refund of the Entrance Fee.

4.12 Long-Term Care Insurance. We will use reasonable efforts to assist you in working with your long-term care insurance provider to obtain the benefits to which you may be entitled.

4.13 Medicare and Health Insurance. When eligible, you are required to maintain Medicare Part A, Medicare Part B, and one supplemental health insurance policy or equivalent insurance coverage acceptable to us to assure your ability to fully cover a Medicare-qualified stay in the Village Health Center or a Comparable Facility. You shall furnish to us such evidence of coverage as we may from time to time request. Such supplemental insurance should cover Medicare co-insurance and deductibles. Should your supplemental health insurance or equivalent coverage not fully cover a Medicare-qualified stay in the Village Health Center or a Comparable Facility, or should you fail

to purchase supplemental health insurance or equivalent coverage to fully cover a Medicare-qualified stay in the Village Health Center or a Comparable Facility, you shall be financially responsible for paying deductibles, co-insurance amounts, and any other charges for each Medicare-qualified admission and stay in the Village Health Center or a Comparable Facility. If you are eligible to receive the six (6) days of nursing care in the Village Health Center as provided in Paragraph 4.4 and your stay in the Village Health Center is a Medicare-qualified stay, such six (6) days will be applied after the expiration of your Medicare-qualified stay providing you have Medicare Part A, Medicare Part B and acceptable supplemental health insurance or equivalent insurance coverage.

If you are not eligible for Medicare, you shall maintain health insurance coverage acceptable to us and shall furnish us with evidence of such coverage upon our request. Should your health insurance not fully cover your stay in the Village Health Center or a Comparable Facility, you shall be financially responsible for paying deductibles, co-insurance amounts, and any other charges for each admission and stay in the Village Health Center or a Comparable Facility.

If failure to maintain Medicare Part A, Medicare Part B, supplemental health insurance or other health insurance coverage causes depletion of your resources and impairs your ability to meet your financial obligations, we are not required to defer your financial obligations to us, and we retain the right to cancel the Residency Agreement as provided in Section 8.

4.14 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:

4.14.1 Participating Provider. If the Village Health Center is a participating provider with your managed care program and your stay is a Medicare-qualified stay, the Village agrees to be reimbursed at the rate negotiated with your managed care program. Such a managed care stay in the Village Health Center will not reduce the number of days of care you are eligible to receive without additional charge pursuant to Paragraph 4.4, as applicable. You will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above, as well as any charges for physician services and any additional health services as outlined in Paragraph 4.10.

4.14.2 Not a Participating Provider. If the Village Health Center 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 charges for health care services. In addition, while receiving health care services at the managed care participating provider, you will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above. Such a stay at a managed care participating provider will not reduce the number

of days of care that you are eligible to receive without additional charge pursuant to Paragraph 4.4, as applicable.

4.14.3 Negotiated Managed Care Rate. If the Village Health Center is not a participating provider in your managed care program and your stay is a Medicare-qualified stay, we attempt to negotiate a reimbursement rate with your managed care program. If we are able to negotiate an acceptable rate, we agree to accept as full payment the rate provided by your managed care program. Such a managed care stay in the Village Health Center will not reduce the number of days of care that you are eligible to receive without additional charge pursuant to Paragraph 4.4, as applicable. You will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above, as well as any charges for physician services and any additional health services as outlined in Paragraph 4.10.

4.14.4 No Negotiated Managed Care Rate. If the Village Health Center is not a participating provider in your managed care program and a negotiated rate is not agreed upon and you would still like to receive nursing care in the Village Health Center during a Medicare-qualified stay, then each day of your stay in the Village Health Center will reduce by one day the number of days of care you are eligible to receive without additional charge pursuant to Paragraph 4.4, as applicable. During any such Medicare-qualified stay in the Village Health Center, you agree that

you will continue to pay the Monthly Fee, for your Residence in accordance with Paragraph 1.5.2 above and any charges for physician services and any additional health services as outlined in Paragraph 4.10. If at any time during any such Medicare-qualified stay in the Village Health Center you are no longer eligible to receive any of the days of care provided for in Paragraph 4.4, then you agree to pay the per diem charge for your care in the Village Health Center, the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above, and any charges for physician services and any additional health services as outlined in Paragraph 4.10.

4.14.5 Post Medicare-Qualified Stay. At the conclusion of each such Medicare-qualified stay, you will be entitled to care in the Village Health Center in accordance with the terms of this Agreement other than as provided in this Paragraph 4.14, as adjusted to reflect any reduction during such stay in the number of days of care that you are eligible to receive without additional charge as provided in Paragraph 4.4, as applicable.

4.15 Transfer to Hospital or Other Care Facility. If we determine after consultation with your attending physician, your personal representative and you to the extent possible, that you need care beyond that which the Village Health Center is licensed to provide, you will be transferred to a hospital or other care facility. Our staff will not accompany you to the hospital or other facility. We shall not be responsible

for any charges associated with the transfer and health care expenses or charges incurred by you after such a transfer. You shall continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5 above.

4.16 Village Health Center Admission Agreement. If you require care in the Village Health Center, you agree to enter into a separate admission agreement for the appropriate level of care, which will be signed by you and us.

4.17 Under Age 62. If you are under the age of 62 when you occupy your Residence under this Agreement, you are not eligible to receive the six (6) days of care in the Village Health Center as described in Paragraph 4.4 until you attain the age of 62. During this time, you will be entitled to Health Center Level Services at the then-current per diem charge being charged to nonresidents until age 62.

5. REPRESENTATIONS.

5.1 Our Representations. We represent and warrant that we are a nonprofit corporation. We are exempt from payment of Federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. We are affiliated with the North Carolina Conference of The United Methodist Church of the Southeastern Jurisdiction. The North Carolina Conference of The United Methodist Church of the Southeastern Jurisdiction is not responsible for our financial or contractual obligations.

5.2 Your Representations. You represent and warrant that the representations made in the application for residency, your personal health history, and the confidential financial statement are true and correct and may be relied upon by us as a basis for your acceptance for residency at

the Village. You also represent and warrant that you have not made any gift of your property in contemplation of the execution of this Agreement.

6. PROMISES.

6.1 Our Promises. It is and shall be our declared policy to operate as a non-profit organization. We will not cancel this Agreement without just cause as specified in Section 8. We are not obligated to provide you with benevolent care if you are no longer able to pay for the services provided under this Agreement.

6.2 Your Promises. You agree to comply with all policies and procedures of the Village as now existing or as hereafter amended; to pay the Entrance Fee, Monthly Fee, and any other charges as provided in this Agreement; and to abide by all other terms of this Agreement.

7. CANCELLATION BY RESIDENT.

7.1 Right of Rescission. Within thirty (30) days following the later of the execution of this Agreement by you or the receipt of a Disclosure Statement from us, you may rescind this Agreement by giving us written notice. You shall not be required to move into the Residence prior to the expiration of the thirty (30) day rescission period. However, if you occupy the Residence during the rescission period and then rescind this Agreement, you will only be charged a Monthly Fee for the period of time that you actually occupied the Residence. Refund of the amount of the Entrance Fee paid shall be as outlined in Paragraph 9.2.

7.2 Cancellation Prior to Occupancy. You may cancel this Agreement for

any reason at any time before you move into the Village by giving us written notice signed by you (both of you in the case of Joint Residents). Refund of the amount of the Entrance Fee paid shall be as outlined in Paragraph 9.3 or 9.4. If you die prior to occupying the Residence or if, on account of illness, injury or incapacity, you are precluded from occupying the Residence under the terms of this Agreement, this Agreement will automatically cancel upon our receipt of notice of your death, illness, injury or incapacity. If you elect to cancel this Agreement because of a substantial change in your physical, mental or financial condition prior to occupancy, then this Agreement will cancel upon written notice from you. Refund of the Entrance Fee shall be as outlined in Paragraph 9.3.

7.3 Cancellation After Occupancy. You may cancel this Agreement for any reason after moving into the Village by giving us thirty (30) days' prior written notice of cancellation, which shall be effective and irrevocable upon delivery. Cancellation shall occur thirty (30) days after written notice is delivered, and you must remove your personal property from the Residence and from any storage unit within the thirty (30) day notice period as outlined in Paragraph 3.7.3. You are obligated to pay the Monthly Fee during the thirty (30) days, and thereafter if the Residence has not been released to us in accordance with Paragraph 1.5.3 above. Refund of the Entrance Fee shall be as outlined in Paragraph 9.5.

7.4 Cancellation Due to Death After Occupancy. This Agreement will automatically cancel upon your death (the death of the surviving Resident in the case of Joint Residents). Your estate must remove your personal property from the Residence and from any storage unit within

thirty (30) days after your death as outlined in Paragraph 3.7.1. Your estate will be obligated to pay the Monthly Fee as outlined in Paragraph 1.5.1 above. Refund of the Entrance Fee shall be as outlined in Paragraph 9.5.

8. CANCELLATION BY UMRH.

8.1 Cancellation Upon Notice.

We may, upon notice and opportunity to cure as hereinafter provided, cancel this Agreement for just cause. Just cause shall include the occurrence of any of the following events (hereinafter referred to as a "Default"):

8.1.1 Noncompliance.

You do not comply with the terms of this Agreement or the published operating procedures, covenants, rules, regulations, and policies now existing or later amended by us.

8.1.2 Misrepresentation.

You misrepresent yourself or fail to disclose information during the residency process.

8.1.3 Nonpayment. You fail to pay any charges to us within forty-five (45) days of the date when such charges are due.

8.1.4 Threat to Health or Safety. Your health status or behavior constitutes a substantial threat to the health, safety or peace of yourself, other residents, or others including your refusal to consent to relocation or behavior that would result in physical damage to the property of the Village or others.

8.1.5 Change in Condition. There is a major change

in your physical or mental condition and your condition cannot be cared for in the Village Health Center within the limits of our license.

8.2 Default Notice. Prior to cancellation for any Default described in Paragraph 8.1.1, 8.1.2 or 8.1.3 above, we shall give you notice in writing of such Default, and you shall have at least thirty (30) days thereafter within which to correct such Default. No Default shall eliminate your obligation to pay the Monthly Fee. If you correct such Default within such time, this Agreement shall not be canceled. If you fail to correct such Default within such time, this Agreement shall cancel at the expiration of such thirty (30) days.

In the event of the occurrence of a Default described in Paragraph 8.1.4 or 8.1.5 above, if we or the Medical Director determines that either the giving of notice of Default or the lapse of time as above provided might be detrimental to you or others, then such notice and/or waiting period prior to cancellation shall not be required. Also, in the event of the occurrence of a Default described in Paragraph 8.1.4 or 8.1.5, we are expressly authorized by you to transfer you to an appropriate hospital or other facility, and we will promptly notify your personal representative or attending physician.

9. REFUND OF ENTRANCE FEE.

9.1 Nonacceptance by Us. If we do not accept you for residency at the Village, the full amount of the Entrance Fee you have paid will be promptly refunded to you, without interest.

9.2 Right of Rescission. If you rescind this Agreement as provided in Paragraph 7.1, you shall receive a full

refund of the portion of the Entrance Fee paid by you, without interest, within sixty (60) days of our receipt of the written notice of rescission.

9.3 Cancellation Prior to Occupancy Due to Death, Illness, Injury, or Incapacity. If, prior to occupancy and after your right of rescission period has expired, you die or you cancel this Agreement because of illness, injury or incapacity, you or your estate will receive a refund in full of the portion of the Entrance Fee you have paid, without interest, less any costs specifically incurred by us at your request and set forth in writing in a separate addendum to this Agreement, signed by you and us. Said refund shall be paid within sixty (60) days following (i) the date of automatic cancellation of this Agreement; or (ii) the date of our receipt of your written notice of cancellation.

9.4 Cancellation Prior to Occupancy for Other Reasons. If you cancel this Agreement for reasons other than those stated in Paragraph 9.2 or 9.3 above, you shall receive a refund of the Entrance Fee paid, less a non-refundable portion of the Entrance Fee equal to Two Thousand Dollars (\$2,000) and less any costs specifically incurred by us at your request and set forth in writing in a separate addendum to this Agreement, signed by you and us. Said refund shall be paid within sixty (60) days after our receipt of the written notice of cancellation.

9.5 Cancellation After Occupancy. In the event you or we cancel this Agreement after occupancy or in the event of your death (the death of the survivor in the case of Joint Residents), you or your estate will be reimbursed the amount of the Entrance Fee previously paid by you, less two percent (2%) for each month of

residency or portion thereof, for up to fifty (50) months. After fifty (50) months of occupancy, no refund of the Entrance Fee will be made. Said refund, if any, will be paid, without interest, at such time as your Residence has been reserved by a new resident and our receipt of the full amount of the Entrance Fee paid by such new resident or within two (2) years from the date of cancellation, whichever occurs first.

9.6 Offset Against Entrance Fee Refund. In the event of cancellation of this Agreement as described in Paragraph 9.5 above, we will offset against any Entrance Fee refund due to you or your estate the following:

9.6.1 The amount of any unpaid Monthly Fees, pro-rated Monthly Fees for the period of time the Residence was occupied (which shall include the period of time until you or your personal representative removes all of your personal property from the Residence and from any storage unit) after cancellation of this Agreement, any Extra Charges, or other charges owed to us; and

9.6.2 Any health care expenses incurred on your behalf and other amounts payable to us, which remain unreimbursed; and

9.6.3 Any charges incurred to restore the Residence to good condition, normal wear and tear excepted, as outlined in Paragraph 3.11.

10. MISCELLANEOUS.

10.1 Nature of Rights. You understand and agree that (i) this Agreement

or your rights (including the use of the Residence) under it may not be assigned, and no rights or benefits under this Agreement shall inure to the benefit of your heirs, legatees, assignees, or representatives, except as to receipt of the amounts described in Section 9; (ii) this Agreement and your contractual right to occupy the Village will exist and continue to exist during your lifetime unless canceled as provided herein; (iii) this Agreement grants you the right to occupy and use space in the Village but does not give you exclusive possession of the Residence against us, and you will not be entitled to any rights of specific performance but will be limited to such remedies as set forth herein and as provided by continuing care law; (iv) this Agreement is not a lease or easement and does not transfer or grant you any interest in real property owned by us; and (v) this Agreement grants to us complete decision-making authority regarding the management and operation of the Village.

10.2 Release. We are not responsible for theft, loss of or damage to your personal property, unless such theft, loss or damage is caused by our negligence or the negligence of our agents or employees, and you hereby release us from any such liability. You may want to obtain at your own expense insurance to protect against such losses.

10.3 Amendment. This Agreement may be amended by agreement of the parties to this Agreement. No amendment of this Agreement shall be valid unless in writing and signed by you and us.

10.4 Law Changes. This Agreement may be modified by us at any time in order to comply with applicable laws or regulations. Further, we may change any part of the Village, including the Residence,

to meet the requirements of any applicable law or regulation.

10.5 Entire Agreement. This Agreement and any addenda or amendments thereto contain our entire understanding with respect to your residency at the Village.

10.6 Monthly Statement. You shall receive a monthly statement from us showing the total amount of fees and other charges owed by you, which shall be paid upon receipt and by no later than the fifteenth (15th) day of each month.

10.7 Responsible Party for Business and Financial Decision Making. Prior to assuming residency at the Village, you agree to execute and deliver to us a Durable Power of Attorney, trust documents, or other documentation naming a responsible party for business and financial decision-making. These documents should be drafted to remain effective notwithstanding your incompetence or disability and shall be in a form acceptable to us. You agree to keep such documents in effect as long as this Agreement is in effect. The person(s) named as your responsible party shall not be a person(s) employed by us or any other entity engaged in the management of the Village.

10.8 Disposition of Furniture, Possessions, and Property. You agree to make provision by Will or otherwise for the disposition of all of your furniture, property, and possessions located on the premises of the Village within sixty (60) days after the date of residency.

10.9 Nonwaiver. If we fail to insist in any instance upon performance of any of the terms, promises, or conditions of this Agreement, it shall not be construed as a waiver or relinquishment of the future

performance of any such terms, promises, or conditions, but your obligation with respect to such future performances shall continue in full force and effect.

10.10 Notices. Any notice required to be given to us under this Agreement shall be in writing and sent certified mail, return receipt requested, with all postage and charges prepaid, or hand-delivered to the Executive Director of the Village at 2600 Croasdaile Farm Parkway; Durham, North Carolina 27705. Such notices shall be dated and signed.

Any notice required to be given to you shall be delivered to you at the Village or at such other place as you shall designate to us in writing and sent by certified mail or hand delivered. All notices mailed in accordance with this Paragraph shall be deemed to be given when mailed whether or not they are actually received.

10.11 Indemnity. We will not be liable for and you agree to indemnify, defend and hold us harmless from claims, damages and 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 that of your guests.

10.12 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.

10.13 Subordination. You agree that all your rights under this Agreement will always be subordinate and junior to the lien of all mortgages or other documents creating liens encumbering the Village,

which have been or will be executed by us. Upon request, you agree to execute, acknowledge and deliver to such lender(s) such further written evidence of such subordination as such lender(s) may reasonably require. Except to the extent of your obligation to pay the Monthly Fee and Second Person Monthly Fee, you shall not be liable for any such indebtedness.

10.14 Capacity. This Agreement has been executed on our behalf by our duly authorized agent, and no officer, director, agent or employee of ours shall have any personal liability hereunder to you under any circumstances. This Agreement will become effective upon acceptance and signature by us.

10.15 Resident. In the case of Joint Residents, the rights and obligations of each are joint and several except as the context of this Agreement otherwise requires.

10.16 Reimbursement for Loss or Damage. You or your responsible party, if applicable, agree to reimburse us for any loss or damage to the Village caused by your intentional, careless, or negligent acts or omissions or that of your guests.

10.17 Charges for Collection. You agree to reimburse us for any charges we incur to collect any unpaid amounts you or your estate owes to us under this Agreement.

10.18 Sale or Transfers of Interest. We may sell or transfer our interest in the Village provided the buyer will agree to assume this Agreement and all other existing Residency Agreements. Upon the assumption of this Agreement by a buyer of the Village and its agreement to perform this Agreement and all other agreements, we will have no further obligation hereunder.

Your signature hereto constitutes your consent and approval of any such future transaction.

10.19 Private Employee of Resident. If you need additional services, you can obtain these needed services from a private employee, an independent contractor, or through an agency (personal service provider). In such instances, we strongly advise you to obtain these needed services from a licensed and/or certified home health agency. In any event, you must comply with our policy regarding personal service providers, and ensure that your private employee, independent contractor, or person you employ through an agency complies with our policies and rules of conduct set forth in our policy. If you fail to follow or enforce the policies and rules set forth therein, then we may elect, at our sole option, to cancel this Agreement.

10.20 Tax Considerations. You should consult with your tax advisor regarding the tax considerations associated with this Agreement as more fully explained in our Disclosure Statement.

10.21 Management. We have engaged the services of Life Care Services LLC ("LCS") to manage the Village. We are not affiliated with LCS nor is LCS responsible for our contractual or financial obligations or the contractual or financial obligations of the Village.

10.22 Governing Law. This Agreement will be governed, interpreted and construed according to the laws of the State of North Carolina.

10.23 Survival of Representations and Obligations. Your representations and obligations under this Agreement, including but not limited to, your obligation to pay all

sums owed by you to us, and your agreement to indemnify us as set forth in Paragraph 10.11, and our representations and obligations under this Agreement, will survive any cancellation of your residency in the Village, regardless of the reason for such cancellation and regardless of whether it is initiated by you or by us.

11. MEDIATION AND ARBITRATION.

11.1 Mediation. In the event a dispute, claim or controversy of any kind arises between the parties – except for those disputes, claims or controversies arising under Paragraph 11.3 below – 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 an 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.

11.2 Arbitration. In the event a dispute, claim or controversy of any kind arising out of or relating to this Agreement –

except for those disputes, claims or controversies arising under Paragraph 11.3 below – cannot be resolved through mediation as described in Paragraph 11.1 above, the parties agree that said dispute, claim, or controversy will be submitted to and determined by arbitration in Durham County, North Carolina in accordance with the Federal Arbitration Act. You and we will jointly agree on an arbitrator and the arbitrator will be selected according to the procedure set forth in state law, if applicable. In reaching a decision, the arbitrator shall prepare findings of fact and conclusions of law. Any direct arbitration costs incurred by you will be borne by you. Costs of arbitration, including our legal costs and attorneys' fees, arbitrators' fees, and similar costs, will be borne by all residents of the Village provided that the arbitrator may choose to award the costs of arbitration against us if the arbitrator determines that the proposed resolution urged by us was not reasonable. If the issue affects more than one (1) resident, we may elect to join all affected residents into a single arbitration proceeding, and you hereby consent to such joinder.

You may withdraw your agreement to arbitrate within thirty (30) days after signing this Agreement by giving written notice of your withdrawal to us. This arbitration clause binds all parties to this Agreement and their spouses, heirs, representatives, executors, administrators, successors, and assigns, as applicable. After cancellation of this Agreement, this arbitration clause shall remain in effect for the resolution of all claims and disputes that are unresolved as of that date.

11.3 Voluntary Arbitration of Negligent Health Care Claims. For all claims for damages in personal injury or wrongful death actions, based on alleged

negligence in the provision of health care, the parties may voluntarily elect to submit to arbitration pursuant to the procedures set forth in Article 1H of Chapter 90 of the North Carolina General Statutes. N.C.G.S. §90-21.60(b) prohibits any contract from requiring prior agreement of the parties to arbitrate negligent health care claims. Thus, Paragraphs 11.1 and 11.2 do not apply to personal injury or wrongful death actions based on alleged negligence in the provision of health care. If the parties agree to arbitrate such actions, said arbitration will be governed in accordance with N.C.G.S. §90-21.60, *et seq.*

[Signature Page Follows]

You hereby certify that you received a copy of this Agreement and a copy of our most current Disclosure Statement dated _____, 20____.

Executed this _____ day of _____, 20_____.

RESIDENT

Witness

RESIDENT

Witness

**UNITED METHODIST RETIREMENT
HOMES, INCORPORATED**

By _____
Executive Director

Date: _____

By _____
Authorized Agent of UMRH

Date: _____



02/06/2018
Residential Personal Services Residency Agreement
(2018.02.06) CLEAN.docx

CROASDAILE VILLAGE

AMENDMENT TO RESIDENCY AGREEMENT TRANSFER TO RESIDENTIAL LIVING WITH PERSONAL SERVICES (HERITAGE HALL)

RECITALS:

A. WHEREAS, The United Methodist Retirement Homes, Incorporated (hereafter “UMRH” or “we” or “us”) and _____ (“Resident” or “you” or “your”) entered into a residency agreement dated _____, _____ (the “Residency Agreement”) for Residence No. _____ (the “Current Residence”) at Croasdaile Village, a continuing care retirement community located in Durham, North Carolina (hereafter the “Village”); and

B. WHEREAS, Resident is in need of additional personal services, which the Village offers through its residential living with personal services program. Thus, Resident desires to amend the Residency Agreement and transfer from the Current Residence occupied by Resident to a personal services apartment at Heritage Hall, Apartment No. _____ (the “Personal Services Residence”), as stated below.

NOW, THEREFORE, the Residency Agreement is hereby amended as follows:

1. No Additional Entrance Fee. You will not be required to pay any additional Entrance Fee upon transfer to the Personal Services Residence.

2. Payment of Monthly Fee. Upon your transfer to the Personal Services Residence, you will pay the current Monthly Fee (or pro rata portion thereof) for that Personal Services Residence in the amount of \$_____.

3. Services Provided for the Monthly Fee. In lieu of the services listed in the Residency Agreement that you received while living in the Current Residence, you will receive the following services and amenities while residing in the Personal Services Residence:

- 3.1** Staff assistance 24 hours a day;
- 3.2** Three (3) meals per day;
- 3.3** Limited tray service to be provided when approved by authorized staff;
- 3.4** Consultation and preparation of routine special diets;
- 3.5** Utilities, which include heating, air conditioning, electricity, water, sewer and trash removal;
- 3.6** Basic cable television package;
- 3.7** Building janitor and maintenance;
- 3.8** Grounds keeping;

- 3.9 Planned assistance with bathing;
- 3.10 Planned assistance with dressing;
- 3.11 Medication cueing (no administration or treatments);
- 3.12 Weekly housekeeping services;
- 3.13 Linen service and bed making twice per month;
- 3.14 Personal laundry service;
- 3.15 Planned activities (social, cultural, recreational, educational, and spiritual) for those who wish to participate;
- 3.16 Services of a chaplain;
- 3.17 Parking for residents and guests;
- 3.18 Carpeting (except in kitchen and bath), unless some other floor surface has been installed;
- 3.19 Kitchenette with apartment-size microwave and refrigerator;
- 3.20 Local transportation as scheduled by us and as posted;
- 3.21 Personal emergency transmitter system;
- 3.22 Smoke detectors;
- 3.23 Security – 24 hours a day; and
- 3.24 Six (6) days of assisted living or nursing care in the Village Health Center as outlined in the Residency Agreement. **[NOTE: The six (6) days of care is a combined total for assisted living and nursing care at the Village.]**

4. Services Provided for an Extra Charge. The following services are available for an extra charge:

- 4.1 Guest accommodations, if available;
- 4.2 Guest meals;
- 4.3 Expanded cable television package;
- 4.4 Private catered functions;

- 4.5 Extended tray service as approved by authorized staff;
- 4.6 Preparation of special diets (beyond those which are routine and based upon the Village's ability to prepare/offer such diet), as prescribed by your attending physician;
- 4.7 Hair grooming services;
- 4.8 Personal transportation and transportation for special events and group trips;
- 4.9 Personal service provider;
- 4.10 Physician services;
- 4.11 Professional medical services;
- 4.12 Services of the Clinic – a copy of the charges for Clinic services can be obtained from the Clinic;
- 4.13 Pharmacy/medications;
- 4.14 Physical therapy, speech therapy, and occupational therapy;
- 4.15 Nursing supplies;
- 4.16 Podiatry services;
- 4.17 Home care services through the Croasdaile Village Home Care Program;
- 4.18 Assisted living services or nursing care services through the Village Health Center as outlined in the Residency Agreement; and
- 4.19 Certain ancillary services and supplies (such as therapies, pharmacy, laboratory, therapeutic activities, rehabilitative treatments, medical equipment, medical supplies, medical treatment, physician services, and other miscellaneous medical services and supplies) as outlined in the Residency Agreement.

5. Release of Current Residence. You agree to release your Current Residence and move into the Personal Services Residence on or before _____, _____. The Monthly Fee for the Current Residence will cease when you have removed all of your personal belongings and effects from the Current Residence. We have the right to assign the Current Residence for occupancy by other residents.

6. Death, Illness or Incapacity of Resident Prior to Residency of the Personal Services Residence. If you die before occupying the Personal Services Residence, or you are

precluded through illness, injury or incapacity from assuming residency in the Personal Services Residence, this Amendment will automatically cancel. In such event, the provisions of the Residency Agreement shall not be affected by this Amendment. Any reimbursement of the Entrance Fee applicable to the Current Residence will be made pursuant to the provisions of the Residency Agreement.

7. Reimbursement of Entrance Fee After Residency of the Personal Services Residence. Your transfer to the Personal Services Residence does not qualify you for an immediate refund of the Entrance Fee paid under the Residency Agreement. Refund of the Entrance Fee will only be made in the event of cancellation of the Residency Agreement or your death as outlined in the Residency Agreement.

8. Provisions of Residency Agreement. Except as expressly stated in this Amendment, the terms and conditions of the Residency Agreement remain unchanged and in full force and effect and are hereby ratified and confirmed by you and us. You and we agree that you shall have no further rights with respect to the Current Residence and that all your existing rights and obligations under the Residency Agreement, as amended hereby, are hereby made applicable to the Personal Services Residence.

Date: _____

**THE UNITED METHODIST
RETIREMENT
HOMES, INCORPORATED**

RESIDENT

By: _____
Executive Director

Witness

Date: _____

RESIDENT

Witness



05/20/2014
Amendment to Residency Agreement - Transfer to
Residential Living with Personal Services (2014-05-
20)



**2600 Croasdaile Farm Parkway
Durham, North Carolina 27705
(919) 384-2000
www.croasdailevillage.org**

**90 Percent Return of Capital™
Residency Agreement
(For Cottage or Villa to Be Constructed)**

02/06/2018

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Exhibit A – Options and Custom Features Added at Resident's Request

GLOSSARY

The following terms are described as used in the accompanying Residency Agreement. Reference to the Residency Agreement and the context in which the terms are used is recommended to provide a fuller understanding of each of the terms:

"Agreement" means the Residency Agreement, entered into between the Resident and The United Methodist Retirement Homes, Incorporated, which outlines the contractual obligations of both parties.

"Entrance Fee" means payment that assures a Resident a place at the Village for life as long as the Resident complies with terms of this Agreement. At the time the Resident makes application for residency at the Village, the Resident will sign a Residency Agreement to reserve the residence selected and will pay an Entrance Fee deposit to the Village. The balance of the Entrance Fee will be paid upon the earlier of (i) occupancy or (ii) 30 days from the date the Resident is notified that the residence is ready of occupancy. Specific information is located in Paragraph 1.2 of this Agreement.

"Extra Charges" means the additional fees required to be paid for the additional services and amenities requested by Resident, as set forth in Paragraph 2.2 of this Agreement.

"Health Center" means the portion of the Village, which is licensed to provide two levels of care: assisted living care and skilled nursing care, as described in Section 5 of the Agreement.

"Heritage Hall" means the portion of the Village, which is designed to provide residents with residential living with personal services, as described in Section 4 of the Agreement.

"Monthly Fee" means that fee payable each month by the Resident as set forth in

Paragraphs 1.3 and 1.4 of the Agreement, in consideration for the services and amenities provided to the residents of the Village described in Paragraph 2.1 of this Agreement. If there are Joint Residents under this Agreement, the Monthly Fee will include a "Second Person Monthly Fee."

"Residence" means the apartment, cottage or home at the Village identified in the introductory paragraph of the Agreement, in which the Resident has the right to live pursuant to this Agreement in exchange for paying the Entrance Fee and the Monthly Fee.

"Resident" or "you" means the Resident(s) who sign this Agreement. Sometimes a second resident (if there are two of you) is referred to in this Agreement as the "Joint Resident." Further, both Residents may be referred to as "Joint Residents." Unless otherwise indicated, "you" refers to both of you if there are two of you.

"The United Methodist Retirement Homes, Incorporated" or "we" or "our" or "us" means the owner of the retirement community known as Croasdaile Village, including all of the residences, common areas, and site amenities associated with these areas. The United Methodist Retirement Homes, Incorporated is a North Carolina non-profit corporation.

"Village" means the continuing care retirement community known as "Croasdaile Village," including all of the residences, common areas, and site amenities.



Residency Agreement 90 Percent Return of Capital™

INTRODUCTION

This 90 Percent Return of Capital™ Residency Agreement ("Agreement") is entered into by The United Methodist Retirement Homes, Incorporated ("UMRH," "we," "us," or "our") and _____ (individually or collectively, "you," "your," or "Resident"). Croasdaile Village is a continuing care retirement community located at 2600 Croasdaile Farm Parkway; Durham, NC 27705 (hereafter the "Village").

We will provide residential housing for seniors along with a wide array of personal services and amenities outlined in this Agreement. Subject to the conditions contained in this Agreement, we agree to make available to you the Residence described as follows:

Residence Number _____
Residence Style _____

You may select certain options and custom features in the Residence at an additional charge, which shall not be subject to any refund provision herein. Any such options and custom features selected and paid for by you will become our property. Such options and custom features must be approved by the Executive Director of the Village prior to adding them to the Residence. The Executive Director of the Village has consented to your request to add the options and custom features set forth on Exhibit A attached to this Agreement. You agree to pay the amount(s) set forth on Exhibit A to cover the charges for such items.

As a Resident of the Village, you are offered lifetime use of your Residence and lifetime access to the Village Health Center, subject to the terms and conditions of this Agreement.

To be accepted for residency, you must meet our residency criteria, which includes: having reached the age of 62 (or sharing your Residence with a Joint Resident who is 62 or older); financial guidelines; and the ability to live in a residence (with or without reasonable accommodation and/or reasonable modification) – all as outlined in our current residency policy.

The purpose of this Agreement is to set forth your rights and duties as a Resident of the Village and to delineate the services to be provided at the Village.

UMRH is also affiliated with The United Methodist Retirement Homes Foundation, Inc. (the "Foundation"). The Foundation is a not-for-profit corporation, which was organized for the benefit of the retirement communities operated by UMRH. Its purpose is to raise endowment funds, to support benevolent care for those residents who are unable to pay for care, and to support special programs.

1. CHARGES FOR RESIDENCE AND PRIMARY SERVICES.

1.1 Application Fee. Prior to or upon execution of this Agreement, you will pay to us a non-refundable Application Fee of \$_____. The Application Fee will be used by us to process your application for residency.

1.2 Entrance Fee. In order to reside at the Village for life, subject to this Agreement, and to receive the services and amenities described below, you agree to pay to us (in addition to the Monthly Fee described below) an Entrance Fee in the amount of \$_____ (includes first and second person, if applicable). The total amount of the Entrance Fee shall be payable as follows:

1.2.1 Ten percent (10%) of the total Entrance Fee or \$_____ is due and payable upon your execution of this Agreement. We will apply any Subscription/ Priority Fee you have paid against the Entrance Fee deposit.

1.2.2 The balance of \$_____ (ninety percent (90%) of the Entrance Fee) shall be paid on the earlier of (i) the date you assume occupancy at the Village or (ii) within thirty (30) days from the date you are notified that the Residence is ready for occupancy.

1.3 Monthly Fee. You are obligated to begin paying a Monthly Fee (or a pro rata portion thereof) on the earlier of (i) the date you assume occupancy at the Village or (ii) within thirty (30) days from the date you are notified that the Residence is ready for occupancy. Thereafter, the Monthly Fee is due upon receipt of a

statement from us and by no later than the fifteenth (15th) of each month. The Monthly Fee is initially set at a specific amount that can be increased as described in Paragraph 1.6 below. A "Second Person Monthly Fee" shall become part of the Monthly Fee and shall be paid if two persons are Joint Residents under this Agreement. If there are Joint Residents under this Agreement and one Joint Resident dies, the Second Person Monthly Fee shall cease and the remaining Resident shall continue to pay the Monthly Fee without the Second Person Monthly Fee component.

1.4 Initial Monthly Fee. The initial Monthly Fee payable by you is \$_____ per month and an additional \$_____ per month as a Second Person Monthly Fee component of the Monthly Fee if two persons reside as Joint Residents pursuant to this Agreement.

1.5 Continuance of Monthly Fee. Payment of the Monthly Fee will continue as follows:

1.5.1 In the event of your death (in the case of Joint Residents, the death of the surviving Resident), until your estate removes all of your personal property from the Residence and from any storage unit.

1.5.2 In the event of your permanent relocation to Heritage Hall, Health Center Level Services or Comparable Facility for Health Center Level Services (see definitions in Paragraphs 5.1 and 5.2), or to another care facility licensed to provide the appropriate care you need, until you or your personal representative removes all of your personal property from the Residence and from any storage unit.

1.5.3 In the event of cancellation of this Agreement as outlined in Section 8 or 9, until expiration of the cancellation period and continues until you remove all of your personal property from the Residence and from any storage unit.

1.6 Increase in Monthly Fee. The Monthly Fee is paid to us to provide the services and amenities described in this Agreement and is intended to meet the expenses associated with the operation of the Village. We may increase the Monthly Fee (which includes the Second Person Monthly Fee where applicable) upon thirty (30) days' written notice if we, in our sole discretion, deem it necessary to meet the financial needs of the Village or to provide quality services to the Residents.

1.7 Reduction in Monthly Fee Due to Absence. If you are absent from the Village for more than fourteen (14) consecutive days, your Monthly Fee will be reduced by the raw food cost determined through the Village's budgeting process. You are required to notify us of your absence in order to qualify for the reduction in the Monthly Fee.

1.8 Reserve Funds. The amount of the Monthly Fee also is and will continue to be affected by our policy of maintaining reserve funds for the financial security of the Village.

1.9 Late Payment Charge. We will charge a late payment charge in the amount of twenty-five dollars (\$25.00) if the Monthly Fee or any Extra Charges are not paid by the fifteenth (15th) day of the month. Balances over thirty (30) days old will be assessed a one percent (1%) interest charge per month. If we hire a collection agency or attorney to collect the Monthly Fee and

Extra Charges past due from you, you are to pay any and all costs of collection, including reasonable attorney's fees, costs, and expenses associated with such collection efforts.

2. DESCRIPTION OF PRIMARY AND SUPPLEMENTAL SERVICES.

2.1 Services Provided for the Monthly Fee. We will provide you, in consideration for the Monthly Fee referred to above, the following services and amenities at the Village:

- Under the Flexible Meal Program, each Resident living in Cottages and Apartments (excluding studio apartments) will receive a Dining Allocation as part of the Monthly Fee and second person Monthly Fee. The meal program will provide you sufficient credits to dine daily, and may be expended by you, or with your permission, your guests. Any unused meal credits at the end of the 90-day cycle cannot be carried over to the next cycle and all unused meal credits will be lost. No credits will be refunded or carried over for residents who are absent from the Village for any number of days. Your meal credits will be adjusted annually to reflect changes in meals and food costs. For more information, please refer to the Flexible Meal Program Policy;
- Studio apartment residents receive three (3) meals per day;
- Limited tray service to be provided when approved by authorized staff;
- Consultation and preparation of routine special diets;
- Utilities, which include heating, air conditioning, electricity, water, sewer and trash removal;

- Basic cable television package;
- Building janitor and maintenance;
- Grounds keeping;
- Weekly housekeeping services;
- Availability of laundry facilities so that you can wash and dry personal laundry;
- Planned activities (social, cultural, recreational, educational, and spiritual) for those who wish to participate;
- Services of a chaplain;
- Parking for you and your guests;
- Carpeting (except in kitchen and bath), unless some other floor surface has been installed;
- Kitchen facilities, except some studio apartments only contain a refrigerator and a microwave;
- Local transportation as scheduled by us and as posted;
- Limited additional storage space;
- Personal emergency transmitter system;
- Smoke detectors;
- Security – 24 hours a day; and
- Six (6) days each year of assisted living or nursing care in the Village Health Center as outlined in Paragraph 5.4.

2.2 Supplemental Services Provided for Extra Charge. Supplemental services, when available, will be provided at Extra Charge and are described below. A list of Extra Charges for these supplemental services can be obtained from administration.

- Meals, guest meals, and other food charges in excess of your Dining Allocations, as outlined in Section 2.1. Extended tray service as approved by authorized staff;

- Preparation of special diets (beyond those which are routine and based upon our ability to prepare/offer such diet), as prescribed by your attending physician;
- Additional housekeeping services;
- Guest accommodations, if available;
- Private catered functions;
- Personal transportation and transportation for special events and group trips;
- Expanded cable television package;
- Services of the Clinic – a copy of the charges for Clinic services can be obtained from the Clinic;
- Home care services through the Croasdaile Village Home Care Program;
- Personal care services in Heritage Hall as outlined in Section 4;
- Assisted living services or nursing care services through the Village Health Center as outlined in Section 5; and
- Certain ancillary services and supplies (such as therapies, pharmacy, laboratory, therapeutic activities, rehabilitative treatments, medical equipment, medical supplies, medical treatment, physician services, and other miscellaneous medical services and supplies) as outlined in Paragraph 5.10.

3. TERMS OF RESIDENCY.

3.1 Use of the Residence. The Residence is for living only and will not be used for carrying on any business or profession, nor in any manner in violation of zoning restrictions. This Agreement is not a lease, and grants you only the right to live in the Residence, access to other facilities of the Village, and to available services and

amenities, subject to the terms and conditions of this Agreement.

3.2 Duration of Your Right to Occupy the Residence. You may reside in your Residence for as long as you (or either of you in the case of Joint Residents) live unless you (both of you in the case of Joint Residents) are not capable of occupancy as set forth in our residency policy, or this Agreement is canceled by you or by us. If, in the opinion of your attending physician or the Medical Director, your physical or mental health requires that you need home care services, personal care services, assisted living services, or nursing care services, you will be requested to obtain the needed services in your Residence (at your expense), relocate to Heritage Hall, or relocate to the Village Health Center or Comparable Facility (as defined in Paragraph 5.2).

3.3 Occupants of the Residence. Except as hereinafter provided, no person other than you (both of you in case of Joint Residents) may occupy the Residence. In the event that a second person who is not a party to this Agreement is accepted for residency in the Residence at a time subsequent to the date hereof (said acceptance to be in accordance with our current residency policy), an Entrance Fee in an amount to be determined by us (which will be no more than one-half of the then-current Entrance Fee for the Residence) shall be paid upon residency, and each month thereafter, the then-current Second Person Monthly Fee shall be paid as part of the Monthly Fee. If such second person does not meet the requirements for residency, such second person will not be permitted to occupy the Residence for more than thirty (30) days, except with our express written approval.

If the Resident marries a person who is also a resident of the Village, and should they decide to occupy one residence as Joint Residents, they must declare which residence will be occupied and which residence will be released. The refund due for the released residence, if any, will be provided as described in Paragraph 10.5 of this Agreement.

3.4 Guests. Guests are welcome to stay in your Residence for short stays not to exceed ten (10) consecutive days. Such stay shall not, in the opinion of the Executive Director, adversely affect the operation of the Village or be inconsistent with the welfare of our residents.

3.5 Release. We are not responsible for theft, loss of or damage to your personal property, unless such theft, loss or damage is caused by our negligence or the negligence of our agents or employees, and you hereby release us from such liability.

3.6 Insurance. Our insurance does not cover your personal property or your liability. It is recommended that you carry personal property insurance and liability insurance at your own expense to cover against any loss or damage to your personal property or to the property of others caused by your negligence or that of your guests. If requested by us, you agree to provide us with proof of such insurance coverage.

3.7 Removal and Storage of Resident's Personal Property. Your personal property must be removed from the Residence and from any storage unit as follows:

3.7.1 Within thirty (30) days following the date of your death (if Joint Residents, the date of death

of the surviving Resident). If your personal property is not removed from the Residence and from any storage unit within such thirty (30) days, we will continue to charge your estate the Monthly Fee as outlined in Paragraph 1.5.1 above, or we may remove and store such personal property at the expense and risk of your estate. Your Entrance Fee will continue to amortize, if applicable, until the Residence and any storage unit is completely vacated. We will only allow the executor(s) named in your Will to remove or dispose of your personal property in your living accommodation and any related storage unit at the Village. 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.

3.7.2 Within thirty (30) days following the date notice is delivered to you of your permanent relocation to Heritage Hall, to the Village Health Center or a Comparable Facility for Health Center Level Services (see definitions in Paragraphs 5.1 and 5.2), or to another care facility licensed to provide the appropriate care you need. If your personal property is not removed from the Residence and from any storage unit within such thirty (30) days, we will continue to charge you the Monthly Fee as outlined in Paragraph 1.5.2 above, or we may remove and store such personal property at your expense and risk.

3.7.3 At the end of the cancellation period outlined in Section 8 or 9. If your personal property is not removed from the Residence and from any storage unit by the end of the cancellation period, we will continue to charge you the Monthly Fee as outlined in Paragraph 1.5.3 above, or we may remove and store such personal property at your expense and risk. Your Entrance Fee will continue to amortize, if applicable, until the Residence and any storage unit is completely vacated.

3.8 Furnishings. Furnishings within the Residence will not be provided by us except as stated in Paragraph 2.1. Furnishings provided by you shall not be such as to interfere with your health, safety or general welfare, or that of other residents or others.

3.9 Emergency Entry and Relocation. We may enter your Residence should it be necessary in an emergency to protect your health or safety or the health or safety of other residents. If relocation is recommended by the Medical Director or your attending physician, we will request that you relocate to another residence within the Village (which may include Heritage Hall), to the Village Health Center or a Comparable Facility (as defined in Paragraph 5.2), or to a hospital or other care facility for the protection of your health or safety or for the health or safety of the other residents of the Village.

3.10 Alterations by You. You may not undertake any alterations to your Residence without our prior written approval. Said alterations will be set forth in a separate addendum to this Agreement, signed by you and us. Any alterations to the landscaping of your Residence must meet

the covenants of Croasdaile Farm Master Homeowners' Association and be approved by the Village's Building and Grounds Committee.

3.11 Condition of Residence.

Upon vacating the Residence, you agree to leave it in good and clean condition. You shall be liable to us for any charges incurred to restore your Residence to good and clean condition, except for normal wear and tear.

3.12 Rights of Second Single Resident. When two Joint Residents reside in a single Residence under this Agreement, upon the death or permanent relocation of one Resident to a different level of care at the Village, or other inability of that Resident to continue residing in the Residence, the remaining Resident may continue to reside in the Residence under the terms of this Agreement and shall pay the Monthly Fee.

3.13 Smoke-Free Community. The Village is a smoke-free community pursuant to its Smoke-Free Campus Policy (a copy of which is available upon request), wherein the campus and buildings have been designated as "smoke free". Smoking (including E-Cigarettes) is not allowed by residents, guests, and business invitees on the Village campus (inside or outside), except in a designated outside area. No smoking areas include, but are not limited to, the residences, Heritage Hall, the Village Health Center (including both the assisted living facility and nursing facility), hallways, dining rooms, public restrooms, lounge areas, reception areas, waiting rooms, courtyards, entrances, walking paths, driveways, and any other common areas. Smoking is only permitted at the designated outdoor area. Violation of the Smoke-Free Campus Policy can result in our cancellation

of this Agreement for just cause as outlined in Paragraph 9.1 hereof.

3.14 Firearms Policy. The Village has adopted a policy governing the possession of firearms at the Village. Firearms need to be registered with the Village and properly secured. In the event that you are unable to safely maintain a firearm, we will contact your designated power of attorney, legal representative or family member to remove any firearms from your Residence.

4. HERITAGE HALL. If you are in need of additional personal services, you can obtain these needed services through the Village's residential living with personal services program available at Heritage Hall. If such services are needed, you will be required to enter into an amendment to this Agreement, transfer from your Residence to a personal services apartment at Heritage Hall, and pay the then-current personal services monthly fee. A copy of the amendment is included in the Village's Disclosure Statement and is also available upon request.

Following is a list of services and amenities available at Heritage Hall for the personal services monthly fee:

- Staff assistance 24 hours a day;
- Three (3) meals per day;
- Limited tray service to be provided when approved by authorized staff;
- Consultation and preparation of routine special diets;
- Utilities, which include heating, air conditioning, electricity, water, sewer and trash removal;
- Basic cable television package;
- Building janitor and maintenance;
- Grounds keeping;
- Planned assistance with bathing;

- Planned assistance with dressing;
- Medication cueing (no administration or treatments);
- Weekly housekeeping services;
- Linen service and bed making twice per month;
- Personal laundry service;
- Planned activities (social, cultural, recreational, educational, and spiritual) for those who wish to participate;
- Services of a chaplain;
- Parking for residents and guests;
- Carpeting (except in kitchen and bath), unless some other floor surface has been installed;
- Kitchenette with apartment-size microwave and refrigerator;
- Local transportation as scheduled by us and as posted;
- Personal emergency transmitter system;
- Smoke detectors;
- Security – 24 hours a day; and
- Six (6) days each year of assisted living or nursing care in the Village Health Center as outlined in Paragraph 5.4.

Supplemental services, when available, will be provided at Extra Charge to Heritage Hall residents as described below. A list of Extra Charges for these supplemental services can be obtained from administration.

- Guest meals;
- Guest accommodations, if available;
- Expanded cable television package;
- Private catered functions;
- Hair grooming services;
- Extended tray service as approved by authorized staff;
- Preparation of special diets (beyond those which are routine and based upon our ability to prepare/offer such

- diet), as prescribed by resident's attending physician;
- Personal transportation and transportation for special events and group trips;
- Personal service provider;
- Physician services;
- Professional medical services;
- Services of the Clinic – a copy of the charges for Clinic services can be obtained from the Clinic;
- Pharmacy/medications;
- Physical therapy, speech therapy and occupational therapy;
- Nursing supplies;
- Podiatry services;
- Home care services through the Croasdaile Village Home Care Program;
- Assisted living services or nursing care services through the Village Health Center as outlined in Section 5; and
- Certain ancillary services and supplies (such as therapies, pharmacy, laboratory, therapeutic activities, rehabilitative treatments, medical equipment, medical supplies, medical treatment, physician services, and other miscellaneous medical services and supplies).

5. THE VILLAGE HEALTH CENTER.

5.1 Description. The Village Health Center is the portion of the Village which is licensed to provide two levels of care: assisted living care and skilled nursing care (collectively "Health Center Level Services"). The Village Health Center is staffed by licensed nursing personnel 24 hours a day.

5.2 Alternate Accommodations. You will be given priority over non-residents for admission to the Village Health

Center. In the event the Village Health Center is fully occupied when you are determined to need such care, you agree to relocate to an alternate health care facility that provides services similar to the Village Health Center or to another care facility licensed to provide the appropriate care you need (a "Comparable Facility") until an appropriate space becomes available for you at the Village. We will not be responsible for the charges associated with the Comparable Facility. Upon your relocation to a Comparable Facility, you shall continue to pay the Monthly Fee in accordance with Paragraph 1.5.2 above.

5.3 Clinic. The Clinic is available for certain examinations, consultations, tests and appointments. Such services will be at an Extra Charge to you.

5.4 Six (6) Days of Assisted Living or Nursing Care in the Village Health Center. You are eligible to receive a total of six (6) days each year of either assisted living care or nursing care in the Village Health Center while you are a resident of your Residence. In the case of Joint Residents, each of you will receive six (6) days, but the days cannot be combined and used by only one of you. Such six (6) days renews on an annual basis and does not accumulate. You are required to pay the charges for physician services and any additional health services as outlined in Paragraph 5.10. Once you are permanently assigned to assisted living or nursing care in the Village Health Center or Comparable Facility, you no longer qualify for the six (6) free days of assisted living or nursing care and will be required to pay the per diem charge for such care. **[NOTE: The six (6) days of care is a combined annual total for assisted living care and nursing care at the Village.]**

5.5 Transfer to Health Center Level Services. In the event your physical or mental health is determined by us to be appropriate for Health Center Level Services, you agree to relocate to the Village Health Center or a Comparable Facility. Such a determination will be made by us after a review by the Director of Nursing, the Medical Director and the Executive Director in consultation with your attending physician, your personal representative, and you to the extent possible.

5.6 Temporary Relocation to the Village Health Center. In the event you require temporary care in the Village Health Center (beyond the six (6) days of care as outlined in Paragraph 5.4, if applicable), you will pay the per diem charge applicable to the level of care needed by you, as well as the charges for physician services and any additional health services as outlined in Paragraph 5.10. Subject to the terms and conditions of this Agreement, you will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above.

5.7 Permanent Relocation to Health Center Level Services. In the event you require permanent care in the Village Health Center (beyond the six (6) days of care as outlined in Paragraph 5.4, if applicable), you will pay the per diem charge applicable to the level of care needed by you, as well as the charges for physician services and any additional health services as outlined in Paragraph 5.10. If you are determined appropriate for Health Center Level Services, and are permanently relocated to the Village Health Center or a Comparable Facility, you will be required to release your Residence to us, and remove all of your personal property from the Residence and from any storage unit as outlined in Paragraph 3.7.2. We shall have the

right to reassign the Residence for occupancy by others except as provided in Paragraph 3.12. Release of the Residence due to your permanent relocation to the Village Health Center or to a Comparable Facility does not qualify you for a refund of the Entrance Fee, unless this Agreement is canceled. Subject to the terms and conditions of this Agreement, you will continue to pay the Monthly Fee in accordance with Paragraph 1.5.2 above.

5.8 Relocation within the Village Health Center. We reserve the right to relocate you to a different level of care within the Village Health Center if you require such care. Such relocation will be made after a review by the Director of Nursing, the Medical Director and the Executive Director in consultation with your attending physician, your personal representative, and you to the extent possible.

5.9 Return to Residence. If we subsequently determine, in consultation with your attending physician, your personal representative and you to the extent possible, that you can resume occupancy in a residence equivalent to the residence you previously occupied, you shall have the right to relocate to such equivalent residence as soon as one is available. Upon reoccupying a residence, your Monthly Fee will be based on the then-current Monthly Fee for the residence.

5.10 Medical Director, Attending Physician, and Additional Health Services. We have designated a licensed physician to serve as Medical Director of the Village Health Center. You are required to have a local attending physician. You may engage the services of the Medical Director at your expense. If your personal physician will be providing

you with services in the Village Health Center, he/she may do so upon providing us with his/her credentials and with proof of liability insurance, and he/she agrees to abide by our policies and procedures. We will not be responsible for the charges for medical treatment or services by the Medical Director or your attending physician, nor will we be responsible for the charges for medication, prescribed therapy, nursing supplies, and other medical and miscellaneous supplies and services associated with medical treatment.

5.11 Advanced Payment for Medical Treatment. In the event we incur or advance payment for your medical treatment or for medication, prescribed therapy, nursing supplies, and other medical and miscellaneous supplies and services associated with medical treatment (even in the event such medical care is given at the direction of your attending physician or the Medical Director without your prior approval), you shall promptly reimburse us for such payments. Upon cancellation of this Agreement for any reason, any amounts due to us under this Paragraph 5.11 shall be offset against any refund of the Entrance Fee.

5.12 Long-Term Care Insurance. We will use reasonable efforts to assist you in working with your long-term care insurance provider to obtain the benefits to which you may be entitled.

5.13 Medicare and Health Insurance. When eligible, you are required to maintain Medicare Part A, Medicare Part B, and one supplemental health insurance policy or equivalent insurance coverage acceptable to us to assure your ability to fully cover a Medicare-qualified stay in the Village Health Center or a Comparable Facility. You shall furnish to us such

evidence of coverage as we may from time to time request. Such supplemental insurance should cover Medicare co-insurance and deductibles. Should your supplemental health insurance or equivalent coverage not fully cover a Medicare-qualified stay in the Village Health Center or a Comparable Facility, or should you fail to purchase supplemental health insurance or equivalent coverage to fully cover a Medicare-qualified stay in the Village Health Center or a Comparable Facility, you shall be financially responsible for paying deductibles, co-insurance amounts, and any other charges for each Medicare-qualified admission and stay in the Village Health Center or a Comparable Facility. If you are eligible to receive the six (6) days of nursing care in the Village Health Center as provided in Paragraph 5.4 and your stay in the Village Health Center is a Medicare-qualified stay, such six (6) days will be applied after the expiration of your Medicare-qualified stay providing you have Medicare Part A, Medicare Part B and acceptable supplemental health insurance or equivalent insurance coverage.

If you are not eligible for Medicare, you shall maintain health insurance coverage acceptable to us and shall furnish us with evidence of such coverage upon our request. Should your health insurance not fully cover your stay in the Village Health Center or a Comparable Facility, you shall be financially responsible for paying deductibles, co-insurance amounts, and any other charges for each admission and stay in the Village Health Center or a Comparable Facility.

If failure to maintain Medicare Part A, Medicare Part B, supplemental health insurance or other health insurance coverage causes depletion of your resources and impairs your ability to meet your financial

obligations, we need not defer your financial obligations to us as outlined in Paragraph 7.1, and we retain the right to cancel the Residency Agreement as provided in Section 9.

5.14 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:

5.14.1 Participating Provider. If the Village Health Center is a participating provider with your managed care program and your stay is a Medicare-qualified stay, the Village agrees to be reimbursed at the rate negotiated with your managed care program. Such a managed care stay in the Village Health Center will not reduce the number of days of care you are eligible to receive without additional charge pursuant to Paragraph 5.4, as applicable. You will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above, as well as any charges for physician services and any additional health services as outlined in Paragraph 5.10.

5.14.2 Not a Participating Provider. If the Village Health Center 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 charges for health care services. In addition, while receiving health care services at the managed care participating provider, you will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above. Such a stay at a managed care participating provider will not reduce the number of days of care that you are eligible to receive without additional charge pursuant to Paragraph 5.4, as applicable.

5.14.3 Negotiated Managed Care Rate. If the Village Health Center is not a participating provider in your managed care program and your stay is a Medicare-qualified stay, we will attempt to negotiate a reimbursement rate with your managed care program. If we are able to negotiate an acceptable rate, we agree to accept as full payment the rate provided by your managed care program. Such a managed care stay in the Village Health Center will not reduce the number of days of care that you are eligible to receive without additional charge pursuant to Paragraph 5.4, as applicable. You will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above, as well as any charges for physician services and any additional health services as outlined in Paragraph 5.10.

5.14.4 No Negotiated Managed Care Rate. If the Village Health Center is not a participating provider in your managed care program and a negotiated rate is not agreed upon and you would still like to receive nursing care in the Village Health Center during a Medicare-

qualified stay, then each day of your stay in the Village Health Center will reduce by one day the number of days of care you are eligible to receive without additional charge pursuant to Paragraph 5.4, as applicable. During any such Medicare-qualified stay in the Village Health Center, you agree that you will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above and any charges for physician services and any additional health services as outlined in Paragraph 5.10. If at any time during any such Medicare-qualified stay in the Village Health Center you are no longer eligible to receive any of the days of care provided for in Paragraph 5.4, then you agree to pay the per diem charge for your care in the Village Health Center, the Monthly Fee for your Residence, in accordance with Paragraph 1.5.2 above, and any charges for physician services and any additional health services as outlined in Paragraph 5.10.

5.14.5 Post Medicare-Qualified Stay. At the conclusion of each such Medicare-qualified stay, you will be entitled to care in the Village Health Center in accordance with the terms of this Agreement other than as provided in this Paragraph 5.14, as adjusted to reflect any reduction during such stay in the number of days of care that you are eligible to receive without additional charge as provided in Paragraph 5.4, as applicable.

5.15 Transfer to Hospital or Other Care Facility. If we determine after consultation with your attending physician, your personal representative and you to the extent possible, that you need care beyond that which the Village Health Center is licensed to provide, you will be transferred to a hospital or other care facility. Our staff will not accompany you to the hospital or other facility. We shall not be responsible for any charges associated with the transfer and health care expenses or charges incurred by you after such a transfer. You shall continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5 above.

5.16 Village Health Center Admission Agreement. If you require care in the Village Health Center, you agree to enter into a separate admission agreement for the appropriate level of care, which will be signed by you and us.

5.17 Under Age 62. If you are under the age of 62 when you occupy your Residence under this Agreement, you are not eligible to receive the six (6) days of care in the Village Health Center as described in Paragraph 5.4 until you attain the age of 62. During this time, you will be entitled to Health Center Level Services at the then-current per diem charge being charged to nonresidents until age 62.

6. REPRESENTATIONS.

6.1 Our Representations. We represent and warrant that we are a nonprofit corporation. We are exempt from payment of Federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. We are affiliated with the North Carolina Conference of The United Methodist Church of the Southeastern Jurisdiction. The North Carolina Conference

of The United Methodist Church of the Southeastern Jurisdiction is not responsible for our financial or contractual obligations.

6.2 Your Representations. You represent and warrant that the representations made in the application for residency, your personal health history, and the confidential financial statement are true and correct and may be relied upon by us as a basis for your acceptance for residency at the Village. You also represent and warrant that you have not made any gift of your property in contemplation of the execution of this Agreement.

7. PROMISES.

7.1 Our Promises. It is and shall be our declared policy to operate as a non-profit organization. We will not cancel this Agreement without just cause as specified in Section 9. Further, we shall not cancel this Agreement solely by reason of your financial inability to pay the full Monthly Fee, the personal services monthly fee, or the per diem charge for care in the Village Health Center, provided you have met all "spend-down" provisions of eligibility for the Medicaid program and any public assistance funds. This provision shall not apply if you have impaired your ability to meet your financial obligations hereunder by transfer of assets other than to meet ordinary and customary living expenses or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance, or other health insurance after assuming occupancy. You shall be permitted to remain at the Village for a reduced fee based on your ability to pay for as long as you establish facts to justify deferment of such charges and when deferment of such charges can, in our sole discretion, be granted without impairing our ability to operate the Village on a sound

financial basis for the benefit of all residents.

7.2 Your Promises. You agree to comply with all policies and procedures of the Village as now existing or as hereafter amended; to pay the Entrance Fee, Monthly Fee, and any other charges as provided in this Agreement; to not impair your ability to meet the financial obligations under this Agreement by transferring assets, other than to meet ordinary and customary living expenses, or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance or other health insurance, without our consent; to apply for public assistance funds and/or Medicaid if you should need financial assistance as outlined in Paragraph 7.1 above while receiving Health Center Level Services; and to abide by all other terms of this Agreement.

8. CANCELLATION BY RESIDENT.

8.1 Right of Rescission. Within thirty (30) days following the later of the execution of this Agreement by you or the receipt of a Disclosure Statement from us, you may rescind this Agreement by giving us written notice. You shall not be required to move into the Residence prior to the expiration of the thirty (30) day rescission period. However, if you occupy the Residence during the rescission period and then rescind this Agreement, you will only be charged a Monthly Fee for the period of time that you actually occupied the Residence. Refund of the amount of the Entrance Fee paid shall be as outlined in Paragraph 10.2.

8.2 Cancellation Prior to Occupancy. You may cancel this Agreement for any reason at any time before you move into the Village by giving us written notice

signed by you (both of you in the case of Joint Residents). Refund of the amount of the Entrance Fee paid shall be as outlined in Paragraph 10.3 or 10.4. If you die prior to occupying the Residence or if, on account of illness, injury or incapacity, you are precluded from occupying the Residence under the terms of this Agreement, this Agreement will automatically cancel upon our receipt of notice of your death, illness, injury or incapacity. If you elect to cancel this Agreement because of a substantial change in your physical, mental or financial condition prior to occupancy, then this Agreement will cancel upon written notice from you. Refund of the Entrance Fee shall be as outlined in Paragraph 10.3.

8.3 Cancellation Due to Residence Not Available. You may cancel this Agreement upon written notice to us if we have not made the Residence available to you for occupancy within twenty-four (24) months from the date we execute this Agreement. Refund of the Entrance Fee shall be as outlined in Paragraph 10.7

8.4 Cancellation After Occupancy. You may cancel this Agreement for any reason after moving into the Village by giving us thirty (30) days' prior written notice of cancellation, which shall be effective and irrevocable upon delivery. Cancellation shall occur thirty (30) days after written notice is delivered, and you must remove your personal property from the Residence and from any storage unit within the thirty (30) day notice period as outlined in Paragraph 3.7.3. You are obligated to pay the Monthly Fee during the thirty (30) days, and thereafter if the Residence has not been released to us in accordance with Paragraph 1.5.3 above. Refund of the Entrance Fee shall be as outlined in Paragraph 10.5.

8.5 Cancellation Due to Death After Occupancy. This Agreement will automatically cancel upon your death (the death of the surviving Resident in the case of Joint Residents). Your estate must remove your personal property from the Residence and from any storage unit within thirty (30) days after your death as outlined in Paragraph 3.7.1. Your estate will be obligated to pay the Monthly Fee as outlined in Paragraph 1.5.1 above. Refund of the Entrance Fee shall be as outlined in Paragraph 10.5.

9. CANCELLATION BY UMRH.

9.1 Cancellation Upon Notice. We may, upon notice and opportunity to cure as hereinafter provided, cancel this Agreement for just cause. Just cause shall include the occurrence of any of the following events (hereinafter referred to as a "Default"):

9.1.1 Noncompliance.

You do not comply with the terms of this Agreement or the published operating procedures, covenants, rules, regulations, and policies now existing or later amended by us.

9.1.2 Misrepresentation.

You misrepresent yourself or fail to disclose information during the residency process.

9.1.3 Nonpayment. You fail to pay any charges to us, subject to the provisions of Paragraph 7.1, within forty-five (45) days of the date when such charges are due.

9.1.4 Threat to Health or Safety. Your health status or behavior constitutes a substantial threat to the health, safety or peace

of yourself, other residents, or others including your refusal to consent to relocation, or behavior that would result in physical damage to the property of the Village or others.

9.1.5 Change in Condition. There is a major change in your physical or mental condition and your condition cannot be cared for in the Village Health Center within the limits of our license.

9.2 Default Notice. Prior to cancellation for any Default described in Paragraph 9.1.1, 9.1.2 or 9.1.3 above, we shall give you notice in writing of such Default, and you shall have at least thirty (30) days thereafter within which to correct such Default. No Default shall eliminate your obligation to pay the Monthly Fee. If you correct such Default within such time, this Agreement shall not be canceled. If you fail to correct such Default within such time, this Agreement shall cancel at the expiration of such thirty (30) days.

In the event of the occurrence of a Default described in Paragraph 9.1.4 or 9.1.5 above, if we or the Medical Director determine that either the giving of notice of Default or the lapse of time as above provided might be detrimental to you or others, then such notice and/or waiting period prior to cancellation shall not be required. Also, in the event of the occurrence of a Default described in Paragraph 9.1.4 or 9.1.5, we are expressly authorized by you to transfer you to an appropriate hospital or other facility, and we will promptly notify your personal representative or attending physician.

10. REFUND OF ENTRANCE FEE.

10.1 Nonacceptance by Us. If we do not accept you for residency at the Village, the full amount of the Entrance Fee you have paid will be promptly refunded to you, without interest.

10.2 Right of Rescission. If you rescind this Agreement as provided in Paragraph 8.1, you shall receive a full refund of the portion of the Entrance Fee paid by you, without interest, within sixty (60) days of our receipt of the written notice of rescission.

10.3 Cancellation Prior to Occupancy Due to Death, Illness, Injury, or Incapacity. If, prior to occupancy and after your right of rescission period has expired, you die or you cancel this Agreement because of illness, injury or incapacity, you or your estate will receive a refund in full of the portion of the Entrance Fee you have paid, without interest, less any costs specifically incurred by us at your request and set forth on Exhibit A or in writing in a separate addendum to this Agreement, signed by you and us. Said refund shall be paid within sixty (60) days following (i) the date of automatic cancellation of this Agreement; or (ii) the date of our receipt of your written notice of cancellation.

10.4 Cancellation Prior to Occupancy for Other Reasons. If you cancel this Agreement for reasons other than those stated in Paragraph 10.2 or 10.3 above, you shall receive a refund of the Entrance Fee paid, less a non-refundable portion of the Entrance Fee equal to Two Thousand Dollars (\$2,000) and less any costs specifically incurred by us at your request and set forth on Exhibit A or in writing in a separate addendum to this Agreement,

signed by you and us. Said refund shall be paid within sixty (60) days after our receipt of the written notice of cancellation.

10.5 Cancellation After Occupancy. In the event you or we cancel this Agreement after occupancy or in the event of your death (the death of the survivor in the case of Joint Residents), you or your estate will be reimbursed the amount of the Entrance Fee previously paid by you, less two percent (2%) for each month of residency or portion thereof, for up to five (5) months. Subject to our offset rights outlined in Paragraph 10.6, the refund of the Entrance Fee will not be less than ninety percent (90%). Said refund will be paid, without interest, at such time as your Residence has been reserved by a new resident and our receipt of the full amount of the Entrance Fee paid by such new resident or within two (2) years from the date of cancellation, whichever occurs first.

10.6 Offset Against Entrance Fee Refund. In the event of cancellation of this Agreement as described in Paragraph 10.5 above, we will offset against any Entrance Fee refund due to you or your estate the following:

10.6.1 The amount of any unpaid Monthly Fees, pro-rated Monthly Fees for the period of time the Residence was occupied (which shall include the period of time until you or your personal representative removes all of your personal property from the Residence and from any storage unit) after cancellation of this Agreement, any Extra Charges, or other charges deferred by us on your behalf under Paragraph 7.1; and

10.6.2 Any health care expenses incurred on your behalf and other amounts payable to us, which remain unreimbursed; and

10.6.3 Any charges incurred to restore the Residence to good condition, normal wear and tear excepted, as outlined in Paragraph 3.11; and

10.6.4 Any charges incurred as a result of options and custom features added to the Residence at your request as outlined in Exhibit A or in a separate addendum to this Agreement.

10.7 Availability of the Residence. If the Residence is not available to you for occupancy within twenty-four (24) months from the date we execute this Agreement, you may terminate this Agreement upon written notice to us. In such event, the full amount of the Entrance Fee you have paid will be refunded to you, without interest, within thirty (30) days from the date we receive your notice of termination.

11. MISCELLANEOUS.

11.1 Nature of Rights. You understand and agree that (i) this Agreement or your rights (including the use of the Residence) under it may not be assigned, and no rights or benefits under this Agreement shall inure to the benefit of your heirs, legatees, assignees, or representatives, except as to receipt of the amounts described in Section 10; (ii) this Agreement and your contractual right to occupy the Village will exist and continue to exist during your lifetime unless canceled as provided herein; (iii) this Agreement grants you the right to occupy and use space in the Village but does not give you exclusive possession of the

Residence against us, and you will not be entitled to any rights of specific performance but will be limited to such remedies as set forth herein and as provided by continuing care law; (iv) this Agreement is not a lease or easement and does not transfer or grant you any interest in real property owned by us; and (v) this Agreement grants to us complete decision-making authority regarding the management and operation of the Village.

11.2 Release. We are not responsible for theft, loss of or damage to your personal property, unless such theft, loss or damage is caused by our negligence or the negligence of our agents or employees, and you hereby release us from any such liability. You may want to obtain at your own expense insurance to protect against such losses.

11.3 Amendment. This Agreement may be amended by agreement of the parties to this Agreement. No amendment of this Agreement shall be valid unless in writing and signed by you and us.

11.4 Law Changes. This Agreement may be modified by us at any time in order to comply with applicable laws or regulations. Further, we may change any part of the Village, including the Residence, to meet the requirements of any applicable law or regulation.

11.5 Entire Agreement. This Agreement and any addenda or amendments thereto contain our entire understanding with respect to your residency at the Village.

11.6 Monthly Statement. You shall receive a monthly statement from us showing the total amount of fees and other charges owed by you, which shall be paid

upon receipt and by no later than the fifteenth (15th) day of each month.

11.7 Responsible Party for Business and Financial Decision Making. Prior to assuming residency at the Village, you agree to execute and deliver to us a Durable Power of Attorney, trust documents, or other documentation naming a responsible party for business and financial decision-making. These documents should be drafted to remain effective notwithstanding your incompetence or disability and shall be in a form acceptable to us. You agree to keep such documents in effect as long as this Agreement is in effect. The person(s) named as your responsible party shall not be a person(s) employed by us or any other entity engaged in the management of the Village.

11.8 Disposition of Furniture, Possessions, and Property. You agree to make provision by Will or otherwise for the disposition of all of your furniture, property, and possessions located on the premises of the Village within sixty (60) days after the date of residency.

11.9 Nonwaiver. If we fail to insist in any instance upon performance of any of the terms, promises, or conditions of this Agreement, it shall not be construed as a waiver or relinquishment of the future performance of any such terms, promises, or conditions, but your obligation with respect to such future performances shall continue in full force and effect.

11.10 Notices. Any notice required to be given to us under this Agreement shall be in writing and sent certified mail, return receipt requested, with all postage and charges prepaid, or hand-delivered to the Executive Director of the Village at 2600 Croasdaile Farm Parkway; Durham, North

Carolina 27705. Such notices shall be dated and signed.

Any notice required to be given to you shall be delivered to you at the Village or at such other place as you shall designate to us in writing and sent by certified mail or hand delivered. All notices mailed in accordance with this Paragraph shall be deemed to be given when mailed whether or not they are actually received.

11.11 Indemnity. We will not be liable for and you agree to indemnify, defend and hold us harmless from claims, damages and 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 that of your guests.

11.12 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.

11.13 Subordination. You agree that all your rights under this Agreement will always be subordinate and junior to the lien of all mortgages or other documents creating liens encumbering the Village, which have been or will be executed by us. Upon request, you agree to execute, acknowledge and deliver to such lender(s) such further written evidence of such subordination as such lender(s) may reasonably require. Except to the extent of your obligation to pay the Monthly Fee and Second Person Monthly Fee, you shall not be liable for any such indebtedness.

11.14 Capacity. This Agreement has been executed on our behalf by our duly authorized agent, and no officer, director, agent or employee of ours shall have any personal liability hereunder to you under any circumstances. This Agreement will become effective upon acceptance and signature by us.

11.15 Resident. In the case of Joint Residents, the rights and obligations of each are joint and several except as the context of this Agreement otherwise requires.

11.16 Reimbursement for Loss or Damage. You or your responsible party, if applicable, agree to reimburse us for any loss or damage to the Village caused by your intentional, careless, or negligent acts or omissions or that of your guests.

11.17 Charges for Collection. You agree to reimburse us for any charges we incur to collect any unpaid amounts you or your estate owes to us under this Agreement.

11.18 Sale or Transfers of Interest. We may sell or transfer our interest in the Village provided the buyer will agree to assume this Agreement and all other existing Residency Agreements. Upon the assumption of this Agreement by a buyer of the Village and its agreement to perform this Agreement and all other agreements, we will have no further obligation hereunder. Your signature hereto constitutes your consent and approval of any such future transaction.

11.19 Private Employee of Resident. If you need additional services, you can obtain these needed services from a private employee, an independent contractor, or through an agency (personal service provider). In such instances, we

strongly advise you to obtain these needed services from a licensed and/or certified home health agency. In any event, you must comply with our policy regarding personal service providers, and ensure that your private employee, independent contractor, or person you employ through an agency complies with our policies and rules of conduct set forth in our policy. If you fail to follow or enforce the policies and rules set forth therein, then we may elect, at our sole option, to cancel this Agreement.

11.20 Tax Considerations. You should consult with your tax advisor regarding the tax considerations associated with this Agreement as more fully explained in our Disclosure Statement.

11.21 Management. We have engaged the services of Life Care Services LLC ("LCS") to manage the Village. We are not affiliated with LCS nor is LCS responsible for our contractual or financial obligations or the contractual or financial obligations of the Village.

11.22 Governing Law. This Agreement will be governed, interpreted and construed according to the laws of the State of North Carolina.

11.23 Survival of Representations and Obligations. Your representations and obligations under this Agreement, including but not limited to, your obligation to pay all sums owed by you to us, and your agreement to indemnify us as set forth in Paragraph 11.11, and our representations and obligations under this Agreement, will survive any cancellation of your residency in the Village, regardless of the reason for such cancellation and regardless of whether it is initiated by you or by us.

12. MEDIATION AND ARBITRATION.

12.1 Mediation. In the event a dispute, claim or controversy of any kind arises between the parties – except for those disputes, claims or controversies arising under Paragraph 12.3 below – 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 an 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.

12.2 Arbitration. In the event a dispute, claim or controversy of any kind arising out of or relating to this Agreement – except for those disputes, claims or controversies arising under Paragraph 12.3 below – cannot be resolved through mediation as described in Paragraph 12.1 above, the parties agree that said dispute, claim, or controversy will be submitted to and determined by arbitration in Durham County, North Carolina in accordance with the Federal Arbitration Act. You and we

will jointly agree on an arbitrator and the arbitrator will be selected according to the procedure set forth in state law, if applicable. In reaching a decision, the arbitrator shall prepare findings of fact and conclusions of law. Any direct arbitration costs incurred by you will be borne by you. Costs of arbitration, including our legal costs and attorneys' fees, arbitrators' fees, and similar costs, will be borne by all residents of the Village provided that the arbitrator may choose to award the costs of arbitration against us if the arbitrator determines that the proposed resolution urged by us was not reasonable. If the issue affects more than one (1) resident, we may elect to join all affected residents into a single arbitration proceeding, and you hereby consent to such joinder.

You may withdraw your agreement to arbitrate within thirty (30) days after signing this Agreement by giving written notice of your withdrawal to us. This arbitration clause binds all parties to this Agreement and their spouses, heirs, representatives, executors, administrators, successors, and assigns, as applicable. After cancellation of this Agreement, this arbitration clause shall remain in effect for the resolution of all claims and disputes that are unresolved as of that date.

12.3 Voluntary Arbitration of Negligent Health Care Claims. For all claims for damages in personal injury or wrongful death actions, based on alleged negligence in the provision of health care, the parties may voluntarily elect to submit to arbitration pursuant to the procedures set forth in Article 1H of Chapter 90 of the North Carolina General Statutes. N.C. G.S. §90-21.60(b) prohibits any contract from requiring prior agreement of the parties to arbitrate negligent health care claims. Thus, Paragraphs 12.1 and 12.2 do not apply to

personal injury or wrongful death actions based on alleged negligence in the provision of health care. If the parties agree to arbitrate such actions, said arbitration will be governed in accordance with N.C.G.S. §90-21.60, *et seq.*

You hereby certify that you received a copy of this Agreement and a copy of our most current Disclosure Statement dated _____, 20____.

Executed this _____ day of _____, 20_____.

RESIDENT

Witness

RESIDENT

Witness

UNITED METHODIST RETIREMENT HOMES, INCORPORATED

By _____
Executive Director

Date: _____

By _____
Authorized Agent of UMRH

Date: _____

Attachment: Exhibit A



02/06/2018

Expansion 90 Percent Return of Capital Residency Agreement (2018-02-06) CLEAN

Exhibit A

Options and Custom Features Added at Resident's Request:	Amount
	\$
	\$
	\$
	\$
	\$
	\$
Total	\$

Initials _____
Community

Resident(s)

Resident(s)



**2600 Croasdaile Farm Parkway
Durham, North Carolina 27705
(919) 384-2000
www.croasdailevillage.org**

**50 Percent Return of Capital™
Residency Agreement
(For Cottage or Villa to Be Constructed)**

02/06/2018

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Exhibit A – Options and Custom Features Added at Resident's Request

GLOSSARY

The following terms are described as used in the accompanying Residency Agreement. Reference to the Residency Agreement and the context in which the terms are used is recommended to provide a fuller understanding of each of the terms:

"Agreement" means the Residency Agreement, entered into between the Resident and The United Methodist Retirement Homes, Incorporated, which outlines the contractual obligations of both parties.

"Entrance Fee" means payment that assures a Resident a place at the Village for life as long as the Resident complies with terms of this Agreement. At the time the Resident makes application for residency at the Village, the Resident will sign a Residency Agreement to reserve the residence selected and will pay an Entrance Fee deposit to the Village. The balance of the Entrance Fee will be paid upon the earlier of (i) occupancy or (ii) 30 days from the date the Resident is notified that the residence is ready of occupancy. Specific information is located in Paragraph 1.2 of this Agreement.

"Extra Charges" means the additional fees required to be paid for the additional services and amenities requested by Resident, as set forth in Paragraph 2.2 of this Agreement.

"Health Center" means the portion of the Village, which is licensed to provide two levels of care: assisted living care and skilled nursing care, as described in Section 5 of the Agreement.

"Heritage Hall" means the portion of the Village, which is designed to provide residents with residential living with personal services, as described in Section 4 of the Agreement.

"Monthly Fee" means that fee payable each month by the Resident as set forth in

Paragraphs 1.3 and 1.4 of the Agreement, in consideration for the services and amenities provided to the residents of the Village described in Paragraph 2.1 of this Agreement. If there are Joint Residents under this Agreement, the Monthly Fee will include a "Second Person Monthly Fee."

"Residence" means the apartment, cottage or home at the Village identified in the introductory paragraph of the Agreement, in which the Resident has the right to live pursuant to this Agreement in exchange for paying the Entrance Fee and the Monthly Fee.

"Resident" or "you" means the Resident(s) who sign this Agreement. Sometimes a second resident (if there are two of you) is referred to in this Agreement as the "Joint Resident." Further, both Residents may be referred to as "Joint Residents." Unless otherwise indicated, "you" refers to both of you if there are two of you.

"The United Methodist Retirement Homes, Incorporated" or "we" or "our" or "us" means the owner of the retirement community known as Croasdaile Village, including all of the residences, common areas, and site amenities associated with these areas. The United Methodist Retirement Homes, Incorporated is a North Carolina non-profit corporation.

"Village" means the continuing care retirement community known as "Croasdaile Village," including all of the residences, common areas, and site amenities.



Residency Agreement 50 Percent Return of Capital™

INTRODUCTION

This 50 Percent Return of Capital™ Residency Agreement ("Agreement") is entered into by The United Methodist Retirement Homes, Incorporated ("UMRH," "we," "us," or "our") and _____ (individually or collectively, "you," "your," or "Resident"). Croasdaile Village is a continuing care retirement community located at 2600 Croasdaile Farm Parkway; Durham, NC 27705 (hereafter the "Village").

We will provide residential housing for seniors along with a wide array of personal services and amenities outlined in this Agreement. Subject to the conditions contained in this Agreement, we agree to make available to you the Residence described as follows:

Residence Number _____
Residence Style _____

You may select certain options and custom features in the Residence at an additional charge, which shall not be subject to any refund provision herein. Any such options and custom features selected and paid for by you will become our property. Such options and custom features must be approved by the Executive Director of the Village prior to adding them to the Residence. The Executive Director of the Village has consented to your request to add the options and custom features set forth on Exhibit A attached to this Agreement. You agree to pay the amount(s) set forth on Exhibit A to cover the charges for such items.

As a Resident of the Village, you are offered lifetime use of your Residence and lifetime access to the Village Health Center, subject to the terms and conditions of this Agreement.

To be accepted for residency, you must meet our residency criteria, which includes: having reached the age of 62 (or sharing your Residence with a Joint Resident who is 62 or older); financial guidelines; and the ability to live in a residence (with or without reasonable accommodation and/or reasonable modification) – all as outlined in our current residency policy.

The purpose of this Agreement is to set forth your rights and duties as a Resident of the Village and to delineate the services to be provided at the Village.

UMRH is also affiliated with The United Methodist Retirement Homes Foundation, Inc. (the "Foundation"). The Foundation is a not-for-profit corporation, which was organized for the benefit of the retirement communities operated by UMRH. Its purpose is to raise endowment funds, to support benevolent care for those residents who are unable to pay for care, and to support special programs.

1. CHARGES FOR RESIDENCE AND PRIMARY SERVICES.

1.1 Application Fee. Prior to or upon execution of this Agreement, you will pay to us a non-refundable Application Fee of \$_____. The Application Fee will be used by us to process your application for residency.

1.2 Entrance Fee. In order to reside at the Village for life, subject to this Agreement, and to receive the services and amenities described below, you agree to pay to us (in addition to the Monthly Fee described below) an Entrance Fee in the amount of \$_____ (includes first and second person, if applicable). The total amount of the Entrance Fee shall be payable as follows:

1.2.1 Ten percent (10%) of the total Entrance Fee or \$_____ is due and payable upon your execution of this Agreement. We will apply any Subscription/ Priority Fee you have paid against the Entrance Fee deposit.

1.2.2 The balance of \$_____ (ninety percent (90%) of the Entrance Fee) shall be paid on the earlier of (i) the date you assume occupancy at the Village or (ii) within thirty (30) days from the date you are notified that the Residence is ready for occupancy.

1.3 Monthly Fee. You are obligated to begin paying a Monthly Fee (or a pro rata portion thereof) on the earlier of (i) the date you assume occupancy at the Village or (ii) within thirty (30) days from the date you are notified that the Residence is ready for occupancy. Thereafter, the Monthly Fee is due upon receipt of a

statement from us and by no later than the fifteenth (15th) of each month. The Monthly Fee is initially set at a specific amount that can be increased as described in Paragraph 1.6 below. A "Second Person Monthly Fee" shall become part of the Monthly Fee and shall be paid if two persons are Joint Residents under this Agreement. If there are Joint Residents under this Agreement and one Joint Resident dies, the Second Person Monthly Fee shall cease and the remaining Resident shall continue to pay the Monthly Fee without the Second Person Monthly Fee component.

1.4 Initial Monthly Fee. The initial Monthly Fee payable by you is \$_____ per month and an additional \$_____ per month as a Second Person Monthly Fee component of the Monthly Fee if two persons reside as Joint Residents pursuant to this Agreement.

1.5 Continuance of Monthly Fee. Payment of the Monthly Fee will continue as follows:

1.5.1 In the event of your death (in the case of Joint Residents, the death of the surviving Resident), until your estate removes all of your personal property from the Residence and from any storage unit.

1.5.2 In the event of your permanent relocation to Heritage Hall, Health Center Level Services or Comparable Facility for Health Center Level Services (see definitions in Paragraphs 5.1 and 5.2), or to another care facility licensed to provide the appropriate care you need, until you or your personal representative removes all of your personal property from the Residence and from any storage unit.

1.5.3 In the event of cancellation of this Agreement as outlined in Section 8 or 9, until expiration of the cancellation period and continues until you remove all of your personal property from the Residence and from any storage unit.

1.6 Increase in Monthly Fee. The Monthly Fee is paid to us to provide the services and amenities described in this Agreement and is intended to meet the expenses associated with the operation of the Village. We may increase the Monthly Fee (which includes the Second Person Monthly Fee where applicable) upon thirty (30) days' written notice if we, in our sole discretion, deem it necessary to meet the financial needs of the Village or to provide quality services to the Residents.

1.7 Reduction in Monthly Fee Due to Absence. If you are absent from the Village for more than fourteen (14) consecutive days, your Monthly Fee will be reduced by the raw food cost determined through the Village's budgeting process. You are required to notify us of your absence in order to qualify for the reduction in the Monthly Fee.

1.8 Reserve Funds. The amount of the Monthly Fee also is and will continue to be affected by our policy of maintaining reserve funds for the financial security of the Village.

1.9 Late Payment Charge. We will charge a late payment charge in the amount of twenty-five dollars (\$25.00) if the Monthly Fee or any Extra Charges are not paid by the fifteenth (15th) day of the month. Balances over thirty (30) days old will be assessed a one percent (1%) interest charge per month. If we hire a collection agency or attorney to collect the Monthly Fee and

Extra Charges past due from you, you are to pay any and all costs of collection, including reasonable attorney's fees, costs, and expenses associated with such collection efforts.

2. DESCRIPTION OF PRIMARY AND SUPPLEMENTAL SERVICES.

2.1 Services Provided for the Monthly Fee. We will provide you, in consideration for the Monthly Fee referred to above, the following services and amenities at the Village:

- Under the Flexible Meal Program, each Resident living in Cottages and Apartments (excluding studio apartments) will receive a Dining Allocation as part of the Monthly Fee and second person Monthly Fee. The meal program will provide you sufficient credits to dine daily, and may be expended by you, or with your permission, your guests. Any unused meal credits at the end of the 90-day cycle cannot be carried over to the next cycle and all unused meal credits will be lost. No credits will be refunded or carried over for residents who are absent from the Village for any number of days. Your meal credits will be adjusted annually to reflect changes in meals and food costs. For more information, please refer to the Flexible Meal Program Policy;
- Studio apartment residents receive three (3) meals per day;
- Limited tray service to be provided when approved by authorized staff;
- Consultation and preparation of routine special diets;
- Utilities, which include heating, air conditioning, electricity, water, sewer and trash removal;

- Basic cable television package;
- Building janitor and maintenance;
- Grounds keeping;
- Weekly housekeeping services;
- Availability of laundry facilities so that you can wash and dry personal laundry;
- Planned activities (social, cultural, recreational, educational, and spiritual) for those who wish to participate;
- Services of a chaplain;
- Parking for you and your guests;
- Carpeting (except in kitchen and bath), unless some other floor surface has been installed;
- Kitchen facilities, except some studio apartments only contain a refrigerator and a microwave;
- Local transportation as scheduled by us and as posted;
- Limited additional storage space;
- Personal emergency transmitter system;
- Smoke detectors;
- Security – 24 hours a day; and
- Six (6) days each year of assisted living or nursing care in the Village Health Center as outlined in Paragraph 5.4.

2.2 Supplemental Services Provided for Extra Charge. Supplemental services, when available, will be provided at Extra Charge and are described below. A list of Extra Charges for these supplemental services can be obtained from administration.

- Meals, guest meals, and other food charges in excess of your Dining Allocations, as outlined in Section 2.1. Extended tray service as approved by authorized staff;

- Preparation of special diets (beyond those which are routine and based upon our ability to prepare/offer such diet), as prescribed by your attending physician;
- Additional housekeeping services;
- Guest accommodations, if available;
- Private catered functions;
- Personal transportation and transportation for special events and group trips;
- Expanded cable television package;
- Services of the Clinic – a copy of the charges for Clinic services can be obtained from the Clinic;
- Home care services through the Croasdaile Village Home Care Program;
- Personal care services in Heritage Hall as outlined in Section 4;
- Assisted living services or nursing care services through the Village Health Center as outlined in Section 5; and
- Certain ancillary services and supplies (such as therapies, pharmacy, laboratory, therapeutic activities, rehabilitative treatments, medical equipment, medical supplies, medical treatment, physician services, and other miscellaneous medical services and supplies) as outlined in Paragraph 5.10.

3. TERMS OF RESIDENCY.

3.1 Use of the Residence. The Residence is for living only and will not be used for carrying on any business or profession, nor in any manner in violation of zoning restrictions. This Agreement is not a lease, and grants you only the right to live in the Residence, access to other facilities of the Village, and to available services and

amenities, subject to the terms and conditions of this Agreement.

3.2 Duration of Your Right to Occupy the Residence. You may reside in your Residence for as long as you (or either of you in the case of Joint Residents) live unless you (both of you in the case of Joint Residents) are not capable of occupancy as set forth in our residency policy, or this Agreement is canceled by you or by us. If, in the opinion of your attending physician or the Medical Director, your physical or mental health requires that you need home care services, personal care services, assisted living services, or nursing care services, you will be requested to obtain the needed services in your Residence (at your expense), relocate to Heritage Hall, or relocate to the Village Health Center or Comparable Facility (as defined in Paragraph 5.2).

3.3 Occupants of the Residence. Except as hereinafter provided, no person other than you (both of you in case of Joint Residents) may occupy the Residence. In the event that a second person who is not a party to this Agreement is accepted for residency in the Residence at a time subsequent to the date hereof (said acceptance to be in accordance with our current residency policy), an Entrance Fee in an amount to be determined by us (which will be no more than one-half of the then-current Entrance Fee for the Residence) shall be paid upon residency, and each month thereafter, the then-current Second Person Monthly Fee shall be paid as part of the Monthly Fee. If such second person does not meet the requirements for residency, such second person will not be permitted to occupy the Residence for more than thirty (30) days, except with our express written approval.

If the Resident marries a person who is also a resident of the Village, and should they decide to occupy one residence as Joint Residents, they must declare which residence will be occupied and which residence will be released. The refund due for the released residence, if any, will be provided as described in Paragraph 10.5 of this Agreement.

3.4 Guests. Guests are welcome to stay in your Residence for short stays not to exceed ten (10) consecutive days. Such stay shall not, in the opinion of the Executive Director, adversely affect the operation of the Village or be inconsistent with the welfare of our residents.

3.5 Release. We are not responsible for theft, loss of or damage to your personal property, unless such theft, loss or damage is caused by our negligence or the negligence of our agents or employees, and you hereby release us from such liability.

3.6 Insurance. Our insurance does not cover your personal property or your liability. It is recommended that you carry personal property insurance and liability insurance at your own expense to cover against any loss or damage to your personal property or to the property of others caused by your negligence or that of your guests. If requested by us, you agree to provide us with proof of such insurance coverage.

3.7 Removal and Storage of Resident's Personal Property. Your personal property must be removed from the Residence and from any storage unit as follows:

3.7.1 Within thirty (30) days following the date of your death (if Joint Residents, the date of death

of the surviving Resident). If your personal property is not removed from the Residence and from any storage unit within such thirty (30) days, we will continue to charge your estate the Monthly Fee as outlined in Paragraph 1.5.1 above, or we may remove and store such personal property at the expense and risk of your estate. Your Entrance Fee will continue to amortize, if applicable, until the Residence and any storage unit is completely vacated. We will only allow the executor(s) named in your Will to remove or dispose of your personal property in your living accommodation and any related storage unit at the Village. 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.

3.7.2 Within thirty (30) days following the date notice is delivered to you of your permanent relocation to Heritage Hall, to the Village Health Center or a Comparable Facility for Health Center Level Services (see definitions in Paragraphs 5.1 and 5.2), or to another care facility licensed to provide the appropriate care you need. If your personal property is not removed from the Residence and from any storage unit within such thirty (30) days, we will continue to charge you the Monthly Fee as outlined in Paragraph 1.5.2 above, or we may remove and store such personal property at your expense and risk.

3.7.3 At the end of the cancellation period outlined in Section 8 or 9. If your personal property is not removed from the Residence and from any storage unit by the end of the cancellation period, we will continue to charge you the Monthly Fee as outlined in Paragraph 1.5.3 above, or we may remove and store such personal property at your expense and risk. Your Entrance Fee will continue to amortize, if applicable, until the Residence and any storage unit is completely vacated.

3.8 Furnishings. Furnishings within the Residence will not be provided by us except as stated in Paragraph 2.1. Furnishings provided by you shall not be such as to interfere with your health, safety or general welfare, or that of other residents or others.

3.9 Emergency Entry and Relocation. We may enter your Residence should it be necessary in an emergency to protect your health or safety or the health or safety of other residents. If relocation is recommended by the Medical Director or your attending physician, we will request that you relocate to another residence within the Village (which may include Heritage Hall), to the Village Health Center or a Comparable Facility (as defined in Paragraph 5.2), or to a hospital or other care facility for the protection of your health or safety or for the health or safety of the other residents of the Village.

3.10 Alterations by You. You may not undertake any alterations to your Residence without our prior written approval. Said alterations will be set forth in a separate addendum to this Agreement, signed by you and us. Any alterations to the landscaping of your Residence must meet

the covenants of Croasdaile Farm Master Homeowners' Association and be approved by the Village's Building and Grounds Committee.

3.11 Condition of Residence.

Upon vacating the Residence, you agree to leave it in good and clean condition. You shall be liable to us for any charges incurred to restore your Residence to good and clean condition, except for normal wear and tear.

3.12 Rights of Second Single Resident. When two Joint Residents reside in a single Residence under this Agreement, upon the death or permanent relocation of one Resident to a different level of care at the Village, or other inability of that Resident to continue residing in the Residence, the remaining Resident may continue to reside in the Residence under the terms of this Agreement and shall pay the Monthly Fee.

3.13 Smoke-Free Community. The Village is a smoke-free community pursuant to its Smoke-Free Campus Policy (a copy of which is available upon request), wherein the campus and buildings have been designated as "smoke free". Smoking (including E-Cigarettes) is not allowed by residents, guests, and business invitees on the Village campus (inside or outside), except in a designated outside area. No smoking areas include, but are not limited to, the residences, Heritage Hall, the Village Health Center (including both the assisted living facility and nursing facility), hallways, dining rooms, public restrooms, lounge areas, reception areas, waiting rooms, courtyards, entrances, walking paths, driveways, and any other common areas. Smoking is only permitted at the designated outdoor area. Violation of the Smoke-Free Campus Policy can result in our cancellation

of this Agreement for just cause as outlined in Paragraph 9.1 hereof.

3.14 Firearms Policy. The Village has adopted a policy governing the possession of firearms at the Village. Firearms need to be registered with the Village and properly secured. In the event that you are unable to safely maintain a firearm, we will contact your designated power of attorney, legal representative or family member to remove any firearms from your Residence.

4. HERITAGE HALL. If you are in need of additional personal services, you can obtain these needed services through the Village's residential living with personal services program available at Heritage Hall. If such services are needed, you will be required to enter into an amendment to this Agreement, transfer from your Residence to a personal services apartment at Heritage Hall, and pay the then-current personal services monthly fee. A copy of the amendment is included in the Village's Disclosure Statement and is also available upon request.

Following is a list of services and amenities available at Heritage Hall for the personal services monthly fee:

- Staff assistance 24 hours a day;
- Three (3) meals per day;
- Limited tray service to be provided when approved by authorized staff;
- Consultation and preparation of routine special diets;
- Utilities, which include heating, air conditioning, electricity, water, sewer and trash removal;
- Basic cable television package;
- Building janitor and maintenance;
- Grounds keeping;
- Planned assistance with bathing;

- Planned assistance with dressing;
- Medication cueing (no administration or treatments);
- Weekly housekeeping services;
- Linen service and bed making twice per month;
- Personal laundry service;
- Planned activities (social, cultural, recreational, educational, and spiritual) for those who wish to participate;
- Services of a chaplain;
- Parking for residents and guests;
- Carpeting (except in kitchen and bath), unless some other floor surface has been installed;
- Kitchenette with apartment-size microwave and refrigerator;
- Local transportation as scheduled by us and as posted;
- Personal emergency transmitter system;
- Smoke detectors;
- Security – 24 hours a day; and
- Six (6) days each year of assisted living or nursing care in the Village Health Center as outlined in Paragraph 5.4.

Supplemental services, when available, will be provided at Extra Charge to Heritage Hall residents as described below. A list of Extra Charges for these supplemental services can be obtained from administration.

- Guest meals;
- Guest accommodations, if available;
- Expanded cable television package;
- Private catered functions;
- Hair grooming services;
- Extended tray service as approved by authorized staff;
- Preparation of special diets (beyond those which are routine and based upon our ability to prepare/offer such

- diet), as prescribed by resident's attending physician;
- Personal transportation and transportation for special events and group trips;
- Personal service provider;
- Physician services;
- Professional medical services;
- Services of the Clinic – a copy of the charges for Clinic services can be obtained from the Clinic;
- Pharmacy/medications;
- Physical therapy, speech therapy and occupational therapy;
- Nursing supplies;
- Podiatry services;
- Home care services through the Croasdaile Village Home Care Program;
- Assisted living services or nursing care services through the Village Health Center as outlined in Section 5; and
- Certain ancillary services and supplies (such as therapies, pharmacy, laboratory, therapeutic activities, rehabilitative treatments, medical equipment, medical supplies, medical treatment, physician services, and other miscellaneous medical services and supplies).

5. THE VILLAGE HEALTH CENTER.

5.1 Description. The Village Health Center is the portion of the Village which is licensed to provide two levels of care: assisted living care and skilled nursing care (collectively "Health Center Level Services"). The Village Health Center is staffed by licensed nursing personnel 24 hours a day.

5.2 Alternate Accommodations. You will be given priority over non-residents for admission to the Village Health

Center. In the event the Village Health Center is fully occupied when you are determined to need such care, you agree to relocate to an alternate health care facility that provides services similar to the Village Health Center or to another care facility licensed to provide the appropriate care you need (a "Comparable Facility") until an appropriate space becomes available for you at the Village. We will not be responsible for the charges associated with the Comparable Facility. Upon your relocation to a Comparable Facility, you shall continue to pay the Monthly Fee in accordance with Paragraph 1.5.2 above.

5.3 Clinic. The Clinic is available for certain examinations, consultations, tests and appointments. Such services will be at an Extra Charge to you.

5.4 Six (6) Days of Assisted Living or Nursing Care in the Village Health Center. You are eligible to receive a total of six (6) days each year of either assisted living care or nursing care in the Village Health Center while you are a resident of your Residence. In the case of Joint Residents, each of you will receive six (6) days, but the days cannot be combined and used by only one of you. Such six (6) days renews on an annual basis and does not accumulate. You are required to pay the charges for physician services and any additional health services as outlined in Paragraph 5.10. Once you are permanently assigned to assisted living or nursing care in the Village Health Center or Comparable Facility, you no longer qualify for the six (6) free days of assisted living or nursing care and will be required to pay the per diem charge for such care. **[NOTE: The six (6) days of care is a combined annual total for assisted living care and nursing care at the Village.]**

5.5 Transfer to Health Center Level Services. In the event your physical or mental health is determined by us to be appropriate for Health Center Level Services, you agree to relocate to the Village Health Center or a Comparable Facility. Such a determination will be made by us after a review by the Director of Nursing, the Medical Director and the Executive Director in consultation with your attending physician, your personal representative, and you to the extent possible.

5.6 Temporary Relocation to the Village Health Center. In the event you require temporary care in the Village Health Center (beyond the six (6) days of care as outlined in Paragraph 5.4, if applicable), you will pay the per diem charge applicable to the level of care needed by you, as well as the charges for physician services and any additional health services as outlined in Paragraph 5.10. Subject to the terms and conditions of this Agreement, you will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above.

5.7 Permanent Relocation to Health Center Level Services. In the event you require permanent care in the Village Health Center (beyond the six (6) days of care as outlined in Paragraph 5.4, if applicable), you will pay the per diem charge applicable to the level of care needed by you, as well as the charges for physician services and any additional health services as outlined in Paragraph 5.10. If you are determined appropriate for Health Center Level Services, and are permanently relocated to the Village Health Center or a Comparable Facility, you will be required to release your Residence to us, and remove all of your personal property from the Residence and from any storage unit as outlined in Paragraph 3.7.2. We shall have the

right to reassign the Residence for occupancy by others except as provided in Paragraph 3.12. Release of the Residence due to your permanent relocation to the Village Health Center or to a Comparable Facility does not qualify you for a refund of the Entrance Fee, unless this Agreement is canceled. Subject to the terms and conditions of this Agreement, you will continue to pay the Monthly Fee in accordance with Paragraph 1.5.2 above.

5.8 Relocation within the Village Health Center. We reserve the right to relocate you to a different level of care within the Village Health Center if you require such care. Such relocation will be made after a review by the Director of Nursing, the Medical Director and the Executive Director in consultation with your attending physician, your personal representative, and you to the extent possible.

5.9 Return to Residence. If we subsequently determine, in consultation with your attending physician, your personal representative and you to the extent possible, that you can resume occupancy in a residence equivalent to the residence you previously occupied, you shall have the right to relocate to such equivalent residence as soon as one is available. Upon reoccupying a residence, your Monthly Fee will be based on the then-current Monthly Fee for the residence.

5.10 Medical Director, Attending Physician, and Additional Health Services. We have designated a licensed physician to serve as Medical Director of the Village Health Center. You are required to have a local attending physician. You may engage the services of the Medical Director at your expense. If your personal physician will be providing

you with services in the Village Health Center, he/she may do so upon providing us with his/her credentials and with proof of liability insurance, and he/she agrees to abide by our policies and procedures. We will not be responsible for the charges for medical treatment or services by the Medical Director or your attending physician, nor will we be responsible for the charges for medication, prescribed therapy, nursing supplies, and other medical and miscellaneous supplies and services associated with medical treatment.

5.11 Advanced Payment for Medical Treatment. In the event we incur or advance payment for your medical treatment or for medication, prescribed therapy, nursing supplies, and other medical and miscellaneous supplies and services associated with medical treatment (even in the event such medical care is given at the direction of your attending physician or the Medical Director without your prior approval), you shall promptly reimburse us for such payments. Upon cancellation of this Agreement for any reason, any amounts due to us under this Paragraph 5.11 shall be offset against any refund of the Entrance Fee.

5.12 Long-Term Care Insurance. We will use reasonable efforts to assist you in working with your long-term care insurance provider to obtain the benefits to which you may be entitled.

5.13 Medicare and Health Insurance. When eligible, you are required to maintain Medicare Part A, Medicare Part B, and one supplemental health insurance policy or equivalent insurance coverage acceptable to us to assure your ability to fully cover a Medicare-qualified stay in the Village Health Center or a Comparable Facility. You shall furnish to us such

evidence of coverage as we may from time to time request. Such supplemental insurance should cover Medicare co-insurance and deductibles. Should your supplemental health insurance or equivalent coverage not fully cover a Medicare-qualified stay in the Village Health Center or a Comparable Facility, or should you fail to purchase supplemental health insurance or equivalent coverage to fully cover a Medicare-qualified stay in the Village Health Center or a Comparable Facility, you shall be financially responsible for paying deductibles, co-insurance amounts, and any other charges for each Medicare-qualified admission and stay in the Village Health Center or a Comparable Facility. If you are eligible to receive the six (6) days of nursing care in the Village Health Center as provided in Paragraph 5.4 and your stay in the Village Health Center is a Medicare-qualified stay, such six (6) days will be applied after the expiration of your Medicare-qualified stay providing you have Medicare Part A, Medicare Part B and acceptable supplemental health insurance or equivalent insurance coverage.

If you are not eligible for Medicare, you shall maintain health insurance coverage acceptable to us and shall furnish us with evidence of such coverage upon our request. Should your health insurance not fully cover your stay in the Village Health Center or a Comparable Facility, you shall be financially responsible for paying deductibles, co-insurance amounts, and any other charges for each admission and stay in the Village Health Center or a Comparable Facility.

If failure to maintain Medicare Part A, Medicare Part B, supplemental health insurance or other health insurance coverage causes depletion of your resources and impairs your ability to meet your financial

obligations, we need not defer your financial obligations to us as outlined in Paragraph 7.1, and we retain the right to cancel the Residency Agreement as provided in Section 9.

5.14 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:

5.14.1 Participating Provider. If the Village Health Center is a participating provider with your managed care program and your stay is a Medicare-qualified stay, the Village agrees to be reimbursed at the rate negotiated with your managed care program. Such a managed care stay in the Village Health Center will not reduce the number of days of care you are eligible to receive without additional charge pursuant to Paragraph 5.4, as applicable. You will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above, as well as any charges for physician services and any additional health services as outlined in Paragraph 5.10.

5.14.2 Not a Participating Provider. If the Village Health Center 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 charges for health care services. In addition, while receiving health care services at the managed care participating provider, you will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above. Such a stay at a managed care participating provider will not reduce the number of days of care that you are eligible to receive without additional charge pursuant to Paragraph 5.4, as applicable.

5.14.3 Negotiated Managed Care Rate. If the Village Health Center is not a participating provider in your managed care program and your stay is a Medicare-qualified stay, we will attempt to negotiate a reimbursement rate with your managed care program. If we are able to negotiate an acceptable rate, we agree to accept as full payment the rate provided by your managed care program. Such a managed care stay in the Village Health Center will not reduce the number of days of care that you are eligible to receive without additional charge pursuant to Paragraph 5.4, as applicable. You will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above, as well as any charges for physician services and any additional health services as outlined in Paragraph 5.10.

5.14.4 No Negotiated Managed Care Rate. If the Village Health Center is not a participating provider in your managed care program and a negotiated rate is not agreed upon and you would still like to receive nursing care in the Village Health Center during a Medicare-

qualified stay, then each day of your stay in the Village Health Center will reduce by one day the number of days of care you are eligible to receive without additional charge pursuant to Paragraph 5.4, as applicable. During any such Medicare-qualified stay in the Village Health Center, you agree that you will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above and any charges for physician services and any additional health services as outlined in Paragraph 5.10. If at any time during any such Medicare-qualified stay in the Village Health Center you are no longer eligible to receive any of the days of care provided for in Paragraph 5.4, then you agree to pay the per diem charge for your care in the Village Health Center, the Monthly Fee for your Residence, in accordance with Paragraph 1.5.2 above, and any charges for physician services and any additional health services as outlined in Paragraph 5.10.

5.14.5 Post Medicare-Qualified Stay. At the conclusion of each such Medicare-qualified stay, you will be entitled to care in the Village Health Center in accordance with the terms of this Agreement other than as provided in this Paragraph 5.14, as adjusted to reflect any reduction during such stay in the number of days of care that you are eligible to receive without additional charge as provided in Paragraph 5.4, as applicable.

5.15 Transfer to Hospital or Other Care Facility. If we determine after consultation with your attending physician, your personal representative and you to the extent possible, that you need care beyond that which the Village Health Center is licensed to provide, you will be transferred to a hospital or other care facility. Our staff will not accompany you to the hospital or other facility. We shall not be responsible for any charges associated with the transfer and health care expenses or charges incurred by you after such a transfer. You shall continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5 above.

5.16 Village Health Center Admission Agreement. If you require care in the Village Health Center, you agree to enter into a separate admission agreement for the appropriate level of care, which will be signed by you and us.

5.17 Under Age 62. If you are under the age of 62 when you occupy your Residence under this Agreement, you are not eligible to receive the six (6) days of care in the Village Health Center as described in Paragraph 5.4 until you attain the age of 62. During this time, you will be entitled to Health Center Level Services at the then-current per diem charge being charged to nonresidents until age 62.

6. REPRESENTATIONS.

6.1 Our Representations. We represent and warrant that we are a nonprofit corporation. We are exempt from payment of Federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. We are affiliated with the North Carolina Conference of The United Methodist Church of the Southeastern Jurisdiction. The North Carolina Conference

of The United Methodist Church of the Southeastern Jurisdiction is not responsible for our financial or contractual obligations.

6.2 Your Representations. You represent and warrant that the representations made in the application for residency, your personal health history, and the confidential financial statement are true and correct and may be relied upon by us as a basis for your acceptance for residency at the Village. You also represent and warrant that you have not made any gift of your property in contemplation of the execution of this Agreement.

7. PROMISES.

7.1 Our Promises. It is and shall be our declared policy to operate as a non-profit organization. We will not cancel this Agreement without just cause as specified in Section 9. Further, we shall not cancel this Agreement solely by reason of your financial inability to pay the full Monthly Fee, the personal services monthly fee, or the per diem charge for care in the Village Health Center, provided you have met all "spend-down" provisions of eligibility for the Medicaid program and any public assistance funds. This provision shall not apply if you have impaired your ability to meet your financial obligations hereunder by transfer of assets other than to meet ordinary and customary living expenses or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance, or other health insurance after assuming occupancy. You shall be permitted to remain at the Village for a reduced fee based on your ability to pay for as long as you establish facts to justify deferment of such charges and when deferment of such charges can, in our sole discretion, be granted without impairing our ability to operate the Village on a sound

financial basis for the benefit of all residents.

7.2 Your Promises. You agree to comply with all policies and procedures of the Village as now existing or as hereafter amended; to pay the Entrance Fee, Monthly Fee, and any other charges as provided in this Agreement; to not impair your ability to meet the financial obligations under this Agreement by transferring assets, other than to meet ordinary and customary living expenses, or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance or other health insurance, without our consent; to apply for public assistance funds and/or Medicaid if you should need financial assistance as outlined in Paragraph 7.1 above while receiving Health Center Level Services; and to abide by all other terms of this Agreement.

8. CANCELLATION BY RESIDENT.

8.1 Right of Rescission. Within thirty (30) days following the later of the execution of this Agreement by you or the receipt of a Disclosure Statement from us, you may rescind this Agreement by giving us written notice. You shall not be required to move into the Residence prior to the expiration of the thirty (30) day rescission period. However, if you occupy the Residence during the rescission period and then rescind this Agreement, you will only be charged a Monthly Fee for the period of time that you actually occupied the Residence. Refund of the amount of the Entrance Fee paid shall be as outlined in Paragraph 10.2.

8.2 Cancellation Prior to Occupancy. You may cancel this Agreement for any reason at any time before you move into the Village by giving us written notice

signed by you (both of you in the case of Joint Residents). Refund of the amount of the Entrance Fee paid shall be as outlined in Paragraph 10.3 or 10.4. If you die prior to occupying the Residence or if, on account of illness, injury or incapacity, you are precluded from occupying the Residence under the terms of this Agreement, this Agreement will automatically cancel upon our receipt of notice of your death, illness, injury or incapacity. If you elect to cancel this Agreement because of a substantial change in your physical, mental or financial condition prior to occupancy, then this Agreement will cancel upon written notice from you. Refund of the Entrance Fee shall be as outlined in Paragraph 10.3.

8.3 Cancellation Due to Residence Not Available. You may cancel this Agreement upon written notice to us if we have not made the Residence available to you for occupancy within twenty-four (24) months from the date we execute this Agreement. Refund of the Entrance Fee shall be as outlined in Paragraph 10.7

8.4 Cancellation After Occupancy. You may cancel this Agreement for any reason after moving into the Village by giving us thirty (30) days' prior written notice of cancellation, which shall be effective and irrevocable upon delivery. Cancellation shall occur thirty (30) days after written notice is delivered, and you must remove your personal property from the Residence and from any storage unit within the thirty (30) day notice period as outlined in Paragraph 3.7.3. You are obligated to pay the Monthly Fee during the thirty (30) days, and thereafter if the Residence has not been released to us in accordance with Paragraph 1.5.3 above. Refund of the Entrance Fee shall be as outlined in Paragraph 10.5.

8.5 Cancellation Due to Death After Occupancy. This Agreement will automatically cancel upon your death (the death of the surviving Resident in the case of Joint Residents). Your estate must remove your personal property from the Residence and from any storage unit within thirty (30) days after your death as outlined in Paragraph 3.7.1. Your estate will be obligated to pay the Monthly Fee as outlined in Paragraph 1.5.1 above. Refund of the Entrance Fee shall be as outlined in Paragraph 10.5.

9. CANCELLATION BY UMRH.

9.1 Cancellation Upon Notice. We may, upon notice and opportunity to cure as hereinafter provided, cancel this Agreement for just cause. Just cause shall include the occurrence of any of the following events (hereinafter referred to as a "Default"):

9.1.1 Noncompliance.

You do not comply with the terms of this Agreement or the published operating procedures, covenants, rules, regulations, and policies now existing or later amended by us.

9.1.2 Misrepresentation.

You misrepresent yourself or fail to disclose information during the residency process.

9.1.3 Nonpayment. You fail to pay any charges to us, subject to the provisions of Paragraph 7.1, within forty-five (45) days of the date when such charges are due.

9.1.4 Threat to Health or Safety. Your health status or behavior constitutes a substantial threat to the health, safety or peace

of yourself, other residents, or others including your refusal to consent to relocation, or behavior that would result in physical damage to the property of the Village or others.

9.1.5 Change in Condition. There is a major change in your physical or mental condition and your condition cannot be cared for in the Village Health Center within the limits of our license.

9.2 Default Notice. Prior to cancellation for any Default described in Paragraph 9.1.1, 9.1.2 or 9.1.3 above, we shall give you notice in writing of such Default, and you shall have at least thirty (30) days thereafter within which to correct such Default. No Default shall eliminate your obligation to pay the Monthly Fee. If you correct such Default within such time, this Agreement shall not be canceled. If you fail to correct such Default within such time, this Agreement shall cancel at the expiration of such thirty (30) days.

In the event of the occurrence of a Default described in Paragraph 9.1.4 or 9.1.5 above, if we or the Medical Director determine that either the giving of notice of Default or the lapse of time as above provided might be detrimental to you or others, then such notice and/or waiting period prior to cancellation shall not be required. Also, in the event of the occurrence of a Default described in Paragraph 9.1.4 or 9.1.5, we are expressly authorized by you to transfer you to an appropriate hospital or other facility, and we will promptly notify your personal representative or attending physician.

10. REFUND OF ENTRANCE FEE.

10.1 Nonacceptance by Us. If we do not accept you for residency at the Village, the full amount of the Entrance Fee you have paid will be promptly refunded to you, without interest.

10.2 Right of Rescission. If you rescind this Agreement as provided in Paragraph 8.1, you shall receive a full refund of the portion of the Entrance Fee paid by you, without interest, within sixty (60) days of our receipt of the written notice of rescission.

10.3 Cancellation Prior to Occupancy Due to Death, Illness, Injury, or Incapacity. If, prior to occupancy and after your right of rescission period has expired, you die or you cancel this Agreement because of illness, injury or incapacity, you or your estate will receive a refund in full of the portion of the Entrance Fee you have paid, without interest, less any costs specifically incurred by us at your request and set forth on Exhibit A or in writing in a separate addendum to this Agreement, signed by you and us. Said refund shall be paid within sixty (60) days following (i) the date of automatic cancellation of this Agreement; or (ii) the date of our receipt of your written notice of cancellation.

10.4 Cancellation Prior to Occupancy for Other Reasons. If you cancel this Agreement for reasons other than those stated in Paragraph 10.2 or 10.3 above, you shall receive a refund of the Entrance Fee paid, less a non-refundable portion of the Entrance Fee equal to Two Thousand Dollars (\$2,000) and less any costs specifically incurred by us at your request and set forth on Exhibit A or in writing in a separate addendum to this Agreement,

signed by you and us. Said refund shall be paid within sixty (60) days after our receipt of the written notice of cancellation.

10.5 Cancellation After Occupancy. In the event you or we cancel this Agreement after occupancy or in the event of your death (the death of the survivor in the case of Joint Residents), you or your estate will be reimbursed the amount of the Entrance Fee previously paid by you, less two percent (2%) for each month of residency or portion thereof, for up to twenty-five (25) months. Subject to our offset rights outlined in Paragraph 10.6, the refund of the Entrance Fee will not be less than fifty percent (50%). Said refund will be paid, without interest, at such time as your Residence has been reserved by a new resident and our receipt of the full amount of the Entrance Fee paid by such new resident or within two (2) years from the date of cancellation, whichever occurs first.

10.6 Offset Against Entrance Fee Refund. In the event of cancellation of this Agreement as described in Paragraph 10.5 above, we will offset against any Entrance Fee refund due to you or your estate the following:

10.6.1 The amount of any unpaid Monthly Fees, pro-rated Monthly Fees for the period of time the Residence was occupied (which shall include the period of time until you or your personal representative removes all of your personal property from the Residence and from any storage unit) after cancellation of this Agreement, any Extra Charges, or other charges deferred by us on your behalf under Paragraph 7.1; and

10.6.2 Any health care expenses incurred on your behalf and other amounts payable to us, which remain unreimbursed; and

10.6.3 Any charges incurred to restore the Residence to good condition, normal wear and tear excepted, as outlined in Paragraph 3.11; and

10.6.4 Any charges incurred as a result of options and custom features added to the Residence at your request as outlined in Exhibit A or in a separate addendum to this Agreement.

10.7 Availability of the Residence. If the Residence is not available to you for occupancy within twenty-four (24) months from the date we execute this Agreement, you may terminate this Agreement upon written notice to us. In such event, the full amount of the Entrance Fee you have paid will be refunded to you, without interest, within thirty (30) days from the date we receive your notice of termination.

11. MISCELLANEOUS.

11.1 Nature of Rights. You understand and agree that (i) this Agreement or your rights (including the use of the Residence) under it may not be assigned, and no rights or benefits under this Agreement shall inure to the benefit of your heirs, legatees, assignees, or representatives, except as to receipt of the amounts described in Section 10; (ii) this Agreement and your contractual right to occupy the Village will exist and continue to exist during your lifetime unless canceled as provided herein; (iii) this Agreement grants you the right to occupy and use space in the Village but does not give you exclusive possession of the

Residence against us, and you will not be entitled to any rights of specific performance but will be limited to such remedies as set forth herein and as provided by continuing care law; (iv) this Agreement is not a lease or easement and does not transfer or grant you any interest in real property owned by us; and (v) this Agreement grants to us complete decision-making authority regarding the management and operation of the Village.

11.2 Release. We are not responsible for theft, loss of or damage to your personal property, unless such theft, loss or damage is caused by our negligence or the negligence of our agents or employees, and you hereby release us from any such liability. You may want to obtain at your own expense insurance to protect against such losses.

11.3 Amendment. This Agreement may be amended by agreement of the parties to this Agreement. No amendment of this Agreement shall be valid unless in writing and signed by you and us.

11.4 Law Changes. This Agreement may be modified by us at any time in order to comply with applicable laws or regulations. Further, we may change any part of the Village, including the Residence, to meet the requirements of any applicable law or regulation.

11.5 Entire Agreement. This Agreement and any addenda or amendments thereto contain our entire understanding with respect to your residency at the Village.

11.6 Monthly Statement. You shall receive a monthly statement from us showing the total amount of fees and other charges owed by you, which shall be paid

upon receipt and by no later than the fifteenth (15th) day of each month.

11.7 Responsible Party for Business and Financial Decision Making. Prior to assuming residency at the Village, you agree to execute and deliver to us a Durable Power of Attorney, trust documents, or other documentation naming a responsible party for business and financial decision-making. These documents should be drafted to remain effective notwithstanding your incompetence or disability and shall be in a form acceptable to us. You agree to keep such documents in effect as long as this Agreement is in effect. The person(s) named as your responsible party shall not be a person(s) employed by us or any other entity engaged in the management of the Village.

11.8 Disposition of Furniture, Possessions, and Property. You agree to make provision by Will or otherwise for the disposition of all of your furniture, property, and possessions located on the premises of the Village within sixty (60) days after the date of residency.

11.9 Nonwaiver. If we fail to insist in any instance upon performance of any of the terms, promises, or conditions of this Agreement, it shall not be construed as a waiver or relinquishment of the future performance of any such terms, promises, or conditions, but your obligation with respect to such future performances shall continue in full force and effect.

11.10 Notices. Any notice required to be given to us under this Agreement shall be in writing and sent certified mail, return receipt requested, with all postage and charges prepaid, or hand-delivered to the Executive Director of the Village at 2600 Croasdaile Farm Parkway; Durham, North

Carolina 27705. Such notices shall be dated and signed.

Any notice required to be given to you shall be delivered to you at the Village or at such other place as you shall designate to us in writing and sent by certified mail or hand delivered. All notices mailed in accordance with this Paragraph shall be deemed to be given when mailed whether or not they are actually received.

11.11 Indemnity. We will not be liable for and you agree to indemnify, defend and hold us harmless from claims, damages and 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 that of your guests.

11.12 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.

11.13 Subordination. You agree that all your rights under this Agreement will always be subordinate and junior to the lien of all mortgages or other documents creating liens encumbering the Village, which have been or will be executed by us. Upon request, you agree to execute, acknowledge and deliver to such lender(s) such further written evidence of such subordination as such lender(s) may reasonably require. Except to the extent of your obligation to pay the Monthly Fee and Second Person Monthly Fee, you shall not be liable for any such indebtedness.

11.14 Capacity. This Agreement has been executed on our behalf by our duly authorized agent, and no officer, director, agent or employee of ours shall have any personal liability hereunder to you under any circumstances. This Agreement will become effective upon acceptance and signature by us.

11.15 Resident. In the case of Joint Residents, the rights and obligations of each are joint and several except as the context of this Agreement otherwise requires.

11.16 Reimbursement for Loss or Damage. You or your responsible party, if applicable, agree to reimburse us for any loss or damage to the Village caused by your intentional, careless, or negligent acts or omissions or that of your guests.

11.17 Charges for Collection. You agree to reimburse us for any charges we incur to collect any unpaid amounts you or your estate owes to us under this Agreement.

11.18 Sale or Transfers of Interest. We may sell or transfer our interest in the Village provided the buyer will agree to assume this Agreement and all other existing Residency Agreements. Upon the assumption of this Agreement by a buyer of the Village and its agreement to perform this Agreement and all other agreements, we will have no further obligation hereunder. Your signature hereto constitutes your consent and approval of any such future transaction.

11.19 Private Employee of Resident. If you need additional services, you can obtain these needed services from a private employee, an independent contractor, or through an agency (personal service provider). In such instances, we

strongly advise you to obtain these needed services from a licensed and/or certified home health agency. In any event, you must comply with our policy regarding personal service providers, and ensure that your private employee, independent contractor, or person you employ through an agency complies with our policies and rules of conduct set forth in our policy. If you fail to follow or enforce the policies and rules set forth therein, then we may elect, at our sole option, to cancel this Agreement.

11.20 Tax Considerations. You should consult with your tax advisor regarding the tax considerations associated with this Agreement as more fully explained in our Disclosure Statement.

11.21 Management. We have engaged the services of Life Care Services LLC ("LCS") to manage the Village. We are not affiliated with LCS nor is LCS responsible for our contractual or financial obligations or the contractual or financial obligations of the Village.

11.22 Governing Law. This Agreement will be governed, interpreted and construed according to the laws of the State of North Carolina.

11.23 Survival of Representations and Obligations. Your representations and obligations under this Agreement, including but not limited to, your obligation to pay all sums owed by you to us, and your agreement to indemnify us as set forth in Paragraph 11.11, and our representations and obligations under this Agreement, will survive any cancellation of your residency in the Village, regardless of the reason for such cancellation and regardless of whether it is initiated by you or by us.

12. MEDIATION AND ARBITRATION.

12.1 Mediation. In the event a dispute, claim or controversy of any kind arises between the parties – except for those disputes, claims or controversies arising under Paragraph 12.3 below – 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 an 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.

12.2 Arbitration. In the event a dispute, claim or controversy of any kind arising out of or relating to this Agreement – except for those disputes, claims or controversies arising under Paragraph 12.3 below – cannot be resolved through mediation as described in Paragraph 12.1 above, the parties agree that said dispute, claim, or controversy will be submitted to and determined by arbitration in Durham County, North Carolina in accordance with the Federal Arbitration Act. You and we

will jointly agree on an arbitrator and the arbitrator will be selected according to the procedure set forth in state law, if applicable. In reaching a decision, the arbitrator shall prepare findings of fact and conclusions of law. Any direct arbitration costs incurred by you will be borne by you. Costs of arbitration, including our legal costs and attorneys' fees, arbitrators' fees, and similar costs, will be borne by all residents of the Village provided that the arbitrator may choose to award the costs of arbitration against us if the arbitrator determines that the proposed resolution urged by us was not reasonable. If the issue affects more than one (1) resident, we may elect to join all affected residents into a single arbitration proceeding, and you hereby consent to such joinder.

You may withdraw your agreement to arbitrate within thirty (30) days after signing this Agreement by giving written notice of your withdrawal to us. This arbitration clause binds all parties to this Agreement and their spouses, heirs, representatives, executors, administrators, successors, and assigns, as applicable. After cancellation of this Agreement, this arbitration clause shall remain in effect for the resolution of all claims and disputes that are unresolved as of that date.

12.3 Voluntary Arbitration of Negligent Health Care Claims. For all claims for damages in personal injury or wrongful death actions, based on alleged negligence in the provision of health care, the parties may voluntarily elect to submit to arbitration pursuant to the procedures set forth in Article 1H of Chapter 90 of the North Carolina General Statutes. N.C. G.S. §90-21.60(b) prohibits any contract from requiring prior agreement of the parties to arbitrate negligent health care claims. Thus, Paragraphs 12.1 and 12.2 do not apply to

personal injury or wrongful death actions based on alleged negligence in the provision of health care. If the parties agree to arbitrate such actions, said arbitration will be governed in accordance with N.C.G.S. §90-21.60, *et seq.*

You hereby certify that you received a copy of this Agreement and a copy of our most current Disclosure Statement dated _____, 20____.

Executed this _____ day of _____, 20_____.

RESIDENT

Witness

RESIDENT

Witness

UNITED METHODIST RETIREMENT HOMES, INCORPORATED

By _____
Executive Director

Date: _____

By _____
Authorized Agent of UMRH

Date: _____

Attachment: Exhibit A



02/06/2018

Expansion 50 Percent Return of Capital Residency Agreement (2018-02-06) CLEAN

Exhibit A

Options and Custom Features Added at Resident's Request:	Amount
	\$
	\$
	\$
	\$
	\$
	\$
Total	\$

Initials _____
Community

Resident(s)

Resident(s)



**2600 Croasdaile Farm Parkway
Durham, North Carolina 27705
(919) 384-2000
www.croasdailevillage.org**

**Standard
Residency Agreement
(For Cottage or Villa to Be Constructed)**

02/06/2018

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Exhibit A – Options and Custom Features Added at Resident's Request

GLOSSARY

The following terms are described as used in the accompanying Residency Agreement. Reference to the Residency Agreement and the context in which the terms are used is recommended to provide a fuller understanding of each of the terms:

"Agreement" means the Residency Agreement, entered into between the Resident and The United Methodist Retirement Homes, Incorporated, which outlines the contractual obligations of both parties.

"Entrance Fee" means payment that assures a Resident a place at the Village for life as long as the Resident complies with terms of this Agreement. At the time the Resident makes application for residency at the Village, the Resident will sign a Residency Agreement to reserve the residence selected and will pay an Entrance Fee deposit to the Village. The balance of the Entrance Fee will be paid upon the earlier of (i) occupancy or (ii) 30 days from the date the Resident is notified that the residence is ready of occupancy. Specific information is located in Paragraph 1.2 of this Agreement.

"Extra Charges" means the additional fees required to be paid for the additional services and amenities requested by Resident, as set forth in Paragraph 2.2 of this Agreement.

"Health Center" means the portion of the Village, which is licensed to provide two levels of care: assisted living care and skilled nursing care, as described in Section 5 of the Agreement.

"Heritage Hall" means the portion of the Village, which is designed to provide residents with residential living with personal services, as described in Section 4 of the Agreement.

"Monthly Fee" means that fee payable each month by the Resident as set forth in

Paragraphs 1.3 and 1.4 of the Agreement, in consideration for the services and amenities provided to the residents of the Village described in Paragraph 2.1 of this Agreement. If there are Joint Residents under this Agreement, the Monthly Fee will include a "Second Person Monthly Fee."

"Residence" means the apartment, cottage or home at the Village identified in the introductory paragraph of the Agreement, in which the Resident has the right to live pursuant to this Agreement in exchange for paying the Entrance Fee and the Monthly Fee.

"Resident" or "you" means the Resident(s) who sign this Agreement. Sometimes a second resident (if there are two of you) is referred to in this Agreement as the "Joint Resident." Further, both Residents may be referred to as "Joint Residents." Unless otherwise indicated, "you" refers to both of you if there are two of you.

"The United Methodist Retirement Homes, Incorporated" or "we" or "our" or "us" means the owner of the retirement community known as Croasdaile Village, including all of the residences, common areas, and site amenities associated with these areas. The United Methodist Retirement Homes, Incorporated is a North Carolina non-profit corporation.

"Village" means the continuing care retirement community known as "Croasdaile Village," including all of the residences, common areas, and site amenities.



Residency Agreement Standard

INTRODUCTION

This Standard Residency Agreement ("Agreement") is entered into by The United Methodist Retirement Homes, Incorporated ("UMRH," "we," "us," or "our") and _____ (individually or collectively, "you," "your," or "Resident"). Croasdaile Village is a continuing care retirement community located at 2600 Croasdaile Farm Parkway; Durham, NC 27705 (hereafter the "Village").

We will provide residential housing for seniors along with a wide array of personal services and amenities outlined in this Agreement. Subject to the conditions contained in this Agreement, we agree to make available to you the Residence described as follows:

Residence Number _____
Residence Style _____

You may select certain options and custom features in the Residence at an additional charge, which shall not be subject to any refund provision herein. Any such options and custom features selected and paid for by you will become our property. Such options and custom features must be approved by the Executive Director of the Village prior to adding them to the Residence. The Executive Director of the Village has consented to your request to add the options and custom features set forth on Exhibit A attached to this Agreement. You agree to pay the amount(s) set forth on Exhibit A to cover the charges for such items.

As a Resident of the Village, you are offered lifetime use of your Residence and lifetime access to the Village Health Center, subject to the terms and conditions of this Agreement.

To be accepted for residency, you must meet our residency criteria, which includes: having reached the age of 62 (or sharing your Residence with a Joint Resident who is 62 or older); financial guidelines; and the ability to live in a residence (with or without reasonable accommodation and/or reasonable modification) – all as outlined in our current residency policy.

The purpose of this Agreement is to set forth your rights and duties as a Resident of the Village and to delineate the services to be provided at the Village.

UMRH is also affiliated with The United Methodist Retirement Homes Foundation, Inc. (the "Foundation"). The Foundation is a not-for-profit corporation, which was organized for the benefit of the retirement communities operated by UMRH. Its purpose is to raise endowment funds, to support benevolent care for those residents who are unable to pay for care, and to support special programs.

1. CHARGES FOR RESIDENCE AND PRIMARY SERVICES.

1.1 Application Fee. Prior to or upon execution of this Agreement, you will pay to us a non-refundable Application Fee of \$_____. The Application Fee will be used by us to process your application for residency.

1.2 Entrance Fee. In order to reside at the Village for life, subject to this Agreement, and to receive the services and amenities described below, you agree to pay to us (in addition to the Monthly Fee described below) an Entrance Fee in the amount of \$_____ (includes first and second person, if applicable). The total amount of the Entrance Fee shall be payable as follows:

1.2.1 Ten percent (10%) of the total Entrance Fee or \$_____ is due and payable upon your execution of this Agreement. We will apply any Subscription/ Priority Fee you have paid against the Entrance Fee deposit.

1.2.2 The balance of \$_____ (ninety percent (90%) of the Entrance Fee) shall be paid on the earlier of (i) the date you assume occupancy at the Village or (ii) within thirty (30) days from the date you are notified that the Residence is ready for occupancy.

1.3 Monthly Fee. You are obligated to begin paying a Monthly Fee (or a pro rata portion thereof) on the earlier of (i) the date you assume occupancy at the Village or (ii) within thirty (30) days from the date you are notified that the Residence is ready for occupancy. Thereafter, the Monthly Fee is due upon receipt of a

statement from us and by no later than the fifteenth (15th) of each month. The Monthly Fee is initially set at a specific amount that can be increased as described in Paragraph 1.6 below. A "Second Person Monthly Fee" shall become part of the Monthly Fee and shall be paid if two persons are Joint Residents under this Agreement. If there are Joint Residents under this Agreement and one Joint Resident dies, the Second Person Monthly Fee shall cease and the remaining Resident shall continue to pay the Monthly Fee without the Second Person Monthly Fee component.

1.4 Initial Monthly Fee. The initial Monthly Fee payable by you is \$_____ per month and an additional \$_____ per month as a Second Person Monthly Fee component of the Monthly Fee if two persons reside as Joint Residents pursuant to this Agreement.

1.5 Continuance of Monthly Fee. Payment of the Monthly Fee will continue as follows:

1.5.1 In the event of your death (in the case of Joint Residents, the death of the surviving Resident), until your estate removes all of your personal property from the Residence and from any storage unit.

1.5.2 In the event of your permanent relocation to Heritage Hall, Health Center Level Services or Comparable Facility for Health Center Level Services (see definitions in Paragraphs 5.1 and 5.2), or to another care facility licensed to provide the appropriate care you need, until you or your personal representative removes all of your personal property from the Residence and from any storage unit.

1.5.3 In the event of cancellation of this Agreement as outlined in Section 8 or 9, until expiration of the cancellation period and continues until you remove all of your personal property from the Residence and from any storage unit.

1.6 Increase in Monthly Fee. The Monthly Fee is paid to us to provide the services and amenities described in this Agreement and is intended to meet the expenses associated with the operation of the Village. We may increase the Monthly Fee (which includes the Second Person Monthly Fee where applicable) upon thirty (30) days' written notice if we, in our sole discretion, deem it necessary to meet the financial needs of the Village or to provide quality services to the Residents.

1.7 Reduction in Monthly Fee Due to Absence. If you are absent from the Village for more than fourteen (14) consecutive days, your Monthly Fee will be reduced by the raw food cost determined through the Village's budgeting process. You are required to notify us of your absence in order to qualify for the reduction in the Monthly Fee.

1.8 Reserve Funds. The amount of the Monthly Fee also is and will continue to be affected by our policy of maintaining reserve funds for the financial security of the Village.

1.9 Late Payment Charge. We will charge a late payment charge in the amount of twenty-five dollars (\$25.00) if the Monthly Fee or any Extra Charges are not paid by the fifteenth (15th) day of the month. Balances over thirty (30) days old will be assessed a one percent (1%) interest charge per month. If we hire a collection agency or attorney to collect the Monthly Fee and

Extra Charges past due from you, you are to pay any and all costs of collection, including reasonable attorney's fees, costs, and expenses associated with such collection efforts.

2. DESCRIPTION OF PRIMARY AND SUPPLEMENTAL SERVICES.

2.1 Services Provided for the Monthly Fee. We will provide you, in consideration for the Monthly Fee referred to above, the following services and amenities at the Village:

- Under the Flexible Meal Program, each Resident living in Cottages and Apartments (excluding studio apartments) will receive a Dining Allocation as part of the Monthly Fee and second person Monthly Fee. The meal program will provide you sufficient credits to dine daily, and may be expended by you, or with your permission, your guests. Any unused meal credits at the end of the 90-day cycle cannot be carried over to the next cycle and all unused meal credits will be lost. No credits will be refunded or carried over for residents who are absent from the Village for any number of days. Your meal credits will be adjusted annually to reflect changes in meals and food costs. For more information, please refer to the Flexible Meal Program Policy;
- Studio apartment residents receive three (3) meals per day;
- Limited tray service to be provided when approved by authorized staff;
- Consultation and preparation of routine special diets;
- Utilities, which include heating, air conditioning, electricity, water, sewer and trash removal;

- Basic cable television package;
- Building janitor and maintenance;
- Grounds keeping;
- Weekly housekeeping services;
- Availability of laundry facilities so that you can wash and dry personal laundry;
- Planned activities (social, cultural, recreational, educational, and spiritual) for those who wish to participate;
- Services of a chaplain;
- Parking for you and your guests;
- Carpeting (except in kitchen and bath), unless some other floor surface has been installed;
- Kitchen facilities, except some studio apartments only contain a refrigerator and a microwave;
- Local transportation as scheduled by us and as posted;
- Limited additional storage space;
- Personal emergency transmitter system;
- Smoke detectors;
- Security – 24 hours a day; and
- Six (6) days each year of assisted living or nursing care in the Village Health Center as outlined in Paragraph 5.4.

2.2 Supplemental Services Provided for Extra Charge. Supplemental services, when available, will be provided at Extra Charge and are described below. A list of Extra Charges for these supplemental services can be obtained from administration.

- Meals, guest meals, and other food charges in excess of your Dining Allocations, as outlined in Section 2.1. Extended tray service as approved by authorized staff;

- Preparation of special diets (beyond those which are routine and based upon our ability to prepare/offer such diet), as prescribed by your attending physician;
- Additional housekeeping services;
- Guest accommodations, if available;
- Private catered functions;
- Personal transportation and transportation for special events and group trips;
- Expanded cable television package;
- Services of the Clinic – a copy of the charges for Clinic services can be obtained from the Clinic;
- Home care services through the Croasdaile Village Home Care Program;
- Personal care services in Heritage Hall as outlined in Section 4;
- Assisted living services or nursing care services through the Village Health Center as outlined in Section 5; and
- Certain ancillary services and supplies (such as therapies, pharmacy, laboratory, therapeutic activities, rehabilitative treatments, medical equipment, medical supplies, medical treatment, physician services, and other miscellaneous medical services and supplies) as outlined in Paragraph 5.10.

3. TERMS OF RESIDENCY.

3.1 Use of the Residence. The Residence is for living only and will not be used for carrying on any business or profession, nor in any manner in violation of zoning restrictions. This Agreement is not a lease, and grants you only the right to live in the Residence, access to other facilities of the Village, and to available services and

amenities, subject to the terms and conditions of this Agreement.

3.2 Duration of Your Right to Occupy the Residence. You may reside in your Residence for as long as you (or either of you in the case of Joint Residents) live unless you (both of you in the case of Joint Residents) are not capable of occupancy as set forth in our residency policy, or this Agreement is canceled by you or by us. If, in the opinion of your attending physician or the Medical Director, your physical or mental health requires that you need home care services, personal care services, assisted living services, or nursing care services, you will be requested to obtain the needed services in your Residence (at your expense), relocate to Heritage Hall, or relocate to the Village Health Center or Comparable Facility (as defined in Paragraph 5.2).

3.3 Occupants of the Residence. Except as hereinafter provided, no person other than you (both of you in case of Joint Residents) may occupy the Residence. In the event that a second person who is not a party to this Agreement is accepted for residency in the Residence at a time subsequent to the date hereof (said acceptance to be in accordance with our current residency policy), an Entrance Fee in an amount to be determined by us (which will be no more than one-half of the then-current Entrance Fee for the Residence) shall be paid upon residency, and each month thereafter, the then-current Second Person Monthly Fee shall be paid as part of the Monthly Fee. If such second person does not meet the requirements for residency, such second person will not be permitted to occupy the Residence for more than thirty (30) days, except with our express written approval.

If the Resident marries a person who is also a resident of the Village, and should they decide to occupy one residence as Joint Residents, they must declare which residence will be occupied and which residence will be released. The refund due for the released residence, if any, will be provided as described in Paragraph 10.5 of this Agreement.

3.4 Guests. Guests are welcome to stay in your Residence for short stays not to exceed ten (10) consecutive days. Such stay shall not, in the opinion of the Executive Director, adversely affect the operation of the Village or be inconsistent with the welfare of our residents.

3.5 Release. We are not responsible for theft, loss of or damage to your personal property, unless such theft, loss or damage is caused by our negligence or the negligence of our agents or employees, and you hereby release us from such liability.

3.6 Insurance. Our insurance does not cover your personal property or your liability. It is recommended that you carry personal property insurance and liability insurance at your own expense to cover against any loss or damage to your personal property or to the property of others caused by your negligence or that of your guests. If requested by us, you agree to provide us with proof of such insurance coverage.

3.7 Removal and Storage of Resident's Personal Property. Your personal property must be removed from the Residence and from any storage unit as follows:

3.7.1 Within thirty (30) days following the date of your death (if Joint Residents, the date of death

of the surviving Resident). If your personal property is not removed from the Residence and from any storage unit within such thirty (30) days, we will continue to charge your estate the Monthly Fee as outlined in Paragraph 1.5.1 above, or we may remove and store such personal property at the expense and risk of your estate. Your Entrance Fee will continue to amortize, if applicable, until the Residence and any storage unit is completely vacated. We will only allow the executor(s) named in your Will to remove or dispose of your personal property in your living accommodation and any related storage unit at the Village. 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.

3.7.2 Within thirty (30) days following the date notice is delivered to you of your permanent relocation to Heritage Hall, to the Village Health Center or a Comparable Facility for Health Center Level Services (see definitions in Paragraphs 5.1 and 5.2), or to another care facility licensed to provide the appropriate care you need. If your personal property is not removed from the Residence and from any storage unit within such thirty (30) days, we will continue to charge you the Monthly Fee as outlined in Paragraph 1.5.2 above, or we may remove and store such personal property at your expense and risk.

3.7.3 At the end of the cancellation period outlined in Section 8 or 9. If your personal property is not removed from the Residence and from any storage unit by the end of the cancellation period, we will continue to charge you the Monthly Fee as outlined in Paragraph 1.5.3 above, or we may remove and store such personal property at your expense and risk. Your Entrance Fee will continue to amortize, if applicable, until the Residence and any storage unit is completely vacated.

3.8 Furnishings. Furnishings within the Residence will not be provided by us except as stated in Paragraph 2.1. Furnishings provided by you shall not be such as to interfere with your health, safety or general welfare, or that of other residents or others.

3.9 Emergency Entry and Relocation. We may enter your Residence should it be necessary in an emergency to protect your health or safety or the health or safety of other residents. If relocation is recommended by the Medical Director or your attending physician, we will request that you relocate to another residence within the Village (which may include Heritage Hall), to the Village Health Center or a Comparable Facility (as defined in Paragraph 5.2), or to a hospital or other care facility for the protection of your health or safety or for the health or safety of the other residents of the Village.

3.10 Alterations by You. You may not undertake any alterations to your Residence without our prior written approval. Said alterations will be set forth in a separate addendum to this Agreement, signed by you and us. Any alterations to the landscaping of your Residence must meet

the covenants of Croasdaile Farm Master Homeowners' Association and be approved by the Village's Building and Grounds Committee.

3.11 Condition of Residence.

Upon vacating the Residence, you agree to leave it in good and clean condition. You shall be liable to us for any charges incurred to restore your Residence to good and clean condition, except for normal wear and tear.

3.12 Rights of Second Single Resident. When two Joint Residents reside in a single Residence under this Agreement, upon the death or permanent relocation of one Resident to a different level of care at the Village, or other inability of that Resident to continue residing in the Residence, the remaining Resident may continue to reside in the Residence under the terms of this Agreement and shall pay the Monthly Fee.

3.13 Smoke-Free Community. The Village is a smoke-free community pursuant to its Smoke-Free Campus Policy (a copy of which is available upon request), wherein the campus and buildings have been designated as "smoke free". Smoking (including E-Cigarettes) is not allowed by residents, guests, and business invitees on the Village campus (inside or outside), except in a designated outside area. No smoking areas include, but are not limited to, the residences, Heritage Hall, the Village Health Center (including both the assisted living facility and nursing facility), hallways, dining rooms, public restrooms, lounge areas, reception areas, waiting rooms, courtyards, entrances, walking paths, driveways, and any other common areas. Smoking is only permitted at the designated outdoor area. Violation of the Smoke-Free Campus Policy can result in our cancellation

of this Agreement for just cause as outlined in Paragraph 9.1 hereof.

3.14 Firearms Policy. The Village has adopted a policy governing the possession of firearms at the Village. Firearms need to be registered with the Village and properly secured. In the event that you are unable to safely maintain a firearm, we will contact your designated power of attorney, legal representative or family member to remove any firearms from your Residence.

4. HERITAGE HALL. If you are in need of additional personal services, you can obtain these needed services through the Village's residential living with personal services program available at Heritage Hall. If such services are needed, you will be required to enter into an amendment to this Agreement, transfer from your Residence to a personal services apartment at Heritage Hall, and pay the then-current personal services monthly fee. A copy of the amendment is included in the Village's Disclosure Statement and is also available upon request.

Following is a list of services and amenities available at Heritage Hall for the personal services monthly fee:

- Staff assistance 24 hours a day;
- Three (3) meals per day;
- Limited tray service to be provided when approved by authorized staff;
- Consultation and preparation of routine special diets;
- Utilities, which include heating, air conditioning, electricity, water, sewer and trash removal;
- Basic cable television package;
- Building janitor and maintenance;
- Grounds keeping;
- Planned assistance with bathing;

- Planned assistance with dressing;
- Medication cueing (no administration or treatments);
- Weekly housekeeping services;
- Linen service and bed making twice per month;
- Personal laundry service;
- Planned activities (social, cultural, recreational, educational, and spiritual) for those who wish to participate;
- Services of a chaplain;
- Parking for residents and guests;
- Carpeting (except in kitchen and bath), unless some other floor surface has been installed;
- Kitchenette with apartment-size microwave and refrigerator;
- Local transportation as scheduled by us and as posted;
- Personal emergency transmitter system;
- Smoke detectors;
- Security – 24 hours a day; and
- Six (6) days each year of assisted living or nursing care in the Village Health Center as outlined in Paragraph 5.4.

Supplemental services, when available, will be provided at Extra Charge to Heritage Hall residents as described below. A list of Extra Charges for these supplemental services can be obtained from administration.

- Guest meals;
- Guest accommodations, if available;
- Expanded cable television package;
- Private catered functions;
- Hair grooming services;
- Extended tray service as approved by authorized staff;
- Preparation of special diets (beyond those which are routine and based upon our ability to prepare/offer such

- diet), as prescribed by resident's attending physician;
- Personal transportation and transportation for special events and group trips;
- Personal service provider;
- Physician services;
- Professional medical services;
- Services of the Clinic – a copy of the charges for Clinic services can be obtained from the Clinic;
- Pharmacy/medications;
- Physical therapy, speech therapy and occupational therapy;
- Nursing supplies;
- Podiatry services;
- Home care services through the Croasdaile Village Home Care Program;
- Assisted living services or nursing care services through the Village Health Center as outlined in Section 5; and
- Certain ancillary services and supplies (such as therapies, pharmacy, laboratory, therapeutic activities, rehabilitative treatments, medical equipment, medical supplies, medical treatment, physician services, and other miscellaneous medical services and supplies).

5. THE VILLAGE HEALTH CENTER.

5.1 Description. The Village Health Center is the portion of the Village which is licensed to provide two levels of care: assisted living care and skilled nursing care (collectively "Health Center Level Services"). The Village Health Center is staffed by licensed nursing personnel 24 hours a day.

5.2 Alternate Accommodations. You will be given priority over non-residents for admission to the Village Health

Center. In the event the Village Health Center is fully occupied when you are determined to need such care, you agree to relocate to an alternate health care facility that provides services similar to the Village Health Center or to another care facility licensed to provide the appropriate care you need (a "Comparable Facility") until an appropriate space becomes available for you at the Village. We will not be responsible for the charges associated with the Comparable Facility. Upon your relocation to a Comparable Facility, you shall continue to pay the Monthly Fee in accordance with Paragraph 1.5.2 above.

5.3 Clinic. The Clinic is available for certain examinations, consultations, tests and appointments. Such services will be at an Extra Charge to you.

5.4 Six (6) Days of Assisted Living or Nursing Care in the Village Health Center. You are eligible to receive a total of six (6) days each year of either assisted living care or nursing care in the Village Health Center while you are a resident of your Residence. In the case of Joint Residents, each of you will receive six (6) days, but the days cannot be combined and used by only one of you. Such six (6) days renews on an annual basis and does not accumulate. You are required to pay the charges for physician services and any additional health services as outlined in Paragraph 5.10. Once you are permanently assigned to assisted living or nursing care in the Village Health Center or Comparable Facility, you no longer qualify for the six (6) free days of assisted living or nursing care and will be required to pay the per diem charge for such care. **[NOTE: The six (6) days of care is a combined annual total for assisted living care and nursing care at the Village.]**

5.5 Transfer to Health Center Level Services. In the event your physical or mental health is determined by us to be appropriate for Health Center Level Services, you agree to relocate to the Village Health Center or a Comparable Facility. Such a determination will be made by us after a review by the Director of Nursing, the Medical Director and the Executive Director in consultation with your attending physician, your personal representative, and you to the extent possible.

5.6 Temporary Relocation to the Village Health Center. In the event you require temporary care in the Village Health Center (beyond the six (6) days of care as outlined in Paragraph 5.4, if applicable), you will pay the per diem charge applicable to the level of care needed by you, as well as the charges for physician services and any additional health services as outlined in Paragraph 5.10. Subject to the terms and conditions of this Agreement, you will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above.

5.7 Permanent Relocation to Health Center Level Services. In the event you require permanent care in the Village Health Center (beyond the six (6) days of care as outlined in Paragraph 5.4, if applicable), you will pay the per diem charge applicable to the level of care needed by you, as well as the charges for physician services and any additional health services as outlined in Paragraph 5.10. If you are determined appropriate for Health Center Level Services, and are permanently relocated to the Village Health Center or a Comparable Facility, you will be required to release your Residence to us, and remove all of your personal property from the Residence and from any storage unit as outlined in Paragraph 3.7.2. We shall have the

right to reassign the Residence for occupancy by others except as provided in Paragraph 3.12. Release of the Residence due to your permanent relocation to the Village Health Center or to a Comparable Facility does not qualify you for a refund of the Entrance Fee, unless this Agreement is canceled. Subject to the terms and conditions of this Agreement, you will continue to pay the Monthly Fee in accordance with Paragraph 1.5.2 above.

5.8 Relocation within the Village Health Center. We reserve the right to relocate you to a different level of care within the Village Health Center if you require such care. Such relocation will be made after a review by the Director of Nursing, the Medical Director and the Executive Director in consultation with your attending physician, your personal representative, and you to the extent possible.

5.9 Return to Residence. If we subsequently determine, in consultation with your attending physician, your personal representative and you to the extent possible, that you can resume occupancy in a residence equivalent to the residence you previously occupied, you shall have the right to relocate to such equivalent residence as soon as one is available. Upon reoccupying a residence, your Monthly Fee will be based on the then-current Monthly Fee for the residence.

5.10 Medical Director, Attending Physician, and Additional Health Services. We have designated a licensed physician to serve as Medical Director of the Village Health Center. You are required to have a local attending physician. You may engage the services of the Medical Director at your expense. If your personal physician will be providing

you with services in the Village Health Center, he/she may do so upon providing us with his/her credentials and with proof of liability insurance, and he/she agrees to abide by our policies and procedures. We will not be responsible for the charges for medical treatment or services by the Medical Director or your attending physician, nor will we be responsible for the charges for medication, prescribed therapy, nursing supplies, and other medical and miscellaneous supplies and services associated with medical treatment.

5.11 Advanced Payment for Medical Treatment. In the event we incur or advance payment for your medical treatment or for medication, prescribed therapy, nursing supplies, and other medical and miscellaneous supplies and services associated with medical treatment (even in the event such medical care is given at the direction of your attending physician or the Medical Director without your prior approval), you shall promptly reimburse us for such payments. Upon cancellation of this Agreement for any reason, any amounts due to us under this Paragraph 5.11 shall be offset against any refund of the Entrance Fee.

5.12 Long-Term Care Insurance. We will use reasonable efforts to assist you in working with your long-term care insurance provider to obtain the benefits to which you may be entitled.

5.13 Medicare and Health Insurance. When eligible, you are required to maintain Medicare Part A, Medicare Part B, and one supplemental health insurance policy or equivalent insurance coverage acceptable to us to assure your ability to fully cover a Medicare-qualified stay in the Village Health Center or a Comparable Facility. You shall furnish to us such

evidence of coverage as we may from time to time request. Such supplemental insurance should cover Medicare co-insurance and deductibles. Should your supplemental health insurance or equivalent coverage not fully cover a Medicare-qualified stay in the Village Health Center or a Comparable Facility, or should you fail to purchase supplemental health insurance or equivalent coverage to fully cover a Medicare-qualified stay in the Village Health Center or a Comparable Facility, you shall be financially responsible for paying deductibles, co-insurance amounts, and any other charges for each Medicare-qualified admission and stay in the Village Health Center or a Comparable Facility. If you are eligible to receive the six (6) days of nursing care in the Village Health Center as provided in Paragraph 5.4 and your stay in the Village Health Center is a Medicare-qualified stay, such six (6) days will be applied after the expiration of your Medicare-qualified stay providing you have Medicare Part A, Medicare Part B and acceptable supplemental health insurance or equivalent insurance coverage.

If you are not eligible for Medicare, you shall maintain health insurance coverage acceptable to us and shall furnish us with evidence of such coverage upon our request. Should your health insurance not fully cover your stay in the Village Health Center or a Comparable Facility, you shall be financially responsible for paying deductibles, co-insurance amounts, and any other charges for each admission and stay in the Village Health Center or a Comparable Facility.

If failure to maintain Medicare Part A, Medicare Part B, supplemental health insurance or other health insurance coverage causes depletion of your resources and impairs your ability to meet your financial

obligations, we need not defer your financial obligations to us as outlined in Paragraph 7.1, and we retain the right to cancel the Residency Agreement as provided in Section 9.

5.14 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:

5.14.1 Participating Provider. If the Village Health Center is a participating provider with your managed care program and your stay is a Medicare-qualified stay, the Village agrees to be reimbursed at the rate negotiated with your managed care program. Such a managed care stay in the Village Health Center will not reduce the number of days of care you are eligible to receive without additional charge pursuant to Paragraph 5.4, as applicable. You will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above, as well as any charges for physician services and any additional health services as outlined in Paragraph 5.10.

5.14.2 Not a Participating Provider. If the Village Health Center 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 charges for health care services. In addition, while receiving health care services at the managed care participating provider, you will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above. Such a stay at a managed care participating provider will not reduce the number of days of care that you are eligible to receive without additional charge pursuant to Paragraph 5.4, as applicable.

5.14.3 Negotiated Managed Care Rate. If the Village Health Center is not a participating provider in your managed care program and your stay is a Medicare-qualified stay, we will attempt to negotiate a reimbursement rate with your managed care program. If we are able to negotiate an acceptable rate, we agree to accept as full payment the rate provided by your managed care program. Such a managed care stay in the Village Health Center will not reduce the number of days of care that you are eligible to receive without additional charge pursuant to Paragraph 5.4, as applicable. You will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above, as well as any charges for physician services and any additional health services as outlined in Paragraph 5.10.

5.14.4 No Negotiated Managed Care Rate. If the Village Health Center is not a participating provider in your managed care program and a negotiated rate is not agreed upon and you would still like to receive nursing care in the Village Health Center during a Medicare-

qualified stay, then each day of your stay in the Village Health Center will reduce by one day the number of days of care you are eligible to receive without additional charge pursuant to Paragraph 5.4, as applicable. During any such Medicare-qualified stay in the Village Health Center, you agree that you will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above and any charges for physician services and any additional health services as outlined in Paragraph 5.10. If at any time during any such Medicare-qualified stay in the Village Health Center you are no longer eligible to receive any of the days of care provided for in Paragraph 5.4, then you agree to pay the per diem charge for your care in the Village Health Center, the Monthly Fee for your Residence, in accordance with Paragraph 1.5.2 above, and any charges for physician services and any additional health services as outlined in Paragraph 5.10.

5.14.5 Post Medicare-Qualified Stay. At the conclusion of each such Medicare-qualified stay, you will be entitled to care in the Village Health Center in accordance with the terms of this Agreement other than as provided in this Paragraph 5.14, as adjusted to reflect any reduction during such stay in the number of days of care that you are eligible to receive without additional charge as provided in Paragraph 5.4, as applicable.

5.15 Transfer to Hospital or Other Care Facility. If we determine after consultation with your attending physician, your personal representative and you to the extent possible, that you need care beyond that which the Village Health Center is licensed to provide, you will be transferred to a hospital or other care facility. Our staff will not accompany you to the hospital or other facility. We shall not be responsible for any charges associated with the transfer and health care expenses or charges incurred by you after such a transfer. You shall continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5 above.

5.16 Village Health Center Admission Agreement. If you require care in the Village Health Center, you agree to enter into a separate admission agreement for the appropriate level of care, which will be signed by you and us.

5.17 Under Age 62. If you are under the age of 62 when you occupy your Residence under this Agreement, you are not eligible to receive the six (6) days of care in the Village Health Center as described in Paragraph 5.4 until you attain the age of 62. During this time, you will be entitled to Health Center Level Services at the then-current per diem charge being charged to nonresidents until age 62.

6. REPRESENTATIONS.

6.1 Our Representations. We represent and warrant that we are a nonprofit corporation. We are exempt from payment of Federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. We are affiliated with the North Carolina Conference of The United Methodist Church of the Southeastern Jurisdiction. The North Carolina Conference

of The United Methodist Church of the Southeastern Jurisdiction is not responsible for our financial or contractual obligations.

6.2 Your Representations. You represent and warrant that the representations made in the application for residency, your personal health history, and the confidential financial statement are true and correct and may be relied upon by us as a basis for your acceptance for residency at the Village. You also represent and warrant that you have not made any gift of your property in contemplation of the execution of this Agreement.

7. PROMISES.

7.1 Our Promises. It is and shall be our declared policy to operate as a non-profit organization. We will not cancel this Agreement without just cause as specified in Section 9. Further, we shall not cancel this Agreement solely by reason of your financial inability to pay the full Monthly Fee, the personal services monthly fee, or the per diem charge for care in the Village Health Center, provided you have met all "spend-down" provisions of eligibility for the Medicaid program and any public assistance funds. This provision shall not apply if you have impaired your ability to meet your financial obligations hereunder by transfer of assets other than to meet ordinary and customary living expenses or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance, or other health insurance after assuming occupancy. You shall be permitted to remain at the Village for a reduced fee based on your ability to pay for as long as you establish facts to justify deferment of such charges and when deferment of such charges can, in our sole discretion, be granted without impairing our ability to operate the Village on a sound

financial basis for the benefit of all residents.

7.2 Your Promises. You agree to comply with all policies and procedures of the Village as now existing or as hereafter amended; to pay the Entrance Fee, Monthly Fee, and any other charges as provided in this Agreement; to not impair your ability to meet the financial obligations under this Agreement by transferring assets, other than to meet ordinary and customary living expenses, or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance or other health insurance, without our consent; to apply for public assistance funds and/or Medicaid if you should need financial assistance as outlined in Paragraph 7.1 above while receiving Health Center Level Services; and to abide by all other terms of this Agreement.

8. CANCELLATION BY RESIDENT.

8.1 Right of Rescission. Within thirty (30) days following the later of the execution of this Agreement by you or the receipt of a Disclosure Statement from us, you may rescind this Agreement by giving us written notice. You shall not be required to move into the Residence prior to the expiration of the thirty (30) day rescission period. However, if you occupy the Residence during the rescission period and then rescind this Agreement, you will only be charged a Monthly Fee for the period of time that you actually occupied the Residence. Refund of the amount of the Entrance Fee paid shall be as outlined in Paragraph 10.2.

8.2 Cancellation Prior to Occupancy. You may cancel this Agreement for any reason at any time before you move into the Village by giving us written notice

signed by you (both of you in the case of Joint Residents). Refund of the amount of the Entrance Fee paid shall be as outlined in Paragraph 10.3 or 10.4. If you die prior to occupying the Residence or if, on account of illness, injury or incapacity, you are precluded from occupying the Residence under the terms of this Agreement, this Agreement will automatically cancel upon our receipt of notice of your death, illness, injury or incapacity. If you elect to cancel this Agreement because of a substantial change in your physical, mental or financial condition prior to occupancy, then this Agreement will cancel upon written notice from you. Refund of the Entrance Fee shall be as outlined in Paragraph 10.3.

8.3 Cancellation Due to Residence Not Available. You may cancel this Agreement upon written notice to us if we have not made the Residence available to you for occupancy within twenty-four (24) months from the date we execute this Agreement. Refund of the Entrance Fee shall be as outlined in Paragraph 10.7

8.4 Cancellation After Occupancy. You may cancel this Agreement for any reason after moving into the Village by giving us thirty (30) days' prior written notice of cancellation, which shall be effective and irrevocable upon delivery. Cancellation shall occur thirty (30) days after written notice is delivered, and you must remove your personal property from the Residence and from any storage unit within the thirty (30) day notice period as outlined in Paragraph 3.7.3. You are obligated to pay the Monthly Fee during the thirty (30) days, and thereafter if the Residence has not been released to us in accordance with Paragraph 1.5.3 above. Refund of the Entrance Fee shall be as outlined in Paragraph 10.5.

8.5 Cancellation Due to Death After Occupancy. This Agreement will automatically cancel upon your death (the death of the surviving Resident in the case of Joint Residents). Your estate must remove your personal property from the Residence and from any storage unit within thirty (30) days after your death as outlined in Paragraph 3.7.1. Your estate will be obligated to pay the Monthly Fee as outlined in Paragraph 1.5.1 above. Refund of the Entrance Fee shall be as outlined in Paragraph 10.5.

9. CANCELLATION BY UMRH.

9.1 Cancellation Upon Notice. We may, upon notice and opportunity to cure as hereinafter provided, cancel this Agreement for just cause. Just cause shall include the occurrence of any of the following events (hereinafter referred to as a "Default"):

9.1.1 Noncompliance.

You do not comply with the terms of this Agreement or the published operating procedures, covenants, rules, regulations, and policies now existing or later amended by us.

9.1.2 Misrepresentation.

You misrepresent yourself or fail to disclose information during the residency process.

9.1.3 Nonpayment. You fail to pay any charges to us, subject to the provisions of Paragraph 7.1, within forty-five (45) days of the date when such charges are due.

9.1.4 Threat to Health or Safety. Your health status or behavior constitutes a substantial threat to the health, safety or peace

of yourself, other residents, or others including your refusal to consent to relocation, or behavior that would result in physical damage to the property of the Village or others.

9.1.5 Change in Condition. There is a major change in your physical or mental condition and your condition cannot be cared for in the Village Health Center within the limits of our license.

9.2 Default Notice. Prior to cancellation for any Default described in Paragraph 9.1.1, 9.1.2 or 9.1.3 above, we shall give you notice in writing of such Default, and you shall have at least thirty (30) days thereafter within which to correct such Default. No Default shall eliminate your obligation to pay the Monthly Fee. If you correct such Default within such time, this Agreement shall not be canceled. If you fail to correct such Default within such time, this Agreement shall cancel at the expiration of such thirty (30) days.

In the event of the occurrence of a Default described in Paragraph 9.1.4 or 9.1.5 above, if we or the Medical Director determine that either the giving of notice of Default or the lapse of time as above provided might be detrimental to you or others, then such notice and/or waiting period prior to cancellation shall not be required. Also, in the event of the occurrence of a Default described in Paragraph 9.1.4 or 9.1.5, we are expressly authorized by you to transfer you to an appropriate hospital or other facility, and we will promptly notify your personal representative or attending physician.

10. REFUND OF ENTRANCE FEE.

10.1 Nonacceptance by Us. If we do not accept you for residency at the Village, the full amount of the Entrance Fee you have paid will be promptly refunded to you, without interest.

10.2 Right of Rescission. If you rescind this Agreement as provided in Paragraph 8.1, you shall receive a full refund of the portion of the Entrance Fee paid by you, without interest, within sixty (60) days of our receipt of the written notice of rescission.

10.3 Cancellation Prior to Occupancy Due to Death, Illness, Injury, or Incapacity. If, prior to occupancy and after your right of rescission period has expired, you die or you cancel this Agreement because of illness, injury or incapacity, you or your estate will receive a refund in full of the portion of the Entrance Fee you have paid, without interest, less any costs specifically incurred by us at your request and set forth on Exhibit A or in writing in a separate addendum to this Agreement, signed by you and us. Said refund shall be paid within sixty (60) days following (i) the date of automatic cancellation of this Agreement; or (ii) the date of our receipt of your written notice of cancellation.

10.4 Cancellation Prior to Occupancy for Other Reasons. If you cancel this Agreement for reasons other than those stated in Paragraph 10.2 or 10.3 above, you shall receive a refund of the Entrance Fee paid, less a non-refundable portion of the Entrance Fee equal to Two Thousand Dollars (\$2,000) and less any costs specifically incurred by us at your request and set forth on Exhibit A or in writing in a separate addendum to this Agreement,

signed by you and us. Said refund shall be paid within sixty (60) days after our receipt of the written notice of cancellation.

10.5 Cancellation After Occupancy. In the event you or we cancel this Agreement after occupancy or in the event of your death (the death of the survivor in the case of Joint Residents), you or your estate will be reimbursed the amount of the Entrance Fee previously paid by you, less two percent (2%) for each month of residency or portion thereof, for up to fifty (50) months. After fifty (50) months of occupancy, no refund of the Entrance Fee will be made. Said refund, if any, will be paid, without interest, at such time as your Residence has been reserved by a new resident and our receipt of the full amount of the Entrance Fee paid by such new resident or within two (2) years from the date of cancellation, whichever occurs first.

10.6 Offset Against Entrance Fee Refund. In the event of cancellation of this Agreement as described in Paragraph 10.5 above, we will offset against any Entrance Fee refund due to you or your estate the following:

10.6.1 The amount of any unpaid Monthly Fees, pro-rated Monthly Fees for the period of time the Residence was occupied (which shall include the period of time until you or your personal representative removes all of your personal property from the Residence and from any storage unit) after cancellation of this Agreement, any Extra Charges, or other charges deferred by us on your behalf under Paragraph 7.1; and

10.6.2 Any health care expenses incurred on your behalf and

other amounts payable to us, which remain unreimbursed; and

10.6.3 Any charges incurred to restore the Residence to good condition, normal wear and tear excepted, as outlined in Paragraph 3.11; and

10.6.4 Any charges incurred as a result of options and custom features added to the Residence at your request as outlined in Exhibit A or in a separate addendum to this Agreement.

10.7 Availability of the Residence.

If the Residence is not available to you for occupancy within twenty-four (24) months from the date we execute this Agreement, you may terminate this Agreement upon written notice to us. In such event, the full amount of the Entrance Fee you have paid will be refunded to you, without interest, within thirty (30) days from the date we receive your notice of termination.

11. MISCELLANEOUS.

11.1 Nature of Rights. You understand and agree that (i) this Agreement or your rights (including the use of the Residence) under it may not be assigned, and no rights or benefits under this Agreement shall inure to the benefit of your heirs, legatees, assignees, or representatives, except as to receipt of the amounts described in Section 10; (ii) this Agreement and your contractual right to occupy the Village will exist and continue to exist during your lifetime unless canceled as provided herein; (iii) this Agreement grants you the right to occupy and use space in the Village but does not give you exclusive possession of the Residence against us, and you will not be entitled to any rights of specific performance

but will be limited to such remedies as set forth herein and as provided by continuing care law; (iv) this Agreement is not a lease or easement and does not transfer or grant you any interest in real property owned by us; and (v) this Agreement grants to us complete decision-making authority regarding the management and operation of the Village.

11.2 Release. We are not responsible for theft, loss of or damage to your personal property, unless such theft, loss or damage is caused by our negligence or the negligence of our agents or employees, and you hereby release us from any such liability. You may want to obtain at your own expense insurance to protect against such losses.

11.3 Amendment. This Agreement may be amended by agreement of the parties to this Agreement. No amendment of this Agreement shall be valid unless in writing and signed by you and us.

11.4 Law Changes. This Agreement may be modified by us at any time in order to comply with applicable laws or regulations. Further, we may change any part of the Village, including the Residence, to meet the requirements of any applicable law or regulation.

11.5 Entire Agreement. This Agreement and any addenda or amendments thereto contain our entire understanding with respect to your residency at the Village.

11.6 Monthly Statement. You shall receive a monthly statement from us showing the total amount of fees and other charges owed by you, which shall be paid upon receipt and by no later than the fifteenth (15th) day of each month.

11.7 Responsible Party for Business and Financial Decision Making.

Prior to assuming residency at the Village, you agree to execute and deliver to us a Durable Power of Attorney, trust documents, or other documentation naming a responsible party for business and financial decision-making. These documents should be drafted to remain effective notwithstanding your incompetence or disability and shall be in a form acceptable to us. You agree to keep such documents in effect as long as this Agreement is in effect. The person(s) named as your responsible party shall not be a person(s) employed by us or any other entity engaged in the management of the Village.

11.8 Disposition of Furniture, Possessions, and Property.

You agree to make provision by Will or otherwise for the disposition of all of your furniture, property, and possessions located on the premises of the Village within sixty (60) days after the date of residency.

11.9 Nonwaiver. If we fail to insist in any instance upon performance of any of the terms, promises, or conditions of this Agreement, it shall not be construed as a waiver or relinquishment of the future performance of any such terms, promises, or conditions, but your obligation with respect to such future performances shall continue in full force and effect.

11.10 Notices. Any notice required to be given to us under this Agreement shall be in writing and sent certified mail, return receipt requested, with all postage and charges prepaid, or hand-delivered to the Executive Director of the Village at 2600 Croasdaile Farm Parkway; Durham, North Carolina 27705. Such notices shall be dated and signed.

Any notice required to be given to you shall be delivered to you at the Village or at such other place as you shall designate to us in writing and sent by certified mail or hand delivered. All notices mailed in accordance with this Paragraph shall be deemed to be given when mailed whether or not they are actually received.

11.11 Indemnity. We will not be liable for and you agree to indemnify, defend and hold us harmless from claims, damages and 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 that of your guests.

11.12 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.

11.13 Subordination. You agree that all your rights under this Agreement will always be subordinate and junior to the lien of all mortgages or other documents creating liens encumbering the Village, which have been or will be executed by us. Upon request, you agree to execute, acknowledge and deliver to such lender(s) such further written evidence of such subordination as such lender(s) may reasonably require. Except to the extent of your obligation to pay the Monthly Fee and Second Person Monthly Fee, you shall not be liable for any such indebtedness.

11.14 Capacity. This Agreement has been executed on our behalf by our duly authorized agent, and no officer, director, agent or employee of ours shall have any

personal liability hereunder to you under any circumstances. This Agreement will become effective upon acceptance and signature by us.

11.15 Resident. In the case of Joint Residents, the rights and obligations of each are joint and several except as the context of this Agreement otherwise requires.

11.16 Reimbursement for Loss or Damage. You or your responsible party, if applicable, agree to reimburse us for any loss or damage to the Village caused by your intentional, careless, or negligent acts or omissions or that of your guests.

11.17 Charges for Collection. You agree to reimburse us for any charges we incur to collect any unpaid amounts you or your estate owes to us under this Agreement.

11.18 Sale or Transfers of Interest. We may sell or transfer our interest in the Village provided the buyer will agree to assume this Agreement and all other existing Residency Agreements. Upon the assumption of this Agreement by a buyer of the Village and its agreement to perform this Agreement and all other agreements, we will have no further obligation hereunder. Your signature hereto constitutes your consent and approval of any such future transaction.

11.19 Private Employee of Resident. If you need additional services, you can obtain these needed services from a private employee, an independent contractor, or through an agency (personal service provider). In such instances, we strongly advise you to obtain these needed services from a licensed and/or certified home health agency. In any event, you must comply with our policy regarding personal

service providers, and ensure that your private employee, independent contractor, or person you employ through an agency complies with our policies and rules of conduct set forth in our policy. If you fail to follow or enforce the policies and rules set forth therein, then we may elect, at our sole option, to cancel this Agreement.

11.20 Tax Considerations. You should consult with your tax advisor regarding the tax considerations associated with this Agreement as more fully explained in our Disclosure Statement.

11.21 Management. We have engaged the services of Life Care Services LLC ("LCS") to manage the Village. We are not affiliated with LCS nor is LCS responsible for our contractual or financial obligations or the contractual or financial obligations of the Village.

11.22 Governing Law. This Agreement will be governed, interpreted and construed according to the laws of the State of North Carolina.

11.23 Survival of Representations and Obligations. Your representations and obligations under this Agreement, including but not limited to, your obligation to pay all sums owed by you to us, and your agreement to indemnify us as set forth in Paragraph 11.11, and our representations and obligations under this Agreement, will survive any cancellation of your residency in the Village, regardless of the reason for such cancellation and regardless of whether it is initiated by you or by us.

12. MEDIATION AND ARBITRATION.

12.1 Mediation. In the event a dispute, claim or controversy of any kind

arises between the parties – except for those disputes, claims or controversies arising under Paragraph 12.3 below – 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 an 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.

12.2 Arbitration. In the event a dispute, claim or controversy of any kind arising out of or relating to this Agreement – except for those disputes, claims or controversies arising under Paragraph 12.3 below – cannot be resolved through mediation as described in Paragraph 12.1 above, the parties agree that said dispute, claim, or controversy will be submitted to and determined by arbitration in Durham County, North Carolina in accordance with the Federal Arbitration Act. You and we will jointly agree on an arbitrator and the arbitrator will be selected according to the procedure set forth in state law, if applicable. In reaching a decision, the arbitrator shall prepare findings of fact and

conclusions of law. Any direct arbitration costs incurred by you will be borne by you. Costs of arbitration, including our legal costs and attorneys' fees, arbitrators' fees, and similar costs, will be borne by all residents of the Village provided that the arbitrator may choose to award the costs of arbitration against us if the arbitrator determines that the proposed resolution urged by us was not reasonable. If the issue affects more than one (1) resident, we may elect to join all affected residents into a single arbitration proceeding, and you hereby consent to such joinder.

You may withdraw your agreement to arbitrate within thirty (30) days after signing this Agreement by giving written notice of your withdrawal to us. This arbitration clause binds all parties to this Agreement and their spouses, heirs, representatives, executors, administrators, successors, and assigns, as applicable. After cancellation of this Agreement, this arbitration clause shall remain in effect for the resolution of all claims and disputes that are unresolved as of that date.

12.3 Voluntary Arbitration of Negligent Health Care Claims. For all claims for damages in personal injury or wrongful death actions, based on alleged negligence in the provision of health care, the parties may voluntarily elect to submit to arbitration pursuant to the procedures set forth in Article 1H of Chapter 90 of the North Carolina General Statutes. N.C. G.S. §90-21.60(b) prohibits any contract from requiring prior agreement of the parties to arbitrate negligent health care claims. Thus, Paragraphs 12.1 and 12.2 do not apply to personal injury or wrongful death actions based on alleged negligence in the provision of health care. If the parties agree to arbitrate such actions, said arbitration will

be governed in accordance with N.C.G.S. §90-21.60, *et seq.*

UNITED METHODIST RETIREMENT HOMES, INCORPORATED

You hereby certify that you received a copy of this Agreement and a copy of our most current Disclosure Statement dated _____, 20____.

By _____
Executive Director

Executed this _____ day of _____, 20_____.

Date: _____

RESIDENT

By _____
Authorized Agent of UMRH

Witness

Date: _____

RESIDENT

Attachment: Exhibit A

Witness



02/06/2018

Expansion Standard Residency Agreement (2018-02-06) CLEAN

Exhibit A

Options and Custom Features Added at Resident's Request:	Amount
	\$
	\$
	\$
	\$
	\$
	\$
Total	\$

Initials _____
Community

Resident(s)

Resident(s)

ATTACHMENT 6

Communities Managed by Life Care Services LLC

**SENIOR LIVING COMMUNITIES MANAGED
BY LIFE CARE SERVICES
AS OF 12/13/2018**

Alabama, Hoover – Danberry at Inverness
Arizona, Chandler – Clarendale of Chandler
Arizona, Peoria – Sierra Winds
Arizona, Phoenix – Sagewood
Arizona, Tempe (Phoenix) – Friendship Village of Tempe
California, Carlsbad – LaCosta Glen and GlenBrook
California, Cupertino – Forum at Rancho San Antonio, The
California, Fullerton – Morningside of Fullerton and Park Vista
California, Pleasanton – Stoneridge Creek Pleasanton and CreekView
California, San Diego – Casa de las Campanas
California, San Rafael – Aldersly Garden Retirement Community
California, Thousand Oaks – University Village at Thousand Oaks and Oak View
Connecticut, Essex – Essex Meadows
Connecticut, Mystic – StoneRidge
Connecticut, Redding – Meadow Ridge
Connecticut, Southbury – Pomperaug Woods
Florida, Boca Raton – Toby & Leon Cooperman Sinai Residences of Boca Raton
Florida, Celebration – Windsor at Celebration
Florida, Naples – Bayshore Memory Care
Florida, Naples – The Glenview at Pelican Bay
Florida, Orlando – Gentry Park
Florida, Palm City – Sandhill Cove
Florida, Poinciana – Tuscan Isle
Florida, Wesley Chapel – Beach House Assisted Living & Memory Care at Wiregrass Ranch
Georgia, Columbus – Spring Harbor at Green Island
Georgia, Cumming – Towne Club at Windermere
Georgia, Evans – Brandon Wilde
Georgia, Greensboro – Glen at Lake Oconee Village, The
Georgia, Savannah – Marshes of Skidaway Island, The
Georgia, Stone Mountain – Park Springs
Hawaii, Honolulu – Hale Ola Kino
Illinois, Addison – Clarendale of Addison
Illinois, Algonquin – Clarendale of Algonquin
Illinois, Chicago – Clare, The
Illinois, Godfrey – United Methodist Village
Illinois, Lincolnshire – Sedgebrook
Illinois, Lincolnwood – Carrington at Lincolnwood, The
Illinois, Long Grove – Arboria of Long Grove
Illinois, Mokena – Clarendale of Mokena
Illinois, Naperville – Monarch Landing
Illinois, St. Charles – River Glen of St. Charles
Illinois, Wheaton – Wyndemere
Indiana, Bloomington – Gentry Park Bloomington
Indiana, Carmel – Magnolia Springs at Bridgewater
Indiana, Greenwood (Indianapolis) – Greenwood Village South
Indiana, Indianapolis – Magnolia Springs Southpointe
Indiana, Indianapolis – Marquette
Indiana, North Manchester – Peabody Retirement Community
Indiana, Schererville – Clarendale of Schererville

Indiana, Terre Haute – Westminster Village
Indiana, West Lafayette – Westminster Village West Lafayette
Iowa, Ames – Green Hills Retirement Community
Iowa, Cedar Rapids – Cottage Grove Place
Kansas, Atchison – Dooley Center
Kansas, Bel Aire – Catholic Care Center
Kentucky, Florence – Magnolia Springs Florence
Kentucky, Lexington – Magnolia Springs Lexington
Kentucky, Louisville – Magnolia Springs East
Kentucky, Louisville – Magnolia Springs at Whipps Mill
Maryland, Annapolis – Baywoods of Annapolis
Maryland, Columbia – Vantage House
Maryland, Pikesville (Baltimore) – North Oaks
Maryland, Timonium – Mercy Ridge
Maryland, Towson (Baltimore) – Blakehurst
Michigan, Battle Creek – NorthPointe Woods
Michigan, Dearborn – Henry Ford Village
Michigan, East Lansing – Burcham Hills
Michigan, Kalamazoo – Friendship Village
Michigan, Waterford – Canterbury on-the-Lake
Minnesota, Plymouth – Trillium Woods
Minnesota, Vadnais Heights – Gable Pines
Missouri, Higginsville – John Knox Village East
Missouri, Kansas City – Kingswood Senior Living Community
Nebraska, Lincoln – Woodlands at Hillcrest, The
New Hampshire, Keene – Hillside Village
New Jersey, Bridgewater – Laurel Circle
New Jersey, Lakewood – Harrogate
New York, Patchogue – Village Walk Patchogue
New York, Purchase – Broadview – Senior Living at Purchase College
North Carolina, Chapel Hill – Cedars of Chapel Hill, The
North Carolina, Charlotte – Cypress of Charlotte, The
North Carolina, Durham – Croasdaile Village
North Carolina, Greensboro – WhiteStone
North Carolina, Greenville – Cypress Glen Retirement Community
North Carolina, Lumberton – Wesley Pines Retirement Community
North Carolina, Raleigh – Cypress of Raleigh, The
North Carolina, Wilmington – Plantation Village
Ohio, Dublin – Friendship Village of Dublin
Ohio, Elyria – Wesleyan Senior Living
Ohio, Mason – Magnolia Springs Loveland
Oklahoma, Bartlesville – Green Country Village
Oregon, Dallas – Dallas Retirement Village
Oregon, Salem – Capital Manor
Pennsylvania, Reading – Heritage of Green Hills
South Carolina, Greenville – Rolling Green Village
South Carolina, Hilton Head Island – Bayshore on Hilton Head Island
South Carolina, Hilton Head Island – Cypress of Hilton Head, The
South Carolina, Sumter – Covenant Place
Tennessee, Brentwood – Heritage at Brentwood, The
Tennessee, Germantown – Gardens of Germantown, The
Tennessee, Hendersonville – Clarendale at Indian Lakes

Texas, Austin – Westminster
Texas, Bedford – Parkwood Healthcare
Texas, Bedford – Parkwood Retirement
Texas, Dallas – Autumn Leaves
Texas, Dallas – Monticello West
Texas, Dallas – Signature Pointe
Texas, Dallas – Walnut Place
Texas, Georgetown – Delaney at Georgetown Village, The
Texas, League City – Delaney at South Shore Harbour, The
Texas, Lubbock – Carillon Senior LifeCare Community
Texas, McKinney – Ivy of McKinney, The
Texas, Richmond – Delaney at Parkway Lakes, The
Texas, Temple – Meridian of Temple
Texas, The Woodlands – Village at the Woodlands Waterway, The
Texas, Victoria – Copperfield Village
Texas, Victoria – Greatwood Homes of Victoria
Texas, Waco – Delaney at Lake Waco, The
Utah, Taylorsville – Summit Vista
Vermont, White River – Village at White River Junction, The
Washington, Issaquah – Timber Ridge at Talus
Wisconsin, Mequon – Newcastle Place
Wisconsin, Milwaukee – Eastcastle Place

ATTACHMENT 7

List of Extra Charges

- **Home Care Services:** *See attached Schedule of Billing Rates for Home Care*

- **Housekeeping:**
 - Weekly Housekeeping: *No charge*
 - Annual Deep Cleaning: *No charge*
 - Additional personal housekeeping: *\$22.00 per hr.*

 - Set-up fee for personal reservations:
(Ponder Auditorium, Resident Meeting Room, etc.)
 - Normal Hours Set-up: *\$17.00 per hr.*
 - Clean-up: *\$17.00 per hr.*
 - Night and/or Weekend Set-up: *\$36.00 flat fee*
 - Weekend Clean-up: *\$36.00 flat fee*

- Note:** *All personal resident services are charged a minimum of one hour.*

- **Laundry:** Croasdaile Village will happily provide personal laundry services to residents.
 - Clothing hourly rate: *\$22.00*
 - Linens hourly rate: *\$22.00*

- **Maintenance:** Croasdaile Village will happily provide personal Maintenance services to residents.
 - Hourly Rate: *\$22.00*

- **Security:**
 - Key Replacement *\$ 5.00 per key*
 - Primus Key Replacement *\$150.00 per key*

- **Telephone:**
 - Call forwarding *\$1.00 monthly*
 - Call waiting *\$1.00 monthly*
 - Three-way calling *\$1.00 monthly*
 - Voice Mail *\$1.00 monthly*
 - Long Distance *\$0.05 per min.*

- **Transportation:**
 - Medical Transportation *No Charge*
 - North Durham (North of NC147) *\$ 5.00*
 - South Durham (South of NC 147) *\$10.00*
 - Hillsborough or Chapel Hill *\$15.00*
 - Mebane *\$20.00*
 - Cary *\$30.00*
 - Roxboro *\$35.00*
 - RDU Airport *\$35.00*

- Raleigh \$40.00

Notes:

1. *Prices listed above are one-way.*
2. *Any approved private trips beyond the location list shall be calculated using vehicle mileage and driver hours added together.*
3. *The department will not provide long-distance personal transportation*

- **Pet Deposit:** \$200.00 per pet

Note: *Resident are required to pay a separate pet deposit for new pets, regardless of previous fees paid.*

Croasdaile Village Home Care: Telephone: (919) 384-2304
 Fax: (919) 384-2449

- **Nursing Assistant Rates -**
 - Monday – Friday: \$18.00
 - Weekends: \$19.00
- **Registered Nurse Rates -**
 - Dressing Change \$35.00
 - Medication Management \$41.25 per week
 - RN Assessment \$75.00
(RN Assessment must be performed at onset of care, and every 60 days thereafter.)
 - RN Hourly Fee \$40.00 per hour

Note: *Nursing Assistant rates are provided in minimum four (4) hour increments.*

- **Nursing Assistant Rates – A La Cart**
 - Monday – Friday: \$20.00/hour
 - Weekends: \$21.00/hour

Note: *A La Cart C.N.A. services billed in two (2) hour increments.*

- **Miscellaneous Charges:**
 - Pet Care \$10.00
 - Medication Reminders \$ 8.00
 - Meal Preparation \$ 8.00
 - Assistance with dressing \$ 8.00
 - Bed turn-down \$ 8.00

Note: *The Miscellaneous charges are billed in 15-minute increments.*

ATTACHMENT 8

Expansion Uses & Sources

SOURCES OF CASH:

Entrance Fee Loan	15,087,000
Long Term - Bank	26,150,000
Long Term - Bond	43,165,000
Refunding Existing Debt	24,990,000

Total Sources of Cash - 109,392,000

USES OF CASH:

Land	95,020
Construction Costs	57,097,814
Preconstruction Services	120,000
Change Order Allowance	1,712,934
Construction (Non-GMP)	954,746

Total Construction Costs - 59,885,494

Design Fees	2,562,463
Interior Design	1,792,094
Financing Costs	1,748,159
Construction Period Interest	5,215,944
Occupancy Development	592,900
Capital Items (Non-GMP)	1,521,924
Travel	89,000
Consultants And Legal	129,425
Filing And Impact Fees	980,000
General Costs	22,000
Development Fee	4,025,611
Marketing Fee	346,701
Start-Up Loss	0
Project Contingency	3,475,260

Subtotal Uses of Cash - 82,481,995

Reserves:

Working Capital Fund	0
Debt Service Reserve	3,643,491
Operating & Health Center Reserve	0
Unrestricted Reserves	0

Total Reserves - 3,643,491

Other Uses:

Refunding Escrow Deposits	23,315,000
Other Uses	(48,486)

Total Other Uses - 23,266,514

Total Uses of Cash - 109,392,000